

ENGROSSED HOUSE AMENDMENT
TO
ENGROSSED SENATE BILL NO. 373

By: Monson of the Senate
and
Askins of the House

(employee benefits - amending 74 O.S., Sections
1306, 1309, 1316.2, 1316.3, 1363, and 1371 - risk
adjustment factor - effective date -
emergency)

AMENDMENT NO. 1. Strike the stricken title, enacting clause and
entire bill and insert

"(employee benefits - amending 74 O.S., Sections
1306, 1309, 1316.2, 1316.3 and 1365 - State and
Education Employees Group Insurance Board -
Oklahoma State Employees Benefits Council - risk
adjustment factors - codification - effective
date -
emergency)

SECTION 1. NEW LAW A new section of law to be codified
in the Oklahoma Statutes as Section 1304.1 of Title 74, unless there
is created a duplication in numbering, reads as follows:

The management and administration of the Oklahoma State and
Education Employees Group Insurance Board shall be put out for
annual bid, with the bid being submitted to the Contingency Review
Board. The Contingency Review Board shall select the lowest and

best bid which provides the group's members the most affordable and comprehensive health benefits plan.

SECTION 2. AMENDATORY 74 O.S. 1991, Section 1306, as last amended by Section 1, Chapter 362, O.S.L. 1997 (74 O.S. Supp. 1998, 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;

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 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~~ Benefit plan contracts with the State and Education 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, as determined by the Board, based on generally accepted actuarial principles. The risk adjustment factor shall include all members participating in the Oklahoma State and Education Employees Group Insurance Board Plan. The Oklahoma State Employees Benefits Council shall contract with an actuary to provide the above actuarial services, and shall be reimbursed for these contract expenses by the Board;
- 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 members of the Senate to be appointed by the President Pro Tempore thereof and three members of the House of Representatives to be appointed by the Speaker thereof. The ~~Chairman~~ Chair and Vice ~~Chairman~~ Chair 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~~ Chair shall be from the Senate; thereafter the ~~chairmanship~~ chairship shall alternate

every two (2) years between the Senate and the House of Representatives.

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 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 Board shall not be bound by any action of the Joint Committee.

SECTION 3. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 1308.2 of Title 74, unless there is created a duplication in numbering, reads as follows:

During any legislative session in which benefits offered by the State and Education Employees Group Insurance Board or the Oklahoma State Employees Benefits Council are modified by legislation, the enrollment period for participating members shall be extended for the purpose of allowing such members to enroll in the modified benefits. However, any extension of the enrollment period may only occur if it is in compliance with the requirements of Title 26, Section 125 et seq. of the Internal Revenue Code of the United States. The State and Education Employees Group Insurance Board and the Oklahoma State Employees Benefits Council shall promulgate rules necessary for the implementation of this section.

SECTION 4. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 1308.3 of Title 74, unless there is created a duplication in numbering, reads as follows:

The calendar year deductible beginning January 1, 1999, for the health and dental insurance plans offered by the State and Education

Employees Group Insurance Board shall be extended six months and shall end June 30, 2000. The next deductible year shall begin on July 1, 2000, and end on June 30, 2001. Thereafter each deductible year shall be a twelve-month period commencing on July 1 of each year and ending on the following June 30. The State and Education Employees Group Insurance Board shall promulgate rules necessary for the implementation of this section.

SECTION 5. AMENDATORY 74 O.S. 1991, Section 1309, is amended to read as follows:

Section 1309. (1) Any eligible employee may elect to have ~~his~~ the dependent or dependents of the employee covered by the Health Insurance Plan and Dental Insurance Plan or by any available Health Maintenance Organization (HMO) approved by the Board. Such election shall be made at the time the employee becomes enrolled in the Plan, under such procedures as the Board may establish. If dependent coverage is not elected at the time an employee becomes enrolled in the Plan, dependent coverage cannot be elected until the next enrollment period as established by the Board. Such subsequent election of dependent coverage shall be made under such conditions as the Board may impose.

(2) Any employee with dependent coverage, as provided in this section, who has a change in the number of his dependents may at the time of such change increase or decrease the number of dependents covered by the Health Insurance Plan and Dental Insurance Plan or approved HMO plans, under procedures established by the Board.

(3) Any employee who has no eligible dependents at the time he becomes enrolled may elect dependent coverage at the time his dependency status changes under procedures established by the Board.

(4) Notwithstanding any other provision of law, an eligible employee, including an eligible education employee, shall not be required to cover his or her spouse in order to cover his or her children.

SECTION 6. AMENDATORY 74 O.S. 1991, Section 1316.2, as last amended by Section 6, Chapter 256, O.S.L. 1998 (74 O.S. Supp. 1998, Section 1316.2), is amended to read as follows:

Section 1316.2 (1) Any employee other than an education employee who retires pursuant to the provisions of the Oklahoma Public Employees Retirement System or who has a vested benefit pursuant to the provisions of the Oklahoma Public Employees Retirement System may continue in force the health and dental insurance benefits authorized by the provisions of the State and Education Employees Group Insurance Act, if such election to continue in force is made within thirty (30) days from the date of termination of service. Health insurance benefits offered pursuant to this section shall include the state indemnity plan, managed care plans offered in alternative to the state indemnity plan, Medicare supplements offered by the Oklahoma State and Education Employees Group Insurance Board which shall include prescription drug coverage, and Medicare risk-sharing contracts offered in alternative to the Board's Medicare supplement. Provided, all Medicare risk-sharing contracts shall be subject to a risk adjustment factor, based on generally accepted actuarial principals for adverse selection which may occur. Except as otherwise provided for in ~~Section 4 of this act~~ 840-2.27I of this title, or pursuant to subsection 10 of this section, health and dental insurance coverage may not be reinstated at a later time if the election to continue in force is declined. Vested employees other than education employees who have terminated service and are not receiving benefits and effective July 1, 1996, nonvested persons who have terminated service with more than eight (8) years of participating service with a participating employer, who within thirty (30) days from the date of termination elect to continue such coverage, shall pay the full cost of said insurance premium at the rate and pursuant to the terms and conditions established by the

Board. Provided also, any employee other than an education employee who commences employment with a participating employer on or after September 1, 1991, who terminates service with such employer on or after July 1, 1996, but who otherwise has insufficient years of service to retire or terminate service with a vested benefit pursuant to the provisions of the Oklahoma Public Employees Retirement System or to elect to continue coverage as a nonvested employee as provided in this section, but who, immediately prior to employment with the participating employer was covered as a dependent on the health and dental insurance policy of a spouse who was an active employee other than an education employee, may count as part of his or her credited service for the purpose of determining eligibility to elect to continue coverage under this section, the time during which said terminating employee was covered as such a dependent.

(2) A retired employee other than an education employee who is receiving benefits from the Oklahoma Public Employees Retirement System after September 30, 1988, is under sixty-five (65) years of age and is not otherwise eligible for Medicare and pursuant to subsection (1) of this section elects to continue the health insurance plan shall pay the premium rate for the health insurance minus an amount equal to the premium rate of the Medicare supplement offered by the Oklahoma State and Education Employees Group Insurance Board or Seventy-five Dollars (\$75.00), whichever is less, which shall be paid by the Oklahoma Public Employees Retirement System to the Board in the manner specified in subsection (9) of this section.

(3) A retired employee other than an education employee who is receiving benefits from the Oklahoma Public Employees Retirement System after September 30, 1988, is sixty-five (65) years of age or older or who is under sixty-five (65) years of age and is eligible for Medicare and pursuant to subsection (1) of this section elects

to continue the health insurance plan and elects coverage under the Medicare supplement offered by the Oklahoma State and Education Employees Group Insurance Board shall have Seventy-five Dollars (\$75.00), or the premium rate of the Medicare supplement, whichever is less, paid by the Oklahoma Public Employees Retirement System to the Board in the manner specified in subsection (9) of this section. If the amount paid by the Oklahoma Public Employees Retirement System does not cover the full cost of the Medicare supplement, the retired employee shall pay to the Board the remaining amount if the retired employee wants to continue coverage. If such retiree elects coverage under any Medicare risk-sharing contract, the retiree shall have Seventy-five Dollars (\$75.00) or the premium rate of the Medicare risk-sharing contract selected by the retiree, whichever is less, paid by the Oklahoma Public Employees Retirement System to the Board in the manner specified in subsection (9) of this section. If the amount paid by the Oklahoma Public Employees Retirement System does not cover the full cost of the Medicare risk-sharing contract, the retired employee shall pay to the Board the remaining amount if the retired employee wants to continue coverage.

(4) A retired employee other than an education employee who is receiving benefits from the Oklahoma Law Enforcement Retirement System after September 30, 1988, is under sixty-five (65) years of age and is not otherwise eligible for Medicare and pursuant to subsection (1) of this section elects to continue the health insurance plan shall pay the premium rate for the health insurance minus an amount equal to the premium rate of the Medicare supplement offered by the Oklahoma State and Education Employees Group Insurance Board or Seventy-five Dollars (\$75.00), whichever is less, which shall be paid by the Oklahoma Law Enforcement Retirement System to the Board in the manner specified in subsection (9) of this section.

(5) A retired employee other than an education employee who is receiving benefits from the Oklahoma Law Enforcement Retirement System after September 30, 1988, is sixty-five (65) years of age or older or who is under sixty-five (65) years of age and is eligible for Medicare and pursuant to subsection (1) of this section elects to continue the health insurance plan and elects coverage under the Medicare supplement offered by the Oklahoma State and Education Employees Group Insurance Board shall have Seventy-five Dollars (\$75.00), or the premium rate of the Medicare supplement, whichever is less, paid by the Oklahoma Law Enforcement Retirement System to the Board in the manner specified in subsection (9) of this section. If the amount paid by the Oklahoma Law Enforcement Retirement System does not cover the full cost of the Medicare supplement, the retired employee shall pay to the Board the remaining amount if the retired employee wants to continue coverage. If such retiree elects coverage under any Medicare risk-sharing contract, the retiree shall have Seventy-five Dollars (\$75.00) or the premium rate of the Medicare risk-sharing contract selected by the retiree, whichever is less, paid by the Oklahoma Law Enforcement Retirement System to the Board in the manner specified in subsection (9) of this section. If the amount paid by the Oklahoma Law Enforcement Retirement System does not cover the full cost of the Medicare risk-sharing contract, the retired employee shall pay to the Board the remaining amount if the retired employee wants to continue coverage.

(6) A retired employee other than an education employee who is receiving benefits from the Uniform Retirement System for Justices and Judges after September 30, 1988, is under sixty-five (65) years of age and is not otherwise eligible for Medicare and pursuant to subsection (1) of this section elects to continue the health insurance plan shall pay the premium rate for the health insurance minus an amount equal to the premium rate of the Medicare supplement offered by the Oklahoma State and Education Employees Group

Insurance Board or Seventy-five Dollars (\$75.00), whichever is less, which shall be paid by the Uniform Retirement System for Justices and Judges to the Board in the manner specified in subsection (9) of this section.

(7) A retired employee other than an education employee who is receiving benefits from the Uniform Retirement System for Justices and Judges after September 30, 1988, is sixty-five (65) years of age or older or who is under sixty-five (65) years of age and is eligible for Medicare and pursuant to subsection (1) of this section elects to continue the health insurance plan and elects coverage under the Medicare supplement offered by the Oklahoma State and Education Employees Group Insurance Board shall have Seventy-five Dollars (\$75.00), or the premium rate of the Medicare supplement, whichever is less, paid by the Uniform Retirement System for Justices and Judges to the Board in the manner specified in subsection (9) of this section. If the amount paid by the Uniform Retirement System for Justices and Judges does not cover the full cost of the Medicare supplement, the retired employee shall pay to the Board the remaining amount if the retired employee wants to continue coverage. If such retiree elects coverage under any Medicare risk-sharing contract, the retiree shall have Seventy-five Dollars (\$75.00) or the premium rate of the Medicare risk-sharing contract selected by the retiree, whichever is less, paid by the Uniform Retirement System for the Justices and Judges to the Board in the manner specified in subsection (9) of this section. If the amount paid by the Uniform Retirement System for Justices and Judges does not cover the full cost of the Medicare risk-sharing contract, the retired employee shall pay to the Board the remaining amount if the retired employee wants to continue coverage.

(8) Dependents of a deceased employee other than an education employee who was on active work status or on a disability leave at the time of death or of a participating retirant or of any person

who has elected to receive a vested benefit under the Oklahoma Public Employees Retirement System, the Uniform Retirement System for Justices and Judges or the Oklahoma Law Enforcement Retirement System may continue the health and dental insurance benefits in force provided said dependents pay the full cost of such insurance and they were covered as eligible dependents at the time of such death and such election is made within thirty (30) days of date of death. The eligibility for said benefits shall terminate for the surviving spouse when said spouse remarries or becomes eligible for another group health insurance plan. The eligibility for said benefits shall terminate for the surviving children when said children cease to qualify as dependents.

(9) The amounts required to be paid by the Oklahoma Public Employees Retirement System, the Uniform Retirement System for Justices and Judges and the Oklahoma Law Enforcement Retirement System pursuant to this section shall be forwarded no later than the tenth day of each month following the month for which payment is due by the Oklahoma Public Employees Retirement System Board of Trustees or the Oklahoma Law Enforcement Retirement Board to the State and Education Employees Group Insurance Board for deposit in the Health, Dental and Life Insurance Reserve Fund.

(10) Any employee other than an education employee who retires pursuant to the provisions of the Oklahoma Public Employees Retirement System or who has elected a vested benefit pursuant to the provisions of the Oklahoma Public Employees Retirement System and who does not elect to continue coverage or later ends coverage due to the employee being covered on the insurance of the spouse of the employee, may, only one time, elect to again be covered under the health and dental insurance benefits and all other benefits authorized by the provisions of the State and Education Employees Group Insurance Act, if the spouse of the employee loses coverage for any reason, the application for coverage is made within ninety

(90) days of the spouse's loss of coverage and the employee provides satisfactory evidence of insurability after a break in coverage related to the employee's state service of one hundred eighty (180) days or more. An employee who reinstates health insurance coverage pursuant to this paragraph shall pay the full cost of the insurance premium at the then available rate and pursuant to the rules and enrollment procedures established by the State and Education Employees Group Insurance Board. The employee will be subject to the same rate changes as those made available to all other state vested or retired employees. The employee may elect coverage for the employee's current dependents if the election is made within thirty (30) days of reinstatement of health insurance.

SECTION 7. AMENDATORY 74 O.S. 1991, Section 1316.3, as last amended by Section 7, Chapter 256, O.S.L. 1998 (74 O.S. Supp. 1998, Section 1316.3), is amended to read as follows:

Section 1316.3 (1) Any person who retires pursuant to the provisions of the Teachers' Retirement System of Oklahoma or who has a vested benefit, pursuant to the provisions of the Teachers' Retirement System of Oklahoma may continue in force the health and dental insurance benefits authorized by the provisions of the State and Education Employees Group Insurance Act or may begin the health and dental insurance coverage if the education entity of the person is not a participant in the State and Education Employees Group Insurance Act or if the person did not participate when the education entity of the person participated in the State and Education Employees Group Insurance Act if such election to continue in force or begin is made within thirty (30) days from the date of termination of service. Health insurance benefits offered pursuant to this section shall include the state indemnity plan, managed care plans offered in alternative to the state indemnity plan, Medicare supplements offered by the Oklahoma State and Education Employees Group Insurance Board which shall include prescription drug

coverage, and Medicare risk-sharing contracts offered in alternative to the Board's Medicare supplement. Provided, all Medicare risk-sharing contracts shall be subject to a risk adjustment factor, based on generally accepted actuarial principals for adverse selection which may occur. Except as provided in subsection E of Sections 5-117.5 and 14-108.1 of Title 70 of the Oklahoma Statutes and Section 4 840-2.27I of this title and subsection 10 of this section ~~of this act~~, health and dental insurance coverage may not be reinstated at a later time if the election to continue in force or begin coverage is declined. Vested persons who have terminated service and are not receiving benefits and effective July 1, 1996, nonvested persons who have terminated service with more than ten (10) years of participating service with a qualifying employer, who within thirty (30) days from the date of termination, elect to continue such coverage, shall pay the full cost of said insurance premium at the rate and pursuant to the terms and conditions established by the Board.

(2) (a) A retired person who is receiving benefits from the Teachers' Retirement System of Oklahoma after September 30, 1988, is under sixty-five (65) years of age and is not otherwise eligible for Medicare and pursuant to subsection (1) of this section elects to begin or to continue the health insurance plan shall pay the premium rate for the health insurance minus an amount equal to the premium rate of the Medicare supplement offered by the Oklahoma State and Education Employees Group Insurance Board or the amount determined pursuant to subsection (4) of this section, whichever is less, which shall be paid by the Teachers' Retirement System of Oklahoma to the Board in the manner specified in subsection (8) of this section.

(b) A retired person who is receiving benefits from the Teachers' Retirement System of Oklahoma after June 30, 1993, is under sixty-five (65) years of age and is not otherwise eligible for Medicare and participates in a health insurance plan provided by a

participating education employer of the Teachers' Retirement System of Oklahoma other than a health insurance plan offered pursuant to the State and Education Employees Group Insurance Act or an alternative health plan offered pursuant to the Oklahoma State Employees Benefits Act shall pay the premium rate for the health insurance minus an amount equal to the premium rate of the Medicare supplement offered by the Oklahoma State and Education Employees Group Insurance Board or the amount determined pursuant to subsection (4) of this section, whichever is less, which shall be paid by the Teachers' Retirement System of Oklahoma to said education employer that provides the health insurance plan to said retired person.

(3) (a) A retired person who is receiving benefits from the Teachers' Retirement System of Oklahoma after September 30, 1988, made contributions to the system and is sixty-five (65) years of age or older, or who is under sixty-five (65) years of age and is eligible for Medicare and is a participant in the State and Education Employees Group Insurance Act and elects coverage under the Medicare supplement offered by the Oklahoma State and Education Employees Group Insurance Board, shall have the amount determined pursuant to subsection (4) of this section, or the premium rate of the Medicare supplement, whichever is less, paid by the Teachers' Retirement System of Oklahoma to the Board in the manner specified in subsection (8) of this section. If the amount paid by the Teachers' Retirement System of Oklahoma does not cover the full cost of the Medicare supplement, the retired person shall pay to the Board the remaining amount if the retired person wants to continue the coverage. If such retiree elects coverage under any Medicare risk-sharing contract, the retiree shall have the amount determined pursuant to subsection (4) of this section or the premium rate of the Medicare risk-sharing contract selected by the retiree, whichever is less, paid by the Teachers' Retirement System of

Oklahoma to the Board in the manner specified in subsection (8) of this section. If the amount paid by the Teachers' Retirement System of Oklahoma does not cover the full cost of the Medicare risk-sharing contract, the retired employee shall pay to the Board the remaining amount if the retired employee wants to continue coverage.

(b) A retired person who is receiving benefits from the Teachers' Retirement System of Oklahoma after June 30, 1993, made contributions to the system and is sixty-five (65) years of age or older, or who is under sixty-five (65) years of age and is eligible for Medicare and participates in a health insurance plan provided by a participating education employer of the Teachers' Retirement System of Oklahoma other than a health insurance plan offered pursuant to the State and Education Employees Group Insurance Act or an alternative health plan offered pursuant to the Oklahoma State Employees Benefits Act and elects coverage under the Medicare supplement offered by the Oklahoma State and Education Employees Group Insurance Board, shall have the amount determined pursuant to subsection (4) of this section, or the premium rate of the Medicare supplement, whichever is less, paid by the Teachers' Retirement System of Oklahoma to the education employer that provides the health insurance plan to said retired person. If the amount paid by the Teachers' Retirement System of Oklahoma does not cover the full cost of the Medicare supplement, the retired person shall pay to said employer the remaining amount if the retired person wants to continue the coverage. If such retiree elects coverage under any Medicare risk-sharing contract, the retiree shall have the amount determined pursuant to subsection (4) of this section or the premium rate of the Medicare risk-sharing contract selected by the retiree, whichever is less, paid by the Teachers' Retirement System of Oklahoma to the Board in the manner specified in subsection (8) of this section. If the amount paid by the Teachers' Retirement System of Oklahoma does not cover the full cost of the Medicare risk-

sharing contract, the retired employee shall pay to the Board the remaining amount if the retired employee wants to continue coverage.

(4) Beginning July 1, 1993, the maximum benefit payable by the Teachers' Retirement System of Oklahoma on behalf of a retired person toward said person's monthly premium for health insurance shall be determined in accordance with the following schedule:

	LESS THAN	GREATER THAN	GREATER THAN
	25 YEARS BUT	14.99 YEARS	24.99 YEARS OF
AVERAGE SALARY	15 YEARS OF	OF CREDITABLE	CREDITABLE
USED FOR DETERMINING	CREDITABLE	SERVICE	SERVICE
RETIREMENT ALLOWANCE	SERVICE	SERVICE	SERVICE
Less than \$20,000.00	\$73.00	\$74.00	\$75.00
Less than \$30,000.00 but greater than \$19,999.99	\$72.00	\$73.00	\$74.00
Less than \$40,000.00 but greater than \$29,999.99	\$71.00	\$72.00	\$73.00
\$40,000.00 or greater	\$70.00	\$71.00	\$72.00

(5) If a person retires and begins to receive benefits from the Teachers' Retirement System of Oklahoma or terminates service and has a vested benefit with the Teachers' Retirement System of Oklahoma, the person may elect, in the manner provided in subsection (1) of this section, to participate in the dental insurance plan offered through the State and Education Employees Group Insurance Act. The person shall pay the full cost of the dental insurance.

(6) Those persons who are receiving benefits from the Teachers' Retirement System of Oklahoma and have health insurance coverage which on the operative date of this section is being paid by the education entity from which the person retired shall make the election required in subsection (1) of this section within thirty (30) days of the termination of said health insurance coverage. The person making the election shall give the Board certified

documentation satisfactory to the Board of the termination date of the other health insurance coverage.

(7) Dependents of a deceased education employee who was on active work status or on a disability leave at the time of death or of a participating retirant or of any person who has elected to receive a vested benefit under the Teachers' Retirement System of Oklahoma may continue the health and dental insurance benefits in force provided said dependents pay the full cost of such insurance and they were covered as eligible dependents at the time of such death and such election is made within thirty (30) days of date of death. The eligibility for said benefits shall terminate for the surviving spouse when said spouse remarries or becomes eligible for another group health insurance plan. The eligibility for said benefits shall terminate for the surviving children when said children cease to qualify as dependents.

(8) The amounts required to be paid by the Teachers' Retirement System of Oklahoma pursuant to this section shall be forwarded no later than the tenth day of each month following the month for which payment is due by the Board of Trustees of the Teachers' Retirement System of Oklahoma to the State and Education Employees Group Insurance Board for deposit in the Education Employees Group Insurance Reserve Fund.

(9) Notwithstanding any provision in this section to the contrary, any person who retires pursuant to the provisions of the Teachers' Retirement System of Oklahoma after June 30, 1995, or terminates service with a vested benefit, pursuant to the provisions of the Teachers' Retirement System of Oklahoma after June 30, 1995, may participate in the health and dental plans authorized by the provisions of the State and Education Employees Group Insurance Act only if said person continues to participate in said insurance plans offered by the State and Education Employees Group Insurance Board for a period of at least three (3) consecutive years immediately

prior to retirement or termination of service, or the education employer from which the person either retires or terminates service with a vested benefit obtains health and dental insurance coverage as provided for in the State and Education Employees Group Insurance Act.

(10) Any employee who retires pursuant to the provisions of the Teachers' Retirement System of Oklahoma or who has elected a vested benefit pursuant to the provisions of the Teachers' Retirement System of Oklahoma and who does not elect to continue coverage or later ends coverage due to the employee being covered on the insurance of the spouse of the employee, may, only one time, elect to again be covered under the health and dental insurance benefits and all other benefits authorized by the provisions of the State and Education Employees Group Insurance Act, if the spouse of the employee loses coverage for any reason, the application for coverage is made within ninety (90) days of the spouse's loss of coverage and the employee provides satisfactory evidence of insurability after a break in coverage related to the employee's state service of one hundred eighty (180) days or more. An employee who reinstates health insurance coverage pursuant to this paragraph shall pay the full cost of the insurance premium at the then available rate and pursuant to the rules and enrollment procedures established by the State and Education Employees Group Insurance Board. The employee will be subject to the same rate changes as those made available to all other state vested or retired employees. The employee may elect coverage for the employee's current dependents if the election is made within thirty (30) days of reinstatement of health insurance.

(11) The Teachers' Retirement System of Oklahoma shall provide the State and Education Employees Group Insurance Board information concerning the employers of retired and vested members necessary to allow the State and Education Employees Group Insurance Board to track eligibility for continued coverage.

SECTION 8. AMENDATORY Section 5, Chapter 400, O.S.L. 1992, as last amended by Section 4, Chapter 362, O.S.L. 1997 (74 O.S. Supp. 1998, Section 1365), is amended to read as follows:

Section 1365. A. The Oklahoma State Employees Benefits Council shall have the following duties, responsibilities and authority with respect to the administration of the plan:

1. To construe and interpret the plan, and decide all questions of eligibility in accordance with this act and the Code;

2. To select those benefits which shall be made available to participants under the plan, according to this act, and other applicable laws and rules;

3. To retain or employ qualified agencies, persons or entities to design, develop, communicate, implement or administer the plan;

4. To prescribe procedures to be followed by participants in making elections and filing claims under the plan;

5. To prepare and distribute information communicating and explaining the plan to participating employers and participants. The State and Education Employees Group Insurance Board, health maintenance organizations, or other third-party insurance vendors may be directly or indirectly involved in the distribution of communicated information to participating state agency employers and state employee participants subject to the following conditions:

- a. the Council shall verify all marketing and communications information for factual accuracy prior to distribution,
- b. the Board or vendors shall provide timely notice of any marketing, communications, or distribution plans to the Council and shall coordinate the scheduling of any group presentations with the Council, and
- c. the Board or vendors shall file a brief summary with the Council outlining the results following any marketing and communications activities;

6. To receive from participating employers and participants such information as shall be necessary for the proper administration of the plan, and any of the benefits offered thereunder;

7. To furnish the participating employers and participants such annual reports with respect to the administration of the plan as are reasonable and appropriate;

8. To keep reports of benefit elections, claims and disbursements for claims under the plan;

9. To appoint an executive director who shall serve at the pleasure of the Council. The executive director shall employ or retain such persons in accordance with this act and the requirements of other applicable law, including but not limited to actuaries and certified public accountants, as he or she deems appropriate to perform such duties as may from time to time be required under this act and to render advice upon request with regard to any matters arising under the plan subject to the approval of the Council. The executive director shall have not less than seven (7) years of group insurance administration experience on a senior managerial level or not less than three (3) years of flexible benefits experience on a senior managerial level. Any actuary or certified public accountant employed or retained under contract by the Council shall have not less than three (3) years' experience in group insurance or employee benefits administration. The compensation of all persons employed or retained by the Council and all other expenses of the Council shall be paid at such rates and in such amounts as the Council shall approve, subject to the provisions of applicable law;

10. To ~~select~~ negotiate for best and final offer through competitive negotiation 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 Department of Health pursuant to Sections 2501 through 2510 of Title 63 of the Oklahoma Statutes for consideration by participants

as an alternative to the health plans offered by the Board, and to transfer to the health maintenance organizations such funds as may be approved for a participant electing health maintenance organization alternative services;

11. To retain as confidential information the initial Request For Proposal offers as well as any subsequent bid offers made by the health plans prior to final contract awards as a part of the best and final offer negotiations process for the benefit plan;

12. To promulgate administrative rules for the competitive negotiation process;

13. To require vendors offering coverage through the Council, including the Board, to provide such enrollment and claims data as is determined by the Council. The Oklahoma State Employees Benefits Council with the cooperation of the Department of Central Services acting pursuant to Section 85.1 et seq. of this title, shall be authorized to retain as confidential, any proprietary information submitted in response to the Council's ~~Invitation to Bid~~ Request For Proposal. Provided, however, that any such information requested by the Council from the vendors shall only be subject to the confidentiality provision of this paragraph if it is clearly designated in the ~~Invitation to Bid~~ Request For Proposal as being protected under this provision. All requested information lacking such a designation in the ~~Invitation to Bid~~ Request For Proposal shall be subject to Section 24A.1 et seq. of Title 51 of the Oklahoma Statutes. From the state plan and health maintenance organizations, data provided shall include the current Health Plan Employer Data and Information Set (HEDIS);

~~12.~~ 14. To purchase any insurance deemed necessary for providing benefits under the plan, provided that the only indemnity plan selected by the Council shall be the indemnity plan offered by the Board, and to transfer to the Board such funds as may be

approved for a participant electing a benefit plan offered by the Board;

~~13.~~ 15. To communicate deferred compensation programs as provided in Section 1701 of this title;

~~14.~~ 16. To assess and collect reasonable fees from the Board, and from such contracted health maintenance organizations and third party insurance vendors to offset the costs of administration as determined by the Council. The Council shall have the authority to transfer income received pursuant to this subsection to the Board for services provided by the Board;

~~15.~~ 17. To accept, modify or reject elections under the plan in accordance with this act and the Code;

~~16.~~ 18. To promulgate election and claim forms to be used by participants; and

~~17.~~ 19. To take all steps deemed necessary to properly administer the plan in accordance with this act and the requirements of other applicable law.

B. The Council members shall discharge their duties as fiduciaries with respect to the participants and their dependents of the plan, and all fiduciaries shall be subject to the following definitions and provisions:

1. A person or organization is a fiduciary with respect to the Council to the extent that the person or organization:

- a. exercises any discretionary authority or discretionary control respecting administration or management of the Council,
- b. exercises any authority or control respecting disposition of the assets of the Council,
- c. renders advice for a fee or other compensation, direct or indirect, with respect to any participant or dependent benefits, monies or other property of the

Council, or has any authority or responsibility to do so, or

- d. has any discretionary authority or discretionary responsibility in the administration of the Council;

2. The Council may procure insurance indemnifying the members of the Council from personal loss or accountability from liability resulting from a member's action or inaction as a member of the Council;

3. Except for a breach of fiduciary obligation, a Council member shall not be individually or personally responsible for any action of the Council;

4. Any person who is a fiduciary with respect to the Council shall be entitled to rely on representations made by participants, participating employers, third party administrators and beneficiaries with respect to age and other personal facts concerning a participant or beneficiaries, unless the fiduciary knows the representations to be false;

5. Each fiduciary shall discharge his or her duties and responsibilities with respect to the Council and the plan solely in the interest of the participants and beneficiaries of the plan according to the terms hereof, for the exclusive purpose of providing benefits to participants and their beneficiaries, with the care, skill, prudence and diligence under the circumstances prevailing from time to time that a prudent ~~man~~ person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims; and

6. The duties and responsibilities allocated to each fiduciary by this act or by the Council shall be the several and not joint responsibility of each, and no fiduciary shall be liable for the act or omission of any other fiduciary unless:

- a. by his or her failure to properly administer his or her specific responsibility he or she enabled such

other person or organization to commit a breach of fiduciary responsibility, or

b. he or she knowingly participates in, or knowingly undertakes to conceal, an act or omission of another person or organization, knowing such act or omission to be a breach, or

c. having knowledge of the breach of another person or organization, he or she fails to make reasonable efforts under the circumstances to remedy said breach.

SECTION 9. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 1306.4 of Title 74, unless there is created a duplication in numbering, reads as follows:

The Oklahoma State and Education Employees Group Insurance Board is prohibited from further increasing rates charged to plan participants until such time as the report is issued from the Payment Rate Review Task Force as required in Section 1306.3 of Title 74 of the Oklahoma Statutes.

SECTION 10. This act shall become effective July 1, 1999.

SECTION 11. 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."

Passed the House of Representatives the 7th day of April, 1999.

Speaker of the House of
Representatives

Passed the Senate the ____ day of _____, 1999.

President of the Senate