

SENATE BILL 607

By Norris

AN ACT to amend Tennessee Code Annotated, Title 8,
Chapter 27, relative to the state, local government,
and local education insurance plans.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Title 8, Chapter 27, Part 1, is amended by deleting the part and substituting instead the following:

8-27-101.

(a) As used in this part, “committees” means the state insurance committee created in § 8-27-201, the local education insurance committee created in § 8-27-301, and the local government insurance committee created in § 8-27-701.

(b) The division of benefits administration of the department of finance and administration shall serve as staff to the committees.

(c) The committees may delegate administrative duties to the division of benefits administration, subject to the requirements of this chapter and the plan documents approved by the committees. These duties include, but are not limited to, the procurement functions described in § 8-27-103; provided, that all contracts are approved by the committees.

(d) The committees, acting collectively or individually, may promulgate rules and regulations under the Uniform Administrative Procedures Act, compiled in title 4, chapter 5, concerning the operations of the plans under their jurisdiction.

8-27-102.

(a) The committees may delegate to a subcommittee or to the division of benefits administration the ability to resolve disputes regarding eligibility and enrollment

for the plans and the benefit structure of the plans administered by those committees. Appellants shall be allowed to review the files regarding their appeals and to submit a written statement in support of the appeal. The disclosure of records related to appeals is subject to the federal Health Insurance Portability and Accountability Act of 1996 (HIPAA) (42 U.S.C. § 1320d et seq.) and other federal and state confidentiality laws.

(b) Appeals regarding voluntary benefits as defined in § 8-27-104 are the responsibility of the contractors providing those benefits.

8-27-103.

(a) The committees, acting individually or collectively, have the authority to enter into contracts with insurance companies, claims administrators, and other organizations for some or all of the insurance benefits or services, including actuarial and consulting advice, necessary to administer the plans authorized in parts 2, 3, and 7 of this chapter. The procurement of the contracts shall be governed by title 4, chapter 56, and the rules promulgated pursuant to that chapter.

(b) The contracts described in subsection (a) may include self-insured contracts with health maintenance organizations established pursuant to the Health Maintenance Organization Act of 1986, compiled in title 56, chapter 32, notwithstanding any language in title 56 to the contrary. The committees shall permit participation with those health maintenance organizations only in locations for which the organization has been issued a certificate of authority by the department of commerce and insurance.

8-27-104. For the purposes of parts 1, 2, 3, and 7 of this chapter, “voluntary benefits” means those benefits for which the premium is fully paid by enrolled members. The committees shall establish voluntary benefits as the committees deem necessary and reasonable to afford coverage beyond the basic health plan and, where applicable, any employer-paid basic term life and basic accidental death and dismemberment insurance benefit offered by the committees. Voluntary benefits may include, but are not limited to, dental, vision, long-term care, and disability insurance benefits.

SECTION 2. Tennessee Code Annotated, Title 8, Chapter 27, Part 2, is amended by deleting the part and substituting instead the following:

8-27-201.

(a) There is created a state insurance committee, to be composed of the commissioner of human resources, the state treasurer, the commissioner of commerce and insurance, the comptroller of the treasury, the commissioner of finance and administration, a member to be appointed by the board of directors of the Tennessee state employees association, and three (3) state employees. For purposes of this part, "state insurance committee" means the state insurance committee created by this subsection (a).

(b)

(1) Two (2) state employees shall be selected in accordance with a procedure adopted by the state insurance committee. The chair of the state insurance committee and the chair of the consolidated retirement system board of trustees may develop a procedure to coordinate the process for selection of state employee members to each entity.

(2) One (1) state employee shall be an employee of either the University of Tennessee or the state university and community college system selected under a procedure developed by the Tennessee higher education commission and approved by the state insurance committee.

(3) A vacancy on the state insurance committee caused by death or resignation of a state employee member shall be filled by the same selection procedure by which the previous employee member was selected.

(c) The commissioner of human resources, the state treasurer, the commissioner of commerce and insurance, the comptroller of the treasury, and the

commissioner of finance and administration are authorized to designate an alternate representative to attend, participate, and vote at meetings of the state insurance committee when that respective member is unable to attend. The designation shall be made in writing to the chair of the state insurance committee.

8-27-202.

(a) The state insurance committee shall approve for eligible state employees a group insurance plan, which shall consist of:

(1) One (1) or more basic health plans as the state insurance committee deems necessary and reasonable;

(2) A basic term life insurance benefit and basic accidental death and dismemberment benefit, with defined coverage amounts paid for by the employer. These benefits shall be available to eligible employees who have not enrolled in the health insurance plans offered by the state insurance committee; and

(3) Voluntary benefit plans as may be necessary and reasonable. These benefits include optional life insurance coverage in excess of that offered under subdivision (a)(2). The state insurance committee may provide for voluntary benefits as part of the basic health plans or as separate plans.

(b) The state insurance committee is authorized to determine the premiums, benefits package, funding method, administrative procedures, eligibility provisions, and rules relating to the plans established by this part.

(c) The basic health, term life, and accidental death and dismemberment plans referenced in subdivisions (a)(1) and (2) shall be the only basic group insurance plans offered to state employees.

8-27-203.

(a)

(1) From the appropriations made each year in the general appropriations act, the various departments, agencies, boards, and commissions of state government shall pay, on behalf of each participating employee within the respective departments, agencies, boards, and commissions, no less than eighty percent (80%) for employees and no less than seventy percent (70%) for dependents of the cost of the coverage option determined by the state insurance committee to be the basic health plan for funding purposes, which may be one (1) of several plan options offered by the state insurance committee.

(2) The state insurance committee may, in its discretion, establish the financial obligations for each coverage level in the basic plan. The payments made on behalf of participating employees may vary among the different coverage levels. The state insurance committee may establish a certain threshold of life insurance in computing the payment to be made on behalf of participating employees.

(3) The contribution toward dependent costs set by the state insurance committee pursuant to this subsection (a) shall be no less than eighty percent (80%) for calendar year 2016, no less than seventy-five percent (75%) for calendar year 2017, and no less than seventy percent (70%) for calendar year 2018.

(b) From the appropriations made each year in the general appropriations act, the various departments, agencies, boards, and commissions of state government shall pay, on behalf of each participating employee within the respective departments, agencies, boards, and commissions, defined coverage amounts for the basic term life insurance benefit and basic accidental death and dismemberment benefit.

(c) The premium for voluntary benefit plans as the state insurance committee may adopt pursuant to § 8-27-202 shall be fully paid by the enrolled members. The additional costs for participating dependents shall be fully paid by the enrolled members.

(d) Payroll deductions from salary paid by the state and from retirement benefits paid by the Tennessee consolidated retirement system shall be available for the payment of premiums of any aforementioned plan.

8-27-204.

(a)

(1) State employees shall be eligible for the plans authorized under § 8-27-202. The state insurance committee shall establish procedures for enrolling state employees and collecting required premiums. For purposes of eligibility, "state employee" means:

(A) Any person who is a state official, including members of the general assembly and legislative officials elected by the general assembly;

(B) Any person who is employed in the service of, and whose compensation is payable by, the state;

(C) Any person who is employed by the state whose compensation is paid, in whole or in part, from federal or other funds; or

(D) Any director of the Tennessee regulatory authority.

(2) The following persons are not eligible for the state group insurance plan:

(A) Any person performing services on a contractual or percentage basis; or

(B) Any part-time or seasonal employee who works less than an average of thirty (30) hours per week. The average shall be calculated on an annual basis.

(3) The group insurance plan for state employees shall include as eligible employees, each officer and employee of the several departments and agencies of state government who, having been employed by the state for at least twenty-four (24) months, will work one thousand four hundred fifty (1,450) hours or more in a fiscal year, whether compensated on an hourly, daily, monthly, or piecework basis. The various departments, agencies, boards, and commissions of state government shall pay, on behalf of each participating employee within the respective departments, agencies, boards, and commissions, the same rate of the cost of the participating employee's participation in the group insurance plan as is paid for other employees pursuant to subsection (b) while the participating employee is on active status. The participating employee may maintain such insurance coverage during the time the employee is not on active status for a period not to exceed three (3) months in any one (1) fiscal year and shall be responsible for paying one hundred percent (100%) of the cost of such insurance during such time. This subsection shall not apply to employees hired on or after July 1, 2015.

(4) The state insurance committee may determine criteria to extend eligibility to additional employees, subject to the availability of funds as certified by the commissioner of finance and administration.

(b) The state insurance committee shall develop procedures for special enrollment of employees consistent with applicable state and federal laws.

(c) Any employee who leaves the state payroll because of a work-related injury and who qualifies for temporary benefits after application to the board of claims shall be considered an eligible employee for the purpose of participating in the state group insurance plan during the period of temporary disability; provided, that the employee was participating in the state group insurance plan at the time the work-related injury occurred. The various departments, agencies, boards, and commissions shall pay all of the cost of the insurance premium for employees described in this subsection (c). Nothing in this subsection (c) shall permit payment by the group insurance plan for medical expenses incurred because of any work-related injury qualifying the employee for benefits from the board of claims.

(d) The state insurance committee shall extend eligibility to the dependents of state employees who are eligible for the state group insurance plan. The state insurance committee may determine which dependents are eligible, and what documentation is required to establish eligibility, subject to the requirements of state and federal law. Eligibility standards for dependents shall be approved at public meetings of the state insurance committee and published in the plan documents. The state may deny coverage to the spouses of state employees who are eligible for similar group health insurance through the spouses' employers.

8-27-205.

(a) The state insurance committee may establish a health benefit, as the state insurance committee deems necessary and reasonable, for state employees, as defined in § 8-27-204(a)(1), who are retired. The health benefit may be made available to retired state employees who are drawing retirement benefits through the consolidated retirement system and to retired state employees of the University of Tennessee and the state university and community college system who are drawing retirement benefits

through the consolidated retirement system or any other retirement plan as a result of their employment with the University of Tennessee or the state university and community college system.

(b)

(1) The state insurance committee is authorized to establish a schedule of premiums or a schedule of defined contributions for retirees eligible for the health benefits established under this part. The schedule shall be graduated to reflect the retiree's length of service. Retirees with thirty (30) or more years of service shall receive eighty percent (80%) of the scheduled premium or defined contribution. Retirees with twenty (20) years of service, but less than thirty (30) years of service, shall receive seventy percent (70%) of the scheduled premium or defined contribution. Retirees having less than twenty (20) years of service shall receive sixty percent (60%) of the scheduled premium or defined contribution.

(2) "Years of service," as used in this subsection (b), means:

(A) Only those years of service rendered by the retiree as a state employee, as defined in § 8-27-204(a)(1), or as a teacher as defined in § 8-34-101, and upon which the retiree's monthly retirement allowance is based; or

(B) Those years of service rendered by a retiree prior to July 1, 2002, as an employee of any board, commission, or agency created by the supreme court of Tennessee, regardless of whether the retiree established that service in the consolidated retirement system pursuant to § 8-35-115.

(c) Any retired state employee who is participating in the insurance plan authorized by this section and who is in receipt of a disability retirement allowance pursuant to chapter 36, part 5 of this title, shall not be required to discontinue coverage in the basic health plan authorized by § 8-27-202(a)(1) upon eligibility for Part A of Medicare and may continue in the plan as a retired state employee to the point at which Medicare eligibility would have been attained had the disability not occurred; provided, that the retired state employee remains eligible for the disability retirement allowance and that Part B of Medicare is retained. The insurance premium shall be the same as that charged to nondisability retirees who are not yet eligible for Medicare. Any retired state employee who is granted a service retirement under chapter 36 of this title shall also qualify for a continuation of insurance coverage if the retired state employee meets the conditions set forth in this subsection (c) and the eligibility criteria established by the state insurance committee.

(d) The retiree coverage authorized under this section shall not be available to any retiree whose employment with the state commenced on or after July 1, 2015. Any retiree whose first employment with the state commenced before July 1, 2015, and who returns to state service after that date shall not be prohibited from retiree coverage under this section; provided, that the retiree did not accept a lump sum payment from the Tennessee consolidated retirement system before July 1, 2015.

8-27-206.

(a) The state insurance committee shall approve a group life insurance plan for national guard members called up to active duty, providing benefits as the state insurance committee deems necessary and reasonable. From the appropriations made each year in the general appropriations act, the military department is authorized to pay, on behalf of each participating national guard member called up to state active duty, the

cost of each individual's premium on the state-approved group life insurance plan for national guard members called up to state active duty. It is expressly provided that there shall be only one (1) such approved state plan.

(b)

(1) The surviving spouse and eligible dependent children of a state employee maintaining family coverage through the state group insurance plan, who is a member of the Tennessee army national guard or the Tennessee air national guard, and who has been activated for federal duty or who has been called up on state active duty, and who is subsequently killed in the performance of that duty, may continue to participate in the group insurance plan for state employees established pursuant to § 8-27-202.

(2) The cost of the coverage provided in this section to the surviving spouse and dependent children shall be equal to the amount paid by active employees for the same coverage. The military department shall pay the employer portion of the premium.

(3) The criteria for determination of eligibility of dependent children shall be the same as the criteria established by the state insurance committee for state employees and their families.

(4) In the event that the surviving spouse is or becomes eligible for insurance coverage through a subsequent marriage or employment, the extension of coverage authorized in this section shall be terminated on the first day of the following month. The state insurance committee may establish specific conditions for extensions in instances where preexisting conditions may apply during the transfer of coverage.

(5) In the event that insurance coverage under the state plan is terminated for the surviving spouse pursuant to subdivision (b)(4), but the surviving spouse is unable to secure through the new coverage insurance coverage for the eligible dependent children, the eligible dependent children may continue coverage under this section; provided, that the eligible dependent children continue to meet all dependent eligibility requirements.

(6) This section shall be retroactive to September 11, 2001. As individuals who are qualified for such extension are identified, elect coverage, and pay the appropriate contribution, the coverage shall be provided on a prospective basis.

8-27-207.

(a) The surviving spouse of a state employee killed in the performance of duty may continue to participate in the group insurance plan for state employees. The coverage may include the surviving spouse and any dependent children. The dependent children shall be subject to the same eligibility provisions applicable to active state employees and their children.

(b) The cost of the coverage provided in this section to the surviving spouse and dependent children shall be equal to the amount paid by active employees for their coverage. The agency employing the employee at or immediately preceding the employee's death shall pay the employer portion of the premium.

(c) For purposes of this section, the determination as to whether a state employee was killed in the performance of duty shall be made pursuant to title 9, chapter 8.

(d) In the event that the surviving spouse is or becomes eligible for insurance coverage through a subsequent marriage or employment, the extension of coverage

required in this section shall be terminated on the first day of the following month. The state insurance committee may establish specific conditions for extensions in instances where preexisting conditions may apply during the transfer of coverage.

(e) In the event that insurance coverage under the state plan is terminated for the surviving spouse pursuant to subsection (d), but the surviving spouse is unable to secure through the new coverage insurance coverage for the eligible dependent children, the dependent children may continue coverage under this section; provided, that the dependent children continue to meet all dependent eligibility requirements.

(f) This section shall be retroactive. As individuals who are qualified for such extension are identified, elect coverage, and pay the appropriate contribution, the coverage shall be provided on a prospective basis.

8-27-208.

(a) Upon retirement from the general assembly, any senator or representative, and upon completion of a term of office, the governor, may elect to retain retiree health benefits by participating in the plan authorized by the state insurance committee pursuant to § 8-27-205(a) and (b). The surviving spouse or dependent children of any senator, representative, or governor, who dies in office or who is a member of the state retirement system may elect to retain health benefits by participating in either the applicable active or retiree health benefit and paying the required contribution amount. If the surviving spouse or dependent children are ineligible to receive a retirement pension benefit, the spouse or dependent children may participate in the state employees group insurance plan by making payment for the required cost to the office of legislative administration. The right to continue coverage under the state employees group insurance plan provided under this section shall not apply to any senator, representative,

governor, or their dependents, when first election to any of these offices did not occur before July 1, 2015.

(b) No member or former member of the general assembly may elect to retain health benefits pursuant to this section if that person is convicted in any court of this state, or in any federal court, after November 2, 2010, of a felony arising out of that person's official capacity as a member of the general assembly. If the spouse or dependent children of the member or former member are otherwise eligible to participate in the state employees group insurance plan but for the conviction, then the coverage shall continue to be available; provided, the monthly contributions are made pursuant to subsection (a). Upon initial conviction, or upon a plea of guilty or nolo contendere, any person subject to this section who is already participating in the health benefit shall have that benefit for that person stopped immediately without being entitled to any refund of premiums, copayments, or other costs previously paid to retain the insurance. In the event the conviction of the former member is later overturned in any court, and the former member is acquitted or granted a full pardon, the former member may elect to participate in the group insurance on the first day of the following month.

8-27-209.

(a) The state insurance committee, in cooperation with the local education insurance committee and local government insurance committee, shall provide supplemental medical insurance as the state insurance committee deems necessary and reasonable for retired state employees and teachers who are covered by Medicare benefits. The state insurance committee may also establish provisions for participation in Medicare health maintenance organizations certified by the centers for Medicare and Medicaid services for retired state employees and may establish optional coverages as the state insurance committee deems necessary and reasonable.

(b) If, pursuant to any contract for insurance coverage authorized by this section, the provider or administrator returns or refunds any amounts by which premiums or fees exceed expenses, the amounts shall be used only for the supplemental medical insurance program for retirees, and in no instance shall the returns or refunds be used to reduce the amount of state funding that would otherwise be required under subsection (c).

(c)

(1) From appropriations made in the general appropriations act each year for that purpose, the state insurance committee is authorized to pay an amount on behalf of each participating retiree toward the cost of supplemental medical insurance provided pursuant to this part.

(2) "Retiree," as used in this part, means any former state employee, higher education employee, or teacher receiving a monthly retirement allowance from the Tennessee consolidated retirement system, or the optional retirement system established in § 8-35-401.

(d)

(1) The state insurance committee shall, within the appropriations available, establish a contribution level for participating retirees with thirty (30) or more years of service. For participating retirees with twenty (20) years of service, but less than thirty (30) years of service, the state insurance committee shall make a contribution on behalf of participating retirees at not more than seventy-five percent (75%) of the contribution made for participating retirees with thirty (30) or more years of service. For participating retirees with fifteen (15) years of service, but less than twenty (20) years of service, the state insurance committee shall make a contribution on behalf of those retirees at not more than

fifty percent (50%) of the contribution made for participating retirees with thirty (30) years of service. Retirees with less than fifteen (15) years of service may participate in such supplemental medical insurance as may be provided pursuant to this part, but the state insurance committee shall make no contribution on such retirees' behalf.

(2) "Years of service," as used in this section, means only those years of service rendered by the retiree as a state employee, higher education employee, or teacher and upon which the retiree's monthly retirement allowance is based.

(e) The supplemental medical insurance authorized under this section shall not be available to any person otherwise qualified under subsection (a) whose initial employment with the state or other qualifying employer commenced on or after July 1, 2015. The rights of election, transfer, and enrollment conferred by this section shall not be available to any person whose initial employment with the state or other governmental agency qualifying the person for plan membership commenced on or after July 1, 2015.

SECTION 3. Tennessee Code Annotated, Title 8, Chapter 27, Part 3, is amended by deleting the part and substituting instead the following:

8-27-301.

(a)

(1) There is created a local education insurance committee to be composed of the governor, who may designate the commissioner of education to attend in place of the governor as a full voting member, a representative of local school boards to be selected by the Tennessee School Boards Association, the state treasurer, the commissioner of commerce and insurance, the comptroller of the treasury, the commissioner of finance and administration, and three (3)

teachers appointed to represent the three (3) grand divisions under the procedure contained in § 8-34-302(a)(9).

(2) The state treasurer, the commissioner of commerce and insurance, the comptroller of the treasury, and the commissioner of finance and administration are authorized to designate an alternate representative to attend, participate, and vote at meetings of the local education insurance committee when that respective member is unable to attend. The commissioner of education also has the authority to designate an alternate representative if the commissioner of education is designated by the governor, pursuant to this subsection (a), to serve on the local education insurance committee. The designation of an alternate representative shall be made in writing to the chair of the local education insurance committee.

(b) As used in this part:

(1) "Instructional employee" means those persons employed by a local education agency as teachers, as defined in § 8-34-101, and who are not eligible for insurance coverage under § 8-27-202;

(2) "Local education agency" or "LEA" has the same definition as used in § 49-3-302 and includes educational cooperatives created pursuant to the Educational Cooperation Act, compiled in title 49, chapter 2, part 13;

(3) "Local education insurance committee" means the local education insurance committee created in subsection (a); and

(4) "Support staff employees" means those persons employed by a local education agency who are not instructional employees.

8-27-302.

(a) The local education insurance committee shall approve a group insurance plan for eligible employees of local education agencies that shall consist of the following:

(1) One (1) or more basic health plans as the local education insurance committee deems necessary and reasonable; and

(2) Voluntary benefit plans as may be necessary and reasonable. The local education insurance committee may provide for voluntary benefits as part of the basic health plans or as separate plans.

(b) The local education insurance committee is authorized to determine the premiums, benefits package, funding method, administrative procedures, eligibility provisions, and rules relating to the plans established by this section.

(c) The basic health plans shall be offered to local education agencies; provided, that voluntary benefits are available only in local education agencies in which the local board votes to be responsible for the coverage costs provided for in § 8-27-303.

(d) The basic health plans provided for in subsection (a) and the equal or superior benefit plans provided for in § 8-27-303 shall be the only state-supported insurance plans for local education employees.

(e) If a local education agency participates in the basic health plans provided for in subsection (a), those plans shall be the only basic health plans that the local education agency may make available to its employees.

(f) Nothing in this part shall require a local education agency to make available to its employees any insurance plan approved by the local education insurance committee.

8-27-303.

(a)

(1)

(A) From the appropriations made each year in the general appropriations act for that purpose, the department of education is authorized to pay, on behalf of each eligible instructional employee of a local education agency, and the employee's dependents, an amount, determined annually in the general appropriations act, on the total cost of the person's participation in the basic health plan.

(B) Each local education agency shall pay on behalf of each instructional employee, participating in the health insurance coverage authorized by § 8-27-302(a), as a minimum, the percentage specified in the general appropriations act of the premium collected on behalf of each employee of the local education agency.

(C) From the appropriations made each year in the general appropriations act for that purpose, the department of education is authorized to pay, on behalf of each eligible support staff employee of a local education agency, and the employee's dependents, an amount, determined annually in the general appropriations act, on the total cost of the person's participation in the basic health plan. The amount set for support staff employees may be different from the amount set in subdivision (a)(1)(B).

(D) Each local education agency shall pay on behalf of each support staff employee, participating in the health insurance coverage authorized by § 8-27-302(a), at a minimum, the percentage specified in the general appropriations act of the premium collected on behalf of each support staff employee of the local education agency.

(E) Distribution of a like amount to each eligible employee through a flexible spending arrangement authorized by § 125 of the Internal Revenue Code (26 U.S.C. § 125) shall satisfy the requirements of this subsection (a). The amounts shall be certified to the commissioner of education and the director of each local education agency by the local education insurance committee each fiscal year.

(2) If a local education agency makes medical insurance available to its instructional employees and support staff employees and the benefits are equal or superior to the benefits of the basic health plan established pursuant to § 8-27-302(a), the local education agency shall be eligible to receive directly the payments provided for in subdivision (a)(1). Participation in an insurance trust, county-wide policy, self-insurance, or similar benefit plan shall not disqualify the local education agency from these payments. The determination of the equivalency or superiority of the local benefits shall be made by an outside, independent firm or consultant. The local education insurance committee shall contract with the firm or consultant under the procedures in § 8-27-103(a). A written report shall be supplied to the local education agency in the event that local medical benefits are determined not to be equal or superior. In order to be reviewed for eligibility, a local education agency shall make application to the local education insurance committee. Any local education agency whose insurance was determined to be inferior to the basic health plan shall be eligible to receive directly the payments provided for in subdivision (a)(1) if, upon evaluation by the local education insurance committee, the revised local insurance plan was determined to be equal or superior to the basic health plan. Section 8-27-305 shall not be used in determining the equivalency or superiority

of the local benefits. Local education agencies shall not be eligible for direct payments without approval of the local education insurance committee.

(3) A school board member of a local education agency may participate in the basic health plan as authorized in § 8-27-302(a)(1), if the member pays the total monthly premium for the coverage the member selects. The department of education shall not assume any liability for such participation, and the total cost of such a person's participation shall be borne by the individual, unless the local education agency assumes liability for all or a portion of the cost. Nothing contained herein shall require the termination or modification of existing insurance plans covering a local education agency's retired teachers or other employees.

(b) Each person for whom payments are made under subsection (a) shall pay the remaining portion of the total costs, but the board of the local education agency may assume all or a portion of these costs.

(c) The additional cost of voluntary coverage provided for by § 8-27-302(a)(2) shall be paid by the participating local education agency and its participating employees.

(d) All administrative costs incurred by the state group insurance office or the insurer that are associated with the administration of the basic plans or the Medicare supplement plan offered herein shall be borne by the plan and included in the premium payments.

(e)

(1) Payments made by the state in accordance with subsection (a) may be made by direct transfer from the state treasury to the plan, by payroll deduction, or otherwise as the local education insurance committee and the

department of finance and administration deem most efficient. These payments shall not be subject to § 8-11-110.

(2) Payments due from local education agencies or participating employees shall be made as directed by the local education insurance committee.

(f) The local education insurance committee shall periodically evaluate local plans determined to be equal or superior to the basic plan to ensure that such plans maintain benefits equal or superior to the basic health plan. Local education agencies shall fully cooperate with the local education insurance committee in these evaluations. The local education insurance committee shall issue a written report to the local education agency explaining the results of the evaluations, giving the agency an opportunity to respond to the local education insurance committee's findings. If, as a result of an evaluation, a local plan is determined to be inferior to the basic health plan, the local education insurance committee shall discontinue direct payments to the affected local education agency not later than ninety (90) days after the final determination by the local education insurance committee. During this period of time, the local education agency may implement improved benefits in the local plan and submit the revised local plan for evaluation. If the local education insurance committee determines that the revised local plan is equal or superior to the basic health plan, direct payments to the agency may continue. If benefits in the local plan are not improved or the revised local plan is determined inferior to the basic health plan, the local education agency may elect to:

(1) Enroll in the basic health plan pursuant to §§ 8-27-302 and 8-27-304;

or

(2) Maintain the local plan and not receive state support for the local plan.

(g) Local education agencies whose local insurance plan is determined equal or superior to the basic health plan shall file with the local education insurance committee any changes in the benefits offered under the local plan at least thirty (30) days prior to the effective date of the changes.

(h)

(1) The local education insurance committee shall provide for the financing of the plan, including the disposition of government grants and subsidies to assist in the funding and provision of health insurance for enrolled individuals.

(2) Local education agencies enrolled in the plan shall cooperate with the local education insurance committee in implementing and complying with the determinations of the local education insurance committee as set forth in subdivision (h)(1). This cooperation includes entering into contracts or memoranda of understanding reflecting the financial determinations of the local education insurance committee.

(3) The local education insurance committee is authorized to take either or both of the following actions in response to a local education agency's failure to cooperate with the local education insurance committee as required by this section:

(A) Assess and collect from the local education agency the costs incurred by the agency's failure to cooperate; and

(B) Terminate the local education agency's participation in the plan.

(4) The termination of the local education agency's participation shall be in effect for two (2) years, and shall be in effect regardless of any language in this chapter to the contrary regarding reinstatement to the plan.

(5) The local education agency shall have the right to request reconsideration of its exclusion before the local education insurance committee. The local education insurance committee's decision of the request for reconsideration shall be final.

(i) The Tennessee consolidated retirement system is authorized to make deductions from the retirement benefits that any retired teacher or other retired local government employee receives from the Tennessee consolidated retirement system for payment of insurance premiums for any local government group insurance coverage provided to such retirees.

8-27-304.

(a) During a period established by the local education insurance committee after the implementation in each local education agency of the basic health plan provided for in § 8-27-302, enrollment shall be open to all eligible employees regardless of preexisting conditions. Thereafter, the local education insurance committee may permit supplemental enrollments and shall provide for the entrance of newly employed eligible employees into the plan.

(b) Enrollment in any insurance plan for local education employees under this part shall be open to any teacher as defined in § 49-5-501, who transitions from part-time to full-time employment, notwithstanding the teacher's failure to participate in the plan as a part-time employee.

(c)

(1) A local education agency seeking to enroll in any plan offered by the local education insurance committee shall provide in its request for enrollment:

(A) Verification that a majority of eligible employees of the LEA have agreed to enrollment in the plan. The local education insurance committee may waive the majority requirement if, in its discretion, there is good cause to do so; and

(B) Information necessary for processing the enrollment including names and required identifying information, financial information necessary to process payments, and signed memoranda of understanding.

(2) The local education insurance committee reserves the right to audit participation and to terminate agencies whose participation falls below a majority of eligible employees.

(d) An educational cooperative shall comply with the Educational Cooperation Act, compiled in title 49, chapter 2, part 13, for five (5) years before the educational cooperative is eligible to have its employees participate in the health insurance plan authorized in this section.

(e) Any local education agency may withdraw from the basic health plan authorized in § 8-27-302 following at least twenty-four (24) months of participation in that plan. The local education agency shall comply with the equivalency provisions of § 8-27-303(a)(2) and the requirements in subsection (c) prior to withdrawal from the basic health plan. Upon withdrawal, the local education agency shall be responsible for coverage for all retirees and other former employees eligible to continue healthcare coverage who were covered at the time of the termination of employment with the local

education agency. The local education insurance committee may establish conditions for local education agencies that withdraw to resume coverage through the basic plan.

(f)

(1) The surviving spouse and eligible dependent children of a local education employee maintaining family coverage through the local education group insurance plan and who is a member of the Tennessee army national guard or the Tennessee air national guard and who has been activated for federal duty or who has been called up on state active duty, and who is subsequently killed in the performance of that duty, may participate in the group health insurance plan for local education employees established pursuant to § 8-27-302(a)(1).

(2) The cost of the coverage provided in this section to the surviving spouse and dependent children shall be equal to twenty percent (20%) of the monthly premium for active employee coverage. The military department shall pay the balance of the monthly premium.

(3) The criteria for determination of eligibility of dependent children shall be the same as the criteria established by the local education insurance committee for participating employees and their families.

(4) In the event that the surviving spouse is or becomes eligible for insurance coverage through a subsequent marriage or employment, the extension of coverage authorized in this section shall be terminated on the first day of the following month. The local education insurance committee may establish specific conditions for extensions in instances where preexisting conditions may apply during the transfer of coverage.

(5) In the event that insurance coverage under the local education plan is terminated for the surviving spouse pursuant to subdivision (f)(4), but the surviving spouse is unable to secure, through the new coverage, insurance coverage for the eligible dependent children, the dependent children may continue coverage under this section; provided, that the dependent children continue to meet all dependent eligibility requirements.

(6) This section shall be retroactive to September 11, 2001. As individuals who are qualified for such extension are identified, elect coverage, and pay the appropriate contribution, the coverage shall be provided on a prospective basis.

8-27-305.

(a) The local education insurance committee may establish a health benefit, as the local education insurance committee deems necessary and reasonable, for retired local education employees. The health benefit may be made available to retired employees who are drawing retirement benefits either through the consolidated retirement system or through a non-TCRS retirement program sponsored by a participating local education agency.

(b) The local education insurance committee is authorized to establish the eligibility criteria for retired teachers and the administrative requirements for the collection of premiums.

(c)

(1) The local education insurance committee is authorized to establish a schedule of premiums or a schedule of defined contributions subject to funding by the general assembly for retirees eligible for the health benefits established under this part. The schedule of defined contributions shall be graduated to

reflect the retiree's length of service. Retirees with thirty (30) or more years of service will receive forty-five percent (45%) of the scheduled premium or defined contribution. Retirees with twenty (20) years of service, but less than thirty (30) years of service, will receive thirty-five percent (35%) of the scheduled premium or defined contribution. Retirees having less than twenty (20) years of service will receive twenty-five percent (25%) of the scheduled premium or defined contribution.

(2) "Years of service," as used in this subsection (c), means only those years of service rendered by the retiree as a teacher, as defined in § 8-34-101, or as a state employee, as defined in § 8-27-204(a)(1), and upon which the retiree's monthly retirement allowance is based.

(3) To the extent that premiums are assessed and retirees pay less than the total monthly premium, and to the extent that the benefit payments exceed the anticipated premium for eligible retirees who were not retired during the prior calendar year, that expense shall be reimbursed by the state through a direct appropriation to the local education group insurance plan.

(d) Any retired local education employee who is participating in the health benefit authorized by this section and who is in receipt of a disability retirement allowance pursuant to chapter 36, part 5 of this title, shall not be required to discontinue coverage in the basic health plan authorized by § 8-27-302(a)(1) upon eligibility for Part A of Medicare and may continue in the plan as a retired employee to the point at which Medicare eligibility would have been attained had the disability not occurred; provided, that the retired employee remains eligible for the disability retirement allowance and that Part B of Medicare is retained. The insurance premium shall be the same as that charged to nondisability retirees who are not yet eligible for Medicare. Any retired local

education teacher who is granted a service retirement under chapter 36 of this title shall also qualify for a continuation of insurance coverage if the teacher meets the conditions set forth in this subsection (d) and the eligibility criteria established by the local education insurance committee.

(e) The retiree coverage authorized under this section shall not be available to any retiree whose employment with a participating agency commenced on or after July 1, 2015. Any retiree whose first employment with a participating agency commenced before July 1, 2015, and who returns to service with a participating agency after that date shall not be prohibited from retiree coverage under this section; provided, that the retiree did not accept a lump sum payment from the Tennessee consolidated retirement system before July 1, 2015.

8-27-306.

(a) If, on January 1, 1988, a local education agency made supplemental medical insurance benefits available to its retirees who are covered by Medicare benefits, and the benefits of the plan are equal or superior to the plan offered to retirees pursuant to § 8-27-209, the local education agency shall be eligible to receive directly the payments provided for in § 8-27-209(d). Participation in an insurance trust, county-wide plan, self-insurance, or similar benefit plan shall not disqualify the local education agency from these payments.

(b) The determination of the equivalency or superiority of the local benefits shall be made by an outside, independent firm or consultant. The local education insurance committee shall contract with the firm or consultant under the procedures in § 8-27-103(a). A written report shall be supplied to the local education agency in the event that local plan is determined not to be equal or superior.

(c) Local education agencies having medical benefits that are not equal or superior to the plan offered pursuant to § 8-27-209 shall not be eligible for direct payments.

(d) Any payment made by the state pursuant to this part shall first be used to reduce or eliminate any contribution required of retirees participating in such local plan and shall not result in a reduction of financial support of such plan by the local education agency.

(e) The supplemental medical insurance authorized under this section shall not be available to any person otherwise qualified under subsection (a), whose initial employment with a qualifying employer commenced on or after July 1, 2015. The rights of election, transfer, and enrollment conferred by this section shall not be available to any person whose initial employment with the state or other governmental agency qualifying them for plan membership commenced on or after July 1, 2015.

SECTION 4. Tennessee Code Annotated, Title 8, Chapter 27, Part 7, is amended by deleting the part and substituting instead the following:

8-27-701.

(a) There is created a local government insurance committee, to be composed of the commissioner of finance and administration, the comptroller of the treasury, the state treasurer, a member to be appointed by the Tennessee Municipal League, and a member to be appointed by the Tennessee County Services Association.

(b) The commissioner, the comptroller of the treasury, and the state treasurer are authorized to designate an alternate representative to attend, participate, and vote at meetings of the local government insurance committee when that respective member is unable to attend. The designation shall be made in writing to the chair of the local government insurance committee.

(c) For purposes of this part, “local government insurance committee” means the local government insurance committee created by subsection (a).

8-27-702.

(a)

(1) The local government insurance committee has the authority to establish a group insurance plan for employees of local governments and quasi-governmental organizations. The local government insurance committee shall establish the definition of “employee”.

(2) Any entity applying to participate in the local government insurance plan as a quasi-governmental organization after July 1, 2015, shall demonstrate to the satisfaction of the local government insurance committee that:

(A) The entity was created by an act of the general assembly or by an ordinance or similar enactment of a local government;

(B) The entity performs governmental functions; and

(C) The entity is under governmental supervision by having government officials on its governing board, being subject to audit by the comptroller of the treasury, or subject to review by a committee of the general assembly.

(3) An entity does not qualify as a quasi-governmental organization because the entity has entered into a services contract with the state or any of its agencies.

(b) Such plan is authorized to be established, contingent upon sufficient participation on the part of eligible organizations to make the plan economically feasible as determined by independent actuarial analysis.

(c) The local government insurance committee shall approve such voluntary benefit plans as may be necessary and reasonable. The local government insurance committee may provide for voluntary benefits as part of the basic health plans or as separate plans.

(d) The local government insurance committee is authorized to determine the premiums, benefits package, funding method, administrative procedures, eligibility provisions, and rules relating to the plans established by this section.

(e) If a local government agency participates in the basic health plans provided for in subsection (a), those plans shall be the only basic health plans that the local government agency may make available to its employees.

8-27-703.

(a) The costs of the health plan, including plan administration, shall be fully borne by agencies and their members.

(b) Nothing in this part shall require a local government agency to make available to its employees any insurance plan approved by the local government insurance committee.

(c)

(1) The local government insurance committee shall provide for the financing of the plan, including the disposition of government grants and subsidies to assist in the funding and provision of health insurance for enrolled individuals.

(2) Local government agencies enrolled in the plan shall cooperate with the local government insurance committee in implementing and complying with the determinations of the local government insurance committee as set forth in subdivision (c)(1). This cooperation includes entering into contracts or

memoranda of understanding reflecting the financial determinations of the local government insurance committee.

(3) The local government insurance committee is authorized to take either or both of the following actions in response to a local government agency's failure to cooperate with the local government insurance committee as required by this section:

(A) Assess and collect from the local government agency the costs incurred by the agency's failure to cooperate; and

(B) Terminate the local government agency's participation in the plan.

(4) The termination of the local government agency's participation shall be in effect for two (2) years, and shall be in effect regardless of any language in this chapter to the contrary regarding reinstatement to the plan.

(5) The local government agency shall have the right to request reconsideration of its exclusion before the local government insurance committee. The local government insurance committee's decision of the request for reconsideration shall be final.

8-27-704.

(a) County officials, as defined in § 8-34-101, shall be allowed to participate in any plan established by the local government insurance committee even if the county does not participate. The cost of participation shall be determined by the local government insurance committee, and the official may be required to bear the full cost of participation.

(b) For purposes of this part and determining eligibility to participate within a health insurance plan established pursuant to this section, "employees of local

governments and quasi-governmental organizations” includes, but is not limited to, utility district commissioners appointed or elected pursuant to § 7-82-307. Nothing in this subsection (b) shall diminish the requirements in §§ 8-27-702(b), 8-27-703(a) and 8-27-703(b).

(c) Local government agencies seeking to enroll in any plan offered by the local government insurance committee shall provide, in its request for enrollment, the following:

(1) Verification that a majority of eligible employees of the local government agency have agreed to enroll in the plan. The local government insurance committee may waive the majority requirement if, in its discretion, there is good cause to do so; and

(2) Information necessary for processing the enrollment, including names and required identifying information, financial information necessary to process payments, and signed memoranda of understanding.

(d) The local government insurance committee reserves the right to audit participation and to terminate agencies whose participation falls below a majority of eligible employees.

(e)

(1) The surviving spouse and eligible dependent children of a participant in the health plan authorized in § 8-27-702, who maintains family coverage, who is a member of the Tennessee army national guard or the Tennessee air national guard, who has been activated for federal duty or who has been called up on state active duty, and who is subsequently killed in the performance of that duty, may participate in the group health insurance plan authorized in this section.

(2) The surviving cost of the coverage provided in this section to the surviving spouse and dependent children shall be equal to twenty percent (20%) of the monthly premium paid by employees for the same coverage. The military department shall pay the balance of the monthly premium.

(3) The criteria for determination of eligibility of dependent children shall be the same as the criteria established by the local government insurance committee for participating employees and their families.

(4) In the event that the surviving spouse is or becomes eligible for insurance coverage through a subsequent marriage or employment, the extension of coverage authorized in this subsection (e) shall be terminated on the first day of the following month. The local government insurance committee may establish specific conditions for extensions in instances where preexisting conditions may apply during the transfer of coverage.

(5) In the event that insurance coverage under the local government plan is terminated for the surviving spouse pursuant to subdivision (e)(4), but the surviving spouse is unable to secure, through the new coverage, insurance coverage for the eligible dependent children, the dependent children may continue coverage under this section; provided, that the dependent children continue to meet all dependent eligibility requirements.

(6) This subsection (e) shall be retroactive to September 11, 2001. As individuals who are qualified for such extension are identified, elect coverage, and pay the appropriate contribution, the coverage shall be provided on a prospective basis.

8-27-705.

(a) The local government insurance committee may establish a health benefit, as the local government insurance committee deems necessary and reasonable, for retired local government employees. The health benefit may be made available to retired employees who are drawing retirement benefits either through the Tennessee consolidated retirement system or through a non-TCRS retirement program sponsored by a participating local government agency.

(b) The local government insurance committee is authorized to establish the eligibility criteria for retirees and the administrative requirements for the collection of premiums.

(c) The retiree coverage authorized under this section shall not be available to any retiree whose employment with the participating local government agency commenced on or after July 1, 2015. Any retiree whose first employment with the participating local government agency commenced before July 1, 2015, and who returns to service with the participating local government agency after that date shall not be prohibited from retiree coverage under this section; provided, that the retiree did not accept a lump sum payment from the Tennessee consolidated retirement system before July 1, 2015.

8-27-706.

(a) Subject to the approval of the state insurance committee as created in § 8-27-201, retired county judges, county officials, and employees of employers participating in the Tennessee consolidated retirement system pursuant to chapter 35, part 2 of this title may participate in the supplemental medical insurance program established in § 8-27-209; provided, that retired employees are covered by Medicare benefits and are drawing a monthly retirement allowance from the Tennessee consolidated retirement

system. The state shall not assume any cost nor provide any funding toward the payment of premiums.

(b) Except as provided in subsection (c), retired employees electing to participate in the program shall pay the total cost of such coverage.

(c) The chief governing body of any employer of an employee described in subsection (a) may pass a resolution to make contributions toward the expense of such coverages; provided, that the amount, terms, and conditions of contributions shall be, at all times, the same as that established by the state insurance committee pursuant to § 8-27-209(d). Years of service, as used in § 8-27-209(d) for determining the employer's contribution level, means only those years of service rendered by the retired employee to the employer and upon which the retired employee's monthly retirement allowance is based. The resolution to make contributions on behalf of retired employees shall remain in effect until revoked by the chief governing body.

(d) The budget of any such employer electing to make contributions shall include an amount sufficient to pay contributions on behalf of its retired employees covered by the supplemental insurance program. The contributions shall be paid to the insurer by the employer in a manner directed by the state insurance committee.

(e) The supplemental medical insurance authorized under this section shall not be available to any person otherwise qualified under subsection (a) whose initial employment with a qualifying employer commenced on or after July 1, 2015.

SECTION 5. This act shall take effect upon becoming a law, the public welfare requiring

it.