

1 STATE OF OKLAHOMA

2 1st Session of the 47th Legislature (1999)

3 COMMITTEE SUBSTITUTE
4 FOR
5 HOUSE BILL NO. 1588

By: Sellers

6
7 COMMITTEE SUBSTITUTE

8 (Oklahoma State and Education Employees Group
9 Insurance Plan - plan year dates - plan design
10 deadline date -
11 effective date)

12
13 BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

14 SECTION 1. AMENDATORY 74 O.S. 1991, Section 1306, as
15 last amended by Section 1, Chapter 362, O.S.L. 1997 (74 O.S. Supp.
16 1998, Section 1306), is amended to read as follows:

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

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

25 2. The authority and duty to request bids through the
26 Purchasing Division of the Department of Central Services for a
27 contract to be the claims administrator for all or any part of such
28 insurance and benefit plans as the Board may be directed to offer;

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

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

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

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

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

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

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

12 10. a. To select and contract with federally qualified Health
13 Maintenance Organizations under the provisions of 42
14 U.S.C., Section 300e et seq. or with Health
15 Maintenance Organizations licensed by the Department
16 of Health pursuant to Sections 2501 through 2510 of
17 Title 63 of the Oklahoma Statutes for consideration by
18 employees as an alternative to the state self-insured
19 health plan, and to transfer to the HMOs such funds as
20 may be approved for an employee electing HMO
21 alternative services.

22 b. HMO contracts shall provide for a risk adjustment
23 factor for adverse selection, that may occur as
24 determined by the Board, based on generally accepted
25 actuarial principles.

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

1 premium for retirees under sixty-five (65) years of
2 age;

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

8 12. To contract for reinsurance, catastrophic insurance, or any
9 other type of insurance deemed necessary by the Board. Provided,
10 however, that the Board shall not offer a health plan which is owned
11 or operated by the state and which utilizes a capitated payment plan
12 for providers which uses a primary care physician as a gatekeeper to
13 any specialty care provided by physician-specialists, unless
14 specifically authorized by the Legislature;

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

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

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

1 16. The Board shall approve the amount of employee premiums and
2 dependent premiums for such insurance plans as the Board shall be
3 directed to offer for each ~~fiscal~~ year no later than the bid
4 submission date for health maintenance organizations set by the
5 Oklahoma State Employees Benefits Council, which for plan year
6 beginning July 1, 2000, shall be set no later than the third Friday
7 of December of the previous fiscal year. The next plan year shall
8 begin January 1, 2002, and on January 1 each year thereafter. For
9 plan year beginning January 1, 2002, and for each year thereafter,
10 the submission date shall be set no later than the third Friday of
11 June of the previous year. Except as otherwise provided for in
12 Section 1321 of this title, the Board shall not have the authority
13 to adjust the premium rates after approval. The Board shall submit
14 notice of the amount of employee premiums and dependent premiums
15 along with an actuarial projection of the upcoming fiscal year's
16 enrollment, employee contributions, employer contributions,
17 investment earnings, paid claims, internal expenses, external
18 expenses and changes in liabilities to the Director of the Office of
19 State Finance and the Director of the Legislative Service Bureau no
20 later than March 1 of the previous fiscal year.

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

27 17. Before December 1 of each year the Board shall submit to
28 the Director of the Office of State Finance a report outlining the
29 financial condition for the previous fiscal year of all insurance
30 plans offered by the Board. The report shall include a complete
31 explanation of all reserve funds and the actuarial projections on
32 the need for such reserves. The report shall include and disclose

1 an estimate of the future trend of medical costs, the impact from
2 HMO enrollment, antiselection, changes in law, and other
3 contingencies that could impact the financial status of the plan.
4 The Director of the Office of State Finance shall make written
5 comment on the report and shall provide such comment, along with the
6 report submitted by the Board, to the Governor, the President Pro
7 Tempore of the Senate, the Speaker of the House of Representatives
8 and the Chairman of the Oklahoma State Employees Benefits Council by
9 January 15;

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

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

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

23 21. There is hereby created as a joint committee of the State
24 Legislature, the Joint Liaison Committee on State and Education
25 Employees Group Insurance Benefits, which Joint Committee shall
26 consist of three members of the Senate to be appointed by the
27 President Pro Tempore thereof and three members of the House of
28 Representatives to be appointed by the Speaker thereof. The
29 Chairman and Vice Chairman of the Joint Committee shall be appointed
30 from the membership thereof by the President Pro Tempore of the
31 Senate and the Speaker of the House of Representatives,
32 respectively, one of whom shall be a member of the Senate and the

1 other shall be a member of the House of Representatives. At the
2 beginning of the first regular session of each Legislature, starting
3 in 1991, the Chairman shall be from the Senate; thereafter the
4 chairmanship shall alternate every two (2) years between the Senate
5 and the House of Representatives.

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

11 The Joint Liaison Committee on State and Education Employees
12 Group Insurance Benefits shall serve as a liaison with the State and
13 Education Employees Group Insurance Board regarding advice,
14 guidance, policy, management, operations, plans, programs and fiscal
15 needs of said Board. Said Board shall not be bound by any action of
16 the Joint Committee.

17 SECTION 2. AMENDATORY 74 O.S. 1991, Section 1321, as
18 amended by Section 2, Chapter 362, O.S.L. 1997 (74 O.S. Supp. 1998,
19 Section 1321), is amended to read as follows:

20 Section 1321. The Board shall have the authority to determine
21 all rates and life, dental and health benefits. All rates shall be
22 compiled in a comprehensive Schedule of Benefits. The Schedule of
23 Benefits shall be available for inspection during regular business
24 hours at the office of the State and Education Employees Group
25 Insurance Board. The Board shall have the authority to annually
26 adjust the rates and benefits based on claim experience. The annual
27 adjustment shall be made no later than the bid submission date for
28 health maintenance organizations set by the Oklahoma State Employees
29 Benefits Council, which for the plan year beginning July 1, 2000,
30 shall be set no later than the third Friday of December of each
31 year. The next plan year shall begin January 1, 2002, and on
32 January 1 each year thereafter. For the plan year beginning January

1 1, 2002, and for each year thereafter, the date shall be set no
2 later than the third Friday of June of each year. The Board may
3 approve a mid-year adjustment provided the need for an adjustment is
4 substantiated by an actuarial determination. The only publication
5 or notice requirements that shall apply to the Schedule of Benefits
6 shall be those requirements provided in the Oklahoma Open Meeting
7 Act. It is the intent of the Legislature that the benefits provided
8 not include cosmetic dental procedures except for certain
9 orthodontic procedures as adopted by the Board.

10 SECTION 3. AMENDATORY Section 3, Chapter 400, O.S.L.
11 1992, as last amended by Section 32, Chapter 2, O.S.L. 1994 (74 O.S.
12 Supp. 1998, Section 1363), is amended to read as follows:

13 Section 1363. The following words and phrases as used in this
14 act, unless a different meaning is clearly required by the context,
15 shall have the following meanings:

16 1. "Authority" means the Oklahoma Health Care Authority;

17 2. "Basic plan" means the plan that provides the least amount
18 of benefits each participant is required to purchase pursuant to the
19 provisions of the plan. The basic plan shall include only health,
20 dental, disability and life benefits;

21 3. "Benefit" means any of the benefits which may be purchased
22 or is required to be purchased under the plan;

23 4. "Benefit plan" means the specific terms and conditions
24 regarding a benefit which may be purchased under the plan, including
25 the terms and conditions of any separate plan document, group
26 insurance policy or administrative services contract entered into by
27 the Council;

28 5. "Benefit price" means the number of flexible benefit dollars
29 needed to purchase a benefit under the plan;

30 6. "Board" means the State and Education Employees Group
31 Insurance Board, as created by the State and Education Employees
32 Group Insurance Act;

1 7. "Code" means the Internal Revenue Code of 1986, as amended,
2 from time to time;

3 8. "Compensation" means the remuneration directly paid to a
4 participating employee by a participating employer exclusive of
5 overtime pay, and longevity pay, calculated prior to and without
6 regard to adjustments arising out of an employee's participation in
7 the plan authorized pursuant to this act, or amounts deferred under
8 the tax sheltered income deferment plans as authorized by Section
9 1701 et seq. of this title;

10 9. "Council" means the Oklahoma State Employees Benefits
11 Council, as created by this act;

12 10. "Default benefit" means any benefit a participant who fails
13 to make a proper election under the plan shall be deemed to have
14 purchased;

15 11. "Dependent" means a participant's spouse or any of his or
16 her dependents as defined in Code Section 152 and regulations
17 promulgated thereunder;

18 12. "Flexible benefit allowance" means the annual amounts
19 credited by the participating employer for each participant for the
20 purchase of benefits under the plan;

21 13. "Flexible benefit dollars" means the sum of the flexible
22 benefit allowance and pay conversion dollars allocated by a
23 participant pursuant to provisions of the plan;

24 14. "Participant" means any officer or employee of a
25 participating employer who is a member of the Oklahoma Law
26 Enforcement Retirement System, the Oklahoma Public Employees
27 Retirement System or the Uniform Retirement System for Justices and
28 Judges, any officer or employee of a participating employer, whose
29 employment is not seasonal or temporary and whose employment
30 requires at least one thousand (1,000) hours of work per year and
31 whose salary and wage is equal to or greater than the hourly wage
32 for state employees as provided in Section 284 of this title, and

1 any employee of a participating employer who is a member of the
2 Teachers' Retirement System of Oklahoma;

3 15. "Participating employer" means any state agency, board,
4 commission, department, institution, authority, officer, bureau,
5 council, office or other entity created by the Oklahoma Constitution
6 or statute that is a participating employer of the Oklahoma Law
7 Enforcement Retirement System, the Oklahoma Public Employees
8 Retirement System or the Uniform Retirement System for Justices and
9 Judges, but shall not include any county, county hospital, city or
10 town, conservation district, any private or public trust in which a
11 county, city or town participates and is the primary beneficiary,
12 any school district or vocational-technical school district, or
13 political subdivision of the state, but shall include the State
14 Department of Education, the Oklahoma Department of Wildlife
15 Conservation, the Oklahoma Employment Security Commission, the
16 Teachers' Retirement System of Oklahoma and the State Department of
17 Vocational and Technical Education. Provided the term
18 "participating employer" shall also mean the State Regents for
19 Higher Education or any institution under the authority of the State
20 Regents for Higher Education upon agreement between the State
21 Regents for Higher Education or the appropriate governing board of
22 an institution under the authority of the State Regents for Higher
23 Education and the Council;

24 16. "Pay conversion dollars" means amounts by which a
25 participant elects to reduce his compensation to purchase benefits
26 under the plan;

27 17. "Plan" means the flexible benefits plan authorized pursuant
28 to the State Employees Flexible Benefits Act as modified by the
29 provisions of this act;

30 18. "Plan year" means for the plan year beginning July 1, 2000,
31 the twelve-month period commencing on July 1 and ending on the
32 following June 30. The next plan year shall begin January 1, 2002.

1 It shall mean the twelve-month period commencing on January 1 and
2 ending on the following December 31;

3 19. "Salary Adjustment Agreement" means a written agreement
4 between a participant and participating employer whereby the
5 employer agrees to adjust the salary of the participant by a stated
6 amount or an amount equal to the cost of benefits selected under the
7 plan and the participating employer agrees to contribute such amount
8 to cover certain costs of the benefits selected by the participant
9 to the Council; and

10 20. "Termination" means the termination of a participant's
11 employment as an employee of a participating employer, whether by
12 reasons of discharge, voluntary termination, retirement, death or
13 reduction-in-force.

14 SECTION 4. AMENDATORY Section 9, Chapter 400, O.S.L.
15 1992 (74 O.S. Supp. 1998, Section 1369), is amended to read as
16 follows:

17 Section 1369. A. A state employee shall be eligible to
18 participate in the plan commencing July 1 of ~~any~~ the plan year
19 beginning July 1, 2000, and commencing January 1 for any plan year
20 beginning after January 1, 2002, provided such employee qualifies as
21 a participant as provided in this act.

22 B. Except to the extent a benefit plan provides otherwise, each
23 participant's eligibility to participate in the plan and each
24 benefit plan shall terminate on the participant's termination.

25 C. Each of the benefit plans incorporated in the plan may have
26 its own eligibility requirements for participation which differ from
27 those set forth in the plan to govern participation in the plan.
28 The eligibility requirements set forth in the plan relate only to
29 participation in the plan and shall have no effect on such
30 eligibility requirements.

1 SECTION 5. AMENDATORY Section 11, Chapter 400, O.S.L.
2 1992, as last amended by Section 7, Chapter 362, O.S.L. 1997 (74
3 O.S. Supp. 1998, Section 1371), is amended to read as follows:

4 Section 1371. A. All participants must purchase at least the
5 basic plan. On or before January 1 of ~~each~~ the plan year beginning
6 July 1, 2000, and July 1 of any plan year beginning after January 1,
7 2002, the Oklahoma State Employees Benefits Council shall design the
8 basic plan for the next plan year to insure that the basic plan
9 provides adequate coverage to all participants. All benefit plans,
10 whether offered by the State and Education Employees Group Insurance
11 Board, a health maintenance organization or other vendors shall meet
12 the minimum requirements set by the Council for the basic plan.

13 B. The Board shall offer health, disability, life and dental
14 coverage to all participants and their dependents. For health,
15 dental, disability and life coverage, the Board shall offer plans at
16 the basic benefit level established by the Council, and in addition,
17 may offer benefit plans that provide an enhanced level of benefits.
18 The Board shall offer a high deductible health benefit plan which,
19 after meeting the higher deductible amount, shall have the same
20 coinsurance and benefit limits as the basic benefit plan but with a
21 higher deductible amount and with copayments which are no greater
22 than the basic benefit plan. The Board shall be responsible for
23 determining the plan design and the benefit price for the plans that
24 they offer. ~~Effective for the plan year beginning July 1, 1997, and~~
25 ~~for each year thereafter, in~~ In setting health insurance premiums
26 for active employees and for retirees under sixty-five (65) years of
27 age, the Board shall set the monthly premium for active employees at
28 a maximum of Ninety Dollars (\$90.00) less than the monthly premium
29 for retirees under sixty-five (65) years of age.

30 The benefits price for the basic plan during a plan year shall
31 not exceed the flexible benefits allowance for the same plan year.
32

1 The Council shall approve the plan designs to assure that they meet
2 the minimum benefit levels.

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

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

18 D. In lieu of electing any of the preceding medical benefit
19 plans, a participant may elect medical coverage by any health
20 maintenance organization made available to participants by the
21 Council. The benefit price of any health maintenance organization
22 shall be determined on a competitive bid basis. Contracts for said
23 plans shall not be subject to the provisions of the Oklahoma Central
24 Purchasing Act, Section 85.1 et seq. of this title. The Council
25 shall promulgate rules establishing appropriate competitive bidding
26 criteria and procedures for contracts awarded for flexible benefits
27 plans. All plans offered by health maintenance organizations
28 meeting the bid requirements as determined by the Council shall be
29 accepted. The Council shall have the authority to reject the bid or
30 restrict enrollment in any health maintenance organization for which
31 the Council determines the benefit price to be excessive. The
32 Council shall have the authority to reject any plan that does not

1 meet the bid requirements. All bidders shall submit along with
2 their bid a notarized, sworn statement as provided by Section 85.22
3 of this title. ~~Effective for the plan year beginning July 1, 1997,~~
4 ~~and for each year thereafter, in~~ In setting health insurance
5 premiums for active employees and for retirees under sixty-five (65)
6 years of age, HMOs, self-insured organizations and prepaid plans
7 shall set the monthly premium for active employees at a maximum of
8 Ninety Dollars (\$90.00) less than the monthly premium for retirees
9 under sixty-five (65) years of age.

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

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

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

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

30 H. Any participant who, in the first year for which he or she
31 is eligible to participate in the plan, fails to make a proper
32 election under the plan in conformance with the procedures set forth

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

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

18 SECTION 6. This act shall become effective November 1, 1999.

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