

1 AN ACT relating to retirement and declaring an emergency.

2 ***Be it enacted by the General Assembly of the Commonwealth of Kentucky:***

3 ➔Section 1. KRS 61.522 is amended to read as follows:

4 Notwithstanding any other provision of KRS 61.510 to 61.705 or 78.510 to 78.852 to the
5 contrary:

6 (1) For purposes of this section:

- 7 (a) "Active member" means a member who is participating in the system;
- 8 (b) "Employer" means the governing body of a department, as defined by KRS
9 61.510, or a county as defined by KRS 78.510;
- 10 (c) "Employer's effective cessation date" means:

11 1. The last day of the system's plan year in the year in which the employer
12 has elected to cease participation in the system, provided the employer
13 has met the requirements of this section and has given the Kentucky
14 Retirement Systems sufficient notice as provided by administrative
15 regulations promulgated by the systems; or

16 2. For employers making an election to cease participating under the
17 provisions of subsection (8) of this section, it shall be June 30, 2019;

18 and

- 19 (d) "Inactive member" means a member who is not participating with the system;
- 20 (2) Any employer participating in the Kentucky Employees Retirement System or the
21 County Employees Retirement System on July 1, 2015, except as limited by
22 subsection (6) of this section, may:
- 23 (a) Voluntarily cease participation in its respective retirement system subject to
24 the requirements and restrictions of this section; or
- 25 (b) Be required to involuntarily cease participation in the system under the
26 provisions of this section if the board has determined the employer is no
27 longer qualified to participate in a governmental plan or has failed to comply

- 1 with the provisions of KRS 61.510 to 61.705 or 78.510 to 78.852;
- 2 (3) (a) If an employer desires to voluntarily cease participation in the Kentucky
3 Employees Retirement System or the County Employees Retirement System
4 as provided by subsection (2)(a) of this section:
- 5 1. The employer shall adopt a resolution requesting to cease participation
6 in the system and shall submit the resolution to the board for its
7 approval;
 - 8 2. **Except as otherwise provided by this section,** the cessation of
9 participation in the system shall apply to all employees of the employer;
 - 10 3. The employer shall pay for all administrative costs of an actuarial study
11 to be completed by the Kentucky Retirement Systems' consulting actuary
12 and for any other administrative costs for discontinuing participation in
13 the system as determined by the board and as provided by this section;
 - 14 4. The employer shall provide an alternative retirement program for
15 employees who will no longer be covered by the system, which may
16 include a voluntary defined contribution plan **but, for effective cessation**
17 **dates occurring on or after June 30, 2019, shall not include a defined**
18 **benefit plan which by nature can have an unfunded liability;**
 - 19 5. If the alternative retirement program established by the employer meets
20 the qualification requirements under 26 U.S.C. sec. 401(a) and is
21 capable of accepting trustee-to-trustee transfers of both pre-tax and post-
22 tax contributions, employees of the employer ceasing participation may
23 seek to transfer his or her account balance to the employer's qualified
24 alternate retirement program within sixty (60) days of the employer's
25 effective cessation date. An employee's election to transfer his or her
26 account balance within sixty (60) days of the employer's effective
27 cessation date is an irrevocable waiver of the right to obtain service

- 1 credits in the system for the time worked for the employer ceasing
2 participation; and
- 3 6. **Except as provided by subsection (8) of this section,** the employer shall
4 pay by lump sum to the system the full actuarial cost of the benefits
5 accrued by its current and former employees in the system as determined
6 separately for the pension fund and the insurance fund by the actuarial
7 study required by subparagraph 3. of this paragraph. The full actuarial
8 cost shall not include any employee who seeks a transfer of his or her
9 account balance within sixty (60) days of the employer's effective
10 cessation date as provided by subparagraph 5. of this paragraph. The
11 actuarial cost shall be fixed, and the employer shall not be subject to any
12 increases or subsequent adjustments, once the lump sum is paid.
- 13 (b) If the board determines an employer must involuntarily cease participation in
14 the system as provided by subsection (2)(b) of this section:
- 15 1. The cessation of participation in the system shall apply to all employees
16 of the employer;
- 17 2. The employer shall pay for all administrative costs of an actuarial study
18 to be completed by the Kentucky Retirement Systems' consulting actuary
19 and for any other administrative costs for discontinuing participation in
20 the system as determined by the board and as provided by this section;
21 and
- 22 3. The employer shall pay by lump sum to the system the full actuarial cost
23 of the benefits accrued by its current and former employees in the
24 system as determined separately for the pension fund and the insurance
25 fund by the actuarial study required by subparagraph 2. of this
26 paragraph. The actuarial cost shall be fixed, and the employer shall not
27 be subject to any increases or subsequent adjustments, once the lump

1 sum is paid.~~[;]~~

2 *An employer who is required to involuntarily cease participating in the*
3 *systems shall not establish or contribute to on behalf of its employees a*
4 *defined benefit plan which by nature can have an unfunded liability;*

5 (4) Any employee hired on or after the employer's effective cessation date by an
6 employer who has ceased participation in the system as provided by this section
7 shall not, regardless of his or her membership date in the systems administered by
8 Kentucky Retirement Systems, be eligible to participate in the Kentucky Employees
9 Retirement System or the County Employees Retirement System through the
10 employer that ceased participation for the duration of his or her employment with
11 that employer;

12 (5) If an employer has ceased participation in the system as provided by this section:
13 (a) The rights of recipients and the vested rights of inactive members accrued as
14 of the employer's effective cessation date shall not be impaired or reduced in
15 any manner as a result of the employer ceasing participation in the system; and
16 (b) Employees of the employer ceasing participation shall accrue benefits through
17 the employer's effective cessation date but shall not accrue any additional
18 benefits in the Kentucky Employees Retirement System or the County
19 Employees Retirement System, including earning years of service credit
20 through the ceased employer, after the employer's effective cessation date for
21 as long as they remain employed by the employer. The day after the
22 employer's effective cessation date, each employee described by this
23 paragraph shall be considered an inactive member with respect to his or her
24 employment with the employer that ceased participation and, subject to the
25 provisions and limitations of KRS 61.510 to 61.705 and 78.510 to 78.852,
26 shall:

27 1. Retain his or her accounts with the Kentucky Employees Retirement

- 1 System or the County Employees Retirement System and have those
2 accounts credited with interest in accordance with KRS 61.510 to
3 61.705 and 78.510 to 78.852;
- 4 2. Retain his or her vested rights in accordance with paragraph (a) of this
5 subsection; and
- 6 3. Be eligible to take a refund of his or her accumulated account balance in
7 accordance with KRS 61.625 or any other available distribution if
8 eligible;
- 9 (6) (a) Kentucky Employees Retirement System employers who are county attorney
10 offices, Commonwealth's attorney offices, ~~local and district health~~
11 ~~departments governed by KRS Chapter 212,~~ master commissioners,
12 executive branch agencies whose employees are subject to KRS 18A.005 to
13 18A.200, state-administered retirement systems, ~~state-supported universities~~
14 ~~and community colleges,~~ property valuation administration offices, or
15 employers in the legislative or judicial branch of Kentucky state government,
16 shall not be eligible to voluntarily discontinue participation in the Kentucky
17 Employees Retirement System unless the employer is a nonstock nonprofit
18 corporation organized under KRS Chapter 273. **An employer who has both**
19 **employees subject and not subject to KRS 18A.005 to 18A.200, shall,**
20 **notwithstanding any other provision of law to the contrary, be eligible to**
21 **cease participating in the Kentucky Employees Retirement System for all**
22 **employees not subject to KRS 18A.005 to 18A.200 or for all employees**
23 **subject and not subject to KRS 18A.005 to 18A.200, provided more than**
24 **fifty percent (50%) of the employer's employees reported to the system are**
25 **not subject to KRS 18A.005 to 18A.200.**
- 26 (b) Only the employers in the County Employees Retirement System who are a
27 nonstock nonprofit corporation organized under KRS Chapter 273 may

- 1 voluntarily cease participation in the County Employees Retirement System;
- 2 (7) For purposes of this section, the full actuarial cost shall be determined by the
3 Kentucky Retirement Systems' consulting actuary separately for the pension fund
4 and the insurance fund using the assumptions and methodology established by the
5 system specifically for determining the full actuarial cost of ceasing participation as
6 of the employer's effective cessation date. For purposes of determining the full
7 actuarial cost, the assumed rate of return used to calculate the cost shall be the lesser
8 of the assumed rate of return utilized in the system's most recent actuarial valuation
9 or the yield on a thirty (30) year United States treasury bond as of the employer's
10 effective cessation date, but shall in no case be lower than the assumed rate of
11 return utilized in the system's most recent actuarial valuation minus three and one-
12 half percent (3.5%);
- 13 (8) Notwithstanding the provisions of this section, an employer who is eligible to
14 voluntarily cease participating as provided by subsection (6) of this section, and
15 who contributed to the systems in fiscal year 2017-2018 may, prior to January 1,
16 2019, elect to voluntarily cease participating in the systems. If an employer makes
17 an election as provided by this subsection:
- 18 (a) The employer's effective cessation date shall be June 30, 2019. Employees
19 shall continue to contribute and earn service credit in the systems through
20 June 30, 2019. On or after July 1, 2019, the employee shall participate in
21 the alternative retirement plan established by the employer as provided by
22 subsection (3)(a)4. of this section;
- 23 (b) For fiscal years 2018-2019 and 2019-2020, and only for the period of time
24 occurring on or after the first day of the month following the date the
25 employer makes an election as provided by this subsection, the employer
26 ceasing participating shall pay the same dollar amount of contribution as
27 the employer contributed in fiscal year 2017-2018;

1 (c) The cost of ceasing participating to an individual employer shall be equal to
2 the cost determined under subsection (7) of this section, except as otherwise
3 adjusted by this section; and

4 (d) The cost of ceasing participation as provided by this subsection shall be
5 financed over a thirty (30) year period by the system beginning July 1, 2019,
6 with no interest payable by the employer ceasing participation and with an
7 annual payment not exceeding the dollar amount of contributions payable
8 under paragraph (b) of this subsection for payments on or after July 1,
9 2020, unless the employer's costs for ceasing participation cannot be
10 financed over the thirty (30) year period starting July 1, 2019, using this
11 method, then:

12 1. The dollar amount of the contribution paid each fiscal year on or after
13 July 1, 2020, may be increased by up to five percent (5%) per year over
14 the prior fiscal year in order to finance the cost interest free over the
15 thirty (30) year period; and

16 2. In the event that the total cost cannot be financed interest free over the
17 thirty (30) year period by the increase in payments as provided by
18 subparagraph 1. of this paragraph, then additional years shall be
19 added to the financing period so that the cost is paid off by the
20 conclusion of the financing period but in no case shall not exceed
21 forty (40) years.

22 An employer ceasing participation who is making installment payments as
23 provided by this paragraph, may at any time payoff the remaining balance.

24 (e) For purposes of financing the costs as provided by paragraph (c) of this
25 subsection, the employer shall provide any security in any relevant real
26 estate, chattel paper, deposit accounts, documents, goods covered by
27 documents, instruments, investment property, letters of credit rights, and

1 money. As it relates to an employer financing the costs with the systems:

2 1. A detailed financing statement shall be provided to the Kentucky

3 Retirement Systems board listing all assets to be used as security and

4 the value certified by a licensed attorney;

5 2. The security interest shall be a perfected interest in accordance with

6 provisions set forth in KRS Chapter 355; and

7 3. The perfected security interest shall attach until the amount owed

8 under paragraph (c) of this subsection is paid in full.

9 The board shall not deny an employer ceasing participation under the

10 provisions of this subsection the ability to finance their cost of ceasing

11 participation based upon the level or adequacy of information or security

12 provided by this subsection.

13 (9) The Kentucky Retirement Systems shall promulgate administrative regulations
14 pursuant to KRS Chapter 13A to administer this section; and

15 (10)~~(9)~~ Any employer who voluntarily ceases participation, or who is required to
16 involuntarily cease participation as provided in this section, shall hold the
17 Commonwealth harmless from damages, attorney's fees and costs from legal claims
18 for any cause of action brought by any member or retired member of the departing
19 employer.

20 ➔Section 2. KRS 61.565 is amended to read as follows:

21 (1) (a) Each employer participating in the State Police Retirement System as
22 provided for in KRS 16.505 to 16.652, each employer participating in the
23 County Employees Retirement System as provided for in KRS 78.510 to
24 78.852, and each employer participating in the Kentucky Employees
25 Retirement System as provided for in KRS 61.510 to 61.705 shall contribute
26 annually to the respective retirement system an amount equal to the percent, as
27 computed under subsection (2) of this section, of the creditable compensation

1 of its employees to be known as the "normal contributions," and an additional
2 amount to be known as the "actuarially accrued liability contribution" which
3 shall be computed by amortizing the total unfunded actuarially accrued
4 liability over a period of thirty (30) years using the level-percentage-of-payroll
5 amortization method. This method shall be used beginning with the 2007
6 actuarial valuation. The initial thirty (30) year amortization period shall begin
7 with the 2007 actuarial valuation, except as provided by paragraph (b) of this
8 subsection.

9 (b) Effective with the 2013 actuarial valuation, the amortization period for the
10 Kentucky Employees Retirement System, the County Employees Retirement
11 System, and the State Police Retirement System shall be reset to a new thirty
12 (30) year period for purposes of calculating the actuarially accrued liability
13 contribution prescribed by this subsection.

14 (c) Any significant increase in the actuarially accrued liability due to benefit
15 improvements after the 2007 valuation shall be amortized using the level-
16 percentage-of-payroll amortization method over a separate thirty (30) year
17 period commencing in the year of the actuarial valuation in which the benefit
18 improvements are first reflected.

19 (2) The normal contribution rate shall be determined by the entry age normal cost
20 funding method. The actuarially accrued liability shall be determined by actuarial
21 method consistent with the methods prescribed for determining the normal
22 contribution rate. Normal contributions and the actuarially accrued liability
23 contribution shall be determined on actuarial bases adopted by the board.

24 (3) (a) Normal contribution and the actuarially accrued liability contribution rates
25 shall be determined by the board on the basis of the annual actuarial valuation
26 last preceding the July 1 of a new biennium.

27 (b) The board may amend contribution rates as of July 1 of the second year of a

1 biennium for the County Employees Retirement System, if it is determined on
 2 the basis of a subsequent actuarial valuation that amended contribution rates
 3 are necessary to satisfy the requirements of subsections (1) and (2) of this
 4 section.

5 (c) Effective for employer contribution rates payable on or after July 1, 2014, the
 6 board shall not have the authority to amend contribution rates as of July 1 of
 7 the second year of the biennium for the Kentucky Employees Retirement
 8 System and the State Police Retirement System.

9 (4) The system shall advise each employer prior to the beginning of each biennium, or
 10 prior to July 1 of the second year of a biennium for employers participating in the
 11 County Employees Retirement System, of any change in the employer contribution
 12 rate. Based on the employer contribution rate, each employer shall include in the
 13 budget sufficient funds to pay the employer contributions as determined by the
 14 board under subsections (1) to (3) of this section.

15 (5) The General Assembly shall pay the full actuarially required contribution rate, as
 16 prescribed by this section, to the Kentucky Employees Retirement System and the
 17 State Police Retirement System in fiscal years occurring on or after July 1, 2014.

18 (6) Notwithstanding any other provision of KRS Chapter 61 or 78 to the contrary, the
 19 ~~board shall establish~~ employer contribution ***established by the board*** ~~[rates]~~ for the
 20 County Employees Retirement System ***that are payable on or after July 1, 2018,***
 21 ***and until June 30, 2028,*** ~~[that will phase in to the full actuarially required~~
 22 ~~contribution]~~ for the ***pension and*** health insurance ***funds, including the normal***
 23 ***cost contribution and the actuarially accrued liability contribution for each fund,***
 24 ***shall not increase by more than twelve percent (12%) in terms of projected dollars***
 25 ***paid by participating employers over the prior fiscal year as determined by the***
 26 ***system's consulting actuary*** ~~[fund over a ten (10) year period using the [2007-2008]~~
 27 ~~fiscal year employer contribution for the health insurance fund as a base employer~~

1 ~~rate and incrementally increasing the employer rate from fiscal year 2008-2009~~
2 ~~through fiscal year 2017-2018].~~

3 ➔Section 3. KRS 18A.225 is amended to read as follows:

4 (1) (a) The term "employee" for purposes of this section means:

- 5 1. Any person, including an elected public official, who is regularly
6 employed by any department, office, board, agency, or branch of state
7 government; or by a public postsecondary educational institution; or by
8 any city, urban-county, charter county, county, or consolidated local
9 government, whose legislative body has opted to participate in the state-
10 sponsored health insurance program pursuant to KRS 79.080; and who
11 is either a contributing member to any one (1) of the retirement systems
12 administered by the state, including but not limited to the Kentucky
13 Retirement Systems, Kentucky Teachers' Retirement System, the
14 Legislators' Retirement Plan, or the Judicial Retirement Plan; or is
15 receiving a contractual contribution from the state toward a retirement
16 plan; or, in the case of a public postsecondary education institution, is an
17 individual participating in an optional retirement plan authorized by
18 KRS 161.567; or is eligible to participate in a retirement plan
19 established by an employer who ceases participating in the Kentucky
20 Employees Retirement System or the County Employees Retirement
21 System pursuant to subsection (8) of Section 1 of this Act;
22 2. Any certified or classified employee of a local board of education;
23 3. Any elected member of a local board of education;
24 4. Any person who is a present or future recipient of a retirement
25 allowance from the Kentucky Retirement Systems, Kentucky Teachers'
26 Retirement System, the Legislators' Retirement Plan, the Judicial
27 Retirement Plan, or the Kentucky Community and Technical College

1 System's optional retirement plan authorized by KRS 161.567, except
2 that a person who is receiving a retirement allowance and who is age
3 sixty-five (65) or older shall not be included, with the exception of
4 persons covered under KRS 61.702(4)(c), unless he or she is actively
5 employed pursuant to subparagraph 1. of this paragraph; and

6 5. Any eligible dependents and beneficiaries of participating employees
7 and retirees who are entitled to participate in the state-sponsored health
8 insurance program;

9 (b) The term "health benefit plan" for the purposes of this section means a health
10 benefit plan as defined in KRS 304.17A-005;

11 (c) The term "insurer" for the purposes of this section means an insurer as defined
12 in KRS 304.17A-005; and

13 (d) The term "managed care plan" for the purposes of this section means a
14 managed care plan as defined in KRS 304.17A-500.

15 (2) (a) The secretary of the Finance and Administration Cabinet, upon the
16 recommendation of the secretary of the Personnel Cabinet, shall procure, in
17 compliance with the provisions of KRS 45A.080, 45A.085, and 45A.090,
18 from one (1) or more insurers authorized to do business in this state, a group
19 health benefit plan that may include but not be limited to health maintenance
20 organization (HMO), preferred provider organization (PPO), point of service
21 (POS), and exclusive provider organization (EPO) benefit plans encompassing
22 all or any class or classes of employees. With the exception of employers
23 governed by the provisions of KRS Chapters 16, 18A, and 151B, all
24 employers of any class of employees or former employees shall enter into a
25 contract with the Personnel Cabinet prior to including that group in the state
26 health insurance group. The contracts shall include but not be limited to
27 designating the entity responsible for filing any federal forms, adoption of

1 policies required for proper plan administration, acceptance of the contractual
2 provisions with health insurance carriers or third-party administrators, and
3 adoption of the payment and reimbursement methods necessary for efficient
4 administration of the health insurance program. Health insurance coverage
5 provided to state employees under this section shall, at a minimum, contain
6 the same benefits as provided under Kentucky Kare Standard as of January 1,
7 1994, and shall include a mail-order drug option as provided in subsection
8 (13) of this section. All employees and other persons for whom the health care
9 coverage is provided or made available shall annually be given an option to
10 elect health care coverage through a self-funded plan offered by the
11 Commonwealth or, if a self-funded plan is not available, from a list of
12 coverage options determined by the competitive bid process under the
13 provisions of KRS 45A.080, 45A.085, and 45A.090 and made available
14 during annual open enrollment.

15 (b) The policy or policies shall be approved by the commissioner of insurance and
16 may contain the provisions the commissioner of insurance approves, whether
17 or not otherwise permitted by the insurance laws.

18 (c) Any carrier bidding to offer health care coverage to employees shall agree to
19 provide coverage to all members of the state group, including active
20 employees and retirees and their eligible covered dependents and
21 beneficiaries, within the county or counties specified in its bid. Except as
22 provided in subsection (20) of this section, any carrier bidding to offer health
23 care coverage to employees shall also agree to rate all employees as a single
24 entity, except for those retirees whose former employers insure their active
25 employees outside the state-sponsored health insurance program.

26 (d) Any carrier bidding to offer health care coverage to employees shall agree to
27 provide enrollment, claims, and utilization data to the Commonwealth in a

1 format specified by the Personnel Cabinet with the understanding that the data
2 shall be owned by the Commonwealth; to provide data in an electronic form
3 and within a time frame specified by the Personnel Cabinet; and to be subject
4 to penalties for noncompliance with data reporting requirements as specified
5 by the Personnel Cabinet. The Personnel Cabinet shall take strict precautions
6 to protect the confidentiality of each individual employee; however,
7 confidentiality assertions shall not relieve a carrier from the requirement of
8 providing stipulated data to the Commonwealth.

9 (e) The Personnel Cabinet shall develop the necessary techniques and capabilities
10 for timely analysis of data received from carriers and, to the extent possible,
11 provide in the request-for-proposal specifics relating to data requirements,
12 electronic reporting, and penalties for noncompliance. The Commonwealth
13 shall own the enrollment, claims, and utilization data provided by each carrier
14 and shall develop methods to protect the confidentiality of the individual. The
15 Personnel Cabinet shall include in the October annual report submitted
16 pursuant to the provisions of KRS 18A.226 to the Governor, the General
17 Assembly, and the Chief Justice of the Supreme Court, an analysis of the
18 financial stability of the program, which shall include but not be limited to
19 loss ratios, methods of risk adjustment, measurements of carrier quality of
20 service, prescription coverage and cost management, and statutorily required
21 mandates. If state self-insurance was available as a carrier option, the report
22 also shall provide a detailed financial analysis of the self-insurance fund
23 including but not limited to loss ratios, reserves, and reinsurance agreements.

24 (f) If any agency participating in the state-sponsored employee health insurance
25 program for its active employees terminates participation and there is a state
26 appropriation for the employer's contribution for active employees' health
27 insurance coverage, then neither the agency nor the employees shall receive

- 1 the state-funded contribution after termination from the state-sponsored
2 employee health insurance program.
- 3 (g) Any funds in flexible spending accounts that remain after all reimbursements
4 have been processed shall be transferred to the credit of the state-sponsored
5 health insurance plan's appropriation account.
- 6 (h) Each entity participating in the state-sponsored health insurance program shall
7 provide an amount at least equal to the state contribution rate for the employer
8 portion of the health insurance premium. For any participating entity that used
9 the state payroll system, the employer contribution amount shall be equal to
10 but not greater than the state contribution rate.
- 11 (3) The premiums may be paid by the policyholder:
- 12 (a) Wholly from funds contributed by the employee, by payroll deduction or
13 otherwise;
- 14 (b) Wholly from funds contributed by any department, board, agency, public
15 postsecondary education institution, or branch of state, city, urban-county,
16 charter county, county, or consolidated local government; or
- 17 (c) Partly from each, except that any premium due for health care coverage or
18 dental coverage, if any, in excess of the premium amount contributed by any
19 department, board, agency, postsecondary education institution, or branch of
20 state, city, urban-county, charter county, county, or consolidated local
21 government for any other health care coverage shall be paid by the employee.
- 22 (4) If an employee moves his place of residence or employment out of the service area
23 of an insurer offering a managed health care plan, under which he has elected
24 coverage, into either the service area of another managed health care plan or into an
25 area of the Commonwealth not within a managed health care plan service area, the
26 employee shall be given an option, at the time of the move or transfer, to change his
27 or her coverage to another health benefit plan.

- 1 (5) No payment of premium by any department, board, agency, public postsecondary
2 educational institution, or branch of state, city, urban-county, charter county,
3 county, or consolidated local government shall constitute compensation to an
4 insured employee for the purposes of any statute fixing or limiting the
5 compensation of such an employee. Any premium or other expense incurred by any
6 department, board, agency, public postsecondary educational institution, or branch
7 of state, city, urban-county, charter county, county, or consolidated local
8 government shall be considered a proper cost of administration.
- 9 (6) The policy or policies may contain the provisions with respect to the class or classes
10 of employees covered, amounts of insurance or coverage for designated classes or
11 groups of employees, policy options, terms of eligibility, and continuation of
12 insurance or coverage after retirement.
- 13 (7) Group rates under this section shall be made available to the disabled child of an
14 employee regardless of the child's age if the entire premium for the disabled child's
15 coverage is paid by the state employee. A child shall be considered disabled if he
16 has been determined to be eligible for federal Social Security disability benefits.
- 17 (8) The health care contract or contracts for employees shall be entered into for a period
18 of not less than one (1) year.
- 19 (9) The secretary shall appoint thirty-two (32) persons to an Advisory Committee of
20 State Health Insurance Subscribers to advise the secretary or his designee regarding
21 the state-sponsored health insurance program for employees. The secretary shall
22 appoint, from a list of names submitted by appointing authorities, members
23 representing school districts from each of the seven (7) Supreme Court districts,
24 members representing state government from each of the seven (7) Supreme Court
25 districts, two (2) members representing retirees under age sixty-five (65), one (1)
26 member representing local health departments, two (2) members representing the
27 Kentucky Teachers' Retirement System, and three (3) members at large. The

1 secretary shall also appoint two (2) members from a list of five (5) names submitted
2 by the Kentucky Education Association, two (2) members from a list of five (5)
3 names submitted by the largest state employee organization of nonschool state
4 employees, two (2) members from a list of five (5) names submitted by the
5 Kentucky Association of Counties, two (2) members from a list of five (5) names
6 submitted by the Kentucky League of Cities, and two (2) members from a list of
7 names consisting of five (5) names submitted by each state employee organization
8 that has two thousand (2,000) or more members on state payroll deduction. The
9 advisory committee shall be appointed in January of each year and shall meet
10 quarterly.

11 (10) Notwithstanding any other provision of law to the contrary, the policy or policies
12 provided to employees pursuant to this section shall not provide coverage for
13 obtaining or performing an abortion, nor shall any state funds be used for the
14 purpose of obtaining or performing an abortion on behalf of employees or their
15 dependents.

16 (11) Interruption of an established treatment regime with maintenance drugs shall be
17 grounds for an insured to appeal a formulary change through the established appeal
18 procedures approved by the Department of Insurance, if the physician supervising
19 the treatment certifies that the change is not in the best interests of the patient.

20 (12) Any employee who is eligible for and elects to participate in the state health
21 insurance program as a retiree, or the spouse or beneficiary of a retiree, under any
22 one (1) of the state-sponsored retirement systems shall not be eligible to receive the
23 state health insurance contribution toward health care coverage as a result of any
24 other employment for which there is a public employer contribution. This does not
25 preclude a retiree and an active employee spouse from using both contributions to
26 the extent needed for purchase of one (1) state sponsored health insurance policy for
27 that plan year.

- 1 (13) (a) The policies of health insurance coverage procured under subsection (2) of
2 this section shall include a mail-order drug option for maintenance drugs for
3 state employees. Maintenance drugs may be dispensed by mail order in
4 accordance with Kentucky law.
- 5 (b) A health insurer shall not discriminate against any retail pharmacy located
6 within the geographic coverage area of the health benefit plan and that meets
7 the terms and conditions for participation established by the insurer, including
8 price, dispensing fee, and copay requirements of a mail-order option. The
9 retail pharmacy shall not be required to dispense by mail.
- 10 (c) The mail-order option shall not permit the dispensing of a controlled
11 substance classified in Schedule II.
- 12 (14) The policy or policies provided to state employees or their dependents pursuant to
13 this section shall provide coverage for obtaining a hearing aid and acquiring hearing
14 aid-related services for insured individuals under eighteen (18) years of age, subject
15 to a cap of one thousand four hundred dollars (\$1,400) every thirty-six (36) months
16 pursuant to KRS 304.17A-132.
- 17 (15) Any policy provided to state employees or their dependents pursuant to this section
18 shall provide coverage for the diagnosis and treatment of autism spectrum disorders
19 consistent with KRS 304.17A-142.
- 20 (16) Any policy provided to state employees or their dependents pursuant to this section
21 shall provide coverage for obtaining amino acid-based elemental formula pursuant
22 to KRS 304.17A-258.
- 23 (17) If a state employee's residence and place of employment are in the same county, and
24 if the hospital located within that county does not offer surgical services, intensive
25 care services, obstetrical services, level II neonatal services, diagnostic cardiac
26 catheterization services, and magnetic resonance imaging services, the employee
27 may select a plan available in a contiguous county that does provide those services,

1 and the state contribution for the plan shall be the amount available in the county
2 where the plan selected is located.

3 (18) If a state employee's residence and place of employment are each located in counties
4 in which the hospitals do not offer surgical services, intensive care services,
5 obstetrical services, level II neonatal services, diagnostic cardiac catheterization
6 services, and magnetic resonance imaging services, the employee may select a plan
7 available in a county contiguous to the county of residence that does provide those
8 services, and the state contribution for the plan shall be the amount available in the
9 county where the plan selected is located.

10 (19) The Personnel Cabinet is encouraged to study whether it is fair and reasonable and
11 in the best interests of the state group to allow any carrier bidding to offer health
12 care coverage under this section to submit bids that may vary county by county or
13 by larger geographic areas.

14 (20) Notwithstanding any other provision of this section, the bid for proposals for health
15 insurance coverage for calendar year 2004 shall include a bid scenario that reflects
16 the statewide rating structure provided in calendar year 2003 and a bid scenario that
17 allows for a regional rating structure that allows carriers to submit bids that may
18 vary by region for a given product offering as described in this subsection:

19 (a) The regional rating bid scenario shall not include a request for bid on a
20 statewide option;

21 (b) The Personnel Cabinet shall divide the state into geographical regions which
22 shall be the same as the partnership regions designated by the Department for
23 Medicaid Services for purposes of the Kentucky Health Care Partnership
24 Program established pursuant to 907 KAR 1:705;

25 (c) The request for proposal shall require a carrier's bid to include every county
26 within the region or regions for which the bid is submitted and include but not
27 be restricted to a preferred provider organization (PPO) option;

1 (d) If the Personnel Cabinet accepts a carrier's bid, the cabinet shall award the
2 carrier all of the counties included in its bid within the region. If the Personnel
3 Cabinet deems the bids submitted in accordance with this subsection to be in
4 the best interests of state employees in a region, the cabinet may award the
5 contract for that region to no more than two (2) carriers; and

6 (e) Nothing in this subsection shall prohibit the Personnel Cabinet from including
7 other requirements or criteria in the request for proposal.

8 (21) Any fully insured health benefit plan or self-insured plan issued or renewed on or
9 after July 12, 2006, to public employees pursuant to this section which provides
10 coverage for services rendered by a physician or osteopath duly licensed under KRS
11 Chapter 311 that are within the scope of practice of an optometrist duly licensed
12 under the provisions of KRS Chapter 320 shall provide the same payment of
13 coverage to optometrists as allowed for those services rendered by physicians or
14 osteopaths.

15 (22) Any fully insured health benefit plan or self-insured plan issued or renewed on or
16 after July 12, 2006, to public employees pursuant to this section shall comply with
17 the provisions of KRS 304.17A-270 and 304.17A-525.

18 (23) Any full insured health benefit plan or self insured plan issued or renewed on or
19 after July 12, 2006, to public employees shall comply with KRS 304.17A-600 to
20 304.17A-633 pertaining to utilization review, KRS 205.593 and 304.17A-700 to
21 304.17A-730 pertaining to payment of claims, KRS 304.14-135 pertaining to
22 uniform health insurance claim forms, KRS 304.17A-580 and 304.17A-641
23 pertaining to emergency medical care, KRS 304.99-123, and any administrative
24 regulations promulgated thereunder.

25 ➔Section 4. Notwithstanding KRS 446.250, if there is a conflict between
26 amendments to any section of the Kentucky Revised Statutes which appears in both
27 House Bill 185 and Senate Bill 151 as enacted at the 2018 Regular Session of the General

1 Assembly, the provisions of House Bill 185 shall prevail.

2 ➔Section 5. Whereas addressing the financial concerns facing the state-
3 administered retirement systems is imperative to public employers, an emergency is
4 declared to exist, and this Act takes effect upon its passage and approval by the Governor
5 or upon its otherwise becoming law.