

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, County Employees Retirement System, Kentucky  
14 Teachers' Retirement System, the Legislators' Retirement Plan, or the  
15 Judicial Retirement Plan; or is receiving a contractual contribution from  
16 the state toward a retirement plan; or, in the case of a public  
17 postsecondary education institution, is an individual participating in an  
18 optional retirement plan authorized by KRS 161.567; or is eligible to  
19 participate in a retirement plan established by an employer who ceases  
20 participating in the Kentucky Employees Retirement System pursuant to  
21 KRS 61.522 whose employees participated in the health insurance plans  
22 administered by the Personnel Cabinet prior to the employer's effective  
23 cessation date in the Kentucky Employees Retirement System, **except**  
24 **that no employer who ceases participation in the state health**  
25 **insurance plan shall be eligible to participate in the state health**  
26 **insurance plan in the future;**

27 2. Any certified or classified employee of a local board of education or a

- 1 public charter school as defined in KRS 160.1590;
- 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 Retirement Systems, County Employees
- 5 Retirement System, Kentucky Teachers' Retirement System, the
- 6 Legislators' Retirement Plan, the Judicial Retirement Plan, or the
- 7 Kentucky Community and Technical College System's optional
- 8 retirement plan authorized by KRS 161.567, except that a person who is
- 9 receiving a retirement allowance and who is age sixty-five (65) or older
- 10 shall not be included, with the exception of persons covered under KRS
- 11 61.702(2)(b)3. and 78.5536(2)(b)3., 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  
 2 encompassing all or any class or classes of employees. With the exception of  
 3 employers governed by the provisions of KRS Chapters 16, 18A, and 151B,  
 4 all employers of any class of employees or former employees shall enter into  
 5 a 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, requiring participation in all**  
 11 **employee benefits administered by the Personnel Cabinet pursuant to KRS**  
 12 **18A.225 to 18A.2287,** and adoption of the payment and reimbursement  
 13 methods necessary for efficient administration of the health insurance  
 14 program.

15 **(b)** Health insurance coverage provided to state employees under this section  
 16 shall, at a minimum:

17 **1. Provide minimum value in that the plan shall pay at least sixty percent**  
 18 **(60%) of the total cost of in-network medical services for employees;**

19 **2. Provide minimum essential coverage as defined in 26 U.S.C. sec.**  
 20 **5000A(f);**

21 **3. Not discriminate in favor of highly compensated individuals as**  
 22 **prohibited by 26 U.S.C. sec 105(h); and**

23 **4. ~~[-, contain the same benefits as provided under Kentucky Kare Standard~~**  
 24 **as of January 1, 1994, and shall ~~]~~include a mail-order drug option as**  
 25 **provided in subsection ~~(12)~~~~[(13)]~~ of this section.**

26 **(c)** All employees and other persons for whom the health care coverage is  
 27 provided or made available shall annually be given an option to elect health

1 care coverage through a self-funded plan offered by the Commonwealth or, if  
2 a self-funded plan is not available, from a list of coverage options determined  
3 by the competitive bid process under the provisions of KRS 45A.080,  
4 45A.085, and 45A.090 and made available during annual open enrollment.

5 ~~(d)(b)~~ The policy or policies shall be approved by the commissioner of  
6 insurance and may contain the provisions the commissioner of insurance  
7 approves, whether or not otherwise permitted by the insurance laws.

8 ~~(e)(c)~~ Any carrier bidding to offer health care coverage to employees shall  
9 agree to provide coverage to all members of the state group, including active  
10 employees and retirees and their eligible covered dependents and  
11 beneficiaries, within the county or counties specified in its bid. Except as  
12 provided in subsection (20) of this section, any carrier bidding to offer health  
13 care coverage to employees shall also agree to rate all employees as a single  
14 entity, except for those retirees whose former employers insure their active  
15 employees outside the state-sponsored health insurance program and as  
16 otherwise provided in KRS 61.702(2)(b)3.b. and 78.5536(2)(b)3.b.

17 ~~(f)(d)~~ Any carrier bidding to offer health care coverage to employees shall  
18 agree to provide enrollment, claims, and utilization data to the  
19 Commonwealth in a format specified by the Personnel Cabinet with the  
20 understanding that the data shall be owned by the Commonwealth; to provide  
21 data in an electronic form and within a time frame specified by the Personnel  
22 Cabinet; and to be subject to penalties for noncompliance with data reporting  
23 requirements as specified by the Personnel Cabinet. The Personnel Cabinet  
24 shall take strict precautions to protect the confidentiality of each individual  
25 employee; however, confidentiality assertions shall not relieve a carrier from  
26 the requirement of providing stipulated data to the Commonwealth.

27 ~~(g)(e)~~ The Personnel Cabinet shall develop the necessary techniques and

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

16 ~~(h)(f)~~ If any agency participating in the state-sponsored employee health  
17 insurance program for its active employees terminates participation and there  
18 is a state appropriation for the employer's contribution for active employees'  
19 health insurance coverage, then neither the agency nor the employees shall  
20 receive the state-funded contribution after termination from the state-  
21 sponsored employee health insurance program.

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

25 ~~(j)(h)~~ Each entity participating in the state-sponsored health insurance  
26 program shall provide an amount at least equal to the state contribution rate  
27 for the employer portion of the health insurance premium. For any

1 participating entity that used the state payroll system, the employer  
2 contribution amount shall be equal to but not greater than the state  
3 contribution rate.

- 4 (3) The premiums may be paid by the policyholder:
- 5 (a) Wholly from funds contributed by the employee, by payroll deduction or  
6 otherwise;
- 7 (b) Wholly from funds contributed by any department, board, agency, public  
8 postsecondary education institution, or branch of state, city, urban-county,  
9 charter county, county, or consolidated local government; or
- 10 (c) Partly from each, except that any premium due for health care coverage,  
11 vision coverage, or dental coverage, if any, in excess of the premium amount  
12 contributed by any department, board, agency, postsecondary education  
13 institution, or branch of state, city, urban-county, charter county, county, or  
14 consolidated local government for any other health care coverage shall be  
15 paid by the employee.
- 16 (4) If an employee moves his or her place of residence or employment out of the  
17 service area of an insurer offering a managed health care plan, under which he or  
18 she has elected coverage, into either the service area of another managed health care  
19 plan or into an area of the Commonwealth not within a managed health care plan  
20 service area, the employee shall be given an option, at the time of the move or  
21 transfer, to change his or her coverage to another health benefit plan.
- 22 (5) No payment of premium by any department, board, agency, public postsecondary  
23 educational institution, or branch of state, city, urban-county, charter county,  
24 county, or consolidated local government shall constitute compensation to an  
25 insured employee for the purposes of any statute fixing or limiting the  
26 compensation of such an employee. Any premium or other expense incurred by any  
27 department, board, agency, public postsecondary educational institution, or branch

1 of state, city, urban-county, charter county, county, or consolidated local  
2 government shall be considered a proper cost of administration.

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

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

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

13 ~~(9) The secretary shall appoint thirty two (32) persons to an Advisory Committee of~~  
14 ~~State Health Insurance Subscribers to advise the secretary or the secretary's~~  
15 ~~designee regarding the state sponsored health insurance program for employees.~~  
16 ~~The secretary shall appoint, from a list of names submitted by appointing~~  
17 ~~authorities, members representing school districts from each of the seven (7)~~  
18 ~~Supreme Court districts, members representing state government from each of the~~  
19 ~~seven (7) Supreme Court districts, two (2) members representing retirees under age~~  
20 ~~sixty five (65), one (1) member representing local health departments, two (2)~~  
21 ~~members representing the Kentucky Teachers' Retirement System, and three (3)~~  
22 ~~members at large. The secretary shall also appoint two (2) members from a list of~~  
23 ~~five (5) names submitted by the Kentucky Education Association, two (2) members~~  
24 ~~from a list of five (5) names submitted by the largest state employee organization of~~  
25 ~~nonschool state employees, two (2) members from a list of five (5) names submitted~~  
26 ~~by the Kentucky Association of Counties, two (2) members from a list of five (5)~~  
27 ~~names submitted by the Kentucky League of Cities, and two (2) members from a~~

1 list of names consisting of five (5) names submitted by each state employee  
2 organization that has two thousand (2,000) or more members on state payroll  
3 deduction. The advisory committee shall be appointed in January of each year and  
4 shall meet quarterly.

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

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

15 ~~(11)~~~~(12)~~ Any employee who is eligible for and elects to participate in the state health  
16 insurance program as a retiree, or the spouse or beneficiary of a retiree, under any  
17 one (1) of the state-sponsored retirement systems shall not be eligible to receive the  
18 state health insurance contribution toward health care coverage as a result of any  
19 other employment for which there is a public employer contribution. This does not  
20 preclude a retiree and an active employee spouse from using both contributions to  
21 the extent needed for purchase of one (1) state sponsored health insurance policy  
22 for that plan year.

23 ~~(12)~~~~(13)~~ (a) The policies of health insurance coverage procured under subsection (2)  
24 of this section shall include a mail-order drug option for maintenance drugs  
25 for state employees. Maintenance drugs may be dispensed by mail order in  
26 accordance with Kentucky law.

27 (b) A health insurer shall not discriminate against any retail pharmacy located



1 within the geographic coverage area of the health benefit plan and that meets  
2 the terms and conditions for participation established by the insurer, including  
3 price, dispensing fee, and copay requirements of a mail-order option. The  
4 retail pharmacy shall not be required to dispense by mail.

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

7 ~~(13)~~~~(14)~~ The policy or policies provided to state employees or their dependents  
8 pursuant to this section shall provide coverage for obtaining a hearing aid and  
9 acquiring hearing aid-related services for insured individuals~~[under eighteen (18)~~  
10 ~~years of age,]~~ subject to a limit~~[cap]~~ of one (1) hearing aid per each hearing-  
11 impaired ear~~[thousand four hundred dollars (\$1,400)]~~ every thirty-six (36) months  
12 ~~[pursuant to KRS 304.17A-132].~~

13 ~~(14)~~~~(15)~~ Any policy provided to state employees or their dependents pursuant to this  
14 section shall provide coverage for the diagnosis and treatment of autism spectrum  
15 disorders consistent with KRS 304.17A-142.

16 ~~(15)~~~~(16)~~ Any policy provided to state employees or their dependents pursuant to this  
17 section shall provide coverage for obtaining amino acid-based elemental formula  
18 pursuant to KRS 304.17A-258.

19 ~~(16)~~~~(17)~~ ~~If a state employee's residence and place of employment are in the same~~  
20 ~~county, and if the hospital located within that county does not offer surgical~~  
21 ~~services, intensive care services, obstetrical services, level II neonatal services,~~  
22 ~~diagnostic cardiac catheterization services, and magnetic resonance imaging~~  
23 ~~services, the employee may select a plan available in a contiguous county that does~~  
24 ~~provide those services, and the state contribution for the plan shall be the amount~~  
25 ~~available in the county where the plan selected is located.~~

26 ~~(18)~~ ~~If a state employee's residence and place of employment are each located in~~  
27 ~~counties in which the hospitals do not offer surgical services, intensive care~~

1 ~~services, obstetrical services, level II neonatal services, diagnostic cardiac~~  
2 ~~catheterization services, and magnetic resonance imaging services, the employee~~  
3 ~~may select a plan available in a county contiguous to the county of residence that~~  
4 ~~does provide those services, and the state contribution for the plan shall be the~~  
5 ~~amount available in the county where the plan selected is located.~~

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

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

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

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

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

24 ~~(d) If the Personnel Cabinet accepts a carrier's bid, the cabinet shall award the~~  
25 ~~carrier all of the counties included in its bid within the region. If the Personnel~~  
26 ~~Cabinet deems the bids submitted in accordance with this subsection to be in~~  
27 ~~the best interests of state employees in a region, the cabinet may award the~~

1 contract for that region to no more than two (2) carriers; and

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

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

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

14 ~~(18)~~~~(22)~~ Any fully insured health benefit plan or self-insured plan issued or renewed to  
 15 public employees pursuant to this section shall comply with:

- 16 (a) KRS 304.12-237;
- 17 (b) KRS 304.17A-270 and 304.17A-525;
- 18 (c) KRS 304.17A-600 to 304.17A-633;
- 19 (d) KRS 205.593;
- 20 (e) KRS 304.17A-700 to 304.17A-730;
- 21 (f) KRS 304.14-135;
- 22 (g) KRS 304.17A-580 and 304.17A-641;
- 23 (h) KRS 304.99-123;
- 24 (i) KRS 304.17A-138;
- 25 (j) KRS 304.17A-148;
- 26 (k) KRS 304.17A-163 and 304.17A-1631;
- 27 (l) KRS 304.17A-265;

- 1 (m) KRS 304.17A-261;  
2 (n) KRS 304.17A-262;  
3 (o) KRS 304.17A-145;  
4 (p) KRS 304.17A-129;  
5 (q) KRS 304.17A-133;  
6 (r) KRS 304.17A-264; and  
7 (s) Administrative regulations promulgated pursuant to statutes listed in this  
8 subsection.

9 (23) (a) Any fully insured health benefit plan or self-insured plan issued or renewed to  
10 public employees pursuant to this section shall provide a special enrollment  
11 period to pregnant women who are eligible for coverage in accordance with  
12 the requirements set forth in KRS 304.17-182.

13 (b) The Department of Employee Insurance shall, at or before the time a public  
14 employee is initially offered the opportunity to enroll in the plan or coverage,  
15 provide the employee a notice of the special enrollment rights under this  
16 subsection.

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

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

27 (a) 1. The secretary of the Personnel Cabinet shall incorporate by reference in

- 1 an administrative regulation, pursuant to KRS 13A.2251, the plan year  
2 handbook distributed by the Department of Employee Insurance in the  
3 Personnel Cabinet to public employees covered under the self-insured  
4 plan. The plan year handbook shall contain, at a minimum, the  
5 premiums, employee contributions, employer contributions, and a  
6 summary of benefits, copays, coinsurance, and deductibles for each plan  
7 provided to public employees covered under the self-insured plan;
- 8 2. Notwithstanding any other provision of KRS Chapter 18A to the  
9 contrary, the administrative regulation shall not be subject to review by  
10 the Personnel Board prior to filing the administrative regulation with the  
11 Legislative Research Commission; and
- 12 3. The secretary of the Personnel Cabinet shall file the administrative  
13 regulation for the self-insured plan with the Legislative Research  
14 Commission on or before September 15 of the year before each new  
15 plan year begins;
- 16 (b) The self-insured plan offered by the program shall cover hospice care at least  
17 equal to the Medicare benefit;
- 18 (c) The Personnel Cabinet shall provide written notice of any formulary change  
19 to employees covered under the self-insured plan who are directly impacted  
20 by the formulary change and to the Kentucky Group Health Insurance Board  
21 fifteen (15) days before implementation of any formulary change. If, after  
22 consulting with his or her physician, the employee still disagrees with the  
23 formulary change, the employee shall have the right to appeal the change. The  
24 employee shall have sixty (60) days from the date of the notice of the  
25 formulary change to file an appeal with the Personnel Cabinet. The cabinet  
26 shall render a decision within thirty (30) days from the receipt of the request  
27 for an appeal. After a final decision is rendered by the Personnel Cabinet, the

1 employee shall have a right to file an appeal pursuant to the utilization review  
2 statutes in KRS 304.17A-600 to 304.17A-633. During the appeal process, the  
3 employee shall have the right to continue to take any drug prescribed by his or  
4 her physician that is the subject of the formulary changes;

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

14 (e) If the self-insured plan restricts pharmacy benefits to a drug formulary, the  
15 plan shall comply with and have an exceptions policy in accordance with KRS  
16 304.17A-535;

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

19 (g) The plan year for the Public Employee Health Insurance Program, whether for  
20 fully insured or self-insured benefits, shall be on a calendar year basis; and

21 (h) The self-insured plan shall comply with subsection (4) of this section.

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

27 2. The Personnel Cabinet may offer a health savings account in

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

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

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

20 (3) (a) The public employee health insurance trust fund is established in the  
21 Personnel Cabinet. The purpose of the public employee health insurance trust  
22 fund is to provide funds to pay medical claims and other costs associated with  
23 the administration of the Public Employee Health Insurance Program self-  
24 insured plan under a competitively bid contract as provided by KRS Chapter  
25 45A and reviewed by the Government Contract Review Committee pursuant  
26 to KRS 45A.705. Unless authorized by the General Assembly, the trust fund  
27 shall not utilize funds for any other purpose and the trust fund receipts from

1 prior plan years shall not be used to pay claims and expenses for current or  
2 subsequent plan years, except as provided by paragraph (b) of this subsection.

3 (b) In the event of a projected deficit in the trust fund balance of a prior plan year,  
4 the secretary of the Finance and Administration Cabinet may declare an  
5 emergency and transfer up to twenty-five percent (25%) of another prior plan  
6 year's balance to that plan year, provided the Governor, all members of the  
7 General Assembly, and Legislative Research Commission are notified at least  
8 thirty (30) days prior to the transfer. The Legislative Research Commission  
9 shall refer the notice to appropriate committees of jurisdiction for their  
10 review.

11 (c) The following moneys shall be directly deposited into the trust fund:  
12 1. Employer and employee premiums collected under the self-insured plan;  
13 2. Interest and investment returns earned by the self-insured plan;  
14 3. Rebates and refunds attributed to the self-insured plan; and  
15 4. All other receipts attributed to the self-insured plan.

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

25 (e) The Auditor of Public Accounts shall be responsible for a financial audit of  
26 the books and records of the trust fund. The audit shall be conducted in  
27 accordance with generally accepted accounting principles and shall be



1 completed within ninety (90) days of the close of the fiscal year. All audit  
2 reports shall be filed with the Governor, the President of the Senate, the  
3 Speaker of the House of Representatives, and the secretary of the Personnel  
4 Cabinet.

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

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

1 Employee Health Insurance Program self-funded plan or the trust fund;  
2 and

3 9. In addition to the information required under subparagraphs 1. to 8. of  
4 this paragraph, the quarterly report for quarters ending June 30 and  
5 December 31~~filed in July and January~~ shall also include the following:

6 a. A projection of the medical claims incurred but not yet reported  
7 that are considered liabilities to the trust fund;

8 b. A statement of any other trust fund liabilities;

9 c. A detailed calculation outlining proposed premium rates for the  
10 next plan year, including base claims, trend assumptions,  
11 administrative fees, and any proposed plan or benefit changes;

12 d. A detailed description of the current in-state and out-of-state  
13 networks provided under the plan, any changes to the networks  
14 since the last report, and any proposed changes to the in-state or  
15 out-of-state networks during the next six (6) months; and

16 e. Specific data regarding the third-party administrator's performance  
17 under the contract. The data shall include the following:

18 i. Any results or outcomes of disease management and  
19 wellness programs;

20 ii. Results of case management audits and educational and  
21 communication efforts; and

22 iii. Comparison of actual measurable results to contract  
23 performance guarantees.

24 (4) (a) Any fully insured health benefit plan, self-insured plan, or other health plan,  
25 as defined in KRS 304.17A-591, offered, issued, or renewed to public  
26 employees under this section or KRS 18A.225 shall comply with KRS  
27 304.17A-591 to 304.17A-599, including any state cabinet, agency, or official

1 that contracts with a third-party administrator to administer any self-insured  
2 plan offered, issued, or renewed to public employees under this section or  
3 KRS 18A.225.

4 (b) The plan or plans referred to in paragraph (a) of this subsection shall be filed  
5 with the commissioner of the Department of Insurance, and the commissioner  
6 shall review the plan or plans in accordance with KRS 304.14-120(6).

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 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) One (1) employee of the Kentucky Public Pensions Authority appointed by**  
25 **the Kentucky Public Pensions Authority, who shall serve a term of two (2)**  
26 **years;**

27 (i) One (1) retired state employee appointed by the Kentucky Retirement

1 Systems, who shall serve an initial term of one (1) year;

2 (j) One (1) retired teacher appointed by the Teachers' Retirement System, who  
3 shall serve an initial term of two (2) years;

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

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

10 (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 an initial term of one (1) year.

13 As each appointed member's term expires, the vacancy created shall be filled by the  
14 appointing authority for that position for a term of two (2) years. An appointment to  
15 fill an unexpired term of an appointed member shall be made by the designated  
16 appointing authority for the remainder of the term. Appointed terms shall begin  
17 effective October 1.

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

20 (3) Regular meetings of the board shall be held at least once every month at a place,  
21 day, and time determined by the board. Special meetings of the board shall be held  
22 when needed as determined by the chair. If seven (7) or more members of the board  
23 request in writing that the chair call a special meeting, the chair shall call a special  
24 meeting. The meetings shall operate in accordance with the provisions of ~~the Open~~  
25 ~~Meetings Law under~~ KRS 61.805 to 61.850.

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

- 1 (5) The Kentucky Group Health Insurance Board shall:
- 2 (a) Engage in analyses and research to identify the factors and parameters that
- 3 affect the state group health insurance program;
- 4 (b) Develop and transmit~~[, by October 1 of each year beginning October 1, 2001,]~~
- 5 to the Governor, the General Assembly, and the Chief Justice of the Supreme
- 6 Court~~[,]~~ **the annual report by January 31 of each year and shall contain, at**
- 7 **a minimum, the following information:**
- 8 **1.** Policy recommendations regarding benefit options and management of the
- 9 state group health insurance program;~~[ and~~
- 10 ~~(c) Provide in the first report, due by October 1, 2001, the following:]~~
- 11 **2.**~~[1.]~~ Analysis and discussion of methods used by all other states to provide
- 12 health insurance benefits to their state group;~~[ and]~~
- 13 **3.**~~[2.]~~ Analysis and discussion of the cost, enrollment, claims, and utilization
- 14 data for calendar year 2000 on the Kentucky state group; and
- 15 **4.**~~[3.]~~ Recommendations including but not limited to appropriate structures for
- 16 the state contribution rate which shall include recommendations on
- 17 increasing the state contribution to provide support for dependent
- 18 coverage, possible methods to mitigate adverse selection, competitive
- 19 plan designs by type and benefit options, the feasibility of a state self-
- 20 insurance plan, and strategies for evaluating third-party administrators
- 21 and vendors.
- 22 ➔Section 4. The following KRS section is repealed:
- 23 18A.2255 Health benefit plans and other information to be submitted to Advisory
- 24 Committee of State Health Insurers -- Approval or recommendations for changes --
- 25 Committee to advise on options, bids, administration, and drug formulary -- Written
- 26 report or testimony.