

1 State of Arkansas
2 93rd General Assembly
3 Fiscal Session, 2022

A Bill

SENATE BILL 86

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By: Senators Hickey, Irvin, Beckham, L. Chesterfield, J. Dismang, Elliott, J. English, Flippo, Gilmore, Hill, K. Ingram, B. Johnson, G. Leding, Rice, B. Sample, D. Sullivan
By: Representatives Wardlaw, Shepherd, Beaty Jr., Beck, M. Berry, S. Berry, Bragg, Brown, C. Cooper, Crawford, Dalby, M. Davis, Dotson, Ennett, Eubanks, K. Ferguson, C. Fite, D. Garner, Godfrey, Hawks, M. Hodges, Hollowell, Hudson, Jett, Love, Maddox, McCullough, S. Meeks, Nicks, Perry, Scott, S. Smith, Speaks, Vaught, Warren, D. Whitaker, Wing, Wooten

For An Act To Be Entitled

AN ACT TO ESTABLISH A FUNDING MECHANISM TO ENSURE SOLVENCY OF THE STATE AND PUBLIC SCHOOL LIFE AND HEALTH INSURANCE PROGRAM; TO DECLARE AN EMERGENCY; AND FOR OTHER PURPOSES.

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Subtitle

TO ESTABLISH A FUNDING MECHANISM TO ENSURE SOLVENCY OF THE STATE AND PUBLIC SCHOOL LIFE AND HEALTH INSURANCE PROGRAM; AND TO DECLARE AN EMERGENCY.

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BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

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SECTION 1. Arkansas Code Title 21, Chapter 5, Subchapter 4, is amended to add an additional section to read as follows:

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21-5-419. Mandatory reserve balance – Funding mechanism established to maintain reserve balance – Legislative intent – Definition.

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(a) It is the intent of the General Assembly that:

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(1) The Director of the Employee Benefits Division shall:

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(A) Maintain a reserve balance to ensure the solvency of the State and Public School Life and Health Insurance Program; and

(B) Work to achieve an optimal reserve balance of fourteen



1 percent (14%) to ensure the solvency of the program; and

2 (2) Maintaining an optimal reserve balance is necessary to
3 moderate the effect of premium rate increases and premium rate decreases on
4 members of the program.

5 (b) As used in this section, "reserve balance" means the amount in a
6 fund that includes the existing balance, minus the claims that have been
7 incurred but not reported, and calculated as a percentage of expenses for
8 each year for the:

9 (1) Arkansas State Employees Health Benefit Plan; or

10 (2) Arkansas Public School Employees Health Benefit Plan.

11 (c)(1) Beginning in plan year 2023, the director shall take any
12 actions necessary to achieve and maintain an optimal reserve balance of
13 fourteen percent (14%) to ensure the solvency of the program.

14 (2) An acceptable reserve balance amount is:

15 (A) No less than twelve percent (12%) for state employees;

16 and

17 (B) No less than twelve percent (12%) for public school

18 employees.

19 (d) Annually by April 30, the director shall:

20 (1) Calculate the projected reserve balance for:

21 (A) The remaining calendar year; and

22 (B) The next three (3) calendar years;

23 (2) Determine whether the amount of revenue collected by the
24 Employee Benefits Division is projected to satisfy the optimal reserve
25 balance for state employees and the optimal reserve balance for public school
26 employees established under subdivision (c)(2) of this section for the
27 remaining calendar year;

28 (3) Notify the Legislative Council of the projected reserve
29 balance for the remaining calendar year as described in subdivision (d)(1)(A)
30 of this section; and

31 (4) Submit for prior approval by the Legislative Council his or
32 her plan to achieve or maintain the optimal reserve balance.

33 (e) If the director's determination under subdivision (d)(1)(A) of
34 this section does not equal or exceed the acceptable reserve balance amount
35 as described in subdivision (c)(2) of this section, the director shall notify
36 the Legislative Council of the need to convene to consider providing

1 additional funding.

2 (f)(1) The Legislative Council shall review the director's
3 determination required under subsection (e) of this section and, if
4 additional funding is needed to maintain the acceptable reserve balance
5 amount as described in subdivision (c)(2) of this section, may:

6 (A) Recommend that the Governor call an extraordinary
7 session of the General Assembly; or

8 (B) Take further action as may be appropriate.

9 (2) If, by July 30 following the Legislative Council's review of
10 the director's determination under subdivision (f)(1) of this section, the
11 General Assembly fails to provide funding to maintain an acceptable reserve
12 balance amount as described in subdivision (c)(2) of this section, the
13 director shall initiate a process to collect the required additional revenue
14 from program participants through premium rate increases or reducing program
15 benefits, or both, for the next plan year.

16 (g)(1) If the director determines that the reserve balance for state
17 employees will exceed sixteen percent (16%) or that the reserve balance for
18 public school employees will exceed sixteen percent (16%), with the approval
19 of the Legislative Council, the director may elect to use the excess to
20 directly benefit the program through lowering of premium rates for the next
21 plan year or through expanding program benefits.

22 (2) If the director does not elect under subdivision (g)(1) of
23 this section to use the amount exceeding sixteen percent (16%) to directly
24 benefit the program through lowering of premium rates for the next plan year
25 or through expanding program benefits, the director shall report to the
26 Legislative Council his or her rationale for not lowering premium rate
27 increases for the next plan year or for not expanding program benefits.

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29 SECTION 2. EMERGENCY CLAUSE. It is found and determined by the
30 General Assembly of the State of Arkansas that the State and Public School
31 Life and Health Insurance Program is inadequate to provide sustainable
32 affordable health benefits for public school employees and state employees;
33 that an urgent need exists to address the state's funding and administration
34 of benefits for public school employees and state employees in order for the
35 program to remain viable and to avoid severe financial hardship to plan
36 participants; and that this act is immediately necessary to provide

1 affordable health benefit options in a timely manner to the state's public
2 school employees participating in the program and state employees
3 participating in the program. Therefore, an emergency is declared to exist,
4 and this act being immediately necessary for the preservation of the public
5 peace, health, and safety shall become effective on:

6 (1) The date of its approval by the Governor;

7 (2) If the bill is neither approved nor vetoed by the Governor,
8 the expiration of the period of time during which the Governor may veto the
9 bill; or

10 (3) If the bill is vetoed by the Governor and the veto is
11 overridden, the date the last house overrides the veto.

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