

By: Delisi

H.B. No. 3256

A BILL TO BE ENTITLED

AN ACT

relating to group coverage plans for state employees.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

ARTICLE 1. GROUP COVERAGE PLANS FOR
STATE EMPLOYEES

SECTION 1.01. Section 1551.002, Insurance Code, as effective June 1, 2003, is amended to read as follows:

Sec. 1551.002. PURPOSES. The purposes of this chapter are to:

(1) ~~[provide uniformity in life, accident, and health benefit coverages for all state officers and employees and their dependents,~~

~~(2)]~~ enable the state to attract and retain competent and able employees by providing employees and their dependents with life, accident, and health benefit coverages at least equal to those commonly provided in private industry;

(2) ~~[(3)]~~ foster, promote, and encourage employment by and service to the state as a career profession for individuals of high standards of competence and ability;

(3) ~~[(4)]~~ recognize and protect the state's investment in each permanent employee by promoting and preserving economic security and good health among employees and their dependents;

(4) ~~[(5)]~~ foster and develop high standards of employer-employee relationships between the state and its

1 employees; and

2 (5) [~~(6)~~] recognize the long and faithful service and
3 dedication of state officers and employees and encourage them to
4 remain in state service until eligible for retirement by providing
5 health benefits for them and their dependents.

6 SECTION 1.02. Section 1551.003, Insurance Code, as
7 effective June 1, 2003, is amended by adding Subdivision (15) to
8 read as follows:

9 (15) "Approved carrier" means a carrier approved by
10 the board of trustees to offer group health benefit plan coverage
11 under Section 1551.007.

12 SECTION 1.03. Section 1551.005(b), Insurance Code, as
13 effective June 1, 2003, is amended to read as follows:

14 (b) Health benefit plans made available through the group
15 benefits program [~~A health benefit plan~~] shall be provided on a
16 group basis through:

- 17 (1) a policy or contract;
18 (2) a medical, dental, or hospital service agreement;
19 (3) a membership or subscription contract;
20 (4) a salary continuation plan;
21 (5) a health maintenance organization agreement;
22 (6) a preferred provider arrangement; or
23 (7) any other similar group arrangement or a
24 combination of policies, plans, contracts, agreements, or
25 arrangements described by this subsection.

26 SECTION 1.04. Section 1551.007, Insurance Code, as
27 effective June 1, 2003, is amended to read as follows:

1 Sec. 1551.007. DEFINITION OF CARRIER; APPROVAL OF CARRIER.

2 (a) In this chapter, "carrier" means:

3 (1) an insurance company that is authorized by the
4 department under this code to provide any of the types of insurance
5 coverages, benefits, or services provided for in this chapter and
6 that:

7 (A) has a surplus of \$1 million;

8 (B) has a successful operating history; and

9 (C) has had successful experience, as determined
10 by the department, in providing and servicing any of the types of
11 group coverage provided for in this chapter;

12 (2) a corporation operating under Chapter 842 or 843
13 that provides any of the types of coverage, benefits, or services
14 provided for in this chapter and that:

15 (A) has a successful operating history; and

16 (B) has had successful experience, as determined
17 by the department, in providing and servicing any of the types of
18 group coverage provided for in this chapter; or

19 (3) any combination of carriers described by
20 Subdivisions (1) and (2) on terms the board of trustees prescribes.

21 (b) The board of trustees shall approve carriers to offer
22 group health benefit plan coverage under this chapter. The board
23 may impose requirements for approval of a carrier, including
24 financial requirements, in addition to the requirements imposed by
25 Subsection (a).

26 SECTION 1.05. Section 1551.051, Insurance Code, as
27 effective June 1, 2003, is amended to read as follows:

1 Sec. 1551.051. ADMINISTRATION AND IMPLEMENTATION. Subject
2 to Sections 1551.055(b) and (c), the [The] administration and
3 implementation of this chapter are vested solely in the board of
4 trustees.

5 SECTION 1.06. (a) Section 1551.055, Insurance Code, is
6 amended to conform to Section 28, Chapter 1231, Acts of the 77th
7 Legislature, Regular Session, 2001, and amended to read as follows:

8 Sec. 1551.055. GENERAL POWERS OF BOARD OF TRUSTEES
9 REGARDING COVERAGE PLANS. (a) The board of trustees may:

10 (1) prepare specifications for a coverage provided
11 under this chapter;

12 (2) prescribe the time and conditions under which an
13 employee, annuitant, or dependent [~~individual~~] is eligible for a
14 coverage provided under this chapter;

15 (3) determine the methods and procedures of claims
16 administration;

17 (4) determine the amount of payroll deductions and
18 reductions applicable to employees and annuitants and establish
19 procedures to implement those deductions and reductions;

20 (5) establish procedures for the board of trustees to
21 decide contested cases arising from a coverage provided under this
22 chapter;

23 (6) study, on an ongoing basis, the operation of all
24 coverages provided under this chapter, including gross and net
25 costs, administration costs, benefits, utilization of benefits,
26 and claims administration;

27 (7) administer the employees life, accident, and

1 health insurance and benefits fund;

2 (8) provide the beginning and ending dates of
3 coverages of participants under all benefit plans;

4 (9) make health benefit plan coverage available
5 ~~[develop basic group coverage plans applicable]~~ to all individuals
6 eligible to participate in the group benefits program under
7 Sections 1551.101 and 1551.102 through plans offered by approved
8 carriers;

9 (10) provide for optional group coverage plans [~~in~~
10 ~~addition to the basic group coverage plans~~];

11 (11) provide, as the board of trustees determines is
12 appropriate, either additional statewide optional coverage plans
13 or individual agency coverage plans or, in the case of health
14 benefit plan coverage, approve carriers to provide these plans;

15 (12) ~~[develop health benefit plans that permit access~~
16 ~~to high-quality, cost-effective health care,~~

17 ~~[(13) design, implement, and monitor health benefit~~
18 ~~plan features intended to discourage excessive utilization,~~
19 ~~promote efficiency, and contain costs,~~

20 ~~[(14) develop and refine, on an ongoing basis, a~~
21 ~~health benefit strategy consistent with evolving benefit delivery~~
22 ~~systems, and~~

23 ~~[(15)]~~ develop a funding structure [~~strategy~~] that
24 efficiently uses state and other employer contributions to achieve
25 the purposes of this chapter and that is reasonable and ensures
26 participants a fair choice among health benefit plans as provided
27 by Section 1551.302; and

1 (13) appoint an advisory committee for the group
2 benefits program under the terms provided by Section 815.509,
3 Government Code.

4 (b) The board of trustees may not directly administer group
5 health benefit plan coverages made available under the group
6 benefits program and may not provide those coverages on a
7 self-funded basis.

8 (c) The board of trustees may not establish, approve, or
9 limit premium rates for group health benefit plan coverages made
10 available under the group benefits program.

11 (b) Section 28, Chapter 1231, Acts of the 77th Legislature,
12 Regular Session, 2001, is repealed.

13 SECTION 1.07. Sections 1551.056(a) and (b), Insurance Code,
14 as effective June 1, 2003, are amended to read as follows:

15 (a) The board of trustees may, on a competitive bid basis,
16 contract with an entity to act for the board as an independent
17 administrator or manager of the coverages, services, and benefits,
18 other than health benefit plan coverages, authorized under this
19 chapter.

20 (b) The entity must be a qualified, experienced firm of
21 group insurance specialists or an administering firm and shall
22 assist the board of trustees in ensuring the proper administration
23 of this chapter and the coverages, services, and benefits, other
24 than health benefit plan coverages, provided for or authorized by
25 this chapter.

26 SECTION 1.08. Section 1551.059, Insurance Code, as
27 effective June 1, 2003, is amended to read as follows:

1 Sec. 1551.059. CERTIFICATE OF COVERAGE. (a) An approved
2 carrier shall issue [~~The board of trustees shall provide for~~
3 ~~issuance~~] to each employee or annuitant purchasing group health
4 benefit plan coverage from the carrier under [~~participating in~~] the
5 group benefits program a certificate of coverage that states:

- 6 (1) the benefits to which the participant is entitled;
7 (2) to whom the benefits are payable;
8 (3) to whom a claim must be submitted; and
9 (4) the provisions of the plan document, in summary
10 form, that principally affect the participant.

11 (b) The board of trustees shall issue a certificate of
12 coverage to individuals participating in coverage other than group
13 health benefit plan coverage.

14 SECTION 1.09. Section 1551.062(b), Insurance Code, as
15 effective June 1, 2003, is amended to read as follows:

16 (b) Any [~~A contract entered into under this chapter must~~
17 ~~require a~~] carrier providing coverages to participants in the group
18 benefits program shall [~~to~~]:

19 (1) furnish any reasonable report the board of
20 trustees determines is necessary to enable the board to perform its
21 functions under this chapter; and

22 (2) permit the board and a representative of the state
23 auditor to examine records of the carrier as necessary to
24 accomplish the purposes of this chapter.

25 SECTION 1.10. Sections 1551.063(a) and (c), Insurance Code,
26 as effective June 1, 2003, are amended to read as follows:

27 (a) The records of a participant in the group benefits

1 program in the custody of the board of trustees, or of an
2 administrator or carrier acting under the group benefits program
3 ~~[on behalf of the board]~~, are confidential and not subject to
4 disclosure and are exempt from the public access provisions of
5 Chapter 552, Government Code, except as provided by this section.

6 (c) The board of trustees may release the records to:

7 (1) an administrator, carrier, agent, or attorney
8 acting under the group benefits program ~~[on behalf of the board]~~;

9 (2) another governmental entity;

10 (3) a medical provider of the participant to
11 accomplish the purposes of this chapter; or

12 (4) a party in response to a subpoena issued under
13 applicable law.

14 SECTION 1.11. Sections 1551.064(a) and (b), Insurance Code,
15 as effective June 1, 2003, are amended to read as follows:

16 (a) This section applies only to a group policy or contract
17 described by section 3B(a), Article 3.51-6. A policy or contract
18 providing coverage to a participant in the group benefits program
19 ~~[executed]~~ under this chapter must provide that:

20 (1) premium payments must be:

21 (A) paid directly to the Employees Retirement
22 System of Texas or to the carrier issuing the policy or contract, as
23 provided by the board of trustees; and

24 (B) postmarked or received not later than the
25 10th day of the month for which the premium is due;

26 (2) the premium for group continuation coverage under
27 Section 3B, Article 3.51-6, may not exceed the level established

1 for other surviving dependents of deceased employees and
2 annuitants;

3 (3) at the time the group policy or contract is
4 delivered, issued for delivery, renewed, amended, or extended, the
5 Employees Retirement System of Texas shall give notice of the
6 continuation option to each state agency covered by the group
7 benefits program; and

8 (4) each state agency shall give written notice of the
9 continuation option to each employee and dependent of an employee
10 who is covered by the group benefits program.

11 (b) A group policy or contract providing coverage to a
12 participant in the group benefits program [~~executed~~] under this
13 chapter must provide that, not later than the 15th day after the
14 date of any severance of the family relationship that might
15 activate the continuation option under Section 3B, Article 3.51-6,
16 the group member shall give written notice of the severance to the
17 employing state agency.

18 SECTION 1.12. Section 1551.105, Insurance Code, as
19 effective June 1, 2003, is amended to read as follows:

20 Sec. 1551.105. DATE [AUTOMATIC] COVERAGE BEGINS. Group
21 health benefit plan coverage [~~Automatic coverage~~] under this
22 chapter [~~subchapter~~] begins on the date an employee or annuitant
23 selects the coverage in accordance with procedures established by
24 the board of trustees [~~becomes eligible for coverage~~]. Coverage
25 under other group coverages provided under the group benefits
26 program begins as provided by the board of trustees.

27 SECTION 1.13. Section 1551.159(a), Insurance Code, as

1 effective June 1, 2003, is amended to read as follows:

2 (a) The board of trustees may approve a carrier to offer
3 group health benefit plan coverage under this section [~~Subject to~~
4 ~~any applicable limit in the General Appropriations Act, the board~~
5 ~~of trustees shall use money appropriated for employer contributions~~
6 ~~to fund 80 percent of the cost of basic coverage] for a child who:~~

7 (1) is a dependent of an employee;

8 (2) would be eligible, if the child were not the
9 dependent of the employee, for benefits under the program
10 established by the state to implement Title XXI, Social Security
11 Act (42 U.S.C. Section 1397aa et seq.), as amended; and

12 (3) is not eligible for the state Medicaid program.

13 SECTION 1.14. Section 1551.201, Insurance Code, as
14 effective June 1, 2003, is amended by adding Subsection (d) to read
15 as follows:

16 (d) Group health benefit plan coverage shall be made
17 available under the group benefits program in accordance with
18 Section 1551.202.

19 SECTION 1.15. Section 1551.202, Insurance Code, as
20 effective June 1, 2003, is amended to read as follows:

21 Sec. 1551.202. APPROVED HEALTH BENEFIT PLANS. (a) The board
22 of trustees shall approve carriers providing a range of health
23 benefit plans offering different levels of coverage and different
24 levels of deductibles, copayments, or coinsurance, as applicable,
25 and must include carriers offering health benefit plans in which a
26 participant may be enrolled on selection of the plan without proof
27 of insurability.

1 (b) The Employees Retirement System of Texas is the group
2 policy or contract holder for a health benefit plan offered by an
3 approved carrier under this chapter. [~~AUTHORITY TO DEFINE BASIC~~
4 ~~COVERAGES. (a) The board of trustees may define the basic coverage~~
5 ~~applicable to each individual for whom coverage is automatic unless~~
6 ~~participation is specifically waived.~~

7 [~~(b) The board of trustees may define different basic~~
8 ~~coverage plans for individuals eligible to participate in the~~
9 ~~uniform program under Section 1551.101 and for individuals eligible~~
10 ~~to participate in the group benefits program under Section~~
11 ~~1551.102.~~

12 [~~(c) Basic coverage must include basic health coverage. The~~
13 ~~coverage may be offered through any health benefit plan.]~~

14 SECTION 1.16. (a) Section 1551.205, Insurance Code, as
15 effective June 1, 2003, is amended to conform to Section 30, Chapter
16 1231, Acts of the 77th Legislature, Regular Session, 2001, and
17 amended to read as follows:

18 Sec. 1551.205. LIMITATIONS. A health benefit plan provided
19 by an approved carrier under this chapter may not [~~The board of~~
20 ~~trustees may not contract for or provide a coverage plan that]:~~

21 (1) exclude or limit [~~excludes or limits~~] coverage or
22 services for acquired immune deficiency syndrome, as defined by the
23 Centers for Disease Control and Prevention of the United States
24 Public Health Service, or human immunodeficiency virus infection;
25 or

26 (2) provide [~~provides~~] coverage for serious mental
27 illness that is less extensive than the minimum coverage [~~provided~~]

1 for serious mental [~~any physical~~] illness required by Section 3,
2 Article 3.51-14.

3 (b) Section 30, Chapter 1231, Acts of the 77th Legislature,
4 Regular Session, 2001, is repealed.

5 SECTION 1.17. Section 1551.206(a), Insurance Code, as
6 effective June 1, 2003, is amended to read as follows:

7 (a) The board of trustees may develop, implement, and
8 administer a cafeteria plan if the board determines that
9 establishment of the plan:

10 (1) is feasible and consistent with the funding
11 structure implemented by the board under Section 1551.302;

12 (2) would be beneficial to the state and to employees
13 who would be eligible to participate in the plan; and

14 (3) would not adversely affect the coverage plans
15 provided under the group benefits program.

16 SECTION 1.18. Section 1551.208(a), Insurance Code, as
17 effective June 1, 2003, is amended to read as follows:

18 (a) The board of trustees, in the board's sole discretion,
19 shall determine those coverage plans, other than health benefit
20 plans, that the board does not intend to purchase but intends to
21 provide directly from the employees life, accident, and health
22 insurance and benefits fund. The board of trustees may not
23 self-fund health benefit plan coverage under this chapter.

24 SECTION 1.19. Section 1551.213, Insurance Code, as
25 effective June 1, 2003, is amended by adding Subsection (c) to read
26 as follows:

27 (c) This section does not apply to group health benefit plan

1 coverage provided by an approved carrier in accordance with this
2 chapter.

3 SECTION 1.20. Section 1551.215(a), Insurance Code, as
4 effective June 1, 2003, is amended to read as follows:

5 (a) A carrier providing a coverage purchased under this
6 chapter, including an approved carrier providing group health
7 benefit plan coverage, shall provide an accounting to the board of
8 trustees not later than the 90th day after the end of each plan
9 year.

10 SECTION 1.21. Section 1551.216(a), Insurance Code, as
11 effective June 1, 2003, is amended to read as follows:

12 (a) A carrier issuing a group coverage plan under this
13 chapter, including an approved carrier providing group health
14 benefit plan coverage, shall hold as a special contingency reserve
15 an amount that equals the amount by which the amount described by
16 Section 1551.215(c)(1) exceeds the sum of the amounts described by
17 Sections 1551.215(c)(2) and (3).

18 SECTION 1.22. Section 1551.301, Insurance Code, as
19 effective June 1, 2003, is amended to read as follows:

20 Sec. 1551.301. FUNDING OF [~~BASIC~~] COVERAGE. (a) Each
21 individual eligible to participate in the group benefits program
22 under Section 1551.101 or 1551.102 shall direct the expenditure of:

23 (1) the amount of the state contribution made under
24 this subchapter that is allocated to the participant in accordance
25 with the General Appropriations Act and this subchapter;

26 (2) the amount of other employer contributions made
27 under this subchapter that is allocated to the participant in

1 accordance with the General Appropriations Act and this subchapter;
2 and

3 (3) the amount of the participant's contributions to
4 the group benefits program under this subchapter.

5 (b) Money described by Subsection (a) may be used by an
6 individual eligible to participate in the group benefits program
7 under Section 1551.101 or 1551.102 only in accordance with this
8 subchapter for health benefit plan coverage offered by approved
9 carriers and for other group coverages provided under the group
10 benefits program for the individual and the individual's
11 dependents. [The board of trustees shall use the amount
12 appropriated for employer contributions in the manner provided by
13 this subchapter to fund the basic coverage.]

14 SECTION 1.23. Section 1551.302, Insurance Code, as
15 effective June 1, 2003, is amended to read as follows:

16 Sec. 1551.302. FUNDING STRUCTURE; RULES. (a) The board of
17 trustees, in consultation with the comptroller, shall by rule
18 develop a funding structure that:

19 (1) implements Section 1551.301 in accordance with
20 this subchapter;

21 (2) permits an individual eligible to participate in
22 the group benefits program under Section 1551.101 or 1551.102 to
23 carry over money allocated to the individual throughout the period
24 the individual is eligible to participate; and

25 (3) ensures, to the extent feasible and consistent
26 with this subchapter, favorable federal tax treatment to the
27 individual.

1 (b) The funding structure, in the sole discretion of the
2 board of trustees:

3 (1) may include a cafeteria plan; and

4 (2) may use a system of medical savings accounts or
5 health reimbursement arrangements established in a manner
6 compatible with federal tax law or may use another account
7 structure selected by the board of trustees.

8 (c) To implement this section, the comptroller shall, if
9 requested by the board of trustees:

10 (1) establish separate accounts attributable to
11 individual participants within the employees life, accident, and
12 health insurance and benefits fund; or

13 (2) transfer funds from the employees life, accident,
14 and health insurance and benefits fund to trust accounts outside
15 the fund in the custody of the comptroller established for the
16 benefit of individual participants.

17 (d) Notwithstanding any other provision of this chapter, on
18 termination of an individual's eligibility to participate in the
19 group benefits program, money allocated to the individual under the
20 funding structure reverts to the employees life, accident, and
21 health insurance and benefits fund. [ALLOCATION OF EMPLOYER
22 CONTRIBUTIONS. (a) The board of trustees may equitably allocate to
23 each health benefit plan the employer contributions that would be
24 required to fund basic health coverage for participants in the
25 plans to the extent funds are available.

26 ~~[(b) In allocating the employer contributions among plans,~~
27 ~~the board of trustees shall consider the relevant risk~~

1 ~~characteristics of each plan's enrollment, including:~~

2 ~~[(1) demographic variations in the use and cost of~~
3 ~~health care, and~~

4 ~~[(2) prevailing cost patterns in the area in which the~~
5 ~~plan operates.~~

6 ~~[(c) The allocation must be reasonable and set in a manner~~
7 ~~that ensures participants a fair choice among health benefit plans~~
8 ~~providing a basic plan.~~

9 ~~[(d) The contribution set for each participant must be~~
10 ~~within the total amount appropriated in the General Appropriations~~
11 ~~Act.]~~

12 SECTION 1.24. Section 1551.303, Insurance Code, as
13 effective June 1, 2003, is amended to read as follows:

14 Sec. 1551.303. FUNDING OF OPTIONAL COVERAGES. An
15 individual eligible to participate in the group benefits program
16 under Section 1551.101 or 1551.102 may direct that any amount
17 allocated to the participant under Section 1551.301 be used [~~The~~
18 ~~board of trustees may allocate any employer contributions remaining~~
19 ~~after the basic coverage has been funded]~~ to fund optional
20 coverages selected by the individual for the individual or the
21 individual's dependents [~~in any manner the board determines is~~
22 ~~appropriate].~~

23 SECTION 1.25. Section 1551.304, Insurance Code, as
24 effective June 1, 2003, is amended to read as follows:

25 Sec. 1551.304. FUNDING OF VOLUNTARY COVERAGES. Amounts
26 allocated to an individual under Section 1551.301 that are
27 attributable to state or other employer contributions may not be

1 used [~~The board of trustees may not allocate any employer~~
2 ~~contributions~~] to fund voluntary coverages. Voluntary coverages
3 may be funded only by participant contributions.

4 SECTION 1.26. Section 1551.305, Insurance Code, as
5 effective June 1, 2003, is amended to read as follows:

6 Sec. 1551.305. COST OF [~~BASIC~~] COVERAGE EXCEEDING STATE AND
7 OTHER EMPLOYER CONTRIBUTIONS. If the cost of the [~~basic~~] coverage
8 selected by [~~for~~] an individual eligible to participate in the
9 group benefits program under Section 1551.101 or 1551.102 exceeds
10 the amount available to pay the cost from state and other employer
11 contributions allocable to the individual [~~of employer~~
12 ~~contributions allocated to fund the basic coverage~~], the state
13 shall deduct from or reduce the monthly compensation of the
14 participant or deduct from the retirement benefits of the
15 participant, as applicable, an amount sufficient to pay the cost of
16 the [~~basic~~] coverage selected.

17 SECTION 1.27. Section 1551.306, Insurance Code, as
18 effective June 1, 2003, is amended to read as follows:

19 Sec. 1551.306. PAYMENT OF EXCESS COST [~~OVER BASIC COVERAGE~~
20 ~~CONTRIBUTION~~]. (a) [~~The board of trustees shall apply the amount~~
21 ~~of any employer contribution for optional coverages to the excess~~
22 ~~of the cost of the basic and optional coverages for which an~~
23 ~~individual eligible to participate in the group benefits program~~
24 ~~under Section 1551.101 or 1551.102 applies over the basic coverage~~
25 ~~contribution~~.

26 [~~(b)~~] Except as provided by Section 1551.309, if an
27 individual eligible to participate in the group benefits program

1 under Section 1551.101 or 1551.102 [~~a participant~~] applies for
2 group [~~basic and optional~~] coverages for which the cost exceeds the
3 state and other employer contributions for those coverages under
4 this chapter, the participant shall authorize in a form and manner
5 satisfactory to the board of trustees a deduction from the
6 participant's monthly compensation or monthly annuity equal to the
7 difference between:

8 (1) the cost of the [~~basic and optional~~] coverages for
9 which the participant applies; and

10 (2) the participant's contribution [~~employer~~
11 ~~contributions for basic and optional coverages~~].

12 (b) Money contributed by a participant under this section
13 shall be allocated to the participant in accordance with rules
14 adopted under Section 1551.302. Money contributed by the
15 participant is subject to reversion under Section 1551.302(d).

16 SECTION 1.28. Section 1551.309(a), Insurance Code, as
17 effective June 1, 2003, is amended to read as follows:

18 (a) If the board of trustees includes a cafeteria plan in
19 the group benefits program, an employee may elect [~~elects~~] to
20 participate in the cafeteria plan. If the employee elects to
21 participate in the cafeteria plan, the employee must execute a
22 salary reduction agreement under which the employee's monthly
23 compensation will be reduced as required by the funding structure
24 adopted under Section 1551.302 [~~in an amount equal to the~~
25 ~~difference between:~~

26 [~~(1) the employer contributions for basic and optional~~
27 ~~coverages, and~~

1 ~~[(2) the cost of the cafeteria plan coverages the~~
2 ~~board of trustees identifies as comparable to the basic and~~
3 ~~optional coverages for which the employee is eligible].~~

4 SECTION 1.29. Section 1551.312, Insurance Code, as
5 effective June 1, 2003, is amended to read as follows:

6 Sec. 1551.312. AMOUNT OF STATE CONTRIBUTION FOR CERTAIN
7 DEPENDENT CHILDREN. The state may contribute a greater amount for
8 coverage for dependent children described by Section 1551.159(a)
9 than the amount the state contributes for group coverages for other
10 dependent children. The amount contributed under this section may
11 be used to supplement the amounts available to an employee under
12 Section 1551.301 to fund the coverage authorized under Section
13 1551.159.

14 SECTION 1.30. Section 1551.316, Insurance Code, as
15 effective June 1, 2003, is amended to read as follows:

16 Sec. 1551.316. ALLOCATION TO BOARD OF TRUSTEES OF EMPLOYER
17 CONTRIBUTIONS. From the several funds from which employees receive
18 their respective salaries, all employer contributions computed in
19 accordance with this chapter and rules adopted under this chapter
20 are allocated to the board of trustees to allocate to a participant
21 as provided by this subchapter ~~[chapter]~~.

22 SECTION 1.31. Section 1551.317(a), Insurance Code, as
23 effective June 1, 2003, is amended to read as follows:

24 (a) All money allocated by this state, including by
25 institutions of higher education, to the board of trustees for
26 participants under this chapter shall be paid to the board in
27 monthly installments based on the annual estimate by the board of

1 the contributions to be received for all employees during the year.

2 SECTION 1.32. Section 1551.352, Insurance Code, as
3 effective June 1, 2003, is amended to read as follows:

4 Sec. 1551.352. EXECUTIVE DIRECTOR DETERMINES QUESTIONS
5 RELATING TO ENROLLMENT OR PAYMENT OF CLAIMS. The executive
6 director has exclusive authority to determine all questions
7 relating to enrollment in or payment of a claim arising from group
8 coverages or benefits provided under this chapter other than
9 questions relating to payment of a claim by an approved carrier for
10 a health benefit plan [~~a health maintenance organization~~].

11 SECTION 1.33. Sections 1551.401(b), (c), and (d), Insurance
12 Code, as effective June 1, 2003, are amended to read as follows:

13 (b) The board of trustees shall administer the fund in
14 accordance with the funding structure adopted by the board under
15 Section 1551.302.

16 (c) Contributions of participants and the state provided
17 for under this chapter shall be credited to the fund and allocated
18 from the fund in accordance with the funding structure adopted by
19 the board under Section 1551.302.

20 (d) The fund is available:

21 (1) without fiscal year limitation for all allocations
22 to participants for payments for any coverages provided for under
23 this chapter; and

24 (2) for payment of expenses of administering this
25 chapter within the limitations that may be specified annually by
26 the legislature.

27 SECTION 1.34. Section 1551.405(e), Insurance Code, as

1 effective June 1, 2003, is amended to read as follows:

2 (e) Money in the fund may not be spent for any purpose,
3 except that the interest and investment returns of the fund may be
4 appropriated only to stabilize the cost of state and participant
5 contributions for health benefit plan coverage provided by approved
6 carriers under this chapter by minimizing to the greatest extent
7 possible increases in those contributions.

8 SECTION 1.35. Section 1551.406(a), Insurance Code, as
9 effective June 1, 2003, is amended to read as follows:

10 (a) Under the standard of care provided by Section 815.307,
11 Government Code, the board of trustees may manage and has full power
12 to invest and reinvest the money in:

13 (1) the employees life, accident, and health insurance
14 and benefits fund, including amounts allocated to individual
15 participants within the fund, if any;

16 (2) the state employees cafeteria plan trust fund;
17 and

18 (3) the employees' health care stabilization trust
19 fund.

20 SECTION 1.36. Sections 1551.003(3), 1551.060, 1551.104,
21 1551.106, 1551.154, and 1551.159(f), Insurance Code, are repealed.

22 ARTICLE 2. IMPLEMENTATION

23 SECTION 2.01. (a) The board of trustees of the Employees
24 Retirement System of Texas, in consultation with the comptroller,
25 shall develop the funding structure required by Section 1551.302,
26 Insurance Code, as amended by Article 1 of this Act, and shall take
27 necessary action to implement a revised group benefits program in

1 accordance with Chapter 1551, Insurance Code, as amended by Article
2 1 of this Act, not later than September 1, 2004.

3 (b) In accordance with the revised group benefits program
4 required by Article 1 of this Act, the board of trustees shall
5 transfer to the employees life, accident, and health insurance and
6 benefits fund from the contingency reserve fund for self-funded
7 coverage established under Section 1551.211, Insurance Code, any
8 amounts contained in the contingency reserve fund for self-funded
9 coverage allocable to coverages that are no longer self-funded
10 under the group benefits program. A transfer under this subsection
11 is effective September 1, 2004.

12 (c) If, under the revised group benefits program required by
13 Article 1 of this Act, the board of trustees of the Employees
14 Retirement System of Texas terminates the cafeteria plan operated
15 under that program, the board of trustees shall transfer the money
16 contained in the state employees cafeteria plan trust fund that is
17 no longer required for the purposes of that fund to the employees
18 life, accident, and health insurance and benefits fund. A transfer
19 under this subsection is effective September 1, 2004.

20 ARTICLE 3. EFFECTIVE DATE; TRANSITION

21 SECTION 3.01. (a) Except as provided by Subsection (b) of
22 this section:

23 (1) this Act takes effect immediately if it receives a
24 vote of two-thirds of all the members elected to each house, as
25 provided by Section 39, Article III, Texas Constitution; and

26 (2) if this Act does not receive the vote necessary for
27 immediate effect, this Act takes effect September 1, 2003.

1 (b) Article 1 of this Act takes effect September 1, 2004.

2 SECTION 3.02. To the extent of any conflict, this Act
3 prevails over another Act of the 78th Legislature, Regular Session,
4 2003, relating to nonsubstantive additions to and corrections in
5 enacted codes.