

1 AN ACT relating to state employee health insurance.

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

3 ➔Section 1. KRS 18A.225 is amended to read as follows:

- 4 (1) (a) The term "employee" for purposes of this section means:
- 5 1. Any person, including an elected public official, who is regularly
6 employed by any department, office, board, agency, or branch of state
7 government; or by a public postsecondary educational institution; or by
8 any city, urban-county, charter county, county, or consolidated local
9 government, whose legislative body has opted to participate in the state-
10 sponsored health insurance program pursuant to KRS 79.080; and who
11 is either a contributing member to any one (1) of the retirement systems
12 administered by the state, including but not limited to the Kentucky
13 Retirement Systems, Kentucky Teachers' Retirement System, the
14 Legislators' Retirement Plan, or the Judicial Retirement Plan; or is
15 receiving a contractual contribution from the state toward a retirement
16 plan; or, in the case of a public postsecondary education institution, is an
17 individual participating in an optional retirement plan authorized by
18 KRS 161.567; or is eligible to participate in a retirement plan
19 established by an employer who ceases participating in the Kentucky
20 Employees Retirement System pursuant to KRS 61.522 whose
21 employees participated in the health insurance plans administered by the
22 Personnel Cabinet prior to the employer's effective cessation date in the
23 Kentucky Employees Retirement System;
 - 24 2. Any certified or classified employee of a local board of education;
 - 25 3. Any elected member of a local board of education;
 - 26 4. Any person who is a present or future recipient of a retirement
27 allowance from the Kentucky Retirement Systems, Kentucky Teachers'

- 1 Retirement System, the Legislators' Retirement Plan, the Judicial
2 Retirement Plan, or the Kentucky Community and Technical College
3 System's optional retirement plan authorized by KRS 161.567, except
4 that a person who is receiving a retirement allowance and who is age
5 sixty-five (65) or older shall not be included, with the exception of
6 persons covered under KRS 61.702(4)(c), unless he or she is actively
7 employed pursuant to subparagraph 1. of this paragraph; and
- 8 5. Any eligible dependents and beneficiaries of participating employees
9 and retirees who are entitled to participate in the state-sponsored health
10 insurance program;
- 11 (b) The term "health benefit plan" for the purposes of this section means a health
12 benefit plan as defined in KRS 304.17A-005;
- 13 (c) The term "insurer" for the purposes of this section means an insurer as defined
14 in KRS 304.17A-005; and
- 15 (d) The term "managed care plan" for the purposes of this section means a
16 managed care plan as defined in KRS 304.17A-500.
- 17 (2) (a) The secretary of the Finance and Administration Cabinet, upon the
18 recommendation of the secretary of the Personnel Cabinet, ~~may~~^{shall}
19 procure, in compliance with the provisions of KRS 45A.080, 45A.085, and
20 45A.090, from one (1) or more insurers authorized to do business in this state,
21 a group health benefit plan that may include but not be limited to health
22 maintenance organization (HMO), preferred provider organization (PPO),
23 point of service (POS), and exclusive provider organization (EPO) benefit
24 plans encompassing all or any class or classes of employees. With the
25 exception of employers governed by the provisions of KRS Chapters 16, 18A,
26 and 151B, all employers of any class of employees or former employees shall
27 enter into a contract with the Personnel Cabinet prior to including that group

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

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

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

- 1 (d) Any carrier bidding to offer health care coverage to employees shall agree to
2 provide enrollment, claims, and utilization data to the Commonwealth in a
3 format specified by the Personnel Cabinet with the understanding that the data
4 shall be owned by the Commonwealth; to provide data in an electronic form
5 and within a time frame specified by the Personnel Cabinet; and to be subject
6 to penalties for noncompliance with data reporting requirements as specified
7 by the Personnel Cabinet. The Personnel Cabinet shall take strict precautions
8 to protect the confidentiality of each individual employee; however,
9 confidentiality assertions shall not relieve a carrier from the requirement of
10 providing stipulated data to the Commonwealth.
- 11 (e) The Personnel Cabinet shall develop the necessary techniques and capabilities
12 for timely analysis of data received from carriers and, to the extent possible,
13 provide in the request-for-proposal specifics relating to data requirements,
14 electronic reporting, and penalties for noncompliance. The Commonwealth
15 shall own the enrollment, claims, and utilization data provided by each carrier
16 and shall develop methods to protect the confidentiality of the individual. The
17 Personnel Cabinet shall include in the October annual report submitted
18 pursuant to the provisions of KRS 18A.226 to the Governor, the General
19 Assembly, and the Chief Justice of the Supreme Court, an analysis of the
20 financial stability of the program, which shall include but not be limited to
21 loss ratios, methods of risk adjustment, measurements of carrier quality of
22 service, prescription coverage and cost management, and statutorily required
23 mandates. If state self-insurance was available as a carrier option, the report
24 also shall provide a detailed financial analysis of the self-insurance fund
25 including but not limited to loss ratios, reserves, and reinsurance agreements.
- 26 (f) If any agency participating in the state-sponsored employee health insurance
27 program for its active employees terminates participation and there is a state

1 appropriation for the employer's contribution for active employees' health
2 insurance coverage, then neither the agency nor the employees shall receive
3 the state-funded contribution after termination from the state-sponsored
4 employee health insurance program.

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

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

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

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

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

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

24 (4) If an employee moves his place of residence or employment out of the service area
25 of an insurer offering a managed health care plan, under which he has elected
26 coverage, into either the service area of another managed health care plan or into an
27 area of the Commonwealth not within a managed health care plan service area, the

1 employee shall be given an option, at the time of the move or transfer, to change his
2 or her coverage to another health benefit plan.

3 (5) No payment of premium by any department, board, agency, public postsecondary
4 educational institution, or branch of state, city, urban-county, charter county,
5 county, or consolidated local government shall constitute compensation to an
6 insured employee for the purposes of any statute fixing or limiting the
7 compensation of such an employee. Any premium or other expense incurred by any
8 department, board, agency, public postsecondary educational institution, or branch
9 of state, city, urban-county, charter county, county, or consolidated local
10 government shall be considered a proper cost of administration.

11 (6) The policy or policies may contain the provisions with respect to the class or classes
12 of employees covered, amounts of insurance or coverage for designated classes or
13 groups of employees, policy options, terms of eligibility, and continuation of
14 insurance or coverage after retirement.

15 (7) Group rates under this section shall be made available to the disabled child of an
16 employee regardless of the child's age if the entire premium for the disabled child's
17 coverage is paid by the state employee. A child shall be considered disabled if he
18 has been determined to be eligible for federal Social Security disability benefits.

19 (8) The health care contract or contracts for employees shall be entered into for a period
20 of not less than one (1) year.

21 ~~(9) The secretary shall appoint thirty-two (32) persons to an Advisory Committee of~~
22 ~~State Health Insurance Subscribers to advise the secretary or his designee regarding~~
23 ~~the state-sponsored health insurance program for employees. The secretary shall~~
24 ~~appoint, from a list of names submitted by appointing authorities, members~~
25 ~~representing school districts from each of the seven (7) Supreme Court districts,~~
26 ~~members representing state government from each of the seven (7) Supreme Court~~
27 ~~districts, two (2) members representing retirees under age sixty-five (65), one (1)~~

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

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

18 (10)~~(11)~~ Interruption of an established treatment regime with maintenance drugs shall
19 be grounds for an insured to appeal a formulary change through the established
20 appeal procedures approved by the Department of Insurance, if the physician
21 supervising the treatment certifies that the change is not in the best interests of the
22 patient.

23 (11)~~(12)~~ Any employee who is eligible for and elects to participate in the state health
24 insurance program as a retiree, or the spouse or beneficiary of a retiree, under any
25 one (1) of the state-sponsored retirement systems shall not be eligible to receive the
26 state health insurance contribution toward health care coverage as a result of any
27 other employment for which there is a public employer contribution. This does not

1 preclude a retiree and an active employee spouse from using both contributions to
2 the extent needed for purchase of one (1) state sponsored health insurance policy for
3 that plan year.

4 ~~(12)~~~~(13)~~ (a) The policies of health insurance coverage procured under subsection (2)
5 of this section shall include a mail-order drug option for maintenance drugs
6 for state employees. Maintenance drugs may be dispensed by mail order in
7 accordance with Kentucky law.

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

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

15 ~~(13)~~~~(14)~~ **Except as authorized under this section and Section 2 of this Act, no**
16 **provision of KRS Chapter 304 shall apply to the public employee health**
17 **insurance program for public employees established under subsection (1) of**
18 **Section 2 of this Act.**

19 ~~(14)~~ The policy or policies provided to state employees or their dependents pursuant to
20 this section shall provide coverage for obtaining a hearing aid and acquiring hearing
21 aid-related services for insured individuals~~[under eighteen (18) years of age]~~,
22 subject to a ~~limit~~~~cap~~ of one **(1) hearing aid per each hearing impaired**
23 **ear**~~[thousand four hundred dollars (\$1,400)]~~ every thirty-six (36) months pursuant
24 to KRS 304.17A-132.

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

- 1 (16) Any policy provided to state employees or their dependents pursuant to this section
2 shall provide coverage for obtaining amino acid-based elemental formula pursuant
3 to KRS 304.17A-258.
- 4 ~~(17) If a state employee's residence and place of employment are in the same county, and
5 if the hospital located within that county does not offer surgical services, intensive
6 care services, obstetrical services, level II neonatal services, diagnostic cardiac
7 catheterization services, and magnetic resonance imaging services, the employee
8 may select a plan available in a contiguous county that does provide those services,
9 and the state contribution for the plan shall be the amount available in the county
10 where the plan selected is located.~~
- 11 ~~(18) If a state employee's residence and place of employment are each located in counties
12 in which the hospitals do not offer surgical services, intensive care services,
13 obstetrical services, level II neonatal services, diagnostic cardiac catheterization
14 services, and magnetic resonance imaging services, the employee may select a plan
15 available in a county contiguous to the county of residence that does provide those
16 services, and the state contribution for the plan shall be the amount available in the
17 county where the plan selected is located.~~
- 18 ~~(19) The Personnel Cabinet is encouraged to study whether it is fair and reasonable and
19 in the best interests of the state group to allow any carrier bidding to offer health
20 care coverage under this section to submit bids that may vary county by county or
21 by larger geographic areas.~~
- 22 ~~(20) Notwithstanding any other provision of this section, the bid for proposals for health
23 insurance coverage for calendar year 2004 shall include a bid scenario that reflects
24 the statewide rating structure provided in calendar year 2003 and a bid scenario that
25 allows for a regional rating structure that allows carriers to submit bids that may
26 vary by region for a given product offering as described in this subsection:~~
- 27 ~~(a) The regional rating bid scenario shall not include a request for bid on a statewide~~

1 option;

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

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

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

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

16 ~~(21)~~ 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 which provides
18 coverage for services rendered by a physician or osteopath duly licensed under KRS
19 Chapter 311 that are within the scope of practice of an optometrist duly licensed
20 under the provisions of KRS Chapter 320 shall provide the same payment of
21 coverage to optometrists as allowed for those services rendered by physicians or
22 osteopaths.

23 ~~(18)~~~~(22)~~ Any fully insured health benefit plan or self-insured plan issued or renewed on
24 or after July 12, 2006, to public employees pursuant to this section shall comply
25 with the provisions of KRS 304.17A-270 and 304.17A-525.

26 ~~(19)~~~~(23)~~ Any fully insured health benefit plan or self-insured plan issued or renewed
27 on or after July 12, 2006, to public employees shall comply with KRS 304.17A-600

1 to 304.17A-633 pertaining to utilization review, KRS 205.593 and 304.17A-700 to
2 304.17A-730 pertaining to payment of claims, KRS 304.14-135 pertaining to
3 uniform health insurance claim forms, KRS 304.17A-580 and 304.17A-641
4 pertaining to emergency medical care, KRS 304.99-123, and any administrative
5 regulations promulgated thereunder.

6 ~~(20)~~~~(24)~~ Any fully insured health benefit plan or self-insured plan issued or renewed on
7 or after July 1, 2019, to public employees pursuant to this section shall comply with
8 KRS 304.17A-138.

9 ➔Section 2. KRS 18A.2254 is amended to read as follows:

10 (1) Based on the recommendation of the secretary of the Personnel Cabinet, the
11 secretary of the Finance and Administration Cabinet, in lieu of contracting with one
12 (1) or more insurers licensed to do business in this state, shall procure, in
13 compliance with KRS 45A.080, 45A.085, and 45A.090, and reviewed by the
14 Government Contract Review Committee pursuant to KRS 45A.705, a contract
15 with one (1) or more third-party administrators licensed to do business in the
16 Commonwealth pursuant to KRS 304.9-052 to administer a self-insured plan
17 offered to the Public Employee Health Insurance Program for public employees.
18 The requirements for the self-insured plan shall be as follows:

19 (a) 1. The secretary of the Personnel Cabinet shall incorporate by reference in
20 an administrative regulation, pursuant to KRS 13A.2251, the plan year
21 handbook distributed by the Department of Employee Insurance in the
22 Personnel Cabinet to public employees covered under the self-insured
23 plan. The plan year handbook shall contain, at a minimum, the
24 premiums, employee contributions, employer contributions, and a
25 summary of benefits, copays, coinsurance, and deductibles for each plan
26 provided to public employees covered under the self-insured plan;

27 2. Notwithstanding any other provision of KRS Chapter 18A to the

- 1 contrary, the administrative regulation shall not be subject to review by
2 the Personnel Board prior to filing the administrative regulation with the
3 Legislative Research Commission; and
- 4 3. The secretary of the Personnel Cabinet shall file the administrative
5 regulation for the self-insured plan with the Legislative Research
6 Commission on or before September 15 of the year before each new
7 plan year begins;
- 8 (b) The self-insured plan offered by the program shall cover hospice care at least
9 equal to the Medicare benefit;
- 10 (c) The Personnel Cabinet shall provide written notice of any formulary change to
11 employees covered under the self-insured plan who are directly impacted by
12 the formulary change and to the Kentucky Group Health Insurance Board
13 fifteen (15) days before implementation of any formulary change. If, after
14 consulting with his or her physician, the employee still disagrees with the
15 formulary change, the employee shall have the right to appeal the change. The
16 employee shall have sixty (60) days from the date of the notice of the
17 formulary change to file an appeal with the Personnel Cabinet. The cabinet
18 shall render a decision within thirty (30) days from the receipt of the request
19 for an appeal. After a final decision is rendered by the Personnel Cabinet, the
20 employee shall have a right to file an appeal pursuant to the utilization review
21 statutes in KRS 304.17A-600 to 304.17A-633. During the appeal process, the
22 employee shall have the right to continue to take any drug prescribed by his or
23 her physician that is the subject of the formulary changes;
- 24 (d) The Personnel Cabinet shall develop the necessary capabilities to ensure that
25 an independent review of each formulary change is conducted and includes
26 but is not limited to an evaluation of the fiscal impact and therapeutic benefit
27 of the formulary change. The independent review shall be conducted by

1 knowledgeable medical professionals and the results of the independent
2 review shall be posted on the Web sites of the Personnel Cabinet and the
3 Cabinet for Health and Family Services and made available to the public upon
4 request within thirty (30) days of the notice from the Personnel Cabinet
5 required in paragraph (c) of this subsection;

6 (e) If the self-insured plan restricts pharmacy benefits to a drug formulary, the
7 plan shall comply with and have an exceptions policy in accordance with KRS
8 304.17A-535;

9 (f) Premiums for all plans offered by the Public Employee Health Insurance
10 Program to employees shall be based on the experience of the entire group;
11 and

12 (g) The plan year for the Public Employee Health Insurance Program, whether for
13 fully insured or self-insured benefits, shall be on a calendar year basis.

14 (2) (a) 1. In addition to any fully insured health benefit plans or self-insured plans,
15 beginning January 1, 2015, the Personnel Cabinet shall offer a health
16 reimbursement account or health flexible spending account for public
17 employees insured under the Public Employee Health Insurance
18 Program.

19 2. The Personnel Cabinet may offer a health savings account in
20 conjunction with a high deductible health plan option as defined by 26
21 U.S.C. sec. 223(c)(2) or as an optional account to which the Personnel
22 Cabinet may deposit funds of an employee who waives coverage in
23 accordance with paragraph (b) of this subsection, provided the employee
24 who waives coverage is eligible to contribute to a health savings
25 account.

26 (b) If a public employee waives coverage provided by his or her employer under
27 the Public Employee Health Insurance Program, the employer shall forward a

1 monthly amount to be determined by the secretary of the Personnel Cabinet
2 for that employee as an employer contribution to an employee's~~the~~ health
3 reimbursement account, health savings account, or health flexible spending
4 account, but not less than one hundred seventy-five dollars (\$175) per month,
5 subject to any conditions or limitations imposed by the secretary to comply
6 with applicable federal law. The type of account available for waiver funding
7 during a plan year shall be at the discretion of the Personnel Cabinet.

8 (c) The administrative fees associated with the employee's health savings account,
9 health reimbursement account, or health flexible spending account shall be an
10 authorized expense to be charged to the public employee health insurance trust
11 fund.

12 (3) (a) The public employee health insurance trust fund is established in the
13 Personnel Cabinet. The purpose of the public employee health insurance trust
14 fund is to provide funds to pay medical claims and other costs associated with
15 the administration of the Public Employee Health Insurance Program self-
16 insured plan under a competitively bid contract as provided by KRS Chapter
17 45A and reviewed by the Government Contract Review Committee pursuant
18 to KRS 45A.705. Unless authorized by the General Assembly, the trust fund
19 shall not utilize funds for any other purpose ~~and the trust fund receipts from~~
20 ~~prior plan years shall not be used to pay claims and expenses for current or~~
21 ~~subsequent plan years, except as provided by paragraph (b) of this subsection].~~

22 (b) In the event there is a surplus in the trust fund at the end of a plan year, the
23 trust fund shall retain, as a solvency reserve, a minimum of ten percent
24 (10%) of incurred medical and pharmacy claims for the plan year or the
25 entire surplus, whichever is less. The solvency reserve shall not include
26 health reimbursement arrangement or flexible spending account balances
27 retained by the trust fund for the reimbursement of medical expenses.

1 *Funds in the solvency reserve shall only be used for the purposes identified*
2 *in paragraph (a) of this subsection*~~[of a projected deficit in the trust fund~~
3 ~~balance of a prior plan year, the secretary of the Finance and Administration~~
4 ~~Cabinet may declare an emergency and transfer up to twenty five percent~~
5 ~~(25%) of another prior plan year's balance to that plan year, provided the~~
6 ~~Governor, all members of the General Assembly, and Legislative Research~~
7 ~~Commission are notified at least thirty (30) days prior to the transfer. The~~
8 ~~Legislative Research Commission shall refer the notice to appropriate~~
9 ~~committees of jurisdiction for their review].~~

10 (c) The following moneys shall be directly deposited into the trust fund:

- 11 1. Employer and employee premiums collected under the self-insured plan;
- 12 2. Interest and investment returns earned by the self-insured plan;
- 13 3. Rebates and refunds attributed to the self-insured plan; and
- 14 4. All other receipts attributed to the self-insured plan.

15 (d) Any balance remaining in the public employee health insurance trust fund at
16 the end of a fiscal year shall not lapse. Any balance remaining at the end of a
17 fiscal year shall be carried forward to the next fiscal year and be used solely
18 for the purpose established in paragraphs (a) and (b) of this subsection. The
19 balance of funds in the public employee health insurance trust fund shall be
20 invested by the Office of Financial Management consistent with the
21 provisions of KRS Chapter 42, and interest income shall be credited to the
22 trust fund. Any balance for a specific plan year and any subsequent interest
23 income for that specific plan year shall be accounted for separately.

24 (e) The Auditor of Public Accounts shall be responsible for a financial audit of
25 the books and records of the trust fund. The audit shall be conducted in
26 accordance with generally accepted accounting principles and shall be
27 completed within ninety (90) days of the close of the fiscal year. All audit

1 reports shall be filed with the Governor, the President of the Senate, the
2 Speaker of the House of Representatives, and the secretary of the Personnel
3 Cabinet.

4 (f) The secretary of the Personnel Cabinet shall file a quarterly report on the
5 status of the trust fund with the Governor, the Interim Joint Committee on
6 Appropriations and Revenue, *and* the Kentucky Group Health Insurance
7 Board~~], and the Advisory Committee of State Health Insurance Subscribers].~~
8 The first status report shall be submitted no later than July 30, 2006, and
9 subsequent reports shall be submitted no later than sixty (60) days following
10 the end of each calendar quarter. The report shall include the following:

- 11 1. The current balance of the trust fund and the amount of the balance
12 associated with each plan year;
- 13 2. A detailed description of all income to the trust fund since the last
14 report;
- 15 3. A detailed description of any receipts due to the trust fund;
- 16 4. A total amount of payments made for medical and pharmacy claims
17 from the trust fund by plan year;
- 18 5. A detailed description of all payments made to the third-party
19 administrator of the self-insured plan by the trust fund;
- 20 6. Current enrollment data, including monthly enrollment since the last
21 report, of the Public Employee Health Insurance Program self-insured
22 plan;
- 23 7. Any other information the secretary may include;
- 24 8. Any other information requested by the Interim Joint Committee on
25 Appropriations and Revenue concerning the operation of the Public
26 Employee Health Insurance Program self-funded plan or the trust fund;
27 and

- 1 9. In addition to the information required under subparagraphs 1. to 8. of
2 this paragraph, the quarterly report filed in July and January shall also
3 include the following:
- 4 a. A projection of the medical claims incurred but not yet reported
5 that are considered liabilities to the trust fund;
 - 6 b. A statement of any other trust fund liabilities;
 - 7 c. A detailed calculation outlining proposed premium rates for the
8 next plan year, including base claims, trend assumptions,
9 administrative fees, and any proposed plan or benefit changes;
 - 10 d. A detailed description of the current in-state and out-of-state
11 networks provided under the plan, any changes to the networks
12 since the last report, and any proposed changes to the in-state or
13 out-of-state networks during the next six (6) months; and
 - 14 e. Specific data regarding the third-party administrator's performance
15 under the contract. The data shall include the following:
 - 16 i. Any results or outcomes of disease management and
17 wellness programs;
 - 18 ii. Results of case management audits and educational and
19 communication efforts; and
 - 20 iii. Comparison of actual measurable results to contract
21 performance guarantees.

22 ➔Section 3. KRS 18A.226 is amended to read as follows:

- 23 (1) To provide quality, affordable health insurance coverage so that the Commonwealth
24 can attract and retain able and dedicated public employees, and to facilitate the need
25 for comprehensive and efficient planning, implementation, and administration of a
26 state employee health insurance program in order to meet this goal, the Kentucky
27 Group Health Insurance Board is created. The board shall be attached to the

1 Personnel Cabinet for administrative purposes only. The board shall consist of
2 **fifteen (15)**~~[thirteen (13)]~~ members as follows:

3 (a) The secretary of the Finance and Administration Cabinet;

4 (b) The secretary of the Personnel Cabinet;

5 (c) The state budget director;

6 (d) The commissioner of education;

7 (e)~~—The chair of the Advisory Committee of State Health Insurance Subscribers;~~

8 (f)~~]~~ The commissioner of insurance, ex officio;

9 (g)~~(h)~~ The Auditor of Public Accounts, ex officio;

10 (h)~~(i)~~ The Director of the Administrative Office of the Courts, or his designee;

11 (i)~~(j)~~ One (1) retired state employee appointed by the Kentucky Retirement
12 Systems **and one (1) employee of the Kentucky Retirement Systems**, who
13 shall **each** serve **a**~~[an initial]~~ term of **two (2) years**~~[one (1) year]~~;

14 (j)~~(k)~~ One (1) retired teacher appointed by the Teachers' Retirement System
15 **and one (1) employee of the Teachers' Retirement System**, who shall **each**
16 serve **a**~~[an initial]~~ term of two (2) years;

17 (k)~~(l)~~ One (1) active teacher appointed by the organization with the largest
18 number of teacher members on payroll deduction, who shall serve **a**~~[an initial]~~
19 term of one (1) year;

20 (l)~~(m)~~ One (1) active state employee appointed by the organization with the
21 largest number of state employee members on payroll deduction, who shall
22 serve **a**~~[an initial]~~ term of two (2) years;~~—and]~~

23 (m)~~(n)~~ One (1) active classified education support employee appointed by the
24 organization with the largest number of classified education support employee
25 members on payroll deduction, who shall serve **a**~~[an initial]~~ term of one (1)
26 year; **and**

27 **(n) One (1) representative, who shall serve a term of one (1) year, of a quasi-**

1 governmental agency that:

2 1. Has twenty (20) or more employees; and

3 2. Participates in the public employee health insurance program.

4 ~~[As each appointed member's term expires, the vacancy created shall be filled by the~~
 5 ~~appointing authority for that position for a term of two (2) years.]~~ An appointment
 6 to fill an unexpired term of an appointed member shall be made by the designated
 7 appointing authority for the remainder of the term. Appointed terms shall begin
 8 effective January~~[October]~~ 1.

9 (2) The members of the board shall elect from among its members a chair and a vice
 10 chair.

11 (3) Regular meetings of the board shall be held at least once every month at a place,
 12 day, and time determined by the board. Special meetings of the board shall be held
 13 when needed as determined by the chair. If eight (8)~~[seven (7)]~~ or more members of
 14 the board request in writing that the chair call a special meeting, the chair shall call
 15 a special meeting. The meetings shall operate in accordance with the provisions of
 16 the Open Meetings Law under KRS 61.805 to 61.850.

17 (4) Members of the board shall receive reimbursement for necessary expenses for
 18 attendance at official board meetings or public hearings.

19 (5) The Kentucky Group Health Insurance Board shall:

20 (a) Engage in analyses and research to identify the factors and parameters that
 21 affect the state group health insurance program;

22 (b) Upon request, develop and transmit~~[, by October 1 of each year beginning~~
 23 ~~October 1, 2001,]~~ to the Governor, the General Assembly, or~~[and]~~ the Chief
 24 Justice of the Supreme Court, any of the following:

25 1. Policy recommendations regarding benefit options and management of
 26 the state group health insurance program;~~[and~~

27 ~~(c) Provide in the first report, due by October 1, 2001, the following:]~~

- 1 ~~2.~~~~[1.]~~ Analysis and discussion of methods used by all other states to provide
- 2 health insurance benefits to their state group;~~[and]~~
- 3 ~~3.~~~~[2.]~~ Analysis and discussion of the cost, enrollment, claims, and utilization
- 4 data for ~~the~~~~[calendar year 2000 on the Kentucky]~~ state group health
- 5 insurance program; ~~or~~~~[and]~~
- 6 ~~4.~~~~[3.]~~ Recommendations including but not limited to appropriate structures for
- 7 the state contribution rate which shall include recommendations on
- 8 increasing the state contribution to provide support for dependent
- 9 coverage, possible methods to mitigate adverse selection, competitive
- 10 plan designs by type and benefit options, the feasibility of a state self-
- 11 insurance plan, and strategies for evaluating third-party administrators
- 12 and vendors.

13 ➔ Section 4. The following KRS section is repealed:

14 18A.2255 Health benefit plans and other information to be submitted to Advisory

15 Committee of State Health Insurers -- Approval or recommendations for changes --

16 Committee to advise on options, bids, administration, and drug formulary -- Written

17 report or testimony.