

<DateSubmitted>

HOUSE OF REPRESENTATIVES
CONFERENCE COMMITTEE REPORT

Mr. President:
Mr. Speaker:

The Conference Committee, to which was referred

HB1062

By: Roberts (Dustin) of the House and Brecheen of the Senate

Title: State government; allowing participants to opt out of certain benefits.

Together with Engrossed Senate Amendments thereto, beg leave to report that we have had the same under consideration and herewith return the same with the following recommendations:

1. That the Senate recede from its Amendment No. 1 and that the attached Conference Committee Substitute be adopted.

Respectfully submitted,

House Action _____ Date _____ Senate Action _____ Date _____

HOUSE CONFEREES

Banz Gary W. Banz

Brumbaugh David Brumbaugh

Cockroft [Signature]

Dorman _____

Faught George Faught

Hamilton _____

Hilliard _____

Moore Jim H. Moore

Murphey Joan W. Murphey

Quinn Marty Quinn

Stiles Alan Stiles

Walker Bruce D. Walker

Watson [Signature]

Mr. Speaker Chris Steele

SENATE CONFEREES

Brecheen _____
Brown _____
Mazzei _____
Stanislowski _____
Adelson _____
Sparks _____

1 STATE OF OKLAHOMA

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

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

By: Roberts (Dustin) and Hardin
of the House

and

Brecheen, Adelson and Sykes
of the Senate

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11 CONFERENCE COMMITTEE SUBSTITUTE

12 An Act relating to state government; amending 74 O.S.
13 2001, Section 1307, which relates to the Health
14 Insurance Plan specifications and requirements;
15 directing Plan to contract for certain services;
16 authorizing certain exceptions; allowing participants
17 to opt out of state-provided health insurance
18 benefits; requiring certain payment; requiring
19 certain evidence and affidavit; amending 74 O.S.
20 2001, Section 1370, as last amended by Section 2,
21 Chapter 28, O.S.L. 2009 (74 O.S. Supp. 2010, Section
22 1370), which relates to the flexible benefit
23 allowance plan; authorizing certain participants to
24 opt out of certain coverage; providing for certain
monthly payment; amending 74 O.S. 2001, Section 1371,
as last amended by Section 6, Chapter 269, O.S.L.
2007 (74 O.S. Supp. 2010, Section 1371), which
relates to the election of certain benefits;
authorizing certain participants to opt out of
certain coverage; directing State and Education
Employees Group Insurance Board to make certain
health savings accounts available to enrollees;
specifying requirements; directing Board to contract
for certain incentive program; stating purpose of
contract; specifying program requirements; specifying
participation shall be voluntary; directing Board to

1 continue contract in certain circumstance; providing
2 for codification; and providing an effective date.

3
4 BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

5 SECTION 1. AMENDATORY 74 O.S. 2001, Section 1307, is
6 amended to read as follows:

7 Section 1307. A. The specifications drawn by the Board for the
8 Health Insurance Plan shall provide for comprehensive hospital
9 medical and surgical benefits. The Health Insurance Plan may limit
10 coverage for a particular illness, disease, injury or condition;
11 but, except for such limits, shall not exclude or limit particular
12 services or procedures that can be provided for the diagnosis and
13 treatment of an illness, disease, injury or condition, so long as
14 the services and procedures provided are of sound efficacy, are
15 medically necessary, and fall within the licensed scope of practice
16 of the practitioner providing same. The Health Insurance Plan may
17 contract with providers for specific services based on levels of
18 outcomes defined by the State and Education Employees Group
19 Insurance Board and achieved by the provider. The Health Insurance
20 Plan may provide for the application of deductibles and copayment or
21 coinsurance provisions, when equally applied to all covered charges
22 for services and procedures that can be provided by any practitioner
23 for the diagnosis and treatment of a particular illness, disease,
24 injury or condition unless deductibles, copayments or coinsurance

1 variations are based on contracts with providers for specific
2 services based on levels of outcomes.

3 B. The Life Insurance Plan shall include Accidental Death and
4 Dismemberment Benefits and additional optional life insurance
5 coverage.

6 SECTION 2. NEW LAW A new section of law to be codified
7 in the Oklahoma Statutes as Section 1308.3 of Title 74, unless there
8 is created a duplication in numbering, reads as follows:

9 Any active employee eligible to participate or who is a
10 participant may opt out of the state's basic plan as outlined in
11 Sections 1370 and 1371 of Title 74 of the Oklahoma Statutes,
12 provided that the participant is currently covered by a separate
13 group health insurance plan. Any active employee eligible to
14 participate or who is a participant opting out of coverage pursuant
15 to this section shall provide proof of the separate health insurance
16 plan participation and sign an affidavit attesting that the
17 participant is currently covered and does not require state-provided
18 health insurance each plan year. Any active employee opting out of
19 coverage pursuant to this section shall receive One Hundred Fifty
20 Dollars (\$150.00) in lieu of the flexible benefit amount the
21 employee would be otherwise eligible to receive. Any savings
22 realized by the state as a result of a participant opting out of
23 health insurance plan coverage shall be retained by the state.

24

1 SECTION 3. 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, or is an active employee who is
9 eligible to participate and who is a participant who has opted out
10 of the state's basic plan according to the provisions of Section 2
11 of this act, and provides proof of this coverage, flexible benefit
12 dollars may be used to purchase any of the benefits offered by the
13 Oklahoma State Employees Benefits Council under the flexible
14 benefits plan. A participant who has opted out of the state's basic
15 plan and provided proof of other coverage as described in this
16 subsection shall ~~not~~ receive One Hundred Fifty Dollars (\$150.00) in
17 lieu of the flexible benefit dollars if the person elects not to
18 ~~purchase any benefits~~ monthly. A participant's flexible benefit
19 dollars for a plan year shall consist of the sum of (1) flexible
20 benefit allowance credited to a participant by the participating
21 employer, and (2) pay conversion dollars elected by a participant.

22 B. Each participant shall be credited annually with a specified
23 amount as a flexible benefit allowance which shall be available for
24 the purchase of benefits. The amount of the flexible benefit

1 allowance credited to each participant shall be communicated to him
2 or her prior to the enrollment period for each plan year.

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

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

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

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

22 D. This section shall not prohibit payments for supplemental
23 health insurance coverage made pursuant to Section 1314.4 of this
24 title or payments for the cost of providing health insurance

1 coverage for dependents of employees of the Grand River Dam
2 Authority.

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

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

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

4 SECTION 4. AMENDATORY 74 O.S. 2001, Section 1371, as
5 last amended by Section 6, Chapter 269, O.S.L. 2007 (74 O.S. Supp.
6 2010, Section 1371), is amended to read as follows:

7 Section 1371. A. All participants must purchase at least the
8 basic plan unless, to the extent that it is consistent with federal
9 law, the participant is a person who has retired from a branch of
10 the United States military and has been provided with health
11 coverage through a federal plan and that participant provides proof
12 of that coverage, or the participant has opted out of the state's
13 basic plan according to the provisions in Section 2 of this act.

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

22 B. The Board shall offer health, disability, life and dental
23 coverage to all participants and their dependents. For health,
24 dental, disability and life coverage, the Board shall offer plans at

1 the basic benefit level established by the Council, and in addition,
2 may offer benefit plans that provide an enhanced level of benefits.
3 The Board shall be responsible for determining the plan design and
4 the benefit price for the plans that they offer. Effective for the
5 plan year beginning January 1, 2007, and for each plan year
6 thereafter, in setting health insurance premiums for active
7 employees and for retirees under sixty-five (65) years of age, the
8 Board shall set the monthly premium for active employees to be equal
9 to the monthly premium for retirees under sixty-five (65) years of
10 age.

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

15 C. In lieu of electing any of the preceding medical benefit
16 plans, a participant may elect medical coverage by any health
17 maintenance organization made available to participants by the
18 Council. The benefit price of any health maintenance organization
19 shall be determined on a competitive bid basis. Contracts for said
20 plans shall not be subject to the provisions of The Oklahoma Central
21 Purchasing Act, ~~Section 85.1 et seq. of this title.~~ The Council
22 shall promulgate rules establishing appropriate competitive bidding
23 criteria and procedures for contracts awarded for flexible benefits
24 plans. All plans offered by health maintenance organizations

1 meeting the bid requirements as determined by the Council shall be
2 accepted. The Council shall have the authority to reject the bid or
3 restrict enrollment in any health maintenance organization for which
4 the Council determines the benefit price to be excessive. The
5 Council shall have the authority to reject any plan that does not
6 meet the bid requirements. All bidders shall submit along with
7 their bid a notarized, sworn statement as provided by Section 85.22
8 of this title. Effective for the plan year beginning January 1,
9 2007, and for each plan year thereafter, in setting health insurance
10 premiums for active employees and for retirees under sixty-five (65)
11 years of age, HMOs, self-insured organizations and prepaid plans
12 shall set the monthly premium for active employees to be equal to
13 the monthly premium for retirees under sixty-five (65) years of age.

14 D. Nothing in this section shall be construed as prohibiting
15 the Council from offering additional qualified benefit plans or
16 currently taxable benefit plans.

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

1 Each such employee shall make an irrevocable advance election
2 for the plan year or the remainder thereof pursuant to such
3 procedures as the Council shall prescribe. Any such employee who
4 fails to make a proper election under the plan shall, nevertheless,
5 be a participant in the plan and shall be deemed to have purchased
6 the default benefits described in this section.

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

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

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

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

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

18 b. the individual submits a request in writing to the
19 health maintenance organization to continue to have
20 access to the primary care physician.

21 2. The primary care physician selected by the individual shall
22 be required to accept reimbursement for such health care services on
23 a fee-for-service basis only. The fee-for-service shall be computed
24 by the health maintenance organization based on the average of the

1 other fee-for-service contracts of the health maintenance
2 organization in the local community. The individual shall only be
3 required to pay the primary care physician those co-payments,
4 coinsurance and any applicable deductibles in accordance with the
5 terms of the agreement between the employer and the health
6 maintenance organization and the provider shall not balance bill the
7 patient.

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

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

18 A. The State and Education Employees Group Insurance Board
19 ("Board"), and the Office of State Finance, shall contract with a
20 vendor to make available a health savings account to all enrollees
21 in the HealthChoice qualified high-deductible health plan. Any
22 employer or employee contributions to the health savings account
23 shall be allowable as a remittance to the vendor through payroll
24 deduction in conjunction with the employer's Section 125 Plan and

1 shall not be subject to any assessment of administrative fees by the
2 Board, the Office of State Finance or any state agency for
3 remittance to the vendor. The State of Oklahoma, the Board, the
4 Office of State Finance and the Oklahoma State Employees Benefits
5 Council shall take necessary measures to make any employer or
6 employee health savings account contributions permissible under the
7 state's Section 125 Plan.

8 SECTION 6. NEW LAW A new section of law to be codified
9 in the Oklahoma Statutes as Section 1329.1 of Title 74, unless there
10 is created a duplication in numbering, reads as follows:

11 The State and Education Employees Group Insurance Board shall
12 contract for 2012 with a vendor that offers a Health Insurance
13 Portability and Accountability Act (HIPAA) compliant web-based,
14 doctor-patient mutual accountability incentive program. The purpose
15 of the contract is to conduct a pilot project to test the value
16 proposition of a program that offers financial incentives to both
17 the health care provider and the patient for each care encounter in
18 which the provider and patient incorporate evidence-based medicine
19 treatment guidelines, patient health education remedies and other
20 proven medical interventions made available and recorded through the
21 program in the rendering and utilization of health care. The Board
22 shall use its operating funds to underwrite the cost of this pilot
23 project and shall not pass these costs along to the participating
24 state agencies, or school boards or providers. The Board may retain

1 or share with participating state agencies or school boards any
2 savings realized as a result of the pilot program. The program will
3 demonstrate a self-sustaining financial model that, through the
4 savings incurred by better utilization health care programs, will
5 offset the costs of this program with savings. This program will
6 offer the health care provider the flexibility to use the health
7 care provider's clinical judgment to adhere to or deviate from the
8 program's treatment guidelines and still receive a financial
9 incentive, as long as the health care provider communicates care
10 guidelines and patient health education remedies to the patient that
11 include an explanation of the provider's adherence or reason for
12 nonadherence to the guideline. The vendor managing the pilot
13 program shall offer a financial reward to the patient for responding
14 to the vendor's guidelines for care and patient education remedies
15 by demonstrating the patient's understanding of the patient's health
16 condition, by declaring or demonstrating adherence to recommended
17 care, by agreeing to allow the patient's physician to view patient's
18 responses and acknowledge the patient's health accomplishments, and
19 by judging the quality of care given to the patient against these
20 guidelines and recommended care. Any communications to patient and
21 provider shall be in compliance with all HIPAA regulations and
22 standards. Participation in the program shall be voluntary to both
23 the provider and patient on an encounter-by-encounter basis. The
24 program shall be offered and administered by the program vendor

1 through an Internet application that is HIPAA-compliant. This pilot
2 project shall include a minimum of 15,000 beneficiaries of the Board
3 to achieve a statistical significance and collect and analyze data
4 over a period of three (3) years in order to determine the program's
5 effectiveness and ability to become self-funded.

6 SECTION 7. This act shall become effective November 1, 2011.

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