

HOUSE BILL No. 1154

DIGEST OF INTRODUCED BILL

Citations Affected: IC 5-10-8.

Synopsis: State employee health plan administration. Requires the entity that administers the self-insurance programs providing group coverage to state employees and retired state employees to: (1) strive to keep the costs of providing health care through the self-insurance programs as low as reasonably possible; and (2) report to the budget committee once per year on its efforts to reduce and control health care costs. Requires a state employee health plan entered into, amended, or renewed after June 30, 2022, to provide for reimbursement of a provider by the insurer using a value based payment method.

Effective: July 1, 2022.

Gutwein

January 6, 2022, read first time and referred to Committee on Financial Institutions and Insurance.



Second Regular Session of the 122nd General Assembly (2022)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2021 Regular Session of the General Assembly.

HOUSE BILL No. 1154

A BILL FOR AN ACT to amend the Indiana Code concerning state and local administration.

Be it enacted by the General Assembly of the State of Indiana:

1 SECTION 1. IC 5-10-8-7, AS AMENDED BY P.L.198-2021,
2 SECTION 2, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
3 JULY 1, 2022]: Sec. 7. (a) The state, excluding state educational
4 institutions, may not purchase or maintain a policy of group insurance,
5 except:
6 (1) life insurance for the state's employees;
7 (2) long term care insurance under a long term care insurance
8 policy (as defined in IC 27-8-12-5), for the state's employees; or
9 (3) an insurance policy that provides coverage that supplements
10 coverage provided under a United States military health care plan.
11 (b) With the consent of the governor, the state personnel department
12 may establish self-insurance programs to provide group insurance other
13 than life or long term care insurance for state employees and retired
14 state employees. The state personnel department may contract with a
15 private agency, business firm, limited liability company, or corporation
16 for administrative services. A commission may not be paid for the
17 placement of the contract. The department may require, as part of a



1 contract for administrative services, that the provider of the
2 administrative services offer to an employee terminating state
3 employment the option to purchase, without evidence of insurability,
4 an individual policy of insurance.

5 (c) Notwithstanding subsection (a), with the consent of the
6 governor, the state personnel department may contract for health
7 services for state employees through one (1) or more prepaid health
8 care delivery plans.

9 (d) The state personnel department shall adopt rules under IC 4-22-2
10 to establish long term and short term disability plans for state
11 employees (except employees who hold elected offices (as defined by
12 IC 3-5-2-17)). The plans adopted under this subsection may include
13 any provisions the department considers necessary and proper and
14 must:

15 (1) require participation in the plan by employees with six (6)
16 months of continuous, full-time service;

17 (2) require an employee to make a contribution to the plan in the
18 form of a payroll deduction;

19 (3) require that an employee's benefits under the short term
20 disability plan be subject to a thirty (30) day elimination period
21 and that benefits under the long term plan be subject to a six (6)
22 month elimination period;

23 (4) prohibit the termination of an employee who is eligible for
24 benefits under the plan;

25 (5) provide, after a seven (7) day elimination period, eighty
26 percent (80%) of base biweekly wages for an employee disabled
27 by injuries resulting from tortious acts, as distinguished from
28 passive negligence, that occur within the employee's scope of
29 state employment;

30 (6) provide that an employee's benefits under the plan may be
31 reduced, dollar for dollar, if the employee derives income from:

32 (A) Social Security;

33 (B) the public employees' retirement fund;

34 (C) the Indiana state teachers' retirement fund;

35 (D) pension disability;

36 (E) worker's compensation;

37 (F) benefits provided from another employer's group plan; or

38 (G) remuneration for employment entered into after the
39 disability was incurred.

40 (The department of state revenue and the department of workforce
41 development shall cooperate with the state personnel department
42 to confirm that an employee has disclosed complete and accurate



- 1 information necessary to administer this subdivision.);
- 2 (7) provide that an employee will not receive benefits under the
- 3 plan for a disability resulting from causes specified in the rules;
- 4 and
- 5 (8) provide that, if an employee refuses to:
- 6 (A) accept work assignments appropriate to the employee's
- 7 medical condition;
- 8 (B) submit information necessary for claim administration; or
- 9 (C) submit to examinations by designated physicians;
- 10 the employee forfeits benefits under the plan.
- 11 (e) This section does not affect insurance for retirees under
- 12 IC 5-10.3 or IC 5-10.4.
- 13 (f) The state may pay part of the cost of self-insurance or prepaid
- 14 health care delivery plans for its employees.
- 15 (g) A state agency may not provide any insurance benefits to its
- 16 employees that are not generally available to other state employees,
- 17 unless specifically authorized by law.
- 18 (h) The state may pay a part of the cost of group medical and life
- 19 coverage for its employees.
- 20 (i) To carry out the purposes of this section, a trust fund may be
- 21 established. The trust fund established under this subsection is
- 22 considered a trust fund for purposes of IC 4-9.1-1-7. Money may not be
- 23 transferred, assigned, or otherwise removed from the trust fund
- 24 established under this subsection by the state board of finance, the
- 25 budget agency, or any other state agency. Money in a trust fund
- 26 established under this subsection does not revert to the state general
- 27 fund at the end of any state fiscal year. The trust fund established under
- 28 this subsection consists of appropriations, revenues, or transfers to the
- 29 trust fund under IC 4-12-1. Contributions to the trust fund are
- 30 irrevocable. The trust fund must be limited to providing prefunding of
- 31 annual required contributions and to cover OPEB liability for covered
- 32 individuals. Funds may be used only for these purposes and not to
- 33 increase benefits or reduce premiums. The trust fund shall be
- 34 established to comply with and be administered in a manner that
- 35 satisfies the Internal Revenue Code requirements concerning a trust
- 36 fund for prefunding annual required contributions and for covering
- 37 OPEB liability for covered individuals. All assets in the trust fund
- 38 established under this subsection:
- 39 (1) are dedicated exclusively to providing benefits to covered
- 40 individuals and their beneficiaries according to the terms of the
- 41 health plan; and
- 42 (2) are exempt from levy, sale, garnishment, attachment, or other



1 legal process.
 2 The trust fund established under this subsection shall be administered
 3 by the state personnel department. The expenses of administering the
 4 trust fund shall be paid from money in the trust fund. Notwithstanding
 5 IC 5-13, the treasurer of state shall invest the money in the trust fund
 6 not currently needed to meet the obligations of the trust fund in the
 7 same manner as money may be invested by the public employees'
 8 retirement fund under IC 5-10.3-5. However, the trustee may not invest
 9 the money in the trust in equity securities. The trustee shall also comply
 10 with the prudent investor rule set forth in IC 30-4-3.5. The trustee may
 11 contract with investment management professionals, investment
 12 advisors, and legal counsel to assist in the investment of the trust and
 13 may pay the state expenses incurred under those contracts from the
 14 trust. Interest that accrues from these investments shall be deposited in
 15 the trust fund.

16 (j) Nothing in this section prohibits the state personnel department
 17 from directly contracting with health care providers for health care
 18 services for state employees.

19 **(k) The entity with which the state personnel department**
 20 **contracts under subsection (b) for administrative services shall:**

21 **(1) strive to keep the costs of providing health care through**
 22 **the self-insurance programs described in subsection (b) as low**
 23 **as reasonably possible; and**

24 **(2) report to the budget committee established by**
 25 **IC 4-12-1-3(b) once per year on its efforts to reduce and**
 26 **control health care costs in the administration of the**
 27 **self-insurance programs.**

28 SECTION 2. IC 5-10-8-25 IS ADDED TO THE INDIANA CODE
 29 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY
 30 1, 2022]: **Sec. 25. (a) This section applies to a state employee health**
 31 **plan entered into, amended, or renewed after June 30, 2022.**

32 **(b) As used in this section, "state employee health plan" means**
 33 **the following:**

34 **(1) A self-insurance program established under section 7(b) of**
 35 **this chapter.**

36 **(2) A contract with a prepaid health care delivery plan that is**
 37 **entered into or renewed under section 7(c) of this chapter.**

38 **(c) As used in this section, "value based payment method"**
 39 **means a form of reimbursement that ties payments to a provider**
 40 **for health care services to the quality of the health care services**
 41 **provided.**

42 **(d) A state employee health plan must require the insurer to**



- 1 **reimburse a provider using a value based payment method.**

