

STATE OF OKLAHOMA

1st Session of the 47th Legislature (1999)

CONFERENCE COMMITTEE SUBSTITUTE
FOR ENGROSSED

HOUSE BILL NO. 1588

By: Sellers of the House

and

Monson of the Senate

CONFERENCE COMMITTEE SUBSTITUTE

An Act relating to the state employees; amending 74 O.S. 1991, Sections 1306, as last amended by Section 1, Chapter 362, O.S.L. 1997, 1316.1, as amended by Section 1, Chapter 213, O.S.L. 1997, 1316.3, as last amended by Section 7, Chapter 256, O.S.L. 1998, and 1321, as amended by Section 2, Chapter 362, O.S.L. 1997 (74 O.S. Supp. 1998, Sections 1306, 1316.1, 1316.3, and 1321), which relate to the State and Education Employees Group Insurance Act; modifying plan year dates; establishing dates for premium approval; allowing certain retired employees to elect purchase of life insurance; establishing amount and cost; requiring the Teachers' Retirement System of Oklahoma to provide certain information to the State and Education Employees Group Insurance Board; establishing dates for adjustments; establishing deductible amount for certain plan year; amending Section 3, Chapter 400, O.S.L. 1992, as last amended by Section 32, Chapter 2, O.S.L. 1994, Section 9, Chapter 400, O.S.L. 1992, Section 10, Chapter 400, O.S.L. 1992, as last amended by Section 3, Chapter 257, O.S.L. 1998, and Section 11, Chapter 400, O.S.L. 1992, as last amended by Section 7, Chapter 362, O.S.L. 1997 (74 O.S. Supp. 1998, Sections 1363, 1369, 1370, and 1371), which relate to the Oklahoma State Employee Benefits Act; modifying definition of plan year; modifying plan year dates relating to eligibility; modifying amount of benefit allowance for dependents; modifying plan year relating to purchase of benefits; and providing an effective date.

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

2 SECTION 1. AMENDATORY 74 O.S. 1991, Section 1306, as
3 last amended by Section 1, Chapter 362, O.S.L. 1997 (74 O.S. Supp.
4 1998, Section 1306), is amended to read as follows:

5 Section 1306. The State and Education Employees Group Insurance
6 Board shall administer and manage the group insurance plans and the
7 flexible benefits plan and, subject to the provisions of the State
8 and Education Employees Group Insurance Act, Section 1301 et seq.
9 and the State Employees Flexible Benefits Act, Section 1341 et seq.
10 of this title, shall have the following powers and duties:

11 1. The preparation of specifications for such insurance plans
12 as the Board may be directed to offer;

13 2. The authority and duty to request bids through the
14 Purchasing Division of the Department of Central Services for a
15 contract to be the claims administrator for all or any part of such
16 insurance and benefit plans as the Board may be directed to offer;

17 3. The determination of the methods of claims administration
18 under such insurance and benefit plans as the Board may be directed
19 to offer;

20 4. The determination of the eligibility of employees and their
21 dependents to participate in each of the Group Insurance Plans and
22 in such other insurance and benefit plans as the Board may be
23 directed to offer and the eligibility of employees other than
24 education employees to participate in the Life Insurance Plan
25 provided that evidence of insurability shall not be a requirement in
26 determining an employee's initial eligibility;

27 5. The determination of the amount of employee payroll
28 deductions and the responsibility of establishing the procedure by
29 which such deduction shall be made;

30 6. The establishment of a grievance procedure by which a three-
31 member grievance panel shall act as an appeals body for complaints
32 by insured employees regarding the allowance and payment of claims,

1 eligibility, and other matters. Except for grievances settled to
2 the satisfaction of both parties prior to a hearing, any person who
3 requests in writing a hearing before the grievance panel shall
4 receive a hearing before the panel. The grievance procedure
5 provided by this paragraph shall be the exclusive remedy available
6 to insured employees having complaints against the insurer. Such
7 grievance procedure shall be subject to the Oklahoma Administrative
8 Procedures Act, Section 250 et seq. of Title 75 of the Oklahoma
9 Statutes including provisions thereof for review of agency decisions
10 by the district court. The grievance panel shall schedule a hearing
11 regarding the allowance and payment of claims, eligibility and other
12 matters within sixty (60) days from the date the grievance panel
13 receives a written request for a hearing unless the panel orders a
14 continuance for good cause shown. Upon written request by the
15 insured employee to the grievance panel and received not less than
16 ten (10) days before the hearing date, the grievance panel shall
17 cause a full stenographic record of the proceedings to be made by a
18 competent court reporter at the insured employee's expense;

19 7. The continuing study of the operation of such insurance and
20 benefit plans as the Board may be directed to offer including such
21 matters as gross and net costs, administrative costs, benefits,
22 utilization of benefits, and claims administration;

23 8. The administration of the Health, Dental and Life Insurance
24 Reserve Fund or Funds, the Flexible Benefits Revolving Fund and the
25 Education Employees Group Insurance Reserve Fund;

26 9. The auditing of the claims paid pursuant to the provisions
27 of the State and Education Employees Group Insurance Act, the State
28 Employees Flexible Benefits Act and the State Employees Disability
29 Program Act;

30 10. a. To select and contract with federally qualified Health
31 Maintenance Organizations under the provisions of 42
32 U.S.C., Section 300e et seq. or with Health

1 Maintenance Organizations licensed by the Department
2 of Health pursuant to Sections 2501 through 2510 of
3 Title 63 of the Oklahoma Statutes for consideration by
4 employees as an alternative to the state self-insured
5 health plan, and to transfer to the HMOs such funds as
6 may be approved for an employee electing HMO
7 alternative services.

8 b. HMO contracts shall provide for a risk adjustment
9 factor for adverse selection, that may occur as
10 determined by the Board, based on generally accepted
11 actuarial principles.

12 c. Effective for the plan year beginning July 1, 1997,
13 and for each year thereafter, in setting health
14 insurance premiums for active employees and for
15 retirees under sixty-five (65) years of age, HMOs,
16 self-insured organizations and prepaid plans shall set
17 the monthly premium for active employees at a maximum
18 of Ninety Dollars (\$90.00) less than the monthly
19 premium for retirees under sixty-five (65) years of
20 age;

21 11. For the fiscal year beginning July 1, 1992, to assess and
22 collect a four percent (4%) fee from such contracted HMOs to offset
23 the costs of administration, and to appropriate and pay to the
24 Benefits Council Administration Fund an amount equal to fifty
25 percent (50%) of said fee within ten (10) days of collection;

26 12. To contract for reinsurance, catastrophic insurance, or any
27 other type of insurance deemed necessary by the Board. Provided,
28 however, that the Board shall not offer a health plan which is owned
29 or operated by the state and which utilizes a capitated payment plan
30 for providers which uses a primary care physician as a gatekeeper to
31 any specialty care provided by physician-specialists, unless
32 specifically authorized by the Legislature;

1 13. The Board, pursuant to the provisions of Section 250 et
2 seq. of Title 75 of the Oklahoma Statutes, shall adopt such rules
3 and regulations consistent with the provisions of the State and
4 Education Employees Group Insurance Act as it deems necessary to
5 carry out its statutory duties and responsibilities;

6 14. The Board shall contract for claims administration services
7 with a private insurance carrier or a company experienced in claims
8 administration of any insurance that the Board may be directed to
9 offer. No contract for claims administration services shall be made
10 unless such contract has been offered for bids through the
11 Purchasing Division of the Department of Central Services. The
12 Board shall contract with a private insurance carrier or other
13 experienced claims administrator to process claims with software
14 that is normally used for its customers;

15 15. The Board shall contract for utilization review services
16 with a company experienced in utilization review, data base
17 evaluation, market research, and planning and performance of the
18 health insurance plan;

19 16. The Board shall approve the amount of employee premiums and
20 dependent premiums for such insurance plans as the Board shall be
21 directed to offer for each ~~fiscal~~ year no later than the bid
22 submission date for health maintenance organizations set by the
23 Oklahoma State Employees Benefits Council, which for plan year
24 beginning July 1, 2001, shall be set no later than the third Friday
25 of December of the previous fiscal year. The next plan year shall
26 begin January 1, 2002, and on January 1 each year thereafter. For
27 plan year beginning January 1, 2002, and for each year thereafter,
28 the submission date shall be set no later than the third Friday of
29 June of the previous year. Except as otherwise provided for in
30 Section 1321 of this title, the Board shall not have the authority
31 to adjust the premium rates after approval. The Board shall submit
32 notice of the amount of employee premiums and dependent premiums

1 along with an actuarial projection of the upcoming fiscal year's
2 enrollment, employee contributions, employer contributions,
3 investment earnings, paid claims, internal expenses, external
4 expenses and changes in liabilities to the Director of the Office of
5 State Finance and the Director of the Legislative Service Bureau no
6 later than March 1 of the previous fiscal year.

7 ~~Effective for the plan year beginning July 1, 1997, and for each~~
8 ~~year thereafter, in~~ In setting health insurance premiums for active
9 employees and retirees under sixty-five (65) years of age, the Board
10 shall set the monthly premium for active employees at a maximum of
11 Ninety Dollars (\$90.00) less than the monthly premium for retirees
12 under sixty-five (65) years of age;

13 17. Before December 1 of each year the Board shall submit to
14 the Director of the Office of State Finance a report outlining the
15 financial condition for the previous fiscal year of all insurance
16 plans offered by the Board. The report shall include a complete
17 explanation of all reserve funds and the actuarial projections on
18 the need for such reserves. The report shall include and disclose
19 an estimate of the future trend of medical costs, the impact from
20 HMO enrollment, antiselection, changes in law, and other
21 contingencies that could impact the financial status of the plan.
22 The Director of the Office of State Finance shall make written
23 comment on the report and shall provide such comment, along with the
24 report submitted by the Board, to the Governor, the President Pro
25 Tempore of the Senate, the Speaker of the House of Representatives
26 and the Chairman of the Oklahoma State Employees Benefits Council by
27 January 15;

28 18. The Board shall establish a prescription drug card network
29 ~~for the fiscal year beginning July 1, 1990;~~

30 19. The Board shall have the authority to intercept monies
31 owing to plan participants from other state agencies, when those
32 participants in turn, owe money to the Board. The Board shall be

1 required to adopt rules and regulations ensuring the participants
2 due process of law;

3 20. The Board is authorized to make available to eligible
4 employees supplemental health care benefit plans to include but not
5 be limited to long-term care, deductible reduction plans and
6 employee co-payment reinsurance. Premiums for said plans shall be
7 actuarially based and the cost for such supplemental plans shall be
8 paid by the employee; and

9 21. There is hereby created as a joint committee of the State
10 Legislature, the Joint Liaison Committee on State and Education
11 Employees Group Insurance Benefits, which Joint Committee shall
12 consist of three members of the Senate to be appointed by the
13 President Pro Tempore thereof and three members of the House of
14 Representatives to be appointed by the Speaker thereof. The
15 Chairman and Vice Chairman of the Joint Committee shall be appointed
16 from the membership thereof by the President Pro Tempore of the
17 Senate and the Speaker of the House of Representatives,
18 respectively, one of whom shall be a member of the Senate and the
19 other shall be a member of the House of Representatives. At the
20 beginning of the first regular session of each Legislature, starting
21 in 1991, the Chairman shall be from the Senate; thereafter the
22 chairmanship shall alternate every two (2) years between the Senate
23 and the House of Representatives.

24 The Joint Liaison Committee on State and Education Employees
25 Group Insurance Benefits shall function as a committee of the State
26 Legislature when the Legislature is in session and when the
27 Legislature is not in session. Each appointed member of said
28 committee shall serve until his or her successor is appointed.

29 The Joint Liaison Committee on State and Education Employees
30 Group Insurance Benefits shall serve as a liaison with the State and
31 Education Employees Group Insurance Board regarding advice,
32 guidance, policy, management, operations, plans, programs and fiscal

1 needs of said Board. Said Board shall not be bound by any action of
2 the Joint Committee.

3 SECTION 2. AMENDATORY 74 O.S. 1991, Section 1316.1, as
4 amended by Section 1, Chapter 213, O.S.L. 1997 (74 O.S. Supp. 1998,
5 Section 1316.1), is amended to read as follows:

6 Section 1316.1 A. Any person who retires or who has elected to
7 receive a vested benefit under the provisions of the State of
8 Oklahoma Retirement Systems or persons who are currently drawing
9 disability benefits under Section 1331 et seq. of this title or who
10 meet each and every requirement of the State Employees Disability
11 Program or the spouse of any such employee may continue in force the
12 life insurance benefits authorized by this act in a face amount of
13 not less than one-fourth (1/4) but not more than three-fourths (3/4)
14 of the basic life insurance amount, if such election to continue in
15 force is made within thirty (30) days from the time of severance;
16 provided such persons pay the full cost of such life insurance and
17 under such terms and conditions as established by the Board.
18 Further, any such retiree may continue in force any additional life
19 insurance that was purchased prior to retirement, above the three-
20 fourths (3/4) of the basic life insurance amount, at an actuarially
21 adjusted rate and under such terms and conditions as established by
22 the Board.

23 B. Any retired employee who is receiving a benefit or
24 terminates employment with a vested benefit from the Teachers'
25 Retirement System of Oklahoma and who becomes enrolled in the health
26 insurance plan offered by the State and Education Employees Group
27 Insurance Act, pursuant to subsection E of Section 5-117.5 of Title
28 70 of the Oklahoma Statutes, may elect to purchase life insurance
29 benefits in amounts and at a cost as provided for in this section.

30 SECTION 3. AMENDATORY 74 O.S. 1991, Section 1316.3, as
31 last amended by Section 7, Chapter 256, O.S.L. 1998 (74 O.S. Supp.
32 1998, Section 1316.3), is amended to read as follows:

1 Section 1316.3 (1) Any person who retires pursuant to the
2 provisions of the Teachers' Retirement System of Oklahoma or who has
3 a vested benefit, pursuant to the provisions of the Teachers'
4 Retirement System of Oklahoma may continue in force the health and
5 dental insurance benefits authorized by the provisions of the State
6 and Education Employees Group Insurance Act or may begin the health
7 and dental insurance coverage if the education entity of the person
8 is not a participant in the State and Education Employees Group
9 Insurance Act or if the person did not participate when the
10 education entity of the person participated in the State and
11 Education Employees Group Insurance Act if such election to continue
12 in force or begin is made within thirty (30) days from the date of
13 termination of service. Health insurance benefits offered pursuant
14 to this section shall include the state indemnity plan, managed care
15 plans offered in alternative to the state indemnity plan, Medicare
16 supplements offered by the Oklahoma State and Education Employees
17 Group Insurance Board which shall include prescription drug
18 coverage, and Medicare risk-sharing contracts offered in alternative
19 to the Board's Medicare supplement. Provided, all Medicare risk-
20 sharing contracts shall be subject to a risk adjustment factor,
21 based on generally accepted actuarial principals for adverse
22 selection which may occur. Except as provided in subsection E of
23 Sections 5-117.5 and 14-108.1 of Title 70 of the Oklahoma Statutes
24 and Section 4 840-2.27I of this title and subsection 10 of this
25 section ~~of this act~~, health and dental insurance coverage may not be
26 reinstated at a later time if the election to continue in force or
27 begin coverage is declined. Vested persons who have terminated
28 service and are not receiving benefits and effective July 1, 1996,
29 nonvested persons who have terminated service with more than ten
30 (10) years of participating service with a qualifying employer, who
31 within thirty (30) days from the date of termination, elect to
32 continue such coverage, shall pay the full cost of said insurance

1 premium at the rate and pursuant to the terms and conditions
2 established by the Board.

3 (2) (a) A retired person who is receiving benefits from the
4 Teachers' Retirement System of Oklahoma after September 30, 1988, is
5 under sixty-five (65) years of age and is not otherwise eligible for
6 Medicare and pursuant to subsection (1) of this section elects to
7 begin or to continue the health insurance plan shall pay the premium
8 rate for the health insurance minus an amount equal to the premium
9 rate of the Medicare supplement offered by the Oklahoma State and
10 Education Employees Group Insurance Board or the amount determined
11 pursuant to subsection (4) of this section, whichever is less, which
12 shall be paid by the Teachers' Retirement System of Oklahoma to the
13 Board in the manner specified in subsection (8) of this section.

14 (b) A retired person who is receiving benefits from the
15 Teachers' Retirement System of Oklahoma after June 30, 1993, is
16 under sixty-five (65) years of age and is not otherwise eligible for
17 Medicare and participates in a health insurance plan provided by a
18 participating education employer of the Teachers' Retirement System
19 of Oklahoma other than a health insurance plan offered pursuant to
20 the State and Education Employees Group Insurance Act or an
21 alternative health plan offered pursuant to the Oklahoma State
22 Employees Benefits Act shall pay the premium rate for the health
23 insurance minus an amount equal to the premium rate of the Medicare
24 supplement offered by the Oklahoma State and Education Employees
25 Group Insurance Board or the amount determined pursuant to
26 subsection (4) of this section, whichever is less, which shall be
27 paid by the Teachers' Retirement System of Oklahoma to said
28 education employer that provides the health insurance plan to said
29 retired person.

30 (3) (a) A retired person who is receiving benefits from the
31 Teachers' Retirement System of Oklahoma after September 30, 1988,
32 made contributions to the system and is sixty-five (65) years of age

1 or older, or who is under sixty-five (65) years of age and is
2 eligible for Medicare and is a participant in the State and
3 Education Employees Group Insurance Act and elects coverage under
4 the Medicare supplement offered by the Oklahoma State and Education
5 Employees Group Insurance Board, shall have the amount determined
6 pursuant to subsection (4) of this section, or the premium rate of
7 the Medicare supplement, whichever is less, paid by the Teachers'
8 Retirement System of Oklahoma to the Board in the manner specified
9 in subsection (8) of this section. If the amount paid by the
10 Teachers' Retirement System of Oklahoma does not cover the full cost
11 of the Medicare supplement, the retired person shall pay to the
12 Board the remaining amount if the retired person wants to continue
13 the coverage. If such retiree elects coverage under any Medicare
14 risk-sharing contract, the retiree shall have the amount determined
15 pursuant to subsection (4) of this section or the premium rate of
16 the Medicare risk-sharing contract selected by the retiree,
17 whichever is less, paid by the Teachers' Retirement System of
18 Oklahoma to the Board in the manner specified in subsection (8) of
19 this section. If the amount paid by the Teachers' Retirement System
20 of Oklahoma does not cover the full cost of the Medicare risk-
21 sharing contract, the retired employee shall pay to the Board the
22 remaining amount if the retired employee wants to continue coverage.

23 (b) A retired person who is receiving benefits from the
24 Teachers' Retirement System of Oklahoma after June 30, 1993, made
25 contributions to the system and is sixty-five (65) years of age or
26 older, or who is under sixty-five (65) years of age and is eligible
27 for Medicare and participates in a health insurance plan provided by
28 a participating education employer of the Teachers' Retirement
29 System of Oklahoma other than a health insurance plan offered
30 pursuant to the State and Education Employees Group Insurance Act or
31 an alternative health plan offered pursuant to the Oklahoma State
32 Employees Benefits Act and elects coverage under the Medicare

1 supplement offered by the Oklahoma State and Education Employees
 2 Group Insurance Board, shall have the amount determined pursuant to
 3 subsection (4) of this section, or the premium rate of the Medicare
 4 supplement, whichever is less, paid by the Teachers' Retirement
 5 System of Oklahoma to the education employer that provides the
 6 health insurance plan to said retired person. If the amount paid by
 7 the Teachers' Retirement System of Oklahoma does not cover the full
 8 cost of the Medicare supplement, the retired person shall pay to
 9 said employer the remaining amount if the retired person wants to
 10 continue the coverage. If such retiree elects coverage under any
 11 Medicare risk-sharing contract, the retiree shall have the amount
 12 determined pursuant to subsection (4) of this section or the premium
 13 rate of the Medicare risk-sharing contract selected by the retiree,
 14 whichever is less, paid by the Teachers' Retirement System of
 15 Oklahoma to the Board in the manner specified in subsection (8) of
 16 this section. If the amount paid by the Teachers' Retirement System
 17 of Oklahoma does not cover the full cost of the Medicare risk-
 18 sharing contract, the retired employee shall pay to the Board the
 19 remaining amount if the retired employee wants to continue coverage.

20 (4) Beginning July 1, 1993, the maximum benefit payable by the
 21 Teachers' Retirement System of Oklahoma on behalf of a retired
 22 person toward said person's monthly premium for health insurance
 23 shall be determined in accordance with the following schedule:

		LESS THAN	GREATER
		25 YEARS BUT	THAN
	LESS THAN	GREATER THAN	24.99
27 AVERAGE SALARY	15 YEARS OF	14.99 YEARS	YEARS OF
28 USED FOR DETERMINING	CREDITABLE	OF CREDITABLE	CREDITABLE
29 RETIREMENT ALLOWANCE	SERVICE	SERVICE	SERVICE
30 Less than \$20,000.00	\$73.00	\$74.00	\$75.00
31 Less than \$30,000.00 but			
32 greater than \$19,999.99	\$72.00	\$73.00	\$74.00

1	Less than \$40,000.00 but			
2	greater than \$29,999.99	\$71.00	\$72.00	\$73.00
3	\$40,000.00 or greater	\$70.00	\$71.00	\$72.00

4 (5) If a person retires and begins to receive benefits from the
5 Teachers' Retirement System of Oklahoma or terminates service and
6 has a vested benefit with the Teachers' Retirement System of
7 Oklahoma, the person may elect, in the manner provided in subsection
8 (1) of this section, to participate in the dental insurance plan
9 offered through the State and Education Employees Group Insurance
10 Act. The person shall pay the full cost of the dental insurance.

11 (6) Those persons who are receiving benefits from the Teachers'
12 Retirement System of Oklahoma and have health insurance coverage
13 which on the operative date of this section is being paid by the
14 education entity from which the person retired shall make the
15 election required in subsection (1) of this section within thirty
16 (30) days of the termination of said health insurance coverage. The
17 person making the election shall give the Board certified
18 documentation satisfactory to the Board of the termination date of
19 the other health insurance coverage.

20 (7) Dependents of a deceased education employee who was on
21 active work status or on a disability leave at the time of death or
22 of a participating retirant or of any person who has elected to
23 receive a vested benefit under the Teachers' Retirement System of
24 Oklahoma may continue the health and dental insurance benefits in
25 force provided said dependents pay the full cost of such insurance
26 and they were covered as eligible dependents at the time of such
27 death and such election is made within thirty (30) days of date of
28 death. The eligibility for said benefits shall terminate for the
29 surviving spouse when said spouse remarries or becomes eligible for
30 another group health insurance plan. The eligibility for said
31 benefits shall terminate for the surviving children when said
32 children cease to qualify as dependents.

1 (8) The amounts required to be paid by the Teachers' Retirement
2 System of Oklahoma pursuant to this section shall be forwarded no
3 later than the tenth day of each month following the month for which
4 payment is due by the Board of Trustees of the Teachers' Retirement
5 System of Oklahoma to the State and Education Employees Group
6 Insurance Board for deposit in the Education Employees Group
7 Insurance Reserve Fund.

8 (9) Notwithstanding any provision in this section to the
9 contrary, any person who retires pursuant to the provisions of the
10 Teachers' Retirement System of Oklahoma after June 30, 1995, or
11 terminates service with a vested benefit, pursuant to the provisions
12 of the Teachers' Retirement System of Oklahoma after June 30, 1995,
13 may participate in the health and dental plans authorized by the
14 provisions of the State and Education Employees Group Insurance Act
15 only if said person continues to participate in said insurance plans
16 offered by the State and Education Employees Group Insurance Board
17 for a period of at least three (3) consecutive years immediately
18 prior to retirement or termination of service, or the education
19 employer from which the person either retires or terminates service
20 with a vested benefit obtains health and dental insurance coverage
21 as provided for in the State and Education Employees Group Insurance
22 Act.

23 (10) The Teachers' Retirement System of Oklahoma shall provide
24 the State and Education Employees Group Insurance Board information
25 concerning the employers of retired and vested members necessary to
26 allow the State and Education Employees Group Insurance Board to
27 track eligibility for continued coverage.

28 SECTION 4. AMENDATORY 74 O.S. 1991, Section 1321, as
29 amended by Section 2, Chapter 362, O.S.L. 1997 (74 O.S. Supp. 1998,
30 Section 1321), is amended to read as follows:
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1 Section 1321. The Board shall have the authority to determine
2 all rates and life, dental and health benefits. All rates shall be
3 compiled in a comprehensive Schedule of Benefits. The Schedule of
4 Benefits shall be available for inspection during regular business
5 hours at the office of the State and Education Employees Group
6 Insurance Board. The Board shall have the authority to annually
7 adjust the rates and benefits based on claim experience. The annual
8 adjustment shall be made no later than the bid submission date for
9 health maintenance organizations set by the Oklahoma State Employees
10 Benefits Council, which for the plan year beginning July 1, 2001,
11 shall be set no later than the third Friday of December of each
12 year. The next plan year shall begin January 1, 2002, and on
13 January 1 each year thereafter. For the plan year beginning January
14 1, 2002, and for each year thereafter, the date shall be set no
15 later than the third Friday of June of each year. For the plan year
16 beginning July 1, 2001, and ending December 31, 2001, the deductible
17 amounts for each plan offered shall be reduced by one-half (1/2) of
18 the full one-year deductible amount. The Board may approve a mid-
19 year adjustment provided the need for an adjustment is substantiated
20 by an actuarial determination. The only publication or notice
21 requirements that shall apply to the Schedule of Benefits shall be
22 those requirements provided in the Oklahoma Open Meeting Act. It is
23 the intent of the Legislature that the benefits provided not include
24 cosmetic dental procedures except for certain orthodontic procedures
25 as adopted by the Board.

26 SECTION 5. AMENDATORY Section 3, Chapter 400, O.S.L.
27 1992, as last amended by Section 32, Chapter 2, O.S.L. 1994 (74 O.S.
28 Supp. 1998, Section 1363), is amended to read as follows:

29 Section 1363. The following words and phrases as used in this
30 act, unless a different meaning is clearly required by the context,
31 shall have the following meanings:

32 1. "Authority" means the Oklahoma Health Care Authority;

1 2. "Basic plan" means the plan that provides the least amount
2 of benefits each participant is required to purchase pursuant to the
3 provisions of the plan. The basic plan shall include only health,
4 dental, disability and life benefits;

5 3. "Benefit" means any of the benefits which may be purchased
6 or is required to be purchased under the plan;

7 4. "Benefit plan" means the specific terms and conditions
8 regarding a benefit which may be purchased under the plan, including
9 the terms and conditions of any separate plan document, group
10 insurance policy or administrative services contract entered into by
11 the Council;

12 5. "Benefit price" means the number of flexible benefit dollars
13 needed to purchase a benefit under the plan;

14 6. "Board" means the State and Education Employees Group
15 Insurance Board, as created by the State and Education Employees
16 Group Insurance Act;

17 7. "Code" means the Internal Revenue Code of 1986, as amended,
18 from time to time;

19 8. "Compensation" means the remuneration directly paid to a
20 participating employee by a participating employer exclusive of
21 overtime pay, and longevity pay, calculated prior to and without
22 regard to adjustments arising out of an employee's participation in
23 the plan authorized pursuant to this act, or amounts deferred under
24 the tax sheltered income deferral plans as authorized by Section
25 1701 et seq. of this title;

26 9. "Council" means the Oklahoma State Employees Benefits
27 Council, as created by this act;

28 10. "Default benefit" means any benefit a participant who fails
29 to make a proper election under the plan shall be deemed to have
30 purchased;

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1 11. "Dependent" means a participant's spouse or any of his or
2 her dependents as defined in Code Section 152 and regulations
3 promulgated thereunder;

4 12. "Flexible benefit allowance" means the annual amounts
5 credited by the participating employer for each participant for the
6 purchase of benefits under the plan;

7 13. "Flexible benefit dollars" means the sum of the flexible
8 benefit allowance and pay conversion dollars allocated by a
9 participant pursuant to provisions of the plan;

10 14. "Participant" means any officer or employee of a
11 participating employer who is a member of the Oklahoma Law
12 Enforcement Retirement System, the Oklahoma Public Employees
13 Retirement System or the Uniform Retirement System for Justices and
14 Judges, any officer or employee of a participating employer, whose
15 employment is not seasonal or temporary and whose employment
16 requires at least one thousand (1,000) hours of work per year and
17 whose salary and wage is equal to or greater than the hourly wage
18 for state employees as provided in Section 284 of this title, and
19 any employee of a participating employer who is a member of the
20 Teachers' Retirement System of Oklahoma;

21 15. "Participating employer" means any state agency, board,
22 commission, department, institution, authority, officer, bureau,
23 council, office or other entity created by the Oklahoma Constitution
24 or statute that is a participating employer of the Oklahoma Law
25 Enforcement Retirement System, the Oklahoma Public Employees
26 Retirement System or the Uniform Retirement System for Justices and
27 Judges, but shall not include any county, county hospital, city or
28 town, conservation district, any private or public trust in which a
29 county, city or town participates and is the primary beneficiary,
30 any school district or vocational-technical school district, or
31 political subdivision of the state, but shall include the State
32 Department of Education, the Oklahoma Department of Wildlife

1 Conservation, the Oklahoma Employment Security Commission, the
2 Teachers' Retirement System of Oklahoma and the State Department of
3 Vocational and Technical Education. Provided the term
4 "participating employer" shall also mean the State Regents for
5 Higher Education or any institution under the authority of the State
6 Regents for Higher Education upon agreement between the State
7 Regents for Higher Education or the appropriate governing board of
8 an institution under the authority of the State Regents for Higher
9 Education and the Council;

10 16. "Pay conversion dollars" means amounts by which a
11 participant elects to reduce his compensation to purchase benefits
12 under the plan;

13 17. "Plan" means the flexible benefits plan authorized pursuant
14 to the State Employees Flexible Benefits Act as modified by the
15 provisions of this act;

16 18. "Plan year" means for the plan year beginning July 1, 2001,
17 the ~~twelve~~ six-month period commencing on July 1 and ending on the
18 following ~~June 30~~ December 31. The next plan year shall begin
19 January 1, 2002. It shall mean the twelve-month period commencing
20 on January 1 and ending on the following December 31;

21 19. "Salary Adjustment Agreement" means a written agreement
22 between a participant and participating employer whereby the
23 employer agrees to adjust the salary of the participant by a stated
24 amount or an amount equal to the cost of benefits selected under the
25 plan and the participating employer agrees to contribute such amount
26 to cover certain costs of the benefits selected by the participant
27 to the Council; and

28 20. "Termination" means the termination of a participant's
29 employment as an employee of a participating employer, whether by
30 reasons of discharge, voluntary termination, retirement, death or
31 reduction-in-force.

32

1 SECTION 6. AMENDATORY Section 9, Chapter 400, O.S.L.
2 1992 (74 O.S. Supp. 1998, Section 1369), is amended to read as
3 follows:

4 Section 1369. A. A state employee shall be eligible to
5 participate in the plan commencing July 1 of ~~any~~ the plan year
6 beginning July 1, 2001, and commencing January 1 for any plan year
7 beginning after January 1, 2002, provided such employee qualifies as
8 a participant as provided in this act. For the plan year beginning
9 July 1, 2001, and ending December 31, 2001, the deductible amounts
10 for each plan offered shall be reduced by one-half (1/2) of the full
11 one-year deductible amount.

12 B. Except to the extent a benefit plan provides otherwise, each
13 participant's eligibility to participate in the plan and each
14 benefit plan shall terminate on the participant's termination.

15 C. Each of the benefit plans incorporated in the plan may have
16 its own eligibility requirements for participation which differ from
17 those set forth in the plan to govern participation in the plan.
18 The eligibility requirements set forth in the plan relate only to
19 participation in the plan and shall have no effect on such
20 eligibility requirements.

21 SECTION 7. AMENDATORY Section 10, Chapter 400, O.S.L.
22 1992, as last amended by Section 3, Chapter 257, O.S.L. 1998 (74
23 O.S. Supp. 1998, Section 1370), is amended to read as follows:

24 Section 1370. A. Subject to the requirement that a participant
25 must elect at least the default benefits, or the basic plan,
26 flexible benefit dollars may be used to purchase any of the benefits
27 offered by the Oklahoma State Employees Benefits Council under the
28 flexible benefits plan. A participant's flexible benefit dollars
29 for a plan year shall consist of the sum of (1) flexible benefit
30 allowance credited to a participant by the participating employer,
31 and (2) pay conversion dollars elected by a participant.

32

1 B. Except as otherwise provided by Section 12, Chapter 384,
2 O.S.L. 1997, each participant shall be credited annually with a
3 specified amount as a flexible benefit allowance which shall be
4 available for the purchase of benefits. The amount of the flexible
5 benefit allowance credited to each participant shall be communicated
6 to him or her prior to the enrollment period for each plan year.

7 C. For the fiscal year ending June 30, 1998, the amount of a
8 participant's benefit allowance, which shall be the total amount the
9 employer contributes for the payment of insurance premiums or other
10 benefits, shall be Two Hundred Twenty-four Dollars and sixty-nine
11 cents (\$224.69) per month or the amount determined by the Council
12 based on a formula for determining a participant's benefit credits
13 consistent with the requirements of 26 U.S.C., Section 125(g) (2) and
14 regulations thereunder.

15 D. For the fiscal year ending June 30, 1999, and thereafter,
16 the amount of a participant's benefit allowance, which shall be the
17 total amount the employer contributes for the payment of insurance
18 premiums or other benefits, shall be:

19 1. Two Hundred Sixty-two Dollars and nineteen cents (\$262.19)
20 per month or the amount determined by the Council based on a formula
21 for determining a participant's benefit credits consistent with the
22 requirements of 26 U.S.C., Section 125(g) (2) and regulations
23 thereunder; or

24 2. Two Hundred Twenty-four Dollars and sixty-nine cents
25 (\$224.69) per month plus one of the additional amounts as follows
26 for participants who elect to include one or more dependents for the
27 fiscal year ending June 30, 1999:

28 a. ~~One Hundred Two Dollars and seventy-eight cents~~
29 ~~(\$102.78) for~~ For a spouse, one-half (1/2) of the
30 average price of all benefit plans available for
31 coverage of a spouse,
32

- 1 b. ~~Thirty-nine Dollars and twelve cents (\$39.12) for~~ For
2 one child, one-half (1/2) of the average price of all
3 benefit plans available for coverage of one child,
- 4 c. ~~Sixty-nine Dollars and ninety-nine cents (\$69.99) for~~
5 For two or more children, one-half (1/2) of the
6 average price of all benefit plans available for
7 coverage of two or more children,
- 8 d. ~~One Hundred Forty-one Dollars and ninety-one cents~~
9 ~~(\$141.91) for~~ For a spouse and one child, one-half
10 (1/2) of the average price of all benefit plans
11 available for coverage of a spouse and one child, or
- 12 e. ~~One Hundred Seventy-two Dollars and seventy-seven~~
13 ~~cents (\$172.77) for~~ For a spouse and two or more
14 children, one-half (1/2) of the average price of all
15 benefit plans available for coverage of a spouse and
16 two or more children.

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

22 F. If a participant desires to buy benefits whose sum total of
23 benefit prices is in excess of his or her flexible benefit
24 allowance, the participant may elect to use pay conversion dollars
25 to purchase such excess benefits. Pay conversion dollars may be
26 elected through a salary reduction agreement made pursuant to the
27 election procedures of Section 1371 of this title. The elected
28 amount shall be deducted from the participant's compensation in
29 equal amounts each pay period over the plan year. On termination of
30 employment during a plan year, a participant shall have no
31 obligation to pay the participating employer any pay conversion
32

1 dollars allocated to the portion of the plan year after the
2 participant's termination of employment.

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

16 SECTION 8. AMENDATORY Section 11, Chapter 400, O.S.L.
17 1992, as last amended by Section 7, Chapter 362, O.S.L. 1997 (74
18 O.S. Supp. 1998, Section 1371), is amended to read as follows:

19 Section 1371. A. All participants must purchase at least the
20 basic plan. On or before January 1 of ~~each~~ the plan year beginning
21 July 1, 2001, and July 1 of any plan year beginning after January 1,
22 2002, the Oklahoma State Employees Benefits Council shall design the
23 basic plan for the next plan year to insure that the basic plan
24 provides adequate coverage to all participants. All benefit plans,
25 whether offered by the State and Education Employees Group Insurance
26 Board, a health maintenance organization or other vendors shall meet
27 the minimum requirements set by the Council for the basic plan.

28 B. The Board shall offer health, disability, life and dental
29 coverage to all participants and their dependents. For health,
30 dental, disability and life coverage, the Board shall offer plans at
31 the basic benefit level established by the Council, and in addition,
32 may offer benefit plans that provide an enhanced level of benefits.

1 The Board shall offer a high deductible health benefit plan which,
2 after meeting the higher deductible amount, shall have the same
3 coinsurance and benefit limits as the basic benefit plan but with a
4 higher deductible amount and with copayments which are no greater
5 than the basic benefit plan. The Board shall be responsible for
6 determining the plan design and the benefit price for the plans that
7 they offer. ~~Effective for the plan year beginning July 1, 1997, and~~
8 ~~for each year thereafter, in~~ In setting health insurance premiums
9 for active employees and for retirees under sixty-five (65) years of
10 age, the Board shall set the monthly premium for active employees at
11 a maximum of Ninety Dollars (\$90.00) less than the monthly premium
12 for retirees under sixty-five (65) years of age.

13 The benefits price for the basic plan during a plan year shall
14 not exceed the flexible benefits allowance for the same plan year.
15 The Council shall approve the plan designs to assure that they meet
16 the minimum benefit levels.

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

21 C. A participant may elect the high deductible health benefit
22 plan offered by the Board and any excess flexible benefit allowance
23 remaining after payment of the higher deductible benefit price may
24 be deposited in a medical saving account established in accordance
25 with the Medical Saving Account Act. Any excess flexible benefit
26 allowance deposited in a medical saving account shall not be
27 considered taxable compensation. For purposes of this subsection,
28 "excess flexible benefit allowance" means the remaining flexible
29 benefit allowance amount after deduction of the premium price of the
30 higher deductible benefit plan, the premium price of the selected
31 dental plan and the benefit price for life and disability benefits.

32

1 D. In lieu of electing any of the preceding medical benefit
2 plans, a participant may elect medical coverage by any health
3 maintenance organization made available to participants by the
4 Council. The benefit price of any health maintenance organization
5 shall be determined on a competitive bid basis. Contracts for said
6 plans shall not be subject to the provisions of the Oklahoma Central
7 Purchasing Act, Section 85.1 et seq. of this title. The Council
8 shall promulgate rules establishing appropriate competitive bidding
9 criteria and procedures for contracts awarded for flexible benefits
10 plans. All plans offered by health maintenance organizations
11 meeting the bid requirements as determined by the Council shall be
12 accepted. The Council shall have the authority to reject the bid or
13 restrict enrollment in any health maintenance organization for which
14 the Council determines the benefit price to be excessive. The
15 Council shall have the authority to reject any plan that does not
16 meet the bid requirements. All bidders shall submit along with
17 their bid a notarized, sworn statement as provided by Section 85.22
18 of this title. ~~Effective for the plan year beginning July 1, 1997,~~
19 ~~and for each year thereafter, in~~ In setting health insurance
20 premiums for active employees and for retirees under sixty-five (65)
21 years of age, HMOs, self-insured organizations and prepaid plans
22 shall set the monthly premium for active employees at a maximum of
23 Ninety Dollars (\$90.00) less than the monthly premium for retirees
24 under sixty-five (65) years of age.

25 E. Nothing in this section shall be construed as prohibiting
26 the Council from offering additional qualified benefit plans or
27 currently taxable benefit plans.

28 F. Each employee of a participating employer who meets the
29 eligibility requirements for participation in the flexible benefits
30 plan shall make an annual election of benefits under the plan during
31 an enrollment period to be held prior to the beginning of each plan
32 year. The enrollment period dates will be determined annually and

1 will be announced by the Council, providing the enrollment period
2 shall end no later than thirty (30) days before the beginning of the
3 plan year.

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

10 G. The Council shall prescribe the forms that participants will
11 be required to use in making their elections, and may prescribe
12 deadlines and other procedures for filing the elections.

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

28 I. Benefit plan contracts with the Board, health maintenance
29 organizations, and other third party insurance vendors shall provide
30 for a risk adjustment factor for adverse selection that may occur,
31 as determined by the Council, based on generally accepted actuarial
32 principles.

1 SECTION 9. This act shall become effective November 1, 1999.

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