

1 **SENATE FLOOR VERSION**

2 April 9, 2012

3 As Amended

4 ENGROSSED HOUSE

5 BILL NO. 3056

6 By: Steele and McDaniel
7 (Jeannie) of the House

8 and

9 Bingman of the Senate

10 [state government - amending 70 O.S., Sections 26-
11 103 and 26-104 - flexible benefit allowances -
12 amending 7 sections in Title 74 - State and Education
13 Employees Group Insurance Act - Oklahoma State
14 Employees Benefits Act - effective date]

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

16 SECTION 1. AMENDATORY 70 O.S. 2011, Section 26-103, is
17 amended to read as follows:

18 Section 26-103. The following words and phrases as used in this
19 act, unless a different meaning is clearly required by the context,
20 shall have the following meanings:

21 1. "Benefit" means any of the benefits which may be purchased
22 or are required to be purchased under the cafeteria plan;

23 2. "Cafeteria plan" means a benefit plan established pursuant
24 to 26 U.S.C. Section 125;

1 3. "Flexible benefit allowance" means amounts credited by the
2 school district for each school district employee for the purchase
3 of benefits under the cafeteria plan for the plan year;

4 4. "Support personnel" means full-time employees of a school
5 district as determined by the standard period of labor which is
6 customarily understood to constitute full-time employment for the
7 type of services performed by the employees who are employed a
8 minimum of six (6) hours per day for a minimum of one hundred
9 seventy-two (172) days and who provide services not performed by
10 certified personnel, which is necessary for the efficient and
11 satisfactory functioning of a school district, and shall include
12 cooks, janitors, maintenance personnel, bus drivers, noncertified or
13 nonregistered nurses, noncertified librarians, and clerical
14 employees of a school district but shall not include adult education
15 instructors or adult coordinators employed by technology center
16 school districts;

17 5. "Plan year" means the twelve-month period established by the
18 school district for the cafeteria plan;

19 6. "School district" means the public school districts and
20 technology center school districts of this state;

21 7. "School district employee" means certified or support
22 personnel as defined in this act;

23 8. "Certified personnel" means a certified person employed on a
24 full-time basis to serve as a teacher, principal, supervisor,

1 administrator, counselor, librarian, or certified or registered
2 nurse, but shall not mean a superintendent of a school district; and

3 9. "Self-insured" means a health care program in which the
4 school district funds the benefit plans from its own resources
5 without purchasing insurance and which may be administered by the
6 school district or by an outside administrator under contract with
7 the school district for administrative services. The State Board of
8 Education shall prepare by May 1st of each year a list of each
9 school district in the state that is self-insured and the number of
10 support personnel and the number of certified personnel that are
11 participating in each self-insured school district plan.

12 SECTION 2. AMENDATORY 70 O.S. 2011, Section 26-104, is
13 amended to read as follows:

14 Section 26-104. A. ~~The~~ Each fiscal year, the Legislature shall
15 ~~annually~~ appropriate adequate funding to the State Board of
16 Education and the State Board of Career and Technology Education for
17 the purpose of providing a flexible benefit allowance to school
18 district employees pursuant to this act. The amount appropriated
19 for funding shall be ~~based on~~ calculated by multiplying the number
20 of eligible school district employees employed by ~~a school district~~
21 districts which ~~is~~ are participating in the health insurance plan
22 offered by the State and Education Employees Group Insurance Board
23 or ~~is~~ are self-insured as counted ~~on May 1st~~ in February of each
24 year by the amount of the flexible benefit allowance credited to the

1 eligible school employees as established in Section 26-105 of this
2 title. Each Board shall disburse the total amount appropriated for
3 funding the flexible benefit allowance ~~funds in~~ to school districts
4 during the fiscal year. From the total amount appropriated, each
5 Board shall disburse the appropriate amounts, based on the number of
6 eligible school district employees employed by that school district,
7 to each school ~~districts~~ district each month during the fiscal year.

8 B. Every school district shall establish or make available to
9 school district employees a cafeteria plan pursuant to 26 U.S.C.
10 Section 125 of the United States Code. The plan shall offer, as a
11 benefit, major medical health care plan coverage.

12 C. The flexible benefit allowance amount established pursuant
13 to Section 26-105 of this title shall be credited to each eligible
14 school district employee. School district employees shall elect
15 whether to use the flexible benefit allowance to pay for coverage in
16 the health insurance plan offered by the State and Education
17 Employees Group Insurance Board or the self-insured plan offered by
18 the school district and may receive the excess flexible benefit
19 allowance as taxable compensation as provided in Section 26-105 of
20 this title.

21 D. The administrator of the cafeteria plan shall maintain a
22 separate account for each participating school district employee.
23 School districts shall forward the school district employee flexible
24

1 benefit allowance amounts to the administrator for elected purchases
2 of cafeteria plan benefits.

3 E. Expenses included in an employee's salary adjustment
4 agreement pursuant to the cafeteria plan shall be limited to
5 expenses for:

6 1. Premiums for any health insurance, health maintenance
7 organization, life insurance, long term disability insurance, dental
8 insurance or high deductible health benefit plan offered to
9 employees and their dependents; and

10 2. All other eligible benefit programs offered under 26 U.S.C.
11 Section 125 of the United States Code.

12 F. The flexible benefit allowance amount established in Section
13 26-105 of this title shall not be included as income in computation
14 of state retirement contributions and benefits or as part of the
15 Minimum Salary Schedule for teachers established in Section 18-
16 114.12 of this title. School districts shall not consider the
17 flexible benefit allowance amount as income for eligible support
18 employees and thereby shall not reduce the salary of an eligible
19 support employee.

20 SECTION 3. AMENDATORY 74 O.S. 2011, Section 1306, is
21 amended to read as follows:

22 Section 1306. The State and Education Employees Group Insurance
23 Board shall administer and manage the group insurance plans and the
24 flexible benefits plan and, subject to the provisions of the State

1 and Education Employees Group Insurance Act and the State Employees
2 Flexible Benefits Act, shall have the following powers and duties:

3 1. The preparation of specifications for such insurance plans
4 as the Board may determine to be appropriate;

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

9 3. The determination of the methods of claims administration
10 under such insurance and benefit plans as the Board may offer;

11 4. The determination of the eligibility of employees and their
12 dependents to participate in each of the Group Insurance Plans and
13 in such other insurance and benefit plans as the Board may offer and
14 the eligibility of employees to participate in the Life Insurance
15 Plan provided that evidence of insurability shall not be a
16 requirement in determining an employee's initial eligibility;

17 5. The determination of the amount of employee payroll
18 deductions and the responsibility of establishing the procedure by
19 which such deduction shall be made;

20 6. The establishment of a grievance procedure by which a three-
21 member grievance panel shall act as an appeals body for complaints
22 by insured employees regarding the allowance and payment of claims,
23 eligibility, and other matters. Except for grievances settled to
24 the satisfaction of both parties prior to a hearing, any person who

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

16 7. The continuing study of the operation of such insurance and
17 benefit plans as the Board may offer including such matters as gross
18 and net costs, administrative costs, benefits, utilization of
19 benefits, and claims administration;

20 8. The administration of the Health, Dental and Life Insurance
21 Reserve Fund or Funds, the Flexible Benefits Revolving Fund and the
22 Education Employees Group Insurance Reserve Fund;

23 9. The auditing of the claims paid pursuant to the provisions
24 of the State and Education Employees Group Insurance Act, the State

1 Employees Flexible Benefits Act and the State Employees Disability
2 Program Act;

3 10. a. To select and contract with federally qualified Health
4 Maintenance Organizations under the provisions of 42
5 U.S.C., Section 300e et seq. or with Health
6 Maintenance Organizations granted a certificate of
7 authority by the Insurance Commissioner pursuant to
8 Sections 6901 through 6951 of Title 36 of the Oklahoma
9 Statutes for consideration by employees as an
10 alternative to the state self-insured health plan, and
11 to transfer to the HMOs such funds as may be approved
12 for an employee electing HMO alternative services.
13 The Board may also select and contract with a vendor
14 to offer a point-of-service plan. An HMO may offer
15 coverage through a point-of-service plan, subject to
16 the guidelines established by the Board. However, if
17 the Board chooses to offer a point-of-service plan,
18 then a vendor that offers both an HMO plan and a
19 point-of-service plan may choose to offer only its
20 point-of-service plan in lieu of offering its HMO
21 plan.

22 b. Benefit plan contracts with the State and Education
23 Employees Group Insurance Board, Health Maintenance
24 Organizations, and other third-party insurance vendors

1 shall provide for a risk adjustment factor for adverse
2 selection that may occur, as determined by the Board,
3 based on generally accepted actuarial principles. The
4 risk adjustment factor shall include all members
5 participating in the plans offered by the State and
6 Education Employees Group Insurance Board. The
7 Oklahoma State Employees Benefits Council shall
8 contract with an actuary to provide the above
9 actuarial services, and shall be reimbursed for these
10 contract expenses by the Board.

11 c. Effective for the plan year beginning January 1, 2007,
12 and for each year thereafter, in setting health
13 insurance premiums for active employees and for
14 retirees under sixty-five (65) years of age, HMOs,
15 self-insured organizations and prepaid plans shall set
16 the monthly premium for active employees to be equal
17 to the premium for retirees under sixty-five (65)
18 years of age;

19 11. To contract for reinsurance, catastrophic insurance, or any
20 other type of insurance deemed necessary by the Board. Provided,
21 however, that the Board shall not offer a health plan which is owned
22 or operated by the state and which utilizes a capitated payment plan
23 for providers which uses a primary care physician as a gatekeeper to
24

1 any specialty care provided by physician-specialists, unless
2 specifically authorized by the Legislature;

3 12. The Board, pursuant to the provisions of Section 250 et
4 seq. of Title 75 of the Oklahoma Statutes, shall adopt such rules
5 consistent with the provisions of the State and Education Employees
6 Group Insurance Act as it deems necessary to carry out its statutory
7 duties and responsibilities. Emergency Rules adopted by the Board
8 and approved by the Governor which are in effect on the first day of
9 the Regular Session of the Oklahoma Legislature shall not become
10 null and void until January 15 of the subsequent calendar year;

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

20 14. The Board shall contract for utilization review services
21 with a company experienced in utilization review, data base
22 evaluation, market research, and planning and performance of the
23 health insurance plan;

24

1 15. The Board shall have the authority to determine all rates
2 and life, dental and health benefits. Except as otherwise provided
3 for in Section 1321 of this title, the Board shall not have the
4 authority to adjust the premium rates after approval. The Board
5 shall submit notice of the amount of employee premiums and dependent
6 premiums along with an actuarial projection of the upcoming fiscal
7 year's enrollment, employee contributions, employer contributions,
8 investment earnings, paid claims, internal expenses, external
9 expenses and changes in liabilities to the Director of the Office of
10 State Finance and the Director of the Legislative Service Bureau no
11 later than ~~March~~ December 1 of the previous fiscal year.

12 ~~Effective for the plan year beginning January 1, 2007, and for~~
13 ~~each plan year thereafter, in~~ After the effective date of this act,
14 the next plan year shall begin on January 1, 2013, and end on June
15 30, 2013. Thereafter, the next plan year shall begin on July 1,
16 2013, and on July 1 of each plan year thereafter.

17 In setting health insurance premiums for active employees and
18 retirees under sixty-five (65) years of age, the Board shall set the
19 monthly premium for active employees to be equal to the monthly
20 premium for retirees under sixty-five (65) years of age;

21 16. Before December 1 of each year the Board shall submit to
22 the Director of the Office of State Finance a report outlining the
23 financial condition for the previous fiscal year of all insurance
24 plans offered by the Board. The report shall include a complete

1 explanation of all reserve funds and the actuarial projections on
2 the need for such reserves. The report shall include and disclose
3 an estimate of the future trend of medical costs, the impact from
4 HMO enrollment, antiselection, changes in law, and other
5 contingencies that could impact the financial status of the plan.
6 The Director of the Office of State Finance shall make written
7 comment on the report and shall provide such comment, along with the
8 report submitted by the Board, to the Governor, the President Pro
9 Tempore of the Senate, the Speaker of the House of Representatives
10 and the Chair of the Oklahoma State Employees Benefits Council by
11 January 15;

12 17. The Board shall establish a prescription drug card network;

13 18. The Board shall have the authority to intercept monies
14 owing to plan participants from other state agencies, when those
15 participants in turn, owe money to the Board. The Board shall be
16 required to adopt rules and regulations ensuring the participants
17 due process of law;

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

24

1 20. ~~Beginning with the plan year which begins on January 1,~~
2 ~~2006,~~ the The Board shall select and contract with one or more
3 providers to offer a group TRICARE Supplement product to eligible
4 employees who are eligible TRICARE beneficiaries. Any membership
5 dues required to participate in a group TRICARE Supplement product
6 offered pursuant to this paragraph shall be paid by the employee.
7 As used in this paragraph, "TRICARE" means the Department of Defense
8 health care program for active duty and retired uniform service
9 members and their families;

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

1 The Joint Liaison Committee on State and Education Employees
2 Group Insurance Benefits shall function as a committee of the State
3 Legislature when the Legislature is in session and when the
4 Legislature is not in session. Each appointed member of said
5 committee shall serve until his or her successor is appointed.

6 The Joint Liaison Committee on State and Education Employees
7 Group Insurance Benefits shall serve as a liaison with the State and
8 Education Employees Group Insurance Board regarding advice,
9 guidance, policy, management, operations, plans, programs and fiscal
10 needs of said Board. Said Board shall not be bound by any action of
11 the Joint Committee; and

12 22. The State and Education Employees Group Insurance Board
13 shall annually collect its own set of performance measures
14 comparable to the Health Plan Employer Data and Information Set
15 (HEDIS) for the purpose of assessing the quality of its HealthChoice
16 plans and the other services it provides.

17 SECTION 4. AMENDATORY 74 O.S. 2011, Section 1310.1, is
18 amended to read as follows:

19 Section 1310.1 A. If a certified employee elects health care
20 coverage under a plan offered by a school district, including a plan
21 offered by the State and Education Employees Group Insurance Board
22 or a self-insured plan offered by the school district, then a school
23 district shall pay for the ~~fiscal year ending June 30, 2005, and~~
24 ~~each fiscal~~ plan year thereafter, no less than one hundred percent

1 (100%) of the premium amount for the HealthChoice (HI) option plan
2 for an individual offered by the State and Education Employees Group
3 Insurance Board.

4 The amount a school district is required to pay pursuant to this
5 subsection shall be reduced by the flexible benefit allowance
6 provided for in Section 26-105 of Title 70 of the Oklahoma Statutes.

7 B. The premium for education entities that participate in the
8 health and dental insurance plans offered through the State and
9 Education Employees Group Insurance Act shall be the same as paid by
10 state agencies for said plans.

11 C. All education entities that participate in the insurance
12 plans offered through the State and Education Employees Group
13 Insurance Act shall forward the appropriate premiums for each
14 employee to the Board no later than the tenth day of each month
15 following the month for which payment is due. Nothing shall
16 prohibit a school district from forwarding appropriate premiums to
17 the Board prior to the month for which payment is due.

18 SECTION 5. AMENDATORY 74 O.S. 2011, Section 1321, is
19 amended to read as follows:

20 Section 1321. A. The Board shall have the authority to
21 determine all rates and life, dental and health benefits. All rates
22 shall be compiled in a comprehensive Schedule of Benefits. The
23 Schedule of Benefits shall be available for inspection during
24 regular business hours at the office of the State and Education

1 Employees Group Insurance Board. The Board shall have the authority
2 to annually adjust the rates and benefits based on claim experience.

3 B. The premiums for ~~such~~ the insurance plans offered for the
4 ~~next~~ plan year beginning January 1, 2013, and ending June 30, 2013,
5 shall be established as follows:

6 1. For active employees and their dependents, the Board's
7 premium determination shall be made no later than the bid submission
8 date for health maintenance organizations set by the Oklahoma State
9 Employees Benefits Council, which shall be set in August no later
10 than the third Friday of that month; and

11 2. For all other covered members and dependents, the Board's
12 and the health maintenance organizations' premium determinations
13 shall be no later than the fourth Friday of September.

14 C. The premiums for the insurance plans offered for the plan
15 year beginning July 1, 2013, and on July 1 of each plan year
16 thereafter shall be established as follows:

17 1. For active employees and their dependents, the Board's
18 premium determination shall be made no later than the bid submission
19 date for health maintenance organizations set by the Oklahoma State
20 Employees Benefits Council, which shall be set in March no later
21 than the third Friday of that month; and

22 2. For all other covered members and dependents, the Board's
23 and the health maintenance organizations' premium determinations
24 shall be no later than the fourth Friday of April.

1 D. For the plan year beginning January 1, 2013, and ending June
2 30, 2013, the deductible amounts for each plan offered shall be
3 reduced by one-half (1/2) of the full one-year deductible amount.

4 E. The Board may approve a mid-year adjustment provided the
5 need for an adjustment is substantiated by an actuarial
6 determination or more current experience rating. The only
7 publication or notice requirements that shall apply to the Schedule
8 of Benefits shall be those requirements provided in the Oklahoma
9 Open Meeting Act. It is the intent of the Legislature that the
10 benefits provided not include cosmetic dental procedures except for
11 certain orthodontic procedures as adopted by the Board.

12 SECTION 6. AMENDATORY 74 O.S. 2011, Section 1363, is
13 amended to read as follows:

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

- 17 1. "Authority" means the Oklahoma Health Care Authority;
- 18 2. "Basic plan" means the plan that provides the least amount
19 of benefits each participant is required to purchase pursuant to the
20 provisions of the plan. The basic plan shall include only health,
21 dental, disability and life benefits;
- 22 3. "Benefit" means any of the benefits which may be purchased
23 or is required to be purchased under the plan;

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

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

8 6. "Board" means the State and Education Employees Group
9 Insurance Board, as created by the State and Education Employees
10 Group Insurance Act;

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

13 8. "Compensation" means the remuneration directly paid to a
14 participating employee by a participating employer exclusive of
15 overtime pay, and longevity pay, calculated prior to and without
16 regard to adjustments arising out of an employee's participation in
17 the plan authorized pursuant to this act, or amounts deferred under
18 the tax sheltered income deferment plans as authorized by Section
19 1701 et seq. of this title;

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

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

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

1 Enforcement Retirement System, the Oklahoma Public Employees
2 Retirement System or the Uniform Retirement System for Justices and
3 Judges, but shall not include any county, county hospital, city or
4 town, conservation district, any private or public trust in which a
5 county, city or town participates and is the primary beneficiary,
6 any school district or technology center school district, or
7 political subdivision of the state, but shall include the State
8 Department of Education, the Oklahoma Department of Wildlife
9 Conservation, the Oklahoma Employment Security Commission, the
10 Teachers' Retirement System of Oklahoma and the Oklahoma Department
11 of Career and Technology Education. Provided the term
12 "participating employer" shall also mean the State Regents for
13 Higher Education or any institution under the authority of the State
14 Regents for Higher Education upon agreement between the State
15 Regents for Higher Education or the appropriate governing board of
16 an institution under the authority of the State Regents for Higher
17 Education and the Council;

18 16. "Pay conversion dollars" means amounts by which a
19 participant elects to reduce his compensation to purchase benefits
20 under the plan;

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

24

1 18. "Plan year" means for the plan year beginning ~~July 1, 2001~~
2 January 1, 2013, the six-month period commencing on ~~July~~ January 1
3 and ending on the following ~~December 31~~ June 30. The next plan year
4 shall begin ~~January 1, 2002.~~ July 1, 2013, and shall mean the
5 twelve-month period commencing on ~~January~~ July 1 and ending on the
6 following ~~December 31~~ June 30;

7 19. "Salary Adjustment Agreement" means a written agreement
8 between a participant and participating employer whereby the
9 employer agrees to adjust the salary of the participant by a stated
10 amount or an amount equal to the cost of benefits selected under the
11 plan and the participating employer agrees to contribute such amount
12 to cover certain costs of the benefits selected by the participant
13 to the Council; and

14 20. "Termination" means the termination of a participant's
15 employment as an employee of a participating employer, whether by
16 reasons of discharge, voluntary termination, retirement, death or
17 reduction-in-force.

18 SECTION 7. AMENDATORY 74 O.S. 2011, Section 1369, is
19 amended to read as follows:

20 Section 1369. A. A state employee shall be eligible to
21 participate in the plan commencing ~~July~~ January 1 of the plan year
22 beginning ~~July 1, 2001~~ January 1, 2013, and commencing ~~January~~ July
23 1 for any plan year beginning after ~~January 1, 2002~~ July 1, 2013,

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1 provided such employee qualifies as a participant as provided in
2 this act.

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

6 C. Each of the benefit plans incorporated in the plan may have
7 its own eligibility requirements for participation which differ from
8 those set forth in the plan to govern participation in the plan.
9 The eligibility requirements set forth in the plan relate only to
10 participation in the plan and shall have no effect on such
11 eligibility requirements.

12 SECTION 8. AMENDATORY 74 O.S. 2011, Section 1370, is
13 amended to read as follows:

14 Section 1370. A. Subject to the requirement that a participant
15 must elect the default benefits, the basic plan, or is a person who
16 has retired from a branch of the United States military and has been
17 provided with health care through a federal plan, to the extent that
18 it is consistent with federal law, or is an active employee who is
19 eligible to participate and who is a participant who has opted out
20 of the state's basic plan according to the provisions of Section ~~2~~
21 1308.3 of this ~~act~~ title, and provides proof of this coverage,
22 flexible benefit dollars may be used to purchase any of the benefits
23 offered by the Oklahoma State Employees Benefits Council under the
24 flexible benefits plan. A participant who has opted out of the

1 state's basic plan and provided proof of other coverage as described
2 in this subsection shall receive One Hundred Fifty Dollars (\$150.00)
3 in lieu of the flexible benefit monthly. A participant's flexible
4 benefit dollars for a plan year shall consist of the sum of (1)
5 flexible benefit allowance credited to a participant by the
6 participating employer, and (2) pay conversion dollars elected by a
7 participant.

8 B. Each participant shall be credited annually with a specified
9 amount as a flexible benefit allowance which shall be available for
10 the purchase of benefits. The amount of the flexible benefit
11 allowance credited to each participant shall be communicated to him
12 or her prior to the enrollment period for each plan year.

13 C. Except as provided in subsection D of this section, for the
14 plan year ending December 31, 2012, the plan year ending June 30,
15 2013, the plan year ending June 30, 2014, and each plan year
16 thereafter, the amount of a participant's benefit allowance, which
17 shall be the total amount the employer contributes for the payment
18 of insurance premiums or other benefits, shall be:

19 1. The greater of Two Hundred Sixty-two Dollars and nineteen
20 cents (\$262.19) per month or an amount equal to the sum of the
21 average monthly premiums of all high option health insurance plans,
22 excluding the point-of-service plans, the average monthly premiums
23 of the dental plans, the monthly premium of the disability plan, and
24 the monthly premium of the basic life insurance plan offered to

1 state employees or the amount determined by the Council based on a
2 formula for determining a participant's benefit credits consistent
3 with the requirements of 26 U.S.C., Section 125(g) (2) and
4 regulations thereunder; or

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

13 a. for a spouse, seventy-five percent (75%) of the
14 average price of all high option benefit plans,
15 excluding the point-of-service plans, available for
16 coverage of a spouse,

17 b. for one child, seventy-five percent (75%) of the
18 average price of all high option benefit plans
19 available, excluding the point-of-service plans, for
20 coverage of one child,

21 c. for two or more children, seventy-five percent (75%)
22 of the average price of all high option benefit plans
23 available, excluding the point-of-service plans, for
24 coverage of two or more children,

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

10 D. To the extent that it is consistent with federal laws and
11 regulations, and in particular the regulations set forth by the
12 Secretary of Defense in 32 C.F.R. Section 199.8(d)(6), a benefit may
13 be provided to an employee who is an eligible TRICARE beneficiary
14 whereby he or she may purchase a group TRICARE Supplemental product
15 under a qualifying cafeteria plan consistent with the requirements
16 of 26 U.S.C., Section 125, provided that (i) the State, as employer
17 may not provide any payment for nor receive any consideration or
18 compensation for offering the benefit, (ii) the employer's only
19 involvement is in providing the administrative support for the
20 benefit under the cafeteria plan and (iii) the employee's
21 participation in the plan is completely voluntary. The benefit
22 allowance under paragraph 2 of subsection C of this section of an
23 employee whose plan participation includes a group TRICARE

1 Supplemental benefit shall not include any allowance or portion
2 thereof for such TRICARE Supplemental benefit.

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

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

20 G. If a participant elects benefits whose sum total of benefit
21 prices is less than his or her flexible benefit allowance, he or she
22 shall receive any excess flexible benefit allowance as taxable
23 compensation. Such taxable compensation will be paid in
24 substantially equal amounts each pay period over the plan year. On

1 termination during a plan year, a participant shall have no right to
2 receive any such taxable cash compensation allocated to the portion
3 of the plan year after the participant's termination. Nothing
4 herein shall affect a participant's obligation to elect the minimum
5 benefits or to accept the default benefits of the plan with
6 corresponding reduction in the sum of his or her flexible benefit
7 allowance equal to the sum total benefit price of such minimum
8 benefits or default benefits.

9 SECTION 9. AMENDATORY 74 O.S. 2011, Section 1371, is
10 amended to read as follows:

11 Section 1371. A. All participants must purchase at least the
12 basic plan unless, to the extent that it is consistent with federal
13 law, the participant is a person who has retired from a branch of
14 the United States military and has been provided with health
15 coverage through a federal plan and that participant provides proof
16 of that coverage, or the participant has opted out of the state's
17 basic plan according to the provisions in Section ~~2~~ 1308.3 of this
18 ~~act~~ title. On or before July 1 of the plan year beginning January
19 1, 2013, on or before January 1 of the plan year beginning July 1,
20 ~~2001~~ 2013, and ~~July~~ January 1 of any plan year beginning after
21 ~~January 1, 2002~~ July 1, 2014, the Oklahoma State Employees Benefits
22 Council shall design the basic plan for the next plan year to insure
23 that the basic plan provides adequate coverage to all participants.
24 All benefit plans, whether offered by the State and Education

1 Employees Group Insurance Board, a health maintenance organization
2 or other vendors shall meet the minimum requirements set by the
3 Council for the basic plan.

4 B. The Board shall offer health, disability, life and dental
5 coverage to all participants and their dependents. For health,
6 dental, disability and life coverage, the Board shall offer plans at
7 the basic benefit level established by the Council, and in addition,
8 may offer benefit plans that provide an enhanced level of benefits.
9 The Board shall be responsible for determining the plan design and
10 the benefit price for the plans that they offer. ~~Effective for the~~
11 ~~plan year beginning January 1, 2007, and for each plan year~~
12 ~~thereafter, in~~ In setting health insurance premiums for active
13 employees and for retirees under sixty-five (65) years of age, the
14 Board shall set the monthly premium for active employees to be equal
15 to the monthly premium for retirees under sixty-five (65) years of
16 age.

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. In lieu of electing any of the preceding medical benefit
22 plans, a participant may elect medical coverage by any health
23 maintenance organization made available to participants by the
24 Council. The benefit price of any health maintenance organization

1 shall be determined on a competitive bid basis. Contracts for said
2 plans shall not be subject to the provisions of The Oklahoma Central
3 Purchasing Act. The Council shall promulgate rules establishing
4 appropriate competitive bidding criteria and procedures for
5 contracts awarded for flexible benefits plans. All plans offered by
6 health maintenance organizations meeting the bid requirements as
7 determined by the Council shall be accepted. The Council shall have
8 the authority to reject the bid or restrict enrollment in any health
9 maintenance organization for which the Council determines the
10 benefit price to be excessive. The Council shall have the authority
11 to reject any plan that does not meet the bid requirements. All
12 bidders shall submit along with their bid a notarized, sworn
13 statement as provided by Section 85.22 of this title. ~~Effective for~~
14 ~~the plan year beginning January 1, 2007, and for each plan year~~
15 ~~thereafter, in~~ In setting health insurance premiums for active
16 employees and for retirees under sixty-five (65) years of age, HMOs,
17 self-insured organizations and prepaid plans shall set the monthly
18 premium for active employees to be equal to the monthly premium for
19 retirees under sixty-five (65) years of age.

20 D. Nothing in this section shall be construed as prohibiting
21 the Council from offering additional qualified benefit plans or
22 currently taxable benefit plans.

23 E. Each employee of a participating employer who meets the
24 eligibility requirements for participation in the flexible benefits

1 plan shall make an annual election of benefits under the plan during
2 an enrollment period to be held prior to the beginning of each plan
3 year. The enrollment period dates will be determined annually and
4 will be announced by the Council, providing the enrollment period
5 shall end no later than thirty (30) days before the beginning of the
6 plan year.

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

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

16 G. Any participant who, in the first year for which ~~he or she~~
17 the participant is eligible to participate in the plan, fails to
18 make a proper election under the plan in conformance with the
19 procedures set forth in this section or as prescribed by the Council
20 shall be deemed automatically to have purchased the default
21 benefits. The default benefits shall be the same as the basic plan
22 benefits. Any participant who, after having participated in the
23 plan during the previous plan year, fails to make a proper election
24 under the plan in conformance with the procedures set forth in this

1 section or prescribed by the Council, shall be deemed automatically
2 to have purchased the same benefits which the participant purchased
3 in the immediately preceding plan year, except that the participant
4 shall not be deemed to have elected coverage under the health care
5 reimbursement account plan or the dependent care reimbursement
6 account plan.

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

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

19 a. that primary care physician was part of a provider
20 group that was offered to the individual at enrollment
21 and later removed from the network of the health
22 maintenance organization, for reasons other than for
23 cause, and
24

1 b. the individual submits a request in writing to the
2 health maintenance organization to continue to have
3 access to the primary care physician.

4 2. The primary care physician selected by the individual shall
5 be required to accept reimbursement for such health care services on
6 a fee-for-service basis only. The fee-for-service shall be computed
7 by the health maintenance organization based on the average of the
8 other fee-for-service contracts of the health maintenance
9 organization in the local community. The individual shall only be
10 required to pay the primary care physician those co-payments,
11 coinsurance and any applicable deductibles in accordance with the
12 terms of the agreement between the employer and the health
13 maintenance organization and the provider shall not balance bill the
14 patient.

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

22 SECTION 10. This act shall become effective November 1, 2012.

23 COMMITTEE REPORT BY: COMMITTEE ON APPROPRIATIONS, dated 4-4-12 - DO
24 PASS, As Amended.