

REFERENCE TITLE: state employees; private health insurance

State of Arizona
Senate
Forty-ninth Legislature
Second Regular Session
2010

SB 1378

Introduced by
Senator Gould

AN ACT

AMENDING SECTION 38-651, ARIZONA REVISED STATUTES; RELATING TO STATE EMPLOYEE
HEALTH AND ACCIDENT INSURANCE.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 38-651, Arizona Revised Statutes, is amended to
3 read:

4 38-651. Expenditure of monies for health and accident
5 insurance; definition

6 A. The department of administration may expend public monies
7 appropriated for such purpose to procure health and accident coverage for
8 full-time officers and employees of this state and its departments and
9 agencies. The department of administration may adopt rules that provide that
10 if an employee dies while the employee's surviving spouse's health insurance
11 is in force, the surviving spouse is entitled to no more than thirty-six
12 months of extended coverage at one hundred two per cent of the group rates by
13 paying the premiums. No public monies may be expended to pay all or any part
14 of the premium of health insurance continued in force by the surviving
15 spouse. The department of administration shall seek a variety of plans,
16 including indemnity health insurance, hospital and medical service plans,
17 dental plans and health maintenance organizations. On a recommendation of
18 the department of administration and the review of the joint legislative
19 budget committee, the department of administration may self-insure for the
20 purposes of this subsection. If the department of administration
21 self-insures, the department may contract directly with preferred provider
22 organizations, physician and hospital networks, indemnity health insurers,
23 hospital and medical service plans, dental plans and health maintenance
24 organizations. If the department self-insures, the department shall provide
25 that the self-insurance program include all health coverage benefits that are
26 mandated pursuant to title 20. The self-insurance program shall include
27 provisions to provide for the protection of the officers and employees,
28 including grievance procedures for claim or treatment denials, creditable
29 coverage determinations, dissatisfaction with care and access to care issues.
30 The department of administration by rule shall designate and adopt
31 performance standards, including cost competitiveness, utilization review
32 issues, network development and access, conversion and implementation, report
33 timeliness, quality outcomes and customer satisfaction for qualifying plans.
34 The qualifying plans for which the standards are adopted include indemnity
35 health insurance, hospital and medical service plans, closed panel medical
36 and dental plans and health maintenance organizations, and for eligibility of
37 officers and employees to participate in such plans. Any indemnity health
38 insurance or hospital and medical service plan designated as a qualifying
39 plan by the department of administration must be open for enrollment to all
40 permanent full-time state employees, except that any plan established prior
41 to June 6, 1977 may be continued as a separate plan. Any closed panel
42 medical or dental plan or health maintenance organization designated as the
43 qualifying plan by the department of administration must be open for
44 enrollment to all permanent full-time state employees residing within the

1 geographic area or area to be served by the plan or organization. Officers
2 and employees may select coverage under the available options.

3 B. The department of administration may expend public monies
4 appropriated for such purpose to procure health and accident coverage for the
5 dependents of full-time officers and employees of this state and its
6 departments and agencies. The department of administration shall seek a
7 variety of plans, including indemnity health insurance, hospital and medical
8 service plans, dental plans and health maintenance organizations. On a
9 recommendation of the department of administration and the review of the
10 joint legislative budget committee, the department of administration may
11 self-insure for the purposes of this subsection. If the department of
12 administration self-insures, the department may contract directly with
13 preferred provider organizations, physician and hospital networks, indemnity
14 health insurers, hospital and medical service plans, dental plans and health
15 maintenance organizations. If the department self-insures, the department
16 shall provide that the self-insurance program include all health coverage
17 benefits that are mandated pursuant to title 20. The self-insurance program
18 shall include provisions to provide for the protection of the officers and
19 employees, including grievance procedures for claim or treatment denials,
20 creditable coverage determinations, dissatisfaction with care and access to
21 care issues. The department of administration by rule shall designate and
22 adopt performance standards, including cost competitiveness, utilization
23 review issues, network development and access, conversion and implementation,
24 report timeliness, quality outcomes and customer satisfaction for qualifying
25 plans. The qualifying plans for which the standards are adopted include
26 indemnity health insurance, hospital and medical service plans, closed panel
27 medical and dental plans and health maintenance organizations, and for
28 eligibility of the dependents of officers and employees to participate in
29 such plans. Any indemnity health insurance or hospital and medical service
30 plan designated as a qualifying plan by the department of administration must
31 be open for enrollment to all permanent full-time state employees, except
32 that any plan established prior to June 6, 1977 may be continued as a
33 separate plan. Any closed panel medical or dental plan or health maintenance
34 organization designated as a qualifying plan by the department of
35 administration must be open for enrollment to all permanent full-time state
36 employees residing within the geographic area or area to be served by the
37 plan or organization. Officers and employees may select coverage under the
38 available options.

39 C. The department of administration may designate the Arizona health
40 care cost containment system established by title 36, chapter 29 as a
41 qualifying plan for the provision of health and accident coverage to
42 full-time state officers and employees and their dependents. The Arizona
43 health care cost containment system shall not be the exclusive qualifying
44 plan for health and accident coverage for state officers and employees either
45 on a statewide or regional basis.

1 D. Except as provided in section 38-652, public monies expended
2 pursuant to this section each month shall not exceed:

3 1. Five hundred dollars multiplied by the number of officers and
4 employees who receive individual coverage.

5 2. One thousand two hundred dollars multiplied by the number of
6 married couples if both members of the couple are either officers or
7 employees and each receives individual coverage or family coverage.

8 3. One thousand two hundred dollars multiplied by the number of
9 officers or employees who receive family coverage if the spouses of the
10 officers or employees are not officers or employees.

11 E. Subsection D of this section:

12 1. Establishes a total maximum expenditure of public monies pursuant
13 to this section.

14 2. Does not establish a minimum or maximum expenditure for each
15 individual officer or employee.

16 F. In order to ensure that an officer or employee does not suffer a
17 financial penalty or receive a financial benefit based on the officer's or
18 employee's age, gender or health status, the department of administration
19 shall consider implementing the following:

20 1. Requests for proposals for health insurance that specify that the
21 carrier's proposed premiums for each plan be based on the expected age,
22 gender and health status of the entire pool of employees and officers and
23 their family members enrolled in all qualifying plans and not on the age,
24 gender or health status of the individuals expected to enroll in the
25 particular plan for which the premium is proposed.

26 2. Recommendations from a legislatively established study group on
27 risk adjustments relating to a system for reallocating premium revenues among
28 the contracting qualifying plans to the extent necessary to adjust the
29 revenues received by any carrier to reflect differences between the average
30 age, gender and health status of the enrollees in that carrier's plan or
31 plans and the average age, gender and health status of all enrollees in all
32 qualifying plans.

33 G. Each officer or employee shall certify on the initial application
34 for family coverage that the officer or employee is not receiving more than
35 the contribution for which eligible pursuant to subsection D of this section.
36 Each officer or employee shall also provide the certification on any change
37 of coverage or marital status.

38 H. If a qualifying health maintenance organization is not available to
39 an officer or employee within fifty miles of the officer's or employee's
40 residence and the officer or employee is enrolled in a qualifying plan, the
41 officer or employee shall be offered the opportunity to enroll with a health
42 maintenance organization when the option becomes available. If a health
43 maintenance organization is available within fifty miles and it is determined
44 by the department of administration that there is an insufficient number of
45 medical providers in the organization, the department may provide for a

1 change in enrollment from plans designated by the director when additional
2 medical providers join the organization.

3 I. Notwithstanding subsection H of this section, officers and
4 employees who enroll in a qualifying plan and reside outside the area of a
5 qualifying health maintenance organization shall be offered the option to
6 enroll with a qualified health maintenance organization offered through their
7 provider under the same premiums as if they lived within the area boundaries
8 of the qualified health maintenance organization, if:

9 1. All medical services are rendered and received at an office
10 designated by the qualifying health maintenance organization or at a facility
11 referred by the health maintenance organization.

12 2. All nonemergency or nonurgent travel, ambulatory and other expenses
13 from the residence area of the officer or employee to the designated office
14 of the qualifying health maintenance organization or the facility referred by
15 the health maintenance organization are the responsibility of and at the
16 expense of the officer or employee.

17 3. All emergency or urgent travel, ambulatory and other expenses from
18 the residence area of the officer or employee to the designated office of the
19 qualifying health maintenance organization or the facility referred by the
20 health maintenance organization are paid pursuant to any agreement between
21 the health maintenance organization and the officer or employee living
22 outside the area of the qualifying health maintenance organization.

23 J. The department of administration shall allow any school district in
24 this state that meets the requirements of section 15-388, a charter school in
25 this state that meets the requirements of section 15-187.01 or a city, town,
26 county, community college district, special taxing district, authority or
27 public entity organized pursuant to the laws of this state that meets the
28 requirements of section 38-656 to participate in the health and accident
29 coverage prescribed in this section, except that participation is only
30 allowed in a health plan that is offered by the department and that is
31 subject to title 20, chapter 1, article 1. A school district, a charter
32 school, a city, a town, a county, a community college district, a special
33 taxing district, an authority or any public entity organized pursuant to the
34 laws of this state rather than this state shall pay directly to the benefits
35 provider the premium for its employees.

36 K. The department of administration shall determine the actual
37 administrative and operational costs associated with school districts,
38 charter schools, cities, towns, counties, community college districts,
39 special taxing districts, authorities and public entities organized pursuant
40 to the laws of this state participating in the state health and accident
41 insurance coverage. These costs shall be allocated to each school district,
42 charter school, city, town, county, community college district, special
43 taxing district, authority and public entity organized pursuant to the laws
44 of this state based on the total number of employees participating in the

1 coverage. This subsection only applies to a health plan that is offered by
 2 the department and that is subject to title 20, chapter 1, article 1.

3 L. Insurance providers contracting with this state shall separately
 4 maintain records that delineate claims and other expenses attributable to
 5 participation of a school district, charter school, city, town, county,
 6 community college district, special taxing district, authority and public
 7 entity organized pursuant to the laws of this state in the state health and
 8 accident insurance coverage and, by November 1 of each year, shall report to
 9 the department of administration the extent to which state costs are impacted
 10 by participation of school districts, charter schools, cities, towns,
 11 counties, community college districts, special taxing districts, authorities
 12 and public entities organized pursuant to the laws of this state in the state
 13 health and accident insurance coverage. By December 1 of each year, the
 14 director of the department of administration shall submit a report to the
 15 president of the senate and the speaker of the house of representatives
 16 detailing the information provided to the department by the insurance
 17 providers and including any recommendations for possible legislative action.

18 M. Notwithstanding subsection J of this section, any school district
 19 in this state that meets the requirements of section 15-388, a charter school
 20 in this state that meets the requirements of section 15-187.01 or a city,
 21 town, county, community college district, special taxing district, authority
 22 or public entity organized pursuant to the laws of this state that meets the
 23 requirements of section 38-656 may apply to the department of administration
 24 to participate in the self-insurance program that is provided by this section
 25 pursuant to rules adopted by the department. A participating entity shall
 26 reimburse the department for all premiums and administrative or other
 27 insurance costs. The department shall actuarially prescribe the annual
 28 premium for each participating entity to reflect the actual cost of each
 29 participating entity.

30 N. Any person that submits a bid to provide health and accident
 31 coverage pursuant to this section shall disclose any court or administrative
 32 judgments or orders issued against that person within the last ten years
 33 before the submittal.

34 O. IF AN OFFICER OR EMPLOYEE OF THIS STATE DOES NOT PARTICIPATE IN THE
 35 COVERAGE PROVIDED BY THIS SECTION BUT PURCHASES INDIVIDUAL OR FAMILY HEALTH
 36 AND ACCIDENT COVERAGE PRIVATELY, THE DEPARTMENT SHALL PAY DIRECTLY TO THE
 37 INSURANCE PROVIDER THE AMOUNT THAT THE OFFICER OR EMPLOYEE WOULD HAVE
 38 RECEIVED PURSUANT TO THE APPROPRIATION THAT WAS MADE FOR THE PURPOSES OF THIS
 39 SECTION. IF THE PAYMENTS MADE TO THE INSURANCE PROVIDER EXCEED THE ACTUAL
 40 PREMIUM CHARGED FOR THE HEALTH AND ACCIDENT COVERAGE THAT IS PURCHASED, THE
 41 BALANCE SHALL BE PAID INTO A QUALIFIED HEALTH SAVINGS ACCOUNT.

42 ~~0.~~ P. For the purposes of this section, beginning October 1, 2009,
 43 "dependent" means a spouse under the laws of this state, a child who is under
 44 nineteen years of age or a child who is under twenty-three years of age and
 45 who is a full-time student.