

REFERENCE TITLE: state employees; health insurance cost

State of Arizona
House of Representatives
Fiftieth Legislature
Second Regular Session
2012

HB 2016

Introduced by
Representative Fillmore

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. Except as provided by section 38-1103, no public monies
14 may be expended to pay all or any part of the premium of health insurance
15 continued in force by the surviving spouse. The department of administration
16 shall seek a variety of plans, including indemnity health insurance, hospital
17 and medical service plans, dental plans and health maintenance organizations.
18 On a recommendation of the department of administration and the review of the
19 joint legislative budget committee, the department of administration may
20 self-insure for the purposes of this subsection. If the department of
21 administration self-insures, the department may contract directly with
22 preferred provider organizations, physician and hospital networks, indemnity
23 health insurers, hospital and medical service plans, dental plans and health
24 maintenance organizations. If the department self-insures, the department
25 shall provide that the self-insurance program include all health coverage
26 benefits that are mandated pursuant to title 20. The self-insurance program
27 shall include provisions to provide for the protection of the officers and
28 employees, including grievance procedures for claim or treatment denials,
29 creditable coverage determinations, dissatisfaction with care and access to
30 care issues. The department of administration by rule shall designate and
31 adopt performance standards, including cost competitiveness, utilization
32 review issues, network development and access, conversion and implementation,
33 report timeliness, quality outcomes and customer satisfaction for qualifying
34 plans. The qualifying plans for which the standards are adopted include
35 indemnity health insurance, hospital and medical service plans, closed panel
36 medical and dental plans and health maintenance organizations, and for
37 eligibility of officers and employees to participate in such plans. Any
38 indemnity health insurance or hospital and medical service plan designated as
39 a qualifying plan by the department of administration must be open for
40 enrollment to all permanent full-time state employees, except that any plan
41 established prior to June 6, 1977 may be continued as a separate plan. Any
42 closed panel medical or dental plan or health maintenance organization
43 designated as the qualifying plan by the department of administration must be
44 open for enrollment to all permanent full-time state employees residing

1 within the geographic area or area to be served by the plan or organization.
2 Officers 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. EACH OFFICER OR EMPLOYEE SHALL PAY NO LESS THAN EIGHTEEN
14 PER CENT OF THE COST OF THE TOTAL PREMIUM FOR HEALTH AND ACCIDENT INSURANCE.

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

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

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

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

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

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

1 medical providers in the organization, the department may provide for a
2 change in enrollment from plans designated by the director when additional
3 medical providers join the organization.

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

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

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

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

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

37 K. The department of administration shall determine the actual
38 administrative and operational costs associated with school districts,
39 charter schools, cities, towns, counties, community college districts,
40 special taxing districts, authorities and public entities organized pursuant
41 to the laws of this state participating in the state health and accident
42 insurance coverage. These costs shall be allocated to each school district,
43 charter school, city, town, county, community college district, special
44 taxing district, authority and public entity organized pursuant to the laws
45 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. For the purposes of this section, "dependent" means a spouse under
35 the laws of this state, a child who is under twenty-six years of age or a
36 child who was disabled before reaching nineteen years of age, who continues
37 to be disabled under 42 United States Code section 1382c and for whom the
38 employee had custody before reaching nineteen years of age.