

By: Delisi

H.B. No. 3286

A BILL TO BE ENTITLED

AN ACT

relating to relating to the establishment of a defined contribution health care benefits program for retired school employees.

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

ARTICLE 1. PROGRAM FOR RETIRED SCHOOL EMPLOYEES

SECTION 1.01. (a) Section 1575.001, Insurance Code, is amended to conform to Section 3.02, Chapter 1187, Acts of the 77th Legislature, Regular Session, 2001, to read as follows:

Sec. 1575.001. SHORT TITLE. This chapter may be cited as the Texas Public School Retired Employees Group Benefits Act.

(b) Section 3.02, Chapter 1187, Acts of the 77th Legislature, Regular Session, 2001, is repealed.

SECTION 1.02. (a) Section 1575.002, Insurance Code, is amended to conform to Section 3.03, Chapter 1187, Acts of the 77th Legislature, Regular Session, 2001, by amending Subdivisions (4), (5), and (7) and further amended by adding Subdivision (6-a) to read as follows:

(4) "Fund" means the Texas public school retired employees group insurance fund.

(5) "Group program" means the Texas Retired Public School Employees Group Insurance Program authorized by this chapter.

(6-a) "Health reimbursement arrangement program" means the program operated under Subchapter L.

1 (7) "Trustee" [~~"System"~~] means the Teacher Retirement
2 System of Texas.

3 (b) Section 1575.003(1), Insurance Code, is amended to
4 conform to Section 3.03, Chapter 1187, Acts of the 77th
5 Legislature, Regular Session, 2001, and to conform more closely to
6 the source law from which the subdivision was derived, to read as
7 follows:

8 (1) "Dependent" means:

9 (A) the spouse of a retiree [~~or active employee~~];

10 (B) an unmarried child of a retiree[~~, active~~
11 ~~employee,~~] or deceased active member [~~employee~~] if the child is
12 younger than 25 years of age, including:

13 (i) an adopted child;

14 (ii) a foster child, stepchild, or other
15 child who is in a regular parent-child relationship; or

16 (iii) a recognized natural child;

17 (C) a retiree's [~~or active employee's~~] recognized
18 natural child, adopted child, foster child, stepchild, or other
19 child who[~~, without regard to the age of the child, if the child~~] is
20 in a regular parent-child relationship and who[~~,~~] lives with or has
21 his or her [~~the child's~~] care provided by the retiree[~~, active~~
22 ~~employee,~~] or surviving spouse on a regular basis regardless of the
23 child's age, if the child[~~, and~~] is mentally retarded or physically
24 incapacitated to an extent that the child is dependent on the
25 retiree[~~, active employee,~~] or surviving spouse for care or
26 support, as determined by the trustee [~~board of trustees~~]; or

27 (D) a deceased active member's [~~employee's~~]

1 recognized natural child, adopted child, foster child, stepchild,
2 or other child who is in a regular parent-child relationship,
3 without regard to the age of the child, if, while the active member
4 [~~employee~~] was alive, the child:

5 (i) lived with or had the child's care
6 provided by the active member [~~employee~~] on a regular basis; and

7 (ii) was mentally retarded or physically
8 incapacitated to an extent that the child was dependent on the
9 active member [~~employee~~] or surviving spouse for care or support,
10 as determined by the trustee [~~board of trustees~~].

11 (c) Section 3.03, Chapter 1187, Acts of the 77th
12 Legislature, Regular Session, 2001, is repealed.

13 SECTION 1.03. (a) Section 1575.005, Insurance Code, is
14 amended to conform to Section 3.07, Chapter 1187, Acts of the 77th
15 Legislature, Regular Session, 2001, and to conform more closely to
16 the source law from which the section was derived, to read as
17 follows:

18 Sec. 1575.005. ISSUANCE OF CERTIFICATE OF COVERAGE. At the
19 time and in the circumstances specified by the trustee [~~board of~~
20 ~~trustees~~], a carrier shall issue to each retiree, surviving spouse,
21 or surviving dependent child[~~, or active employee of a~~
22 ~~participating school district~~] covered under this chapter a
23 certificate of coverage that:

24 (1) states the benefits to which the person is
25 entitled;

26 (2) states to whom the benefits are payable;

27 (3) states to whom a claim must be submitted; and

1 (4) summarizes the provisions of the coverage
2 principally affecting the person.

3 (b) Section 3.07, Chapter 1187, Acts of the 77th
4 Legislature, Regular Session, 2001, is repealed.

5 SECTION 1.04. (a) Section 1575.052, Insurance Code, is
6 amended to conform to Section 3.05, Chapter 1187, Acts of the 77th
7 Legislature, Regular Session, 2001, and to conform more closely to
8 the source law from which the section was derived, and further
9 amended, to read as follows:

10 Sec. 1575.052. AUTHORITY TO ADOPT RULES AND PROCEDURES;
11 OTHER AUTHORITY. (a) The trustee [~~board of trustees~~] may adopt
12 rules, plans, procedures, and orders reasonably necessary to
13 implement this chapter, including:

14 (1) minimum benefit and financing standards for group
15 coverage for retirees, dependents, surviving spouses, and
16 surviving dependent children[~~, and active employees of~~
17 ~~participating school districts~~];

18 (2) basic and optional group coverage for retirees,
19 dependents, surviving spouses, and surviving dependent children[~~,~~
20 ~~and active employees of participating school districts~~];

21 (3) procedures for contributions and deductions;

22 (4) periods for enrollment and selection of optional
23 coverage and procedures for enrolling and exercising options under
24 the group program;

25 (5) procedures for claims administration;

26 (6) procedures to administer the fund; and

27 (7) a timetable for:

1 (A) developing minimum benefit and financial
2 standards for group coverage;

3 (B) establishing group plans; and

4 (C) taking bids and awarding contracts for group
5 plans.

6 (b) The trustee [~~board of trustees~~] may:

7 (1) study the operation of all group coverage provided
8 under this chapter; and

9 (2) contract for advice and counsel in implementing
10 and administering the group program with an independent and
11 experienced group insurance consultant or actuary [~~who does not~~
12 ~~receive a commission from any insurance company~~].

13 (c) The trustee by rule shall establish the health
14 reimbursement arrangement program under Subchapter L.

15 (b) Section 3.05, Chapter 1187, Acts of the 77th
16 Legislature, Regular Session, 2001, is repealed.

17 SECTION 1.05. (a) Subchapter B, Chapter 1575, Insurance
18 Code, is amended to conform to Section 3A, Article 3.50-4,
19 Insurance Code, as added by Section 3.01, Chapter 1187, Acts of the
20 77th Legislature, Regular Session, 2001, by adding Section 1575.056
21 and further amending that section to read as follows:

22 Sec. 1575.056. TRANSFER OF RECORDS RELATING TO ACTIVE
23 EMPLOYEES. The trustee shall, not later than the 30th day after the
24 date on which the health reimbursement arrangement program
25 established under Chapter 1579 is implemented, transfer from the
26 program any records relating to active employees participating in
27 any group health coverage program established under this chapter

1 and operated under the jurisdiction of the trustee.

2 (b) Section 3A, Article 3.50-4, Insurance Code, as added by
3 Section 3.01, Chapter 1187, Acts of the 77th Legislature, Regular
4 Session, 2001, is repealed.

5 SECTION 1.06. (a) Section 1575.106, Insurance Code, is
6 amended to conform to Section 3.06, Chapter 1187, Acts of the 77th
7 Legislature, Regular Session, 2001, and to conform more closely to
8 the source law from which the section was derived, to read as
9 follows:

10 Sec. 1575.106. COMPETITIVE BIDDING REQUIREMENTS; RULE. (a)
11 A contract to provide group benefits under this chapter may be
12 awarded only through competitive bidding under rules adopted by the
13 trustee [~~board of trustees~~].

14 (b) [~~The rules:~~

15 [~~(1) must require that a prospective bidder provide,~~
16 ~~for each area consisting of a county and all adjacent counties,~~
17 ~~information on the number and types of qualified providers willing~~
18 ~~to participate in the plan for which the bid is made, and~~

19 [~~(2) may provide criteria for determining whether a~~
20 ~~provider is qualified.~~

21 [~~(c) The board of trustees may not require a bidder to~~
22 ~~demonstrate a minimum standard of provider participation.~~

23 [~~(d)~~] The trustee [~~board of trustees~~] shall submit for
24 competitive bidding at least every six years each contract under
25 this chapter.

26 (b) Section 1575.107(a), Insurance Code, is amended to
27 conform to Section 3.06, Chapter 1187, Acts of the 77th

1 Legislature, Regular Session, 2001, and to conform more closely to
2 the source law from which the subsection was derived, to read as
3 follows:

4 (a) In awarding a contract to provide group benefits under
5 this chapter, the trustee [~~board of trustees~~] is not required to
6 select the lowest bid and[+]

7 [~~(1) shall consider information obtained under~~
8 ~~Section 1575.106; and~~

9 [~~(2)~~] may consider any relevant criteria, including
10 the bidder's:

- 11 (1) [~~(A)~~] ability to service contracts;
12 (2) [~~(B)~~] past experiences; and
13 (3) [~~(C)~~] financial stability.

14 (c) Section 3.06, Chapter 1187, Acts of the 77th
15 Legislature, Regular Session, 2001, is repealed.

16 SECTION 1.07. Section 1575.151, Insurance Code, is amended
17 to conform more closely to the source law from which the section was
18 derived, and further amended to read as follows:

19 Sec. 1575.151. TYPES OF COVERAGES. (a) The trustee [~~board~~
20 ~~of trustees~~] may include in a plan any coverage it considers
21 advisable, including:

- 22 (1) life insurance;
23 (2) accidental death and dismemberment coverage; and
24 (3) [~~coverage for:~~
25 [~~(A) hospital care and benefits,~~
26 [~~(B) surgical care and treatment,~~
27 [~~(C) medical care and treatment,~~

1 ~~[(D) dental care,~~
2 ~~[(E) eye care,~~
3 ~~[(F) obstetrical benefits,~~
4 ~~[(G) long-term care,~~
5 ~~[(H) prescribed drugs, medicines, and prosthetic~~
6 ~~devices, and~~
7 ~~[(I) supplemental benefits, supplies, and~~
8 ~~services in accordance with this chapter, and~~
9 [(4)] protection against loss of salary.

10 (b) The group coverage plan shall provide health benefit
11 coverage through the health reimbursement arrangement program
12 established under Subchapter L.

13 SECTION 1.08. (a) Section 1575.153, Insurance Code, is
14 amended to conform to Section 3.10, Chapter 1187, Acts of the 77th
15 Legislature, Regular Session, 2001, and to conform more closely to
16 the source law from which the section was derived, to read as
17 follows:

18 Sec. 1575.153. AUTOMATIC BASIC COVERAGE. A retiree [~~ex~~
19 ~~active employee of a participating school district]~~ who applies for
20 coverage during an enrollment period may not be denied coverage in a
21 basic plan provided under this chapter unless the trustee [~~board of~~
22 ~~trustees]~~ finds under Subchapter K that the individual defrauded or
23 attempted to defraud the group program.

24 (b) Section 3.10, Chapter 1187, Acts of the 77th
25 Legislature, Regular Session, 2001, is repealed.

26 SECTION 1.09. (a) Section 1575.160, Insurance Code, is
27 amended to conform to Section 3.09, Chapter 1187, Acts of the 77th

1 Legislature, Regular Session, 2001, and to conform more closely to
2 the source law from which the section was derived, to read as
3 follows:

4 Sec. 1575.160. GROUP LIFE OR ACCIDENTAL DEATH AND
5 DISMEMBERMENT INSURANCE: PAYMENT OF CLAIM. The amount of group
6 life insurance or group accidental death and dismemberment
7 insurance covering a retiree, [~~active—employee,~~] dependent,
8 surviving spouse, or surviving dependent child on the date of death
9 shall be paid, on the establishment of a valid claim, only to:

10 (1) the beneficiary designated by the person in a
11 signed and witnessed document received before death in the office
12 of the trustee system; or

13 (2) a person in the order prescribed by Section
14 824.103(b), Government Code, if a beneficiary is not properly
15 designated or a beneficiary does not exist.

16 (b) Section 3.09, Chapter 1187, Acts of the 77th
17 Legislature, Regular Session, 2001, is repealed.

18 SECTION 1.10. Section 1575.201, Insurance Code, is amended
19 to read as follows:

20 Sec. 1575.201. [~~ADDITIONAL~~] STATE CONTRIBUTIONS FOR HEALTH
21 CARE. For each participating retiree, the [~~The~~] state through the
22 trustee [~~system~~] shall annually contribute from money in the fund
23 the amount specified in the General Appropriations Act to the
24 health reimbursement arrangement established for that retiree for
25 the payment of qualified health care expenses if the trustee has
26 determined that those accounts meet the requirements described by
27 Section 1575.554 [~~the total cost of the basic plan covering each~~

1 ~~participating retiree~~].

2 SECTION 1.11. Section 1575.202, Insurance Code, is amended
3 to read as follows:

4 Sec. 1575.202. ADDITIONAL STATE CONTRIBUTION FOR OTHER
5 COVERAGES [~~BASED ON ACTIVE EMPLOYEE COMPENSATION~~]. [~~(a)~~] Each
6 state fiscal year, the state shall contribute to the fund an amount
7 as determined by the General Appropriations Act to pay all or part
8 of coverages provided under the plan other than health benefit
9 coverages provided through the health reimbursement arrangement
10 program [~~equal to 0.5 percent of the salary of each active~~
11 ~~employee~~].

12 [~~(b) The state may contribute to the fund an amount in~~
13 ~~addition to the contribution required by Subsection (a).~~]

14 SECTION 1.12. Section 1575.205, Insurance Code, is amended
15 to conform more closely to the source law from which the section was
16 derived, to read as follows:

17 Sec. 1575.205. PARTICIPANT CONTRIBUTION FOR OPTIONAL PLAN.

18 (a) A retiree, surviving spouse, or surviving dependent child who
19 elects an optional plan shall pay a monthly contribution to cover
20 the cost of the plan. The trustee [~~board of trustees~~] shall adopt
21 rules for the collection of additional contributions.

22 (b) As a condition of electing coverage under an optional
23 plan, a retiree or surviving spouse must, in writing, authorize the
24 trustee [~~board of trustees~~] to deduct the amount of the
25 contribution from the person's monthly annuity payment.

26 (c) The trustee [~~board of trustees~~] may spend a part of the
27 money received for the group program to offset a part of the costs

1 for optional coverage paid by retirees if the expenditure does not
2 reduce the period the group program is projected to remain
3 financially solvent by more than one year in a biennium.

4 (d) Amounts contributed under this section shall not be
5 contributed to the health reimbursement arrangement provided to the
6 employee or annuitant, but may be contributed to any other account
7 or arrangement established under this, or another chapter, or by
8 rule, to the extent allowed by federal law and regulation.

9 SECTION 1.13. Section 1575.207, Insurance Code, is amended
10 to conform more closely to the source law from which the section was
11 derived, to read as follows:

12 Sec. 1575.207. INTEREST ASSESSED ON LATE PAYMENT OF
13 DEPOSITS BY EMPLOYING SCHOOL DISTRICTS. An employing school
14 district that does not remit to the trustee [~~board of trustees~~] all
15 contributions required by this subchapter before the 11th day after
16 the last day of the month shall pay to the fund:

- 17 (1) the contributions; and
18 (2) interest on the unpaid amounts at the annual rate
19 of six percent compounded monthly.

20 SECTION 1.14. Section 1575.208, Insurance Code, is amended
21 to conform more closely to the source law from which the section was
22 derived, to read as follows:

23 Sec. 1575.208. CERTIFICATION OF AMOUNT NECESSARY TO PAY
24 STATE CONTRIBUTIONS. Not later than October 31 preceding each
25 regular session of the legislature, the trustee [~~board of trustees~~]
26 shall certify the amount necessary to pay the state contributions
27 to the fund to:

- (1) the Legislative Budget Board; and
- (2) the budget division of the governor's office.

SECTION 1.15. Section 1575.209, Insurance Code, is amended to conform more closely to the source law from which the section was derived, to read as follows:

Sec. 1575.209. CERTIFICATION OF AMOUNT OF STATE CONTRIBUTIONS. Not later than August 31 of each year, the trustee [~~board of trustees~~] shall certify to the comptroller the estimated amount of state contributions to be received by the fund for the next fiscal year under the appropriations authorized by this chapter.

SECTION 1.16. Section 1575.210(a), Insurance Code, is amended to conform more closely to the source law from which the section was derived, to read as follows:

(a) Contributions allocated and appropriated under this subchapter for a state fiscal year shall be:

- (1) paid from the general revenue fund in equal monthly installments;
- (2) based on the estimated amount certified by the trustee [~~board of trustees~~] to the comptroller for that year; and
- (3) subject to any express limitations specified in the Act making the appropriation.

SECTION 1.17. Section 1575.253, Insurance Code, is amended to conform more closely to the source law from which the section was derived, to read as follows:

Sec. 1575.253. MONTHLY CERTIFICATION. An employer shall monthly certify to the trustee [~~board of trustees~~] in a form

1 prescribed by the trustee [~~board~~]:

2 (1) the total amount of salary paid from federal funds
3 and private grants; and

4 (2) the total amount of state contributions provided
5 by the funds and grants.

6 SECTION 1.18. Section 1575.254, Insurance Code, is amended
7 to conform more closely to the source law from which the section was
8 derived, to read as follows:

9 Sec. 1575.254. MONTHLY MAINTENANCE OF INFORMATION. An
10 employer shall monthly maintain:

11 (1) the name of each employee whose salary is paid
12 wholly or partly from a grant;

13 (2) the source of the grant;

14 (3) the amount of the employee's salary paid from the
15 grant;

16 (4) the amount of the money provided by the grant for
17 state contributions for the employee; and

18 (5) any other information the trustee [~~board of~~
19 ~~trustees~~] determines is necessary to enforce this subchapter.

20 SECTION 1.19. Section 1575.255, Insurance Code, is amended
21 to conform more closely to the source law from which the section was
22 derived, to read as follows:

23 Sec. 1575.255. PROOF OF COMPLIANCE. The trustee [~~board of~~
24 ~~trustees~~] may:

25 (1) require an employer to report an application for
26 federal or private money;

27 (2) require evidence that the application includes a

1 request for funds available to pay state contributions for active
2 employees; and

3 (3) examine the records of an employer to determine
4 compliance with this subchapter and rules adopted under this
5 subchapter.

6 SECTION 1.20. Section 1575.257(b), Insurance Code, is
7 amended to conform more closely to the source law from which the
8 section was derived, to read as follows:

9 (b) The trustee [~~board of trustees~~] shall report an alleged
10 noncompliance with this subchapter to the attorney general, the
11 Legislative Budget Board, the comptroller, and the governor.

12 SECTION 1.21. (a) Section 1575.301, Insurance Code, is
13 amended to conform to Section 3.11, Chapter 1187, Acts of the 77th
14 Legislature, Regular Session, 2001, and to conform more closely to
15 the source law from which the section was derived, to read as
16 follows:

17 Sec. 1575.301. FUND; ADMINISTRATION. (a) The retired
18 [~~Texas public school~~] employees group insurance fund is a trust
19 fund with the comptroller, who is custodian of the fund.

20 (b) The trustee [~~board of trustees~~] shall administer the
21 fund.

22 (b) The heading to Subchapter G, Chapter 1575, Insurance
23 Code, is amended to conform to Section 3.11, Chapter 1187, Acts of
24 the 77th Legislature, Regular Session, 2001, to read as follows:

25 SUBCHAPTER G. RETIRED [~~TEXAS PUBLIC~~] SCHOOL EMPLOYEES GROUP
26 INSURANCE FUND

27 (c) Section 3.11, Chapter 1187, Acts of the 77th

1 Legislature, Regular Session, 2001, is repealed.

2 SECTION 1.22. Section 1575.303, Insurance Code, is amended
3 to conform more closely to the source law from which the section was
4 derived, and further amended, to read as follows:

5 Sec. 1575.303. PAYMENTS FROM FUND. (a) The following
6 shall, without state fiscal year limitation, be paid from the fund:

7 (1) the appropriate premiums to a carrier providing
8 group coverage under a plan under this chapter, including payments
9 made under the health reimbursement arrangement program
10 established under Subchapter L;

11 (2) claims for benefits under the group coverage; and

12 (3) money spent by the trustee [~~board of trustees~~] to
13 administer the group program.

14 (b) The appropriate portion of the contributions to the fund
15 to provide for incurred but unreported claim reserves and
16 contingency reserves, as determined by the trustee [~~board of~~
17 ~~trustees~~], shall be retained in the fund.

18 SECTION 1.23. Section 1575.304, Insurance Code, is amended
19 to conform more closely to the source law from which the section was
20 derived, to read as follows:

21 Sec. 1575.304. TRANSFER OF CERTAIN CONTRIBUTIONS. The
22 trustee [~~board of trustees~~] shall transfer into the fund the
23 amounts deducted from annuities for contributions.

24 SECTION 1.24. Section 1575.305, Insurance Code, is amended
25 to conform more closely to the source law from which the section was
26 derived, to read as follows:

27 Sec. 1575.305. INVESTMENT OF FUND. The trustee [~~board of~~

1 ~~trustees~~] may invest money in the fund in the manner provided by
2 Subchapter D, Chapter 825, Government Code, for assets of the
3 system.

4 SECTION 1.25. Section 1575.404, Insurance Code, is amended
5 to conform more closely to the source law from which the section was
6 derived, to read as follows:

7 Sec. 1575.404. VACANCY. The trustee [~~board of trustees~~]
8 shall fill a vacancy on the committee by appointing a person who
9 meets the qualifications applicable to the vacated position.

10 SECTION 1.26. Section 1575.405(a), Insurance Code, is
11 amended to conform more closely to the source law from which the
12 section was derived, to read as follows:

13 (a) The committee shall meet:

14 (1) at least twice each year; and

15 (2) at the call of the trustee [~~board of trustees~~].

16 SECTION 1.27. Section 1575.406, Insurance Code, is amended
17 to conform more closely to the source law from which the section was
18 derived, to read as follows:

19 Sec. 1575.406. DUTIES. The committee shall:

20 (1) hold public hearings on group coverage;

21 (2) recommend to the trustee [~~board of trustees~~]
22 minimum standards and features of a plan under the group program
23 that the committee considers appropriate; and

24 (3) recommend to the trustee [~~board of trustees~~]
25 desirable changes in rules and legislation affecting the group
26 program.

27 SECTION 1.28 Section 1575.407, Insurance Code, is amended

1 to conform more closely to the source law from which the section was
2 derived, to read as follows:

3 Sec. 1575.407. PROCEDURAL RULES. The trustee [~~board of~~
4 ~~trustees~~] shall adopt procedural rules for the committee to follow
5 in implementing its powers and duties under this subchapter.

6 SECTION 1.29. Sections 1575.451(b) and (c), Insurance Code,
7 are amended to conform more closely to the source law from which the
8 section was derived, to read as follows:

9 (b) Group coverage purchased under this chapter must
10 provide for an accounting to the trustee [~~board of trustees~~] by each
11 carrier providing the coverage.

12 (c) The accounting must be submitted:

13 (1) not later than the 90th day after the last day of
14 each plan year; and

15 (2) on a form approved by the trustee [~~board of~~
16 ~~trustees~~].

17 SECTION 1.30. Section 1575.452, Insurance Code, is amended
18 to conform more closely to the source law from which the section was
19 derived, and further amended, to read as follows:

20 Sec. 1575.452. ANNUAL REPORT. Not later than the 180th day
21 after the last day of each state fiscal year, the trustee [~~board of~~
22 ~~trustees~~] shall submit a written report to the department
23 concerning the group coverages provided to and the benefits and
24 services being received by individuals covered under this chapter.
25 The report must include a summary of the report required under
26 Section 1575.556.

27 SECTION 1.31. Section 1575.453, Insurance Code, is amended

1 to conform more closely to the source law from which the section was
2 derived, to read as follows:

3 Sec. 1575.453. STUDY AND REPORT BY TRUSTEE [~~BOARD OF~~
4 ~~TRUSTEES~~]. (a) The trustee [~~board of trustees~~] shall study the
5 operation and administration of this chapter, including:

6 (1) conducting surveys and preparing reports on
7 financing group coverages and health benefit plans available to
8 participants; and

9 (2) studying the experience and projected cost of
10 coverage.

11 (b) The trustee [~~board of trustees~~] shall report to the
12 legislature at each regular session on the operation and
13 administration of this chapter.

14 SECTION 1.32. Section 1575.454, Insurance Code, is amended
15 to conform more closely to the source law from which the section was
16 derived, to read as follows:

17 Sec. 1575.454. REPORTS BY AND EXAMINATION OF CARRIER. Each
18 contract entered into under this chapter between the trustee [~~board~~
19 ~~of trustees~~] and a carrier must require the carrier to:

20 (1) furnish to the trustee [~~board~~] in a timely manner
21 reasonable reports that the trustee [~~board~~] determines are
22 necessary to implement this chapter; and

23 (2) permit the trustee [~~board~~] and the state auditor
24 to examine records of the carrier as necessary to implement this
25 chapter.

26 SECTION 1.33. (a) Section 1575.456(a), Insurance Code, is
27 amended to conform to Section 3.13, Chapter 1187, Acts of the 77th

1 Legislature, Regular Session, 2001, and to conform more closely to
2 the source law from which the subsection was derived, and further
3 amended, to read as follows:

4 (a) Section 825.507, Government Code, concerning
5 confidentiality and disclosure of records, applies to [~~information~~
6 ~~in~~] records in the custody of the trustee or in the custody of an
7 account or other administrator, carrier, health benefit plan
8 provider, agent, attorney, consultant, or governmental body acting
9 in cooperation with or on behalf of the trustee system relating to a
10 retiree, active employee, annuitant, or beneficiary under the group
11 program.

12 (b) Section 3.13, Chapter 1187, Acts of the 77th
13 Legislature, Regular Session, 2001, is repealed.

14 SECTION 1.34. (a) Section 1575.501, Insurance Code, is
15 amended to conform to Section 3.12, Chapter 1187, Acts of the 77th
16 Legislature, Regular Session, 2001, and to conform more closely to
17 the source law from which the section was derived, to read as
18 follows:

19 Sec. 1575.501. EXPULSION FOR FRAUD. After notice and
20 hearing as provided by this subchapter, the trustee [~~board of~~
21 ~~trustees~~] may expel from participation in the group program a
22 retiree, [~~active employee,~~] dependent, surviving spouse, or
23 surviving dependent child who:

24 (1) submits a fraudulent claim or application for
25 coverage under the group program; or

26 (2) defrauds or attempts to defraud a health benefit
27 plan offered under the group program.

1 (b) Section 3.12, Chapter 1187, Acts of the 77th
2 Legislature, Regular Session, 2001, is repealed.

3 SECTION 1.35. Section 1575.502, Insurance Code, is amended
4 to conform more closely to the source law from which the section was
5 derived, to read as follows:

6 Sec. 1575.502. HEARING. On receipt of a complaint or on its
7 own motion, the trustee [~~board of trustees~~] may call and hold a
8 hearing to determine whether an individual has acted in the manner
9 described by Section 1575.501.

10 SECTION 1.36. Section 1575.504, Insurance Code, is amended
11 to conform more closely to the source law from which the section was
12 derived, to read as follows:

13 Sec. 1575.504. EXPULSION AT CONCLUSION OF HEARING. At the
14 conclusion of the hearing under Section 1575.502, if the trustee
15 [~~board of trustees~~] determines that the individual acted in the
16 manner described by Section 1575.501, the trustee [~~board~~] shall
17 expel the individual from participation in the group program.

18 SECTION 1.37. Section 1575.505, Insurance Code, is amended
19 to conform more closely to the source law from which the section was
20 derived, and further amended, to read as follows:

21 Sec. 1575.505. EFFECT OF EXPULSION. An individual expelled
22 from participation in the group program may not be covered by a
23 [~~health benefit~~] plan offered under the group program, including
24 the health reimbursement arrangement program, for a period
25 determined by the trustee [~~board of trustees~~], not to exceed five
26 years, beginning on the date the expulsion takes effect.

27 SECTION 1.38. Section 1575.506, Insurance Code, is amended

1 to conform more closely to the source law from which the section was
2 derived, to read as follows:

3 Sec. 1575.506. APPEAL. An appeal of a determination by the
4 trustee [~~board of trustees~~] under this subchapter is under the
5 substantial evidence rule.

6 SECTION 1.39. Chapter 1575, Insurance Code, is amended by
7 adding Subchapter L to read as follows:

8 SUBCHAPTER L. PROVISION OF RETIREE HEALTH CARE BENEFITS THROUGH
9 HEALTH REIMBURSEMENT ARRANGEMENT PROGRAM

10 Sec. 1575.551. DEFINITIONS. In this subchapter:

11 (1) "Account" means a health reimbursement
12 arrangement established under this subchapter for a participating
13 retiree.

14 (2) "Account administrator" means a person qualified
15 to act as an account administrator under Section 1575.555.

16 (3) "Health benefit plan" means a plan designed to
17 provide, pay for, or reimburse expenses for health care services.
18 The term includes:

19 (A) a group insurance policy, contract, or
20 certificate;

21 (B) a medical or hospital service agreement; and

22 (C) a similar group arrangement, including
23 coverage through a health maintenance organization operating under
24 Chapter 843.

25 (4) "Health benefit plan provider" means an entity
26 that provides health benefit plan coverage in this state. The term
27 includes:

1 (A) an insurance company authorized to do
2 business in this state;

3 (B) a Group hospital service corporation
4 operating under Chapter 842;

5 (C) a health maintenance organization operating
6 under Chapter 843;

7 (D) a stipulated premium insurance company
8 operating under Chapter 884;

9 (E) a multiple employer welfare arrangement
10 subject to Chapter 846;

11 (F) an approved nonprofit health corporation
12 that holds a certificate of authority issued under Chapter 844; and

13 (G) any other entity providing a plan of health
14 insurance or health benefits coverage subject to state regulation
15 by the department.

16 (5) "Participant" means a retiree enrolled in the
17 program.

18 (6) "Program" means the Health reimbursement
19 arrangement established under this subchapter.

20 (7) "Qualified health care expense" means an expense
21 paid by a participant for medical care, as defined by 26 U.S.C.
22 Section 213(d), as amended, for the participant or the
23 participant's dependents as defined by 26 U.S.C. Section 152, as
24 amended.

25 Sec. 1575.552. ESTABLISHMENT OF PROGRAM. (a) The Texas
26 school retirees health reimbursement arrangement program is
27 established for the benefit of retirees and their dependents.

1 (b) The trustee shall adopt rules, plans, and procedures as
2 necessary to administer this subchapter.

3 Sec. 1575.553. CONTRACTS. On a competitive bid basis, the
4 trustee shall, as necessary to implement this subchapter, contract
5 with:

6 (1) a qualified, experienced firm of group insurance
7 specialists;

8 (2) a qualified, experienced firm of specialists in
9 any of the benefit options authorized under this chapter; and

10 (3) an administering firm to act for the trustee in the
11 capacity of account administrator.

12 Sec. 1575.554. REQUIREMENTS FOR HEALTH REIMBURSEMENT
13 ARRANGEMENTS. (a) The trustee shall request in writing a ruling or
14 opinion from the Internal Revenue Service as to whether health
15 reimbursement arrangements adopted under this subchapter and the
16 state rules governing those accounts qualify the arrangements for
17 appropriate federal tax exemptions. Based on the response of the
18 Internal Revenue Service, the trustee shall:

19 (1) modify the rules, plans, and procedures adopted
20 under Section 1575.552 as necessary to ensure the qualification of
21 those accounts for appropriate federal tax exemptions; and

22 (2) certify the information regarding federal tax
23 qualifications to the comptroller.

24 (b) Once finalized rules, plans, and procedures are adopted
25 by the trustee and approved by the Internal Revenue Service, the
26 trustee shall:

27 (1) solicit bids for the development and establishment

1 of the health reimbursement arrangement program; and

2 (2) provide information to participating retirees
3 regarding the operation of the health reimbursement arrangements
4 adopted under this subchapter.

5 Sec. 1575.555. ACCOUNT ADMINISTRATOR. (a) The following
6 persons may act as an account administrator under this subchapter:

7 (1) a bank, savings and loan association, savings
8 bank, or credit union chartered under the laws of this state or the
9 United States;

10 (2) a trust company authorized to act as a fiduciary;

11 (3) an insurance company authorized to engage in the
12 business of health insurance in this state, a group hospital
13 service corporation authorized under Chapter 842 to engage in
14 business in this state, or a health maintenance organization
15 authorized under Chapter 843 to engage in business in this state;

16 (4) a third-party administrator holding a certificate
17 of authority issued under Article 21.07-6 of this code; or

18 (5) a certified public accountant licensed by the
19 Texas State Board of Public Accountancy.

20 (b) An account administrator may charge a fee for services
21 performed as the administrator of an account. The amount of the fee
22 shall be established in the contract between the account
23 administrator and the trustee.

24 (c) The account administrator is the fiduciary of the
25 participating retiree who has an account under this subchapter.

26 Sec. 1575.556. ANNUAL REPORT OF PROGRAM ACTIVITIES. (a)
27 Not later than June 1 of each year, the trustee shall submit a

1 report to the governor, the lieutenant governor, the speaker of the
2 house of representatives, and the commissioner.

3 (b) The report must summarize the activities of the health
4 reimbursement arrangement program in the calendar year preceding
5 the year in which the report is submitted.

6 Sec. 1575.557. PARTICIPATION OBLIGATIONS. (a) Each
7 retiree is eligible to participate in the health reimbursement
8 arrangement program as provided by Subchapter D and this
9 subchapter.

10 (b) Participation in the health reimbursement arrangement
11 program includes compliance with rules adopted by the trustee for
12 the administration of the program and provision of a notice to each
13 retiree as prescribed by the trustee relating to the existence of
14 the program that contains the address from which a retiree may
15 obtain information about:

16 (1) the coverage offered by the program;

17 (2) eligibility requirements for and costs of that
18 coverage;

19 (3) the contribution that the retiree is eligible to
20 receive from the state for the costs of the coverage; and

21 (4) other information considered useful by the
22 trustee.

23 Sec. 1575.558. PROVISION OF COVERAGE. The health
24 reimbursement arrangement program shall provide, through health
25 reimbursement arrangements, health benefit plan coverage as
26 provided by this subchapter to a retiree who is eligible for that
27 coverage under this subchapter and, as provided by this subchapter,

1 to the retiree's dependents.

2 Sec. 1575.559. COVERAGE PLANS. (a) The health
3 reimbursement arrangement program must include:

4 (1) a primary care coverage plan; and

5 (2) a catastrophic care coverage plan.

6 (b) The catastrophic care coverage plan must be less
7 expensive than the primary care coverage plan for retiree and
8 retiree and dependents coverage.

9 (c) The trustee shall establish an annual deductible of
10 \$4,000 for the catastrophic care coverage plan provided in
11 conjunction with the health reimbursement arrangement program.

12 Sec. 1575.560. PARTICIPATION BY RETIREES. (a) Each
13 retiree who elects to participate shall be enrolled in the primary
14 care coverage plan unless the retiree elects in writing to
15 participate only in the catastrophic care coverage plan.

16 (b) Participation in the Health reimbursement arrangement
17 qualifies a retiree to receive a contribution to the retiree's
18 account, as authorized under Section 1575.565. A retiree who
19 elects not to participate in the program is ineligible to receive a
20 contribution.

21 Sec. 1575.561. COVERAGE FOR DEPENDENTS. (a) A
22 participating retiree is entitled to obtain coverage for a
23 dependent of the participating retiree in the plan selected by the
24 retiree in the manner determined by the trustee.

25 (b) The participating retiree shall make any required
26 additional contribution payments for the dependent coverage in the
27 manner prescribed by the trustee.

1 (c) Amounts contributed under this section shall not be
2 contributed to the health reimbursement arrangement provided to the
3 employee or annuitant, but may be contributed to any other account
4 or arrangement established under this, or another chapter, or by
5 rule, to the extent allowed by federal law and regulation.

6 Sec. 1575.562. IDENTIFICATION CARDS. (a) The account
7 administrator shall issue to each participating retiree an
8 identification card indicating:

9 (1) the name of the retiree and any dependent of the
10 retiree for whom eligible expenses may be paid under the health
11 reimbursement arrangement program;

12 (2) the name, address, and phone number of the account
13 administrator; and

14 (3) a description of the coverage plan in which the
15 retiree is participating.

16 (b) The account administrator shall issue a duplicate
17 identification card to each dependent for whom eligible expenses
18 may be paid under the program.

19 Sec. 1575.563. USE OF ACCOUNT. (a) The account
20 administrator shall use money in a retiree's account to pay:

21 (1) the costs of the health benefit plan coverage
22 selected by the retiree for the retiree and the retiree's
23 dependents; and

24 (2) any additional eligible medical expenses of the
25 participating retiree or dependents or to reimburse the retiree for
26 those expenses.

27 (b) A medical expense is eligible for payment or

1 reimbursement under Subsection (a)(2) if:

2 (1) it is a medical expense described under Section
3 213(d), Internal Revenue Code of 1986, as amended; and

4 (2) payment or reimbursement for the expense is not
5 otherwise provided for under the coverage plan selected by the
6 retiree or under another insurance policy, including a motor
7 vehicle or workers' compensation insurance policy.

8 Sec. 1575.564. PROMPT PAYMENT OF CLAIMS. (a) Except as
9 provided by Subsection (b), the account administrator shall pay a
10 claim for an expense that is eligible for payment or reimbursement
11 from the account not later than the 30th day after the date the
12 claim is submitted to the account administrator.

13 (b) The account administrator may request documents
14 necessary to verify whether an expense is eligible for payment or
15 reimbursement from the account. If the account administrator makes
16 a request under this subsection, the account administrator shall
17 pay a claim for an expense that is eligible for payment or
18 reimbursement from the account not later than the 30th day after the
19 date the documents are received by the account administrator.

20 Sec. 1575.565. STATE CONTRIBUTION. For each participating
21 retiree, the state shall annually contribute to the Texas public
22 school retired employees group insurance fund the amount specified
23 in the General Appropriations Act for distribution to the health
24 reimbursement arrangement established for that retiree for the
25 payment of qualified health care expenses if the trustee has
26 determined that those accounts meet the requirements described by
27 Section 1575.554.

1 Sec. 1575.566. RETIREE CONTRIBUTIONS. (a) Each
2 participating retiree shall contribute any amounts required to
3 cover health benefit options selected by the retiree beyond the
4 state contribution under Section 1575.565.

5 (b) The participating retiree shall make the contributions
6 in the manner prescribed by the trustee.

7 (c) Amounts contributed under this section shall not be
8 contributed to the health reimbursement arrangement provided to the
9 employee or annuitant, but may be contributed to any other account
10 or arrangement established under this, or another chapter, or by
11 rule, to the extent allowed by federal law and regulation.

12 Sec. 1575.567. CONFIDENTIALITY OF RECORDS. (a) Section
13 1575.456, applies to records relating to a retiree under the health
14 reimbursement arrangement program.

15 (b) The program may disclose to a health benefit plan
16 provider information in the records of an individual that the
17 trustee determines is necessary to administer the program.

18 Sec. 1575.568. ANNUAL ACCOUNTING. (a) In this subchapter,
19 "plan year" means the period beginning on September 1 and ending the
20 following August 31.

21 (b) Coverage purchased under this subchapter must provide
22 for an accounting to the trustee by each health benefit plan
23 provider.

24 (c) The accounting must be submitted:

25 (1) not later than the 90th day after the last day of
26 each plan year; and

27 (2) on a form approved by the trustee.

1 (d) Each health benefit plan provider shall prepare any
2 other report required by rule by the trustee.

3 (e) A health benefit plan provider may not assess an
4 additional charge for preparation of an accounting report.

5 Sec. 1575.569. ASSISTANCE. In implementing and
6 administering this subchapter, the trustee may obtain the
7 assistance of any state agency the trustee considers appropriate.

8 Sec. 1575.570. ROLLOVER. (a) At the end of a plan year, the
9 unexpended and unobligated balance of any state contribution
10 deposited in a retiree's health reimbursement arrangement under
11 this subchapter during that plan year remains in the health
12 reimbursement arrangement and may be spent only as authorized by
13 this subchapter for a qualified health care expense.

14 (b) At the end of a plan year, the unexpended and
15 unobligated balance of any state contributions that have rolled
16 over from previous plan years remain in the health reimbursement
17 arrangement.

18 SECTION 1.40. The following laws are repealed:

19 (1) Sections 1575.109, 1575.152, 1575.158, 1575.159,
20 and 1575.204, Insurance Code; and

21 (2) Subchapter H, Chapter 1575, Insurance Code.

22 SECTION 1.41. The Teacher Retirement System of Texas shall
23 develop the health reimbursement arrangement program to be
24 implemented under Chapter 1575, Insurance Code, as amended by this
25 article, beginning September 1, 2003, and shall develop enrollment
26 requirements for the program during 2004, with coverage beginning
27 September 1, 2004.

1 SECTION 1.42. The Teacher Retirement System of Texas shall
2 continue to operate the uniform group health coverage program
3 established under Chapter 1575, Insurance Code, as that chapter
4 existed before amendment by this article, until September 1, 2004.

5 SECTION 1.43. Not later than July 31, 2004, the Teacher
6 Retirement System of Texas shall provide written information to
7 retirees eligible to participate in the health reimbursement
8 arrangement program under Chapter 1575, Insurance Code, as amended
9 by this article, that provides a general description of the
10 requirements for such a program as adopted under Chapter 1575,
11 Insurance Code, as amended by this article.

12 SECTION 1.44. During the initial implementation of Chapter
13 1575, Insurance Code, as amended by this article, and
14 notwithstanding any bidding requirements or other requirements set
15 forth in Chapter 1575, Insurance Code, as that chapter existed
16 before amendment by this article, the Teacher Retirement System of
17 Texas may amend any agreement in effect on September 1, 2003, that
18 it has entered into as necessary to comply with Chapter 1575,
19 Insurance Code, as amended by this article.

20 ARTICLE 2. GENERAL TRANSITION; EFFECTIVE DATE

21 SECTION 2.01. To the extent of any conflict, this Act
22 prevails over another Act of the 78th Legislature, Regular Session,
23 2003, relating to nonsubstantive additions to and corrections in
24 enacted codes.

25 SECTION 2.02. Except as otherwise provided by this Act,
26 this Act takes effect September 1, 2003.