

1 STATE OF OKLAHOMA

2 1st Session of the 53rd Legislature (2011)

3 COMMITTEE SUBSTITUTE

4 FOR ENGROSSED

5 SENATE BILL NO. 190

By: Aldridge of the Senate

and

Murphey of the House

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9 COMMITTEE SUBSTITUTE

10 An Act relating to state government; amending 74 O.S.  
11 2001, Sections 1306.3, 1307 and 1308.1, as amended by  
12 Section 1, Chapter 41, O.S.L. 2004 (74 O.S. Supp.  
13 2010, Section 1308.1), which relate to the Oklahoma  
14 State and Education Employees Group Insurance Act;  
15 requiring the final report of the Payment Rate Review  
16 Task Force to be submitted by certain date; providing  
17 that the Task Force shall cease to have force and  
18 effect of law as of certain date; authorizing Health  
19 Insurance Plan to enter certain contracts with  
20 providers; providing exception; excluding higher  
21 education institutions from certain benefit offers;  
22 amending 74 O.S. 2001, Section 1370, as last amended  
23 by Section 2, Chapter 28, O.S.L. 2009 (74 O.S. Supp.  
24 2010, Section 1370), which relates to the employee  
flexible benefit allowance; modifying benefit  
allowance calculation; specifying certain education  
employees shall not be eligible for certain  
allowance; directing Oklahoma State and Education  
Employees Group Insurance Board to establish pilot  
program; specifying requirements of pilot program;  
specifying participation shall be voluntary;  
directing Oklahoma State and Education Employees  
Group Insurance Board to underwrite certain costs;  
providing for codification; and providing an  
effective date.

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

2 SECTION 1. AMENDATORY 74 O.S. 2001, Section 1306.3, is  
3 amended to read as follows:

4 Section 1306.3 A. The Joint Liaison Committee on State and  
5 Education Employees Group Insurance Benefits shall create the  
6 Payment Rate Review Task Force, which shall review all payments made  
7 to providers of medical care by the Oklahoma State and Education  
8 Employees Group Insurance Board. The Task Force shall be composed  
9 of independent experts appointed by the Joint Liaison Committee on  
10 State and Education Employees Group Insurance Benefits. The Task  
11 Force shall annually review applicable changes in payment rates  
12 which will affect hospital inpatient and outpatient payment  
13 methodologies.

14 B. The Task Force shall study and make recommendations, as part  
15 of its annual report, regarding new institutional reimbursement  
16 policy and changes in each existing reimbursement policy by the  
17 Oklahoma State and Education Employees Group Insurance Board under  
18 which payments to an institution are made.

19 C. No later than ~~January 1 of each year~~ December 31, 2011, the  
20 Task Force shall submit a final report to the Joint Liaison  
21 Committee on State and Education Employees Group Insurance Benefits  
22 containing an examination of issues affecting health care delivery  
23 to state and education employees in Oklahoma, including issues  
24 related to:

- 1        1. Trends in health care costs;
- 2        2. The financial condition of hospitals and the effect of the
- 3        payments made to hospitals under this act on such condition;
- 4        3. Trends in the use of health care services under the Oklahoma
- 5        State and Education Employees Group Insurance Board health plans;
- 6        and
- 7        4. New methods used by employers, insurers, and others to
- 8        address the use of health care services.

9        The Task Force shall make, as part of its annual report,  
10        recommendations to the Joint Liaison Committee on State and  
11        Education Employees Group Insurance Benefits concerning appropriate  
12        changes in reimbursement rates which should be used for inpatient  
13        and outpatient hospital services.

14        D. The Task Force shall consist of nine (9) members. The  
15        membership of the Task Force shall include individuals with  
16        recognized expertise in health economics, health facility  
17        management, reimbursement of health facilities or other providers of  
18        services which reflect the scope of the Task Force's  
19        responsibilities, a balance of urban and rural representatives,  
20        including hospital administrators, physicians, and registered  
21        nurses, employers, third-party payors, individuals skilled in the  
22        conduct and interpretation of biomedical, health services, and  
23        health economics research, and individuals having expertise in the

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1 research and development of technological and scientific advances in  
2 health care.

3 E. In order to identify medically appropriate patterns of  
4 health resources, the Task Force shall collect and assess  
5 information on medical and surgical procedures and services,  
6 including information on variations of medical practice and lengths  
7 of hospitalization and on other patient care data, giving special  
8 attention to treatment patterns for conditions which appear to  
9 involve excessively costly or inappropriate services not adding to  
10 the quality of care provided. The Task Force shall give special  
11 attention to the needs of updating existing diagnosis-related groups  
12 and establishing new diagnosis-related groups, to reflect  
13 appropriate differences in resource consumption in delivering safe,  
14 efficacious and cost-effective care.

15 F. In order to conduct its duties, the Task Force shall have  
16 unrestricted access to all payment rate information of the Oklahoma  
17 State and Education Employees Group Insurance Board immediately upon  
18 request.

19 G. The Payment Rate Review Task Force shall cease to have the  
20 force and effect of law on January 1, 2012.

21 SECTION 2. AMENDATORY 74 O.S. 2001, Section 1307, is  
22 amended to read as follows:

23 Section 1307. A. The specifications drawn by the Board for the  
24 Health Insurance Plan shall provide for comprehensive hospital

1 medical and surgical benefits. The Health Insurance Plan may limit  
2 coverage for a particular illness, disease, injury or condition;  
3 but, except for such limits, shall not exclude or limit particular  
4 services or procedures that can be provided for the diagnosis and  
5 treatment of an illness, disease, injury or condition, so long as  
6 the services and procedures provided are of sound efficacy, are  
7 medically necessary, and fall within the licensed scope of practice  
8 of the practitioner providing same. The Health Insurance Plan may  
9 contract with providers for specific services based on levels of  
10 outcomes defined by the Board and achieved by the provider. The  
11 Health Insurance Plan may provide for the application of deductibles  
12 and copayment or coinsurance provisions, when equally applied to all  
13 covered charges for services and procedures that can be provided by  
14 any practitioner for the diagnosis and treatment of a particular  
15 illness, disease, injury or condition unless deductibles, copayments  
16 or coinsurance variations are based on contracts with providers for  
17 specific services based on levels of outcomes.

18 B. The Life Insurance Plan shall include Accidental Death and  
19 Dismemberment Benefits and additional optional life insurance  
20 coverage.

21 SECTION 3. AMENDATORY 74 O.S. 2001, Section 1308.1, as  
22 amended by Section 1, Chapter 41, O.S.L. 2004 (74 O.S. Supp. 2010,  
23 Section 1308.1), is amended to read as follows:  
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1           Section 1308.1 (1) An educational entity may extend the  
2 benefits of the health insurance plan, the dental insurance plan,  
3 and the life insurance plan to education employees employed by said  
4 entity. The benefits of said plans for an education employee,  
5 excluding higher education institutions, shall be the same and shall  
6 include the same plan options as would be made available to a state  
7 employee participating in the plan that resided at the same  
8 location. Notwithstanding the provisions of Section 1308.2 of this  
9 title, a period shall exist for enrolling education entities from  
10 April 1, 1989 through October 1, 1991, whereby education employees  
11 of a participating education entity may be enrolled, pursuant to  
12 this act, during the entities' initial enrollment period, regardless  
13 of preexisting conditions. The Board shall adopt rules and  
14 regulations for enrollment by which education entities may apply to  
15 participate in said insurance plans. Once an education entity  
16 becomes a participant in the health and dental insurance plans  
17 offered through the State and Education Employees Group Insurance  
18 Act, the education entity may withdraw from said participation, in a  
19 manner prescribed by the Board. If a school district is  
20 participating in the health and dental insurance plans pursuant to  
21 the State and Education Employees Group Insurance Act, Section 1301  
22 et seq. of this title, the employees of the school district who are  
23 eligible to participate in the health and dental plans, at such time  
24 as the school district may withdraw from such participation, may

1 require the board of education of the school district to call an  
2 election to allow said employees to vote as to whether the school  
3 district shall continue participation in the health and dental  
4 insurance plans offered through the State and Education Employees  
5 Group Insurance Act. Upon the filing with the board of education of  
6 a petition calling for such an election which is signed by no less  
7 than thirty percent (30%) of the eligible employees of the school  
8 district, the board of education shall call an election for the  
9 purpose of determining whether the school district shall continue  
10 participation in the health and dental insurance plans offered  
11 through the State and Education Employees Group Insurance Act. The  
12 election shall be held within thirty (30) days of the filing of the  
13 petition. If a majority of those eligible employees voting at the  
14 election vote to continue participation in the health and dental  
15 insurance plans offered through the State and Education Employees  
16 Group Insurance Act, the board of education shall be prohibited from  
17 withdrawing the school district from such participation. If a  
18 majority of those eligible employees voting at the election vote  
19 against continued participation in the health and dental insurance  
20 plans offered through the State and Education Employees Group  
21 Insurance Act, the board of education of the school district shall  
22 apply to discontinue such participation within thirty (30) days of  
23 the election and within the times the school district is authorized  
24 to withdraw from participation in accordance with rules established

1 for withdrawal by the State and Education Employees Group Insurance  
2 Board.

3 (2) Except as otherwise provided in this subsection, when an  
4 education entity participates in the health and dental insurance  
5 plans offered through the State and Education Employees Group  
6 Insurance Act, all employees shall be advised of Health Maintenance  
7 Organizations prepaid plans available as an alternative to the state  
8 self-insured health insurance plan. Eligible part-time education  
9 employees, at the option of the employee, may enroll in the plans  
10 either at the time the education entity begins participation in the  
11 plans or, if later, upon a showing of insurability to the  
12 satisfaction of the Board.

13 (3) Any employee of an education entity participating in the  
14 health and dental insurance plans offered through the State and  
15 Education Employees Group Insurance Act who is employed after the  
16 education entity began said participation may be enrolled in the  
17 health and dental insurance plans or HMO plans approved by the Board  
18 on the first day of the second month of employment.

19 (4) Upon initial enrollment of an institution of higher  
20 education to participate in the health and dental insurance plans  
21 offered through the State and Education Employees Group Insurance  
22 Act, all individuals presently insured by said institution's present  
23 group health insurance plan shall become enrolled in said state  
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1 plans for the remaining period of said institution's contractual  
2 liabilities.

3 (5) Education employees who shall be absent from the teaching  
4 service because of election or appointment as a local, state, or  
5 national education association officer shall be allowed to retain  
6 coverage pursuant to the State and Education Employees Group  
7 Insurance Act upon the payment of the full cost of the coverage at  
8 the rate and under such terms and conditions established by the  
9 Board.

10 (6) Except as otherwise provided by law, an educational entity  
11 may cease to participate in the State and Education Employees Group  
12 Insurance Act but provide health insurance coverage through another  
13 insurance carrier. The subsequent carrier shall provide coverage to  
14 the employees of the educational entity who terminated employment  
15 with a retirement benefit, with a vested benefit, or who have ten  
16 (10) or more years of service with a participating educational  
17 entity but did not have a vested benefit through the retirement  
18 system of the educational entity, if the election to retain health  
19 insurance coverage was made within thirty (30) days of termination  
20 of employment. Coverage shall also be provided to the eligible  
21 dependents of the employees if an election to retain coverage is  
22 made within thirty (30) days of termination of employment.

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1 SECTION 4. AMENDATORY 74 O.S. 2001, Section 1370, as  
2 last amended by Section 2, Chapter 28, O.S.L. 2009 (74 O.S. Supp.  
3 2010, Section 1370), is amended to read as follows:

4 Section 1370. A. Subject to the requirement that a participant  
5 must elect the default benefits, the basic plan, or is a person who  
6 has retired from a branch of the United States military and has been  
7 provided with health care through a federal plan, to the extent that  
8 it is consistent with federal law, and provides proof of this  
9 coverage, flexible benefit dollars may be used to purchase any of  
10 the benefits offered by the Oklahoma State Employees Benefits  
11 Council under the flexible benefits plan. A participant who has  
12 provided proof of other coverage as described in this subsection  
13 shall not receive flexible benefit dollars if the person elects not  
14 to purchase any benefits. A participant's flexible benefit dollars  
15 for a plan year shall consist of the sum of (1) flexible benefit  
16 allowance credited to a participant by the participating employer,  
17 and (2) pay conversion dollars elected by a participant.

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

23 C. For the plan year ~~ending December 31, 2001, and each plan~~  
24 ~~year thereafter, the amount of a participant's benefit allowance,~~

1 ~~which shall be the total amount the employer contributes for the~~  
2 ~~payment of insurance premiums or other benefits, beginning January~~  
3 ~~1, 2012, the benefit allowance shall be:~~

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

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

22 a. ~~for a spouse, seventy five percent (75%) of the~~  
23 ~~average price of all high option benefit plans,~~

1 ~~excluding the point of service plans, available for~~  
2 ~~coverage of a spouse,~~

3 b. ~~for one child, seventy five percent (75%) of the~~  
4 ~~average price of all high option benefit plans~~  
5 ~~available, excluding the point of service plans, for~~  
6 ~~coverage of one child,~~

7 c. ~~for two or more children, 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 two or more children,~~

11 d. ~~for a spouse and one child, seventy five percent (75%)~~  
12 ~~of the average price of all high option benefit plans~~  
13 ~~available, excluding the point of service plans, for~~  
14 ~~coverage of a spouse and one child, or~~

15 e. ~~for a spouse and two or more children, seventy five~~  
16 ~~percent (75%) of the average price of all high option~~  
17 ~~benefit plans available, excluding the point of~~  
18 ~~service plans, for coverage of a spouse and two or~~  
19 ~~more children.~~

20 An amount equal to the HealthChoice qualified high-deductible  
21 health plan premium, the HealthChoice dental plan premium, the  
22 HealthChoice disability plan premium, and the HealthChoice basic  
23 life insurance plan premium offered to state employees;  
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1        2. For participants who elect to include a dependent, an  
2 additional amount of seventy-five percent (75%) of the HealthChoice  
3 qualified high-deductible plan premium for each dependent category;

4        3. If a participant elects the HealthChoice qualified high-  
5 deductible health plan, the benefit allowance shall include an  
6 additional amount equal to one-twelfth (1/12) of the individual  
7 annual deductible, or one-twelfth (1/12) of the family annual  
8 deductible if the participant elected to include dependents. The  
9 allowance provided in this paragraph shall be placed in a health  
10 savings account administered by the Office of State Finance. The  
11 Office shall contract with a provider to administer the health  
12 savings account. Any employer or employee contributions for the  
13 health savings account shall be remitted to the Office and shall not  
14 be subject to any assessment of administrative fees.

15        D. Eligible dependents of active state employees who are  
16 employed by an education entity and are provided a financial  
17 incentive not to participate in the school-district-sponsored  
18 cafeteria plan shall be ineligible to receive the dependent benefit  
19 allowance provided in this section.

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

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

13        ~~F.~~ G. If a participant elects benefits whose sum total of  
14 benefit prices is less than his or her flexible benefit allowance,  
15 he or she shall receive any excess flexible benefit allowance as  
16 taxable compensation. Such taxable compensation will be paid in  
17 substantially equal amounts each pay period over the plan year. On  
18 termination during a plan year, a participant shall have no right to  
19 receive any such taxable cash compensation allocated to the portion  
20 of the plan year after the participant's termination. Funds from  
21 the flexible spending account shall not be available to use for  
22 abortions or abortion-related services. Nothing herein shall affect  
23 a participant's obligation to elect the minimum benefits or to  
24 accept the default benefits of the plan with corresponding reduction

1 in the sum of his or her flexible benefit allowance equal to the sum  
2 total benefit price of such minimum benefits or default benefits.

3 SECTION 5. NEW LAW A new section of law to be codified  
4 in the Oklahoma Statutes as Section 1329 of Title 74, unless there  
5 is created a duplication in numbering, reads as follows:

6 A. The Oklahoma State and Education Employees Group Insurance  
7 Board shall contract for plan year 2013 with a vendor that offers a  
8 web-based health care cost-containment program that incorporates  
9 doctor-patient mutual accountability incentives. The purpose of the  
10 contract is to conduct a pilot project to test a program's value  
11 proposition that offers incentives to both the health care provider  
12 and the patient for demonstrating to one another the adoption of  
13 best practices, continuum of care through wellness and prevention,  
14 health-risk management, and disease management. At a minimum, the  
15 program shall incorporate evidence-based medicine treatment  
16 guidelines and doctor-initiated patient health care. The program  
17 shall offer the health care provider the flexibility to use the  
18 health care provider's clinical judgment to adhere to or deviate  
19 from the program's treatment guidelines and earn incentives as long  
20 as the health care provider prescribes information therapy to the  
21 patient that includes an explanation of the provider's adherence or  
22 reason for nonadherence to the guidelines. The program shall offer  
23 an incentive to the patient for responding to the information by  
24 demonstrating the patient's understanding of the patient's health

1 condition by declaring or demonstrating adherence to recommended  
2 care, by agreeing to allow the patient's physician to view the  
3 patient's responses and acknowledge the patient's health  
4 accomplishments, and by judging the quality of care given to the  
5 patient against these guidelines and recommended care and provider  
6 performance. The program shall also allow the health care provider  
7 and the patient to earn additional financial incentives when  
8 providers prescribe and patients successfully participate in  
9 wellness, prevention and care management regimens such as health-  
10 risk assessments and screenings, smoking cessation, weight loss and  
11 fitness programs and disease management, provided the health care  
12 provider acknowledges the program's authentication of the patient's  
13 participation in these regimens. Participation in the program shall  
14 be voluntary to both the provider and patient on an encounter-by-  
15 encounter basis. The program shall be offered and administered by  
16 the program vendor through an Internet application. The pilot  
17 project shall include at least ten thousand lives over a period of  
18 three (3) years in order to determine the program's effectiveness in  
19 terms of controlling health care costs. An analysis shall be  
20 performed periodically, but no less frequently than annually, by a  
21 qualified and independent evaluator, who is acceptable to both the  
22 Board and the vendor, to determine the program's effectiveness at  
23 controlling health care costs and achieving other pertinent  
24 objectives. The evaluator shall prepare and submit annual and final

1 written reports from the analysis, to include reviews and comments  
2 by the Board and the vendor, to the Governor, the Speaker of the  
3 Oklahoma House of Representatives, the President Pro Tempore of the  
4 Oklahoma State Senate, the Board, and the vendor.

5 B. The Board shall use its operating funds to underwrite the  
6 cost of the pilot project and shall not pass these costs along to  
7 any participating state agencies or school boards or providers.

8 SECTION 6. This act shall become effective November 1, 2011.

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