

1 AN ACT relating to agency cessation of participation in the Kentucky Retirement  
2 Systems and declaring an emergency.

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

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

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

7 (1) For purposes of this section:

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

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

17 2. *For employers making an election to cease participating under the*  
18 *provisions of subsection (8) of this section, it shall be June 30, 2020;*

19 and

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

1 longer qualified to participate in a governmental plan or has failed to comply  
2 with the provisions of KRS 61.510 to 61.705 or 78.510 to 78.852;

3 (3) (a) If an employer desires to voluntarily cease participation in the Kentucky  
4 Employees Retirement System or the County Employees Retirement System  
5 as provided by subsection (2)(a) of this section:

6 1. The employer shall adopt a resolution requesting to cease participation  
7 in the system and shall submit the resolution to the board for its  
8 approval;

9 2. Except as otherwise provided by this section, the cessation of  
10 participation in the system shall apply to all employees of the employer;

11 3. The employer shall pay for all administrative costs of an actuarial study  
12 to be completed by the Kentucky Retirement Systems' consulting actuary  
13 and for any other administrative costs for discontinuing participation in  
14 the system as determined by the board and as provided by this section;

15 4. The employer shall provide an alternative retirement program for  
16 employees who will no longer be covered by the system, which may  
17 include a voluntary defined contribution plan but, for effective cessation  
18 dates occurring on or after June 30, 2020, shall not include a defined  
19 benefit plan which by nature can have an unfunded liability;

20 5. If the alternative retirement program established by the employer meets  
21 the qualification requirements under 26 U.S.C. sec. 401(a) and is  
22 capable of accepting trustee-to-trustee transfers of both pre-tax and post-  
23 tax contributions, employees of the employer ceasing participation may  
24 seek to transfer his or her account balance to the employer's qualified  
25 alternate retirement program within sixty (60) days of the employer's  
26 effective cessation date. An employee's election to transfer his or her  
27 account balance within sixty (60) days of the employer's effective

1 cessation date is an irrevocable waiver of the right to obtain service  
2 credits in the system for the time worked for the employer ceasing  
3 participation; and

4 6. **Except as provided by subsection (8) of this section,** the employer shall  
5 pay by lump sum to the system the full actuarial cost of the benefits  
6 accrued by its current and former employees in the system as determined  
7 separately for the pension fund and the insurance fund by the actuarial  
8 study required by subparagraph 3. of this paragraph. The full actuarial  
9 cost shall not include any employee who seeks a transfer of his or her  
10 account balance within sixty (60) days of the employer's effective  
11 cessation date as provided by subparagraph 5. of this paragraph. The  
12 actuarial cost shall be fixed, and the employer shall not be subject to any  
13 increases or subsequent adjustments, once the lump sum is paid.

14 (b) If the board determines an employer must involuntarily cease participation in  
15 the system as provided by subsection (2)(b) of this section:

16 1. The cessation of participation in the system shall apply to all employees  
17 of the employer;

18 2. The employer shall pay for all administrative costs of an actuarial study  
19 to be completed by the Kentucky Retirement Systems' consulting actuary  
20 and for any other administrative costs for discontinuing participation in  
21 the system as determined by the board and as provided by this section;  
22 and

23 3. The employer shall pay by lump sum to the system the full actuarial cost  
24 of the benefits accrued by its current and former employees in the  
25 system as determined separately for the pension fund and the insurance  
26 fund by the actuarial study required by subparagraph 2. of this  
27 paragraph. The actuarial cost shall be fixed, and the employer shall not

1           be subject to any increases or subsequent adjustments, once the lump  
2           sum is paid.~~[;]~~

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

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

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

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

1 nonstock nonprofit corporation organized under KRS Chapter 273 may  
2 voluntarily cease participation in the County Employees Retirement System;

3 (7) For purposes of this section, the full actuarial cost shall be determined by the  
4 Kentucky Retirement Systems' consulting actuary separately for the pension fund  
5 and the insurance fund using the assumptions and methodology established by the  
6 system specifically for determining the full actuarial cost of ceasing participation as  
7 of the employer's effective cessation date. For purposes of determining the full  
8 actuarial cost, the assumed rate of return used to calculate the cost shall be the lesser  
9 of the assumed rate of return utilized in the system's most recent actuarial valuation  
10 or the yield on a thirty (30) year United States treasury bond as of the employer's  
11 effective cessation date, but shall in no case be lower than:

12 (a) The assumed rate of return utilized in the system's most recent actuarial  
13 valuation minus three and one-half percent (3.5%); or

14 (b) Three and one-half percent (3.5%) for those agencies ceasing participation  
15 under the provisions of subsection (8) of this section;

16 (8) Notwithstanding the provisions of this section, an employer who is eligible to  
17 voluntarily cease participating as provided by subsection (6) of this section, and  
18 who contributed to the systems in fiscal year 2018-2019 may, prior to January 1,  
19 2020, elect to voluntarily cease participating in the systems. If an employer makes  
20 an election as provided by this subsection:

21 (a) The employer's effective cessation date shall be June 30, 2020. Employees  
22 shall continue to contribute and earn service credit in the systems through  
23 June 30, 2020. On or after July 1, 2020, the employee shall participate in  
24 the alternative retirement plan established by the employer as provided by  
25 subsection (3)(a)4. of this section;

26 (b) For fiscal years 2019-2020, and only for the period of time occurring on or  
27 after the first day of the month following the date the employer makes an

1 election as provided by this subsection, the employer ceasing participating  
2 shall pay the same dollar amount of contribution as the employer  
3 contributed in fiscal year 2018-2019;

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

7 (d) 1. The cost of ceasing participation as provided by this subsection shall  
8 be financed by the systems using the following method:

9 a. Annual payments occurring on or after July 1, 2020, which may  
10 be paid monthly or annually at the discretion of the employer,  
11 shall be a set dollar value using the FY 2019-2020 dollar  
12 contributions paid by the ceasing employer as a base value and  
13 increasing the dollar value paid annually in each fiscal year  
14 occurring on or after July 1, 2020, by one and one-half percent  
15 (1.5%) annually until the cost as provided by subsection (7) of  
16 this section and as adjusted annually by subparagraph 2. of this  
17 paragraph is paid off in full. If the employer ceasing  
18 participation is receiving a general fund appropriation to help  
19 pay retirement contributions and that appropriation is reduced  
20 in future years occurring on or after July 1, 2020, from the  
21 amount appropriated in fiscal year 2019-2020, the payment  
22 under this paragraph shall be reduced on a dollar for dollar  
23 basis as the appropriation reduction; and

24 b. Interest shall be assigned to the principal amount annually  
25 beginning on July 1, 2020, and for each July 1 thereafter, that is  
26 equal to the greater of one and one-half percent (1.5%) or the  
27 percentage increase in the annual average of the consumer price

1 index for all urban consumers for the most recent calendar year  
 2 as published by the Federal Bureau of Labor Statistics;  
 3 An employer ceasing participation who is making installment  
 4 payments as provided by this paragraph may at any time payoff the  
 5 remaining balance and shall not be charged any interest for periods  
 6 beyond the payoff date.

7 2. For purposes of financing the costs as provided by subparagraph 1. of  
 8 this paragraph, the employer shall provide any security in any relevant  
 9 real estate, chattel paper, deposit accounts, documents, goods covered  
 10 by documents, instruments, investment property, letters of credit  
 11 rights, and money. As it relates to an employer financing the costs  
 12 with the systems:

13 a. A detailed financing statement shall be provided to the Kentucky  
 14 Retirement Systems board listing all assets to be used as security  
 15 and the value certified by a licensed attorney;

16 b. The security interest shall be a perfected interest in accordance  
 17 with provisions set forth in KRS Chapter 355; and

18 c. The perfected security interest shall attach until the amount  
 19 owed under paragraph (c) of this subsection is paid in full.

20 The board shall not deny an employer ceasing participation under the  
 21 provisions of this subsection the ability to finance the employer's cost of  
 22 ceasing participation based upon the level or adequacy of information or  
 23 security provided by this subsection.

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

26 (10)~~(9)~~ Any employer who voluntarily ceases participation, or who is required to  
 27 involuntarily cease participation as provided in this section, shall hold the

1 Commonwealth harmless from damages, attorney's fees and costs from legal claims  
2 for any cause of action brought by any member or retired member of the departing  
3 employer.

4 ➔Section 2. KRS 18A.225 (Effective July 1, 2019) is amended to read as follows:

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

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

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

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

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

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

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

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

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

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

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

27 (d) Any carrier bidding to offer health care coverage to employees shall agree to

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

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

25 (f) If any agency participating in the state-sponsored employee health insurance  
26 program for its active employees terminates participation and there is a state  
27 appropriation for the employer's contribution for active employees' health

1 insurance coverage, then neither the agency nor the employees shall receive  
2 the state-funded contribution after termination from the state-sponsored  
3 employee health insurance program.

4 (g) Any funds in flexible spending accounts that remain after all reimbursements  
5 have been processed shall be transferred to the credit of the state-sponsored  
6 health insurance plan's appropriation account.

7 (h) Each entity participating in the state-sponsored health insurance program shall  
8 provide an amount at least equal to the state contribution rate for the employer  
9 portion of the health insurance premium. For any participating entity that used  
10 the state payroll system, the employer contribution amount shall be equal to  
11 but not greater than the state contribution rate.

12 (3) The premiums may be paid by the policyholder:

13 (a) Wholly from funds contributed by the employee, by payroll deduction or  
14 otherwise;

15 (b) Wholly from funds contributed by any department, board, agency, public  
16 postsecondary education institution, or branch of state, city, urban-county,  
17 charter county, county, or consolidated local government; or

18 (c) Partly from each, except that any premium due for health care coverage or  
19 dental coverage, if any, in excess of the premium amount contributed by any  
20 department, board, agency, postsecondary education institution, or branch of  
21 state, city, urban-county, charter county, county, or consolidated local  
22 government for any other health care coverage shall be paid by the employee.

23 (4) If an employee moves his place of residence or employment out of the service area  
24 of an insurer offering a managed health care plan, under which he has elected  
25 coverage, into either the service area of another managed health care plan or into an  
26 area of the Commonwealth not within a managed health care plan service area, the  
27 employee shall be given an option, at the time of the move or transfer, to change his

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

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

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

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

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

1           that plan year.

2       (13) (a) The policies of health insurance coverage procured under subsection (2) of  
3           this section shall include a mail-order drug option for maintenance drugs for  
4           state employees. Maintenance drugs may be dispensed by mail order in  
5           accordance with Kentucky law.

6       (b) A health insurer shall not discriminate against any retail pharmacy located  
7           within the geographic coverage area of the health benefit plan and that meets  
8           the terms and conditions for participation established by the insurer, including  
9           price, dispensing fee, and copay requirements of a mail-order option. The  
10          retail pharmacy shall not be required to dispense by mail.

11       (c) The mail-order option shall not permit the dispensing of a controlled  
12          substance classified in Schedule II.

13       (14) The policy or policies provided to state employees or their dependents pursuant to  
14          this section shall provide coverage for obtaining a hearing aid and acquiring hearing  
15          aid-related services for insured individuals under eighteen (18) years of age, subject  
16          to a cap of one thousand four hundred dollars (\$1,400) every thirty-six (36) months  
17          pursuant to KRS 304.17A-132.

18       (15) Any policy provided to state employees or their dependents pursuant to this section  
19          shall provide coverage for the diagnosis and treatment of autism spectrum disorders  
20          consistent with KRS 304.17A-142.

21       (16) Any policy provided to state employees or their dependents pursuant to this section  
22          shall provide coverage for obtaining amino acid-based elemental formula pursuant  
23          to KRS 304.17A-258.

24       (17) If a state employee's residence and place of employment are in the same county, and  
25          if the hospital located within that county does not offer surgical services, intensive  
26          care services, obstetrical services, level II neonatal services, diagnostic cardiac  
27          catheterization services, and magnetic resonance imaging services, the employee

1           may select a plan available in a contiguous county that does provide those services,  
2           and the state contribution for the plan shall be the amount available in the county  
3           where the plan selected is located.

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

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

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

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

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

26          (c) The request for proposal shall require a carrier's bid to include every county  
27                within the region or regions for which the bid is submitted and include but not

1 be restricted to a preferred provider organization (PPO) option;

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

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

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

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

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

26 (24) Any fully insured health benefit plan or self-insured plan issued or renewed on or  
27 after July 1, 2019, to public employees pursuant to this section shall comply with

1           KRS 304.17A-138.

2           ➔Section 3.   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.