

1 HB136
2 156164-1
3 By Representative McCutcheon
4 RFD: State Government
5 First Read: 14-JAN-14
6 PFD: 01/10/2014

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8 SYNOPSIS: Under existing law, the Local Government
9 Health Insurance Program is administered by the
10 State Employees' Insurance Board.

11 This bill would create the Local Government
12 Health Insurance Board to administer the Local
13 Government Health Insurance Program effective
14 January 1, 2015.

15
16 A BILL
17 TO BE ENTITLED
18 AN ACT

19
20 To create the Local Government Health Insurance
21 Board to administer the Local Government Health Insurance
22 Program beginning January 1, 2015.

23 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

24 Section 1. For the purpose of this act, the
25 following words have the following meanings:

26 (1) BOARD. The Local Government Health Insurance
27 Board established in this act.

1 (2) PROGRAM. The Local Government Health Insurance
2 Program as provided by the State Employees' Insurance Board
3 prior to the effective date of this act and as transferred and
4 further provided for pursuant to this act.

5 Section 2. (a) The Local Government Health Insurance
6 Board shall govern and administer the Local Government Health
7 Insurance Program currently governed and administered by the
8 State Employees' Insurance Board (SEIB) pursuant to Chapter
9 29, Title 36, Code of Alabama 1975. The transfer of the
10 governance and administration to the board shall take effect
11 at 12:01 a.m. on January 1, 2015, and thereafter the board
12 shall take all control and responsibility for the program
13 under procedures and authority set out in this act.

14 (b) The program governed and administered by the
15 board shall provide a reasonable relationship between the
16 health care benefits to be included and the expected health
17 care expenses to be incurred by affected employees, retirees,
18 and their dependents. The board may establish a fully insured
19 or self-insured health care plan for employees and retirees as
20 defined in this act and may adopt and promulgate rules for the
21 administration of the program. The program shall include
22 appropriate controls to provide reasonable assurance of its
23 stability in future years, which may include, but are not
24 limited to, deductibles, copayments, coinsurance, and other
25 cost containment measures such as medical management,
26 utilization review, wellness initiatives, and case management

1 for the purpose of making the benefit plan more cost
2 effective.

3 (c) Except as otherwise provided herein, the program
4 shall be funded solely from contributions of the employer
5 participants of the program and shall not receive any funding
6 from the state. The governing bodies of entities participating
7 in the program (hereinafter "employer participants") are
8 authorized to make appropriations to the board as necessary
9 for the proper administration of the program including the
10 payment of premiums as provided in this act or under rules and
11 regulations promulgated by the board.

12 (d) Notwithstanding the provisions of Section
13 36-29-14, Code of Alabama 1975, the following entities and
14 organizations shall be employer participants in the program:

15 (1) All entities and organizations which are active
16 participants in good standing in the Local Government Health
17 Insurance Program governed and administered by SEIB
18 immediately prior to 12:01 a.m. on January 1, 2015.

19 (2) Subject to acceptance by the board, any of the
20 following entities or organizations not already employer
21 participants in the program pursuant to subdivision (1) which
22 by resolution legally conforming to rules prescribed by the
23 board elects to have its elected officials, full-time
24 employees, and retired employees become eligible for health
25 care coverage under the program: Any county, any municipality,
26 any municipal foundation, any fire or water district,
27 authority, or cooperative, any regional planning and

1 development commission established pursuant to Sections
2 11-85-50 through 11-85-73, Code of Alabama 1975; the
3 Association of County Commissions of Alabama; the Alabama
4 League of Municipalities; the Alabama Retired State Employees'
5 Association; the Alabama State Employees Credit Union; Easter
6 Seals Alabama; Alabama State University; the Alabama Rural
7 Water Association; Rainbow Omega, Incorporated; The Arc of
8 Alabama, Incorporated, and any of the affiliated local
9 chapters of The Arc of Alabama, Incorporated; United Ways of
10 Alabama and its member United Ways; any railroad authority
11 organized pursuant to Chapter 13, Title 37, Code of Alabama
12 1975; or any solid waste disposal authority organized pursuant
13 to Chapter 89A, Title 11, Code of Alabama 1975.

14 (e) The agreement of an employer participant to have
15 its full-time employees, elected officials, retirees, and
16 dependents covered under the program may be revoked only if
17 the employer participant, by resolution of its governing body,
18 signifies its intention and desire to withdraw from the
19 program. Any resolution to withdraw shall be delivered to the
20 board by certified mail no later than six months prior to the
21 effective date of withdrawal. Any employer participant that
22 withdraws from participation in the program shall be
23 responsible for paying any claims incurred prior to the date
24 of withdrawal that are not reported and paid by the date of
25 withdrawal and, on and after the date of withdrawal, shall be
26 liable for interest accrued at a rate of one and one-half

1 percent per month on any monies due the board which are over
2 30 days past due.

3 (f) Any organization that provides or administers
4 health care benefits through or on behalf of the board shall
5 not provide or administer health care benefits to any entity
6 that withdraws from the program for a period of two years from
7 the effective date of withdrawal.

8 (g) The board shall promulgate rules as may be
9 necessary for the effective administration of this section.

10 Section 3. (a) All full-time employees, elected
11 officials, and retirees of employer participants who are
12 eligible for health care benefits for themselves or their
13 dependents under the provisions of the program shall be
14 entitled to coverage and benefits as designated by the board.

15 (b) Each employee and retiree shall be entitled to
16 have his or her spouse and dependent children, as those
17 persons are defined by the board, included in the coverage
18 under rules and regulations promulgated by the board upon
19 agreeing to pay the employee's contribution of the health care
20 premium for the dependents. The board shall adopt rules and
21 regulations governing the discontinuance and resumption of
22 coverage for dependents by the employees and retirees. The
23 board shall adopt rules governing the discontinuance and
24 resumption of coverage for dependents by the employees and
25 retirees.

26 (c) The board shall establish premiums required for
27 employee, retiree, and dependent coverage to be paid by each

1 employer participant in the program pursuant to rules adopted
2 by the board. Employer participants shall provide to the board
3 any information deemed necessary by the board for the
4 determination of premium or other program matters. Employer
5 participants shall submit all premium payments and any other
6 information required pursuant to rules adopted by the board.
7 Any portion of the premium to be paid for the full-time
8 employees, elected officials, and retirees and their
9 dependents pursuant to this section may be paid by the
10 employer participant.

11 (d) During any period in which an employee or an
12 employee's dependents are covered under this act, the
13 employee's contribution to the health care premium may be
14 deducted from payroll by his or her employer on a pretax basis
15 as permitted under Section 125 of the federal Internal Revenue
16 Code or its successor.

17 (e) Each employee and retiree who is covered under
18 the program shall be provided a summary document setting forth
19 the benefits to which the employee, retiree, and dependents
20 are entitled, to whom such benefits shall be payable, to whom
21 claims shall be submitted, and a summary of the provisions of
22 the program as they affect the employee, retiree, and
23 dependents. The summary document may be provided in electronic
24 format at the discretion of the board.

25 Section 4. (a) Notwithstanding the provisions of
26 Section 36-29-14, Code of Alabama 1975, the board shall have
27 exclusive responsibility and control over the program as of

1 12:01 a.m. on January 1, 2015. In order to make proper
2 preparation to assume all responsibility and control for the
3 program effective at 12:01 a.m. on January 1, 2015, the board
4 shall be in place no later than September 1, 2014, and shall
5 hold its organizational meeting no later than October 1, 2014.
6 The SEIB shall be responsible for setting and conducting the
7 initial board elections required under subsection (c) and for
8 ensuring that all appointing authorities for board
9 appointments as set out in subsection (c) are notified of
10 appointments to be made pursuant to this act. In order to
11 ensure that all board members are appointed or elected no
12 later than September 1, 2014, all appointments shall be made
13 and all elections conducted no later than August 15, 2014. All
14 elections held after January 1, 2015, shall be conducted by
15 the chief executive officer of the board under rules
16 promulgated by the board.

17 (b) The board shall consist of members appointed or
18 elected as set out in subsection (c) who shall serve a
19 three-year term expiring on December 31 of the third year;
20 provided that, in order to establish staggered terms for board
21 members, the initial terms of office for board members shall
22 be as set out in subsection (c). All members of the board may
23 be re-elected or re-appointed to successive terms.

24 (c) The membership of the board shall consist of the
25 following:

26 (1) Three members who are representatives of
27 municipal government from municipal employer participants

1 appointed by the Alabama League of Municipalities. Initial
2 appointments shall be for staggered terms with one member
3 appointed to an initial term expiring on December 31, 2015;
4 one member appointed to an initial term expiring on December
5 31, 2016; and one member appointed to an initial term expiring
6 on December 31, 2017.

7 (2) Three members who are representatives of county
8 government from county employer participants appointed by the
9 Association of County Commissions of Alabama. Initial
10 appointments shall be for staggered terms with one member
11 appointed to an initial term expiring on December 31, 2015;
12 one member appointed to an initial term expiring on December
13 31, 2016; and one member appointed to an initial term expiring
14 on December 31, 2017.

15 (3) One member who is a retired employee
16 participating in the program appointed by the Alabama Retired
17 Employees' Association. The member appointed pursuant to this
18 subdivision shall serve a three-year term, provided that the
19 retiree first appointed shall serve an initial term expiring
20 on December 31, 2015.

21 (4) One member who is an active full-time employee
22 of municipal or county government with at least 10 years of
23 creditable coverage in the program who is elected by the
24 full-time employees of municipalities and counties
25 participating in the program pursuant to procedures set out in
26 subsection (a). The member elected pursuant to this
27 subdivision shall serve a three-year term, provided that the

1 member first elected shall serve an initial term expiring on
2 December 31, 2016.

3 (5) One member who is either an active full-time
4 employee of an employer participant that is not a county or
5 municipality with at least 10 years of creditable coverage in
6 the program or a retiree participating in the program. This
7 member shall be elected by active full-time employees of an
8 employer participant that is not a county or municipality and
9 retirees participating in the program pursuant to procedures
10 set out in subsection (a). The member elected pursuant to this
11 subdivision shall serve a three-year term, with the initial
12 term of the member first elected expiring on December 31,
13 2017.

14 (d) Any vacancy of an elected board member prior to
15 the expiration of his or her term shall be filled for the
16 remainder of the term by special election provided there are
17 at least 12 months remaining in the term. The special election
18 shall be conducted by the chief executive officer of the board
19 under rules and regulations promulgated by the board. Any
20 vacancy of an appointed board member shall be filled by the
21 original appointing authority for the remainder of the
22 unexpired term.

23 Section 5. (a) The organizational meeting of the
24 board shall be set no later than October 1, 2014, by the Chief
25 Executive Officer of the SEIB. The first order of business at
26 the organizational meeting shall be the election of a chair
27 and vice chair by majority vote of the membership of the

1 board. The Chief Executive Officer of the SEIB shall call the
2 meeting to order and preside only until the chair and vice
3 chair are elected. Thereafter, the board shall annually elect
4 a chair and vice chair by majority vote of the membership of
5 the board, provided that any chair or vice chair may be
6 re-elected and serve successive terms as chair or vice chair.

7 (b) A majority of the members of the board shall
8 constitute a quorum for the transaction of business and each
9 member shall be entitled to one vote on all matters. Except
10 where otherwise provided, a majority vote of the board members
11 present shall be necessary for a decision by the board. The
12 board shall keep a record of all of its proceedings which
13 shall be open to public inspection and shall at all times
14 comply with Alabama's Open Meetings Law, Chapter 25A of Title
15 36, Code of Alabama 1975.

16 (c) Board members shall serve without compensation
17 for their services, but shall be reimbursed from the program
18 for all necessary expenses that they may incur through service
19 on the board.

20 (d) The board shall be a state agency and shall
21 constitute a body corporate for the purpose of providing for
22 and participating in the management of the program. The board
23 shall have all powers and privileges of a corporation and may
24 enforce all existing rights and claims, and hold its cash and
25 securities and other property in trust for the purpose for
26 which received; provided, however, the board, its officers,

1 and its employees shall be immune from suit to the same extent
2 as the state, its agencies, officers, and employees.

3 (e) The board shall be exempt from payment of all
4 fees and all taxes levied by the State of Alabama or any of
5 its subdivisions.

6 Section 6. (a) Except as otherwise provided in this
7 act, the SEIB shall provide for the administration of the
8 program as provided in Chapter 29, Title 36, Code of Alabama
9 1975, until the transfer of the governance and administration
10 of the program takes place as provided herein. Effective at
11 12:01 a.m. on January 1, 2015, all property rights and
12 contractual obligations of the SEIB related to the
13 administration and governance of the program shall be
14 transferred to the board. The SEIB and its employees shall
15 fully cooperate with the board in the transfer of the
16 governance and administration of the program both prior to and
17 after January 1, 2015, including, but not limited to,
18 providing the board with all the software necessary to
19 properly administer the program beginning on January 1, 2015.
20 Additionally, in order to affect an orderly transfer, the
21 administrator of the SEIB shall serve as the chief executive
22 officer of the board for a period of not less than 18 months
23 beginning on January 1, 2015, and may thereafter be retained
24 as chief executive officer as provided in subsection (h) of
25 Section 7.

26 (b) The board shall compensate the SEIB for the cost
27 of any software or other property transferred from the SEIB

1 based upon the fair market value of such software or other
2 property at the time of transfer determined by mutual
3 agreement.

4 (c) Any contracts executed between the SEIB and a
5 contractor may be assigned to the board upon mutual consent of
6 all parties.

7 Section 7. The board shall have full, complete, and
8 exclusive jurisdiction over the program and shall allocate
9 funds from its treasury for the fulfillment and accomplishment
10 of its duties and responsibilities in a manner as may be
11 necessary and appropriate to carry out the purposes of this
12 act. The board shall have the general powers and authority
13 granted under the laws of this state for health insurers, and
14 in addition thereto, the specific authority to do all of the
15 following:

16 (a) Subject to compliance with Section 8 where
17 applicable, execute a contract or contracts to provide for the
18 administration of the program in accordance with this act. The
19 contract or contracts may be executed with one or more
20 agencies or corporations licensed to transact or administer
21 group health care business in this state with similar plans of
22 the state for the joint performance of common administrative
23 functions.

24 (b) Establish, and modify from time to time as
25 appropriate, rates, rate schedules, rate adjustments, expense
26 allowances, claim reserve formulas, and any other actuarial
27 function necessary and appropriate for the operation of the

1 program. Rates and rate schedules may be adjusted for
2 appropriate factors such as age, family size, smokers and
3 users of tobacco products, preventive care and wellness care
4 participation, and any such other categories of risk that the
5 board shall approve.

6 (c) Appoint appropriate legal, actuarial, and other
7 committees as necessary to provide technical or program
8 assistance to the board.

9 (d) Establish and maintain at a lawful depository or
10 depositories in the State of Alabama as it shall select a
11 Local Government Health Insurance Fund, composed of the money
12 or moneys which may come into its hands from premiums, fees,
13 assessments, grants, loans, or other sources, either public or
14 private. The funds shall be used by the board to pay the
15 administrative expenses of the board, pay medical claims costs
16 of the program, and maintain a reserve fund. No moneys
17 received or held by the board shall be co-mingled with any
18 other funds of the state or any governmental entity.

19 (e) Borrow money to effect the purposes of this act
20 as determined appropriate by the board.

21 (f) Take legal action as necessary, including, but
22 not limited to, bringing action to do any of the following:

23 (1) Recover premiums, fees, assessments, and
24 penalties due the board.

25 (2) Avoid the payment of improper claims against the
26 board or the coverage provided by or through the board.

1 (3) Recover any amounts erroneously or improperly
2 paid by the board.

3 (4) Recover any amounts paid by the board as a
4 result of mistake of fact or law.

5 (5) Recover other amounts due the board.

6 (g) Promulgate rules concerning the selection of
7 benefits offered and any other matters which in the opinion of
8 the board may be required for the effective administration of
9 this act.

10 (h) Subject to subsection (a) of Section 6, employ
11 or otherwise appoint a chief executive officer to serve as
12 manager of the program under the direction and supervision of
13 the board and as required under this act. The board may
14 appoint the chief executive officer of the SEIB to continue as
15 chief executive officer after the initial 18 months of service
16 as provided in subsection (a) of Section 6 upon mutual consent
17 of the board and the SEIB.

18 (i) Employ and fix the compensation of employees,
19 consultants, actuaries, and other personnel as may be
20 necessary for carrying out the purposes and provisions of this
21 act. All compensation shall be paid from the funds of the
22 board. Employees of the board shall not be subject to the
23 state Merit System Act; provided, however, the board shall
24 offer its employees benefits equivalent to those offered to
25 employees of the State of Alabama, including retirement,
26 medical and dental care, and workers' compensation plans. The
27 employees of the board are eligible and may elect to

1 participate in the state health care plan under Chapter 29,
2 Title 36, Code of Alabama 1975, and in the State Employees'
3 Retirement System under Chapter 27, Title 36, Code of Alabama
4 1975.

5 (j) Acquire property by purchase or lease.

6 (k) Provide for reinsurance of risks incurred by the
7 program.

8 (l) Issue additional types of health care policies
9 to provide optional coverage.

10 (m) Adopt bylaws, policies, and procedures as may be
11 necessary or convenient for the implementation of this act and
12 the operations of the program.

13 Section 8. (a) Before entering into any contract or
14 contracts for a carrier or third party administrator, the
15 board shall solicit competitive proposals from companies or
16 agencies qualified to administer or offer plans for group
17 health care coverage. The board shall carefully evaluate all
18 proposals received and award the contract or contracts to the
19 most qualified company or agency taking into consideration all
20 relevant factors, including, but not limited to, the
21 following: The benefits offered; the proposed administrative
22 costs and the costs to be incurred by the employer participant
23 and its employees, retirees, and dependents; and the
24 experience of the companies or agencies submitting proposals.
25 In evaluating these factors, the board may employ the services
26 of impartial professional insurance analysts or actuaries. The
27 contract or contracts executed by the board with the selected

1 carrier or third party administrator shall be a contract to
2 offer coverage to all employees and retirees of employer
3 participants subject to this act.

4 (b) The board may at the end of any contract period
5 discontinue any contract or contracts it has executed with any
6 carrier or third party administrator and replace the carrier
7 or administrator with a contract or contracts with any other
8 carrier or third party administrator meeting the requirements
9 of this act.

10 Section 9. The board shall have complete discretion
11 and final authority to interpret the terms and conditions of
12 the program. The program shall require adequate notice in
13 writing to any participant whose claim for benefits under the
14 program has been denied, setting forth the specific reasons
15 for such denial. Any participant whose claim for benefits has
16 been denied shall be afforded a reasonable opportunity for a
17 full and fair review by the claims administrator upon the
18 written request made within 60 days of the date of denial and
19 setting forth the specific reasons the participant believes
20 the claim should be approved. The claims administrator shall
21 provide a written final determination of the claim upon
22 completion of the review. Appeal of a final decision made by
23 the claims administrator shall be by legal action filed in the
24 Circuit Court of Montgomery County.

25 Section 10. The board shall maintain books of
26 account covering revenues derived by it from all sources,
27 together with accounts of all expenses incurred in connection

1 with the carrying out by the board of its purposes as
2 established by and under the terms of this act. The board may
3 obtain the services of a certified public accountant for
4 annual audits in lieu of audits conducted by the Department of
5 Examiners of Public Accounts. All such audits shall be filed
6 with the Department of Examiners of Public Accounts and open
7 for public inspection.

8 Section 11. All laws or parts of laws which conflict
9 with this act are repealed.

10 Section 12. This act shall become effective
11 immediately following its passage and approval by the
12 Governor, or its otherwise becoming law.