

1 STATE OF OKLAHOMA

2 2nd Session of the 51st Legislature (2008)

3 SENATE BILL 1999

By: Aldridge

4  
5  
6 AS INTRODUCED

7 An Act relating to state government; transferring the  
8 powers and duties of the Oklahoma State Employees  
9 Benefits Council to the State and Education Employees  
10 Group Insurance Board; providing for transfer of  
11 property, equipment, liabilities and obligations;  
12 providing for the administration and enforcement of  
13 certain rules; requiring certain study to be done;  
14 providing for the disposition of the employees of the  
15 Oklahoma State Employees Benefits Council; amending  
16 74 O.S. 2001, Sections 1302, 1303, as last amended by  
17 Section 1, Chapter 231, O.S.L. 2006, 1306, as last  
18 amended by Section 3, Chapter 231, O.S.L. 2006 and  
19 1321, as last amended by Section 5, Chapter 231,  
20 O.S.L. 2006 (74 O.S. Supp. 2007, Sections 1303, 1306  
21 and 1321), which relate to the State and Education  
22 Employees Group Insurance Act; adding purposes;  
23 adding definitions; modifying powers and duties of  
24 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 5, Chapter 269,  
O.S.L. 2007, 1371, as last amended by Section 6,  
Chapter 269, O.S.L. 2007, 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  
9, Chapter 231, O.S.L. 2006 (74 O.S. Supp. 2007,  
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 Insurance

1 Department; providing for membership, reimbursement,  
2 and duties of the committee; directing the Insurance  
3 Commissioner to provide certain support to the  
4 committee; providing for contracts with an  
5 independent health care actuarial firm; directing the  
6 Department of Central Services to provide staff  
7 assistance; requiring certain information to be kept  
8 confidential; providing for certain contracts between  
9 the State and Education Employees Group Insurance  
10 Board and the Insurance Commissioner; specifying  
11 source of monies for certain contracts; modifying  
12 contract requirements; deleting requirements for the  
13 Board to offer certain plans; deleting certain  
14 premium payment requirements; deleting certain  
15 contracting requirements; modifying bid acceptance  
16 requirements for health maintenance organizations;  
17 deleting obsolete primary care physician options  
18 provisions; deleting obsolete notification  
19 requirement; changing responsibility for plan  
20 participation determinations and appeals; modifying  
21 appeal hearing procedures; amending 74 O.S. 2001,  
22 Sections 1382, as amended by Section 1, Chapter 50,  
23 O.S.L. 2006, 1383 and 1384 (74 O.S. Supp. 2007,  
24 Section 1382), 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 77, Chapter 1, O.S.L. 2007  
(74 O.S. 2007, 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. 2007, 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. 2007,  
Sections 1365 and 1366.2), which relate to the  
Oklahoma State Employees Benefits Act; providing for

1 codification; providing for recodification; providing  
2 for effective dates; and declaring an emergency.

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4  
5 BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

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

9 A. The Oklahoma State Employees Benefits Council is hereby  
10 abolished effective July 1, 2009. On July 1, 2009, all powers,  
11 duties, functions, and responsibilities the Oklahoma State Employees  
12 Benefits Council has for the flexible benefits plan for state  
13 employees shall be transferred to the State and Education Employees  
14 Group Insurance Board. The transfer shall include all real  
15 property, buildings, furniture, equipment, supplies, records,  
16 personnel, assets, current and future liabilities, fund balances,  
17 encumbrances, obligations, and indebtedness associated with the  
18 Council.

19 B. On July 1, 2009, all monies remaining in any funds or  
20 accounts in the name of the Oklahoma State Employees Council or  
21 maintained for the benefit of the Council are transferred to the  
22 State and Education Employees Group Insurance Board.

23 C. The State and Education Employees Group Insurance Board  
24 shall succeed to any contractual rights and responsibilities the

1 Oklahoma State Employees Benefits Council has incurred prior to July  
2 1, 2009.

3 D. Beginning January 1, 2009, the State and Education Employees  
4 Group Insurance Board and the Administrator of the Office of  
5 Personnel Management shall administer and enforce the rules  
6 promulgated by the Oklahoma State Employees Benefits Council  
7 regarding programs transferred to the Board and the Administrator of  
8 the Office of Personnel Management until the Board and Administrator  
9 promulgate their own rules. The Board and Administrator shall have  
10 the power to revoke any or all rules of the Council regarding duties  
11 administered and enforced by them.

12 E. The State and Education Employees Group Insurance Board and  
13 the Administrator of the Office of Personnel Management shall be  
14 responsible for identifying all significant responsibilities not  
15 duplicated between the agencies and identifying those positions at  
16 the Oklahoma State Employees Benefits Council involved in  
17 performance of these unique functions. The results of this  
18 determination shall be completed no later than November 1, 2008.  
19 The Board and the Administrator shall use the study to help  
20 determine which employees of the Council shall be transferred to the  
21 Board. The Board and the Administrator shall notify all employees  
22 of the Council, by December 1, 2008, of whether or not such  
23 employees will be transferred to the Board or the Office of  
24 Personnel Management. Those employees of the Council who are not

1 transferred to the Board or the Office of Personnel Management and  
2 who are on pay status as of December 31, 2008, and who are eligible  
3 for benefits pursuant to the State Government Reduction-in-Force and  
4 Severance Benefits Act shall be paid severance benefits as provided  
5 by the State Government Reduction-in-Force and Severance Benefits  
6 Act. The Oklahoma State Employees Benefits Council shall not  
7 conduct a reduction-in-force to implement this section. Severance  
8 benefits shall be paid out of funds of the Council available as of  
9 December 31, 2008. All employees eligible for severance benefits  
10 pursuant to this section shall retain priority reemployment rights  
11 in accordance with the Oklahoma Personnel Act.

12 F. Those positions identified as unique essential functions  
13 shall be transferred to the State and Education Employees Group  
14 Insurance Board and the Office of Personnel Management at the same  
15 job level and rate of pay as they received as of December 31, 2008,  
16 with no lapse of benefits.

17 G. Beginning January 1, 2009:

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

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

24

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

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

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

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

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

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

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

21 ~~(f)~~ 6. To ensure state compliance with the Health Maintenance  
22 Organization Act of 1973 pursuant to 42 U.S.C., Section 300e et  
23 seq.;  
24

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

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

12        SECTION 3.        AMENDATORY        74 O.S. 2001, Section 1303, as  
13 last amended by Section 1, Chapter 231, O.S.L. 2006 (74 O.S. Supp.  
14 2007, Section 1303), is amended to read as follows:

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

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

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

23        3. "Education Employee" means those employees other than  
24 adjunct professors employed by a state institution of higher

1 education, in the service of an education entity who are members or  
2 are or will be eligible to become members of the Teachers'  
3 Retirement System of Oklahoma and who receive compensation for such  
4 service after the education entity begins to participate in the  
5 State and Education Employees Group Insurance Act and visiting  
6 faculty who are not eligible for membership in the Teachers'  
7 Retirement System of Oklahoma;

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

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

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

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

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

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

24

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

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

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

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

20           13. "Dependent" means an employee's spouse or any unmarried  
21 child (1) under the age of twenty-three (23) years, regardless of  
22 residence, provided that the employee is primarily responsible for  
23 their support, including (a) an adopted child and (b) a stepchild or  
24 child who lives with the employee in a regular parent-child

1 relationship, or (2) regardless of age who is incapable of self-  
2 support because of mental or physical incapacity that existed prior  
3 to reaching the age of twenty-three (23) years;

4 14. "Comprehensive benefits" means benefits which reimburse the  
5 expense of hospital room and board, other hospital services, certain  
6 outpatient expenses, maternity benefits, surgical expense, including  
7 obstetrical care, in-hospital medical care expense, diagnostic  
8 radiological and laboratory benefits, physicians' services provided  
9 by house and office calls, treatments administered in physicians'  
10 office, prescription drugs, psychiatric services, Christian Science  
11 practitioners' services, Christian Science nurses' services,  
12 optometric medical services for injury or illness of the eye, home  
13 health care, home nursing service, hospice care, and such other  
14 benefits as may be determined by the Board. Such benefits shall be  
15 provided on a copayment or coinsurance basis, the insured to pay a  
16 proportion of the cost of such benefits, and may be subject to a  
17 deductible that applies to all or part of the benefits as determined  
18 by the Board; ~~and~~

19 15. "Life insurance coverage" shall include a maximum amount of  
20 basic life insurance or benefit with or without a double indemnity  
21 provision and an amount of accidental death and dismemberment  
22 insurance or benefit per employee to be provided by the State of  
23 Oklahoma, and the employee shall have the option to purchase  
24 additional life insurance or benefits on the employee's life up to

1 the amount provided by the plan. Such basic life insurance  
2 benefits, with or without double indemnity, and accidental death and  
3 dismemberment benefits shall not exclude coverage for death or  
4 dismemberment resulting from war, insurrection or riot. The Board  
5 may also extend dependent life insurance in an amount to be  
6 determined by the Board to each insured employee who elects to  
7 insure the employee's eligible dependents. Premiums for the  
8 dependent life insurance shall be paid wholly by the employee;

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

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

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

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

23 20. "Compensation" means the remuneration directly paid to a  
24 participating active state employee by a participating active state

1 employer exclusive of overtime pay, and longevity pay, calculated  
2 prior to and without regard to adjustments arising out of an  
3 employee's participation in the plan authorized pursuant to this  
4 act, or amounts deferred under the tax-sheltered income deferment  
5 plans as authorized by Section 1701 et seq. of this title;

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

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

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

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

19 25. "Participating active state employer" means any state  
20 agency, board, commission, department, institution, authority,  
21 officer, bureau, council, office or other entity created by the  
22 Oklahoma Constitution or statute that is a participating employer of  
23 the Oklahoma Law Enforcement Retirement System, the Oklahoma Public  
24 Employees Retirement System or the Uniform Retirement System for

1 Justices and Judges, but shall not include any county, county  
2 hospital, city or town, conservation district, any private or public  
3 trust in which a county, city or town participates and is the  
4 primary beneficiary, any school district or technology center school  
5 district, or political subdivision of the state, but shall include  
6 the State Department of Education, the Oklahoma Department of  
7 Wildlife Conservation, the Oklahoma Employment Security Commission,  
8 the Teachers' Retirement System of Oklahoma and the Oklahoma  
9 Department of Career and Technology Education. Provided, the term  
10 "participating employer" shall also mean the Oklahoma State Regents  
11 for Higher Education or any institution under the authority of the  
12 State Regents for Higher Education upon agreement between the State  
13 Regents for Higher Education or the appropriate governing board of  
14 an institution under the authority of the State Regents for Higher  
15 Education and the Board;

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

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

22 28. "Plan year" means the twelve-month period commencing on  
23 January 1 and ending on the following December 31; and  
24

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

8        SECTION 4.        AMENDATORY        74 O.S. 2001, Section 1306, as  
9 last amended by Section 3, Chapter 231, O.S.L. 2006 (74 O.S. Supp.  
10 2007, Section 1306), is amended to read as follows:

11        Section 1306. The State and Education Employees Group Insurance  
12 Board shall administer and manage the group insurance plans and the  
13 flexible benefits plan and, subject to the provisions of the State  
14 and Education Employees Group Insurance Act ~~and the State Employees~~  
15 ~~Flexible Benefits Act~~, shall have the following powers and duties:

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

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

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

1       4. To construe and interpret the plan, and decide all questions  
2 of eligibility in accordance with the State and Education Employees  
3 Group Insurance Act and the Internal Revenue Code of 1986, as  
4 amended from time to time. The determination of Board shall  
5 determine the eligibility of employees and their dependents to  
6 participate in each of the Group Insurance Plans and in such other  
7 insurance and benefit plans as the Board may offer and the  
8 eligibility of employees to participate in the Life Insurance Plan  
9 provided that evidence of insurability shall not be a requirement in  
10 determining an employee's initial eligibility;

11       5. To select those benefits which shall be made available to  
12 participants under the plan, according to the State and Education  
13 Employees Group Insurance Act, and other applicable laws and rules;

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

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

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

20 Health maintenance organizations, or other third-party insurance  
21 vendors may be directly or indirectly involved in the distribution  
22 of communicated information to participating state agency employers  
23 and state employee participants subject to the following conditions:

24

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

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

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

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

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

21           13. To assess and collect reasonable fees from such contracted  
22 health maintenance organizations and third-party insurance vendors  
23 to offset the costs of administration as determined by the Board;  
24

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

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

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

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

12        ~~6-~~ 18. The establishment of a grievance procedure by which a  
13 three-member grievance panel shall act as an appeals body for  
14 complaints by insured employees regarding the allowance and payment  
15 of claims, eligibility, and other matters. Except for grievances  
16 settled to the satisfaction of both parties prior to a hearing, any  
17 person who requests in writing a hearing before the grievance panel  
18 shall receive a hearing before the panel. The grievance procedure  
19 provided by this paragraph shall be the exclusive remedy available  
20 to insured employees having complaints against the insurer. Such  
21 grievance procedure shall be subject to Article II of the Oklahoma  
22 Administrative Procedures Act, including provisions thereof for  
23 review of agency decisions by the district court. The grievance  
24 panel shall schedule a hearing regarding the allowance and payment

1 of claims, eligibility and other matters within sixty (60) days from  
2 the date the grievance panel receives a written request for a  
3 hearing unless the panel orders a continuance for good cause shown.  
4 Upon written request by the insured employee to the grievance panel  
5 and received not less than ten (10) days before the hearing date,  
6 the grievance panel shall cause a full stenographic record of the  
7 proceedings to be made by a competent court reporter at the insured  
8 employee's expense;

9 ~~7.~~ 19. The continuing study of the operation of such insurance  
10 and benefit plans as the Board may offer including such matters as  
11 gross and net costs, administrative costs, benefits, utilization of  
12 benefits, and claims administration;

13 ~~8.~~ 20. The administration of the Health, Dental and Life  
14 Insurance Reserve Fund or Funds, ~~the Flexible Benefits Revolving~~  
15 ~~Fund~~ and the Education Employees Group Insurance Reserve Fund;

16 ~~9.~~ 21. The auditing of the claims paid pursuant to the  
17 provisions of the State and Education Employees Group Insurance Act, ~~the State Employees Flexible Benefits Act~~ and the State Employees  
18 Disability Program Act;

20 ~~10.~~ 22. a. To ~~select and contract with~~ offer federally  
21 qualified Health Maintenance Organizations under the  
22 provisions of 42 U.S.C., Section 300e et seq. or with  
23 Health Maintenance Organizations granted a certificate  
24 of authority by the Insurance Commissioner pursuant to

1 Sections 6901 through 6951 of Title 36 of the Oklahoma  
2 Statutes for consideration by employees as an  
3 alternative to the state self-insured health plan, ~~and~~  
4 ~~to~~. The Board shall transfer to the HMOs such funds  
5 as may be approved for an employee electing HMO  
6 alternative services. The Board may also select and  
7 contract with a vendor to offer a point-of-service  
8 plan. An HMO may offer coverage through a point-of-  
9 service plan, subject to the guidelines established by  
10 the Board. However, if the Board chooses to offer a  
11 point-of-service plan, then a vendor that offers both  
12 an HMO plan and a point-of-service plan may choose to  
13 offer only its point-of-service plan in lieu of  
14 offering its HMO plan.

- 15 b. Benefit plan contracts with the State and Education  
16 Employees Group Insurance Board, Health Maintenance  
17 Organizations, and other third-party insurance vendors  
18 shall provide for a risk adjustment factor for adverse  
19 selection that may occur, ~~as determined by the Board,~~  
20 based on generally accepted actuarial principles. The  
21 risk adjustment factor shall include all members  
22 participating in the plans offered by the State and  
23 Education Employees Group Insurance Board. The  
24 ~~Oklahoma State Employees Benefits Council~~ Insurance

1           Commissioner shall contract with an actuary to provide  
2           the above actuarial services, and shall be reimbursed  
3           for these contract expenses by the Board.

4           c.   Effective for the plan year beginning January 1, 2007,  
5           and for each year thereafter, in setting health  
6           insurance premiums for active employees and for  
7           retirees under sixty-five (65) years of age, HMOs,  
8           self-insured organizations and prepaid plans shall set  
9           the monthly premium for active employees to be equal  
10          to the premium for retirees under sixty-five (65)  
11          years of age;

12          ~~11.~~ 23. To contract for reinsurance, catastrophic insurance, or  
13 any other type of insurance deemed necessary by the Board.

14 Provided, however, that the Board shall not offer a health plan  
15 which is owned or operated by the state and which utilizes a  
16 capitated payment plan for providers which uses a primary care  
17 physician as a gatekeeper to any specialty care provided by  
18 physician-specialists, unless specifically authorized by the  
19 Legislature;

20          ~~12.~~ 24. The Board, pursuant to the provisions of ~~Section 250 et~~  
21 ~~seq. of Title 75 of the Oklahoma Statutes~~ the Administrative  
22 Procedures Act, shall adopt such rules consistent with the  
23 provisions of the State and Education Employees Group Insurance Act  
24 as ~~it~~ the Board deems necessary to carry out its statutory duties

1 and responsibilities. Emergency Rules adopted by the Board and  
2 approved by the Governor which are in effect on the first day of the  
3 Regular Session of the Oklahoma Legislature shall not become null  
4 and void until January 15 of the subsequent calendar year;

5 ~~13.~~ 25. The Board shall contract for claims administration  
6 services with a private insurance carrier or a company experienced  
7 in claims administration of any insurance that the Board may be  
8 directed to offer. No contract for claims administration services  
9 shall be made unless such contract has been offered for bids through  
10 the Purchasing Division of the Department of Central Services. The  
11 Board shall contract with a private insurance carrier or other  
12 experienced claims administrator to process claims with software  
13 that is normally used for its customers;

14 ~~14.~~ 26. The Board shall contract for utilization review  
15 services with a company experienced in utilization review, data base  
16 evaluation, market research, and planning and performance of the  
17 health insurance plan;

18 ~~15.~~ 27. The Board shall have the authority to determine all  
19 rates and life, dental and health benefits. Except as otherwise  
20 provided for in Section 1321 of this title, the Board shall not have  
21 the authority to adjust the premium rates after approval. The Board  
22 shall submit notice of the amount of employee premiums and dependent  
23 premiums along with an actuarial projection of the upcoming fiscal  
24 year's enrollment, employee contributions, employer contributions,

1 investment earnings, paid claims, internal expenses, external  
2 expenses and changes in liabilities to the Director of the Office of  
3 State Finance and the Director of the Legislative Service Bureau no  
4 later than March 1 of the previous fiscal year.

5 Effective for the plan year beginning January 1, 2007, and for  
6 each plan year thereafter, in setting health insurance premiums for  
7 active employees and retirees under sixty-five (65) years of age,  
8 the Board shall set the monthly premium for active employees to be  
9 equal to the monthly premium for retirees under sixty-five (65)  
10 years of age;

11 ~~16.~~ 28. Before December 1 of each year the Board shall submit  
12 to the Director of the Office of State Finance a report outlining  
13 the financial condition for the previous fiscal year of all  
14 insurance plans offered by the Board. The report shall include a  
15 complete explanation of all reserve funds and the actuarial  
16 projections on the need for such reserves. The report shall include  
17 and disclose an estimate of the future trend of medical costs, the  
18 impact from HMO enrollment, antiselection, changes in law, and other  
19 contingencies that could impact the financial status of the plan.  
20 The Director of the Office of State Finance shall make written  
21 comment on the report and shall provide such comment, along with the  
22 report submitted by the Board, to the Governor, the President Pro  
23 Tempore of the Senate, and the Speaker of the House of  
24

1 ~~Representatives and the Chair of the Oklahoma State Employees~~  
2 ~~Benefits Council~~ by January 15;

3 ~~17.~~ 29. The Board shall establish a prescription drug card  
4 network;

5 ~~18.~~ 30. The Board shall have the authority to intercept monies  
6 owing to plan participants from other state agencies, when those  
7 participants in turn, owe money to the Board. The Board shall be  
8 required to adopt rules and regulations ensuring the participants  
9 due process of law;

10 ~~19.~~ 31. The Board is authorized to make available to eligible  
11 employees supplemental health care benefit plans to include but not  
12 be limited to long-term care, deductible reduction plans and  
13 employee co-payment reinsurance. Premiums for said plans shall be  
14 actuarially based and the cost for such supplemental plans shall be  
15 paid by the employee;

16 ~~20.~~ 32. Beginning with the plan year which begins on January 1,  
17 2006, the Board shall select and contract with one or more providers  
18 to offer a group TRICARE Supplement product to eligible employees  
19 who are eligible TRICARE beneficiaries. Any membership dues  
20 required to participate in a group TRICARE Supplement product  
21 offered pursuant to this paragraph shall be paid by the employee.  
22 As used in this paragraph, "TRICARE" means the Department of Defense  
23 health care program for active duty and retired uniform service  
24 members and their families;

1        ~~21.~~ 33. There is hereby created as a joint committee of the  
2 State Legislature, the Joint Liaison Committee on State and  
3 Education Employees Group Insurance Benefits, which Joint Committee  
4 shall consist of three members of the Senate to be appointed by the  
5 President Pro Tempore thereof and three members of the House of  
6 Representatives to be appointed by the Speaker thereof. The Chair  
7 and Vice Chair of the Joint Committee shall be appointed from the  
8 membership thereof by the President Pro Tempore of the Senate and  
9 the Speaker of the House of Representatives, respectively, one of  
10 whom shall be a member of the Senate and the other shall be a member  
11 of the House of Representatives. At the beginning of the first  
12 regular session of each Legislature, starting in 1991, the Chair  
13 shall be from the Senate; thereafter the chairship shall alternate  
14 every two (2) years between the Senate and the House of  
15 Representatives.

16        The Joint Liaison Committee on State and Education Employees  
17 Group Insurance Benefits shall function as a committee of the State  
18 Legislature when the Legislature is in session and when the  
19 Legislature is not in session. Each appointed member of said  
20 committee shall serve until his or her successor is appointed.

21        The Joint Liaison Committee on State and Education Employees  
22 Group Insurance Benefits shall serve as a liaison with the State and  
23 Education Employees Group Insurance Board regarding advice,  
24 guidance, policy, management, operations, plans, programs and fiscal

1 needs of said Board. Said Board shall not be bound by any action of  
2 the Joint Committee; and

3 ~~22.~~ 34. The State and Education Employees Group Insurance Board  
4 shall annually collect its own set of performance measures  
5 comparable to the Health Plan Employer Data and Information Set  
6 (HEDIS) for the purpose of assessing the quality of its HealthChoice  
7 plans and the other services it provides.

8 SECTION 5. AMENDATORY 74 O.S. 2001, Section 1321, as  
9 last amended by Section 5, Chapter 231, O.S.L. 2006 (74 O.S. Supp.  
10 2007, Section 1321), is amended to read as follows:

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

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

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

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

4           C. The Board may approve a mid-year adjustment provided the  
5 need for an adjustment is substantiated by an actuarial  
6 determination or more current experience rating. The only  
7 publication or notice requirements that shall apply to the Schedule  
8 of Benefits shall be those requirements provided in the Oklahoma  
9 Open Meeting Act. It is the intent of the Legislature that the  
10 benefits provided not include cosmetic dental procedures except for  
11 certain orthodontic procedures as adopted by the Board.

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

14           Section 1366. A. ~~The Oklahoma State Employees Benefits Council~~  
15 and Education Employees Group Insurance Board shall establish a  
16 flexible benefits plan ~~in accordance with the provisions of Section~~  
17 ~~1361 et seq. of this title.~~ All participating employers of active  
18 state employees shall offer the plan to their eligible employees.

19           B. The ~~Council~~ Board shall interpret the plan and decide any  
20 matters arising thereunder and may adopt ~~such rules and procedures~~  
21 as it deems necessary, desirable or appropriate in the  
22 administration of the plan subject to the Administrative Procedures  
23 Act. All rules and decisions of the ~~Council~~ Board shall be  
24 uniformly and consistently applied to all participants in similar

1 circumstances and shall be conclusive and binding on all persons  
2 having an interest in the plan. When making any decision or  
3 determination, the ~~Council~~ Board shall be entitled to rely upon such  
4 information as may be furnished to ~~it~~ the Board by a participant, a  
5 participating employer, legal counsel, third-party administrator or  
6 the management of any individual benefit plan which is incorporated  
7 in the plan.

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

12 The ~~Council~~ Board shall solicit proposals on a competitive bid  
13 basis. ~~Contracts for the flexible benefits plan shall not be~~  
14 ~~subject to the provisions of the Oklahoma Central Purchasing Act,~~  
15 ~~Section 85.1 et seq. of this title. The Council shall promulgate~~  
16 ~~rules establishing appropriate competitive bidding criteria and~~  
17 ~~procedures for contracts awarded for flexible benefits plans. When~~  
18 ~~requested by the Council, the Department of Central Services shall~~  
19 ~~assist the Council in the process of selecting any contracts for the~~  
20 ~~design, development, communication or implementation of the plan.~~

21 ~~When awarding a contract for services pursuant to this~~  
22 ~~subsection, the Council shall satisfy itself that the contractor has~~  
23 ~~no interests which would impair its ability to perform the tasks and~~  
24 ~~services required and that the contractor will exercise proper~~

1 ~~independent judgment when performing its responsibilities under~~  
2 ~~Section 1361 et seq. of this title and under the contract.~~

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

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

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

15 3. Dependent care;

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

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

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

1 Provided, if the inclusions and exclusions provided in this  
2 subsection conflict with the provisions of federal law or  
3 regulations pertaining to flexible benefits plans, the ~~Council~~ Board  
4 is authorized to modify or abolish such inclusions and exclusions.

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

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

13 SECTION 7. AMENDATORY Section 10, Chapter 439, O.S.L.  
14 2002 (74 O.S. Supp. 2007, Section 1366.1), is amended to read as  
15 follows:

16 Section 1366.1 A. A contracting committee at the Insurance  
17 Department is hereby created for the purpose of developing plan  
18 designs and requests for proposals and evaluating bids from health  
19 maintenance organizations and prepaid dental plans. Membership  
20 shall be determined as follows:

21 1. The President Pro Tempore of the Senate, the Speaker of the  
22 Oklahoma House of Representatives, and the Governor shall appoint  
23 one member each;  
24

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

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

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

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

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

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

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

21       B. The Insurance Commissioner shall provide administrative and  
22 legal support to the committee. The Commissioner, in consultation  
23 with the contracting committee, shall contract with an independent  
24 health care actuarial firm for the health maintenance organization

1 and prepaid dental plan bid process and the risk adjustment factor  
2 pursuant to Section 1306 of this title. The Director of the  
3 Department of Central Services may provide staff assistance to the  
4 contracting committee. The independent actuarial health care firm  
5 shall work solely with the contracting committee and the State  
6 Purchasing Director of the Department of Central Services. The  
7 contracting committee and the State Purchasing Director of the  
8 Department of Central Services shall:

9 1. Retain as confidential information the initial Request for  
10 Proposal offers as well as any subsequent bid offers made by the  
11 health plans prior to final contract awards as a part of the best  
12 and final offer negotiation process for the benefit plans; and

13 2. Require vendors offering coverage through the Board to  
14 provide enrollment and claims data as is determined by the  
15 contracting committee. The contracting committee, in conjunction  
16 with the Department of Central Services acting pursuant to the  
17 Oklahoma Central Purchasing Act, may retain as confidential any  
18 proprietary information submitted in response to the Request for  
19 Proposal. Any proprietary information requested by the contracting  
20 committee from the vendors shall only be subject to the  
21 confidentiality provision of this paragraph if it is clearly  
22 designated in the Request for Proposal as being protected under this  
23 provision. All requested information not designated confidential in  
24 the Request for Proposal shall be subject to the Oklahoma Open

1 Records Act. Confidential rate information submitted by health  
2 maintenance organizations shall only be viewed by the independent  
3 actuary and not by members of the contracting committee. Data from  
4 health maintenance organizations shall include the current Health  
5 Plan Employer Data and Information Set (HEDIS).

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

15 D. Notwithstanding any other provision of law to the contrary,  
16 for contracts relating to the plan year beginning January 1, 2003  
17 2010, and for each plan year thereafter, the Oklahoma State  
18 Employees Benefits Council and the State and Education Employees  
19 Group Insurance Board committee shall:

20 a. develop

21 1. Develop geographic service areas and list the zip codes  
22 contained in such service areas. Each participating  
23 health maintenance organization shall not be required  
24

1 to offer enrollment in every service area as a  
2 condition to participation in the State Account,

3 ~~b. not~~

4 2. Not require participating health maintenance

5 organizations to offer a Medicare supplement plan.

6 However, if the participating health maintenance

7 organization offers a Medicare supplement plan to

8 other entities within this state then it shall be

9 required to offer a Medicare supplement plan~~;~~ and

10 ~~e. require~~

11 3. Require participating health maintenance organizations

12 to meet the standardized benefit plan as required by

13 the ~~Oklahoma State Employees Benefits Council~~

14 committee. However, participating health maintenance

15 organizations may offer enhancements in an effort to

16 make their plans more attractive and competitive, ~~and~~

17 ~~d. ensure that all premiums are paid to participating~~

18 ~~health maintenance organizations within sixty (60)~~

19 ~~calendar days from receipt of the bill.~~

20 SECTION 8. AMENDATORY 74 O.S. 2001, Section 1370, as  
21 last amended by Section 5, Chapter 269, O.S.L. 2007 (74 O.S. Supp.  
22 2007, Section 1370), is amended to read as follows:

23 Section 1370. A. Subject to the requirement that a participant  
24 must elect the default benefits, the basic plan, or is a person who

1 has retired from a branch of the United States military and has been  
2 provided with health care through a federal plan, to the extent that  
3 it is consistent with federal law, and provides proof of this  
4 coverage, flexible benefit dollars may be used to purchase any of  
5 the benefits offered by the ~~Oklahoma~~ State and Education Employees  
6 ~~Benefits Council~~ Group Insurance Board under the flexible benefits  
7 plan. A participant who has provided proof of other coverage as  
8 described in this subsection shall not receive flexible benefit  
9 dollars if the person elects not to purchase any benefits. A  
10 participant's flexible benefit dollars for a plan year shall consist  
11 of the sum of (1) flexible benefit allowance credited to a  
12 participant by the participating employer, and (2) pay conversion  
13 dollars elected by a participant.

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

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

1           1. The greater of Two Hundred Sixty-two Dollars and nineteen  
2 cents (\$262.19) 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 or the amount determined by the ~~Council~~ Board based  
8 on a formula for determining a participant's benefit credits  
9 consistent with the requirements of 26 U.S.C., Section 125(g)(2) and  
10 regulations thereunder; or

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

- 19           a. for a spouse, seventy-five percent (75%) of the  
20           average price of all high option benefit plans,  
21           excluding the point-of-service plans, available for  
22           coverage of a spouse,  
23           b. for one child, seventy-five percent (75%) of the  
24           average price of all high option benefit plans

1 available, excluding the point-of-service plans, for  
2 coverage of one child,

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

7 d. for a spouse and one child, seventy-five percent (75%)  
8 of the average price of all high option benefit plans  
9 available, excluding the point-of-service plans, for  
10 coverage of a spouse and one child, or

11 e. for a spouse and two or more children, seventy-five  
12 percent (75%) of the average price of all high option  
13 benefit plans available, excluding the point-of-  
14 service plans, for coverage of a spouse and two or  
15 more children.

16 D. To the extent that it is consistent with federal law, for an  
17 employee who is an eligible TRICARE beneficiary and has opted not to  
18 purchase health care coverage and who purchases a group TRICARE  
19 Supplemental product, the amount of the participant's benefit  
20 allowance shall be equal to the sum of the monthly premium of the  
21 group TRICARE Supplemental product purchased by the participant, if  
22 any, the average monthly premiums of the dental plans, the monthly  
23 premium of the disability plan, and the monthly premium of the basic  
24 life insurance plan offered to state employees or the amount

1 determined by the Council based on a formula for determining a  
2 participant's benefit credits consistent with the requirements of 26  
3 U.S.C., Section 125(g)(2) and regulations thereunder. To the extent  
4 that it is consistent with federal law, for each eligible dependent  
5 of an employee who is an eligible TRICARE beneficiary and has opted  
6 not to purchase health care coverage, if the employee purchases a  
7 group TRICARE Supplemental product on behalf of the dependent, the  
8 benefit allowance shall be equal to seventy-five percent (75%) of  
9 the monthly premium of the group TRICARE Supplemental product  
10 purchased by the participant on behalf of the dependent.

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

16 F. If a participant desires to buy benefits whose sum total of  
17 benefit prices is in excess of ~~his or her~~ the flexible benefit  
18 allowance of the participant, the participant may elect to use pay  
19 conversion dollars to purchase such excess benefits. Pay conversion  
20 dollars may be elected through a salary reduction agreement made  
21 pursuant to the election procedures of Section ~~1371~~ 9 of this title  
22 act. The elected amount shall be deducted from the participant's  
23 compensation in equal amounts each pay period over the plan year.  
24 On termination of employment during a plan year, a participant shall

1 have no obligation to pay the participating employer any pay  
2 conversion dollars allocated to the portion of the plan year after  
3 the participant's termination of employment.

4 G. If a participant elects benefits whose sum total of benefit  
5 prices is less than ~~his or her~~ the flexible benefit allowance of the  
6 participant, ~~he or she~~ the participant shall receive any excess  
7 flexible benefit allowance as taxable compensation. Such taxable  
8 compensation will be paid in substantially equal amounts each pay  
9 period over the plan year. On termination during a plan year, a  
10 participant shall have no right to receive any such taxable cash  
11 compensation allocated to the portion of the plan year after the  
12 participant's termination. Nothing herein shall affect a  
13 participant's obligation to elect the minimum benefits or to accept  
14 the default benefits of the plan with corresponding reduction in the  
15 sum of ~~his or her~~ the flexible benefit allowance of the participant  
16 equal to the sum total benefit price of such minimum benefits or  
17 default benefits.

18 SECTION 9. AMENDATORY 74 O.S. 2001, Section 1371, as  
19 last amended by Section 6, Chapter 269, O.S.L. 2007 (74 O.S. Supp.  
20 2007, Section 1371), is amended to read as follows:

21 Section 1371. A. All participants must purchase at least the  
22 basic plan unless, to the extent that it is consistent with federal  
23 law, the participant is a person who has retired from a branch of  
24 the United States military and has been provided with health

1 coverage through a federal plan and that participant provides proof  
2 of that coverage. On or before ~~January 1 of the plan year beginning~~  
3 ~~July 1, 2001, and July 1 of any plan year beginning after January 1,~~  
4 ~~2002, the Oklahoma State and Education Employees Benefits Council~~  
5 Group Insurance Board shall design the basic plan for the next plan  
6 year to insure that the basic plan provides adequate coverage to all  
7 participants. All benefit plans, whether offered by the State and  
8 Education Employees Group Insurance Board, a health maintenance  
9 organization or other vendors shall meet the minimum requirements  
10 set by the ~~Council~~ Board for the basic plan.

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

24

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

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

1 beginning January 1, 2007, and for each plan year thereafter, in  
2 setting health insurance premiums for active employees and for  
3 retirees under sixty-five (65) years of age, HMOs, self-insured  
4 organizations and prepaid plans shall set the monthly premium for  
5 active employees to be equal to the monthly premium for retirees  
6 under sixty-five (65) years of age.

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

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

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

24

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

5        ~~G.~~ F. Any participant who, in the first year for which ~~he or~~  
6 ~~she~~ the participant is eligible to participate in the plan, fails to  
7 make a proper election under the plan in conformance with the  
8 procedures set forth in this section or as prescribed by the ~~Council~~  
9 Board shall be deemed automatically to have purchased the default  
10 benefits. The default benefits shall be the same as the basic plan  
11 benefits. Any participant who, after having participated in the  
12 plan during the previous plan year, fails to make a proper election  
13 under the plan in conformance with the procedures set forth in this  
14 section or prescribed by the ~~Council~~ Board, shall be deemed  
15 automatically to have purchased the same benefits which the  
16 participant purchased in the immediately preceding plan year, except  
17 that the participant shall not be deemed to have elected coverage  
18 under the health care reimbursement account plan or the dependent  
19 care reimbursement account plan.

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

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

8 ~~a. that primary care physician was part of a provider~~  
9 ~~group that was offered to the individual at enrollment~~  
10 ~~and later removed from the network of the health~~  
11 ~~maintenance organization, for reasons other than for~~  
12 ~~cause, and~~

13 ~~b. the individual submits a request in writing to the~~  
14 ~~health maintenance organization to continue to have~~  
15 ~~access to the primary care physician.~~

16 ~~2. The primary care physician selected by the individual shall~~  
17 ~~be required to accept reimbursement for such health care services on~~  
18 ~~a fee for service basis only. The fee for service shall be computed~~  
19 ~~by the health maintenance organization based on the average of the~~  
20 ~~other fee for service contracts of the health maintenance~~  
21 ~~organization in the local community. The individual shall only be~~  
22 ~~required to pay the primary care physician those co payments,~~  
23 ~~coinsurance and any applicable deductibles in accordance with the~~  
24 ~~terms of the agreement between the employer and the health~~

1 ~~maintenance organization and the provider shall not balance bill the~~  
2 ~~patient.~~

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

10 SECTION 10. AMENDATORY 74 O.S. 2001, Section 1372, as  
11 amended by Section 1, Chapter 369, O.S.L. 2003 (74 O.S. Supp. 2007,  
12 Section 1372), is amended to read as follows:

13 Section 1372. The ~~Oklahoma~~ State and Education Employees  
14 ~~Benefits Council~~ Group Insurance Board shall be responsible for  
15 making all determinations as to the rights of any participant or any  
16 beneficiary of a participant to receive amounts under the flexible  
17 ~~spending account~~ benefits plan. The ~~Council~~ Board shall prescribe  
18 forms and procedures for making claims for flexible spending account  
19 benefits under the plan. Each person making a claim for benefits  
20 under the flexible spending account benefits plan shall also furnish  
21 the ~~Council~~ Board with such documents, evidence, data or information  
22 in support of such claim as the ~~Council~~ Board considers necessary or  
23 desirable. If any claim for the flexible spending account benefits  
24 plan is wholly or partially denied, the claimant shall be given

1 notice in writing of such denial within a reasonable period of time,  
2 but no later than forty-five (45) days after the claim is filed. A  
3 claimant whose claim is denied shall have the right to a hearing  
4 ~~before the Council's executive director or hearing officer~~  
5 ~~designated by the executive director. Written notification by a~~  
6 ~~claimant for a hearing must be received by the executive director~~  
7 ~~within ten (10) business days of notification of claim denial. The~~  
8 ~~hearing shall be conducted within thirty (30) days pursuant to~~  
9 hearing procedures set forth in rules adopted by the Board in  
10 accordance with the provisions of the Administrative Procedures Act.  
11 ~~The Council shall promulgate administrative rules establishing~~  
12 ~~policies and procedures specific to the notice of denial, request~~  
13 ~~for explanation, and hearing for flexible spending account benefit~~  
14 ~~claims denial.~~

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

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

23 B. The ~~Council~~ Board shall provide notice to each insured or  
24 enrollee under such plan regarding the coverage required by this

1 section in the plan's evidence of coverage, and shall provide  
2 additional written notice of the coverage to the insured or enrollee  
3 as follows:

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

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

9 SECTION 12. AMENDATORY Section 1, Chapter 501, O.S.L.  
10 2002, as last amended by Section 9, Chapter 231, O.S.L. 2006 (74  
11 O.S. Supp. 2007, Section 1374), is amended to read as follows:

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

- 21 1. Has in place a statewide network of at least one hundred  
22 fifty providers. "Providers", for purposes of this section, means  
23 Optometrists (OD), Ophthalmologists (MD), and Ophthalmologists (DO)  
24 which shall be counted once regardless of the number of locations

1 where they may practice. Optical shops and retail optical locations  
2 shall not be listed as providers. The company offering the vision  
3 plan must have a direct relationship with each provider on its  
4 panel, and may not lease, borrow, or otherwise obtain use of a  
5 provider panel from another company. This would not prevent a  
6 company from offering their plan through one corporate entity and  
7 administering the plan or provider panel through another legal  
8 entity of the same organization. Providers must be actively engaged  
9 in providing the services offered under the vision plan they  
10 represent;

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

12 3. Is licensed by the Insurance Department, certified by the  
13 State Department of Health, or licensed as a third-party  
14 administrator by the Insurance Department. Vision plans must be  
15 offered by the company administering the plan, not by an agent or  
16 third party. A company shall offer only one vision plan and rate  
17 schedule for each plan year;

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

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

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

7 SECTION 13. AMENDATORY 74 O.S. 2001, Section 1382, as  
8 amended by Section 1, Chapter 50, O.S.L. 2006 (74 O.S. Supp. 2007,  
9 Section 1382), is amended to read as follows:

10 Section 1382. A. There is hereby created within the ~~Oklahoma~~  
11 ~~State Employee Benefits Council~~ Office of Personnel Management, the  
12 Wellness Council, to continue until July 1, 2012, in accordance with  
13 the provisions of the Oklahoma Sunset Law.

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

19 C. Each state agency with two hundred (200) or more full-time-  
20 equivalent employees shall appoint a wellness coordinator. All  
21 wellness coordinators shall be appointed by October 1, 1994. Each  
22 wellness coordinator shall be appointed for a term of two (2) years.  
23 If a wellness coordinator can no longer serve for any reason the  
24 appointing agency shall fill the vacancy for the unexpired term.

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

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

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

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

18 H. The State and Education Employees Group Insurance Board  
19 shall provide funding to the Office of Personnel Management for two  
20 full-time employees under the Wellness Council. The Board shall  
21 fund up to four full-time health educators for the Oklahoma Health  
22 program. Funding for the positions as provided for in this  
23 subsection shall continue until termination of the programs.

24

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

3 Section 1383. A. The Wellness Council shall coordinate and  
4 develop wellness programs in state government. The Council shall  
5 work to encourage participation in wellness programs by state  
6 employees. The Wellness Council may provide programs to state  
7 agencies for quarterly health and safety training as required by the  
8 Department of Labor according to the provisions of Section 403 of  
9 Title 40 of the Oklahoma Statutes. In addition the Council shall  
10 establish methods and a plan of action for receiving money through  
11 grants from federal and private funds to implement wellness programs  
12 in this state.

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

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

24

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

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

18 Section 2623. A. For taxable years beginning after December  
19 31, 1995, an individual who is a resident of this state or an  
20 employer shall be allowed to deposit contributions to a medical  
21 savings account. The amount of deposit for the first taxable year  
22 subsequent to ~~the effective date of this act~~ November 1, 1995, shall  
23 not exceed:

24 1. Two Thousand Dollars (\$2,000.00) for the account holder;

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

3           3. One Thousand Dollars (\$1,000.00) for each dependent child of  
4 the account holder.

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

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

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

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

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

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

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

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

21 F. An account holder may withdraw money from the medical  
22 savings account of the account holder for any purpose other than a  
23 purpose listed in paragraph 1 of subsection E of this section, only  
24 on the last business day of the trustee's business year. If money

1 is withdrawn on that date, pursuant to this subsection, it shall be  
2 considered income for income tax purposes and shall not be eligible  
3 for the exemption provided in Section 2358 of Title 68 of the  
4 Oklahoma Statutes.

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

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

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

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

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

22 I. If an employee is no longer employed by an employer that  
23 participates in a medical savings account program and the employee,  
24 not more than sixty (60) days after the final day of employment,

1 transfers the account to a new trustee or requests in writing to the  
2 trustee of the former employer that the account remain with that  
3 trustee and that trustee agrees to retain the account, the money in  
4 the medical savings account may be utilized for the benefit of the  
5 account holder or the dependents of the account holder subject to  
6 ~~this act~~ the Medical Savings Account Act, and the money shall remain  
7 exempt from taxation pursuant to Section 2358 of Title 68 of the  
8 Oklahoma Statutes. Not more than thirty (30) days after the  
9 expiration of the sixty-day transfer period, if the account holder  
10 has not transferred the account or the trustee has not accepted the  
11 account of the former employee, the employer shall mail a check to  
12 the last-known address of the former employee in an amount equal to  
13 the amount in the account on the date the check is mailed. The  
14 amount shall be taxed and subject to penalty as provided for in  
15 subsection G of this section. If an employee becomes employed with  
16 a different employer that participates in a medical savings account  
17 program before the expiration of the sixty-day transfer period, the  
18 employee may transfer the medical savings account to the trustee of  
19 the new employer without penalty.

20 SECTION 17. AMENDATORY 74 O.S. 2001, Section 85.12, as  
21 last amended by Section 77, Chapter 1, O.S.L. 2007 (74 O.S. Supp.  
22 2007, Section 85.12), is amended to read as follows:

23 Section 85.12 A. The provisions of this section shall not be  
24 construed to affect any law relating to fiscal or accounting

1 procedure except as they may be directly in conflict herewith; and  
2 all claims, warrants, and bonds shall be examined, inspected, and  
3 approved as now provided by law.

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

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

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

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

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

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

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

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

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

- 1 8. Acquisitions by the Oklahoma Municipal Power Authority;
- 2 9. Acquisitions by the Grand River Dam Authority;
- 3 10. Acquisitions by rural water, sewer, gas, or solid waste  
4 management districts created pursuant to the Rural Water, Sewer, Gas  
5 and Solid Waste Management Districts Act;
- 6 11. Acquisitions by the Oklahoma Ordnance Works Authority, the  
7 Northeast Oklahoma Public Facilities Authority, or the Midwestern  
8 Oklahoma Development Authority;
- 9 12. Contracts entered into by the Oklahoma Industrial Finance  
10 Authority for the services of an appraiser or for acquisition of  
11 insurance when the Authority's Board of Directors determines that an  
12 emergency exists, and contracts for the services of legal counsel  
13 when approved by the Attorney General;
- 14 13. Expenditure of monies appropriated to the State Board of  
15 Education for Local and State Supported Financial Support of Public  
16 Schools, except monies allocated therefrom for the Administrative  
17 and Support Functions of the State Department of Education;
- 18 14. Expenditure of monies appropriated to the State Department  
19 of Rehabilitation Services for educational programs or educational  
20 materials for the Oklahoma School for the Blind and the Oklahoma  
21 School for the Deaf;
- 22 15. Contracts entered into by the Oklahoma Department of Career  
23 and Technology Education for the development, revision, or updating  
24 of vocational curriculum materials, and contracts entered into by

1 the Oklahoma Department of Career and Technology Education for  
2 training and supportive services that address the needs of new or  
3 expanding industries;

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

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

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

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

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

1 21. Contracts for managed health care services entered into by  
2 the state entity designated by law or the Department of Human  
3 Services, as specified in paragraph 1 of subsection A of Section  
4 1010.3 of Title 56 of the Oklahoma Statutes;

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

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

15 24. Acquisitions by the Oklahoma Energy Resources Board;

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

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

22 ~~27.~~ Acquisitions by the Department of Securities to  
23 investigate, initiate, or pursue administrative, civil, or criminal  
24

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

3 ~~28.~~ 27. Acquisitions by the Native America Cultural and  
4 Educational Authority and acquisitions by the Oklahoma Department of  
5 Commerce to assist the Native American Cultural and Educational  
6 Authority pursuant to Section 5017 of this title;

7 ~~29.~~ 28. Acquisitions for resale in and through canteens  
8 operated pursuant to Section 537 of Title 57 of the Oklahoma  
9 Statutes;

10 ~~30.~~ 29. Acquisitions by the Oklahoma Boll Weevil Eradication  
11 Organization for employment and personnel services, and for  
12 acquiring sprayers, blowers, traps, and attractants related to the  
13 eradication of boll weevils in this state or as part of a national  
14 or regional boll weevil eradication program;

15 ~~31.~~ 30. Contracts entered into by the Oklahoma Indigent Defense  
16 System for expert services pursuant to the provisions of subsection  
17 D of Section 1355.4 of Title 22 of the Oklahoma Statutes;

18 ~~32.~~ 31. Acquisitions by the Oklahoma Correctional Industries  
19 and the Agri-Services programs of the Department of Corrections of  
20 raw materials, component parts and other products, any equipment  
21 excluding vehicles, and any services excluding computer consultant  
22 services used to produce goods or services for resale and for the  
23 production of agricultural products;

24

1       ~~33.~~ 32. Contracts entered into by the Department of Human  
2 Services for provision of supported living services to members of  
3 the plaintiff class in Homeward Bound, Inc., et. al., v. The Hisson  
4 Memorial Center, et. al., Case Number 85-C-437-E, United States  
5 District Court for the Northern District of Oklahoma; and

6       ~~34.~~ 33. Contracts negotiated by the Office of Juvenile Affairs  
7 with designated Youth Services Agencies and the Oklahoma Association  
8 of Youth Services, or another Oklahoma nonprofit corporation whose  
9 membership consists solely of Youth Services Agencies and of whom at  
10 least a majority of Youth Services Agencies are members, pursuant to  
11 the provisions of Section 7302-3.6a of Title 10 of the Oklahoma  
12 Statutes.

13       C. Pursuant to the terms of a contract the State Purchasing  
14 Director enters into or awards, a state agency, common school,  
15 municipality, rural fire protection district, county officer, or any  
16 program contract, purchase, acquisition or expenditure that is not  
17 subject to the provisions of The Oklahoma Central Purchasing Act,  
18 may, unless acting pursuant to a contract with the state that  
19 specifies otherwise, make use of statewide contracts and the  
20 services of the Purchasing Division and the State Purchasing  
21 Director. Any political subdivision or rural fire protection  
22 district may designate the State Purchasing Director as its agent  
23 for any acquisition from a statewide contract or otherwise available  
24 to the state.

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

6 SECTION 18. AMENDATORY 74 O.S. 2001, Section 840-2.27D,  
7 as last amended by Section 94, Chapter 5, O.S.L. 2004 (74 O.S. Supp.  
8 2007, Section 840-2.27D), is amended to read as follows:

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

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

- 12 1. All agency severance benefits shall provide the following:
  - 13 a. payment equal to the affected employee's current  
14 health insurance premium for the affected employee  
15 only for eighteen (18) months based on the cost of the  
16 premium at the time of the reduction-in-force. The  
17 appointing authority of the agency can ask the  
18 Director of the Office of State Finance to waive the  
19 severance benefit provision in this subparagraph or to  
20 reduce the length of coverage or subsequent severance  
21 benefit payment upon demonstration of the agency's  
22 inability to fund the full benefit,
  - 23 b. a longevity payment, as prescribed by Section 840-2.18  
24 of this title, in the amount which would otherwise be

1           paid to the affected employee on the affected  
2           employee's next anniversary date. For the purposes of  
3           this subparagraph, the University Hospitals Authority  
4           shall calculate longevity for affected employees who  
5           were members of the University Hospitals Authority  
6           Model Personnel System pursuant to Section 3211 of  
7           Title 63 of the Oklahoma Statutes for all state  
8           service as would otherwise be determined by Section  
9           840-2.18 of this title, and

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

16          2.   In addition to the severance benefits provided by paragraph  
17   1 of this subsection, agencies may give affected employees, except  
18   as otherwise provided by paragraph 3 of this subsection, severance  
19   benefit packages based on any combination of the following options,  
20   provided that all affected employees who receive severance benefits  
21   in the reduction-in-force shall be accorded uniform treatment  
22   pursuant to the State Government Reduction-in-Force and Severance  
23   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

1 agency contribution shall not exceed the contribution  
2 of the affected employee,

3 b. the affected employee may pay the cost for the voucher  
4 program directly, subject to the requirements of  
5 subparagraph a of this paragraph, or the employing  
6 agency of the affected employee may pay the cost of  
7 the voucher from funds which would otherwise have been  
8 used to make payments to the displaced affected  
9 employee pursuant to an election by the affected  
10 employee to receive severance benefits,

11 c. no voucher issued pursuant to the provisions of this  
12 paragraph shall:

13 (1) be redeemed by the affected employee for cash or  
14 anything of value other than the cost of tuition  
15 and fees at a public or private educational  
16 institution within the State of Oklahoma, or

17 (2) be valid longer than a period of four (4) years  
18 from the date upon which the voucher is issued to  
19 the affected employee,

20 d. the Administrator of the Office of Personnel  
21 Management shall pay tuition and fees directly to the  
22 educational institution and shall receive any refunds  
23 for payment of tuition and fees from the educational  
24

1 institution which shall be credited to the affected  
2 employee's account, and

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

10 B. Each affected employee who is separated from state service  
11 as a result of a reduction-in-force after July 1, 1998, besides  
12 being eligible for the eighteen (18) months of continuation  
13 coverages provided by the Public Health Service Act, 42 U.S.C.,  
14 Section 30066-1 et seq., i.e., health, dental, vision and healthcare  
15 reimbursement account options, under this severance benefit, shall  
16 also be eligible to elect additional continuation coverage for any  
17 life insurance, in twenty-thousand-dollar units, on self or five-  
18 thousand-dollar units, on dependents, and to continue participation  
19 in the dependent care reimbursement account provided that these  
20 additional coverages were in effect immediately prior to the  
21 effective date of the reduction-in-force, the date of which shall  
22 serve as the qualifying event date. Provided, that no coverage  
23 elected for continuation through the Public Health Service Act for  
24 the full eighteen-month period is allowed to lapse, then that

1 affected employee may elect to continue those same coverages for an  
2 additional eighteen (18) months at whatever rate is then in effect.  
3 This additional eighteen-month continuation period of coverage shall  
4 be administered by the ~~Oklahoma~~ State and Education Employees  
5 ~~Benefits Council~~ Group Insurance Board following the initial  
6 eighteen-month period of continuation which shall be administered by  
7 the COBRA office at the State and Education Employees Group  
8 Insurance Board.

9 C. Part-time affected employees shall receive benefits pursuant  
10 to this section on a prorated basis. Part-time employees shall have  
11 been compensated for at least one thousand (1,000) hours during the  
12 twelve (12) months immediately preceding the effective date of the  
13 reduction-in-force to be eligible for severance benefits pursuant to  
14 the State Government Reduction-in-Force and Severance Benefits Act.

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

18 SECTION 19. RECODIFICATION 74 O.S. 2001, Sections 1366,  
19 as amended by Section 6 of this act, Section 10, Chapter 439, O.S.L.  
20 2002, as amended by Section 7 of this act (74 O.S. Supp. 2007,  
21 Section 1366.1), 1370, as last amended by Section 8 of this act,  
22 1371, as last amended Section 9 of this act, 1372, as last amended  
23 by Section 10 of this act, 1373, as amended by Section 11 of this  
24 act, Section 1, Chapter 501, O.S.L. 2002, as last amended by

1 Section 12 of this act (74 O.S. Supp. 2007, Section 1374), and  
2 Section 7, Chapter 269, O.S.L. 2007 (74 O.S. Supp. 2007, Section  
3 1375) shall be recodified as Sections 1330.1, 1330.6, 1330.2,  
4 1330.3, 1330.4, 1330.5, 1330.7 and 1330.8 of Title 74 of the  
5 Oklahoma Statutes, unless there is created a duplication in  
6 numbering

7 SECTION 20. REPEALER 74 O.S. 2001, Sections 1361, 1362,  
8 1363, 1364, 1365, as last amended by Section 2, Chapter 450, O.S.L.  
9 2005, Section 3, Chapter 489, O.S.L. 2002, 1368 and 1369 (74 O.S.  
10 Supp. 2005, Sections 1365 and 1366.2), are hereby repealed.

11 SECTION 21. Sections 2 through 20 of this act shall become  
12 effective January 1, 2009.

13 SECTION 22. Section 1 of this act shall become effective July  
14 1, 2008.

15 SECTION 23. It being immediately necessary for the preservation  
16 of the public peace, health and safety, an emergency is hereby  
17 declared to exist, by reason whereof this act shall take effect and  
18 be in full force from and after its passage and approval.

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