

1 STATE OF OKLAHOMA

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

3 COMMITTEE SUBSTITUTE  
4 FOR  
5 HOUSE BILL NO. 1822

By: Liotta

6  
7 COMMITTEE SUBSTITUTE

8 An Act relating to state government; amending 74 O.S.  
9 1991, Section 1306, as last amended by Section 1,  
10 Chapter 362, O.S.L. 1997 (74 O.S. Supp. 1998, Section  
11 1306), which relates to the powers and duties of the  
12 State and Education Employees Group Insurance Board;  
13 increasing the membership of the Joint Liaison  
14 Committee on State and Education Employees Group  
15 Insurance Benefits; modifying chairmanship of the  
16 Joint Liaison Committee; modifying duties of the  
17 Joint Liaison Committee; providing an effective date;  
18 and declaring an emergency.

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

20 SECTION 1. AMENDATORY 74 O.S. 1991, Section 1306, as  
21 last amended by Section 1, Chapter 362, O.S.L. 1997 (74 O.S. Supp.  
22 1998, Section 1306), is amended to read as follows:

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

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

31 2. The authority and duty to request bids through the  
32 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;

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

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

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

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

1 cause a full stenographic record of the proceedings to be made by a  
2 competent court reporter at the insured employee's expense;

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

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

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

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

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

28 c. Effective for the plan year beginning July 1, 1997,  
29 and for each year thereafter, in setting health  
30 insurance premiums for active employees and for  
31 retirees under sixty-five (65) years of age, HMOs,  
32 self-insured organizations and prepaid plans shall set

1           the monthly premium for active employees at a maximum  
2           of Ninety Dollars (\$90.00) less than the monthly  
3           premium for retirees under sixty-five (65) years of  
4           age;

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

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

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

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

31           15. The Board shall contract for utilization review services  
32 with a company experienced in utilization review, data base

1 evaluation, market research, and planning and performance of the  
2 health insurance plan;

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

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

25 17. Before December 1 of each year the Board shall submit to  
26 the Director of the Office of State Finance a report outlining the  
27 financial condition for the previous fiscal year of all insurance  
28 plans offered by the Board. The report shall include a complete  
29 explanation of all reserve funds and the actuarial projections on  
30 the need for such reserves. The report shall include and disclose  
31 an estimate of the future trend of medical costs, the impact from  
32 HMO enrollment, antiselection, changes in law, and other

1 contingencies that could impact the financial status of the plan.  
2 The Director of the Office of State Finance shall make written  
3 comment on the report and shall provide such comment, along with the  
4 report submitted by the Board, to the Governor, the President Pro  
5 Tempore of the Senate, the Speaker of the House of Representatives  
6 and the Chairman of the Oklahoma State Employees Benefits Council by  
7 January 15;

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

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

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

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

1 ~~in 1991, the Chairman shall be from the Senate; thereafter the~~  
2 ~~chairmanship shall alternate every two (2) years between the Senate~~  
3 ~~and the House of Representatives.~~ The Joint Committee shall meet at  
4 least quarterly, and may, at the call of either co-chair, meet more  
5 often as is necessary to perform its duties. Only one co-chair  
6 shall chair and conduct the meeting, with the chair position  
7 alternating between each co-chair at each meeting.

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

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

- 15 a. serve as a liaison with the State and Education  
16 Employees Group Insurance Board regarding advice,  
17 guidance, policy, management, operations, plans,  
18 programs and fiscal needs of said Board. ~~Said~~ The  
19 Board shall not be bound by any action of the Joint  
20 Committee,
- 21 b. submit a report to the Legislature no later than  
22 January 31, 2000, summarizing the findings of the  
23 Committee concerning the issues studied pursuant to  
24 subparagraph a of this paragraph. The Joint Committee  
25 may retain an actuarial consultant to assist the Joint  
26 Committee in this duty,
- 27 c. review the State Plan reserves and capitalization  
28 policies of the State and Education Employees Group  
29 Insurance Board, and may retain an actuarial  
30 consultant to assist in this duty,
- 31 d. compare the State Plan reserve policies of the Board  
32 to other public health benefit plan reserve policies,

- 1           e. make an annual study and report of the plan reserves,  
2           and  
3           f. study the feasibility and necessity of having periodic  
4           audits of the third-party administration contracts of  
5           the Board, and may retain a plan design consultant to  
6           assist in this duty. If it is determined that  
7           periodic audits are required, the Joint Committee may  
8           request a performance audit.

9           SECTION 2. This act shall become effective July 1, 1999.

10          SECTION 3. It being immediately necessary for the preservation  
11 of the public peace, health and safety, an emergency is hereby  
12 declared to exist, by reason whereof this act shall take effect and  
13 be in full force from and after its passage and approval.

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