BILL SUMMARY
2nd Session of the 52nd Legislature

Bill No.:	**SB 2052**
Version:	**Conf. Committee Sub.**
Author:	**Speaker Benge/ Sen. Coffee**
Date:	**5/27/2010**
Impact:	**Sec. 93: $3.7 Million/yr. to GR** **Sec. 97: Total Annual Savings for Agencies** **FY-11 - $14.7 Million** **FY-12 - $45.1 Million** **FY-13 - $77.5 Million**

Bill Summary

Research Analyst: Arnella Karges

The Conference Committee Substitute (CCS) for SB2052 creates the Oklahoma Health and Wellness Board, which replaces the State and Education Employees Group Insurance Board (OSEEGIB) and the Oklahoma State Employee Benefits Council (EBC). The CCS renames the "State and Education Employees Group Insurance Act" as the "Oklahoma Health and Wellness Act".

The newly created Board is required to create and oversee two divisions for procuring, administering and managing the state health benefit plans, including a health maintenance organization (HMO). The divisions are the HealthChoice Health Insurance Division and the Employee Benefits Division.

The HealthChoice Health Insurance Division is required to discharge its duties as OSEEGIB formerly was charged, including those duties with respect to the now renamed Oklahoma Health and Wellness Act, Flexible Benefits Act, and the State Employees Disability Program Act, to provide benefits to participants and dependents, defray expenses, and diversify investments. Money received by the HealthChoice Division is required to be invested for legal reserve life insurance companies in Oklahoma.

The Employee Benefits Division is charged with duties that were formerly EBC's duties with respect to the administration of the HMO plan. The newly created Board is authorized to determine if an executive director position for the Employee Benefits Division is necessary.

The Oklahoma Health and Wellness Board is required to remit annually to the General Revenue Fund fifteen percent of the combined administrative costs of the Oklahoma Health and Wellness Board for FY10. The Board is also required to report all administrative savings to the Joint Liaison Committee each year.

The Board is required to consolidate the personnel and facilities of the Board and the Board's Divisions, identify inefficient or duplicative services, and eliminate such services or assets. The Board is required to report such actions to the newly named Joint Liaison Committee on Oklahoma Health and Wellness by November 1, 2011; the report shall include statutory modifications necessary for optimal efficiency.

The CCS limits the state's health maintenance organization (HMO) offering to one, statewide HMO plan, to be chosen through a competitive bid procedure.

The CCS requires all new school district employees, as of November 1, 2010, to participate in the cafeteria plan for major medical coverage and new employees' benefit allowance must be used for health insurance. Any excess (unused) benefit allowance must be transferred to a health savings account (HSA), flexible spending account (FSA), an annuity account, or any Section 125 plan offered by a district. New school district employees are prohibited from receiving any excess benefit as taxable income. Current certified and support personnel, hired prior to November 1, 2010, may still receive the cash in lieu payments as currently provided for in statute.

The CCS requires new state employees hired after November 1, 2010 to have any excess benefit allowance deposited into a HSA, a FSA, or the Oklahoma State Employees Deferred Compensation or Oklahoma State Employees Deferred Savings Incentive Plan (SoonerSave) to be used for purposes authorized by federal and state law. Beginning in 2011, state employees' benefit allowance shall never be less than provided in the 2010 plan year; and for future plan years state employees' benefit allowance shall be benchmarked at the amount equal to the monthly premium of the basic preferred provider organization plan offered, plus the monthly premium of the dental plan offered, plus the disability plan premium, and the basic life insurance plan premium.

The CCS requires any excess benefit allowance which is a result of any increase in the benefit allowance after November 1, 2010, to be deposited into a HSA, a FSA, or a SoonerSave account to be used for purposes authorized by federal and state law.

The Board is required to establish a wellness program for all plan participants, including financial incentives for participation in the wellness programs and healthy living practices. The newly created Board is required to use the current Employee Benefits Council (EBC) surplus to funding HSAs, FSA, and the wellness program at the Board's discretion.

The Board is required to annually utilize all amounts from the fund equity of the Health and Dental Fund that are in excess of 175% of the Experience Fluctuation Risk Component of the National Association of Insurance Commissioners (NAIC) Health Risk-Based Capital (RBC) calculation for HSAs, FSAs, and the wellness program at the Board's discretion. The Board is required to annually report the use of these funds to the newly named Joint Liaison Committee.

The Board is required to develop a strategy and program to promote personal responsibility for overall good health and wellness among all state and education employees enrolled in any health benefit plans offered by the Board. The Board is also required to promote and coordinate medical home providers by expanding the existing medical home infrastructure and providers into a statewide, multi-payer delivery system, including coverage in rural and urban parts of Oklahoma and an electronic medical records system.

The CCS requires all state employees to be enrolled in a wellness program beginning November 1, 2010. The Wellness Council is required to establish financial incentives for successful participation in the program and to encourage participation of employees' dependents in the wellness program.

The newly created Board is required to elected from among its members a chair, vice-chair, and secretary at its first meeting. The eleven-member Oklahoma Health and Wellness Board shall be composed of four members appointed by the Governor, including an actuary, an Oklahoma-licensed attorney, and two with experience in the administration of private sector heath plans; the Insurance Commissioner or designee; three members appointed by the Speaker, one to be an Oklahoma-licensed physician with a rural practice, and one nonvoting member whose presence will not affect the quorum of the Board that represents the largest statewide organization which advocates on behalf of public education employees; and three members appointed by the President Pro Tempore, one to be an Oklahoma-licensed physician with an urban practice, and one nonvoting member whose presence will not affect quorum that represents the largest statewide organization which advocates on behalf of public employees.

Appointing authorities are prohibited from appointing more than one member to the new Board that is currently serving on OSEEGIB or EBC. Board terms will be for four years. Travel reimbursement will be provided to Board members, to be paid from the Health Insurance Reserve Fund. The CCS prohibits individual or personal liability for any Board action.

The Board is authorized to meet as often as necessary, but requires no less than four meetings a year, with an organizational meeting to be held before December 1, 2010. The Insurance Commissioner is required to call the first, organizational meeting.

Board members are prohibited from being an Oklahoma-registered lobbyist or an employee of any firm or health care provider under contract to OSEEGIB, EBC, or the Oklahoma Health and Wellness Board, or any benefit program under its purview, an exception is provided for any physician appointed to the Board. The nonvoting members of the Board may be registered lobbyists if employed by the organization they are representing on the Board.

The Board shall be subject to the Oklahoma Open Meeting Act, the Oklahoma Open Records Act, and the Administrative Procedures Act. The Board is exempt from the Oklahoma Sunset Law. The Board is required to adopt rules it deems necessary to carry out its duties, including rules ensuring plan participants due process.

The Board is required to contract with a vendor that offers a HIPAA compliant, internet-based, doctor-patient accountability incentive program for Plan Year 2011. The contract will be for a pilot project to determine the potential value of a program that offers financial incentives to the entity providing health care services and the patient. The program includes evidence-based medical treatment guidelines for the health care provider, information therapy for the patient, and other proven medical interventions. The health care provider will have flexibility in using clinical judgment to determine adherence or deviation from the program's treatment guidelines and still be eligible for financial incentives, provided the provider prescribes information therapy to the patient that includes an explanation for the provider's decision.

The program will include financial incentives for patients responding to the information therapy by demonstrating understanding of their condition, declaring or demonstrating adherence to recommended care, and by determining the quality of care received. Participation of the health care provider and the patient shall be on a case-by-case basis. The program shall be offered and administered by the program vendor. The pilot project must include enough participants over two years in order to determine the program's effectiveness. The Board is required to continue the contract with the vendor if the program is determined to be effective, by making the program available to all Board beneficiaries.

The CCS also updates numerous statutory necessary references for the newly created Board, the newly named act, and newly named Divisions.

The State Employee Health Insurance Review Working Group is recreated until January 1, 2011, two more legislative members are added, to be appointed by the respective house's leaders, and currently serving members and co chairs are to continue serving in their respective role on the Working Group.

The Working Group is required to continue its study and to provide oversight and monitor the efforts relating to implementation of the recommendations made by the consultant. The Working Group is authorized to select a consultant to assist in the implementation of the recommendations. The Working Group is required to recommend a qualified consultant to the newly created Board to jointly contract with the recommended consultant; such contract is exempt from the Oklahoma Central Purchasing Act. The consultant is required to advise the Working Group on the progress of the implementation of the recommendations.

The Working Group is required to produce a final written report of its findings and recommendations regarding the oversight and implementation of the recommendations of the consultant by December 31, 2010.

Fiscal Summary

Fiscal Analyst: John McPhetridge

SB 2052 consolidates the personnel, facilities, and duties of the State and Education Employees Group Insurance Board (OSEEGIB) and the Employment Benefits Council (EBC), under the Oklahoma Health and Wellness Board (OHWB), created in this act. Under bill provisions, OHWB will operate as a non appropriated state agency similarly to how OSEEGIB and EBC currently operate. The measure renames OSEEGIB the HealthChoice Health Insurance Division of OHWB and renames EBC the Employee Benefits Division of OHWB. A majority of the measure amends statutory reference reflecting the name change. Specific sections of fiscal interest follows.

Section 22: requires participation in school district sponsored cafeteria plan by school district employees hired after November 1, 2010 and requires the excess benefit allowance for such employees be transferred to a health savings account (HSA), flexible spending account (FSA), annuity account or a cafeteria plan as defined by the IRS offered by the school district. School district employees hired before Nov. 1, 2010 may continue to opt out of the school district sponsored cafeteria plan and receive taxable income in lieu of a benefit allowance.

Section 37: requires OHWB to contract for a doctor-patient mutual accountability incentive pilot project, which offers financial incentives to both the health care provider and the patient who incorporate evidence-based treatment and education directives. Participation in the 2 year pilot project is voluntary for both the provider and patient.

Section 39: consolidates the personnel and facilities of OSEEGIB and EBC and eliminates duplicative functions, services, positions and assets. The section also requires that OHWB use EBC's surplus and excess reserves of the Health and Dental Fund to fund HSAs, FSAs and, at the Board's discretion, a Wellness Program.

Section 51: requires the excess benefit allowance of state employees hired after November 1, 2010 be transferred to a HSA, FSA or SoonerSave account. State employees hired before Nov. 1, 2010 may continue to receive excess benefit allowance as taxable compensation up to the amount attributable to the benefit allowance in place as of the 2010 plan year. Excess benefit allowance resulting from the benefit allowance increasing above 2010 plan year levels will be transferred to a HSA, FSA or SoonerSave account for all employees, per Section 97.

Section 93: requires OHWB to remit to General Revenue 15% of administrative costs, on an annual basis.

Section 95: provides that only one HMO will contract with EBC.

Section 97: modifies the calculation of the flexible benefit allowance for state employees; establishes the allowance to be the higher of the amount in place during the 2010 plan year and 100% of the employee's HealthChoice, dental, disability and basic life insurance premiums plus 75% of the employee's dependent(s) HealthChoice premiums.

Section 104: requires enrollment by state employees in a Wellness program, and requires OHWB to offer financial incentives for successful participation in the program.

Fiscal Analysis

Section 22: addresses the usage of excess flex benefit allowances (FBA). The section redirects certain portions of the FBA but does not increase the overall cost to the school districts.

Section 37: creates a pilot project. Section 39 identifies existing resources to be used for wellness programs such as the pilot project; thus requiring no additional state resources.

Section 39: as of February 2010, OSEEGIB reported total fund equity of $185.8 million. The formula provided in the section for determining required fund equity equates to approximately $135.1 million, resulting in approximately $50.7 million of OSEEGIB surplus equity available for transfer to the enumerated programs. EBC equity surplus is estimated to be $2 million.

Section 51: addresses the usage of excess flex benefit allowances (FBA). The section redirects certain portions of the FBA but does not increase the overall cost to state agencies.

Section 93: OSEEGIB's applicable administrative budget currently equals approximately $20 million; EBC's is estimated at $4.7 million. Together the 15% required annual contribution to GR is approximately $3.7 million. Assuming the new agency can achieve cost savings from efficiencies and the elimination of duplications equal to this amount; this required annual contribution should not result in increased premiums.

Section 95: modifies statute to require only one HMO offering by EBC to state employees. Limiting the number of HMOs with access to the state employee population should increase competition during the bid process and result in lower premiums.

Section 97: effectively freezes the employee benefit allowance for the next 3 years, as the historical growth in HealthChoice premiums, of which the new FBA calculation is based, is not projected to surpass the 2010 plan year rates (the floor) until at least 2014. For the 2010 plan year EBC estimates the total amount paid by state agencies for such benefits at $445.7 million. Under the current FBA calculation this state agency payout is growing at an approximate annual rate of 6.6%. The effective benefit allowance freeze allows state agencies to realize estimated annual cost savings of : $14.7 million in FY-11, $45.1 million in FY-12 and, $77.5 million in FY-13.

Section 104: Section 39 identifies existing resources for wellness program use, resulting in no additional state cost.

Long Term Fiscal Considerations

In recent years, the estimated annual growth of FBA costs for state agencies has equaled 6.6%. SB 2052 is designed to minimize such growth in future years, resulting in substantial savings in years beyond FY-13, as well.

Fiscal Analysis Reviewed By:

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