

1 **SENATE FLOOR VERSION**

2 April 11, 2011

3 COMMITTEE SUBSTITUTE
4 FOR ENGROSSED
5 HOUSE BILL NO. 1062

By: Roberts (Dustin) and Hardin
of the House

6 and

7 Brecheen of the Senate

8
9
10 [state government - allowing certain participants to
11 opt out of state-provided health insurance benefits -
12 prohibiting the receipt of certain benefit allowance
13 - requiring the State and Education Employees Group
14 Insurance Board to contract with certain provider -
15 codification - effective date]

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

17 SECTION 1. NEW LAW A new section of law to be codified
18 in the Oklahoma Statutes as Section 1308.3 of Title 74, unless there
19 is created a duplication in numbering, reads as follows:

20 Any participant may opt out of the state's basic plan as
21 outlined in Section 1371 of Title 74 of the Oklahoma Statutes,
22 provided that the participant is currently covered by a separate
23 health insurance plan. Any participant opting out of coverage
24 pursuant to this section shall sign an affidavit attesting that the
participant is currently covered and does not require state-provided

1 health insurance. Any savings realized by the state as a result of
2 a participant opting out of health insurance plan coverage shall be
3 retained by the state.

4 SECTION 2. AMENDATORY 74 O.S. 2001, Section 1370, as
5 last amended by Section 2, Chapter 28, O.S.L. 2009 (74 O.S. Supp.
6 2010, Section 1370), is amended to read as follows:

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

24

1 B. Each participant shall be credited annually with a specified
2 amount as a flexible benefit allowance which shall be available for
3 the purchase of benefits. The amount of the flexible benefit
4 allowance credited to each participant shall be communicated to him
5 or her prior to the enrollment period for each plan year.

6 C. For the plan year ending December 31, 2001, and each plan
7 year thereafter, the amount of a participant's benefit allowance,
8 which shall be the total amount the employer contributes for the
9 payment of insurance premiums or other benefits, shall be:

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

20 2. The greater of Two Hundred Twenty-four Dollars and sixty-
21 nine cents (\$224.69) per month or an amount equal to the sum of the
22 average monthly premiums of all high option health insurance plans,
23 excluding the point-of-service plans, the average monthly premiums
24 of the dental plans, the monthly premium of the disability plan, and

1 the monthly premium of the basic life insurance plan offered to
2 state employees plus one of the additional amounts as follows for
3 participants who elect to include one or more dependents:

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

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

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

18 F. If a participant elects benefits whose sum total of benefit
19 prices is less than his or her flexible benefit allowance, he or she
20 shall receive any excess flexible benefit allowance as taxable
21 compensation. Such taxable compensation will be paid in
22 substantially equal amounts each pay period over the plan year. On
23 termination during a plan year, a participant shall have no right to
24 receive any such taxable cash compensation allocated to the portion

1 of the plan year after the participant's termination. Nothing
2 herein shall affect a participant's obligation to elect the minimum
3 benefits or to accept the default benefits of the plan with
4 corresponding reduction in the sum of his or her flexible benefit
5 allowance equal to the sum total benefit price of such minimum
6 benefits or default benefits.

7 SECTION 3. AMENDATORY 74 O.S. 2001, Section 1371, as
8 last amended by Section 6, Chapter 269, O.S.L. 2007 (74 O.S. Supp.
9 2010, Section 1371), is amended to read as follows:

10 Section 1371. A. All participants must purchase at least the
11 basic plan unless, to the extent that it is consistent with federal
12 law, the participant is a person who has retired from a branch of
13 the United States military and has been provided with health
14 coverage through a federal plan and that participant provides proof
15 of that coverage, or the participant has opted out of the state's
16 basic plan according to the provisions in Section 1 of this act. A
17 participant who opts out of the basic plan shall be prohibited from
18 participating in any health plan, dental plan, life plan,
19 supplemental life plan, dependent life plan, and disability plan at
20 any time during the plan year for which the participant made the
21 election. Participants opting out shall be prohibited from electing
22 coverage for the participant's dependents under any health plan,
23 dental plan, life plan, supplemental life plan, dependent life plan,
24 and disability plan prior to or at any time during the plan year for

1 which the participant made the elections. Participants opting out
2 may continue participation in any of the following:

3 1. Benefit plans available under the flexible benefit plan
4 other than a health plan, dental plan, life plan, supplemental life
5 plan, dependent life plan, and a disability plan;

6 2. The Health Care Reimbursement Account Option;

7 3. The Dependent Care Reimbursement Account Option; and

8 4. The Insurance Premium Conversion Option.

9 On or before January 1 of the plan year beginning July 1, 2001, and
10 July 1 of any plan year beginning after January 1, 2002, the
11 Oklahoma State Employees Benefits Council shall design the basic
12 plan for the next plan year to insure that the basic plan provides
13 adequate coverage to all participants. All benefit plans, whether
14 offered by the State and Education Employees Group Insurance Board,
15 a health maintenance organization or other vendors shall meet the
16 minimum requirements set by the Council for the basic plan.

17 B. The Board shall offer health, disability, life and dental
18 coverage to all participants and their dependents. For health,
19 dental, disability and life coverage, the Board shall offer plans at
20 the basic benefit level established by the Council, and in addition,
21 may offer benefit plans that provide an enhanced level of benefits.
22 The Board shall be responsible for determining the plan design and
23 the benefit price for the plans that they offer. Effective for the
24 plan year beginning January 1, 2007, and for each plan year

1 thereafter, in setting health insurance premiums for active
2 employees and for retirees under sixty-five (65) years of age, the
3 Board shall set the monthly premium for active employees to be equal
4 to the monthly premium for retirees under sixty-five (65) years of
5 age.

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

10 C. In lieu of electing any of the preceding medical benefit
11 plans, a participant may elect medical coverage by any health
12 maintenance organization made available to participants by the
13 Council. The benefit price of any health maintenance organization
14 shall be determined on a competitive bid basis. Contracts for said
15 plans shall not be subject to the provisions of The Oklahoma Central
16 Purchasing Act, ~~Section 85.1 et seq. of this title.~~ The Council
17 shall promulgate rules establishing appropriate competitive bidding
18 criteria and procedures for contracts awarded for flexible benefits
19 plans. All plans offered by health maintenance organizations
20 meeting the bid requirements as determined by the Council shall be
21 accepted. The Council shall have the authority to reject the bid or
22 restrict enrollment in any health maintenance organization for which
23 the Council determines the benefit price to be excessive. The
24 Council shall have the authority to reject any plan that does not

1 meet the bid requirements. All bidders shall submit along with
2 their bid a notarized, sworn statement as provided by Section 85.22
3 of this title. Effective for the plan year beginning January 1,
4 2007, and for each plan year thereafter, in setting health insurance
5 premiums for active employees and for retirees under sixty-five (65)
6 years of age, HMOs, self-insured organizations and prepaid plans
7 shall set the monthly premium for active employees to be equal to
8 the monthly premium for retirees under sixty-five (65) years of age.

9 D. Nothing in this section shall be construed as prohibiting
10 the Council from offering additional qualified benefit plans or
11 currently taxable benefit plans.

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

20 Each such employee shall make an irrevocable advance election
21 for the plan year or the remainder thereof pursuant to such
22 procedures as the Council shall prescribe. Any such employee who
23 fails to make a proper election under the plan shall, nevertheless,
24

1 be a participant in the plan and shall be deemed to have purchased
2 the default benefits described in this section.

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

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

21 H. Benefit plan contracts with the Board, health maintenance
22 organizations, and other third party insurance vendors shall provide
23 for a risk adjustment factor for adverse selection that may occur,
24

1 as determined by the Council, based on generally accepted actuarial
2 principles.

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

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

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

18 2. The primary care physician selected by the individual shall
19 be required to accept reimbursement for such health care services on
20 a fee-for-service basis only. The fee-for-service shall be computed
21 by the health maintenance organization based on the average of the
22 other fee-for-service contracts of the health maintenance
23 organization in the local community. The individual shall only be
24 required to pay the primary care physician those co-payments,

1 coinsurance and any applicable deductibles in accordance with the
2 terms of the agreement between the employer and the health
3 maintenance organization and the provider shall not balance bill the
4 patient.

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

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

15 A. The State and Education Employees Group Insurance Board
16 ("Board"), or its successor, shall contract for plan year 2012 with
17 a vendor that offers a web-based healthcare cost containment program
18 that incorporates doctor-patient mutual accountability incentives.
19 The purpose of the contract is to conduct a pilot project to test a
20 program's value proposition that offers financial incentives to both
21 the health care provider and the patient for demonstrating to one
22 another the adoption of best practices, continuum of care and
23 population health management regimens to include wellness and
24 prevention, health risk management, and disease management. At a

1 minimum, the program shall incorporate evidence-based medicine
2 treatment guidelines and doctor-initiated patient health literacy
3 through information therapy prescriptions. The program shall offer
4 the health care provider the flexibility to use the healthcare
5 providers clinical judgment to adhere to or deviate from the
6 program's treatment guidelines and still earn a financial incentive
7 as long as the health care provider prescribes information therapy
8 to the patient that includes an explanation of the provider's
9 adherence or reason for nonadherence to the guideline. The program
10 shall offer a financial reward to the patient for responding to the
11 information therapy prescription by demonstrating the patient's
12 understanding of the patient's health condition, by declaring or
13 demonstrating adherence to recommended care, by agreeing to allow
14 the patient's physician to view the patient's responses and
15 acknowledge the patient's health accomplishments, and by judging the
16 quality of care given to the patient against these guidelines and
17 recommended care. The program shall also allow the health care
18 provider and the patient to earn additional financial incentives
19 when providers prescribe and patients successfully participate in
20 wellness, prevention and care management regimens such as health
21 risk assessments and screenings, smoking cessation, weight loss and
22 fitness programs, disease management, etc., provided the health care
23 provider acknowledges the program's authentication of the patient's
24 participation in these regimens. Participation in the program shall

1 be voluntary to both the provider and patient on an encounter-by-
2 encounter basis. The program shall be offered and administered by
3 the program vendor through an Internet application. A key vendor
4 qualification shall be documented success at controlling health care
5 costs using an incentive system as described in this section. If
6 the vendor meets this qualification, then it shall be authorized to
7 direct program configurations and operations. The pilot project
8 shall include at least 15,000 lives covered by the Board to achieve
9 statistical significance and collect and analyze data over a period
10 of three (3) years in order to determine the program's effectiveness
11 in terms of controlling health care costs. If it is determined that
12 the program is effective, the Board shall continue the contract with
13 such vendor by making the program available to all Board
14 beneficiaries.

15 B. An analysis shall be performed periodically, but no less
16 frequent than annually, by a qualified and independent evaluator,
17 who is acceptable to both the Board and the vendor, to determine the
18 program's effectiveness at controlling healthcare costs and
19 achieving other pertinent objectives. The evaluator shall prepare
20 and submit annual and final written reports from the analysis, to
21 include reviews and comments by the Board and the vendor, to the
22 Governor, the Speaker of the Oklahoma House Representatives, the
23 President Pro Tempore of the State Senate, the Board, and the
24 vendor.

1 C. The Board shall use its operating funds to underwrite the
2 cost of this pilot project and shall not pass these costs along to
3 the participating state agencies or school boards or providers. The
4 Board may retain or share with participating state agencies or
5 school boards any savings realized as a result of the pilot program.
6 The Board shall give preference to qualified vendors that are
7 willing to put a portion of their fees at risk in exchange for a
8 share of any savings realized in the pilot project.

9 SECTION 5. This act shall become effective September 1, 2011.

10 COMMITTEE REPORT BY: COMMITTEE ON RETIREMENT & INSURANCE, dated
11 4-7-11 - DO PASS, As Amended.

12
13
14
15
16
17
18
19
20
21
22
23
24