

ENGROSSED HOUSE
BILL NO. 2875

By: Case, Askins, Braddock,
Cargill, Eddins, Hastings,
Ingmire, Liotta, Martin,
McCarter, Morgan (Fred),
Piatt, Smithson, Staggs,
Wilt, Wright and Young of
the House

and

Corn of the Senate

An Act relating to state government; transferring the powers and duties of the Oklahoma State Employees Benefits Council to the State and Education Employees Group Insurance Board; providing for transfer of property, equipment, liabilities and obligations; providing for the administration and enforcement of certain rules; requiring certain study to be done; providing for the disposition of the employees of the Oklahoma State Employees Benefits Council; amending 74 O.S. 2001, Sections 1302, 1303, as amended by Section 1, Chapter 345, O.S.L. 2004, 1306, as last amended by Section 1, Chapter 450, O.S.L. 2005 and 1321, as last amended by Section 4, Chapter 198, O.S.L. 2005 (74 O.S. Supp. 2005, Sections 1303, 1306 and 1321), which relate to the State and Education Employees Group Insurance Act; adding purposes; adding definitions; modifying powers and duties of the State and Education Employees Group Insurance Board; deleting references to the Oklahoma State Employee Benefits Council; amending 74 O.S. 2001, Sections 1366, Section 10, Chapter 439, O.S.L. 2002, 1370, as last amended by Section 3, Chapter 450, O.S.L. 2005, 1371, as last amended by Section 1, Chapter 414, O.S.L. 2004, 1372, as amended by Section 1, Chapter 369, O.S.L. 2003, 1373 and Section 1, Chapter 501, O.S.L. 2002, as last amended by Section 1, Chapter 310, O.S.L. 2004 (74 O.S. Supp. 2005, Sections 1366.1, 1370, 1371, 1372 and 1374), which relate to the Oklahoma State Employees Benefits Act; modifying administration of flexible benefits plan; changing and updating references; deleting obsolete language; deleting procedure for entering into certain contracts; deleting certain employee provisions; clarifying duty to design a basic plan; creating a contract committee within the Oklahoma Insurance Department; providing for membership, reimbursement, and duties of the committee; directing the Insurance Commissioner to provide certain support to the committee; providing for contracts with an independent health care actuarial firm; directing the Department of Central Services to provide staff assistance; requiring certain information to be kept confidential; providing for certain contracts between the State and Education Employees Group Insurance Board and the Insurance Commissioner; specifying

source of monies for certain contracts; modifying contract requirements; deleting requirements for the Board to offer certain plans; deleting certain premium payment requirements; deleting certain contracting requirements; modifying bid acceptance requirements for health maintenance organizations; deleting obsolete primary care physician options provisions; deleting obsolete notification requirement; changing responsibility for plan participation determinations and appeals; modifying appeal hearing procedures; amending 74 O.S. 2001, Sections 1382, 1383 and 1384, which relate to the Wellness Program Act; transferring the Wellness Council to the Office of Personnel Management; updating references to reflect the transfer; requiring the Board to provide funding for certain employees; requiring funding to continue until termination of programs; transferring the Wellness Program Fund to the Office of Personnel Management; amending 63 O.S. 2001, Section 2623, which relates to medical savings accounts; updating reference; amending 74 O.S. 2001, Section 85.12, as last amended by Section 1, Chapter 156, O.S.L. 2005 (74 O.S. Supp. 2005, Section 85.12), which relates to the Oklahoma Central Purchasing Act; deleting exception to the act; amending 74 O.S. 2001, Section 840-2.27D, as last amended by Section 94, Chapter 5, O.S.L. 2004 (74 O.S. Supp. 2005, Section 840-2.27D), which relates to the Oklahoma Personnel Act; updating reference; repealing 74 O.S. 2001, Sections 1361, 1362, 1363, 1364, 1365, as last amended by Section 2, Chapter 450, O.S.L. 2005, Section 3, Chapter 489, O.S.L. 2002, 1368 and 1369 (74 O.S. Supp. 2005, Sections 1365 and 1366.2), which relate to the Oklahoma State Employees Benefits Act; providing for codification; providing for recodification; providing for effective dates; and declaring an emergency.

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

SECTION 1. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 1360 of Title 74, unless there is created a duplication in numbering, reads as follows:

A. The Oklahoma State Employees Benefits Council is hereby abolished effective July 1, 2007. Effective July 1, 2007, all powers, duties, functions, and responsibilities the Oklahoma State Employees Benefits Council has for the flexible benefits plan for state employees shall be transferred to the State and Education Employees Group Insurance Board. The transfer shall include all real property, buildings, furniture, equipment, supplies, records,

personnel, assets, current and future liabilities, fund balances, encumbrances, obligations, and indebtedness associated with the Council.

B. Effective July 1, 2007, all monies remaining in any funds or accounts in the name of the Oklahoma State Employees Benefits Council or maintained for the benefit of the Council are transferred to the State and Education Employees Group Insurance Board.

C. The State and Education Employees Group Insurance Board shall succeed to any contractual rights and responsibilities the Oklahoma State Employees Benefits Council has incurred prior to July 1, 2007.

D. Effective January 1, 2007, the State and Education Employees Group Insurance Board and the Administrator of the Office of Personnel Management shall administer and enforce the rules promulgated by the Oklahoma State Employees Benefits Council regarding programs transferred to the Board and the Administrator of the Office of Personnel Management until the Board and Administrator promulgate their own rules. The Board and Administrator shall have the power to revoke any or all rules of the Council regarding duties administered and enforced by them.

E. The State and Education Employees Group Insurance Board and the Administrator of the Office of Personnel Management shall be responsible for identifying all significant responsibilities not duplicated between the agencies and identifying those positions at the Oklahoma State Employees Benefits Council involved in performance of these unique functions. The results of this determination shall be completed no later than November 1, 2006. The Board and the Administrator shall use the study to help determine which employees of the Council shall be transferred to the Board. The Board and the Administrator shall notify all employees of the Council, by December 1, 2006, of whether or not such employees will be transferred to the Board or the Office of

Personnel Management. Those employees of the Council who are not transferred to the Board or the Office of Personnel Management and who are on pay status as of December 31, 2006, and who are eligible for benefits pursuant to the State Government Reduction-in-Force and Severance Benefits Act shall be paid severance benefits as provided by the State Government Reduction-in-Force and Severance Benefits Act. The Oklahoma State Employees Benefits Council shall not conduct a reduction-in-force to implement this section. Severance benefits shall be paid out of funds of the Council available as of December 31, 2006. All employees eligible for severance benefits pursuant to this section shall retain priority reemployment rights in accordance with the Oklahoma Personnel Act.

F. Those positions identified as unique essential functions shall be transferred to the State and Education Employees Group Insurance Board and the Office of Personnel Management at the same job level and rate of pay as they received as of December 31, 2006, with no lapse of benefits.

G. Effective January 1, 2007:

1. Any reference in the statutes to the Oklahoma State Employees Benefits Council shall be a reference to the State and Education Employees Group Insurance Board; and

2. Any reference in the statutes to the Oklahoma State Employees Benefits Act shall be a reference to the State and Education Employees Group Insurance Act.

SECTION 2. AMENDATORY 74 O.S. 2001, Section 1302, is amended to read as follows:

Section 1302. It is hereby declared that the purpose of ~~this act~~ the State and Education Employees Group Insurance Act is:

~~(a)~~ 1. To provide uniformity in Accident and Health Insurance and/or Benefits Coverage and Life Insurance on all employees of the State of Oklahoma;

~~(b)~~ 2. To enable the state to attract and retain qualified employees by providing health, dental and life insurance benefits similar to those commonly provided in private industry;

~~(c)~~ 3. To recognize and protect the state's investment in each permanent employee by promoting and preserving good health and longevity among state employees;

~~(d)~~ 4. To recognize the service to the state by elected and appointed officials by extending to them the same health, dental and life insurance benefits as are provided herein for state employees;

~~(e)~~ 5. To recognize long and faithful service, and to encourage employees to remain in state service until eligible for retirement by providing health, dental and life insurance benefits for employees; and

~~(f)~~ 6. To ensure state compliance with the Health Maintenance Organization Act of 1973 pursuant to 42 U.S.C., Section 300e et seq.;

7. To provide active state employees with reimbursement for qualifying dependent care expenses for which a dependent care tax credit is not taken, reimbursement for qualifying health care expenses not reimbursed by any other insurance plan or taken as a tax deduction, additional benefits which are currently taxable, additional benefits which are not currently taxable, and cash compensation; and

8. To provide for the coordination and design, in accordance with applicable law, of all employee benefits offered to employees so as to increase the efficient delivery and effectiveness of those benefits.

SECTION 3. AMENDATORY 74 O.S. 2001, Section 1303, as amended by Section 1, Chapter 345, O.S.L. 2004 (74 O.S. Supp. 2005, Section 1303), is amended to read as follows:

Section 1303. ~~For the purposes of and as~~ As used in the State and Education Employees Group Insurance Act:

1. "Board" means the State and Education Employees Group Insurance Board as created by the State and Education Employees Group Insurance Act;

2. "Employee" means those state employees, education employees and other eligible employees participating in the State and Education Employees Group Insurance Act;

3. "Education Employee" means those employees other than adjunct professors employed by a state institution of higher education, in the service of an education entity who are members or are or will be eligible to become members of the Teachers' Retirement System of Oklahoma and who receive compensation for such service after the education entity begins to participate in the State and Education Employees Group Insurance Act and visiting faculty who are not eligible for membership in the Teachers' Retirement System of Oklahoma;

4. "Adjunct Professor" means a person employed by an institution of higher education who is attached in a subordinate or temporary capacity to the faculty or staff, and who is contracted to instruct in a given specific discipline;

5. "Visiting Faculty" means a person employed by an institution of higher education who is not eligible for academic rank or tenure, other than an adjunct professor, and who is contracted to instruct in a given specific discipline generally not to exceed one (1) academic year;

6. "Education Entity" means a school district, a technology center school district, or an institution comprising The Oklahoma State System of Higher Education;

7. "State Employee" means and includes each officer or employee in the service of the State of Oklahoma who, after January 1, 1966, received compensation for service rendered to the State of Oklahoma on a warrant issued pursuant to a payroll certified by a department or by an elected or duly appointed officer of the state or who

receives payment for the performance of personal services on a warrant issued pursuant to a payroll certified by a department and drawn by the State Treasurer against appropriations made by the Legislature from any state fund or against trust funds held by the State Treasurer, who is employed in a position normally requiring actual performance of duty during not less than one thousand (1,000) hours per year, and whose employment is not seasonal or temporary, except that a person elected by popular vote will be considered an employee during the person's tenure in office; provided, however, that employees who are otherwise eligible who are on approved leave without pay shall be eligible to continue coverage during such leave not to exceed twenty-four (24) months, as provided in the Merit Rules for Employment published by the Office of Personnel Management, from the date the employee goes on such leave provided the employee pays the full premiums due or persons who are drawing disability benefits under Section 1331 et seq. of this title or meet each and every requirement of the State Employees Disability Program shall be eligible to continue coverage provided the person pays the full premiums due;

8. "Carrier" means the State of Oklahoma or a state designated Health Maintenance Organization (HMO). Such HMO shall be a federally qualified Health Maintenance Organization under 42 U.S.C., Section 300e et seq.;

9. "Health Insurance Plan" means a self-insured plan by the State of Oklahoma for the purpose of paying the cost of hospital and medical care up to the maximum coverage provided by said plan or prepaid medical plan(s) offered to employees as an alternative to the state-administered plan by federally qualified HMOs which have contracted with the state;

10. "Life Insurance Plan" means a self-insured plan for the purpose of paying death and dismemberment benefits up to the maximum coverage provided by the plan;

11. "Dental Benefits Plan" means a plan by the State of Oklahoma for the purpose of paying the cost of dental care up to the maximum coverage provided by the plan; whenever the term "Dental Insurance Plan" or a term of like import appears in the State and Education Employees Group Insurance Act, the term shall mean "Dental Benefits Plan";

12. "Other insurance" means any type of coverage other than basic hospital and medical benefits, major medical benefits, comprehensive benefits, life insurance benefits or dental insurance benefits, which the Board may be directed to offer;

13. "Dependent" means an employee's spouse or any unmarried child (1) under the age of nineteen (19) years, regardless of residence, provided that the employee is primarily responsible for their support, including (a) an adopted child and (b) a stepchild or child who lives with the employee in a regular parent-child relationship, or (2) under the age of twenty-five (25) and who is dependent upon the employee for support who is enrolled as a full-time student at an accredited secondary school, college, university, or institution of higher learning accredited by the State Department of Education, State Board of Career and Technology Education, Oklahoma State Regents for Higher Education, or the Oklahoma Board of Private Vocational Schools, and (3) regardless of age who is incapable of self-support because of mental or physical incapacity that existed prior to reaching the age of nineteen (19) years;

14. "Comprehensive benefits" means benefits which reimburse the expense of hospital room and board, other hospital services, certain outpatient expenses, maternity benefits, surgical expense, including obstetrical care, in-hospital medical care expense, diagnostic radiological and laboratory benefits, physicians' services provided by house and office calls, treatments administered in physicians' office, prescription drugs, psychiatric services, Christian Science practitioners' services, Christian Science nurses' services,

optometric medical services for injury or illness of the eye, home health care, home nursing service, hospice care, and such other benefits as may be determined by the Board. Such benefits shall be provided on a copayment or coinsurance basis, the insured to pay a proportion of the cost of such benefits, and may be subject to a deductible that applies to all or part of the benefits as determined by the Board; ~~and~~

15. "Life insurance coverage" shall include a maximum amount of basic life insurance or benefit with or without a double indemnity provision and an amount of accidental death and dismemberment insurance or benefit per employee to be provided by the State of Oklahoma, and the employee shall have the option to purchase additional life insurance or benefits on the employee's life up to the amount provided by the plan. Such basic life insurance benefits, with or without double indemnity, and accidental death and dismemberment benefits shall not exclude coverage for death or dismemberment resulting from war, insurrection or riot. The Board may also extend dependent life insurance in an amount to be determined by the Board to each insured employee who elects to insure the employee's eligible dependents. Premiums for the dependent life insurance shall be paid wholly by the employee;

16. "Basic plan" means the least amount of benefits each active state employee is required to purchase pursuant to the provisions of the flexible benefits plan. The basic plan shall include only health, dental, disability and life benefits;

17. "Active state employee benefit plan" means the specific terms and conditions regarding a benefit which may be purchased under the flexible benefits plan, including the terms and conditions of any separate plan document, group insurance policy or administrative services contract entered into by the Board;

18. "Benefit price" means the number of flexible benefit dollars needed to purchase a benefit under the flexible benefits plan;

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

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

21. "Default benefit" means any benefit an active state employee participant who fails to make a proper election under the plan shall be deemed to have purchased;

22. "Health Maintenance Organization" or "HMO" means a federally qualified entity established pursuant to 42 U.S.C., Section 300e et seq.;

23. "Flexible benefit allowance" means the annual amounts credited by the participating employer for each active state employee participant for the purchase of benefits under the plan;

24. "Flexible benefit dollars" means the sum of the flexible benefit allowance and pay conversion dollars allocated by an active state employee participant pursuant to provisions of the flexible benefit plan pursuant to Sections 6 through 11 of this act;

25. "Participating active state employer" means any state agency, board, commission, department, institution, authority, officer, bureau, council, office or other entity created by the Oklahoma Constitution or statute that is a participating employer of the Oklahoma Law Enforcement Retirement System, the Oklahoma Public Employees Retirement System or the Uniform Retirement System for Justices and Judges, but shall not include any county, county

hospital, city or town, conservation district, any private or public trust in which a county, city or town participates and is the primary beneficiary, any school district or technology center school district, or political subdivision of the state, but shall include the State Department of Education, the Oklahoma Department of Wildlife Conservation, the Oklahoma Employment Security Commission, the Teachers' Retirement System of Oklahoma and the Oklahoma Department of Career and Technology Education. Provided, the term "participating employer" shall also mean the Oklahoma State Regents for Higher Education or any institution under the authority of the State Regents for Higher Education upon agreement between the State Regents for Higher Education or the appropriate governing board of an institution under the authority of the State Regents for Higher Education and the Board;

26. "Pay conversion dollars" means amounts by which an active state employee participant elects to reduce compensation of the employee to purchase benefits under the plan;

27. "Flexible benefit plan" means the flexible benefit plan authorized pursuant to the State and Education Employees Group Insurance Act;

28. "Plan year" means the twelve-month period commencing on January 1 and ending on the following December 31; and

29. "Salary adjustment agreement" means a written agreement between an active state employee participant and active state participating employer whereby the employer agrees to adjust the salary of the participant by a stated amount or an amount equal to the cost of benefits selected under the plan and the participating employer agrees to contribute such amount to cover certain costs of the benefits selected by the participant to the Board.

SECTION 4. AMENDATORY 74 O.S. 2001, Section 1306, as last amended by Section 1, Chapter 450, O.S.L. 2005 (74 O.S. Supp. 2005, 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 ~~and the State Employees Flexible Benefits Act~~, shall have the following powers and duties:

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

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 offer;

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

4. To construe and interpret the plan, and decide all questions of eligibility in accordance with the State and Education Employees Group Insurance Act and the Internal Revenue Code of 1986, as amended from time to time. ~~The determination of Board shall determine~~ 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 offer and the eligibility of 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. To select those benefits which shall be made available to participants under the plan, according to the State and Education Employees Group Insurance Act, and other applicable laws and rules;

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

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

8. To prepare and distribute information communicating and explaining the plan to participating employers and participants.

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

9. 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;

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

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

12. To communicate deferred compensation programs as provided in Section 1701 of this title;

13. To assess and collect reasonable fees from such contracted health maintenance organizations and third-party insurance vendors to offset the costs of administration as determined by the Board;

14. To accept, modify or reject elections under the plan in accordance with the State and Education Employees Group Insurance Act and the Code;

15. To promulgate election and claim forms to be used by participants;

16. To take all steps deemed necessary to properly administer the plan in accordance with the State and Education Employees Group Insurance Act and the requirements of other applicable law;

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

~~6.~~ 18. 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~~ The grievance procedure shall be subject to Article II of the Oklahoma Administrative Procedures Act, 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.~~ 19. The continuing study of the operation of such insurance and benefit plans as the Board may offer including such matters as gross and net costs, administrative costs, benefits, utilization of benefits, and claims administration;

~~8.~~ 20. 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.~~ 21. 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.~~ 22. a. To ~~select and contract with~~ offer federally qualified Health Maintenance Organizations under the provisions of 42 U.S.C., Section 300e et seq. or with Health Maintenance Organizations ~~licensed~~ granted a certificate of authority by the Department of Health Insurance Commissioner pursuant to Sections ~~2501~~ 6901 through ~~2510~~ 6951 of Title ~~63~~ 36 of the Oklahoma Statutes for consideration by employees as an alternative to the state self-insured health plan, ~~and to.~~ The Board shall transfer to the HMOs such funds as may be approved for an employee electing HMO alternative services. The Board may also select and contract with a vendor to offer a point-of-service plan. An HMO may offer coverage through a point-of-service plan, subject to the guidelines established by the Board. However, if the Board chooses to offer a point-of-service plan, then a vendor that offers both an HMO plan and a point-of-service plan may choose to offer only its point-of-service plan in lieu of offering its HMO plan.

b. Benefit plan contracts with the State and Education Employees Group Insurance Board, Health Maintenance Organizations, and other third-party insurance vendors shall provide for a risk adjustment factor for adverse selection that may occur, ~~as determined by the Board,~~

based on generally accepted actuarial principles. The risk adjustment factor shall include all members participating in the plans offered by the State and Education Employees Group Insurance Board. The ~~Oklahoma State Employees Benefits Council~~ Insurance Commissioner 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.~~ 23. 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;

~~12.~~ 24. The Board, pursuant to the provisions of ~~Section 250 et seq. of Title 75 of the Oklahoma Statutes~~ Administrative Procedures Act, shall adopt such rules consistent with the provisions of the State and Education Employees Group Insurance Act as ~~it~~ the Board deems necessary to carry out its statutory duties and responsibilities. Emergency Rules adopted by the Board and approved by the Governor which are in effect on the first day of the Regular

Session of the Oklahoma Legislature shall not become null and void until January 15 of the subsequent calendar year;

~~13.~~ 25. 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;

~~14.~~ 26. 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;

~~15.~~ 27. The Board shall approve the amount of employee premiums and dependent premiums for such insurance plans as the Board shall offer for the next plan 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 August.~~ 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.

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;

~~16.~~ 28. 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 Chair of the Oklahoma State Employees Benefits Council by January 15;

~~17.~~ 29. The Board shall establish a prescription drug card network;

~~18.~~ 30. 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;

~~19.~~ 31. 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;

~~20.~~ 32. Beginning with the plan year which begins on January 1, 2006, the Board shall select and contract with one or more providers to offer a group TRICARE Supplement product to eligible employees who are eligible TRICARE beneficiaries. Any membership dues required to participate in a group TRICARE Supplement product offered pursuant to this paragraph shall be paid by the employee. As used in this paragraph, "TRICARE" means the Department of Defense health care program for active duty and retired uniform service members and their families;

~~21.~~ 33. 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 Chair and Vice 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 Chair shall be from the Senate; thereafter the 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~~ the committee shall serve until ~~his or her~~ a 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~~ the Board. ~~Said~~ The Board shall not be bound by any action of the Joint Committee; and

~~22.~~ 34. The State and Education Employees Group Insurance Board shall annually collect its own set of performance measures comparable to the Health Plan Employer Data and Information Set (HEDIS) for the purpose of assessing the quality of its HealthChoice plans and the other services it provides.

SECTION 5. AMENDATORY 74 O.S. 2001, Section 1321, as last amended by Section 4, Chapter 198, O.S.L. 2005 (74 O.S. Supp. 2005, Section 1321), is amended to read as follows:

Section 1321. A. The Board shall have the authority to determine all rates and life, dental and health benefits. All rates shall be compiled in a comprehensive Schedule of Benefits. The Schedule of Benefits shall be available for inspection during regular business hours at the office of the State and Education Employees Group Insurance Board. The Board shall have the authority to annually adjust the rates and benefits based on claim experience.

B. The premiums for such insurance plans offered for the next plan year shall be established as follows:

1. For current employees and their dependents, the Board's premium determination shall be made no later than the bid submission date for health maintenance organizations ~~set by the Oklahoma State Employees Benefits Council~~, which shall be set in August no later than the third Friday of that month; and

2. For all other covered members and dependents, the Board's and the health maintenance organizations' premium determinations shall be no later than the fourth Friday of September.

C. The Board may approve a mid-year adjustment provided the need for an adjustment is substantiated by an actuarial determination or more current experience rating. The only publication or notice requirements that shall apply to the Schedule

of Benefits shall be those requirements provided in the Oklahoma Open Meeting Act. It is the intent of the Legislature that the benefits provided not include cosmetic dental procedures except for certain orthodontic procedures as adopted by the Board.

SECTION 6. AMENDATORY 74 O.S. 2001, Section 1366, is amended to read as follows:

Section 1366. A. ~~The Oklahoma State Employees Benefits Council~~ and Education Employees Group Insurance Board shall establish a flexible benefits plan ~~in accordance with the provisions of Section 1361 et seq. of this title.~~ All participating employers of active state employees shall offer the plan to their eligible employees.

B. The ~~Council~~ Board shall interpret the plan and decide any matters arising thereunder and may adopt ~~such rules and procedures~~ as it deems necessary, desirable or appropriate in the administration of the plan subject to the Administrative Procedures Act. All rules and decisions of the ~~Council~~ Board shall be uniformly and consistently applied to all participants in similar circumstances and shall be conclusive and binding on all persons having an interest in the plan. When making any decision or determination, the ~~Council~~ Board shall be entitled to rely upon ~~such~~ the information as may be furnished to ~~it~~ the Board by a participant, a participating employer, legal counsel, third-party administrator or the management of any individual benefit plan which is incorporated in the plan.

C. The ~~executive director~~ Administrator of the Board, under the direction of the ~~Council~~ Board, may contract with one or more firms or organizations to administer or provide consulting services in regard to all or any portion of the plan.

The ~~Council~~ Board shall solicit proposals on a competitive bid basis. ~~Contracts for the flexible benefits plan shall not be subject to the provisions of the Oklahoma Central Purchasing Act, Section 85.1 et seq. of this title. The Council shall promulgate~~

~~rules establishing appropriate competitive bidding criteria and procedures for contracts awarded for flexible benefits plans. When requested by the Council, the Department of Central Services shall assist the Council in the process of selecting any contracts for the design, development, communication or implementation of the plan.~~

~~When awarding a contract for services pursuant to this subsection, the Council shall satisfy itself that the contractor has no interests which would impair its ability to perform the tasks and services required and that the contractor will exercise proper independent judgment when performing its responsibilities under Section 1361 et seq. of this title and under the contract.~~

D. Expenses included in an employee's salary adjustment agreement pursuant to the flexible benefits plan shall be limited to expenses for:

1. Premiums for any health insurance, health maintenance organization, life insurance, long term disability insurance, dental insurance or high deductible health benefit plan offered to employees and their dependents;

2. Insurance premiums or retirement plan premiums or payments which are supplemental to insurance or retirement programs offered by this state or which are paid for under salary adjustment agreements pursuant to the provisions of Section 7.10 of Title 62 of the Oklahoma Statutes;

3. Dependent care;

4. Medical care, ~~as defined by the Council;~~ and

5. All other eligible benefit programs offered under 26 United States Code Section 125.

E. The amount by which an employee's salary is adjusted pursuant to a salary adjustment agreement shall be excluded from income in computation of income tax withholding, federal insurance contributions act taxes, unemployment payments and workers' compensation coverage. ~~Such~~ The amount shall be included as income

in computation of state retirement contributions and benefits. Provided, if the inclusions and exclusions provided in this subsection conflict with the provisions of federal law or regulations pertaining to flexible benefits plans, the ~~Council~~ Board is authorized to modify or abolish ~~such~~ those inclusions and exclusions.

~~F. 1. Legal representation shall be provided by the Office of the Attorney General.~~

~~2. The executive director shall be the appointing authority and agency head. All other positions and employees shall be classified and subject to the provisions of the Merit System of Personnel Administration except actuaries and other personnel and positions in the unclassified service as provided in Section 840-5.5 of this title.~~

SECTION 7. AMENDATORY Section 10, Chapter 439, O.S.L. 2002 (74 O.S. Supp. 2005, Section 1366.1), is amended to read as follows:

Section 1366.1 A. Beginning January 1, 2007, a contracting committee at the Oklahoma Insurance Department shall be created for the purpose of developing plan designs and requests for proposals and evaluating bids from health maintenance organizations and prepaid dental plans. Membership shall be determined as follows:

1. The Speaker of the Oklahoma House of Representatives, the President Pro Tempore of the Senate, and the Governor shall appoint one member each;

2. The Administrator of the State and Education Employees Group Insurance Board or a designee from the Board with managed care contracting experience;

3. The Insurance Commissioner or a designee from the Oklahoma Insurance Department with managed care experience;

4. The Director of State Finance or a designee from the Office of State Finance with financial management experience; and

5. The Administrator of the Office of Personnel Management or a designee from the Office of Personnel Management.

No member of the contracting committee shall be a lobbyist registered in this state as provided by law, or be employed, directly or indirectly, by any firm or health care provider under contract to the state pursuant to the State and Education Employees Group Insurance Act.

The Insurance Commissioner or a designee of the Commissioner shall convene the initial meeting of the contracting committee. The committee shall elect its own chair and vice-chair.

Members of the contracting committee shall serve without compensation. Members shall receive travel expenses in accordance with the State Travel Reimbursement Act.

B. The Insurance Commissioner shall provide administrative and legal support to the committee. The Commissioner, in consultation with the contracting committee, shall contract with an independent health care actuarial firm for the health maintenance organization and prepaid dental plan bid process and the risk adjustment factor pursuant to Section 1306 of this title. The Central Purchasing Director at the Department of Central Services may provide staff assistance to the contracting committee. The independent actuarial health care firm shall work solely with the contracting committee and the Purchasing Director of the Department of Central Services. The contracting committee and the Purchasing Director of the Department of Central Services shall have the following duties and responsibilities:

1. 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 negotiation process for the benefit plans; and

2. To require vendors offering coverage through the Board to provide enrollment and claims data as is determined by the

contracting committee created by subsection A of this section. The contracting committee, in conjunction with the Department of Central Services acting pursuant to the Oklahoma Central Purchasing Act, shall be authorized to retain as confidential any proprietary information submitted in response to the Request for Proposal. Provided, however, that any proprietary information requested by the contracting committee from the vendors shall only be subject to the confidentiality provision of this paragraph if it is clearly designated in the Request for Proposal as being protected under this provision. All requested information not designated confidential in the Request for Proposal shall be subject to the Oklahoma Open Records Act. Confidential rate information submitted by health maintenance organizations shall only be viewed by the independent actuary and not by members of the contracting committee. Data from health maintenance organizations shall include the current Health Plan Employer Data and Information Set (HEDIS).

C. The State and Education Employees Group Insurance Board shall contract with the Insurance Commissioner to pay for the legal and administrative expenses associated with subsection B of this section and the contract with the independent health care actuarial firm retained to provide services to the contracting committee in accordance with subsection B of this section. The monies for the contract between the Board and the Commissioner shall come from fees assessed by the Board on health maintenance organizations and prepaid dental plans.

D. Notwithstanding any other provision of law to the contrary, for contracts relating to the plan year beginning January 1, 2003 2008, and for each plan year thereafter, the Oklahoma State Employees Benefits Council and the State and Education Employees Group Insurance Board committee shall:

- a. ~~develop~~

1. Develop geographic service areas and list the zip codes contained in ~~such~~ the service areas. Each participating health maintenance organization shall not be required to offer enrollment in every service area as a condition to participation in the State Account~~;~~;

b. ~~not~~

2. Not require participating health maintenance organizations to offer a Medicare supplement plan. However, if the participating health maintenance organization offers a Medicare supplement plan to other entities within this state then it shall be required to offer a Medicare supplement plan~~;~~; and

c. ~~require~~

3. Require participating health maintenance organizations to meet the standardized benefit plan ~~as if~~ if required by the ~~Oklahoma State Employees Benefits Council~~ committee. However, participating health maintenance organizations may offer enhancements in an effort to make their plans more attractive and competitive~~,~~and

d. ~~ensure that all premiums are paid to participating health maintenance organizations within sixty (60) calendar days from receipt of the bill.~~

SECTION 8. AMENDATORY 74 O.S. 2001, Section 1370, as last amended by Section 3, Chapter 450, O.S.L. 2005 (74 O.S. Supp. 2005, Section 1370), is amended to read as follows:

Section 1370. A. Subject to the requirement that a participant must elect the default benefits, the basic plan, or is a person who has retired from a branch of the United States military and has been provided with health care through a federal plan and provides proof of this coverage, flexible benefit dollars may be used to purchase any of the benefits offered by the ~~Oklahoma State~~ and Education ~~Employees Benefits Council~~ Group Insurance Board under the flexible benefits plan. A participant who has provided proof of other coverage as described in this subsection shall not receive flexible

benefit dollars if the person elects not to purchase any benefits. A participant's flexible benefit dollars for a plan year shall consist of the sum of (1) flexible benefit allowance credited to a participant by the participating employer, and (2) pay conversion dollars elected by a participant.

B. Each participant shall be credited annually with a specified amount as a flexible benefit allowance which shall be available for the purchase of benefits. The amount of the flexible benefit allowance credited to each participant shall be communicated to ~~him~~ ~~or her~~ the participant prior to the enrollment period for each plan year.

C. Except as provided in subsection D of this section, for the plan year ending December 31, 2001, and each plan year thereafter, the amount of a participant's benefit allowance, which shall be the total amount the employer contributes for the payment of insurance premiums or other benefits, shall be:

1. The greater of Two Hundred Sixty-two Dollars and nineteen cents (\$262.19) per month or an amount equal to the sum of the average monthly premiums of all high option health insurance plans, excluding the point-of-service plans, the average monthly premiums of the dental plans, the monthly premium of the disability plan, and the monthly premium of the basic life insurance plan offered to state employees or the amount determined by the ~~Council~~ Board based on a formula for determining a participant's benefit credits consistent with the requirements of 26 U.S.C., Section 125(g) (2) and regulations thereunder; or

2. The greater of Two Hundred Twenty-four Dollars and sixty-nine cents (\$224.69) per month or an amount equal to the sum of the average monthly premiums of all high option health insurance plans, excluding the point-of-service plans, the average monthly premiums of the dental plans, the monthly premium of the disability plan, and the monthly premium of the basic life insurance plan offered to

state employees plus one of the additional amounts as follows for participants who elect to include one or more dependents:

- a. for a spouse, seventy-five percent (75%) of the average price of all high option benefit plans, excluding the point-of-service plans, available for coverage of a spouse,
- b. for one child, seventy-five percent (75%) of the average price of all high option benefit plans available, excluding the point-of-service plans, for coverage of one child,
- c. for two or more children, seventy-five percent (75%) of the average price of all high option benefit plans available, excluding the point-of-service plans, for coverage of two or more children,
- d. for a spouse and one child, seventy-five percent (75%) of the average price of all high option benefit plans available, excluding the point-of-service plans, for coverage of a spouse and one child, or
- e. for a spouse and two or more children, seventy-five percent (75%) of the average price of all high option benefit plans available, excluding the point-of-service plans, for coverage of a spouse and two or more children.

D. For the plan year beginning January 1, 2006, and each plan year thereafter, for an employee who is an eligible TRICARE beneficiary and has opted not to purchase health care coverage and who purchases a group TRICARE Supplemental product, the amount of the participant's benefit allowance shall be equal to the sum of the monthly premium of the group TRICARE Supplemental product purchased by the participant, if any, the average monthly premiums of the dental plans, the monthly premium of the disability plan, and the monthly premium of the basic life insurance plan offered to state

employees or the amount determined by the ~~Council~~ Board based on a formula for determining a participant's benefit credits consistent with the requirements of 26 U.S.C., Section 125(g) (2) and regulations thereunder. For the plan year beginning January 1, 2006, and each plan year thereafter, for each eligible dependent of an employee who is an eligible TRICARE beneficiary and has opted not to purchase health care coverage, if the employee purchases a group TRICARE Supplemental product on behalf of the dependent, the benefit allowance shall be equal to seventy-five percent (75%) of the monthly premium of the group TRICARE Supplemental product purchased by the participant on behalf of the dependent.

E. This section shall not prohibit payments for supplemental health insurance coverage made pursuant to Section 1314.4 of this title or payments for the cost of providing health insurance coverage for dependents of employees of the Grand River Dam Authority.

F. If a participant desires to buy benefits whose sum total of benefit prices is in excess of ~~his or her~~ the flexible benefit allowance of the participant, the participant may elect to use pay conversion dollars to purchase ~~such~~ the excess benefits. Pay conversion dollars may be elected through a salary reduction agreement made pursuant to the election procedures of Section ~~1371~~ 9 of this ~~title~~ act. The elected amount shall be deducted from the participant's compensation in equal amounts each pay period over the plan year. On termination of employment during a plan year, a participant shall have no obligation to pay the participating employer any pay conversion dollars allocated to the portion of the plan year after the participant's termination of employment.

G. If a participant elects benefits whose sum total of benefit prices is less than ~~his or her~~ the flexible benefit allowance of the participant, ~~he or she~~ the participant shall receive any excess flexible benefit allowance as taxable compensation. ~~Such~~ The

taxable compensation will be paid in substantially equal amounts each pay period over the plan year. On termination during a plan year, a participant shall have no right to receive any ~~such~~ taxable cash compensation allocated to the portion of the plan year after the participant's termination. Nothing herein shall affect a participant's obligation to elect the minimum benefits or to accept the default benefits of the plan with corresponding reduction in the sum of ~~his or her~~ the flexible benefit allowance of the participant equal to the sum total benefit price of ~~such~~ the minimum benefits or default benefits.

SECTION 9. AMENDATORY 74 O.S. 2001, Section 1371, as last amended by Section 1, Chapter 414, O.S.L. 2004 (74 O.S. Supp. 2005, Section 1371), is amended to read as follows:

Section 1371. A. All participants must purchase at least the basic plan unless the participant is a person who has retired from a branch of the United States military and has been provided with health coverage through a federal plan and that participant provides proof of that coverage. On or before ~~January 1 of the plan year beginning July 1, 2001, and July 1 of any plan year beginning after January 1, 2002,~~ the ~~Oklahoma State and Education Employees Benefits Council~~ Oklahoma State and Education Employees Benefits Council Group Insurance Board shall design the basic plan for the next plan year to insure that the basic plan provides adequate coverage to all participants. All benefit plans, whether offered by the State and Education Employees Group Insurance Board, a health maintenance organization or other vendors shall meet the minimum requirements set by the ~~Council~~ Board for the basic plan.

B. ~~The Board shall offer health, disability, life and dental coverage to all participants and their dependents. For health, dental, disability and life coverage, the Board shall offer plans at the basic benefit level established by the Council, and in addition, may offer benefit plans that provide an enhanced level of benefits. The Board shall be responsible for determining the plan design and~~

~~the benefit price for the plans that they offer. In setting health insurance premiums for active employees and for retirees under sixty-five (65) years of age, the Board shall set the monthly premium for active employees at a maximum of Ninety Dollars (\$90.00) less than the monthly premium for retirees under sixty-five (65) years of age.~~

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

C. ~~In lieu of electing any of the preceding medical benefit plans,~~ a A participant may elect medical coverage by any health maintenance organization made available to participants by the ~~Council~~ Board. The benefit price of any health maintenance organization shall be determined on a competitive bid basis. ~~Contracts for said plans shall not be subject to the provisions of the Oklahoma Central Purchasing Act, Section 85.1 et seq. of this title. The Council shall promulgate rules establishing appropriate competitive bidding criteria and procedures for contracts awarded for flexible benefits plans.~~ All plans offered by health maintenance organizations meeting the bid requirements ~~as determined by the Council~~ shall be accepted. The ~~Council~~ Department of Central Services, at the recommendation of the contracting committee created in Section 7 of this act, shall have the authority to reject the bid or restrict enrollment in any health maintenance organization for which the ~~Council~~ committee determines the benefit price to be excessive. ~~The Council~~ and shall have the authority to reject any plan that does not meet the bid requirements. All bidders shall submit along with their bid a notarized, sworn statement as provided by Section 85.22 of this title. 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.

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

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

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

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

G. Any participant who, in the first year for which ~~he or she~~ the participant is eligible to participate in the plan, fails to make a proper election under the plan in conformance with the procedures set forth in this section or as prescribed by the ~~Council~~ Board shall be deemed automatically to have purchased the default benefits. The default benefits shall be the same as the basic plan benefits. Any participant who, after having participated in the plan during the previous plan year, fails to make a proper election

under the plan in conformance with the procedures set forth in this section or prescribed by the ~~Council~~ Board, shall be deemed automatically to have purchased the same benefits which the participant purchased in the immediately preceding plan year, except that the participant shall not be deemed to have elected coverage under the health care reimbursement account plan or the dependent care reimbursement account plan.

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

~~I. 1. For the plan year ending December 31, 2004, employees covered or eligible to be covered under the State and Education Employees Group Insurance Act and the State Employees Flexible Benefits Act who are enrolled in a health maintenance organization offering a network in Oklahoma City, shall have the option of continuing care with a primary care physician for the remainder of the plan year if:~~

- ~~a. that primary care physician was part of a provider group that was offered to the individual at enrollment and later removed from the network of the health maintenance organization, for reasons other than for cause, and~~
- ~~b. the individual submits a request in writing to the health maintenance organization to continue to have access to the primary care physician.~~

~~2. The primary care physician selected by the individual shall be required to accept reimbursement for such health care services on a fee-for-service basis only. The fee-for-service shall be computed by the health maintenance organization based on the average of the other fee-for-service contracts of the health maintenance~~

~~organization in the local community. The individual shall only be required to pay the primary care physician those co-payments, coinsurance and any applicable deductibles in accordance with the terms of the agreement between the employer and the health maintenance organization and the provider shall not balance bill the patient.~~

~~3. Any network offered in Oklahoma City that is terminated prior to July 1, 2004, shall notify the health maintenance organization, Oklahoma State Employees Benefits Council and State and Education Employees Group Insurance Board by June 11, 2004, of the network's intentions to continue providing primary care services as described in paragraph 2 of this subsection offered by the health maintenance organization to state and public employees.~~

SECTION 10. AMENDATORY 74 O.S. 2001, Section 1372, as amended by Section 1, Chapter 369, O.S.L. 2003 (74 O.S. Supp. 2005, Section 1372), is amended to read as follows:

Section 1372. The ~~Oklahoma State~~ Oklahoma State and Education Employees ~~Benefits Council~~ Group Insurance Board shall be responsible for making all determinations as to the rights of any participant or any beneficiary of a participant to receive amounts under the flexible ~~spending account~~ benefits plan. The ~~Council~~ Board shall prescribe forms and procedures for making claims for flexible spending account benefits under the plan. Each person making a claim for benefits under the flexible spending account benefits plan shall also furnish the ~~Council~~ Board with such documents, evidence, data or information in support of ~~such~~ the claim as the ~~Council~~ Board considers necessary or desirable. If any claim for the flexible spending account benefits plan is wholly or partially denied, the claimant shall be given notice in writing of ~~such~~ the denial within a reasonable period of time, but no later than forty-five (45) days after the claim is filed.

A claimant whose claim is denied shall have the right to a hearing ~~before the Council's executive director or hearing officer designated by the executive director. Written notification by a claimant for a hearing must be received by the executive director within ten (10) business days of notification of claim denial. The hearing shall be conducted within thirty (30) days pursuant to hearing procedures set forth in rules adopted by the Board in accordance with the provisions of the Administrative Procedures Act. The Council shall promulgate administrative rules establishing policies and procedures specific to the notice of denial, request for explanation, and hearing for flexible spending account benefit claims denial.~~

SECTION 11. AMENDATORY 74 O.S. 2001, Section 1373, is amended to read as follows:

Section 1373. A. All health benefit plans that are offered by the ~~Oklahoma State and Education Employees Benefits Council~~ Group Insurance Board shall provide coverage for side effects that are commonly associated with radical retropubic prostatectomy surgery, including, but not limited to impotence and incontinence, and for other prostate-related conditions.

B. The ~~Council~~ Board shall provide notice to each insured or enrollee under such plan regarding the coverage required by this section in the plan's evidence of coverage, and shall provide additional written notice of the coverage to the insured or enrollee as follows:

1. In the next mailing made by the plan to the employee; or
2. As part of the enrollment information packet sent to the enrollee.

C. The ~~Council~~ Board shall promulgate any rules or actions necessary to implement the provisions of this section.

SECTION 12. AMENDATORY Section 1, Chapter 501, O.S.L. 2002, as last amended by Section 1, Chapter 310, O.S.L. 2004 (74 O.S. Supp. 2005, Section 1374), is amended to read as follows:

Section 1374. For the plan year beginning January 1, 2005, and for each year thereafter, it shall be the fiduciary responsibility of the ~~Oklahoma State Employees Benefits Council and the State and Education Employees Group Insurance Board~~ to ensure that participants have the option to choose which vision plan best meets their individual needs by offering every vision plan that notifies the ~~Employees Benefits Council and the State and Education Employees Group Insurance Board~~ of their desire to participate no later than July 1 of each year and meets or exceeds the following criteria:

1. Has in place a statewide network of at least one hundred fifty providers. "Providers", for purposes of this section, means Optometrists (OD), Ophthalmologists (MD), and Ophthalmologists (DO) which shall be counted once regardless of the number of locations where they may practice. Optical shops and retail optical locations shall not be listed as providers. The company offering the vision plan must have a direct relationship with each provider on its panel, and may not lease, borrow, or otherwise obtain use of a provider panel from another company. This would not prevent a company from offering their plan through one corporate entity and administering the plan or provider panel through another legal entity of the same organization. Providers must be actively engaged in providing the services offered under the vision plan they represent;

2. Has operated in Oklahoma for at least five (5) years;

3. Is licensed by the Insurance Department, certified by the State Department of Health, or licensed as a third-party administrator by the Insurance Department. Vision plans must be offered by the company administering the plan, not by an agent or

third party. A company shall offer only one vision plan and rate schedule for each plan year;

4. Presents accurate product information in a reproducible format not to exceed two pages;

5. Requires anyone electing a vision plan to submit an annual election form thereby prohibiting default enrollment; and

6. Vision plans must provide an examination, frames and lenses, and/or contact lenses and some form of indemnified payment to the contracted providers for each component of the benefits, i.e., the exam, frames and lenses and/or contact lenses. This does not eliminate discounted supplementary benefits under a qualified plan.

Any administrative fees imposed by the ~~Oklahoma State Employees Benefits Council~~ or the State and Education Employees Group Insurance Board shall be applied equally to all qualified vision plans. There shall be no additional requirements imposed on a vision plan other than the proper licensing or certification by the appropriate state agency.

SECTION 13. AMENDATORY 74 O.S. 2001, Section 1382, is amended to read as follows:

Section 1382. A. There is hereby created within the ~~Oklahoma State Employee Benefits Council~~ Office of Personnel Management, the Wellness Council, to continue until July 1, 2006, in accordance with the provisions of the Oklahoma Sunset Law, Section 3901 et seq. of this title.

B. The Wellness Council shall be composed of one representative from every state agency which has designated a person to serve on the Council as the wellness coordinator for their respective state agency and one representative of the Oklahoma Governor's Council on Physical Fitness and Sports.

C. Each state agency with two hundred (200) or more full-time-equivalent employees shall appoint a wellness coordinator. All wellness coordinators shall be appointed by October 1, 1994. Each

wellness coordinator shall be appointed for a term of two (2) years. If a wellness coordinator can no longer serve for any reason the appointing agency shall fill the vacancy for the unexpired term.

D. The first meeting of the Council shall be called by the ~~Executive Director~~ Administrator of the ~~Employee Benefits Council~~ Office of Personnel Management. The ~~Employee Benefits Council~~ Office of Personnel Management shall designate a person to serve as the State Government Wellness Coordinator. The State Government Wellness Coordinator shall serve as the chairman of the Wellness Council. The chairman shall preside over meetings of the Council and perform such other duties as may be required by the Council. The Council shall elect one of its members to serve as vice-chairman who shall perform the duties of the chairman in the absence of the chairman or upon the inability or refusal of the chairman to act.

E. The Council shall meet at least once quarterly, and may meet more often as necessary.

F. The members of the Council shall serve without compensation.

G. A majority of the members of the Council shall constitute a quorum for the transaction of business.

H. The State and Education Employees Group Insurance Board shall provide funding to the Office of Personnel Management for two full-time employees under the Wellness Council. The Board shall fund up to eight part-time health mentors for the OK Health program. Funding for the positions as provided for in this subsection shall continue until termination of the programs.

SECTION 14. AMENDATORY 74 O.S. 2001, Section 1383, is amended to read as follows:

Section 1383. A. The Wellness Council shall coordinate and develop wellness programs in state government. The Council shall work to encourage participation in wellness programs by state employees. The Wellness Council may provide programs to state agencies for quarterly health and safety training as required by the

Department of Labor according to the provisions of Section 403 of Title 40 of the Oklahoma Statutes. In addition the Council shall establish methods and a plan of action for receiving money through grants from federal and private funds to implement wellness programs in this state.

B. The chair of the Wellness Council shall appoint a Wellness Coordinating Committee. The members of the Committee shall be selected from among the members of the Council. The Committee shall be responsible for meeting and coordinating wellness efforts with the State and Education Employees Group Insurance Board, ~~the Oklahoma State Employees Benefits Council,~~ the State Employee Assistance Program and the Oklahoma Health Care Authority. In addition the Committee shall be responsible for developing a plan of action to solicit public and private funds for wellness programs.

SECTION 15. AMENDATORY 74 O.S. 2001, Section 1384, is amended to read as follows:

Section 1384. There is hereby created in the State Treasury a revolving fund for the ~~Oklahoma State Employees Benefits Council~~ Office of Personnel Management to be designated the "Wellness Program Fund". The fund shall be a continuing fund, not subject to fiscal year limitations and shall consist of all monies received by the Wellness Council division of the ~~Oklahoma State Employees Benefits Council~~ Office of Personnel Management from money received through grants, donations, contributions and gifts from any public or private source ~~and transfer of funds from the Benefits Council Administration Revolving Fund as approved by the Oklahoma State Employees Benefits Council.~~ The Wellness Council may expend funds as provided for by law. Expenditures from said fund shall be made upon warrants issued by the State Treasurer against claims filed as prescribed by law with the Director of State Finance for approval and payment.

SECTION 16. AMENDATORY 63 O.S. 2001, Section 2623, is amended to read as follows:

Section 2623. A. For taxable years beginning after December 31, 1995, an individual who is a resident of this state or an employer shall be allowed to deposit contributions to a medical savings account. The amount of deposit for the first taxable year subsequent to the effective date of this act shall not exceed:

1. Two Thousand Dollars (\$2,000.00) for the account holder;
2. Two Thousand Dollars (\$2,000.00) for the spouse of the account holder; and
3. One Thousand Dollars (\$1,000.00) for each dependent child of the account holder.

B. The maximum allowable amount of deposit for subsequent years shall be increased annually by a percentage equal to the previous year's increase in the national Consumer Price Index (CPI).

C. Contributions made to and interest earned on a medical savings account shall be exempt from taxation as adjusted gross income in this state as provided for in Section 2358 of Title 68 of the Oklahoma Statutes.

D. Upon agreement between an employer and employee, an employee may either have the employer contribute to the employee's medical savings account under a medical savings account program or continue to make contributions under the employee's existing health insurance policy or program, subject to the restrictions in paragraph 1 of subsection E of this section. For purposes of the Medical Savings Account Act, an employer shall include a participating employer as defined in the Oklahoma State and Education Employees Benefits Group Insurance Act.

E. The medical savings account shall be established as a trust under the laws of this state and placed with a trustee.

1. The trustee shall utilize the funds held in a medical savings account solely for the purpose of paying the eligible

medical expenses of the account holder or the dependents of the account holder or to purchase a health benefit plan, certification, or contract if the account holder does not otherwise have health insurance coverage. Funds held in a medical savings account shall not be used to cover medical expenses of the account holder or dependents of the account holder that are otherwise covered by other means, including but not limited to medical expenses covered pursuant to an automobile insurance policy, a workers' compensation insurance policy or self-insured plan, or another health coverage policy, certificate, or contract.

2. The account holder may submit prior to the end of the tax year documentation of medical expenses paid by the account holder during that tax year to the trustee and the trustee shall reimburse the account holder for eligible medical expenses from the medical savings account.

3. Any funds remaining in a medical savings account at the end of the tax year after all medical expenses have been paid unless withdrawn as provided for in this section shall remain in the account and may be used by the account holder for payment of future medical expenses.

F. An account holder may withdraw money from the medical savings account of the account holder for any purpose other than a purpose listed in paragraph 1 of subsection E of this section, only on the last business day of the trustee's business year. If money is withdrawn on that date, pursuant to this subsection, it shall be considered income for income tax purposes and shall not be eligible for the exemption provided in Section 2358 of Title 68 of the Oklahoma Statutes.

G. If the account holder withdraws money for any purpose, other than a purpose described in paragraph 1 of subsection E of this section, at any time other than on the last business day of the trustee's business year, all of the following shall apply:

1. The amount of the withdrawal shall be considered income for income tax purposes and shall not be eligible for the tax exemption provided in Section 2358 of Title 68 of the Oklahoma Statutes;

2. The trustee shall withhold and shall pay on behalf of the account holder a penalty to the Oklahoma Tax Commission equal to ten percent (10%) of the amount of the withdrawal; and

3. All interest earned on the account during the tax year in which a withdrawal occurs shall be considered income for income tax purposes.

H. Upon the death of the account holder, the account principal, as well as any interest accumulated thereon, shall be distributed to the estate of the account holder and shall be taxed as part of the estate.

I. If an employee is no longer employed by an employer that participates in a medical savings account program and the employee, not more than sixty (60) days after the final day of employment, transfers the account to a new trustee or requests in writing to the trustee of the former employer that the account remain with that trustee and that trustee agrees to retain the account, the money in the medical savings account may be utilized for the benefit of the account holder or the dependents of the account holder subject to this act, and the money shall remain exempt from taxation pursuant to Section 2358 of Title 68 of the Oklahoma Statutes. Not more than thirty (30) days after the expiration of the sixty-day transfer period, if the account holder has not transferred the account or the trustee has not accepted the account of the former employee, the employer shall mail a check to the last-known address of the former employee in an amount equal to the amount in the account on the date the check is mailed. The amount shall be taxed and subject to penalty as provided for in subsection G of this section. If an employee becomes employed with a different employer that participates in a medical savings account program before the

expiration of the sixty-day transfer period, the employee may transfer the medical savings account to the trustee of the new employer without penalty.

SECTION 17. AMENDATORY 74 O.S. 2001, Section 85.12, as last amended by Section 1, Chapter 156, O.S.L. 2005 (74 O.S. Supp. 2005, Section 85.12), is amended to read as follows:

Section 85.12 A. The provisions of this section shall not be construed to affect any law relating to fiscal or accounting procedure except as they may be directly in conflict herewith; and all claims, warrants, and bonds shall be examined, inspected, and approved as now provided by law.

B. Except as otherwise provided by this section, the acquisitions specified in this subsection shall be made in compliance with Section 85.39 of this title but are not subject to other provisions of the Oklahoma Central Purchasing Act:

1. Food and other products produced by state institutions and agencies;

2. The printing or duplication of publications or forms of whatsoever kind or character by state agencies if the work is performed upon their own equipment by their own employees. Pursuant to this paragraph, the state agency may only use equipment owned or leased by the agency and may only utilize that equipment for printing services required by the agency in performing duties imposed upon the agency or functions authorized to be performed by the agency. Any use of the equipment by the agency pursuant to an agreement or contract with any other entity resulting in delivery of intermediate or finished products to the entity purchasing or using the products shall be subject to the provisions of the Oklahoma Central Purchasing Act;

3. Department of Transportation and Transportation Commission contractual services or right-of-way purchases; contracts awarded pursuant to bids let by the Transportation Commission for the

maintenance or construction of streets, roads, highways, bridges, underpasses, or any other transportation facilities under the control of the Department of Transportation, the acquisitions of equipment or materials accruing to the Department of Transportation required in Federal-Aid contracts; and contracts for public service type announcements initiated by the Department of Transportation; but not contractual services for advertising or public relations or employment services;

4. Utility services where rates therefor are regulated by a state or federal regulatory commission, or by municipal ordinance, or by an Indian Tribal Council for use by the Department of Corrections only;

5. Acquisitions by the University Hospitals Authority. The Authority shall develop standards for the acquisition of products and services and may elect to utilize the Purchasing Division. The standards shall foster economy and short response time and shall include appropriate safeguards and record-keeping requirements to ensure appropriate competition and economical and efficient purchasing;

6. Contracts for custom harvesting by the Department of Corrections for the Department or its institutions;

7. Contracts with private prison contractors which are subject to the contracting procedures of Section 561 of Title 57 of the Oklahoma Statutes;

8. Acquisitions by the Oklahoma Municipal Power Authority;

9. Acquisitions by the Grand River Dam Authority;

10. Acquisitions by rural water, sewer, gas, or solid waste management districts created pursuant to the Rural Water, Sewer, Gas and Solid Waste Management Districts Act;

11. Acquisitions by the Oklahoma Ordnance Works Authority, the Northeast Oklahoma Public Facilities Authority, or the Midwestern Oklahoma Development Authority;

12. Contracts entered into by the Oklahoma Industrial Finance Authority for the services of an appraiser or for acquisition of insurance when the Authority's Board of Directors determines that an emergency exists, and contracts for the services of legal counsel when approved by the Attorney General;

13. Expenditure of monies appropriated to the State Board of Education for Local and State Supported Financial Support of Public Schools, except monies allocated therefrom for the Administrative and Support Functions of the State Department of Education;

14. Expenditure of monies appropriated to the State Department of Rehabilitation Services for educational programs or educational materials for the Oklahoma School for the Blind and the Oklahoma School for the Deaf;

15. Contracts entered into by the Oklahoma Department of Career and Technology Education for the development, revision, or updating of vocational curriculum materials, and contracts entered into by the Oklahoma Department of Career and Technology Education for training and supportive services that address the needs of new or expanding industries;

16. Contracts entered into by the Oklahoma Center for the Advancement of Science and Technology for professional services;

17. Contracts entered into by the Oklahoma Department of Commerce pursuant to the provisions of Section 5066.4 of this title;

18. Acquisitions made by the Oklahoma Historical Society from monies used to administer the White Hair Memorial;

19. Acquisitions available to an agency through a General Services Administration (GSA) contract or other federal contract if the acquisition is on current statewide contract and the terms of the GSA or other federal contract, as determined by the State Purchasing Director, are more favorable to the agency than the terms of a statewide contract for the same products;

20. Purchases of pharmaceuticals available through a multistate or multigovernmental contract if such pharmaceuticals are or have been on state contract within the last fiscal year, and the terms of such contract are more favorable to the state or agency than the terms of a state contract for the same products, as determined by the State Purchasing Director. The state entity designated by law, as specified in Section 1010.3 of Title 56 of the Oklahoma Statutes, shall participate in the purchase of pharmaceuticals available through such contracts;

21. Contracts for managed health care services entered into by the state entity designated by law or the Department of Human Services, as specified in paragraph 1 of subsection A of Section 1010.3 of Title 56 of the Oklahoma Statutes;

22. Acquisitions by the Forestry Service of the Oklahoma Department of Agriculture, Food, and Forestry as authorized by the federal General Services Administration through a General Services Administration contract or other federal contract if the acquisitions are not on current statewide contract or the terms of the federal contract are more favorable to the agency than the terms of a statewide contract for the same products;

23. Acquisitions of clothing for clients of the Department of Human Services and acquisitions of food for group homes operated by the Department of Human Services;

24. Acquisitions by the Oklahoma Energy Resources Board;

25. Acquisitions of clothing for juveniles in the custody of the Office of Juvenile Affairs and acquisitions of food for group homes operated by the Office of Juvenile Affairs;

~~26. State contracts for flexible benefits plans pursuant to the Oklahoma State Employees Benefits Act, Section 1361 et seq. of this title;~~

~~27. Acquisitions by the Department of Securities to investigate, initiate, or pursue administrative, civil, or criminal~~

proceedings involving potential violations of the acts under the Department's jurisdiction;

~~28.~~ 27. Acquisitions by the Native America Cultural and Educational Authority and acquisitions by the Oklahoma Department of Commerce to assist the Native American Cultural and Educational Authority pursuant to Section 5017 of this title;

~~29.~~ 28. Acquisitions for resale in and through canteens operated pursuant to Section 537 of Title 57 of the Oklahoma Statutes;

~~30.~~ 29. Acquisitions by the Oklahoma Boll Weevil Eradication Organization for employment and personnel services, and for acquiring sprayers, blowers, traps, and attractants related to the eradication of boll weevils in this state or as part of a national or regional boll weevil eradication program;

~~31.~~ 30. Contracts entered into by the Oklahoma Indigent Defense System for expert services pursuant to the provisions of subsection D of Section 1355.4 of Title 22 of the Oklahoma Statutes;

~~32.~~ 31. Acquisitions by the Oklahoma Correctional Industries and the Agri-Services programs of the Oklahoma Department of Corrections of raw materials, component parts and other products used to produce goods or services for resale and for the production of agricultural products; and

~~33.~~ 32. Contracts entered into by the Department of Human Services for provision of supported living services to members of the plaintiff class in *Homeward Bound, Inc., et. al., v. The Hissom Memorial Center, et. al.*, Case Number 85-C-437-E, United States District Court for the Northern District of Oklahoma.

C. Pursuant to the terms of a contract the State Purchasing Director enters into or awards, a state agency, common school, municipality, rural fire protection district, county officer, or any program contract, purchase, acquisition or expenditure that is not subject to the provisions of the Oklahoma Central Purchasing Act,

may, unless acting pursuant to a contract with the state that specifies otherwise, make use of statewide contracts and the services of the Purchasing Division and the State Purchasing Director. Any political subdivision or rural fire protection district may designate the State Purchasing Director as its agent for any acquisition from a statewide contract or otherwise available to the state.

D. The State Purchasing Director shall make periodic audits of the purchasing procedures of the Oklahoma Ordnance Works Authority, the Northeast Oklahoma Public Facilities Authority, the University Hospitals Authority, and the Midwestern Oklahoma Development Authority to ensure that the procedures are being followed.

SECTION 18. AMENDATORY 74 O.S. 2001, Section 840-2.27D, as last amended by Section 94, Chapter 5, O.S.L. 2004 (74 O.S. Supp. 2005, Section 840-2.27D), is amended to read as follows:

Section 840-2.27D A. Agencies shall provide severance benefits to affected employees who are separated from the state service as a result of a reduction-in-force due to a reorganization or any other action by an agency which results in affected positions being abolished and affected employees being severed from the state service. Severance benefits shall be given to the following categories of affected employees: permanent classified affected employees and affected employees on probationary status after reinstatement from permanent classified status without a break in service; provided, however, affected employees of the University Hospitals Authority must have been continuously employed in the state service since on or before January 1, 1995, to receive severance benefits. Pursuant to this section and Section 840-5.1A of this title, state agencies may provide severance benefits provided by this subsection to regular unclassified employees with one (1) year or more continuous state service who are separated from the state service for budgetary reasons; however, state agencies

shall offer regular unclassified state employees with one (1) year or more continuous state service who are separated from the state service the same severance benefit as the affected employees in a reduction-in-force if the unclassified employees' separation is as a result of the conditions causing the agency to implement a reduction-in-force. Affected employees who qualify for severance benefits pursuant to this section, in addition to the payment of any compensable accrued leave or other benefits an affected employee is eligible to receive upon separation from the state service, shall receive severance benefits consisting of the following elements:

1. All agency severance benefits shall provide the following:

- a. payment equal to the affected employee's current health insurance premium for the affected employee only for eighteen (18) months based on the cost of the premium at the time of the reduction-in-force. The appointing authority of the agency can ask the Director of the Office of State Finance to waive the severance benefit provision in this subparagraph or to reduce the length of coverage or subsequent severance benefit payment upon demonstration of the agency's inability to fund the full benefit,
- b. a longevity payment, as prescribed by Section 840-2.18 of this title, in the amount which would otherwise be paid to the affected employee on the affected employee's next anniversary date. For the purposes of this subparagraph, the University Hospitals Authority shall calculate longevity for affected employees who were members of the University Hospitals Authority Model Personnel System pursuant to Section 3211 of Title 63 of the Oklahoma Statutes for all state service as would otherwise be determined by Section 840-2.18 of this title, and

- c. outplacement assistance and employment counseling prior to and after the reduction-in-force from the Oklahoma Employment Security Commission and other state or private entities that the entity may contract with to assist individuals who may be impacted by a reduction-in-force;

2. In addition to the severance benefits provided by paragraph 1 of this subsection, agencies may give affected employees, except as otherwise provided by paragraph 3 of this subsection, severance benefit packages based on any combination of the following options, provided that all affected employees who receive severance benefits in the reduction-in-force shall be accorded uniform treatment pursuant to the State Government Reduction-in-Force and Severance Benefits Act:

- a. up to one (1) week of pay, calculated by dividing the affected employee's current annual salary by the whole number fifty-two (52), for each year of service,
- b. a maximum lump-sum payment of Five Thousand Dollars (\$5,000.00), and
- c. payment for accumulated sick leave or extended illness benefits at up to one-half (1/2) of the affected employee's hourly rate not otherwise used pursuant to law for conversion to credited retirement credit; and

3. An affected employee may direct payment of all or a portion of the affected employee's severance benefits to the options authorized by this paragraph by exercising an option to receive education vouchers for use in connection with the Reduction-in-Force Education Voucher Action Fund subject to the following requirements and rules of the Administrator of the Office of Personnel Management, provided that the agency offers to match employee severance funds pursuant to this paragraph. In such case:

- a. the affected employee may purchase One Dollar (\$1.00) in voucher credit for each One Dollar (\$1.00) contributed by the affected employee to the fund subject to a maximum affected employee contribution of Three Thousand Dollars (\$3,000.00) which may be matched by a maximum agency contribution of Three Thousand Dollars (\$3,000.00); provided, that the agency contribution shall not exceed the contribution of the affected employee,
- b. the affected employee may pay the cost for the voucher program directly, subject to the requirements of subparagraph a of this paragraph, or the employing agency of the affected employee may pay the cost of the voucher from funds which would otherwise have been used to make payments to the displaced affected employee pursuant to an election by the affected employee to receive severance benefits,
- c. no voucher issued pursuant to the provisions of this paragraph shall:
 - (1) be redeemed by the affected employee for cash or anything of value other than the cost of tuition and fees at a public or private educational institution within the State of Oklahoma, or
 - (2) be valid longer than a period of four (4) years from the date upon which the voucher is issued to the affected employee,
- d. the Administrator of the Office of Personnel Management shall pay tuition and fees directly to the educational institution and shall receive any refunds for payment of tuition and fees from the educational institution which shall be credited to the affected employee's account, and

e. the Administrator of the Office of Personnel Management shall distribute to the affected employee and the agency any monies remaining in the affected employee's account after the voucher credit has expired. The distribution shall be based on the proportional share of contributions made by the affected employee and the agency.

B. Each affected employee who is separated from state service as a result of a reduction-in-force after July 1, 1998, besides being eligible for the eighteen (18) months of continuation coverages provided by the Public Health Service Act, 42 U.S.C., Section 30066-1 et seq., i.e., health, dental, vision and healthcare reimbursement account options, under this severance benefit, shall also be eligible to elect additional continuation coverage for any life insurance, in twenty-thousand-dollar units, on self or five-thousand-dollar units, on dependents, and to continue participation in the dependent care reimbursement account provided that these additional coverages were in effect immediately prior to the effective date of the reduction-in-force, the date of which shall serve as the qualifying event date. Provided, that no coverage elected for continuation through the Public Health Service Act for the full eighteen-month period is allowed to lapse, then that affected employee may elect to continue those same coverages for an additional eighteen (18) months at whatever rate is then in effect. This additional eighteen-month continuation period of coverage shall be administered by the ~~Oklahoma~~ State and Education Employees ~~Benefits Council~~ Group Insurance Board following the initial eighteen-month period of continuation which shall be administered by the COBRA office at the State and Education Employees Group Insurance Board.

C. Part-time affected employees shall receive benefits pursuant to this section on a prorated basis. Part-time employees shall have

been compensated for at least one thousand (1,000) hours during the twelve (12) months immediately preceding the effective date of the reduction-in-force to be eligible for severance benefits pursuant to the State Government Reduction-in-Force and Severance Benefits Act.

D. No appointing authority shall grant affected employees in a reduction-in-force severance benefits except as provided in this section.

SECTION 19. RECODIFICATION 74 O.S. 2001, Sections 1366, as amended by Section 6 of this act, Section 10, Chapter 439, O.S.L. 2002 (74 O.S. Supp. 2005, Section 1366.1), as amended by Section 7 of this act, 1370, as last amended by Section 8 of this act, 1371, as last amended by Section 9 of this act, 1372, as last amended by Section 10 of this act, 1373, as amended by Section 11 of this act, and Section 1, Chapter 501, O.S.L. 2002 (74 O.S. Supp. 2005, Section 1374), as last amended by Section 12 of this act, shall be recodified as Sections 1330.1, 1330.6, 1330.2, 1330.3, 1330.4, 1330.5 and 1330.7 of Title 74 of the Oklahoma Statutes, unless there is created a duplication in numbering.

SECTION 20. REPEALER 74 O.S. 2001, Sections 1361, 1362, 1363, 1364, 1365, as last amended by Section 2, Chapter 450, O.S.L. 2005, Section 3, Chapter 489, O.S.L. 2002, 1368 and 1369 (74 O.S. Supp. 2005, Sections 1365 and 1366.2), are hereby repealed.

SECTION 21. Sections 2 through 20 of this act shall become effective January 1, 2007.

SECTION 22. Section 1 of this act shall become effective July 1, 2006.

SECTION 23. 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 15th day of March, 2006.

Presiding Officer of the House of
Representatives

Passed the Senate the ____ day of _____, 2006.

Presiding Officer of the Senate