

1 STATE OF OKLAHOMA

2 1st Session of the 51st Legislature (2007)

3 SENATE BILL 598

By: Ivester

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5
6 AS INTRODUCED

7 An Act relating to state government; amending 74 O.S.
8 2001, Sections 1370, as last amended by Section 3,
9 Chapter 450, O.S.L. 2005 and 1371, as last amended by
10 Section 8, Chapter 231, O.S.L. 2006 (74 O.S. Supp.
11 2006, Sections 1370 and 1371), which relate to the
12 Oklahoma State Employees Benefits Act; allowing
13 certain employees to continue to receive flexible
14 benefits; allowing certain employees to not
15 participate in certain benefit plans; and providing
16 an effective date.

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

18 SECTION 1. AMENDATORY 74 O.S. 2001, Section 1370, as
19 last amended by Section 3, Chapter 450, O.S.L. 2005 (74 O.S. Supp.
20 2006, Section 1370), is amended to read as follows:

21 Section 1370. A. Subject to the requirement that a participant
22 must elect the default benefits, the basic plan, is an employee and
23 opts not to participate or is a person who has retired from a branch
24 of the United States military and has been provided with health care
through a federal plan and provides proof of this coverage, flexible
benefit dollars may be used to purchase any of the benefits offered
by the Oklahoma State Employees Benefits Council under the flexible

1 benefits plan. A participant who has provided proof of other
2 coverage as described in this subsection shall not receive flexible
3 benefit dollars if the person elects not to purchase any benefits.
4 An employee that opts not to participate shall receive one-half of
5 the amount of flexible benefit dollars the employee would have
6 received if the employee had elected to participate in the plan and
7 the employee provides proof to the Oklahoma State Employees Benefits
8 Council of coverage on other group insurance either as a primary or
9 dependent. The amount will be considered taxable compensation.
10 Such taxable compensation will be paid in substantially equal
11 amounts each pay period over the plan year. A participant's
12 flexible benefit dollars for a plan year shall consist of the sum of
13 (1) flexible benefit allowance credited to a participant by the
14 participating employer, and (2) pay conversion dollars elected by a
15 participant.

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

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

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

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

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

- 1 b. for one child, seventy-five percent (75%) of the
2 average price of all high option benefit plans
3 available, excluding the point-of-service plans, for
4 coverage of one child,
- 5 c. for two or more children, seventy-five percent (75%)
6 of the average price of all high option benefit plans
7 available, excluding the point-of-service plans, for
8 coverage of two or more children,
- 9 d. for a spouse and one child, seventy-five percent (75%)
10 of the average price of all high option benefit plans
11 available, excluding the point-of-service plans, for
12 coverage of a spouse and one child, or
- 13 e. for a spouse and two or more children, seventy-five
14 percent (75%) of the average price of all high option
15 benefit plans available, excluding the point-of-
16 service plans, for coverage of a spouse and two or
17 more children.

18 D. For the plan year beginning January 1, 2006, and each plan
19 year thereafter, for an employee who is an eligible TRICARE
20 beneficiary and has opted not to purchase health care coverage and
21 who purchases a group TRICARE Supplemental product, the amount of
22 the participant's benefit allowance shall be equal to the sum of the
23 monthly premium of the group TRICARE Supplemental product purchased
24 by the participant, if any, the average monthly premiums of the

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

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

19 F. If a participant desires to buy benefits whose sum total of
20 benefit prices is in excess of his or her flexible benefit
21 allowance, the participant may elect to use pay conversion dollars
22 to purchase such excess benefits. Pay conversion dollars may be
23 elected through a salary reduction agreement made pursuant to the
24 election procedures of Section 1371 of this title. The elected

1 amount shall be deducted from the participant's compensation in
2 equal amounts each pay period over the plan year. On termination of
3 employment during a plan year, a participant shall have no
4 obligation to pay the participating employer any pay conversion
5 dollars allocated to the portion of the plan year after the
6 participant's termination of employment.

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

20 SECTION 2. AMENDATORY 74 O.S. 2001, Section 1371, as
21 last amended by Section 8, Chapter 231, O.S.L. 2006 (74 O.S. Supp.
22 2006, Section 1371), is amended to read as follows:

23 Section 1371. A. All participants must purchase at least the
24 basic plan unless the participant is an employee and opts not to

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

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

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 participant may elect medical coverage by any health
7 maintenance organization made available to participants by the
8 Council. The benefit price of any health maintenance organization
9 shall be determined on a competitive bid basis. Contracts for said
10 plans shall not be subject to the provisions of the Oklahoma Central
11 Purchasing Act, Section 85.1 et seq. of this title. The Council
12 shall promulgate rules establishing appropriate competitive bidding
13 criteria and procedures for contracts awarded for flexible benefits
14 plans. All plans offered by health maintenance organizations
15 meeting the bid requirements as determined by the Council shall be
16 accepted. The Council shall have the authority to reject the bid or
17 restrict enrollment in any health maintenance organization for which
18 the Council determines the benefit price to be excessive. The
19 Council shall have the authority to reject any plan that does not
20 meet the bid requirements. All bidders shall submit along with
21 their bid a notarized, sworn statement as provided by Section 85.22
22 of this title. Effective for the plan year beginning January 1,
23 2007, and for each plan year thereafter, in setting health insurance
24 premiums for active employees and for retirees under sixty-five (65)

1 years of age, HMOs, self-insured organizations and prepaid plans
2 shall set the monthly premium for active employees to be equal to
3 the monthly premium for retirees under sixty-five (65) years of age.

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

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

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

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

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

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

21 I. 1. For the plan year ending December 31, 2004, employees
22 covered or eligible to be covered under the State and Education
23 Employees Group Insurance Act and the State Employees Flexible
24 Benefits Act who are enrolled in a health maintenance organization

1 offering a network in Oklahoma City, shall have the option of
2 continuing care with a primary care physician for the remainder of
3 the plan year if:

4 a. that primary care physician was part of a provider
5 group that was offered to the individual at enrollment
6 and later removed from the network of the health
7 maintenance organization, for reasons other than for
8 cause, and

9 b. the individual submits a request in writing to the
10 health maintenance organization to continue to have
11 access to the primary care physician.

12 2. The primary care physician selected by the individual shall
13 be required to accept reimbursement for such health care services on
14 a fee-for-service basis only. The fee-for-service shall be computed
15 by the health maintenance organization based on the average of the
16 other fee-for-service contracts of the health maintenance
17 organization in the local community. The individual shall only be
18 required to pay the primary care physician those co-payments,
19 coinsurance and any applicable deductibles in accordance with the
20 terms of the agreement between the employer and the health
21 maintenance organization and the provider shall not balance bill the
22 patient.

23 3. Any network offered in Oklahoma City that is terminated
24 prior to July 1, 2004, shall notify the health maintenance

1 organization, Oklahoma State Employees Benefits Council and State
2 and Education Employees Group Insurance Board by June 11, 2004, of
3 the network's intentions to continue providing primary care services
4 as described in paragraph 2 of this subsection offered by the health
5 maintenance organization to state and public employees.

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

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