

1 **SENATE FLOOR VERSION**

February 24, 2016

2 **AS AMENDED**

3 SENATE BILL NO. 1466

By: David of the Senate

4 and

5 Echols of the House

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7
8 **[state employee benefit plans - flexible benefit**
9 **allowance and the election of benefit plans -**
10 **calculation - benefit allowance for state employees -**
11 **effective date]**

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

13 SECTION 1. AMENDATORY 74 O.S. 2011, Section 1370, as
14 last amended by Section 4, Chapter 266, O.S.L. 2013 (74 O.S. Supp.
15 2015, Section 1370), is amended to read as follows:

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

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

9 B. Each participant shall be credited annually with a specified
10 amount as a flexible benefit allowance which shall be available for
11 the purchase of benefits. For participants on a biweekly payroll
12 system the disbursement of the flexible benefit allowance shall be
13 credited over twenty-four pay periods resulting in two pay periods
14 that do not reflect a credit. The amount of the flexible benefit
15 allowance credited to each participant shall be communicated to him
16 or her prior to the enrollment period for each plan year.

17 C. Except as provided in subsection D of this section, for the
18 plan year beginning January 1, 2013, the benefit allowance shall not
19 be less than the Plan Year 2012 benefit allowance amounts, and each
20 plan year thereafter, the amount of a participant's benefit
21 allowance, which shall be the total amount the employer contributes
22 for the payment of insurance premiums or other benefits, shall be:

23 1. ~~The greater of the amount of benefit which the participant~~
24 ~~would have qualified for as of plan year 2012, or an amount equal to~~

1 median amount between the monthly premium of the HealthChoice High
2 Option plan and the monthly premium of a health maintenance
3 organization plan with the same actuarial value, the average monthly
4 premiums of the dental plans, the monthly premium of the disability
5 plan, and the monthly premium of the basic life insurance plan
6 offered to state employees or the amount determined by the Council
7 based on a formula for determining a participant's benefit credits
8 consistent with the requirements of 26 U.S.C., Section 125(g) (2) and
9 regulations thereunder; or

10 2. The greater of the amount of benefit which the participant
11 would have qualified for as of plan year 2012 or an amount equal to
12 the monthly premium of the HealthChoice High Option plan, the
13 average monthly premiums of the dental plans, the monthly premium of
14 the disability plan, and the monthly premium of the basic life
15 insurance plan offered to state employees plus one of the additional
16 amounts as follows for participants who elect to include one or more
17 dependents:

18 a. for a spouse, seventy-five percent (75%) of the
19 HealthChoice High Option plan, available for coverage
20 of a spouse,

21 b. for one child, seventy-five percent (75%) of the
22 HealthChoice High Option plan, for coverage of one
23 child,

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- 1 c. for two or more children, seventy-five percent (75%)
2 of the HealthChoice High Option plan, for coverage of
3 two or more children,
4 d. for a spouse and one child, seventy-five percent (75%)
5 of the HealthChoice High Option plan, for coverage of
6 a spouse and one child, or
7 e. for a spouse and two or more children, seventy-five
8 percent (75%) of the HealthChoice High Option plan,
9 for coverage of a spouse and two or 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:

17 1. The state, as employer may not provide any payment for nor
18 receive any consideration or compensation for offering the benefit;

19 2. The employer's only involvement is in providing the
20 administrative support for the benefit under the cafeteria plan; and

21 3. The employee's participation in the plan is completely
22 voluntary.

23 The benefit allowance under paragraph 2 of subsection C of this
24 section of an employee whose plan participation includes a group

1 TRICARE Supplemental benefit shall not include any allowance or
2 portion 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, with the exception of participants on
16 a biweekly payroll system, where such deduction shall occur over
17 twenty-four pay periods over the plan year. On termination of
18 employment during a plan year, a participant shall have no
19 obligation to pay the participating employer any pay conversion
20 dollars allocated to the portion of the plan year after the
21 participant's termination of employment.

22 G. If a participant elects benefits whose sum total of benefit
23 prices is less than his or her flexible benefit allowance, he or she
24 shall receive any excess flexible benefit allowance as taxable

1 compensation. Such taxable compensation will be paid in
2 substantially equal amounts each pay period, with the exception of
3 participants on a biweekly payroll system, where such deduction
4 shall occur over twenty-four pay periods over the plan year. On
5 termination during a plan year, a participant shall have no right to
6 receive any such taxable cash compensation allocated to the portion
7 of the plan year after the participant's termination. Nothing
8 herein shall affect a participant's obligation to elect the minimum
9 benefits or to accept the default benefits of the plan with
10 corresponding reduction in the sum of his or her flexible benefit
11 allowance equal to the sum total benefit price of such minimum
12 benefits or default benefits.

13 SECTION 2. AMENDATORY 74 O.S. 2011, Section 1371, as
14 amended by Section 979, Chapter 304, O.S.L. 2012 (74 O.S. Supp.
15 2015, Section 1371), is amended to read as follows:

16 Section 1371. A. All participants must purchase at least the
17 basic plan unless, to the extent that it is consistent with federal
18 law, the participant is a person who has retired from a branch of
19 the United States military and has been provided with health
20 coverage through a federal plan and that participant provides proof
21 of that coverage, or the participant has opted out of the state's
22 basic plan according to the provisions in Section 1308.3 of this
23 title. On or before January 1 of the plan year beginning July 1,
24 2001, and July 1 of any plan year beginning after January 1, 2002,

1 the Oklahoma Employees Insurance and Benefits Board shall design the
2 basic plan for the next plan year to insure that the basic plan
3 provides adequate coverage to all participants. All benefit plans,
4 whether offered by the State and Education Employees Group Insurance
5 Board, a health maintenance organization or other vendors shall meet
6 the minimum requirements set by the Board for the basic plan.

7 B. The Board shall offer health, disability, life and dental
8 coverage to all participants and their dependents. For health,
9 dental, disability and life coverage, the Board shall offer plans at
10 the basic benefit level established by the Board, and in addition,
11 may offer benefit plans that provide an enhanced level of benefits.
12 The Board shall offer health maintenance organization plans with the
13 same actuarial value to the preferred provider organization plan
14 with the highest level of benefits offered, according to the
15 provisions in Section 1370 of this title. The Board shall be
16 responsible for determining the plan design and the benefit price
17 for the plans that they offer. Effective for the plan year
18 beginning January 1, 2007, and for each plan year thereafter, in
19 setting health insurance premiums for active employees and for
20 retirees under sixty-five (65) years of age, the Board shall set the
21 monthly premium for active employees to be equal to the monthly
22 premium for retirees under sixty-five (65) years of age.

23 Nothing in this subsection shall be construed as prohibiting the
24 Board from offering additional medical plans, provided that any

1 medical plan offered to participants shall meet or exceed the
2 benefits provided in the medical portion of the basic plan.

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

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1 active employees to be equal to the monthly premium for retirees
2 under sixty-five (65) years of age.

3 D. Nothing in this section shall be construed as prohibiting
4 the Board from offering additional qualified benefit plans or
5 currently taxable benefit plans.

6 E. Each employee of a participating employer who meets the
7 eligibility requirements for participation in the flexible benefits
8 plan shall make an annual election of benefits under the plan during
9 an enrollment period to be held prior to the beginning of each plan
10 year. The enrollment period dates will be determined annually and
11 will be announced by the Board, providing the enrollment period
12 shall end no later than thirty (30) days before the beginning of the
13 plan year.

14 Each such employee shall make an irrevocable advance election
15 for the plan year or the remainder thereof pursuant to such
16 procedures as the Board shall prescribe. Any such employee who
17 fails to make a proper election under the plan shall, nevertheless,
18 be a participant in the plan and shall be deemed to have purchased
19 the default benefits described in this section.

20 F. The Board shall prescribe the forms that participants will
21 be required to use in making their elections, and may prescribe
22 deadlines and other procedures for filing the elections.

23 G. Any participant who, in the first year for which he or she
24 is eligible to participate in the plan, fails to make a proper

1 election under the plan in conformance with the procedures set forth
2 in this section or as prescribed by the Board shall be deemed
3 automatically to have purchased the default benefits. The default
4 benefits shall be the same as the basic plan benefits. Any
5 participant who, after having participated in the plan during the
6 previous plan year, fails to make a proper election under the plan
7 in conformance with the procedures set forth in this section or
8 prescribed by the Board, shall be deemed automatically to have
9 purchased the same benefits which the participant purchased in the
10 immediately preceding plan year, except that the participant shall
11 not be deemed to have elected coverage under the health care
12 reimbursement account plan or the dependent care reimbursement
13 account plan.

14 H. Benefit plan contracts with the Board, health maintenance
15 organizations, and other third party insurance vendors shall provide
16 for a risk adjustment factor, which will be based on a comprehensive
17 medical and pharmacy model to account for the majority of risk in
18 the State of Oklahoma, for adverse selection that may occur, as
19 determined by the Board, based on generally accepted actuarial
20 principles.

21 I. 1. For the plan year ending December 31, 2004, employees
22 covered or eligible to be covered under the State and Education
23 Employees Group Insurance Act and the State Employees Flexible
24 Benefits Act who are enrolled in a health maintenance organization

1 offering a network in Oklahoma City, shall have the option of
2 continuing care with a primary care physician for the remainder of
3 the plan year if:

4 a. that primary care physician was part of a provider
5 group that was offered to the individual at enrollment
6 and later removed from the network of the health
7 maintenance organization, for reasons other than for
8 cause, and

9 b. the individual submits a request in writing to the
10 health maintenance organization to continue to have
11 access to the primary care physician.

12 2. The primary care physician selected by the individual shall
13 be required to accept reimbursement for such health care services on
14 a fee-for-service basis only. The fee-for-service shall be computed
15 by the health maintenance organization based on the average of the
16 other fee-for-service contracts of the health maintenance
17 organization in the local community. The individual shall only be
18 required to pay the primary care physician those co-payments,
19 coinsurance and any applicable deductibles in accordance with the
20 terms of the agreement between the employer and the health
21 maintenance organization and the provider shall not balance bill the
22 patient.

23 3. Any network offered in Oklahoma City that is terminated
24 prior to July 1, 2004, shall notify the health maintenance

1 organization, and Oklahoma Employees Insurance and Benefits Board by
2 June 11, 2004, of the network's intentions to continue providing
3 primary care services as described in paragraph 2 of this subsection
4 offered by the health maintenance organization to state and public
5 employees.

6 SECTION 3. This act shall become effective November 1, 2016.

7 COMMITTEE REPORT BY: COMMITTEE ON APPROPRIATIONS
8 February 24, 2016 - DO PASS AS AMENDED
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