

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 (Effective until January 1, 2025) is amended to read as  
4 follows:

5 (1) (a) The term "employee" for purposes of this section means:

6 1. Any person, including an elected public official, who is regularly  
7 employed by any department, office, board, agency, or branch of state  
8 government; or by a public postsecondary educational institution; or by  
9 any city, urban-county, charter county, county, or consolidated local  
10 government, whose legislative body has opted to participate in the state-  
11 sponsored health insurance program pursuant to KRS 79.080; and who  
12 is either a contributing member to any one (1) of the retirement systems  
13 administered by the state, including but not limited to the Kentucky  
14 Retirement Systems, County Employees Retirement System, Kentucky  
15 Teachers' Retirement System, the Legislators' Retirement Plan, or the  
16 Judicial Retirement Plan; or is receiving a contractual contribution from  
17 the state toward a retirement plan; or, in the case of a public  
18 postsecondary education institution, is an individual participating in an  
19 optional retirement plan authorized by KRS 161.567; or is eligible to  
20 participate in a retirement plan established by an employer who ceases  
21 participating in the Kentucky Employees Retirement System pursuant to  
22 KRS 61.522 whose employees participated in the health insurance plans  
23 administered by the Personnel Cabinet prior to the employer's effective  
24 cessation date in the Kentucky Employees Retirement System, ***except***  
25 ***that no employer who ceases participation in the state health***  
26 ***insurance plan shall be eligible to participate in the state health***  
27 ***insurance plan again in the future;***

- 1           2. Any certified or classified employee of a local board of education or a
- 2           public charter school as defined in KRS 160.1590;
- 3           3. Any elected member of a local board of education;
- 4           4. Any person who is a present or future recipient of a retirement
- 5           allowance from the Kentucky Retirement Systems, County Employees
- 6           Retirement System, Kentucky Teachers' Retirement System, the
- 7           Legislators' Retirement Plan, the Judicial Retirement Plan, or the
- 8           Kentucky Community and Technical College System's optional
- 9           retirement plan authorized by KRS 161.567, except that a person who is
- 10          receiving a retirement allowance and who is age sixty-five (65) or older
- 11          shall not be included, with the exception of persons covered under KRS
- 12          61.702(2)(b)3. and 78.5536(2)(b)3., unless he or she is actively
- 13          employed pursuant to subparagraph 1. of this paragraph; and
- 14          5. Any eligible dependents and beneficiaries of participating employees
- 15          and retirees who are entitled to participate in the state-sponsored health
- 16          insurance program;
- 17          (b) The term "health benefit plan" for the purposes of this section means a health
- 18          benefit plan as defined in KRS 304.17A-005;
- 19          (c) The term "insurer" for the purposes of this section means an insurer as defined
- 20          in KRS 304.17A-005; and
- 21          (d) The term "managed care plan" for the purposes of this section means a
- 22          managed care plan as defined in KRS 304.17A-500.
- 23      (2) (a) The secretary of the Finance and Administration Cabinet, upon the
- 24          recommendation of the secretary of the Personnel Cabinet, shall procure, in
- 25          compliance with the provisions of KRS 45A.080, 45A.085, and 45A.090,
- 26          from one (1) or more insurers authorized to do business in this state, a group
- 27          health benefit plan that may include but not be limited to health maintenance

organization (HMO), preferred provider organization (PPO), point of service (POS), and exclusive provider organization (EPO) benefit plans encompassing all or any class or classes of employees. With the exception of employers governed by the provisions of KRS Chapters 16, 18A, and 151B, all employers of any class of employees or former employees shall enter into a contract with the Personnel Cabinet prior to including that group in the state health insurance group. The contracts shall include but not be limited to designating the entity responsible for filing any federal forms, adoption of policies required for proper plan administration, acceptance of the contractual provisions with health insurance carriers or third-party administrators, requiring minimal participation duration, requiring participation in all employee benefits administered by the Personnel Cabinet pursuant to KRS 18A.205 to 18A.2287, and adoption of the payment and reimbursement methods necessary for efficient administration of the health insurance program. Health insurance coverage provided to state employees under this section shall:

1. Provide minimum value in that the plan shall pay at least sixty percent (60%) of the total cost of in-network medical services for employees;
2. Provide minimum essential coverage as defined in 26 U.S.C. sec. 5000A(f);
3. Not discriminate in favor of highly compensated individuals as prohibited by 26 U.S.C. sec. 105(h); and
4. ~~[-, at a minimum, contain the same benefits as provided under Kentucky Kare Standard as of January 1, 1994, and shall -]~~ Include a mail-order drug option as provided in subsection (12)~~[(13)]~~ of this section.

All employees and other persons for whom the health care coverage is 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 (b) The policy or policies shall be approved by the commissioner of insurance  
6 and may contain the provisions the commissioner of insurance approves,  
7 whether or not otherwise permitted by the insurance laws.

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

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

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

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

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

24 (h) Each entity participating in the state-sponsored health insurance program shall  
25 provide an amount at least equal to the state contribution rate for the employer  
26 portion of the health insurance premium. For any participating entity that used  
27 the state payroll system, the employer contribution amount shall be equal to

1 but not greater than the state contribution rate.

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

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

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

8 (c) Partly from each, except that any premium due for health care coverage,  
9 vision coverage, or dental coverage, if any, in excess of the premium amount  
10 contributed by any department, board, agency, postsecondary education  
11 institution, or branch of state, city, urban-county, charter county, county, or  
12 consolidated local government for any other health care coverage shall be  
13 paid by the employee.

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

20 (5) No payment of premium by any department, board, agency, public postsecondary  
21 educational institution, or branch of state, city, urban-county, charter county,  
22 county, or consolidated local government shall constitute compensation to an  
23 insured employee for the purposes of any statute fixing or limiting the  
24 compensation of such an employee. Any premium or other expense incurred by any  
25 department, board, agency, public postsecondary educational institution, or branch  
26 of state, city, urban-county, charter county, county, or consolidated local  
27 government shall be considered a proper cost of administration.

- 1 (6) The policy or policies may contain the provisions with respect to the class or classes  
2 of employees covered, amounts of insurance or coverage for designated classes or  
3 groups of employees, policy options, terms of eligibility, and continuation of  
4 insurance or coverage after retirement.
- 5 (7) Group rates under this section shall be made available to the disabled child of an  
6 employee regardless of the child's age if the entire premium for the disabled child's  
7 coverage is paid by the state employee. A child shall be considered disabled if he or  
8 she has been determined to be eligible for federal Social Security disability benefits.
- 9 (8) The health care contract or contracts for employees shall be entered into for a  
10 period of not less than one (1) year.
- 11 (9) ~~The secretary shall appoint thirty two (32) persons to an Advisory Committee of~~  
12 ~~State Health Insurance Subscribers to advise the secretary or the secretary's~~  
13 ~~designee regarding the state sponsored health insurance program for employees.~~  
14 ~~The secretary shall appoint, from a list of names submitted by appointing~~  
15 ~~authorities, members representing school districts from each of the seven (7)~~  
16 ~~Supreme Court districts, members representing state government from each of the~~  
17 ~~seven (7) Supreme Court districts, two (2) members representing retirees under age~~  
18 ~~sixty five (65), one (1) member representing local health departments, two (2)~~  
19 ~~members representing the Kentucky Teachers' Retirement System, and three (3)~~  
20 ~~members at large. The secretary shall also appoint two (2) members from a list of~~  
21 ~~five (5) names submitted by the Kentucky Education Association, two (2) members~~  
22 ~~from a list of five (5) names submitted by the largest state employee organization of~~  
23 ~~nonschool state employees, two (2) members from a list of five (5) names submitted~~  
24 ~~by the Kentucky Association of Counties, two (2) members from a list of five (5)~~  
25 ~~names submitted by the Kentucky League of Cities, and two (2) members from a~~  
26 ~~list of names consisting of five (5) names submitted by each state employee~~  
27 ~~organization that has two thousand (2,000) or more members on state payroll~~

1       ~~deduction. The advisory committee shall be appointed in January of each year and~~  
2       ~~shall meet quarterly.~~

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

8       (10)~~(11)~~ Interruption of an established treatment regime with maintenance drugs shall  
9       be grounds for an insured to appeal a formulary change through the established  
10      appeal procedures approved by the Department of Insurance, if the physician  
11      supervising the treatment certifies that the change is not in the best interests of the  
12      patient.

13     (11)~~(12)~~ Any employee who is eligible for and elects to participate in the state health  
14      insurance program as a retiree, or the spouse or beneficiary of a retiree, under any  
15      one (1) of the state-sponsored retirement systems shall not be eligible to receive the  
16      state health insurance contribution toward health care coverage as a result of any  
17      other employment for which there is a public employer contribution. This does not  
18      preclude a retiree and an active employee spouse from using both contributions to  
19      the extent needed for purchase of one (1) state sponsored health insurance policy  
20      for that plan year.

21     (12)~~(13)~~ (a) The policies of health insurance coverage procured under subsection (2)  
22         of this section shall include a mail-order drug option for maintenance drugs  
23         for state employees. Maintenance drugs may be dispensed by mail order in  
24         accordance with Kentucky law.

25       (b) A health insurer shall not discriminate against any retail pharmacy located  
26       within the geographic coverage area of the health benefit plan and that meets  
27       the terms and conditions for participation established by the insurer, including

1 price, dispensing fee, and copay requirements of a mail-order option. The  
2 retail pharmacy shall not be required to dispense by mail.

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

5 **(13) Except as authorized under this section and Section 3 of this Act, no provision of**  
6 **KRS Chapter 304 shall apply to the public employee health insurance program**  
7 **for public employees established under subsection (1) of Section 3 of this Act.**

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

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

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

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

27 ~~(18) If a state employee's residence and place of employment are each located in~~

1        ~~counties in which the hospitals do not offer surgical services, intensive care~~  
2        ~~services, obstetrical services, level II neonatal services, diagnostic cardiac~~  
3        ~~catheterization services, and magnetic resonance imaging services, the employee~~  
4        ~~may select a plan available in a county contiguous to the county of residence that~~  
5        ~~does provide those services, and the state contribution for the plan shall be the~~  
6        ~~amount available in the county where the plan selected is located.~~

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

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

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

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

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

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

1           ~~the best interests of state employees in a region, the cabinet may award the~~  
2           ~~contract for that region to no more than two (2) carriers; and~~

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

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

12   (18)~~(22)~~ Any fully insured health benefit plan or self-insured plan issued or renewed to  
13   public employees pursuant to this section shall comply with:

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

1        ➔Section 2. KRS 18A.225 (Effective January 1, 2025) is amended to read as  
2 follows:

3        (1) (a) The term "employee" for purposes of this section means:

- 4                1. Any person, including an elected public official, who is regularly  
5 employed by any department, office, board, agency, or branch of state  
6 government; or by a public postsecondary educational institution; or by  
7 any city, urban-county, charter county, county, or consolidated local  
8 government, whose legislative body has opted to participate in the state-  
9 sponsored health insurance program pursuant to KRS 79.080; and who  
10 is either a contributing member to any one (1) of the retirement systems  
11 administered by the state, including but not limited to the Kentucky  
12 Retirement Systems, County Employees Retirement System, Kentucky  
13 Teachers' Retirement System, the Legislators' Retirement Plan, or the  
14 Judicial Retirement Plan; or is receiving a contractual contribution from  
15 the state toward a retirement plan; or, in the case of a public  
16 postsecondary education institution, is an individual participating in an  
17 optional retirement plan authorized by KRS 161.567; or is eligible to  
18 participate in a retirement plan established by an employer who ceases  
19 participating in the Kentucky Employees Retirement System pursuant to  
20 KRS 61.522 whose employees participated in the health insurance plans  
21 administered by the Personnel Cabinet prior to the employer's effective  
22 cessation date in the Kentucky Employees Retirement System, except  
23 that no employer who ceases participation in the state health  
24 insurance plan shall be eligible to participate in the state health  
25 insurance plan again in the future;  
26                2. Any certified or classified employee of a local board of education or a  
27 public charter school as defined in KRS 160.1590;

- 1           3. Any elected member of a local board of education;
- 2           4. Any person who is a present or future recipient of a retirement
- 3 allowance from the Kentucky Retirement Systems, County Employees
- 4 Retirement System, Kentucky Teachers' Retirement System, the
- 5 Legislators' Retirement Plan, the Judicial Retirement Plan, or the
- 6 Kentucky Community and Technical College System's optional
- 7 retirement plan authorized by KRS 161.567, except that a person who is
- 8 receiving a retirement allowance and who is age sixty-five (65) or older
- 9 shall not be included, with the exception of persons covered under KRS
- 10 61.702(2)(b)3. and 78.5536(2)(b)3., unless he or she is actively
- 11 employed pursuant to subparagraph 1. of this paragraph; and
- 12           5. Any eligible dependents and beneficiaries of participating employees
- 13 and retirees who are entitled to participate in the state-sponsored health
- 14 insurance program;
- 15       (b) The term "health benefit plan" for the purposes of this section means a health
- 16 benefit plan as defined in KRS 304.17A-005;
- 17       (c) The term "insurer" for the purposes of this section means an insurer as defined
- 18 in KRS 304.17A-005; and
- 19       (d) The term "managed care plan" for the purposes of this section means a
- 20 managed care plan as defined in KRS 304.17A-500.
- 21 (2) (a) The secretary of the Finance and Administration Cabinet, upon the
- 22 recommendation of the secretary of the Personnel Cabinet, shall procure, in
- 23 compliance with the provisions of KRS 45A.080, 45A.085, and 45A.090,
- 24 from one (1) or more insurers authorized to do business in this state, a group
- 25 health benefit plan that may include but not be limited to health maintenance
- 26 organization (HMO), preferred provider organization (PPO), point of service
- 27 (POS), and exclusive provider organization (EPO) benefit plans

1 encompassing all or any class or classes of employees. With the exception of  
2 employers governed by the provisions of KRS Chapters 16, 18A, and 151B,  
3 all employers of any class of employees or former employees shall enter into  
4 a contract with the Personnel Cabinet prior to including that group in the state  
5 health insurance group. The contracts shall include but not be limited to  
6 designating the entity responsible for filing any federal forms, adoption of  
7 policies required for proper plan administration, acceptance of the contractual  
8 provisions with health insurance carriers or third-party administrators,  
9 requiring minimal participation duration, requiring participation in all  
10 employee benefits administered by the Personnel Cabinet pursuant to KRS  
11 18A.205 to 18A.2287, and adoption of the payment and reimbursement  
12 methods necessary for efficient administration of the health insurance  
13 program. Health insurance coverage provided to state employees under this  
14 section shall:

- 15 1. Provide minimum value in that the plan shall pay at least sixty percent  
16 (60%) of the total cost of in-network medical services for employees;
- 17 2. Provide minimum essential coverage as defined in 26 U.S.C. sec.  
18 5000A(f);
- 19 3. Not discriminate in favor of highly compensated individuals as  
20 prohibited by 26 U.S.C. sec. 105(h); and
- 21 4. ~~[-, at a minimum, contain the same benefits as provided under Kentucky~~  
22 ~~Kare Standard as of January 1, 1994, and shall ]~~Include a mail-order  
23 drug option as provided in subsection ~~(12)~~~~[(13)]~~ of this section.

24 All employees and other persons for whom the health care coverage is  
25 provided or made available shall annually be given an option to elect health  
26 care coverage through a self-funded plan offered by the Commonwealth or, if  
27 a self-funded plan is not available, from a list of coverage options determined

1 by the competitive bid process under the provisions of KRS 45A.080,  
2 45A.085, and 45A.090 and made available during annual open enrollment.

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

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

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

25 (e) The Personnel Cabinet shall develop the necessary techniques and capabilities  
26 for timely analysis of data received from carriers and, to the extent possible,  
27 provide in the request-for-proposal specifics relating to data requirements,

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

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

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

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23 provide an amount at least equal to the state contribution rate for the employer  
24 portion of the health insurance premium. For any participating entity that used  
25 the state payroll system, the employer contribution amount shall be equal to  
26 but not greater than the state contribution rate.

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

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

1 groups of employees, policy options, terms of eligibility, and continuation of  
2 insurance or coverage after retirement.

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

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

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

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

6 (10)~~[(11)]~~ Interruption of an established treatment regime with maintenance drugs shall  
7 be grounds for an insured to appeal a formulary change through the established  
8 appeal procedures approved by the Department of Insurance, if the physician  
9 supervising the treatment certifies that the change is not in the best interests of the  
10 patient.

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

19 (12)~~[(13)]~~ (a) The policies of health insurance coverage procured under subsection (2)  
20 of this section shall include a mail-order drug option for maintenance drugs  
21 for state employees. Maintenance drugs may be dispensed by mail order in  
22 accordance with Kentucky law.

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

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

3 **(13) Except as authorized under this section and Section 3 of this Act, no provision of**  
4 **KRS Chapter 304 shall apply to the public employee health insurance program**  
5 **for public employees established under subsection (1) of Section 3 of this Act.**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

10    (18)~~(22)~~ Any fully insured health benefit plan or self-insured plan issued or renewed to  
11       public employees pursuant to this section shall comply with:

- 12       (a) KRS 304.12-237;
- 13       (b) KRS 304.17A-270 and 304.17A-525;
- 14       (c) KRS 304.17A-600 to 304.17A-633;
- 15       (d) KRS 205.593;
- 16       (e) KRS 304.17A-700 to 304.17A-730;
- 17       (f) KRS 304.14-135;
- 18       (g) KRS 304.17A-580 and 304.17A-641;
- 19       (h) KRS 304.99-123;
- 20       (i) KRS 304.17A-138;
- 21       (j) KRS 304.17A-148;
- 22       (k) KRS 304.17A-163 and 304.17A-1631;
- 23       (l) KRS 304.17A-265;
- 24       (m) KRS 304.17A-261;
- 25       (n) KRS 304.17A-262; and
- 26       (o) Administrative regulations promulgated pursuant to statutes listed in this  
27       subsection.

1        ➔Section 3. KRS 18A.2254 is amended to read as follows:

2        (1) Based on the recommendation of the secretary of the Personnel Cabinet, the  
3        secretary of the Finance and Administration Cabinet, in lieu of contracting with one  
4        (1) or more insurers licensed to do business in this state, shall procure, in  
5        compliance with KRS 45A.080, 45A.085, and 45A.090, and reviewed by the  
6        Government Contract Review Committee pursuant to KRS 45A.705, a contract  
7        with one (1) or more third-party administrators licensed to do business in the  
8        Commonwealth pursuant to KRS 304.9-052 to administer a self-insured plan  
9        offered to the Public Employee Health Insurance Program for public employees.

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

11       (a) 1. The secretary of the Personnel Cabinet shall incorporate by reference in  
12       an administrative regulation, pursuant to KRS 13A.2251, the plan year  
13       handbook distributed by the Department of Employee Insurance in the  
14       Personnel Cabinet to public employees covered under the self-insured  
15       plan. The plan year handbook shall contain, at a minimum, the  
16       premiums, employee contributions, employer contributions, and a  
17       summary of benefits, copays, coinsurance, and deductibles for each plan  
18       provided to public employees covered under the self-insured plan;

19       2. Notwithstanding any other provision of KRS Chapter 18A to the  
20       contrary, the administrative regulation shall not be subject to review by  
21       the Personnel Board prior to filing the administrative regulation with the  
22       Legislative Research Commission; and

23       3. The secretary of the Personnel Cabinet shall file the administrative  
24       regulation for the self-insured plan with the Legislative Research  
25       Commission on or before September 15 of the year before each new  
26       plan year begins;

27       (b) The self-insured plan offered by the program shall cover hospice care at least

- 1 equal to the Medicare benefit;
- 2 (c) The Personnel Cabinet shall provide written notice of any formulary change
- 3 to employees covered under the self-insured plan who are directly impacted
- 4 by the formulary change and to the Kentucky Group Health Insurance Board
- 5 fifteen (15) days before implementation of any formulary change. If, after
- 6 consulting with his or her physician, the employee still disagrees with the
- 7 formulary change, the employee shall have the right to appeal the change. The
- 8 employee shall have sixty (60) days from the date of the notice of the
- 9 formulary change to file an appeal with the Personnel Cabinet. The cabinet
- 10 shall render a decision within thirty (30) days from the receipt of the request
- 11 for an appeal. After a final decision is rendered by the Personnel Cabinet, the
- 12 employee shall have a right to file an appeal pursuant to the utilization review
- 13 statutes in KRS 304.17A-600 to 304.17A-633. During the appeal process, the
- 14 employee shall have the right to continue to take any drug prescribed by his or
- 15 her physician that is the subject of the formulary changes;
- 16 (d) The Personnel Cabinet shall develop the necessary capabilities to ensure that
- 17 an independent review of each formulary change is conducted and includes
- 18 but is not limited to an evaluation of the fiscal impact and therapeutic benefit
- 19 of the formulary change. The independent review shall be conducted by
- 20 knowledgeable medical professionals and the results of the independent
- 21 review shall be posted on the website~~[Web sites]~~ of the Personnel Cabinet ~~and the Cabinet for Health and Family Services]~~ and made available to the
- 22 public upon request within thirty (30) days of the notice from the Personnel
- 23 Cabinet required in paragraph (c) of this subsection;
- 24
- 25 (e) If the self-insured plan restricts pharmacy benefits to a drug formulary, the
- 26 plan shall comply with and have an exceptions policy in accordance with KRS
- 27 304.17A-535;

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

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

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

11 2. The Personnel Cabinet may offer a health savings account in  
12 conjunction with a high deductible health plan option as defined by 26  
13 U.S.C. sec. 223(c)(2) or as an optional account to which the Personnel  
14 Cabinet may deposit funds of an employee who waives coverage in  
15 accordance with paragraph (b) of this subsection, provided the employee  
16 who waives coverage is eligible to contribute to a health savings  
17 account.

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

27 (c) The administrative fees associated with the employee's health savings

1 account, health reimbursement account, or health flexible spending account  
2 shall be an authorized expense to be charged to the public employee health  
3 insurance trust fund.

4 (3) (a) The public employee health insurance trust fund is established in the  
5 Personnel Cabinet. The purpose of the public employee health insurance trust  
6 fund is to provide funds to pay medical claims and other costs associated with  
7 the administration of the Public Employee Health Insurance Program self-  
8 insured plan under a competitively bid contract as provided by KRS Chapter  
9 45A and reviewed by the Government Contract Review Committee pursuant  
10 to KRS 45A.705. Unless authorized by the General Assembly, the trust fund  
11 shall not utilize funds for any other purpose and the trust fund receipts from  
12 prior plan years shall not be used to pay claims and expenses for current or  
13 subsequent plan years, except as provided by paragraph (b) of this subsection.

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

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

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

27 (d) Any balance remaining in the public employee health insurance trust fund at

1 the end of a fiscal year shall not lapse. Any balance remaining at the end of a  
2 fiscal year shall be carried forward to the next fiscal year and be used solely  
3 for the purpose established in paragraphs (a) and (b) of this subsection. The  
4 balance of funds in the public employee health insurance trust fund shall be  
5 invested by the Office of Financial Management consistent with the  
6 provisions of KRS Chapter 42, and interest income shall be credited to the  
7 trust fund. Any balance for a specific plan year and any subsequent interest  
8 income for that specific plan year shall be accounted for separately.

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

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

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

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

under the contract. The data shall include the following:

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

➔Section 4. KRS 18A.226 is amended to read as follows:

(1) To provide quality, affordable health insurance coverage so that the Commonwealth can attract and retain able and dedicated public employees, and to facilitate the need for comprehensive and efficient planning, implementation, and administration of a state employee health insurance program in order to meet this goal, the Kentucky Group Health Insurance Board is created. The board shall be attached to the Personnel Cabinet for administrative purposes only. The board shall consist of fourteen (14)~~thirteen (13)~~ members as follows:

(a) The secretary of the Finance and Administration Cabinet;

(b) The secretary of the Personnel Cabinet;

(c) The state budget director;

(d) The commissioner of education;

(e) ~~The chair of the Advisory Committee of State Health Insurance Subscribers;~~

~~(f) The commissioner of insurance, ex officio;~~

(f)~~(g)~~ The Auditor of Public Accounts, ex officio;

(g)~~(h)~~ The Director of the Administrative Office of the Courts, or his or her designee;

(h)~~(i)~~ One (1) retired state employee appointed by the Kentucky Public Pensions Authority, and one (1) employee of the Kentucky Public Pensions Authority~~Retirement Systems~~, who shall each serve a term of two (2)

1           years~~[an initial term of one (1) year]~~;

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

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

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

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

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

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

22       (3)   Regular meetings of the board shall be held at least once every month at a place,  
23          day, and time determined by the board. Special meetings of the board shall be held  
24          when needed as determined by the chair. If eight (8)~~[seven (7)]~~ or more members of  
25          the board request in writing that the chair call a special meeting, the chair shall call  
26          a special meeting. The meetings shall operate in accordance with the provisions of  
27          the Open Meetings Law under KRS 61.805 to 61.850.

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

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

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

6 (b) Upon request, transmit~~Develop and transmit, by October 1 of each year~~  
7 ~~beginning October 1, 2001,]~~ to the Governor, the General Assembly, or~~and~~  
8 the Chief Justice of the Supreme Court the annual report, which shall be  
9 available by January 31 of each year and shall contain, at a minimum, the  
10 following information:~~[-]~~

11 1. Policy recommendations regarding benefit options and management of  
12 the state group health insurance program;~~[- and~~

13 ~~(c) Provide in the first report, due by October 1, 2001, the following:]~~

14 2.~~[1.]~~ Analysis and discussion of methods used by all other states to provide  
15 health insurance benefits to their state group;~~[- and]~~

16 3.~~[2.]~~ Analysis and discussion of the cost, enrollment, claims, and utilization  
17 data~~[- for calendar year 2000 on the Kentucky state group]; and~~

18 4.~~[3.]~~ Recommendations including but not limited to appropriate structures for  
19 the state contribution rate which shall include recommendations on  
20 increasing the state contribution to provide support for dependent  
21 coverage, possible methods to mitigate adverse selection, competitive  
22 plan designs by type and benefit options, the feasibility of a state self-  
23 insurance plan, and strategies for evaluating third-party administrators  
24 and vendors.

25 ➔Section 5. The following KRS section is repealed:

26 18A.2255 Health benefit plans and other information to be submitted to Advisory  
27 Committee of State Health Insurers -- Approval or recommendations for changes --

- 1 Committee to advise on options, bids, administration, and drug formulary -- Written
- 2 report or testimony.