

STATE OF OKLAHOMA

2nd Session of the 46th Legislature (1998)

CONFERENCE COMMITTEE SUBSTITUTE

FOR ENGROSSED

SENATE BILL NO. 1198

By: Monson of the Senate

and

Askins of the House

CONFERENCE COMMITTEE SUBSTITUTE

An Act relating to employee benefits; amending 67 O.S. 1991, Section 206, which relates to records; correcting language; exempting certain records; amending 74 O.S. 1991, Sections 1304, as last amended by Section 1, Chapter 317, O.S.L. 1996, 1305.1, 1306, as last amended by Section 1, Chapter 362, O.S.L. 1997, 1312, and 1312.2 (74 O.S. Supp. 1997, Sections 1304 and 1306), which relate to the insurance; allowing certain out-of-state providers; making an exception to Board's duties; increasing content of quarterly financial report; increasing distribution of report; providing risk adjustment factor; providing for actuarial services; changing composition of Joint Liaison Committee on State and Education Employees Group Insurance Benefits; mandating quarterly meetings; describing duties of Committee; requiring report by Committee; providing for actuarial services; requiring Board to establish rules and procedures concerning certain records; creating payment rate review task force; establishing duties of task force; requiring report by task force; describing contents of report; requiring feasibility study for a Rate Adjustment Fund Pool; granting conditional authority to establish Rate Adjustment Pool Fund; describing membership of task force; restricting membership of task force; granting unrestricted access of certain documents to task force; providing for actuarial consultant; amending Section 11, Chapter 400, O.S.L. 1992, as last amended by Section 7, Chapter 362, O.S.L. 1997 (74 O.S. Supp. 1997, Section 1371), which relates to employee benefits; requiring the Board to establish a preferred provider organization plan (PPO); establishing when plan will be offered; authorizing the Council to offer a PPO; allowing consultant services; deleting obsolete language; restricting Oklahoma State Employees Benefits Council bidding criteria; deleting language concerning certain authority of Council; granting certain negotiating authority to Council; granting authority to reject bids or restrict enrollment after negotiations; granting authority to Council to make certain communications; requiring certain health maintenance organizations to submit certain information to Council; requiring Council to retain certain information as confidential; requiring Council to promulgate rules concerning communication of certain information; providing for codification; providing effective date; and declaring an emergency.

BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

SECTION 1. AMENDATORY 67 O.S. 1991, Section 206, is amended to read as follows:

Section 206. A. The head of each agency shall:

~~(a)~~ 1. Establish and maintain an active, continuing program for the economical and efficient management of the records of the agency~~;~~;

~~(b)~~ 2. Make and maintain records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures and essential transactions of the agency designed to furnish information to protect the legal and financial rights of the state and of persons directly affected by the agency's activities~~;~~;

~~(c)~~ 3. Submit to the Administrator, in accordance with the standards established by ~~him~~ the Administrator, schedules proposing the length of time each state record series warrants retention for administrative, legal or fiscal purposes after it has been created or received by the agency. The head of each agency also shall submit lists of state records in his or her custody that are not needed in the transaction of current business and that do not have sufficient administrative, legal or fiscal value to warrant their further keeping for disposal in conformity with the requirements of Section 210 of this title~~;~~;

~~(d)~~ 4. Cooperate with the Administrator in the conduct of surveys made by ~~him~~ the Administrator pursuant to the provisions of this act~~;~~ and

~~(e)~~ 5. Comply with the rules, regulations, standards and procedures issued by the Administrator.

B. Confidential health, life, disability and dental claims or related files of the State and Education Employees Group Insurance program shall be exempt from this act.

SECTION 2. AMENDATORY 74 O.S. 1991, Section 1304, as last amended by Section 1, Chapter 317, O.S.L. 1996 (74 O.S. Supp. 1997, Section 1304), is amended to read as follows:

Section 1304. (1) There is hereby created the State and Education Employees Group Insurance Board which shall consist of eight (8) members as follows: The State Insurance Commissioner, or his or her designee who shall be an employee of the Insurance Department, the Director of the Office of State Finance, two members appointed by the Governor, two members appointed by the Speaker of the House of Representatives, and two members appointed by the President Pro Tempore of the Senate. The appointed members shall each receive compensation of Five Hundred Dollars (\$500.00) per month. Appointed members who fail to attend a regularly scheduled monthly meeting of the Board shall not receive the related monthly compensation. In the event an appointed member does not attend at least seventy-five percent (75%) of the regularly scheduled monthly meetings of the Board during a calendar year, the appointing authority may remove said member. A member may also be removed for any other cause as provided by law. A vacancy in the office of the appointed member shall be filled for the unexpired term of office in the same manner as the original appointment.

(2) The initial term of office of the members appointed by the Governor shall expire on January 14, 1991. The members thereafter appointed by the Governor shall serve a term of office of four (4) years which is coterminous with the term of office of the office of the appointing authority.

(3) The initial term of office of one of the members appointed each by the Speaker of the House of Representatives and by the President Pro Tempore of the Senate shall be for the period ending June 30, 1992. The initial term of office of the other member appointed each by the Speaker of the House of Representatives and by the President Pro Tempore of the Senate shall be for the period ending June 30, 1994. Thereafter, the term of office of the members appointed by the Speaker of the

House of Representatives and by the President Pro Tempore of the Senate shall be four (4) years.

(4) The appointed members shall:

(a) have demonstrated professional experience in investment or funds management, public funds management, public or private group health or pension fund management, or group health insurance management; or

(b) be licensed to practice law in this state and have demonstrated professional experience in commercial matters; or

(c) be licensed by the Oklahoma ~~State~~ Accountancy Board ~~of Public Accountancy~~ to practice in this state as a public accountant or a certified public accountant.

In making appointments that conform to the requirements of this subsection, at least one ~~(1)~~ but not more than three ~~(3)~~ members shall be appointed each from paragraphs (b) and (c) of this subsection by the combined appointing authorities.

(5) No appointed member of the State and Education Employees Group Insurance Board shall be a lobbyist registered in this state as provided by law, a health care provider, a plan participant, be employed, directly or indirectly, by any insurance company or carrier, or health care provider, or be employed directly or indirectly, by any firm under contract to the Board for any goods or services whatsoever. Provided, however, if an appointed member of the Board was a plan participant of any insurance plans offered by the Board at the time he or she was appointed to serve as a member of the Board, and the appointed member of the Board forfeited participation in the insurance plans in order to serve on the Board, the member of the Board may resume participation in said insurance plans upon leaving the Board.

(6) The State and Education Employees Group Insurance Board shall not be subject to the provisions of the Oklahoma Sunset Law, Section 3901 et seq. of this title.

(7) The Attorney General shall furnish the Board with legal representation.

(8) The Court Administrator shall designate grievance panel members as shall be necessary. The members of the grievance panel

shall consist of two attorneys licensed to practice law in this state and one state licensed health care professional or health care administrator who has at least three (3) years practical experience, has had or has admitting privileges to a State of Oklahoma hospital, has a working knowledge of prescription medication, or has worked in an administrative capacity at some point in their career. The state health care professional shall be appointed by the Governor.

(9) The Board shall at its first meeting elect one of its members as ~~chairman~~ chair. He shall preside over meetings of the Board and perform such other duties as may be required by the Board.

(10) The Board shall elect another member to serve as ~~vice-chairman~~ vice-chair who shall perform the duties of the ~~chairman~~ chair in the absence of the latter or upon his or her inability or refusal to act.

(11) The Board shall also elect a secretary who shall keep minutes of all meetings and who shall certify to actions of the Board.

(12) The Board shall adopt rules requiring payment for medical and dental services and treatment rendered by duly licensed hospitals, physicians and dentists. Unless the Board has otherwise contracted with the out-of-state health care provider, the Board shall reimburse for medical services and treatment rendered and charged by an out-of-state health care provider at the least at the same percentage level as the network percentage level of the fee schedule established by the State and Education Employees Group Insurance Board if the insured employee was referred to the out-of-state health care provider by a physician or it was an emergency situation and the out-of-state provider was the closest in proximity to the place of residence of the employee which offers the type of health care services needed. For purposes of this paragraph, health care providers shall include but not be limited to physicians, dentists, hospitals and special care facilities.

(13) For purposes of providing health care services to persons living in excess of fifty (50) miles from the Oklahoma border or are residents who need emergency services or are hospitalized while traveling outside the borders of Oklahoma, ~~The~~ the State and Education Employees Group Insurance Board may enter into a contract with out-of-state providers in connection with any PPO or hospital or medical network plan which shall include, but not be limited to, special care facilities and hospitals outside the borders of the State of Oklahoma. The contract for out-of-state providers shall be identical to the in-state provider contracts. The Board, however, shall be prohibited from contracting exclusively with an out-of-state provider(s) for specialized services and shall also contract with an in-state provider(s) as a network provider(s) for specialized services.

(14) The Board shall contract with the Oklahoma Medical Center and the George Nigh Rehabilitation Institute for the provision of their services, on the same basis as other hospitals and providers in the state network, provided however the Board shall have discretion to reduce the co-payment and the deductibles up to fifty percent (50%) at the Oklahoma Medical Center and the George Nigh Rehabilitation Institute, and their medical staffs. For purposes of this subsection, the phrase "Oklahoma Medical Center" shall be limited to the Oklahoma Memorial Hospital, the Children's Hospital of Oklahoma, the O'Donaghue Rehabilitation Institute, and the Child Study Center.

(15) The Administrator shall appoint an advisory committee to the State and Education Employees Group Insurance Board. The advisory committee shall consist of seven (7) members. Of the members appointed to the advisory committee, at least one member must be an active state employee, at least one member must be a retired state employee, at least one member must be an active education employee, at least one member must be a retired education employee, and at least one member must be either an active county employee or a retired county employee.

SECTION 3. AMENDATORY 74 O.S. 1991, Section 1305.1, is amended to read as follows:

Section 1305.1 (1) The State and Education Employees Group Insurance Board shall discharge their duties with respect to the State and Education Employees Group Insurance Act, the State Employees Flexible Benefits Act and the State Employees Disability Program Act solely in the interest of said acts and:

(a) for the exclusive purpose of:

(i) providing benefits to the participants and their dependents, and

(ii) defraying reasonable expenses of administering the State and Education Employees Group Insurance Act, the State Employees Flexible Benefits Act and the State Employees Disability Program Act;

(b) with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims;

(c) by diversifying investments so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so; and

(d) in accordance with the laws, documents and instruments governing the State and Education Employees Group Insurance Act, the State Employees Flexible Benefits Act and the State Employees Disability Program Act.

(2) The monies received by the State and Education Employees Group Insurance Board shall be invested only in assets eligible for the investment of funds of legal reserve life insurance companies in this state as provided for in Sections 1602 through 1611, 1613 through 1620, and 1622 through 1624 of Title 36 of the Oklahoma Statutes. The term admitted assets shall mean the amount of the monies received by the Board and the provisions relating to limitation of investments as a percentage of surplus and loans to policyholders shall be inapplicable with respect to investment of the monies received by the Board.

(3) The Board may procure insurance indemnifying the members of the Board from personal loss or accountability from liability

resulting from a member's action or inaction as a member of the Board.

(4) The Board may establish an investment committee. The investment committee shall be composed of not more than five (5) members of the Board appointed by the ~~chairman~~ chair of the Board. The committee shall make recommendations to the full Board on all matters related to the choice of custodians and managers of the assets of the Board, on the establishment of investment and fund management guidelines, and in planning future investment policy. The committee shall have no authority to act on behalf of the Board in any circumstances whatsoever. No recommendation of the committee shall have effect as an action of the Board nor take effect without the approval of the Board as provided by law.

(5) The Board shall retain qualified investment managers to provide for the investment of the monies received by the Board. The investment managers shall be chosen by a solicitation of proposals on a competitive bid basis pursuant to standards set by the Board. Subject to the overall investment guidelines set by the Board, the investment managers shall have full discretion in the management of those monies of the Board allocated to the investment managers. The Board shall manage those monies not specifically allocated to the investment managers. The monies of the Board allocated to the investment managers shall be actively managed by the investment managers, which may include selling investments and realizing losses if such action is considered advantageous to longer term return maximization. Because of the total return objective, no distinction shall be made for management and performance evaluation purposes between realized and unrealized capital gains and losses.

(6) Funds and revenues for investment by the investment managers or the Board shall be placed with a custodian selected by the Board. The custodian shall be a bank or trust company offering pension fund master trustee and master custodial services. The custodian shall be chosen by a solicitation of proposals on a competitive bid basis pursuant to standards set by the Board. In compliance with the investment policy guidelines of Req. No. 3206Page 8

the Board, the custodian bank or trust company shall be contractually responsible for ensuring that all monies of the Board are invested in income-producing investment vehicles at all times. If a custodian bank or trust company has not received direction from the investment managers of the Board as to the investment of the monies of the Board in specific investment vehicles, the custodian bank or trust company shall be contractually responsible to the Board for investing the monies in appropriately collateralized short-term interest-bearing investment vehicles.

(7) By November 1, 1989, and prior to August 1 of each year thereafter, the Board shall develop a written investment plan for the monies received by the Board.

(8) The Administrator shall compile a quarterly financial report of all the funds of the Board on a fiscal year basis. The report shall be compiled pursuant to uniform reporting standards prescribed by the ~~State~~ Insurance Commissioner for all domestic insurance companies. The report shall include several relevant measures of investment value, including acquisition cost and current fair market value with appropriate summaries of total holdings and returns. The report shall contain combined and individual rate of returns of the investment managers by category of investment, over periods of time. The report shall contain a list of all investments by the State and Education Employees Group Insurance Board and a list of any commissions, fees or payments made for service regarding such investments for that reporting period. The report shall be distributed to the Governor, the Legislative Service Bureau ~~and~~, the Joint Liaison Committee on ~~Fiscal Operations~~ State and Education Employees Group Insurance Benefits and the Cash Management and Investment Oversight Commission. After reviewing the report, the Joint Committee may make written recommendations concerning investment policies or procedures to the Board.

SECTION 4. AMENDATORY 74 O.S. 1991, Section 1306, as last amended by Section 1, Chapter 362, O.S.L. 1997 (74 O.S. Supp. 1997, Section 1306), is amended to read as follows:

Section 1306. The State and Education Employees Group Insurance Board shall administer and manage the group insurance plans and the flexible benefits plan and, subject to the provisions of the State and Education Employees Group Insurance Act, Section 1301 et seq. and the State Employees Flexible Benefits Act, Section 1341 et seq. of this title, shall have the following powers and duties:

1. The preparation of specifications for such insurance plans as the Board may be directed to offer;

2. The authority and duty to request bids through the Purchasing Division of the Department of Central Services for a contract to be the claims administrator for all or any part of such insurance and benefit plans as the Board may be directed to offer. Benefit plan contracts with the State and Education Employees Group Insurance Board, health maintenance organizations, and other third-party insurance vendors shall provide for a risk adjustment factor for adverse selection that may occur against the employer sponsored plan, as determined by the Oklahoma State Employees Benefits Council, based on generally accepted actuarial principles. The risk adjustment factor shall include all members participating in the State and Education Employees Group Insurance Board, health maintenance organizations and other third party insurance vendors plans. The Oklahoma State Employees Benefits Council shall contract with an actuary to provide the above actuarial services in association with the Board's actuary, and shall be reimbursed for these contract expenses by the Board;

3. The determination of the methods of claims administration under such insurance and benefit plans as the Board may be directed to offer;

4. The determination of the eligibility of employees and their dependents to participate in each of the Group Insurance Plans and in such other insurance and benefit plans as the Board may be directed to offer and the eligibility of employees other than education employees to participate in the Life Insurance Plan provided that evidence of insurability shall not be a requirement in determining an employee's initial eligibility;

5. The determination of the amount of employee payroll deductions and the responsibility of establishing the procedure by which such deduction shall be made;

6. The establishment of a grievance procedure by which a three-member grievance panel shall act as an appeals body for complaints by insured employees regarding the allowance and payment of claims, eligibility, and other matters. Except for grievances settled to the satisfaction of both parties prior to a hearing, any person who requests in writing a hearing before the grievance panel shall receive a hearing before the panel. The grievance procedure provided by this paragraph shall be the exclusive remedy available to insured employees having complaints against the insurer. Such grievance procedure shall be subject to the ~~Oklahoma~~ Administrative Procedures Act, Section 250 et seq. of Title 75 of the Oklahoma Statutes including provisions thereof for review of agency decisions by the district court. The grievance panel shall schedule a hearing regarding the allowance and payment of claims, eligibility and other matters within sixty (60) days from the date the grievance panel receives a written request for a hearing unless the panel orders a continuance for good cause shown. Upon written request by the insured employee to the grievance panel and received not less than ten (10) days before the hearing date, the grievance panel shall cause a full stenographic record of the proceedings to be made by a competent court reporter at the insured employee's expense;

7. The continuing study of the operation of such insurance and benefit plans as the Board may be directed to offer including such matters as gross and net costs, administrative costs, benefits, utilization of benefits, and claims administration;

8. The administration of the Health, Dental and Life Insurance Reserve Fund or Funds, the Flexible Benefits Revolving Fund and the Education Employees Group Insurance Reserve Fund;

9. The auditing of the claims paid pursuant to the provisions of the State and Education Employees Group Insurance Act, the State Employees Flexible Benefits Act and the State Employees Disability Program Act;

10. a. To select and contract with federally qualified Health Maintenance Organizations under the provisions of 42 U.S.C., Section 300e et seq. or with Health Maintenance Organizations licensed by the State Department of Health pursuant to Sections 2501 through 2510 of Title 63 of the Oklahoma Statutes for consideration by employees as an alternative to the state self-insured health plan, and to transfer to the HMOs such funds as may be approved for an employee electing HMO alternative services.
- b. HMO contracts shall provide for a risk adjustment factor for adverse selection, that may occur as determined by the Board, based on generally accepted actuarial principles.
- c. Effective for the plan year beginning July 1, 1997, and for each year thereafter, in setting health insurance premiums for active employees and for retirees under sixty-five (65) years of age, HMOs, self-insured organizations and prepaid plans shall set the monthly premium for active employees at a maximum of Ninety Dollars (\$90.00) less than the monthly premium for retirees under sixty-five (65) years of age;

11. For the fiscal year beginning July 1, 1992, to assess and collect a four percent (4%) fee from such contracted HMOs to offset the costs of administration, and to appropriate and pay to the Benefits Council Administration Fund an amount equal to fifty percent (50%) of said fee within ten (10) days of collection;

12. To contract for reinsurance, catastrophic insurance, or any other type of insurance deemed necessary by the Board. Provided, however, that the Board shall not offer a health plan which is owned or operated by the state and which utilizes a capitated payment plan for providers which uses a primary care physician as a gatekeeper to any specialty care provided by

physician-specialists, unless specifically authorized by the Legislature;

13. The Board, pursuant to the provisions of Section 250 et seq. of Title 75 of the Oklahoma Statutes, shall adopt such rules and regulations consistent with the provisions of the State and Education Employees Group Insurance Act as it deems necessary to carry out its statutory duties and responsibilities;

14. The Board shall contract for claims administration services with a private insurance carrier or a company experienced in claims administration of any insurance that the Board may be directed to offer. No contract for claims administration services shall be made unless such contract has been offered for bids through the Purchasing Division of the Department of Central Services. The Board shall contract with a private insurance carrier or other experienced claims administrator to process claims with software that is normally used for its customers;

15. The Board shall contract for utilization review services with a company experienced in utilization review, data base evaluation, market research, and planning and performance of the health insurance plan;

16. The Board shall approve the amount of employee premiums and dependent premiums for such insurance plans as the Board shall be directed to offer for each fiscal year no later than the bid submission date for health maintenance organizations set by the Oklahoma State Employees Benefits Council, which shall be set no later than the third Friday of December of the previous fiscal year. Except as otherwise provided for in Section 1321 of this title, the Board shall not have the authority to adjust the premium rates after approval. The Board shall submit notice of the amount of employee premiums and dependent premiums along with an actuarial projection of the upcoming fiscal year's enrollment, employee contributions, employer contributions, investment earnings, paid claims, internal expenses, external expenses and changes in liabilities to the Director of the Office of State Finance and the Director of the Legislative Service Bureau no later than March 1 of the previous fiscal year.

Effective for the plan year beginning July 1, 1997, and for each year thereafter, in setting health insurance premiums for active employees and retirees under sixty-five (65) years of age, the Board shall set the monthly premium for active employees at a maximum of Ninety Dollars (\$90.00) less than the monthly premium for retirees under sixty-five (65) years of age;

17. Before December 1 of each year the Board shall submit to the Director of the Office of State Finance a report outlining the financial condition for the previous fiscal year of all insurance plans offered by the Board. The report shall include a complete explanation of all reserve funds and the actuarial projections on the need for such reserves. The report shall include and disclose an estimate of the future trend of medical costs, the impact from HMO enrollment, antiselection, changes in law, and other contingencies that could impact the financial status of the plan. The Director of the Office of State Finance shall make written comment on the report and shall provide such comment, along with the report submitted by the Board, to the Governor, the President Pro Tempore of the Senate, the Speaker of the House of Representatives and the ~~Chairman~~ Chair of the Oklahoma State Employees Benefits Council by January 15;

18. The Board shall establish a prescription drug card network for the fiscal year beginning July 1, 1990;

19. The Board shall have the authority to intercept monies owing to plan participants from other state agencies, when those participants in turn, owe money to the Board. The Board shall be required to adopt rules and regulations ensuring the participants due process of law;

20. The Board is authorized to make available to eligible employees supplemental health care benefit plans to include but not be limited to long-term care, deductible reduction plans and employee co-payment reinsurance. Premiums for said plans shall be actuarially based and the cost for such supplemental plans shall be paid by the employee; ~~and~~

21. There is hereby created as a joint committee of the State Legislature, the Joint Liaison Committee on State and Education

Employees Group Insurance Benefits, which Joint Committee shall consist of ~~three~~ five members of the Senate to be appointed by the President Pro Tempore thereof and ~~three~~ five members of the House of Representatives to be appointed by the Speaker thereof. The ~~Chairman and Vice Chairman~~ co-chairs of the Joint Committee shall be appointed from the membership thereof by the President Pro Tempore of the Senate and the Speaker of the House of Representatives, respectively, one of whom shall be a member of the Senate and the other shall be a member of the House of Representatives. ~~At the beginning of the first regular session of each Legislature, starting in 1991, the Chairman shall be from the Senate; thereafter the chairmanship shall alternate every two (2) years between the Senate and the House of Representatives.~~ The Joint Committee shall meet at least quarterly, and may, at the call of either co-chair, meet more often as is necessary to perform its duties. Only one co-chair shall chair and conduct the meeting, with the chair position alternating between each co-chair at each meeting.

The Joint Liaison Committee on State and Education Employees Group Insurance Benefits shall function as a committee of the State Legislature when the Legislature is in session and when the Legislature is not in session. Each appointed member of said committee shall serve until his or her successor is appointed.

The Joint Liaison Committee on State and Education Employees Group Insurance Benefits shall have the following duties:

- a. serve as a liaison with the State and Education Employees Group Insurance Board regarding advice, guidance, policy, management, operations, plans, programs and fiscal needs of said Board. ~~Said~~ Except as otherwise provided for in Section 6 of this act, the Board shall not be bound by any action of the Joint Committee.
- b. examine management issues of the state health insurance benefit plan and shall explore and make recommendations on the feasibility of privatizing or retaining a third-party administrator to perform

- plan administration duties, responsibilities and functions for the State Plan,
- c. explore and make recommendations on the feasibility of privatizing the ownership of the State Plan,
 - d. submit a report to the Legislature no later than January 31, 1999,
 - e. may retain an actuarial consultant to assist the Joint Committee in this duty,
 - f. review the State Plan reserves and capitalization policies of the State and Education Employees Group Insurance Board, and may retain an actuarial consultant to assist in this duty,
 - g. compare the State Plan reserves policies of the Board to other public health benefits plan reserve policies,
 - h. make an annual study and report on the plan reserves,
 - i. study the feasibility and necessity of having periodic audits of the third-party administration contracts of the Board, and may retain a plan design consultant to assist in this duty. If it is determined that periodic audits are required, the Joint Committee may request a performance audit; and

22. The Board shall establish rules and procedures for the storage and destruction of confidential health, life, disability and dental claims or related files.

SECTION 5. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 1306.3 of Title 74, unless there is created a duplication in numbering, reads as follows:

A. The Joint Liaison Committee on State and Education Employees Group Insurance Benefits shall create a payment rate review task force on all payments made to providers of medical care by the State and Education Employees Group Insurance Board. The task force is to be composed of independent experts appointed by the Joint Liaison Committee on State and Education Employees Group Insurance Benefits. The task force shall annually review

applicable changes in payment rates which will affect hospital inpatient discharges and outpatient payment methodologies.

B. The task force shall study and make recommendations, as part of its annual report, regarding changes in each existing reimbursement policy by the State and Education Employees Group Insurance Board under which payments to an institution are based upon determined rates and the development of new institutional reimbursement policies under this act.

C. No later than September 1 of each year, the task force shall submit a report to the Joint Liaison Committee on State and Education Employees Group Insurance Benefits containing an examination of issues affecting health care delivery and premium reduction to state and education employees in Oklahoma, including issues related to:

1. Trends in health care costs;
2. The financial condition of hospitals and the effect of the payments made to hospitals under this act on such condition;
3. Trends in the use of health care services under the State and Education Employees Group Insurance Board health plans;
4. New methods used by employers, insurers, and to others to address the use of health care services;
5. Requiring school districts to make an irrevocable election to participate in the state health insurance plan offered by the State and Education Employees Group Insurance Board;
6. Introduction of performance and efficiency incentive into contracts between the State and Education Employees Group Insurance Board and its vendors; and
7. Feasibility study pursuant to subsection D.

The task force shall make, as part of its annual report, recommendations to the Joint Liaison Committee on State and Education Employees Group Insurance Benefits concerning appropriate changes in reimbursement rates which should be used for inpatient and outpatient hospital services.

D. The task force shall study the feasibility of creating a Rate Adjustment Pool Fund, to be controlled by the State and Education Employees Group Insurance Board, from monies in excess

of the adequate plan reserve amounts for the health and dental plans, life insurance plan, and Disability Insurance Program administered by the State and Education Employees Group Insurance Board. The task force shall determine how such fund monies could be invested and how such returns on investments of such fund monies could be used to subsidize the premium rates for health plan coverage. If the task force determines that the creation of such fund is feasible, then it shall set up such fund within the State and Education Employees Group Insurance Board.

E. The task force shall consist of nine (9) members. The membership of the task force shall include individuals with recognized expertise in health economics, health facility management, reimbursement of health facilities or other providers of services which reflect the scope of the task force's responsibilities, a balance of urban and rural representatives, including hospital administrators, physicians, and registered nurses, employers, third party payors, individuals skilled in the conduct and interpretation of biomedical, health services, and health economics research, and individuals having expertise in the research and development of technological and scientific advances in health care. However, no member may be actively employed by a health maintenance organization offered to state and education employees through either the Oklahoma State Employees Benefits Council or the State and Education Employees Group Insurance Board.

F. In order to identify medically appropriate patterns of health resources, the task force shall collect and assess information on medical and surgical procedures and services, including information on variations of medical practice and lengths of hospitalization and on other patient care data, giving special attention to treatment patterns for conditions which appear to involve excessively costly or inappropriate services not adding to the quality of care provided. The task force shall give special attention to the needs of updating existing diagnosis-related groups and establishing new diagnosis-related groups, to

reflect appropriate differences in resource consumption in delivering safe, efficacious and cost effective care.

G. In order to conduct its duties, the task force shall have unrestricted access to all payment rate information of the Oklahoma State and Education Employees Group Insurance Board immediately upon request. The Joint Committee shall provide an actuarial consultant to assist the task force in its duties pursuant to this section.

SECTION 6. AMENDATORY Section 11, Chapter 400, O.S.L. 1992, as last amended by Section 7, Chapter 362, O.S.L. 1997 (74 O.S. Supp. 1997, Section 1371), is amended to read as follows:

Section 1371. A. All participants must purchase at least the basic plan. On or before January 1 of each year, the ~~Oklahoma~~ State Employees Benefits Council shall design the basic plan for the next plan year to insure that the basic plan provides adequate coverage to all participants. All benefit plans, whether offered by the State and Education Employees Group Insurance Board, a health maintenance organization or other vendors shall meet the minimum requirements set by the Council for the basic plan.

B. The Board shall offer health, disability, life and dental coverage to all participants and their dependents. For health, dental, disability and life coverage, the Board shall offer plans at the basic benefit level established by the Council, and in addition, may offer benefit plans that provide an enhanced level of benefits. The Board shall offer a high deductible health benefit plan which, after meeting the higher deductible amount, shall have the same coinsurance and benefit limits as the basic benefit plan but with a higher deductible amount and with copayments which are no greater than the basic benefit plan. The Board shall be responsible for determining the plan design and the benefit price for the plans that they offer.

By December 1, 1998, the Board with the assistance and the approval of the Joint Liaison Committee on State and Education Employees Group Insurance Benefits, created in Section 1306 of this title, shall design an additional health benefit plan which shall be a preferred provider organization (PPO) designed plan.

The additional PPO plan shall be made available as an option for participants for the FY-2000 plan year and for each year thereafter. The Oklahoma State Employees Benefit Council shall be authorized to contract with a PPO to provide health care services to state employees subject to the approval of the Joint Liaison Committee. The Joint Liaison Committee may retain a consultant in benefit design to assist in the development of the additional PPO health benefit plan design.

Effective for the plan year beginning July 1, 1997, and for each year thereafter, in setting health insurance premiums for active employees and for retirees under sixty-five (65) years of age, the Board shall set the monthly premium for active employees at a maximum of Ninety Dollars (\$90.00) less than the monthly premium for retirees under sixty-five (65) years of age.

The benefits price for the basic plan during a plan year shall not exceed the flexible benefits allowance for the same plan year. The Council shall approve the plan designs to assure that they meet the minimum benefit levels.

Nothing in this subsection shall be construed as prohibiting the Board from offering additional medical plans, provided that any medical plan offered to participants shall meet or exceed the benefits provided in the medical portion of the basic plan.

C. A participant may elect the high deductible health benefit plan offered by the Board and any excess flexible benefit allowance remaining after payment of the higher deductible benefit price may be deposited in a medical saving account established in accordance with the Medical ~~Saving~~ Savings Account Act. Any excess flexible benefit allowance deposited in a medical saving account shall not be considered taxable compensation. For purposes of this subsection, "excess flexible benefit allowance" means the remaining flexible benefit allowance amount after deduction of the premium price of the higher deductible benefit plan, the premium price of the selected dental plan and the benefit price for life and disability benefits.

D. In lieu of electing any of the preceding medical benefit plans, a participant may elect medical coverage by any health

maintenance organization made available to participants by the Council. The benefit price of any health maintenance organization shall be determined on a competitive bid basis. Contracts for said plans shall not be subject to the provisions of the Oklahoma Central Purchasing Act, ~~Section 85.1 et seq. of this title.~~ The Council shall promulgate rules establishing appropriate competitive bidding criteria and procedures for contracts awarded for flexible benefits plans. The Council shall not establish excessive benefit pricing as bidding criteria. All plans offered by health maintenance organizations meeting the bid requirements as determined by the Council shall be accepted. The Council shall have the authority to ~~reject the bid or restrict enrollment in any health maintenance organization for~~ negotiate with a health maintenance organization which submits a bid which the Council determines exceeds industry claims expense trends and the benefit price to be excessive does not reflect acceptable loss ratios. If, after negotiating, the health maintenance organization does not revise the bid to lower the benefit price, the Council shall have the authority to reject the bid, restrict enrollment in that health maintenance organization, or to prepare and distribute information in the annual enrollment guide and by other means which communicates to participants that the benefit price exceeds acceptable criteria established by the Council. The Council shall have the authority to reject any plan that does not meet the bid requirements.

All bidders shall submit along with their bid a notarized, sworn statement as provided by Section 85.22 of this title.

E. By September 1, 1998, all health maintenance organizations which are offering a plan to participants shall submit to the Council information regarding utilization data and loss ratios on the state plan business for the FY-97 and FY-98 plan year. By September 1 of each year thereafter, all health maintenance organizations offering a plan to participants shall submit to the Council information regarding utilization data and loss ratios on the state plan business. The Council shall retain as confidential any proprietary information submitted by a health maintenance

organization pursuant to this subsection. The Council shall promulgate rules which establish the type, form, and means by which the information collected on utilization data and loss ratios will be communicated to participating employers and participants by the Council.

F. Effective for the plan year beginning July 1, 1997, and for each year thereafter, in setting health insurance premiums for active employees and for retirees under sixty-five (65) years of age, HMOs, self-insured organizations and prepaid plans shall set the monthly premium for active employees at a maximum of Ninety Dollars (\$90.00) less than the monthly premium for retirees under sixty-five (65) years of age.

~~E.~~ G. Nothing in this section shall be construed as prohibiting the Council from offering additional qualified benefit plans or currently taxable benefit plans.

~~F.~~ H. Each employee of a participating employer who meets the eligibility requirements for participation in the flexible benefits plan shall make an annual election of benefits under the plan during an enrollment period to be held prior to the beginning of each plan year. The enrollment period dates will be determined annually and will be announced by the Council, providing the enrollment period shall end no later than thirty (30) days before the beginning of the plan year.

Each such employee shall make an irrevocable advance election for the plan year or the remainder thereof pursuant to such procedures as the Council shall prescribe. Any such employee who fails to make a proper election under the plan shall, nevertheless, be a participant in the plan and shall be deemed to have purchased the default benefits described in this section.

~~G.~~ I. The Council shall prescribe the forms that participants will be required to use in making their elections, and may prescribe deadlines and other procedures for filing the elections.

~~H.~~ J. Any participant who, in the first year for which he or she is eligible to participate in the plan, fails to make a proper election under the plan in conformance with the procedures set forth in this section or as prescribed by the Council shall be

deemed automatically to have purchased the default benefits. The default benefits shall be the same as the basic plan benefits. Any participant who, after having participated in the plan during the previous plan year, fails to make a proper election under the plan in conformance with the procedures set forth in this section or prescribed by the Council, shall be deemed automatically to have purchased the same benefits which the participant purchased in the immediately preceding plan year, except that the participant shall not be deemed to have elected coverage under the health care reimbursement account plan or the dependent care reimbursement account plan.

~~F.~~ K. Benefit plan contracts with the Board, health maintenance organizations, and other third party insurance vendors shall provide for a risk adjustment factor for adverse selection that may occur, as determined by the Council, based on generally accepted actuarial principles.

SECTION 7. This act shall become effective July 1, 1998.

SECTION 8. It being immediately necessary for the preservation of the public peace, health and safety, an emergency is hereby declared to exist, by reason whereof this act shall take effect and be in full force from and after its passage and approval.

46-2-3206

SJ

(<time=system>)