

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 **Public Pensions Authority**~~Retirement Systems~~, County Employees  
14 Retirement System, 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 pursuant to KRS 61.522 whose  
22 employees participated in the health insurance plans administered by the  
23 Personnel Cabinet prior to the employer's effective cessation date in the  
24 Kentucky Employees Retirement System, **except that no employer that**  
25 **ceases participation in the health insurance plan pursuant to this**  
26 **provision shall be eligible to participate in the health insurance plan**  
27 **in the future;**

- 1           2. Any certified or classified employee of a local board of education;
- 2           3. Any elected member of a local board of education;
- 3           4. Any person who is a present or future recipient of a retirement
- 4 allowance from the Kentucky *Public Pensions Authority*~~[Retirement~~
- 5 ~~Systems]~~, County Employees Retirement System, Kentucky Teachers'
- 6 Retirement System, the Legislators' Retirement Plan, the Judicial
- 7 Retirement Plan, or the Kentucky Community and Technical College
- 8 System's optional retirement plan authorized by KRS 161.567, except
- 9 that a person who is receiving a retirement allowance and who is age
- 10 sixty-five (65) or older shall not be included, with the exception of
- 11 persons covered under KRS 61.702(4)(c), unless he or she is actively
- 12 employed pursuant to subparagraph 1. of this paragraph; and
- 13           5. Any eligible dependents and beneficiaries of participating employees
- 14 and retirees who are entitled to participate in the state-sponsored health
- 15 insurance program;
- 16           (b) The term "health benefit plan" for the purposes of this section means a health
- 17 benefit plan as defined in KRS 304.17A-005;
- 18           (c) The term "insurer" for the purposes of this section means an insurer as defined
- 19 in KRS 304.17A-005; and
- 20           (d) The term "managed care plan" for the purposes of this section means a
- 21 managed care plan as defined in KRS 304.17A-500.
- 22 (2) (a) The secretary of the Finance and Administration Cabinet, upon the
- 23 recommendation of the secretary of the Personnel Cabinet, shall procure, in
- 24 compliance with the provisions of KRS 45A.080, 45A.085, and 45A.090,
- 25 from one (1) or more insurers authorized to do business in this state, a group
- 26 health benefit plan that may include but not be limited to health maintenance
- 27 organization (HMO), preferred provider organization (PPO), point of service

1 (POS), and exclusive provider organization (EPO) benefit plans encompassing  
2 all or any class or classes of employees. With the exception of employers  
3 governed by the provisions of KRS Chapters 16, 18A, and 151B, all  
4 employers of any class of employees or former employees shall enter into a  
5 contract with the Personnel Cabinet prior to including that group in the state  
6 health insurance group. The contracts shall include but not be limited to  
7 designating the entity responsible for filing any federal forms, adoption of  
8 policies required for proper plan administration, acceptance of the contractual  
9 provisions with health insurance carriers or third-party administrators,  
10 *requiring minimal participation duration, participation in all benefits*  
11 *administered by the Personnel Cabinet pursuant to KRS 18A.205 through*  
12 *KRS 18A.2287,* and adoption of the payment and reimbursement methods  
13 necessary for efficient administration of the health insurance program. Health  
14 insurance coverage provided to state employees under this section ~~shall, at a~~  
15 ~~minimum, contain the same benefits as provided under Kentucky Kare~~  
16 ~~Standard as of January 1, 1994, and~~ shall include a mail-order drug option as  
17 provided in subsection (12)~~(13)~~ of this section. All employees and other  
18 persons for whom the health care coverage is provided or made available shall  
19 annually be given an option to elect health care coverage through a self-  
20 funded plan offered by the Commonwealth or, if a self-funded plan is not  
21 available, from a list of coverage options determined by the competitive bid  
22 process under the provisions of KRS 45A.080, 45A.085, and 45A.090 and  
23 made available during annual open enrollment.

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

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

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

8 (d) Any carrier bidding to offer health care coverage to employees shall agree to  
9 provide enrollment, claims, and utilization data to the Commonwealth in a  
10 format specified by the Personnel Cabinet with the understanding that the data  
11 shall be owned by the Commonwealth; to provide data in an electronic form  
12 and within a time frame specified by the Personnel Cabinet; and to be subject  
13 to penalties for noncompliance with data reporting requirements as specified  
14 by the Personnel Cabinet. The Personnel Cabinet shall take strict precautions  
15 to protect the confidentiality of each individual employee; however,  
16 confidentiality assertions shall not relieve a carrier from the requirement of  
17 providing stipulated data to the Commonwealth.

18 (e) The Personnel Cabinet shall develop the necessary techniques and capabilities  
19 for timely analysis of data received from carriers and, to the extent possible,  
20 provide in the request-for-proposal specifics relating to data requirements,  
21 electronic reporting, and penalties for noncompliance. The Commonwealth  
22 shall own the enrollment, claims, and utilization data provided by each carrier  
23 and shall develop methods to protect the confidentiality of the individual. The  
24 Personnel Cabinet shall include in the ~~October~~ annual report submitted  
25 pursuant to the provisions of KRS 18A.226 to the Governor, the General  
26 Assembly, or ~~and~~ the Chief Justice of the Supreme Court, an analysis of the  
27 financial stability of the program, which shall include but not be limited to

1 loss ratios, methods of risk adjustment, measurements of carrier quality of  
2 service, prescription coverage and cost management, and statutorily required  
3 mandates. If state self-insurance was available as a carrier option, the report  
4 also shall provide a detailed financial analysis of the self-insurance fund  
5 including but not limited to loss ratios, reserves, and reinsurance agreements.

6 (f) If any agency participating in the state-sponsored employee health insurance  
7 program for its active employees terminates participation and there is a state  
8 appropriation for the employer's contribution for active employees' health  
9 insurance coverage, then neither the agency nor the employees shall receive  
10 the state-funded contribution after termination from the state-sponsored  
11 employee health insurance program.

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

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

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

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

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

26 (c) Partly from each, except that any premium due for health care coverage,  
27 vision coverage, or dental coverage, if any, in excess of the premium amount

1            contributed by any department, board, agency, postsecondary education  
2            institution, or branch of state, city, urban-county, charter county, county, or  
3            consolidated local government for any other health care coverage shall be paid  
4            by the employee.

5 (4) If an employee moves his or her place of residence or employment out of the service  
6            area of an insurer offering a managed health care plan, under which he or she has  
7            elected coverage, into either the service area of another managed health care plan or  
8            into an area of the Commonwealth not within a managed health care plan service  
9            area, the employee shall be given an option, at the time of the move or transfer, to  
10           change his or her coverage to another health benefit plan.

11 (5) No payment of premium by any department, board, agency, public postsecondary  
12            educational institution, or branch of state, city, urban-county, charter county,  
13            county, or consolidated local government shall constitute compensation to an  
14            insured employee for the purposes of any statute fixing or limiting the  
15            compensation of such an employee. Any premium or other expense incurred by any  
16            department, board, agency, public postsecondary educational institution, or branch  
17            of state, city, urban-county, charter county, county, or consolidated local  
18            government shall be considered a proper cost of administration.

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

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

27 (8) The health care contract or contracts for employees shall be entered into for a period

1 of not less than one (1) year.

2 (9) ~~{The secretary shall appoint thirty two (32) persons to an Advisory Committee of~~  
3 ~~State Health Insurance Subscribers to advise the secretary or the secretary's designee~~  
4 ~~regarding the state sponsored health insurance program for employees. The~~  
5 ~~secretary shall appoint, from a list of names submitted by appointing authorities,~~  
6 ~~members representing school districts from each of the seven (7) Supreme Court~~  
7 ~~districts, members representing state government from each of the seven (7)~~  
8 ~~Supreme Court districts, two (2) members representing retirees under age sixty five~~  
9 ~~(65), one (1) member representing local health departments, two (2) members~~  
10 ~~representing the Kentucky Teachers' Retirement System, and three (3) members at~~  
11 ~~large. The secretary shall also appoint two (2) members from a list of five (5) names~~  
12 ~~submitted by the Kentucky Education Association, two (2) members from a list of~~  
13 ~~five (5) names submitted by the largest state employee organization of nonschool~~  
14 ~~state employees, two (2) members from a list of five (5) names submitted by the~~  
15 ~~Kentucky Association of Counties, two (2) members from a list of five (5) names~~  
16 ~~submitted by the Kentucky League of Cities, and two (2) members from a list of~~  
17 ~~names consisting of five (5) names submitted by each state employee organization~~  
18 ~~that has two thousand (2,000) or more members on state payroll deduction. The~~  
19 ~~advisory committee shall be appointed in January of each year and shall meet~~  
20 ~~quarterly.~~

21 ~~(10) {~~Notwithstanding any other provision of law to the contrary, the policy or policies  
22 provided to employees pursuant to this section shall not provide coverage for  
23 obtaining or performing an abortion, nor shall any state funds be used for the  
24 purpose of obtaining or performing an abortion on behalf of employees or their  
25 dependents.

26 (10)~~{(11)}~~ Interruption of an established treatment regime with maintenance drugs shall  
27 be grounds for an insured to appeal a formulary change through the established

1 appeal procedures approved by the Department of Insurance, if the physician  
2 supervising the treatment certifies that the change is not in the best interests of the  
3 patient.

4 ~~(11)~~~~(12)~~ Any employee who is eligible for and elects to participate in the state health  
5 insurance program as a retiree, or the spouse or beneficiary of a retiree, under any  
6 one (1) of the state-sponsored retirement systems shall not be eligible to receive the  
7 state health insurance contribution toward health care coverage as a result of any  
8 other employment for which there is a public employer contribution. This does not  
9 preclude a retiree and an active employee spouse from using both contributions to  
10 the extent needed for purchase of one (1) state sponsored health insurance policy for  
11 that plan year.

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

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

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

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

26 (14) The policy or policies provided to state employees or their dependents pursuant to  
27 this section shall provide coverage for obtaining a hearing aid and acquiring hearing



1 aid-related services for insured individuals~~[ under eighteen (18) years of age],~~  
2 subject to a limit~~[cap]~~ of one (1) hearing aid per each hearing-impaired  
3 ear~~[thousand four hundred dollars (\$1,400)]~~ every thirty-six (36) months pursuant  
4 to KRS 304.17A-132.

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

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

11 ~~(17) If a state employee's residence and place of employment are in the same county,~~  
12 ~~and if the hospital located within that county does not offer surgical services,~~  
13 ~~intensive care services, obstetrical services, level II neonatal services, diagnostic~~  
14 ~~cardiac catheterization services, and magnetic resonance imaging services, the~~  
15 ~~employee may select a plan available in a contiguous county 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 ~~(18) If a state employee's residence and place of employment are each located in counties~~  
19 ~~in which the hospitals do not offer surgical services, intensive care services,~~  
20 ~~obstetrical services, level II neonatal services, diagnostic cardiac catheterization~~  
21 ~~services, and magnetic resonance imaging services, the employee may select a plan~~  
22 ~~available in a county contiguous to the county of residence that does provide those~~  
23 ~~services, and the state contribution for the plan shall be the amount available in the~~  
24 ~~county where the plan selected is located.~~

25 ~~(19) The Personnel Cabinet is encouraged to study whether it is fair and reasonable and~~  
26 ~~in the best interests of the state group to allow any carrier bidding to offer health~~  
27 ~~care coverage under this section to submit bids that may vary county by county or~~

1       by larger geographic areas.

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

7       ~~(a) The regional rating bid scenario shall not include a request for bid on a~~  
8       ~~statewide option;~~

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

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

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

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

23       ~~(21) Any fully insured health benefit plan or self-insured plan issued or renewed on or~~  
24       ~~after July 12, 2006, to public employees pursuant to this section which provides~~  
25       ~~coverage for services rendered by a physician or osteopath duly licensed under KRS~~  
26       ~~Chapter 311 that are within the scope of practice of an optometrist duly licensed~~  
27       ~~under the provisions of KRS Chapter 320 shall provide the same payment of~~

1 coverage to optometrists as allowed for those services rendered by physicians or  
2 osteopaths.

3 ~~(18)~~~~(22)~~ Any fully insured health benefit plan or self-insured plan issued or renewed on  
4 or after June 29, 2021, to public employees pursuant to this section shall comply  
5 with:

- 6 (a) KRS 304.12-237;
- 7 (b) KRS 304.17A-270 and 304.17A-525;
- 8 (c) KRS 304.17A-600 to 304.17A-633;
- 9 (d) KRS 205.593;
- 10 (e) KRS 304.17A-700 to 304.17A-730;
- 11 (f) KRS 304.14-135;
- 12 (g) KRS 304.17A-580 and 304.17A-641;
- 13 (h) KRS 304.99-123;
- 14 (i) KRS 304.17A-138; and
- 15 (j) Administrative regulations promulgated pursuant to statutes listed in this  
16 subsection.

17 ~~(19)~~~~(23)~~ Any fully insured health benefit plan or self-insured plan issued or renewed on  
18 or after January 1, 2022, to public employees pursuant to this section shall comply  
19 with KRS 304.17A-148.

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

- 21 (1) Based on the recommendation of the secretary of the Personnel Cabinet, the  
22 secretary of the Finance and Administration Cabinet, in lieu of contracting with one  
23 (1) or more insurers licensed to do business in this state, shall procure, in  
24 compliance with KRS 45A.080, 45A.085, and 45A.090, and reviewed by the  
25 Government Contract Review Committee pursuant to KRS 45A.705, a contract  
26 with one (1) or more third-party administrators licensed to do business in the  
27 Commonwealth pursuant to KRS 304.9-052 to administer a self-insured plan

1 offered to the Public Employee Health Insurance Program for public employees.

2 The requirements for the self-insured plan shall be as follows:

- 3 (a) 1. The secretary of the Personnel Cabinet shall incorporate by reference in  
4 an administrative regulation, pursuant to KRS 13A.2251, the plan year  
5 handbook distributed by the Department of Employee Insurance in the  
6 Personnel Cabinet to public employees covered under the self-insured  
7 plan. The plan year handbook shall contain, at a minimum, the  
8 premiums, employee contributions, employer contributions, and a  
9 summary of benefits, copays, coinsurance, and deductibles for each plan  
10 provided to public employees covered under the self-insured plan;
- 11 2. Notwithstanding any other provision of KRS Chapter 18A to the  
12 contrary, the administrative regulation shall not be subject to review by  
13 the Personnel Board prior to filing the administrative regulation with the  
14 Legislative Research Commission; and
- 15 3. The secretary of the Personnel Cabinet shall file the administrative  
16 regulation for the self-insured plan with the Legislative Research  
17 Commission on or before September 15 of the year before each new  
18 plan year begins;
- 19 (b) The self-insured plan offered by the program shall cover hospice care at least  
20 equal to the Medicare benefit;
- 21 (c) The Personnel Cabinet shall provide written notice of any formulary change to  
22 employees covered under the self-insured plan who are directly impacted by  
23 the formulary change and to the Kentucky Group Health Insurance Board  
24 fifteen (15) days before implementation of any formulary change. If, after  
25 consulting with his or her physician, the employee still disagrees with the  
26 formulary change, the employee shall have the right to appeal the change. The  
27 employee shall have sixty (60) days from the date of the notice of the

1           formulary change to file an appeal with the Personnel Cabinet. The cabinet  
2           shall render a decision within thirty (30) days from the receipt of the request  
3           for an appeal. After a final decision is rendered by the Personnel Cabinet, the  
4           employee shall have a right to file an appeal pursuant to the utilization review  
5           statutes in KRS 304.17A-600 to 304.17A-633. During the appeal process, the  
6           employee shall have the right to continue to take any drug prescribed by his or  
7           her physician that is the subject of the formulary changes;

8           (d) The Personnel Cabinet shall develop the necessary capabilities to ensure that  
9           an independent review of each formulary change is conducted and includes  
10          but is not limited to an evaluation of the fiscal impact and therapeutic benefit  
11          of the formulary change. The independent review shall be conducted by  
12          knowledgeable medical professionals and the results of the independent  
13          review shall be posted on the Web sites of the Personnel Cabinet ~~and the~~  
14          ~~Cabinet for Health and Family Services~~ and made available to the public  
15          upon request within thirty (30) days of the notice from the Personnel Cabinet  
16          required in paragraph (c) of this subsection;

17          (e) If the self-insured plan restricts pharmacy benefits to a drug formulary, the  
18          plan shall comply with and have an exceptions policy in accordance with KRS  
19          304.17A-535;

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

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

25       (2) (a) 1. In addition to any fully insured health benefit plans or self-insured plans,  
26               beginning January 1, 2015, the Personnel Cabinet shall offer a health  
27               reimbursement account or health flexible spending account for public

1 employees insured under the Public Employee Health Insurance  
2 Program.

3 2. The Personnel Cabinet may offer a health savings account in  
4 conjunction with a high deductible health plan option as defined by 26  
5 U.S.C. sec. 223(c)(2) or as an optional account to which the Personnel  
6 Cabinet may deposit funds of an employee who waives coverage in  
7 accordance with paragraph (b) of this subsection, provided the employee  
8 who waives coverage is eligible to contribute to a health savings  
9 account.

10 (b) If a public employee waives coverage provided by his or her employer under  
11 the Public Employee Health Insurance Program, the employer shall forward a  
12 monthly amount to be determined by the secretary of the Personnel Cabinet  
13 for that employee as an employer contribution to an employee's~~the~~ health  
14 reimbursement account, health savings account, or health flexible spending  
15 account, but not less than one hundred seventy-five dollars (\$175) per month,  
16 subject to any conditions or limitations imposed by the secretary to comply  
17 with applicable federal law. The type of account available for waiver funding  
18 during a plan year shall be at the discretion of the Personnel Cabinet.

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

23 (3) (a) The public employee health insurance trust fund is established in the  
24 Personnel Cabinet. The purpose of the public employee health insurance trust  
25 fund is to provide funds to pay medical claims and other costs associated with  
26 the administration of the Public Employee Health Insurance Program self-  
27 insured plan under a competitively bid contract as provided by KRS Chapter

1 45A and reviewed by the Government Contract Review Committee pursuant  
 2 to KRS 45A.705. Unless authorized by the General Assembly, the trust fund  
 3 shall not utilize funds for any other purpose~~[ and the trust fund receipts from~~  
 4 ~~prior plan years shall not be used to pay claims and expenses for current or~~  
 5 ~~subsequent plan years, except as provided by paragraph (b) of this subsection].~~

6 (b) In the event **there is a surplus in the trust fund at the end of a plan year, the**  
 7 **trust fund shall retain, as a solvency reserve, a minimum of ten percent**  
 8 **(10%) of incurred medical and pharmacy claims for the plan year or the**  
 9 **entire surplus, whichever is less. The solvency reserve shall not include**  
 10 **health reimbursement arrangement or flexible spending account balances**  
 11 **retained by the trust fund for the reimbursement of medical expenses.**  
 12 **Funds in the solvency reserve shall only be used for the purposes identified**  
 13 **in paragraph (a) of this subsection**~~[of a projected deficit in the trust fund~~  
 14 ~~balance of a prior plan year, the secretary of the Finance and Administration~~  
 15 ~~Cabinet may declare an emergency and transfer up to twenty five percent~~  
 16 ~~(25%) of another prior plan year's balance to that plan year, provided the~~  
 17 ~~Governor, all members of the General Assembly, and Legislative Research~~  
 18 ~~Commission are notified at least thirty (30) days prior to the transfer. The~~  
 19 ~~Legislative Research Commission shall refer the notice to appropriate~~  
 20 ~~committees of jurisdiction for their review].~~

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

- 22 1. Employer and employee premiums collected under the self-insured plan;
- 23 2. Interest and investment returns earned by the self-insured plan;
- 24 3. Rebates and refunds attributed to the self-insured plan; and
- 25 4. All other receipts attributed to the self-insured plan.

26 (d) Any balance remaining in the public employee health insurance trust fund at  
 27 the end of a fiscal year shall not lapse. Any balance remaining at the end of a

1 fiscal year shall be carried forward to the next fiscal year and be used solely  
2 for the purpose established in paragraph (a)~~[paragraphs (a) and (b)]~~ of this  
3 subsection. The balance of funds in the public employee health insurance trust  
4 fund shall be invested by the Office of Financial Management consistent with  
5 the provisions of KRS Chapter 42, and interest income shall be credited to the  
6 trust fund. Any balance for a specific plan year and any subsequent interest  
7 income for that specific plan year shall be accounted for separately.

8 (e) The Auditor of Public Accounts shall be responsible for a financial audit of  
9 the books and records of the trust fund. The audit shall be conducted in  
10 accordance with generally accepted accounting principles and shall be  
11 completed within ninety (90) days of the close of the fiscal year. All audit  
12 reports shall be filed with the Governor, the President of the Senate, the  
13 Speaker of the House of Representatives, and the secretary of the Personnel  
14 Cabinet.

15 (f) The secretary of the Personnel Cabinet shall, upon request, send~~[file]~~ a  
16 quarterly report on the status of the trust fund to~~[with]~~ the Governor, the  
17 Interim Joint Committee on Appropriations and Revenue, or the Kentucky  
18 Group Health Insurance Board~~[, and the Advisory Committee of State Health~~  
19 ~~Insurance Subscribers]~~. The quarterly~~[first status report shall be submitted no~~  
20 ~~later than July 30, 2006, and subsequent]~~ reports shall be available~~[submitted]~~  
21 no later than sixty (60) days following the end of each calendar quarter. The  
22 report shall include the following:

- 23 1. The current balance of the trust fund and the amount of the balance  
24 associated with each plan year;
- 25 2. A detailed description of all income to the trust fund since the last  
26 report;
- 27 3. A detailed description of any receipts due to the trust fund;



- 1           4. A total amount of payments made for medical and pharmacy claims  
2           from the trust fund by plan year;
- 3           5. A detailed description of all payments made to the third-party  
4           administrator of the self-insured plan by the trust fund;
- 5           6. Current enrollment data, including monthly enrollment since the last  
6           report, of the Public Employee Health Insurance Program self-insured  
7           plan;
- 8           7. Any other information the secretary may include;
- 9           8. Any other information requested by the Interim Joint Committee on  
10          Appropriations and Revenue concerning the operation of the Public  
11          Employee Health Insurance Program self-funded plan or the trust fund;  
12          and
- 13          9. In addition to the information required under subparagraphs 1. to 8. of  
14          this paragraph, the quarterly report filed **for quarters ending June 30**  
15          **and December 31**~~[in July and January]~~ shall also include the following:
- 16           a. A projection of the medical claims incurred but not yet reported  
17           that are considered liabilities to the trust fund;
- 18           b. A statement of any other trust fund liabilities;
- 19           c. A detailed calculation outlining proposed premium rates for the  
20           next plan year, including base claims, trend assumptions,  
21           administrative fees, and any proposed plan or benefit changes;
- 22           d. A detailed description of the current in-state and out-of-state  
23           networks provided under the plan, any changes to the networks  
24           since the last report, and any proposed changes to the in-state or  
25           out-of-state networks during the next six (6) months; and
- 26           e. Specific data regarding the third-party administrator's performance  
27           under the contract. The data shall include the following:

- 1 i. Any results or outcomes of disease management and  
 2 wellness programs;  
 3 ii. Results of case management audits and educational and  
 4 communication efforts; and  
 5 iii. Comparison of actual measurable results to contract  
 6 performance guarantees.

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

- 8 (1) To provide quality, affordable health insurance coverage so that the Commonwealth  
 9 can attract and retain able and dedicated public employees, and to facilitate the need  
 10 for comprehensive and efficient planning, implementation, and administration of a  
 11 state employee health insurance program in order to meet this goal, the Kentucky  
 12 Group Health Insurance Board is created. The board shall be attached to the  
 13 Personnel Cabinet for administrative purposes only. The board shall consist of  
 14 fifteen (15)~~thirteen (13)~~ members as follows:  
 15 (a) The secretary of the Finance and Administration Cabinet;  
 16 (b) The secretary of the Personnel Cabinet;  
 17 (c) The state budget director;  
 18 (d) The commissioner of education;  
 19 ~~(e) The chair of the Advisory Committee of State Health Insurance Subscribers;~~  
 20 ~~(f) —~~The commissioner of insurance, ex officio;  
 21 ~~(f)~~~~(g)~~ The Auditor of Public Accounts, ex officio;  
 22 ~~(g)~~~~(h)~~ The Director of the Administrative Office of the Courts, or his or her  
 23 designee;  
 24 ~~(h)~~~~(i)~~ One (1) retired state employee appointed by the Kentucky Public  
 25 Pensions Authority, and one (1) employee of the Kentucky Public Pensions  
 26 Authority~~Retirement Systems~~, who shall each serve a~~an initial~~ term of two  
 27 (2) years~~one (1) year~~;

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

4 ~~(j)(k)~~ One (1) active teacher appointed by the organization with the largest  
 5 number of teacher members on payroll deduction, who shall serve ~~a~~~~[an initial]~~  
 6 term of one (1) year;

7 ~~(k)(4)~~ One (1) active state employee appointed by the organization with the  
 8 largest number of state employee members on payroll deduction, who shall  
 9 serve ~~a~~~~[an initial]~~ term of two (2) years;~~and]~~

10 ~~(l)(m)~~ One (1) active classified education support employee appointed by the  
 11 organization with the largest number of classified education support employee  
 12 members on payroll deduction, who shall serve ~~a~~~~[an initial]~~ term of one (1)  
 13 year.; **and**

14 **(m) One (1) representative, who shall serve a term of one (1) year, of a quasi-**  
 15 **governmental agency that:**

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

17 **2. Participates in the public employee health insurance program.**

18 As each appointed member's term expires, the vacancy created shall be filled by the  
 19 appointing authority for that position for a term **applicable to each representative**  
 20 **agency provided in paragraphs (h) through (m) of this subsection**~~[of two (2)~~  
 21 ~~years]~~. An appointment to fill an unexpired term of an appointed member shall be  
 22 made by the designated appointing authority for the remainder of the term.  
 23 Appointed terms shall begin effective **January**~~[October]~~ 1.

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

26 (3) Regular meetings of the board shall be held at least once every month at a place,  
 27 day, and time determined by the board. Special meetings of the board shall be held

1 when needed as determined by the chair. If **eight (8)**~~seven (7)~~ or more members of  
 2 the board request in writing that the chair call a special meeting, the chair shall call  
 3 a special meeting. The meetings shall operate in accordance with the provisions of  
 4 the Open Meetings Law under KRS 61.805 to 61.850.

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

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

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

10 (b) **Upon request,**~~Develop and~~ transmit,~~by October 1 of each year beginning~~  
 11 ~~October 1, 2001,~~ to the Governor, the General Assembly, **or**~~and~~ the Chief  
 12 Justice of the Supreme Court **the annual report, which shall be available by**  
 13 **January 31 of each year and shall contain, at a minimum, the following**  
 14 **information:**~~;~~

15 **1.** Policy recommendations regarding benefit options and management of  
 16 the state group health insurance program;~~and~~

17 ~~(e) Provide in the first report, due by October 1, 2001, the following:~~

18 **2.**~~1.~~ Analysis and discussion of methods used by all other states to provide  
 19 health insurance benefits to their state group;~~and~~

20 **3.**~~2.~~ Analysis and discussion of the cost, enrollment, claims, and utilization  
 21 data for ~~the~~~~calendar year 2000 on the Kentucky~~ state group **health**  
 22 **insurance program;** and

23 **4.**~~3.~~ Recommendations including but not limited to appropriate structures for  
 24 the state contribution rate which shall include recommendations on  
 25 increasing the state contribution to provide support for dependent  
 26 coverage, possible methods to mitigate adverse selection, competitive  
 27 plan designs by type and benefit options, the feasibility of a state self-

1 insurance plan, and strategies for evaluating third-party administrators  
2 and vendors.

3 →Section 4. The following KRS section is repealed:

4 18A.2255 Health benefit plans and other information to be submitted to Advisory  
5 Committee of State Health Insurers -- Approval or recommendations for changes --  
6 Committee to advise on options, bids, administration, and drug formulary -- Written  
7 report or testimony.