

REFERENCE TITLE: state employee health benefits; dependents

State of Arizona
Senate
Forty-eighth Legislature
Second Regular Session
2008

SB 1499

Introduced by
Senators Gorman, Harper; Representative Yarbrough; Senators Blendu, Gould,
Gray L; Representatives Adams, Biggs, Crandall, Groe, Kavanagh, Nichols,
Pearce

AN ACT

AMENDING SECTIONS 38-651 AND 38-651.01, ARIZONA REVISED STATUTES; RELATING TO
STATE EMPLOYEE HEALTH AND ACCIDENT INSURANCE.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

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

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

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

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

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

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

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

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

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

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

11 E. Subsection D of this section:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

34 O. FOR THE PURPOSES OF THIS SECTION, "DEPENDENT" MEANS THE EMPLOYEE'S
35 SPOUSE UNDER THE LAWS OF THIS STATE OR UNMARRIED CHILD WHO FALLS WITHIN ONE
36 OR MORE OF THE FOLLOWING CATEGORIES:

37 1. A NATURAL CHILD, ADOPTED CHILD OR STEPCHILD WHO IS UNDER NINETEEN
38 YEARS OF AGE OR WHO IS UNDER TWENTY-FIVE YEARS OF AGE IF A FULL-TIME STUDENT.

39 2. A CHILD WHO IS UNDER NINETEEN YEARS OF AGE FOR WHOM THE EMPLOYEE
40 HAS COURT ORDERED GUARDIANSHIP.

41 3. A FOSTER CHILD WHO IS UNDER NINETEEN YEARS OF AGE.

42 4. A CHILD WHO IS UNDER NINETEEN YEARS OF AGE AND WHO IS PLACED IN THE
43 EMPLOYEE'S HOME BY COURT ORDER PENDING ADOPTION.

44 5. A NATURAL CHILD, ADOPTED CHILD OR STEPCHILD WHO WAS DISABLED BEFORE
45 NINETEEN YEARS OF AGE, WHO CONTINUES TO BE DISABLED PURSUANT TO 42 UNITED

1 STATES CODE SECTION 1382c AND FOR WHOM THE EMPLOYEE HAD CUSTODY BEFORE
2 NINETEEN YEARS OF AGE.

3 Sec. 2. Section 38-651.01, Arizona Revised Statutes, is amended to
4 read:

5 38-651.01. Group health and accident coverage for retired
6 public employees and elected officials and their
7 dependents; definition

8 A. The department of administration ~~shall~~, by rule, SHALL adopt
9 standards to establish group health and accident coverage for former
10 employees who worked for the state of Arizona and who opt upon retirement to
11 enroll or continue enrollment in the group health and accident coverage for
12 active employees working for the state of Arizona, or disabled, and receiving
13 either income from a retirement program of this state or long-term disability
14 income benefits pursuant to section 38-651.03 or chapter 5, article 2.1 of
15 this title and their dependents and to establish eligibility for retired or
16 disabled state employees to participate in the coverage. The department of
17 administration may adopt rules which provide that if a retired or disabled
18 insured dies before an insured surviving dependent, the insured surviving
19 dependent is entitled to extended coverage at group rates if the insured
20 surviving dependent elects to continue in the coverage within six months of
21 the retired or disabled insured's death and the insured surviving dependent
22 agrees to pay the cost of the premium for group health and accident
23 insurance. Upon notification of the retired or disabled insured's death, the
24 department of administration shall immediately notify an insured surviving
25 dependent of the provisions of this section. The department of
26 administration may enter into agreements with disabled former state employees
27 and their dependents who elect to obtain the coverage provided by this
28 section. The agreements may include provisions for the payment of amounts
29 sufficient to pay for the premium and administrative expense of providing the
30 coverage. The department of administration may adopt rules which provide
31 that upon the death of a state employee who at the time of death was eligible
32 for normal retirement pursuant to section 38-757 under the Arizona state
33 retirement system, the insured surviving spouse and eligible dependent
34 children are entitled to continue coverage under group rates provided that
35 the deceased insured state employee, spouse and dependent children were
36 insured at the time of the employee's death. The insured surviving spouse
37 shall be charged an amount sufficient to pay the full premium for the
38 coverage.

39 B. The department of administration ~~may~~, by rule, MAY adopt standards
40 to establish group health and accident coverage for former elected officials
41 of this state or its political subdivisions and their dependents and to
42 establish eligibility for former elected officials to participate in the
43 coverage. Qualifications for eligibility shall include that the former
44 elected official has at least five years of credited service in the elected
45 officials' retirement plan pursuant to chapter 5 of this title, had been

1 covered under a group health or group health and accident plan while serving
2 as an elected official and had been serving as an elected official on or
3 after January 1, 1983. The department of administration may adopt rules
4 which provide that upon the death of an elected official or insured former
5 elected official, the insured surviving spouse is entitled to coverage at
6 group rates provided that the deceased insured former elected official met or
7 would have met the qualifications for eligibility pursuant to this subsection
8 or that the deceased elected official would have met the qualifications for
9 eligibility had the deceased not been in office at the time of death. Except
10 as provided in subsection J of this section, the insured former elected
11 official or the insured surviving spouse shall be charged amounts which are
12 sufficient to pay for the premium and state administrative expense of
13 providing coverage. Notwithstanding subsection J of this section, the
14 standards shall provide that all or any portion of the former state employees
15 or former elected officials or their dependents shall be grouped with
16 officers and employees of the state and its departments and agencies or their
17 dependents as necessary to obtain health and accident coverage at favorable
18 rates.

19 C. The ARIZONA state retirement system board may enter into agreements
20 with retired and disabled state employee members of the system and plan who
21 elect to obtain the coverage provided pursuant to subsection A of this
22 section. The agreements may include provision for the deduction from the
23 retirement benefits of participants of a retirement program of this state who
24 elect to obtain coverage of amounts sufficient to pay for the premium not
25 covered under retirement benefits and state administrative expense of
26 providing coverage.

27 D. Retired state employee or disabled state employee members of the
28 public safety personnel retirement system, the elected officials' retirement
29 plan, the corrections officer retirement plan or the optional retirement
30 programs authorized pursuant to section 15-1628 who opt upon retirement to
31 enroll or continue enrollment in the group health and accident coverage for
32 active employees working for the state of Arizona and their dependents and
33 who are receiving benefits from the public safety personnel retirement
34 system, the elected officials' retirement plan, the corrections officer
35 retirement plan or the optional retirement programs authorized pursuant to
36 section 15-1628 may participate in group health and accident coverage
37 provided pursuant to this section. The department of administration shall
38 adopt rules which are necessary for the implementation of this subsection.

39 E. The fund manager of the public safety personnel retirement system
40 may enter into agreements with retired state employee members and their
41 dependents who elect to obtain the coverage provided pursuant to this
42 section. The agreements may include provision for the deduction from the
43 retirement benefits of participants of a retirement program of this state who
44 elect to obtain coverage of amounts sufficient to pay for the premium not

1 covered under retirement benefits and state administrative expense of
 2 providing coverage.

3 F. The fund manager of the public safety personnel retirement system
 4 may enter into agreements with retired judges and retired elected officials
 5 and their dependents who elect to obtain the coverage provided pursuant to
 6 this section. The agreements may include provision for the deduction from
 7 the retirement benefits of participants of a retirement program of this state
 8 who elect to obtain coverage of amounts sufficient to pay for the premium not
 9 covered under retirement benefits and state administrative expense of
 10 providing coverage.

11 G. The fund manager of the public safety personnel retirement system
 12 may contract with an insurance carrier and adopt standards to establish a
 13 group health and accident insurance coverage program for retired members of
 14 the public safety personnel retirement system, their dependents and their
 15 spouses. Any members or spouses who elect to obtain the group health and
 16 accident coverage provided under this subsection shall agree to a deduction
 17 from their monthly retirement benefits of an amount sufficient to pay for the
 18 premium not covered under retirement benefits and the administrative expense
 19 of providing coverage.

20 H. A county board of supervisors may enter into agreements to
 21 establish group health and accident coverage for retired or disabled county
 22 employees and their dependents who elect to obtain the coverage provided
 23 pursuant to section 11-263, subsection B. The agreements may include
 24 provision for the deduction from the retirement benefits of participants of a
 25 retirement program of this state who elect to obtain the coverage of amounts
 26 sufficient to pay for the premium not covered under retirement benefits and
 27 the administrative expense of providing for the coverage.

28 I. Nonmedicare eligible retirees who live in this state, who enroll in
 29 a qualifying plan under this section and who reside outside the area of a
 30 qualifying health maintenance organization shall be offered the option to
 31 enroll with a qualified health maintenance organization offered through their
 32 provider under the same premiums as if they lived within the area boundaries
 33 of the qualified health maintenance organization provided that:

34 1. All medical services are rendered and received at an office
 35 designated by the qualifying health maintenance organization or at a facility
 36 referred by the health maintenance organization.

37 2. All nonemergency or nonurgent travel, ambulatory and other expenses
 38 from the residence area of the retiree to the designated office of the
 39 qualifying health maintenance organization or the facility referred by the
 40 health maintenance organization are the responsibility of and at the expense
 41 of the retiree.

42 3. All emergency or urgent travel, ambulatory and other expenses from
 43 the residence area of the retiree to the designated office of the qualifying
 44 health maintenance organization or the facility referred by the health
 45 maintenance organization shall be paid pursuant to any agreement between the

1 health maintenance organization and the retiree living outside the area of
2 the qualifying health maintenance organization.

3 J. Public funds shall not be expended to pay all or any part of the
4 premium of insurance pursuant to this section except for monies authorized to
5 be paid for any insured from the retirement plan from which the insured is
6 receiving benefits.

7 K. FOR THE PURPOSES OF THIS SECTION, "DEPENDENT" MEANS THE RETIREE'S
8 OR FORMER ELECTED OFFICIAL'S SPOUSE UNDER THE LAWS OF THIS STATE OR UNMARRIED
9 CHILD WHO FALLS WITHIN ONE OR MORE OF THE FOLLOWING CATEGORIES:

10 1. A NATURAL CHILD, ADOPTED CHILD OR STEPCHILD WHO IS UNDER NINETEEN
11 YEARS OF AGE OR WHO IS UNDER TWENTY-FIVE YEARS OF AGE IF A FULL-TIME STUDENT.

12 2. A CHILD WHO IS UNDER NINETEEN YEARS OF AGE FOR WHOM THE RETIREE OR
13 FORMER ELECTED OFFICIAL HAS COURT ORDERED GUARDIANSHIP.

14 3. A FOSTER CHILD WHO IS UNDER NINETEEN YEARS OF AGE.

15 4. A CHILD WHO IS UNDER NINETEEN YEARS OF AGE AND WHO IS PLACED IN THE
16 RETIREE'S OR FORMER ELECTED OFFICIAL'S HOME BY COURT ORDER PENDING ADOPTION.

17 5. A NATURAL CHILD, ADOPTED CHILD OR STEPCHILD WHO WAS DISABLED BEFORE
18 NINETEEN YEARS OF AGE, WHO CONTINUES TO BE DISABLED PURSUANT TO 42 UNITED
19 STATES CODE SECTION 1382c AND FOR WHOM THE RETIREE OR FORMER ELECTED OFFICIAL
20 HAD CUSTODY BEFORE NINETEEN YEARS OF AGE.