

Stricken language would be deleted from and underlined language would be added to the law as it existed prior to this session of the General Assembly.

Act 1009 of the Regular Session

1 State of Arkansas

As Enrolled: H3/19/07 H3/26/07 S3/29/07

2 86th General Assembly

A Bill

3 Regular Session, 2007

HOUSE BILL 2703

4
5 By: Representative Saunders

For An Act To Be Entitled

9 AN ACT TO REVISE THE STATE AND PUBLIC SCHOOL LIFE
10 AND HEALTH INSURANCE BOARD MEMBERSHIP, DUTIES,
11 AND ADMINISTRATION; AND FOR OTHER PURPOSES.

Subtitle

14 TO REVISE THE STATE AND PUBLIC SCHOOL
15 LIFE AND HEALTH INSURANCE BOARD
16 MEMBERSHIP, DUTIES, AND ADMINISTRATION.

17
18
19 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

20
21 *SECTION 1. Arkansas Code § 21-5-401 is amended to read as follows:*

22 *21-5-401. Legislative intent.*

23 *It is the purpose of this subchapter to:*

24 ~~*(1) Create a single board to set policy and select plans and*~~
25 ~~*coverages for the state employee and public school personnel health and life*~~
26 ~~*insurance and self-funded medical programs, so as to enhance the ability to*~~
27 ~~*control premiums, expand health care options, and utilize managed care*~~
28 ~~*capabilities where feasible and in the best interest of state employees and*~~
29 ~~*public school personnel, and study alternate funding arrangements which*~~
30 ~~*minimize or eliminate problems associated with selection among multiple*~~
31 ~~*methods of funding plans when more than one (1) program is utilized;*~~

32 ~~*(2) Propose future goals and measures to address the common*~~
33 ~~*objectives of both groups, including improving quality of health care*~~
34 ~~*services under the program, increasing participants' understanding of the*~~
35 ~~*program features, and slowing the rate of growth in health care expenses*~~



1 ~~under the program; and~~

2 ~~(3) Enable a single board to set and manage policies for the~~
 3 ~~programs in a concerted effort and to work toward a common goal that multiple~~
 4 ~~benefit options be made available to participants under both public school~~
 5 ~~and state employee current programs.~~

6 (1) Create a single board to select health insurance and life
 7 insurance plan coverages for state and public school employees and retirees;

8 (2) Develop self-funded health programs to enhance the ability
 9 to control premiums and utilize managed care capabilities if feasible and in
 10 the best interest of plan members; and

11 (3) Enable a single board to:

12 (A) Set and manage policies for the health insurance and
 13 life insurance programs of state and public school employees;

14 (B) Work in a concerted effort toward a common goal of
 15 parity between public school and state employee insurance programs;

16 (C) Improve the quality of health care services under the
 17 programs;

18 (D) Increase participants' understanding of program
 19 features; and

20 (E) Slow the rate of growth in health care expenses under
 21 the programs.

22
 23 SECTION 2. Arkansas Code § 21-5-402 is amended to read as follows:
 24 21-5-402. Members.

25 (a)(1) There is created the State and Public School Life and Health
 26 Insurance Board, composed of the following twelve (12) voting members:

27 (A) A state employee who is eligible to participate in the
 28 insurance program under this subchapter to be appointed by the Governor;

29 (B) A certified classroom teacher to be appointed by the
 30 Governor;

31 (C) The Insurance Commissioner or his or her designee;

32 (D) The Director of the Department of Education or his or
 33 her designee;

34 (E) The Director of the Department of Finance and
 35 Administration or his or her designee;

36 (F) ~~Two (2) members~~ One (1) member who ~~are~~ is engaged in

1 employee benefits management or risk management in private industry to be
2 appointed by the Governor;

3 (G) ~~One (1)~~ Two (2) additional member ~~position~~ positions
4 which shall be filled ~~alternately~~ by a retired teacher and by a retired state
5 employee appointed by the Governor. ~~This position shall first be filled by a~~
6 ~~retired teacher serve for a term of four (4) years, then by a retired state~~
7 ~~employee for a term of four (4) years, and four year terms thereafter shall~~
8 ~~be alternated between a retired teacher and a retired state employee;~~

9 (H) One (1) public school administrator to be appointed by
10 the Governor;

11 (I) The Executive Director of the Arkansas State Board of
12 Pharmacy or his or her state employee pharmacist designee;

13 (J) The Director of Health Facility Services of the
14 Department of Health and Human Services or his or her designee; and

15 (K) One (1) member who is a licensed health care provider
16 appointed by the Governor.

17 (2) However, any appointee who has a conflict of interest shall
18 be disqualified to serve.

19 (b)(1)(A) ~~Except for retiree positions, the members initially~~
20 ~~appointed by the Governor shall draw lots for terms so that two (2) serve for~~
21 ~~a term of four (4) years each, two (2) for a term of three (3) years, one (1)~~
22 ~~for a term of two (2) years, and one (1) for a term of one (1) year.~~

23 ~~(B)~~ All ~~successor~~ members appointed by the Governor shall
24 be appointed for terms of four (4) years but may be reappointed for
25 additional terms.

26 (2)(A) Vacancies in the Governor appointed positions shall be
27 filled by appointment of the Governor for the unexpired term.

28 (B) Members appointed by the Governor shall serve at the
29 will of the Governor.

30 (c) A chair and vice chair of the board shall be selected annually by
31 and from the membership of the board and shall serve no more than two (2)
32 years.

33
34 SECTION 3. Arkansas Code § 21-5-403 is amended as follows:

35 21-5-403. Policy-making body only - Reports.

36 (a) The State and Public School Life and Health Insurance Board shall

1 be a policy-making body only.

2 (b) The executive director shall report upon request to the House
3 Interim Committee on Insurance and Commerce and the Senate Interim Committee
4 on Insurance and Commerce regarding the state ~~employees~~ and public school
5 ~~personnel~~ employees and retirees insurance program.

6
7 SECTION 4. Arkansas Code § 21-5-404 is amended to read as follows:

8 21-5-404. Powers - Functions - Duties.

9 The State and Public School Life and Health Insurance Board shall have
10 the following powers, functions, and duties:

11 (1) To explore various cost-containment measures and funding
12 options;

13 (2) To promote competition among vendors and create a systematic
14 formula for measuring competitiveness of programs, quality-of-care delivery,
15 portability, and accessibility to and affordability of health care;

16 (3) To prepare a comprehensive analysis of the various health
17 benefit plan options approved by the board to provide coverage to state and
18 public school employees and retirees, including cost, quality, and access
19 differentials among the various plans as well as any other comparisons of the
20 plans ~~as will enable the state and school employees to make a well-informed~~
21 ~~choice of plans~~;

22 (4) To undertake studies and to take any appropriate action that
23 the board determines will promote the financial soundness and overall well-
24 being of the ~~state employee and public school personnel~~ members' health
25 insurance programs;

26 (5) To establish and set penalties as allowed under § 21-5-415;

27 ~~(5)(6)(A)~~ To develop, with the assistance of the Office of State
28 Procurement of the Department of Finance and Administration, bid
29 specifications and requests for proposals and to evaluate bids and
30 proposals.

31 (B) However, the board shall allow the office to execute
32 all other actions relating to the purchasing procedures in contracting for
33 consultants, third party administrators, providers, or insurance companies on
34 behalf of the programs;

35 ~~(6)(7)~~ To evaluate responses to requests for proposals, select
36 contractors for all services, and approve the award of contracts resulting

1 from bids for all health and life insurance offerings for participants ~~of the~~
2 ~~various plans~~;

3 ~~(7)(8)~~ To perform plan design, summarize plan document approval,
4 including, but not limited to, lifetime limitations, copayments, deductibles,
5 and eligibility rules;

6 ~~(8)(9)~~ To promote increased access to various health plan
7 options and models;

8 ~~(9)(A)(10)(A)~~ To direct the office to contract with ~~all~~
9 qualified vendors, as defined by the board, offering the ~~health~~ benefit plans
10 prescribed by the board without regard to § 19-11-228 or other statutes
11 requiring competitive bidding.

12 (B) Each contract shall be for a ~~uniform~~ term of at least
13 one (1) year but may be made automatically renewable from term to term in the
14 absence of notice of termination by either party;

15 ~~(10)(A)(11)(A)~~ To obtain quality-of-care information from
16 systems, networks, hospitals, and clinical providers to inform plan design,
17 plan management, and consumer decisions.

18 (B) The board shall:

19 (i) Use accepted national standards for assessment
20 of quality-of-care information provided by systems, networks, hospitals, and
21 clinical providers;

22 (ii) Be empowered to determine the appropriate use
23 of quality-of-care information and scope of system, network, hospital, and
24 clinical provider accountability;

25 (iii) Be empowered to request aggregate performance
26 information for patients; and

27 (iv) Be empowered to publicly report conclusions of
28 quality-of-care assessment; and

29 ~~(11)(12)~~ To appoint three (3) subcommittees of the board to
30 study and research health and life plan option benefits, formulary
31 management, quality of care provided, and the financial impact of
32 implementing the recommendations made to the board as follows:

33 (A)(i) The Benefits Subcommittee shall consist of:

34 (a) Three (3) board members;

35 (b) Two (2) state employees; and

36 (c) Two (2) school district employees.

1 (ii) The Benefits Subcommittee shall review,
2 evaluate, and investigate benefits, new benefit offerings, and annual
3 insurance rates;

4 (B)(i) The Drug Utilization and Evaluation Subcommittee
5 shall consist of:

6 (a) Three (3) pharmacists as follows:

7 (1) The Executive Director of the
8 Arkansas State Board of Pharmacy or his or her pharmacist designee;

9 (2) The Dean of the University of
10 Arkansas for Medical Sciences College of Pharmacy or his or her pharmacist
11 designee; and

12 (3) A pharmacist selected by the
13 Arkansas Pharmacists Association;

14 (b) Four (4) physicians as follows:

15 (1) The Dean of the University of
16 Arkansas for Medical Sciences College of Medicine or his or her physician
17 designee;

18 (2) The Associate Medical Director of
19 the University Hospital at the University of Arkansas for Medical Sciences or
20 his or her physician designee;

21 (3) The Medical Director of the Arkansas
22 Poison Control and Drug Information Center or his or her physician designee;
23 and

24 (4) A physician selected by the Arkansas
25 Medical Society;

26 (c) One (1) registered nurse who is the Dean
27 of the University of Arkansas for Medical Sciences College of Nursing or his
28 or her registered nurse designee; and

29 (d) One (1) state employee and one (1) public
30 school employee appointed by the board, each of whom shall have expertise in
31 accounting, finance, auditing, or insurance.

32 (ii) The Drug Utilization and Evaluation
33 Subcommittee shall review drugs for formulary management and evaluate the
34 financial impact of its recommendations; and

35 (C)(i) The Quality of Care Subcommittee shall consist of:

36 (a) Three (3) board members;

- 1 (b) Two (2) ~~State~~ state employees;
- 2 (c) Two (2) school district employees;
- 3 (d) One (1) representative from the Arkansas
4 Foundation for Medical Care;
- 5 (e) One (1) representative from the Arkansas
6 Pharmacy Association;
- 7 (f) One (1) representative from the Arkansas
8 Center for Health Improvement;
- 9 (g) One (1) representative from the Arkansas
10 Medical Association;
- 11 (h) One (1) representative from the Arkansas
12 Osteopathic Medical Association; and
- 13 (i) One (1) representative from the Arkansas
14 Hospital Association.
- 15 (ii) The Quality of Care Subcommittee may review and
16 recommend quality performance indicators for use, recommend baseline
17 performance goals, recommend alignment of financial incentives to improve
18 performance, and track improvements in delivery of care.

19
20 SECTION 5. Arkansas Code § 21-5-405 is amended to read as follows:

21 21-5-405. Additional duties.

22 (a) The State and Public School Life and Health Insurance Board and
23 the executive director shall take a risk management approach in designing the
24 state ~~employee~~ and public school ~~personnel health~~ employees and retirees
25 benefit programs. The board shall ensure that the state ~~employee~~ and public
26 school ~~personnel health~~ employees and retirees benefit programs are
27 maintained on an actuarially sound basis as determined by actuarial standards
28 established by the board.

29 (b) In addition to the objectives stated in § 21-5-404, the board
30 shall:

31 (1) Develop uniform standards of vendor plan funding ~~so as to~~
32 ~~avoid windfall profits resulting from fully insured nondividend-paying~~
33 ~~funding arrangements;~~

34 (2) Promote increased access to various plan options and health
35 care models;

36 (3) Promote access to ~~managed care by giving preferential~~

1 ~~treatment, if required, to~~ those vendors who will enhance plan options
 2 availability in rural Arkansas and in bordering states;

3 (4)(A) Utilize the combined purchasing power of the state
 4 employee and public school personnel programs to foster competition among
 5 vendors and providers for the programs.

6 (B) Any state agency or school district that accepts state funds
 7 intended to partially defray the cost of health and life insurance for the
 8 employees of the state and public schools shall:

9 ~~(i) use~~ Use those funds only for the state ~~employee~~ and
 10 public school ~~personnel~~ employees health benefit plans sponsored by the
 11 board; and

12 ~~(ii) agrees~~ Agree to rules of participation as stated in
 13 the policies adopted by the board and as defined in the regulations and
 14 procedures issued by the Executive Director of the Employee Benefits
 15 Division, including, but not limited to, timely eligibility reporting,
 16 prepayment of insurance premiums, timely payment of premiums, or
 17 ~~contributions~~, actuarial adjustment for new ~~entrants~~ enrollees, and any other
 18 ~~information~~ requirements deemed necessary by the board;

19 (5) Assure guaranteed issue ~~of all plans~~; and

20 (6) Ensure an annual enrollment period ~~under all plans~~.

21 (c) Benefit plan vendors are required to provide detailed information
 22 in order to justify rate increases or inadequate performance reporting as
 23 defined by the board.

24
 25 SECTION 6. Arkansas Code § 21-5-406 is amended to read as follows:

26 21-5-406. Executive director – Staff.

27 (a)(1) The State and Public School Life and Health Insurance Board
 28 shall choose an executive director with the approval of the Director of the
 29 Department of Finance and Administration.

30 (2) The executive director shall be employed by and serve at the
 31 pleasure of the Director of the Department of Finance and Administration.
 32 However, the board may recommend the removal of the executive director, but
 33 removal shall be subject to the approval of the Director of the Department of
 34 Finance and Administration.

35 (3) The executive director shall employ staff adequate to manage
 36 the program within the funds appropriated therefor within the Department of

1 Finance and Administration.

2 (b) The executive director shall establish internal controls for the
3 fiscal management of the health and life insurance plans.

4 ~~(b)(1)(c)(1)~~ The executive director and his or her staff shall be
5 located in the Employee Benefits Division of the Department of Finance and
6 Administration.

7 (2) Premiums collected from employers, participating employees,
8 and retirees for health and life insurance plans shall be collected one (1)
9 month in advance and shall be used solely to pay medical claims, premiums,
10 and direct administrative expenses of the health and life insurance
11 programs.

12 ~~(e)(1)(d)~~ The executive director shall be charged with the duty of
13 administering the provisions of this subchapter and the rules, regulations,
14 and orders of the division and the board.

15 (e)(1) The executive director may require all participating entities
16 to appoint health insurance representatives, who will be required to adhere
17 to the policies adopted by the board and the regulations and procedures
18 issued by the Executive Director of the Employee Benefits Division in
19 managing the enrollment and premium payment processes of the agency or school
20 district.

21 (2) The executive director may request the removal of a
22 representative to ensure necessary internal controls.

23 ~~(2)(A)(3)(A)~~ The executive director shall have the authority to
24 supervise the implementation and day-to-day management of the health
25 insurance programs and other employee benefit programs, plans, and individual
26 and group policies made available to ~~public school employees and state~~
27 ~~employees~~ state and public school employees, if applicable.

28 (B) This may include, but not be limited to:

29 (i) Life insurance ~~coverages~~ coverage;

30 (ii) Accident ~~coverages~~ coverage;

31 (iii) Dental ~~coverages~~ coverage;

32 (iv) Disability benefit programs;

33 (v) Optional retirement programs;

34 (vi) Deferred compensation;

35 (vii) Cafeteria plans; and

36 (viii) Such other benefit plans, benefit programs,

1 and individual and group benefit coverages that are offered from time to time
2 to ~~public school employees and state employees~~ members.

3 (C) This authority shall not include the State Employee
4 Benefit Corporation benefit plan which is in effect on July 1, 1995.

5 (d) In addition, the executive director and the board may utilize the
6 services of health care consultants and actuaries if necessary as provided
7 for through the appropriation of the division.

8 (e) The Arkansas State Police Employee Health Plan shall be exempt
9 from any mandatory participation required by this section.

10
11 SECTION 7. Arkansas Code § 21-5-407 is amended as follows:

12 21-5-407. Definitions.

13 As used in this subchapter:

14 (1) "Aggregate performance information" means a report or other
15 means of communication about the measurement of accomplishment of the
16 execution of certain tasks, achievement of certain results, or occurrence of
17 certain events related to all patients or to a class or group of patients
18 identifiable by certain criteria;

19 (2) "Alternate retirement plan retiree" means a retiree of
20 certain institutions whose employer does not contribute to the State or
21 Public School Health Insurance Plan during their active employment as defined
22 in § 24-7-801. Further, an "alternate retirement plan", for the purposes of
23 this section, is a defined contribution plan allowed under the Internal
24 Revenue Service regulations and allowed, but not created by Arkansas state
25 law;

26 ~~(2)(3)~~ (3) "Dependent" means any member of an employee's or
27 retiree's family who meets the eligibility for coverage under the health
28 benefit plans approved by the State and Public School Life and Health
29 Insurance Board;

30 (4) "Dual eligibility" means simultaneous participation as an
31 employee, dependent, or retiree in the multiple programs offered by the
32 Employee Benefits Division;

33 (5) "Eligible inactive retiree" means a former member of the
34 General Assembly or a state elected constitutional officer who has served a
35 sufficient number of years of credited service to be eligible for retirement
36 benefits, but who has not yet reached retirement age. Eligible inactive

1 retirees who enroll in the plan must pay the entire premium cost as set by
2 the board;

3 ~~(3)~~(6) "Employee" means a state employee or a public school
4 district employee;

5 (7) "Health insurance representative" means an individual
6 appointed by a participating entity to act as an agent for the Employee
7 Benefits Division;

8 (8) "Ineligible inactive retiree" means a terminated employee
9 who has worked a sufficient number of years to be considered vested, but who
10 has not yet reached the age to qualify to receive a retirement benefit;

11 (9) "Internal Revenue Service" means the United States
12 government agency responsible for tax collection and tax law enforcement;

13 ~~(4)~~(10) ~~"Public school district employee"~~ "Member" means all
14 ~~public school district salaried employees;~~ any enrolled state or public
15 school employee, retiree, or covered dependent;

16 (11) "Participating entity" means an organization authorized to
17 participate in a plan offered under this subchapter;

18 (12) "Participating institution" means any two-year or four-year
19 college which is participating in a plan offered under this subchapter;

20 (13) "Prepayment" means collection of medical or life insurance
21 premiums or both medical and life insurance premiums from the employee and
22 employer one (1) month in advance;

23 (14) "Qualifying event" means a change in an employee's personal
24 life that may impact their eligibility or a dependent's eligibility for
25 benefits, as defined by Internal Revenue Service guidelines;

26 ~~(5)~~(15) "Quality-of-care information" means the contents of
27 medical records, member claims, patient surveys, pharmacy data, lab data, and
28 other records of or reports about systems, networks, hospitals, and clinical
29 providers to be gathered for assessment of the quality and costs of health
30 care provided by systems, networks, hospitals, and clinical providers;

31 ~~(6)~~(16) "Quality performance indicator" means a specific inquiry
32 or standard that, when applied to quality-of-care information, reveals a
33 quantifiable measure of success or failure in system, network, hospital, or
34 clinical provider care;

35 ~~(7)~~(17) "Retiree" means a retired employee who is eligible under
36 the provisions of § 21-5-411;

1 ~~(8)~~(18) "State" means the State of Arkansas; and

2 ~~(9)~~(19) "Vendor" means:

3 (A) A corporation, partnership, or other organization
4 licensed to do business ~~in~~ and in good standing with the State of Arkansas;
5 and

6 (B) A corporation, partnership, or other organization
7 licensed to do business ~~in~~ and in good standing with the State of Arkansas
8 that is lawfully engaged in administering employer or employee funded ~~health~~
9 benefit plans for employer groups in consideration of an administration fee
10 payable to the vendor.

11
12 SECTION 8. Arkansas Code § 21-5-410 is amended to read as follows:

13 21-5-410. Employees - Eligibility.

14 (a) Eligible employees shall include:

15 (1) All actively employed ~~permanent~~ eligible employees of
16 ~~eligible~~ participating agencies, boards, commissions, institutions, and
17 constitutional offices;

18 (2) Members of the General Assembly;

19 (3) Elected constitutional officers;

20 (4) Appointed or elected board and commission members who are on
21 a full-time salaried basis; and

22 (5)(A) Those state contract employees hired by the Arkansas
23 National Guard on a full-time basis in accordance with the provisions of 10
24 U.S.C. § 2304.

25 ~~(b)~~(B) Membership of the contract employees of the
26 Arkansas National Guard is conditioned upon the United States Government
27 contributing the employer's share to the ~~State Employees Insurance Section~~
28 Employee Benefits Division of the Department of Finance and Administration.

29 ~~(e)~~(b) Membership of state employees is conditioned upon the employee
30 being in a budgeted state employee position or a position authorized by the
31 General Assembly.

32 ~~(d)~~(c) ~~Permanent employees are those whose employment is not seasonal~~
33 ~~or temporary and~~ Employees whose actual performance of duty requires one
34 thousand (1,000) or more working hours per year.

35 ~~(e)~~(d) If a participating institution discontinues its participation
36 in the group health and life insurance program instituted pursuant to the

1 provisions of this subchapter, then the institution may not re-participate in
 2 the program for ~~one (1) year~~ two (2) years after the institution's final date
 3 of participation in the program unless the executive director of the Employee
 4 Benefits Division of the Department of Finance and Administration gives his
 5 or her consent to an earlier date.

6 (e) Members are not allowed dual eligibility in either the state
 7 insurance plan or the public school insurance plan.

8 (f) The Arkansas State Police Employee Health Plan shall be exempt
 9 from any mandatory participation required by this section.

10
 11 SECTION 9. Arkansas Code § 21-5-411 is amended to read as follows:
 12 21-5-411. Eligibility of certain retired employees.

13 (a)(1) State and public school employees shall be ~~eligible~~ allowed to
 14 continue coverage and, if qualified, to participate in the group health
 15 insurance program instituted pursuant to the provisions of this subchapter
 16 and other laws enacted to implement the program who are:

17 (A) Participating Members members of:

18 (i) The Arkansas Public Employees' Retirement
 19 System, including the members of the legislative division and the contract
 20 personnel of the Arkansas National Guard;

21 (ii) The Arkansas Teacher Retirement System;

22 (iii) The Arkansas State Highway Employees'
 23 Retirement System;

24 (iv) The Arkansas Judicial Retirement System; or

25 (v) An alternate retirement plan of a qualifying
 26 institution under § 24-7-801; and

27 (B) Retired and drawing benefits under the systems, ~~or~~
 28 ~~retire and receive benefits under the systems.~~

29 (2)(A)(i) If members of these retirement systems receive
 30 retirement benefits, thereby becoming active retirees, the active retirees
 31 shall elect to enroll in a the health benefit program sponsored by the State
 32 and Public School Life and Health Insurance Board.

33 (ii) The election to enroll in the retiree insurance
 34 program shall be made within thirty-one (31) days of the member's becoming an
 35 active retiree and shall be made in writing ~~to the executive director of the~~
 36 ~~State and Public School Life and Health Insurance Board~~ to the Employee

1 Benefits Division on forms ~~prescribed by the board~~ required by the Employee
2 Benefits Division.

3 (B)(i) To be eligible to continue coverage or to qualify
4 for coverage after electing to decline participation, the member must have
5 been covered ~~or been eligible for coverage~~ on the last day of the member's
6 employment.

7 (ii) If a retiree declines coverage at the time of
8 retirement due to other employer-sponsored group health insurance coverage,
9 the retiree may make a one-time election to return to the retiree insurance
10 program with proof of continued insurance coverage if the retiree experiences
11 a qualifying event.

12 (C)(i) Except as provided in subdivision (a)(2)(C)(ii) of
13 this section, an active retiree's failure to make an election during the
14 thirty-one-day election period or an active retiree's election to decline
15 participation in the health program is final.

16 (ii) If an active retiree declining coverage
17 specifies in writing and provides a letter of creditable employer group
18 coverage to show that the reason for the declination is because the active
19 retiree has coverage through another ~~insurance program or employer group~~
20 health plan and the active retiree's coverage is subsequently terminated
21 because of a loss of eligibility, as defined by Internal Revenue Service
22 regulations, and provides information from the former insurance company of
23 the loss of eligibility, then the active retiree and any dependents shall
24 qualify for coverage in a the health benefit program under this subsection
25 upon payment of the appropriate premium as established by the board, provided
26 the active retiree applies for coverage within ~~thirty-one (31)~~ (30) days of
27 the loss of eligibility. Loss of coverage is defined by Internal Revenue
28 Service and Health Insurance Portability and Accountability Act (HIPPA)
29 guidelines for special enrollment periods. ~~Any subsequent termination of~~
30 ~~health benefits by the retiree is final.~~

31 (3)(A) Notwithstanding any other provision to the contrary in
32 this section, an employee with ten (10) or more years of creditable service
33 under the terms of a retirement plan listed in this section shall qualify for
34 continuation of health insurance coverage offered by the board if that
35 employee is separated from employment because of the expiration of a fixed
36 period of employment.

1 (B)(i) An employee qualifying for continuation of coverage
2 under this subsection shall be considered an "inactive retiree" and shall
3 have thirty-one (31) days from the effective date of termination to elect to
4 continue health insurance coverage under this section by notifying the
5 ~~executive director~~ Employee Benefits Division.

6 (ii) The election shall be made in writing on forms
7 required by the Employee Benefits Division, ~~upon forms prescribed by the~~
8 ~~board~~.

9 ~~(ii) The agency or school district from which the~~
10 ~~employee was terminated must certify the applicant's qualifications to the~~
11 ~~Employee Benefits Division of the Department of Finance and Administration~~.

12 (C)(i) Except as provided in subdivision (a)(3)(C)(ii) of
13 this section, an inactive retiree's failure to make an election during the
14 thirty-one-day election period or an inactive retiree's election to decline
15 participation in the health program is final.

16 (ii) If an inactive retiree as defined in § 21-5-407
17 declining coverage specifies in writing that the reason for the declination
18 is because the inactive retiree has coverage through another ~~insurance~~
19 ~~program~~ or group health plan and the inactive retiree's coverage is
20 subsequently terminated because of a loss of eligibility, then the inactive
21 retiree and any dependents shall qualify for coverage in a board-sponsored
22 health benefit program upon payment of the appropriate premium as established
23 by the board, provided the inactive retiree applies for coverage within
24 thirty-one (31) days of the loss of eligibility.

25 ~~(D) An inactive retiree shall be charged a premium~~
26 ~~determined by the board to be actuarially sound, along with administrative~~
27 ~~fees deemed appropriate~~.

28 ~~(E) An inactive retiree shall not be eligible to return to~~
29 ~~the board-sponsored health program if for any reason the inactive retiree~~
30 ~~ceases coverage at any time after election under this subsection~~.

31 ~~(F)~~(D) An eligible inactive retiree shall be reclassified
32 as an "active retiree" upon electing to receive a retirement benefit by a
33 retirement system listed within this section and shall be charged the premium
34 rate appropriate for his or her rating category as an active retiree.

35 (4)(A) As used in this subsection, "loss of eligibility" means a
36 loss of coverage as a result of a legal separation, divorce, death of the

1 insured, termination of employment, or a reduction in the number of hours of
2 employment.

3 (B) "Loss of eligibility" shall not include a loss of
4 coverage from a failure to pay premiums, ~~a failure to pay premiums~~ on a
5 timely basis, voluntary termination of coverage, or a termination of coverage
6 for cause, such as making a fraudulent claim.

7 (b)(1) Persons who draw retirement benefits under the Arkansas Public
8 Employees' Retirement System, the Arkansas Teacher Retirement System, or the
9 Arkansas State Highway Employees' Retirement System, and retired contract
10 employees of the Arkansas National Guard who wish to participate in the group
11 insurance program provided for in this subchapter shall pay the retiree
12 amount of the premium or the cost of the policy issued to the retired
13 participant.

14 (2) The retiree portion of the premium or cost shall be deducted
15 from the retirement benefit checks of the retired participants. If the
16 retirement benefit is not large enough for the premium deduction, the premium
17 shall be paid by monthly bank draft on a designated date prescribed by the
18 Employee Benefits Division.

19 ~~(c)(1) Eligible employees of institutions of higher education,~~
20 ~~technical institutes, the Department of Higher Education, the Department of~~
21 ~~Workforce Education, and the Arkansas Rehabilitation Services of the~~
22 ~~Department of Workforce Education who are retired with at least five (5)~~
23 ~~years of creditable service after July 1, 1983, shall be allowed to~~
24 ~~participate in the group insurance program provided for in this subchapter~~
25 ~~but shall pay the full amount of the premium or cost of the policy issued to~~
26 ~~the retired participant.~~

27 ~~(2) All eligible participants must make an option selection of~~
28 ~~coverage within thirty one (31) days subsequent to the date of their~~
29 ~~notification of termination or retirement.~~

30 ~~(d)(c)~~ Members of the Arkansas Public Employees' Retirement System and
31 the Arkansas State Highway Employees' Retirement System who retire before
32 January 2, 1988, under the provisions of the Incentives for Early Retirement
33 Act, §§ 24-4-732, 24-5-122, and 24-6-102, shall not have to pay the full
34 amount of the premium and shall pay a portion of the cost of the policy as
35 set forth by the Incentives for Early Retirement Act, §§ 24-4-732, 24-5-122,
36 and 24-6-102.

1 ~~(e)(d)~~ Any future change in coverage other than cancellation shall be
2 extended only to newly acquired dependents, except that if an active or
3 inactive retiree declined dependent coverage at the time of election to be an
4 active or inactive retiree and specified in writing that the reason for the
5 declination was that the dependent had other coverage, and if subsequently
6 the dependent involuntarily loses such coverage, except for fraud or
7 voluntary cessation of premium payment while the active or inactive retiree
8 is covered by the plan, then the dependent may be added within thirty-one
9 (31) days of the involuntary termination to the active or inactive retiree's
10 health insurance coverage for payment of the appropriate premium as
11 established by the board.

12 (e) If a retiree dies and has covered dependents at the time of death,
13 the dependents have the right to continue coverage under the plan. Dependent
14 children may be covered until marriage or until the maximum age limit for a
15 dependent child has been reached. A surviving spouse may continue coverage
16 under the plan. If a surviving spouse or dependent declines coverage or
17 cancels existing coverage, then the surviving spouse or dependent have no
18 further privileges under the plan.

19
20 SECTION 10. Arkansas Code § 21-5-412 is amended to read as follows:

21 21-5-412. Eligibility of certain elected officers.

22 (a) Members of the General Assembly and the ~~State~~ state elected
23 constitutional officers who have served a sufficient number of years of
24 credited service to be eligible for retirement benefits upon attainment of
25 retirement age, but who have not yet reached retirement age, shall be
26 eligible to continue to participate in State employees life and ~~disability~~
27 health programs upon leaving elective service.

28 ~~(b) Upon ending his or her service in the House of Representatives or~~
29 ~~Senate, or as a state elected constitutional officer, a person shall have a~~
30 ~~period of six (6) months to elect whether or not to continue participation in~~
31 ~~the state employees life and disability programs in accordance with the~~
32 ~~programs as currently in effect.~~

33 ~~(e)(1)(b)(1)~~ Any person who is leaving the General Assembly or any
34 state elected constitutional officer who wishes to participate in the state
35 employee's life and disability program provided for in this subchapter shall
36 be offered continuation of coverage under the Consolidated Omnibus Budget

1 ~~Reconciliation Act (COBRA), pay the full amount of the premium or cost of the~~
2 ~~policy issued to the participant, including the amount which the state is~~
3 ~~otherwise authorized to pay.~~

4 ~~(2) The payments shall be made on a semimonthly, monthly, or~~
5 ~~quarterly basis as determined by the State and Public School Life and Health~~
6 ~~Insurance Board and shall be remitted through the state agency or office from~~
7 ~~which the person last received his or her salary as a member of the General~~
8 ~~Assembly or as a state elected constitutional officer.~~

9 (2)(A) An employee with ten (10) or more years of creditable
10 service under the terms of a retirement plan listed in this section shall
11 qualify for continuation of health insurance coverage offered by the board if
12 that employee is separated from employment because of the expiration of a
13 fixed period of employment.

14 (B)(i) An elected officer qualifying for continuation of
15 coverage under this subsection shall be considered an "eligible inactive
16 retiree" and shall have thirty-one (31) days from the effective date of
17 termination to elect to continue health insurance coverage under this section
18 by notifying the Employee Benefits Division in writing on forms required by
19 the Employee Benefits Division.

20 (ii) The eligible inactive retiree shall pay the
21 full amount of the insurance premium.

22 (C)(i) Except as provided in subdivision (b)(3)(C)(ii) of
23 this section, an eligible inactive retiree's failure to make an election
24 during the thirty-one day election period, or an eligible inactive retiree's
25 election to decline participation in the health program is final.

26 (ii) An eligible inactive retiree who declined
27 coverage and any dependents of the eligible inactive retiree shall qualify
28 for coverage in the board-sponsored health benefit program upon payment of
29 the appropriate premium as established by the board, provided the eligible
30 inactive retiree applied for coverage within thirty-one (31) days of the loss
31 of eligibility if:

32 (a) The eligible inactive retiree who declined
33 coverage specifies in writing that the reason for the declination is because
34 the eligible inactive retiree has coverage through another group health plan;

35 (b) The eligible inactive retiree's coverage
36 is subsequently terminated because of a loss of eligibility; and

1 (c) The eligible inactive retiree provides
2 information from the former insurance company confirming the loss of
3 coverage.

4 (D)(i) An inactive retiree shall be charged the
5 Consolidated Omnibus Budget Reconciliation Act (COBRA) premium determined by
6 the board to be actuarially sound, along with administrative fees deemed
7 appropriate.

8 (ii) An eligible inactive retiree shall be
9 reclassified as an active retiree upon electing to receive a retirement
10 benefit by a retirement system listed within this section and shall be
11 charged the premium rate appropriate for his or her rating category as an
12 active retiree.

13
14 SECTION 11. Arkansas Code § 21-5-413 is repealed.

15 ~~21-5-413. Employer contributions.~~

16 ~~The percentage of the premiums or costs to be paid by the participating~~
17 ~~employer shall be authorized by the General Assembly.~~

18
19 SECTION 12. Arkansas Code § 21-5-414 is amended to read as follows:

20 21-5-414. State contributions generally - Partial State contribution of
21 employees' premiums.

22 (a) The Department of Finance and Administration shall seek the advice
23 of the Legislative Council and the House Interim Committee on Insurance and
24 Commerce and the Senate Interim Committee on Insurance and Commerce before
25 additional contributions can be made.

26 (b)(1) The State of Arkansas, on behalf of agencies participating in
27 the plans adopted by the state, is authorized to make a monthly contribution
28 equal to the number of budgeted state employee positions multiplied by the
29 monthly contribution authorized by the Chief Fiscal Officer of the State, not
30 to exceed ~~three hundred fifty dollars (\$350)~~ four hundred twenty-five dollars
31 (\$425) monthly for each ~~State~~ state employee budgeted position into a fund
32 designated for ~~State~~ state employee health benefits, to partially defray the
33 cost of life and health insurance for employees of the State participating in
34 the plan sponsored by the State and Public School Life and Health Insurance
35 Board.

36 (2) The department may make a monthly contribution to partially

1 defray the cost of health insurance for State employee retirees, utilizing
2 funds made available for that purpose, not to exceed the amount authorized by
3 the Chief Fiscal Officer of the State.

4
5 SECTION 13. Arkansas Code § 21-5-415 is amended to read as follows:

6 21-5-415. Nonpayment of premiums and failure to file reports by agency
7 or school district.

8 (a)(1) If any participating agency or school district does not remit
9 insurance premiums and required monthly reports to the Employee Benefits
10 Division of the Department of Finance and Administration by ~~twenty (20)~~
11 ~~calendar days after the pay period ending date, the division shall have the~~
12 ~~right to impose interest of ten percent (10%) per annum on the moneys due the~~
13 last calendar day of each billing month, the division shall impose a penalty
14 of two dollars (\$2.00) per insured member or one hundred dollars (\$100),
15 whichever is greater.

16 ~~(2) Interest will be computed on the actual days of delinquency,~~
17 ~~with a minimum charge being billed when appropriate.~~

18 ~~(3) Interest payable will be determined using the date the~~
19 ~~delinquent funds are received, and an invoice for the interest shall be sent~~
20 ~~to the agency or school district.~~

21 (2) Penalties will be assessed and invoiced based on the actual
22 number of members included on the monthly billing report that is past due.
23 Invoices will be processed at the beginning of the month following the
24 infraction.

25 ~~(b)(1)(3) Payment~~ Penalties shall be payable to the ~~group insurance~~
26 ~~trust funds~~ Employee Benefits Division and must be received by the division
27 no later than the last calendar day of the month following billing invoicing.

28 ~~(2)(4)~~ If payment is not received by the division by the ~~last~~
29 ~~calendar day of the month following billing~~ due date the following collection
30 methods may be used:

31 (A)(i) The Chief Fiscal Officer of the State may cause the
32 ~~interest payable~~ amount sought to be transferred to the division from:

33 (a) Funds the agency or school district has on
34 deposit with the Treasurer of State; or

35 (b) Any funds the agency or school district is
36 due from the State.

1 (ii) If a transfer must be made, a transfer penalty
2 of twenty dollars (\$20.00) per transfer ~~may~~ shall be assessed each agency or
3 school district fund and included in the transfer;

4 (B) The agency director or school district superintendent
5 may be required to appear before the State and Public School Life and Health
6 Insurance Board to report the reasons for nonpayment or incorrect reporting;
7 and

8 (C) The Chief Fiscal Officer of the State may use his or
9 her powers outlined in § 19-4-301 et seq. to aid in collection.

10 ~~(e)(5)~~ Nonpayment of premiums could also result in a lapse of
11 health and life insurance coverage for employees of the school district,
12 agency, or the agency assuming responsibility for paying health and life
13 claims for its employees.

14 ~~(d)(1) In the event any participating agency or school district fails~~
15 ~~to file the necessary reports with the division by twenty (20) calendar days~~
16 ~~after the due date, the division shall have the right to impose a penalty of~~
17 ~~fifty dollars (\$50.00) per insured.~~

18 ~~(2) An additional penalty of fifty dollars (\$50.00) per insured~~
19 ~~will be assessed for each subsequent reporting period the overdue report~~
20 ~~remains in arrears.~~

21 ~~(e)(1) An invoice for this penalty will be sent to the agency or~~
22 ~~school district, and payment shall be payable to the group insurance trust~~
23 ~~funds and must be received by the division no later than the last calendar~~
24 ~~day of the month following billing.~~

25 ~~(2) If payment is not received by the division by the last~~
26 ~~calendar day of the month following billing, the following collection methods~~
27 ~~may be used:-~~

28 ~~(A)(i) The Chief Fiscal Officer of the State may cause the~~
29 ~~interest payable to be transferred to the division from:~~

30 ~~(a) Funds the agency has on deposit with the Treasurer of~~
31 ~~State; or~~

32 ~~(b) Any funds the school district is due from the state.~~

33 ~~(ii) If a transfer must be made, a transfer penalty~~
34 ~~of twenty dollars (\$20.00) per transfer may be assessed each agency fund and~~
35 ~~included in the transfer;~~

36 ~~(B) The agency director or school district superintendent~~

1 ~~may be required to appear before the board to report the reasons for~~
 2 ~~nonpayment; and~~

3 ~~(C) The Chief Fiscal Officer of the State may use his or~~
 4 ~~her powers as outlined in § 19-4-301 et seq. to aid in collection.~~

5 ~~(f)(1)(b)(1)~~ If any participating agency or school district fails to
 6 follow established policy and procedures set by the executive director,
 7 including but not limited to ~~notify~~ notifying the division of an insured's
 8 leave without pay, family medical leave, or military leave status, or if any
 9 participating agency or school district provides incorrect benefit
 10 information, or processes unauthorized benefit changes, including system
 11 entries that result in un-reimbursed expenses to the State Employees Benefits
 12 Trust Fund or Public School Employees Insurance Trust Fund, ~~of the State and~~
 13 Public School Employees Insurance Fund, the division shall have the right
 14 to:

15 (A) Require the agency to pay the total amount of the
 16 insured's premium; and

17 (B) Impose a penalty of fifty dollars (\$50.00) per
 18 insured.

19 (2) Penalties will be assessed and invoiced based on the actual
 20 number of violations. Invoices will be processed at the beginning of the
 21 month following discovery of the infraction.

22 (3) Penalties shall be payable to the Employee Benefits Division
 23 and must be received by the last calendar day of the month following
 24 invoicing.

25 ~~(2)(A)(4)~~ The Chief Fiscal Officer of the State may cause the
 26 amount sought to be transferred from:

27 ~~(i)(A)~~ Funds the agency or school district has on deposit
 28 with the Treasurer of State; or

29 ~~(ii)(B)~~ Any funds the agency or school district is due
 30 from the state.

31 ~~(B)(5)~~ If a transfer is made, a transfer penalty of twenty
 32 dollars (\$20.00) per transfer ~~may~~ shall be assessed each agency or school
 33 district fund and included in the transfer.

34 ~~(g)(c)~~ The division may correct any error regarding an ~~insured benefit~~
 35 insured's benefits according to existing documentation without authorization
 36 or prior notification to the agency or school district.

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SECTION 14. Arkansas Code § 21-5-417 is amended to read as follows:

21-5-417. State contribution for employee receiving workers' compensation.

Notwithstanding any other provisions of the law, a state agency ~~may~~ shall remit the employer's contribution to a ~~health insurance program~~ the Employee Benefits Division for state employees when the employee is in a leave without pay status, ~~provided that the employee is in a leave without pay status~~ because of a work-related injury and is receiving benefits from workers' compensation.

SECTION 15. Arkansas Code § 21-5-504 is amended as follows:

21-5-504. Authority of State or political subdivision.

(a) The state or any county, city, town, or other political subdivision may agree, by contract, with any employee to defer, in whole or in part, any portion of that employee's future compensation to a deferred compensation program.

(b)(1) The administrator of the deferred compensation program may:

(A) Contract for, purchase, or otherwise procure annuity contracts for the deferred compensation program; and

(B) Through a trust or custodian, contract for, purchase, or otherwise procure fixed or variable life insurance contracts, mutual funds, pooled investment funds, or such other investment vehicles that comply with State and federal laws and which permit the deferral of compensation for income tax and retirement savings purposes.

(2) If an annuity or life insurance contract is purchased, then it must be purchased from an insurance company licensed to contract business in this state, and any insurance agent selling such contracts must be licensed by this state.

SECTION 16. Arkansas Code § 21-5-507 is amended as follows:

21-5-507. Payments by administrator.

(a) Notwithstanding any other provision of law to the contrary, the Executive Director of the Employee Benefits Division of the Department of Finance and Administration or the appropriate officer of the county, city, town, or other political subdivision designated to administer the deferred

1 compensation program is authorized:

2 (1) To make payments of premiums for the purchase of annuity
3 contracts under the deferred compensation program; and

4 (2) To make ~~payments~~ deferrals to a trustee or custodian holding
5 fixed or variable life insurance contracts, annuity contracts, mutual funds,
6 pooled investment funds, or other investment vehicles under the deferred
7 compensation program.

8 (b) The payments and deferrals shall not be construed to be a
9 prohibited use of the general assets of the state, county, city, town, or
10 other political subdivision.

11
12 SECTION 17. Arkansas Code § 21-5-508 is amended to read as follows:
13 21-5-508. Taxation of deferred income.

14 Any sum deferred under the deferred compensation program shall not be
15 subject to income taxation until distribution is actually made to the
16 employee or beneficiary.

17
18 SECTION 18. Arkansas Code § 6-17-1117 is amended to read as follows:
19 6-17-1117. Health insurance.

20 (a) Beginning on October 1, 2004, local school districts shall pay the
21 health insurance contribution rate of one hundred thirty-one dollars (\$131)
22 per month for each eligible employee electing to participate in the public
23 school employees' health insurance program.

24 (b)(1) The Department of Education shall pay the Employee Benefits
25 Division of the Department of Finance and Administration sixty-one dollars
26 (\$61.00) per month for each eligible employee ~~of a public school district~~
27 electing to participate in the public school employees' health insurance
28 program administered by the State and Public School Life and Health Insurance
29 Board.

30 (2) The funds provided to the division under this subsection
31 shall be administered by the board for the benefit of the employee
32 participants of the public school employees' health insurance program.

33 (3)(A)~~(i)~~ In the event that appropriation or funding is not
34 provided, the department shall not be responsible for the increased payments
35 for the public school employee health insurance program as established by
36 this section.

1 ~~(ii)~~(B) If funding and appropriation are provided but are
2 inadequate for the total number of employees electing to participate in the
3 public school employees' health insurance program, the department shall pay a
4 proportional share on behalf of each participant.

5 ~~(B) Notwithstanding the special language provision in the~~
6 ~~department's appropriation act granting transfer authority or any other law~~
7 ~~to the contrary, appropriation and funding provided for the purposes of this~~
8 ~~section shall not be transferred by the department for any other purpose.~~

9 (c)(1) A school district shall:

10 (A) Provide the same employer-provided health insurance
11 benefits for all full-time school district employees; and

12 (B) Pay the same employer contribution rate for each
13 eligible employee electing to participate in the public school employees'
14 health insurance program.

15 (2) If a school district entered into a contract with a
16 superintendent, teacher, or other personnel prior to April 11, 2006, and the
17 contract provides for a higher employer contribution rate than is paid for a
18 majority of the certified personnel in the district, then the district may
19 continue to pay the higher contribution rate as provided under the existing
20 contract but not under extensions, addendums, or new contracts created after
21 April 11, 2006, without increasing all other employees to the same rate.

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/s/ Saunders

APPROVED: 4/3/2007