

1 ENGROSSED HOUSE
2 BILL NO. 1008

By: Cooksey and Miller of the
House

3 and

4 Aldridge of the Senate
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8 An Act relating to state government; amending 74 O.S.
9 2001, Sections 1370, as last amended by Section 3,
10 Chapter 450, O.S.L. 2005 and 1371, as last amended by
11 Section 8, Chapter 231, O.S.L. 2006 (74 O.S. Supp.
12 2006, Sections 1370 and 1371), which relate to the
13 Oklahoma State Employees Benefits Act; allowing
14 certain elected officials to opt not to participate
15 in certain benefit plans; establishing certain opt-
16 out conditions; prohibiting certain elected officials
17 who opt not to participate from receiving flexible
18 benefit dollars; specifying time for election; making
19 election irrevocable; and providing an effective
20 date.

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

22 SECTION 1. AMENDATORY 74 O.S. 2001, Section 1370, as
23 last amended by Section 3, Chapter 450, O.S.L. 2005 (74 O.S. Supp.
24 2006, 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, is a member of the
Legislature who has opted not to participate as provided for in
subsection B of this section or is a person who has retired from a

1 branch of the United States military and has been provided with
2 health care through a federal plan and provides proof of this
3 coverage, flexible benefit dollars may be used to purchase any of
4 the benefits offered by the Oklahoma State Employees Benefits
5 Council under the flexible benefits plan. A participant who has
6 provided proof of other coverage as described in this subsection
7 shall not receive flexible benefit dollars if the person elects not
8 to purchase any benefits.

9 B. A member of the Legislature may opt not to participate in
10 the benefits offered by the Council under the flexible benefits plan
11 if the Board on Legislative Compensation determines that the monthly
12 flexible benefit allowance for legislators will be an amount which
13 is less than the flexible benefit allowance set forth in paragraph 1
14 of subsection E of this section for state employees who are required
15 to enroll in the flexible benefit plan and the member provides proof
16 of other health care coverage. A member of the Legislature that
17 opts not to participate shall not be allowed to choose any basic
18 plan benefit and shall not receive the flexible benefit dollars the
19 member would have received if the member had elected to participate
20 in the plan. A member of the Legislature may make the election not
21 to participate only during the annual enrollment period for the next
22 plan year. The election not to participate shall be irrevocable for
23 the plan year.

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1 C. A participant's flexible benefit dollars for a plan year
2 shall consist of the sum of (1) flexible benefit allowance credited
3 to a participant by the participating employer, and (2) pay
4 conversion dollars elected by a participant.

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

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

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

1 2. The greater of Two Hundred Twenty-four Dollars and sixty-
2 nine cents (\$224.69) per month or an amount equal to the sum of the
3 average monthly premiums of all high option health insurance plans,
4 excluding the point-of-service plans, the average monthly premiums
5 of the dental plans, the monthly premium of the disability plan, and
6 the monthly premium of the basic life insurance plan offered to
7 state employees plus one of the additional amounts as follows for
8 participants who elect to include one or more dependents:

- 9 a. for a spouse, seventy-five percent (75%) of the
10 average price of all high option benefit plans,
11 excluding the point-of-service plans, available for
12 coverage of a spouse,
- 13 b. for one child, seventy-five percent (75%) of the
14 average price of all high option benefit plans
15 available, excluding the point-of-service plans, for
16 coverage of one child,
- 17 c. for two or more children, seventy-five percent (75%)
18 of the average price of all high option benefit plans
19 available, excluding the point-of-service plans, for
20 coverage of two or more children,
- 21 d. for a spouse and one child, seventy-five percent (75%)
22 of the average price of all high option benefit plans
23 available, excluding the point-of-service plans, for
24 coverage of a spouse and one child, or

1 e. for a spouse and two or more children, seventy-five
2 percent (75%) of the average price of all high option
3 benefit plans available, excluding the point-of-
4 service plans, for coverage of a spouse and two or
5 more children.

6 ~~D.~~ F. For the plan year beginning January 1, 2006, and each
7 plan year thereafter, for an employee who is an eligible TRICARE
8 beneficiary and has opted not to purchase health care coverage and
9 who purchases a group TRICARE Supplemental product, the amount of
10 the participant's benefit allowance shall be equal to the sum of the
11 monthly premium of the group TRICARE Supplemental product purchased
12 by the participant, if any, the average monthly premiums of the
13 dental plans, the monthly premium of the disability plan, and the
14 monthly premium of the basic life insurance plan offered to state
15 employees or the amount determined by the Council based on a formula
16 for determining a participant's benefit credits consistent with the
17 requirements of 26 U.S.C., Section 125(g)(2) and regulations
18 thereunder. For the plan year beginning January 1, 2006, and each
19 plan year thereafter, for each eligible dependent of an employee who
20 is an eligible TRICARE beneficiary and has opted not to purchase
21 health care coverage, if the employee purchases a group TRICARE
22 Supplemental product on behalf of the dependent, the benefit
23 allowance shall be equal to seventy-five percent (75%) of the
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1 monthly premium of the group TRICARE Supplemental product purchased
2 by the participant on behalf of the dependent.

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

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

20 ~~G.~~ I. If a participant elects benefits whose sum total of
21 benefit prices is less than ~~his or her~~ their flexible benefit
22 allowance, ~~he or she~~ the participant shall receive any excess
23 flexible benefit allowance as taxable compensation. ~~Such~~ The
24 taxable compensation ~~will~~ shall be paid in substantially equal

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

10 SECTION 2. AMENDATORY 74 O.S. 2001, Section 1371, as
11 last amended by Section 8, Chapter 231, O.S.L. 2006 (74 O.S. Supp.
12 2006, Section 1371), is amended to read as follows:

13 Section 1371. A. All participants must purchase at least the
14 basic plan unless the participant is a person who is a member of the
15 Legislature who opts not to participate as provided for in
16 subsection B of Section 1370 of this title or is a person who has
17 retired from a branch of the United States military and has been
18 provided with health coverage through a federal plan and that
19 participant provides proof of that coverage. On or before ~~January 1~~
20 ~~of the plan year beginning July 1, 2001, and~~ July 1 of any plan year
21 beginning after January 1, 2002, the Oklahoma State Employees
22 Benefits Council shall design the basic plan for the next plan year
23 to ~~insure~~ ensure that the basic plan provides adequate coverage to
24 all participants. All benefit plans, whether offered by the State

1 and Education Employees Group Insurance Board, a health maintenance
2 organization or other vendors shall meet the minimum requirements
3 set by the Council for the basic plan.

4 B. The Board shall offer health, disability, life and dental
5 coverage to all participants and their dependents. For health,
6 dental, disability and life coverage, the Board shall offer plans at
7 the basic benefit level established by the Council, and in addition,
8 may offer benefit plans that provide an enhanced level of benefits.
9 The Board shall be responsible for determining the plan design and
10 the benefit price for the plans that they offer. Effective for the
11 plan year beginning January 1, 2007, and for each plan year
12 thereafter, in setting health insurance premiums for active
13 employees and for retirees under sixty-five (65) years of age, the
14 Board shall set the monthly premium for active employees to be equal
15 to the monthly premium for retirees under sixty-five (65) years of
16 age.

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

21 C. In lieu of electing any of the preceding medical benefit
22 plans, a participant may elect medical coverage by any health
23 maintenance organization made available to participants by the
24 Council. The benefit price of any health maintenance organization

1 shall be determined on a competitive bid basis. Contracts for said
2 plans shall not be subject to the provisions of the Oklahoma Central
3 Purchasing Act, Section 85.1 et seq. of this title. The Council
4 shall promulgate rules establishing appropriate competitive bidding
5 criteria and procedures for contracts awarded for flexible benefits
6 plans. All plans offered by health maintenance organizations
7 meeting the bid requirements as determined by the Council shall be
8 accepted. The Council shall have the authority to reject the bid or
9 restrict enrollment in any health maintenance organization for which
10 the Council determines the benefit price to be excessive. The
11 Council shall have the authority to reject any plan that does not
12 meet the bid requirements. All bidders shall submit along with
13 their bid a notarized, sworn statement as provided by Section 85.22
14 of this title. Effective for the plan year beginning January 1,
15 2007, and for each plan year thereafter, in setting health insurance
16 premiums for active employees and for retirees under sixty-five (65)
17 years of age, HMOs, self-insured organizations and prepaid plans
18 shall set the monthly premium for active employees to be equal to
19 the monthly premium for retirees under sixty-five (65) years of age.

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

23 E. Each employee of a participating employer who meets the
24 eligibility requirements for participation in the flexible benefits

1 plan shall make an annual election of benefits under the plan during
2 an enrollment period to be held prior to the beginning of each plan
3 year. The enrollment period dates will be determined annually and
4 will be announced by the Council, providing the enrollment period
5 shall end no later than thirty (30) days before the beginning of the
6 plan year.

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

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

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

1 section or prescribed by the Council, shall be deemed automatically
2 to have purchased the same benefits which the participant purchased
3 in the immediately preceding plan year, except that the participant
4 shall not be deemed to have elected coverage under the health care
5 reimbursement account plan or the dependent care reimbursement
6 account plan.

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

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

19 a. that primary care physician was part of a provider
20 group that was offered to the individual at enrollment
21 and later removed from the network of the health
22 maintenance organization, for reasons other than for
23 cause, and

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1 b. the individual submits a request in writing to the
2 health maintenance organization to continue to have
3 access to the primary care physician.

4 2. The primary care physician selected by the individual shall
5 be required to accept reimbursement for such health care services on
6 a fee-for-service basis only. The fee-for-service shall be computed
7 by the health maintenance organization based on the average of the
8 other fee-for-service contracts of the health maintenance
9 organization in the local community. The individual shall only be
10 required to pay the primary care physician those co-payments,
11 coinsurance and any applicable deductibles in accordance with the
12 terms of the agreement between the employer and the health
13 maintenance organization and the provider shall not balance bill the
14 patient.

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

22 SECTION 3. This act shall become effective November 1, 2007.
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