

By: Delisi

H.B. No. 3359

A BILL TO BE ENTITLED

AN ACT

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

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

ARTICLE 1. PROGRAM FOR STATE EMPLOYEES AND ANNUITANTS

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

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

SECTION 1.02. Section 1551.003, Insurance Code, as effective June 1, 2003, is amended by adding Subdivision (10-a) to read as follows:

(10-a) "Health reimbursement arrangement" means the program operated under Subchapter K.

SECTION 1.03. Section 1551.011, Insurance Code, as effective June 1, 2003, is amended to read as follows:

Sec. 1551.011. EXEMPTION FROM EXECUTION. All benefit payments, state contributions, contributions of employees and annuitants, and optional benefit payments, any rights, benefits, or payments accruing to a person under this chapter, and all money in a fund created by this chapter:

1 (1) are exempt from execution, attachment,
2 garnishment, or any other process; and

3 (2) may not be assigned, except:

4 (A) for direct payment that a participant may
5 assign to a provider of health care services; and

6 (B) as specifically provided by this chapter.

7 SECTION 1.04. Section 1551.055, Insurance Code, as
8 effective June 1, 2003, is amended to read as follows:

9 Sec. 1551.055. GENERAL POWERS OF BOARD OF TRUSTEES
10 REGARDING COVERAGE PLANS. The board of trustees may:

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

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

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

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

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

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

1 (7) administer the employees life, accident, and
2 health insurance and benefits fund;

3 (8) provide the beginning and ending dates of
4 coverages of participants under all ~~[benefit]~~ plans;

5 (9) develop basic group coverage plans applicable to
6 all individuals eligible to participate in the group benefits
7 program under Sections 1551.101 and 1551.102;

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

10 (11) provide, as the board of trustees determines is
11 appropriate, either additional statewide optional coverage plans
12 or individual agency coverage plans;

13 (12) develop the health reimbursement arrangement in a
14 manner ~~[health benefit plans]~~ that permits ~~[permit]~~ access to
15 high-quality, cost-effective health care;

16 (13) design, implement, and monitor the health
17 reimbursement arrangement program ~~[health benefit plan]~~ features
18 intended to discourage excessive utilization, promote efficiency,
19 and contain costs;

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

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

27 SECTION 1.05. Section 1551.113(a), Insurance Code, as

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

(a) An individual described by Subsection (b) is entitled to receive the state contribution [~~contributions~~] required to provide health benefit plan coverage under the health reimbursement arrangement [~~group benefits~~] program for two months after the effective date of the individual's separation from state service.

SECTION 1.06. Sections 1551.159(a) and (g), Insurance Code, as effective June 1, 2003, are amended to read as follows:

(a) Subject to any applicable limit in the General Appropriations Act, the board of trustees shall use money appropriated for state [~~employer~~] contributions to fund 80 percent of the cost of basic coverage for a child who:

(1) is a dependent of an employee;

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

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

(g) If the program established under Chapter 62, Health and Safety Code, using federal funding under Title XXI, Social Security Act (42 U.S.C. Section 1397aa et seq.), as amended, is terminated, the use of state contributions for benefits for those eligible under Subsection (a) also terminates.

SECTION 1.07. Section 1551.201, Insurance Code, as effective June 1, 2003, is amended by amending Subsection (b) and by adding Subsection (d) to read as follows:

(b) The group coverage plans may, in the board of trustees'

discretion, include:

- (1) life coverage;
- (2) accidental death and dismemberment coverage;
- (3) ~~[health benefit coverage, including coverage for:~~
 - ~~[(A) hospital care and benefits,~~
 - ~~[(B) surgical care and treatment,~~
 - ~~[(C) medical care and treatment,~~
 - ~~[(D) dental care,~~
 - ~~[(E) obstetrical benefits,~~
 - ~~[(F) prescribed drugs, medicines, and prosthetic devices; and~~
 - ~~[(G) supplemental benefits, supplies, and services in accordance with this chapter,~~
- ~~[(4)]~~ coverage providing protection against either long-term or short-term loss of salary; and
- (4) ~~[(5)]~~ any other group coverage that the board of trustees~~[, in consultation with the group benefits advisory committee created under Subchapter J,~~ considers advisable.

(d) The group coverage plans shall include health benefit coverage through the health reimbursement arrangement established under Subchapter K.

SECTION 1.08. Section 1551.202(c), Insurance Code, as effective June 1, 2003, is amended to read as follows:

(c) Basic coverage must include basic health coverage. The basic health coverage shall ~~[may]~~ be offered through the Health reimbursement arrangement established under Subchapter K ~~[any health benefit plan]~~.

SECTION 1.09. Chapter 1551, Insurance Code, as effective June 1, 2003, is amended by adding Subchapter K to read as follows:

SUBCHAPTER K. PROVISION OF STATE EMPLOYEE HEALTH CARE

BENEFITS THROUGH HEALTH REIMBURSEMENT ARRANGEMENTS

Sec. 1551.501. DEFINITIONS. In this subchapter:

(1) "Account" means a health reimbursement arrangement established under this subchapter for a participating employee or annuitant.

(2) "Account administrator" means a person qualified to act as an account administrator under Section 1551.505.

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

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

(B) a medical or hospital service agreement; and

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

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

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

(B) a group hospital service corporation operating under Chapter 842;

(C) a health maintenance organization operating

1 under Chapter 843;

2 (D) a stipulated premium insurance company
3 operating under Chapter 884;

4 (E) a multiple employer welfare arrangement
5 subject to Chapter 846;

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

8 (G) any other entity providing a plan of health
9 insurance or health benefits coverage subject to state regulation
10 by the department.

11 (5) "Participant" means an employee or annuitant
12 enrolled in the program.

13 (6) "Program" means the health reimbursement
14 arrangement program established under this subchapter.

15 (7) "Qualified health care expense" means an expense
16 paid by a participant for medical care, as defined by 26 U.S.C.
17 Section 213(d), as amended, for the participant or the
18 participant's dependents as defined by 26 U.S.C. Section 152, as
19 amended.

20 Sec. 1551.502. ESTABLISHMENT OF PROGRAM. (a) The Texas
21 state employees health reimbursement arrangement program is
22 established for the benefit of state employees and annuitants and
23 their dependents.

24 (b) The board of trustees shall adopt rules, plans, and
25 procedures as necessary to administer this subchapter.

26 Sec. 1551.503. CONTRACTS. On a competitive bid basis, the
27 board of trustees shall, as necessary to implement this subchapter,

contract with:

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

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

(3) an administering firm to act for the board of trustees in the capacity of account administrator.

Sec. 1551.504. REQUIREMENTS FOR HEALTH REIMBURSEMENT ARRANGEMENTS. (a) The board of trustees shall request in writing a ruling or opinion from the Internal Revenue Service as to whether health reimbursement arrangements adopted under this subchapter and the state rules governing those accounts qualify the accounts for appropriate federal tax exemptions. Based on the response of the Internal Revenue Service, the board of trustees shall:

(1) modify the rules, plans, and procedures adopted under Section 1551.502 as necessary to ensure the qualification of those arrangements for appropriate federal tax exemptions; and

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

(b) Once finalized rules, plans, and procedures are adopted by the board of trustees and approved by the Internal Revenue Service, the board of trustees shall:

(1) solicit bids for the development and establishment of the health reimbursement arrangement program; and

(2) provide information to participating employees and annuitants regarding the operation of the health reimbursement arrangements adopted under this subchapter.

1 Sec. 1551.505. ACCOUNT ADMINISTRATOR. (a) The following
2 persons may act as an account administrator under this subchapter:

3 (1) a bank, savings and loan association, savings
4 bank, or credit union chartered under the laws of this state or the
5 United States;

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

7 (3) an insurance company authorized to engage in the
8 business of health insurance in this state, a group hospital
9 service corporation authorized under Chapter 842 to engage in
10 business in this state, or a health maintenance organization
11 authorized under Chapter 843 to engage in business in this state;

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

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

16 (b) An account administrator may charge a fee for services
17 performed as the administrator of an account. The amount of the fee
18 shall be established in the contract between the account
19 administrator and the board of trustees.

20 (c) The account administrator is the fiduciary of the
21 participating employee or annuitant who has an account under this
22 subchapter.

23 Sec. 1551.506. ANNUAL REPORT OF PROGRAM ACTIVITIES. (a)
24 Not later than June 1 of each year, the board of trustees shall
25 submit a report to the governor, the lieutenant governor, the
26 speaker of the house of representatives, and the commissioner.

27 (b) The report must summarize the activities of the health

1 reimbursement arrangement program in the calendar year preceding
2 the year in which the report is submitted.

3 Sec. 1551.507. REQUIRED PARTICIPATION; PARTICIPATION
4 OBLIGATIONS. (a) Each state agency shall participate in the health
5 reimbursement arrangement program as provided by this subchapter.

6 (b) Participation in the health reimbursement arrangement
7 program includes compliance with rules adopted by the board of
8 trustees for the administration of the program and provision of a
9 notice to each employee and annuitant as prescribed by the board of
10 trustees relating to the existence of the program. The notice must
11 contain a mailing address and the address of an Internet site from
12 which an employee or annuitant may obtain information about:

13 (1) the coverage offered by the program;

14 (2) eligibility requirements for and costs of that
15 coverage;

16 (3) the contribution that the employee or annuitant is
17 eligible to receive from the state for the costs of the coverage;
18 and

19 (4) other information considered useful by the board
20 of trustees.

21 Sec. 1551.508. PROVISION OF COVERAGE. The health
22 reimbursement arrangement program shall provide, through health
23 reimbursement arrangements, health benefit plan coverage as
24 provided by this subchapter to an employee or annuitant who is
25 eligible for that coverage under this chapter and, as provided by
26 this chapter, to that person's dependents.

27 Sec. 1551.509. COVERAGE PLANS. (a) The health

reimbursement arrangement program must include:

(1) a primary care coverage plan; and

(2) a catastrophic care coverage plan.

(b) The catastrophic care coverage plan must be less expensive than the primary care coverage plan for employee-only and employee and dependents coverage and annuitant-only and annuitant and dependents coverage.

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

Sec. 1551.510. PARTICIPATION BY EMPLOYEES AND ANNUITANTS.

(a) Each employee and each annuitant is eligible to participate in the health reimbursement arrangement program established under this subchapter. An employee or annuitant who elects to participate shall be enrolled in the primary care coverage plan unless the employee or annuitant elects in writing to participate only in the catastrophic care coverage plan.

(b) Participation in the health reimbursement arrangement program qualifies an employee or annuitant to receive a contribution to the employee's or annuitant's account, as authorized under Section 1551.515. An employee or annuitant who elects not to participate in the program is ineligible to receive a contribution.

Sec. 1551.511. COVERAGE FOR DEPENDENTS. (a) A participating employee or annuitant is entitled to obtain for a dependent of the participating employee or annuitant coverage in

1 the plan selected by the employee or annuitant in the manner
2 determined by the board of trustees.

3 (b) The participating employee or annuitant shall make any
4 required additional contribution payments for the dependent
5 coverage in the manner prescribed by the board of trustees.

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

11 Sec. 1551.512. IDENTIFICATION CARDS. (a) The account
12 administrator shall issue to each participating employee and
13 annuitant an identification card indicating:

14 (1) the name of the employee or annuitant and any
15 dependent of the employee or annuitant for whom eligible expenses
16 may be paid under the health reimbursement arrangement program;

17 (2) the name, address, and phone number of the account
18 administrator; and

19 (3) a description of the coverage plan in which the
20 employee or annuitant is participating.

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

24 Sec. 1551.513. USE OF ACCOUNT. (a) The account
25 administrator shall use money in an employee's or annuitant's
26 account to pay:

27 (1) the costs of the health benefit plan coverage

1 selected by:

2 (A) the employee for the employee and the
3 employee's dependents; or

4 (B) the annuitant for the annuitant and the
5 annuitant's dependents; and

6 (2) any additional eligible medical expenses of the
7 participating employee, annuitant, or dependents or to reimburse
8 the employee or annuitant for those expenses.

9 (b) A medical expense is eligible for payment or
10 reimbursement under Subsection (a)(2) if:

11 (1) it is a medical expense described under Section
12 213(d), Internal Revenue Code of 1986, as amended; and

13 (2) payment or reimbursement for the expense is not
14 otherwise provided for under the coverage plan selected by the
15 employee or annuitant or under another insurance policy, including
16 a motor vehicle or workers' compensation insurance policy.

17 Sec. 1551.514. PROMPT PAYMENT OF CLAIMS. (a) Except as
18 provided by Subsection (b), the account administrator shall pay a
19 claim for an expense that is eligible for payment or reimbursement
20 from the account not later than the 30th day after the date the
21 claim is submitted to the account administrator.

22 (b) The account administrator may request documents
23 necessary to verify whether an expense is eligible for payment or
24 reimbursement from the account. If the account administrator makes
25 a request under this subsection, the account administrator shall
26 pay a claim for an expense that is eligible for payment or
27 reimbursement from the account not later than the 30th day after the

1 date the documents are received by the account administrator.

2 Sec. 1551.515. STATE CONTRIBUTION. For each participating
3 employee or annuitant, the state shall annually contribute \$3,000
4 or the amount specified in the General Appropriations Act to the
5 health reimbursement arrangement established for that employee or
6 annuitant for the payment of qualified health care expenses if the
7 board of trustees has determined that those accounts meet the
8 requirements described by Section 1551.504.

9 Sec. 1551.516. EMPLOYEE CONTRIBUTIONS. (a) Each
10 participating employee or annuitant shall contribute any amounts
11 required to cover health benefit options selected by the employee
12 beyond the state contribution under Section 1551.515.

13 (b) The participating employee or annuitant shall make the
14 contributions in the manner prescribed by the board of trustees.

15 (c) Amounts contributed under this section shall not be
16 contributed to the health reimbursement arrangement provided to the
17 employee or annuitant, but may be contributed to any other account
18 or arrangement established under this, or another chapter, or by
19 rule, to the extent allowed by federal law and regulation.

20 Sec. 1551.517. CONFIDENTIALITY OF RECORDS. (a) Section
21 1551.063 applies to information in records relating to an employee,
22 annuitant, or other participant under the health reimbursement
23 arrangement program.

24 (b) The program may disclose to a health benefit plan
25 provider information in the records of an individual that the board
26 of trustees determines is necessary to administer the program.

27 Sec. 1551.518. ANNUAL ACCOUNTING. (a) In this subchapter,

1 "plan year" means the period beginning on September 1 and ending the
2 following August 31.

3 (b) Coverage purchased under this subchapter must provide
4 for an accounting to the board of trustees by each health benefit
5 plan provider.

6 (c) The accounting must be submitted:

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

9 (2) on a form approved by the board of trustees.

10 (d) Each health benefit plan provider shall prepare any
11 other report required by rule by the board of trustees.

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

14 Sec. 1551.519. ASSISTANCE. In implementing and
15 administering this subchapter, the board of trustees may obtain the
16 assistance of any state agency the board of trustees considers
17 appropriate.

18 Sec. 1551.520. ROLLOVER. (a) At the end of a plan year, the
19 unexpended and unobligated balance of any state contribution
20 deposited in an employee's or annuitant's health reimbursement
21 arrangement under this subchapter during that plan year remains in
22 the health reimbursement arrangement and may be spent only as
23 authorized by this subchapter for a qualified health care expense.

24 (b) At the end of a plan year, the unexpended and
25 unobligated balance of any state contributions that have rolled
26 over from previous plan years remain in the health reimbursement
27 arrangement.

1 SECTION 1.10. Sections 1551.003(5) and (12), 1551.005,
2 1551.060, 1551.205, 1551.206, 1551.207, 1551.302, 1551.309,
3 1551.402, 1551.403, and 1551.404, Insurance Code, are repealed.

4 SECTION 1.11. The Employees Retirement System of Texas
5 shall develop the health reimbursement arrangement program to be
6 implemented under Chapter 1551, Insurance Code, as amended by this
7 article, beginning September 1, 2003, and shall develop enrollment
8 requirements for the program during 2004, with coverage beginning
9 September 1, 2004.

10 SECTION 1.12. The Employees Retirement System of Texas
11 shall continue to operate the health benefit coverage offered under
12 the group benefits program established under Chapter 1551,
13 Insurance Code, as that chapter existed before amendment by this
14 article, until September 1, 2004.

15 SECTION 1.13. Not later than July 31, 2004, the Employees
16 Retirement System of Texas shall provide written information to
17 employees eligible to participate in the health reimbursement
18 arrangement program under Chapter 1551, Insurance Code, as amended
19 by this article, that provides a general description of the
20 requirements for such a program as adopted under Chapter 1551,
21 Insurance Code, as amended by this article.

22 SECTION 1.14. During the initial implementation of Chapter
23 1551, Insurance Code, as amended by this article, and
24 notwithstanding any bidding requirements or other requirements set
25 forth in Chapter 1551, Insurance Code, as that chapter existed
26 before amendment by this article, the Employees Retirement System
27 of Texas may amend any agreement in effect on September 1, 2003,

1 that it has entered into as necessary to comply with Chapter 1551,
2 Insurance Code, as amended by this article.

3 SECTION 1.15. The unexpended balance as of September 1,
4 2004, of any payments made by a state employee for participation in
5 a cafeteria plan under Section 1551.206, Insurance Code, as that
6 section existed before repeal by this Act, shall be held in trust
7 with the comptroller for the exclusive benefit for that employee
8 and that employee's beneficiaries.

9 ARTICLE 2. PROGRAM FOR ACTIVE SCHOOL EMPLOYEES

10 PART A. HEALTH REIMBURSEMENT ARRANGEMENT PROGRAM

11 SECTION 2.01. Subtitle H, Title 8, Insurance Code, is
12 amended by adding Chapter 1579 to read as follows:

13 CHAPTER 1579. TEXAS PUBLIC SCHOOL EMPLOYEES

14 HEALTH REIMBURSEMENT ARRANGEMENT PROGRAM

15 SUBCHAPTER A. GENERAL PROVISIONS

16 Sec. 1579.001. DEFINITIONS. In this chapter:

17 (1) "Account" means a health reimbursement
18 arrangement established under this chapter for a participating
19 employee.

20 (2) "Account administrator" means a person qualified
21 to act as an account administrator under Section 1579.054.

22 (3) "Charter school" means an open-enrollment charter
23 school established under Subchapter D, Chapter 12, Education Code.

24 (4) "Dependent" means:

25 (A) the spouse of a person;

26 (B) an unmarried child of the person if that
27 child is under 25 years of age, including:

1 (i) an adopted child;

2 (ii) a stepchild, foster child, or other
3 child who has a regular parent-child relationship with the person;
4 or

5 (iii) a recognized natural child; or

6 (C) the person's recognized natural child,
7 adopted child, foster child, stepchild, or other child who is in a
8 regular parent-child relationship with the participating employee
9 and who lives with or has his or her care provided by the person on a
10 regular basis regardless of the child's age if the child is mentally
11 retarded or physically incapacitated to an extent that the child is
12 dependent on the person for care or support, as determined by the
13 trustee.

14 (5) "District" means a public school district of this
15 state.

16 (6) "Employee" means an individual who is employed by
17 a participating entity and who is not covered by a group insurance
18 program under Chapter 1551 or 1601. The term does not include an
19 individual performing personal services for a participating entity
20 as an independent contractor.

21 (7) "Health benefit plan" means a plan designed to
22 provide, pay for, or reimburse expenses for health care services.
23 The term includes:

24 (A) a group insurance policy, contract, or
25 certificate;

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

27 (C) a similar group arrangement, including

1 coverage through a health maintenance organization operating under
2 Chapter 843.

3 (8) "Health benefit plan provider" means an entity
4 that provides health benefit plan coverage in this state. The term
5 includes:

6 (A) an insurance company authorized to do
7 business in this state;

8 (B) a group hospital service corporation
9 operating under Chapter 842;

10 (C) a health maintenance organization operating
11 under Chapter 843;

12 (D) a stipulated premium insurance company
13 operating under Chapter 884;

14 (E) a multiple employer welfare arrangement
15 subject to Chapter 846;

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

18 (G) any other entity providing a plan of health
19 insurance or health benefits coverage subject to state regulation
20 by the department.

21 (9) "Participant" means a person enrolled in the
22 program.

23 (10) "Participating entity" means an entity
24 participating in the Health reimbursement arrangement established
25 under this chapter. The term includes:

26 (A) a school district;

27 (B) another educational district whose employees

1 are members of the Teacher Retirement System of Texas;

2 (C) a regional education service center; and

3 (D) a charter school that meets the requirements
4 of Section 1579.102.

5 (11) "Program" means the Texas public school employees
6 health reimbursement arrangement program established by this
7 chapter.

8 (12) "Qualified health care expense" means an expense
9 paid by a participating employee for medical care, as defined by 26
10 U.S.C. Section 213(d), as amended, for the employee or the
11 employee's dependents, as defined by 26 U.S.C. Section 152, as
12 amended.

13 (13) "Regional education service center" means a
14 regional education service center established under Chapter 8,
15 Education Code.

16 (14) "Trustee" means the board of trustees of the
17 Teacher Retirement System of Texas.

18 Sec. 1579.002. APPLICABILITY OF OTHER LAW. This chapter
19 does not prohibit a participating entity from providing additional
20 or supplemental insurance coverage under Article 3.51 or 26.036 of
21 this code or Section 22.005, Education Code.

22 [Sections 1579.003-1579.050 reserved for expansion]

23 SUBCHAPTER B. ESTABLISHMENT OF HEALTH REIMBURSEMENT ARRANGEMENT

24 PROGRAM; POWERS AND DUTIES OF BOARD OF TRUSTEES

25 Sec. 1579.051. CREATION OF PROGRAM; ADMINISTRATION; RULES.

26 (a) The Texas public school employees health reimbursement
27 arrangement program is established for the benefit of active public

1 school employees and those employees' dependents.

2 (b) The board of trustees of the Teacher Retirement System
3 of Texas is the trustee for the program and shall administer the
4 program.

5 (c) The trustee shall adopt rules, plans, and procedures as
6 necessary for the administration of the health reimbursement
7 arrangement program adopted under this chapter.

8 Sec. 1579.052. CONTRACTS. On a competitive bid basis, the
9 trustee shall, as necessary to implement this chapter, contract
10 with:

11 (1) a qualified, experienced firm of group insurance
12 specialists;

13 (2) a qualified, experienced firm of specialists in
14 any of the benefit options authorized under this chapter; or

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

17 Sec. 1579.053. REQUIREMENTS FOR HEALTH REIMBURSEMENT
18 ARRANGEMENTS. (a) The trustee shall request in writing a ruling or
19 opinion from the Internal Revenue Service as to whether the health
20 reimbursement arrangements adopted under this chapter and the state
21 rules governing those accounts qualified the arrangements for
22 appropriate federal tax exemptions. Based on the response of the
23 Internal Revenue Service, the trustee shall:

24 (1) modify the rules, plans, and procedures adopted
25 under Section 1579.051 as necessary to ensure the qualification of
26 those accounts for appropriate federal tax exemptions; and

27 (2) certify the information regarding federal tax

1 qualifications to the comptroller.

2 (b) Once finalized rules, plans, and procedures are adopted
3 by the trustee and approved by the Internal Revenue Service, the
4 trustee shall:

5 (1) solicit bids for the development and establishment
6 of the health reimbursement arrangement program; and

7 (2) provide information to participating employees
8 regarding the operation of the health reimbursement arrangements
9 adopted under this chapter.

10 Sec. 1579.054. ACCOUNT ADMINISTRATOR. (a) The following
11 persons may act as an account administrator under this chapter:

12 (1) a bank, savings and loan association, savings
13 bank, or credit union chartered under the laws of this state or the
14 United States;

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

16 (3) an insurance company authorized to engage in the
17 business of health insurance in this state, a group hospital
18 service corporation authorized under Chapter 842 to engage in
19 business in this state, or a health maintenance organization
20 authorized under Chapter 843 to engage in business in this state;

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

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

25 (b) An account administrator may charge a fee for services
26 performed as the administrator of an account. The amount of the fee
27 shall be established in the contract between the account

1 administrator and the trustee.

2 (c) The account administrator is the fiduciary of the
3 participating employee who has an account under this chapter.

4 Sec. 1579.055. PERSONNEL. The trustee may employ persons
5 as necessary to assist the trustee in administering this chapter.

6 Sec. 1579.056. ANNUAL REPORT OF PROGRAM ACTIVITIES. (a)
7 Not later than June 1 of each year, the trustee shall submit a
8 report to the governor, the lieutenant governor, the speaker of the
9 house of representatives, and the commissioner.

10 (b) The report must summarize the activities of the program
11 in the calendar year preceding the year in which the report is
12 submitted.

13 [Sections 1579.057-1579.100 reserved for expansion]

14 SUBCHAPTER C. PROGRAM PARTICIPATION AND COVERAGE

15 Sec. 1579.101. REQUIRED PARTICIPATION; PARTICIPATION
16 OBLIGATIONS. (a) Each participating entity shall participate in
17 the program as provided by this chapter.

18 (b) Participation in the program includes compliance with
19 rules adopted by the trustee for the administration of the program
20 and provision of a notice to each employee as prescribed by the
21 trustee relating to the existence of the program. The notice must
22 contain a mailing address and the address of an Internet site from
23 which an employee may obtain information about:

24 (1) the coverage offered by the program;
25 (2) eligibility requirements for and costs of that
26 coverage;

27 (3) contributions that the employee is eligible to

1 receive from the state and the employee participating entity for
2 the costs of the coverage; and

3 (4) other information considered useful by the
4 trustee.

5 Sec. 1579.102. PARTICIPATION BY CHARTER SCHOOLS;
6 ELIGIBILITY. (a) A charter school is eligible to participate in
7 the program if the school agrees:

8 (1) that all records of the school relating to
9 participation in the program are open to inspection by the trustee,
10 the administering firm, the commissioner of education, or a
11 designee of any of those entities; and

12 (2) to have the school's accounts relating to
13 participation in the program annually audited by a certified public
14 accountant at the school's expense.

15 (b) A charter school must notify the trustee of the school's
16 intent to participate in the program in the manner and within the
17 time required by rule by the trustee.

18 Sec. 1579.103. PROVISION OF COVERAGE. The program shall
19 provide, through the health reimbursement arrangements, health
20 benefit plan coverage as provided by this chapter to an active
21 employee who is eligible for that coverage under this chapter and,
22 as provided by this chapter, to that employee's dependents.

23 Sec. 1579.104. COVERAGE PLANS. (a) The program must
24 include:

25 (1) a primary care coverage plan comparable in scope
26 and, to the greatest extent possible, in cost to the primary care
27 coverage plan provided to state employees under Chapter 1551; and

1 (2) a catastrophic care coverage plan.

2 (b) The catastrophic care coverage plan must be less
3 expensive for employee-only and employee and dependents coverage
4 than the primary care coverage plan.

5 (c) The trustee shall establish an annual deductible of
6 \$4,000 for the catastrophic care coverage plan provided in
7 conjunction with the health reimbursement arrangement program.

8 Sec. 1579.105. PARTICIPATION BY EMPLOYEES. (a) Each
9 active employee is eligible to participate in the program
10 established under this chapter. An employee who elects to
11 participate shall be enrolled in the primary care coverage plan
12 unless the employee elects in writing to participate only in the
13 catastrophic care coverage plan.

14 (b) Participation in the program qualifies an employee to
15 receive a contribution to the employee's account as authorized
16 under Subchapter D. An employee who elects not to participate in the
17 program is ineligible to receive a contribution.

18 Sec. 1579.106. COVERAGE FOR DEPENDENTS. (a) A
19 participating employee is entitled to obtain for a dependent of the
20 participating employee coverage in the plan selected by the
21 employee in the manner determined by the trustee.

22 (b) The participating employee shall make any required
23 additional contribution payments for the dependent coverage in the
24 manner prescribed by the trustee.

25 (c) A participating entity is not prohibited by this chapter
26 from voluntarily contributing to the cost of dependent coverage.

27 (d) Amounts contributed under this section shall not be

1 contributed to the health reimbursement arrangement provided to the
2 employee or annuitant, but may be contributed to any other account
3 or arrangement established under this, or another chapter, or by
4 rule, to the extent allowed by federal law and regulation.

5 Sec. 1579.107. IDENTIFICATION CARDS. (a) The account
6 administrator shall issue each participating employee an
7 identification card indicating:

8 (1) the name of the employee and any dependent of the
9 employee for whom eligible expenses may be paid under the program;

10 (2) the name, address, and phone number of the account
11 administrator; and

12 (3) a description of the coverage plan in which the
13 employee is participating.

14 (b) The account administrator shall issue a duplicate
15 identification card to each of the employee's dependents for whom
16 eligible expenses may be paid under the program.

17 Sec. 1579.108. USE OF ACCOUNT. (a) The account
18 administrator shall use money in an employee's account to pay:

19 (1) the costs of the health benefit plan coverage
20 selected by the employee for the employee and the employee's
21 dependents; and

22 (2) any additional eligible medical expenses of the
23 participating employee or the employee's dependents or to reimburse
24 the employee for those expenses.

25 (b) A medical expense is eligible for payment or
26 reimbursement under Subsection (a)(2) if:

27 (1) it is a medical expense described under Section

1 213(d), Internal Revenue Code of 1986, as amended; and

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

6 Sec. 1579.109. PROMPT PAYMENT OF CLAIMS. (a) Except as
7 provided by Subsection (b), the account administrator shall pay a
8 claim for an expense that is eligible for payment or reimbursement
9 from the account not later than the 30th day after the date the
10 claim is submitted to the account administrator.

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

18 [Sections 1579.110-1579.200 reserved for expansion]

19 SUBCHAPTER D. CONTRIBUTIONS

20 Sec. 1579.201. STATE CONTRIBUTION. (a) For each
21 participating employee, the state shall annually contribute \$1,000
22 or the amount specified in the General Appropriations Act to the
23 medical savings account established for that employee for the
24 payment of qualified health care expenses if the trustee has
25 determined that those accounts meet the requirements described by
26 Section 1579.053.

27 (b) Each year, the trustee shall contribute to the health

1 reimbursement arrangement of the participating employees of a
2 participating entity the amount to which the employee is entitled
3 under Subsection (a). The contributions shall be made in equal
4 monthly installments.

5 (c) A school district that is ineligible for state aid under
6 Chapter 42, Education Code, is entitled to the funds delivered
7 under this section.

8 Sec. 1579.202. EMPLOYEE CONTRIBUTIONS. (a) Each
9 participating employee shall contribute any amounts required to
10 cover benefit options selected by the employee beyond the state
11 contribution under Section 1579.201.

12 (b) The participating employee shall make the employee's
13 contributions in the manner prescribed by the trustee.

14 (c) Amounts contributed under this section shall not be
15 contributed to the health reimbursement arrangement provided to the
16 employee or annuitant, but may be contributed to any other account
17 or arrangement established under this, or another chapter, or by
18 rule, to the extent allowed by federal law and regulation.

19 [Sections 1579.203-1579.250 reserved for expansion]

20 SUBCHAPTER E. RECORDS, PROCEEDINGS, AND ACCOUNTING;

21 INVESTMENT AUTHORITY

22 Sec. 1579.251. CONFIDENTIALITY OF RECORDS. (a) Section
23 825.507, Government Code, concerning confidentiality and
24 disclosure of records, applies to records in the custody of the
25 trustee or in the custody of an account or other administrator,
26 carrier, health benefit plan provider, agent, attorney,
27 consultant, or governmental body acting in cooperation with or on

1 behalf of the trustee relating to an employee or other participant
2 under the program.

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

6 Sec. 1579.252. CLAIM DENIAL; EXPULSION FROM PROGRAM. (a) A
7 participant may appeal a claim denial or expulsion from the program
8 to the trustee.

9 (b) Adjudication of claim disputes and expulsions from the
10 program are subject to the contested case provisions of Chapter
11 2001, Government Code.

12 Sec. 1579.253. HEARING EXAMINER. The trustee may delegate
13 its authority to adjudicate claim disputes and expulsions to a
14 qualified hearing examiner.

15 Sec. 1579.254. APPEAL. (a) A decision of the trustee or
16 hearing examiner is subject to review by a district court in the
17 county in which the claimant resides.

18 (b) An appeal of a determination under this section is under
19 the substantial evidence rule.

20 Sec. 1579.255. ANNUAL ACCOUNTING. (a) In this subchapter,
21 "plan year" means the period beginning on September 1 and ending the
22 following August 31.

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

25 (c) The accounting must be submitted:

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

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

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

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

6 Sec. 1579.256. ASSISTANCE. In implementing and
7 administering this chapter, the trustee may obtain the assistance
8 of any state agency the trustee considers appropriate.

9 Sec. 1579.257. ROLLOVER. (a) At the end of a plan year, the
10 unexpended and unobligated balance of any state contribution
11 deposited in a participating employee's health reimbursement
12 arrangement under this chapter during that plan year remains in the
13 medical savings account and may be spent only as authorized by this
14 chapter for a qualified health care expense.

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

19 PART B. CONFORMING AMENDMENTS--EDUCATION CODE

20 SECTION 2.02. Sections 22.004(a), (b), (c), (g), and (j),
21 Education Code, are amended to read as follows:

22 (a) A district shall participate in the health
23 reimbursement arrangement [~~uniform group coverage~~] program
24 established under Chapter 1579 [~~Article 3.50-7~~], Insurance Code[~~7~~
25 ~~as provided by Section 5 of that article~~].

26 (b) In addition to participation in the health
27 reimbursement arrangement program under Chapter 1579, Insurance

1 Code, a [A] district may [~~that does not participate in the program~~
 2 ~~described by Subsection (a) shall~~] make available to its employees
 3 group health coverage provided by a risk pool established by one or
 4 more school districts under Chapter 172, Local Government Code, or
 5 under a policy of insurance or group contract issued by an insurer,
 6 a group hospital service corporation [~~company~~] subject to Chapter
 7 842 [~~20~~], Insurance Code, or a health maintenance organization
 8 subject to Chapter 843, Insurance Code [~~under the Texas Health~~
 9 ~~Maintenance Organization Act (Chapter 20A, Vernon's Texas~~
 10 ~~Insurance Code)]~~. [~~The coverage must meet the substantive coverage~~
 11 ~~requirements of Article 3.51-6, Insurance Code, and any other law~~
 12 ~~applicable to group health insurance policies or contracts issued~~
 13 ~~in this state. The coverage must include major medical treatment~~
 14 ~~but may exclude experimental procedures. In this subsection,~~
 15 ~~"major medical treatment" means a medical, surgical, or diagnostic~~
 16 ~~procedure for illness or injury. The coverage may include managed~~
 17 ~~care or preventive care and must be comparable to the basic health~~
 18 ~~coverage provided under the Texas Employees Uniform Group Insurance~~
 19 ~~Benefits Act (Article 3.50-2, Vernon's Texas Insurance Code). The~~
 20 ~~board of trustees of the Teacher Retirement System of Texas shall~~
 21 ~~adopt rules to determine whether a school district's group health~~
 22 ~~coverage is comparable to the basic health coverage specified by~~
 23 ~~this subsection. The rules must provide for consideration of the~~
 24 ~~following factors concerning the district's coverage in~~
 25 ~~determining whether the district's coverage is comparable to the~~
 26 ~~basic health coverage specified by this subsection.~~

27 [~~(1) the deductible amount for service provided inside~~

1 ~~and outside of the network;~~

2 ~~[(2) the coinsurance percentages for service provided~~
3 ~~inside and outside of the network;~~

4 ~~[(3) the maximum amount of coinsurance payments a~~
5 ~~covered person is required to pay;~~

6 ~~[(4) the amount of the copayment for an office visit;~~

7 ~~[(5) the schedule of benefits and the scope of~~
8 ~~coverage;~~

9 ~~[(6) the lifetime maximum benefit amount; and~~

10 ~~[(7) verification that the coverage is issued by a~~
11 ~~provider licensed to do business in this state by the Texas~~
12 ~~Department of Insurance or is provided by a risk pool authorized~~
13 ~~under Chapter 172, Local Government Code, or that a district is~~
14 ~~capable of covering the assumed liabilities in the case of coverage~~
15 ~~provided through district self-insurance.]~~

16 (c) The cost of the coverage provided under the program
17 described by Subsection (a) shall be paid by the state~~[, the~~
18 ~~district,~~] and the employees in the manner provided by Chapter 1579
19 ~~[Article 3.50-7]~~, Insurance Code. The cost of any coverage
20 provided under a plan adopted under Subsection (b) shall be shared
21 by the employees and the district ~~[using the contributions by the~~
22 ~~state described by Section 9, Article 3.50-7, Insurance Code, or by~~
23 ~~Article 3.50-8, Insurance Code].~~

24 (g) An insurer, a group hospital service corporation
25 ~~[company]~~ subject to Chapter 842 ~~[20]~~, Insurance Code, or a health
26 maintenance organization subject to Chapter 843, Insurance Code,
27 that issues a policy or contract under this section and any person

1 that assists the school district in obtaining or managing the
2 policy or contract for compensation shall provide an annual audited
3 financial statement to the school district showing the financial
4 condition of the insurer, corporation [~~company~~], organization, or
5 person.

6 (j) This section does not preclude a district that is
7 participating in the health reimbursement arrangement [~~uniform~~
8 ~~group coverage~~] program established under Chapter 1579 [~~Article~~
9 ~~3.50-7~~], Insurance Code, from voluntarily entering into contracts
10 to provide optional insurance coverages for the employees of the
11 district.

12 SECTION 2.03. Section 41.002(a), Education Code, is amended
13 to read as follows:

14 (a) A school district may not have a wealth per student that
15 exceeds \$297,500 [~~\$305,000~~].

16 SECTION 2.04. Section 42.302(a), Education Code, is amended
17 to read as follows:

18 (a) Each school district is guaranteed a specified amount
19 per weighted student in state and local funds for each cent of tax
20 effort over that required for the district's local fund assignment
21 up to the maximum level specified in this subchapter. The amount of
22 state support, subject only to the maximum amount under Section
23 42.303, is determined by the formula:

$$\text{GYA} = (\text{GL} \times \text{WADA} \times \text{DTR} \times 100) - \text{LR}$$

25 where:

26 "GYA" is the guaranteed yield amount of state funds to be
27 allocated to the district;

1 "GL" is the dollar amount guaranteed level of state and local
2 funds per weighted student per cent of tax effort, which is \$25.53
3 [~~\$27.14~~] or a greater amount for any year provided by
4 appropriation;

5 "WADA" is the number of students in weighted average daily
6 attendance, which is calculated by dividing the sum of the school
7 district's allotments under Subchapters B and C, less any allotment
8 to the district for transportation, any allotment under Section
9 42.158, and 50 percent of the adjustment under Section 42.102, by
10 the basic allotment for the applicable year;

11 "DTR" is the district enrichment tax rate of the school
12 district, which is determined by subtracting the amounts specified
13 by Subsection (b) from the total amount of maintenance and
14 operations taxes collected by the school district for the
15 applicable school year and dividing the difference by the quotient
16 of the district's taxable value of property as determined under
17 Subchapter M, Chapter 403, Government Code, or, if applicable,
18 under Section 42.2521, divided by 100; and

19 "LR" is the local revenue, which is determined by multiplying
20 "DTR" by the quotient of the district's taxable value of property as
21 determined under Subchapter M, Chapter 403, Government Code, or, if
22 applicable, under Section 42.2521, divided by 100.

23 SECTION 2.05. Sections 22.004(d), (e), (f), and (i),
24 42.2514, 42.253(e-1), and 42.260, Education Code, are repealed.

25 PART C. CONFORMING AMENDMENT--GOVERNMENT CODE

26 SECTION 2.06. Section 822.201(c), Government Code, is
27 amended to read as follows:

- (c) Excluded from salary and wages are:
- (1) expense payments;
 - (2) allowances;
 - (3) payments for unused vacation or sick leave;
 - (4) maintenance or other nonmonetary compensation;
 - (5) fringe benefits;
 - (6) deferred compensation other than as provided by Subsection (b)(3);
 - (7) compensation that is not made pursuant to a valid employment agreement;
 - (8) payments received by an employee in a school year that exceed \$5,000 for teaching a driver education and traffic safety course that is conducted outside regular classroom hours;
 - (9) the benefit replacement pay a person earns as a result of a payment made under Subchapter B or C, Chapter 661; and
 - (10) ~~[supplemental compensation received by an employee under Article 3.50 8, Insurance Code, and~~
- ~~[(11)]~~ any compensation not described by ~~[in]~~ Subsection (b).

PART D. CONFORMING AMENDMENT--HEALTH AND SAFETY CODE

SECTION 2.07. Section 62.1015(a), Health and Safety Code, is amended to read as follows:

(a) In this section, "charter school," "employee," and "regional education service center" have the meanings assigned by Subchapter A, Chapter 1579 ~~[Section 2, Article 3.50 7]~~, Insurance Code.

PART E. CONFORMING AMENDMENT--TAX CODE

1 SECTION 2.08. Sections 26.08(k), (1), and (m), Tax Code,
2 are repealed.

3 PART F. REPEALER

4 SECTION 2.09. Effective September 1, 2004, the following
5 laws are repealed:

6 (1) Articles 3.50-7, 3.50-8, and 3.50-9, Insurance
7 Code;

8 (2) Section 3, Article 3.51, Insurance Code; and

9 (3) Article 26.036(c), Insurance Code.

10 PART G. TRANSITION; EFFECTIVE DATE

11 SECTION 2.10. The Teacher Retirement System of Texas shall
12 develop the health reimbursement arrangement program to be
13 implemented under Chapter 1579, Insurance Code, as added by this
14 Act, beginning September 1, 2003, and shall develop enrollment
15 requirements for the program during the 2003-2004 school year, with
16 coverage beginning September 1, 2004.

17 SECTION 2.11. The Teacher Retirement System of Texas shall
18 continue to operate the uniform group health coverage program
19 established under Article 3.50-7, Insurance Code, as added by
20 Chapter 1187, Acts of the 77th Legislature, Regular Session, 2001,
21 until September 1, 2004.

22 SECTION 2.12. Not later than July 31, 2004, the Teacher
23 Retirement System of Texas shall provide written information to
24 school districts eligible to participate in the health
25 reimbursement arrangement program under Chapter 1579, Insurance
26 Code, as added by this Act, that provides a general description of
27 the requirements for such a program as adopted under Chapter 1579,

1 Insurance Code, as added by this Act.

2 SECTION 2.13. During the initial implementation of Chapter
3 1579, Insurance Code, as added by this Act, and notwithstanding any
4 bidding requirements or other requirements set forth in Article
5 3.50-4, Insurance Code, or Article 3.50-7, Insurance Code, as added
6 by Chapter 1187, Acts of the 77th Legislature, Regular Session,
7 2001, the Teacher Retirement System of Texas may amend any
8 agreement in effect on September 1, 2003, that it has entered into
9 under Article 3.50-4, Insurance Code, or Article 3.50-7, Insurance
10 Code, as added by Chapter 1187, Acts of the 77th Legislature,
11 Regular Session, 2001, as necessary to comply with Chapter 1579,
12 Insurance Code, as added by this Act.

13 SECTION 2.14. (a) Except as provided by Subsection (b) of
14 this section, this article takes effect September 1, 2003.

15 (b) Parts B, C, D, and E of this article take effect
16 September 1, 2004, and apply beginning with the 2004-2005 school
17 year.

18 ARTICLE 3. PROGRAM FOR RETIRED SCHOOL EMPLOYEES

19 SECTION 3.01. (a) Section 1575.001, Insurance Code, is
20 amended to conform to Section 3.02, Chapter 1187, Acts of the 77th
21 Legislature, Regular Session, 2001, to read as follows:

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

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

26 SECTION 3.02. (a) Section 1575.002, Insurance Code, is
27 amended to conform to Section 3.03, Chapter 1187, Acts of the 77th

1 Legislature, Regular Session, 2001, by amending Subdivisions (4),
2 (5), and (7) and further amended by adding Subdivision (6-a) to read
3 as follows:

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

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

9 (6-a) "Health reimbursement arrangement program"
10 means the program operated under Subchapter L.

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

13 (b) Section 1575.003(1), Insurance Code, is amended to
14 conform to Section 3.03, Chapter 1187, Acts of the 77th
15 Legislature, Regular Session, 2001, and to conform more closely to
16 the source law from which the subdivision was derived, to read as
17 follows:

18 (1) "Dependent" means:

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

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

23 (i) an adopted child;

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

26 (iii) a recognized natural child;

27 (C) a retiree's [~~or active employee's~~] recognized

1 natural child, adopted child, foster child, stepchild, or other
2 child who [~~without regard to the age of the child, if the child~~] is
3 in a regular parent-child relationship and who [~~]~~ lives with or has
4 his or her [~~the child's~~] care provided by the retiree [~~, active~~
5 ~~employee,~~] or surviving spouse on a regular basis regardless of the
6 child's age, if the child [~~, and~~] is mentally retarded or physically
7 incapacitated to an extent that the child is dependent on the
8 retiree [~~, active employee,~~] or surviving spouse for care or
9 support, as determined by the trustee [~~board of trustees~~]; or

10 (D) a deceased active member's [~~employee's~~]
11 recognized natural child, adopted child, foster child, stepchild,
12 or other child who is in a regular parent-child relationship,
13 without regard to the age of the child, if, while the active member
14 [~~employee~~] was alive, the child:

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

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

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

23 SECTION 3.03. (a) Section 1575.005, Insurance Code, is
24 amended to conform to Section 3.07, Chapter 1187, Acts of the 77th
25 Legislature, Regular Session, 2001, and to conform more closely to
26 the source law from which the section was derived, to read as
27 follows:

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

7 (1) states the benefits to which the person is
8 entitled;

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

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

11 (4) summarizes the provisions of the coverage
12 principally affecting the person.

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

15 SECTION 3.04. (a) Section 1575.052, Insurance Code, is
16 amended to conform to Section 3.05, Chapter 1187, Acts of the 77th
17 Legislature, Regular Session, 2001, and to conform more closely to
18 the source law from which the section was derived, and further
19 amended, to read as follows:

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

24 (1) minimum benefit and financing standards for group
25 coverage for retirees, dependents, surviving spouses, and
26 surviving dependent children [, ~~and active employees of~~
27 ~~participating school districts~~];

1 (2) basic and optional group coverage for retirees,
2 dependents, surviving spouses, and surviving dependent children [~~7~~
3 ~~and active employees of participating school districts~~];

4 (3) procedures for contributions and deductions;

5 (4) periods for enrollment and selection of optional
6 coverage and procedures for enrolling and exercising options under
7 the group program;

8 (5) procedures for claims administration;

9 (6) procedures to administer the fund; and

10 (7) a timetable for:

11 (A) developing minimum benefit and financial
12 standards for group coverage;

13 (B) establishing group plans; and

14 (C) taking bids and awarding contracts for group
15 plans.

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

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

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

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

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

27 SECTION 3.05. (a) Subchapter B, Chapter 1575, Insurance

Code, is amended to conform to Section 3A, Article 3.50-4, Insurance Code, as added by Section 3.01, Chapter 1187, Acts of the 77th Legislature, Regular Session, 2001, by adding Section 1575.056 and further amending that section to read as follows:

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

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

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

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

(b) ~~[The rules:~~
~~(1) must require that a prospective bidder provide,~~
~~for each area consisting of a county and all adjacent counties,~~
~~information on the number and types of qualified providers willing~~

1 ~~to participate in the plan for which the bid is made; and~~

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

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

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

9 (b) Section 1575.107(a), Insurance Code, is amended to
10 conform to Section 3.06, Chapter 1187, Acts of the 77th
11 Legislature, Regular Session, 2001, and to conform more closely to
12 the source law from which the subsection was derived, to read as
13 follows:

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

17 ~~[(1)] shall consider information obtained under~~
18 ~~Section 1575.106; and~~

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

21 (1) ~~[(A)]~~ ability to service contracts;

22 (2) ~~[(B)]~~ past experiences; and

23 (3) ~~[(C)]~~ financial stability.

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

26 SECTION 3.07. Section 1575.151, Insurance Code, is amended
27 to conform more closely to the source law from which the section was

derived, and further amended to read as follows:

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

- (1) life insurance;
- (2) accidental death and dismemberment coverage; and
- (3) ~~[coverage for:~~
 - ~~[(A) hospital care and benefits,~~
 - ~~[(B) surgical care and treatment,~~
 - ~~[(C) medical care and treatment,~~
 - ~~[(D) dental care,~~
 - ~~[(E) eye care,~~
 - ~~[(F) obstetrical benefits,~~
 - ~~[(G) long-term care,~~
 - ~~[(H) prescribed drugs, medicines, and prosthetic devices, and~~
 - ~~[(I) supplemental benefits, supplies, and services in accordance with this chapter, and~~
- ~~[(4)]~~ protection against loss of salary.

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

SECTION 3.08. (a) Section 1575.153, Insurance Code, is amended to conform to Section 3.10, Chapter 1187, Acts of the 77th Legislature, Regular Session, 2001, and to conform more closely to the source law from which the section was derived, to read as follows:

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

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

9 SECTION 3.09. (a) Section 1575.160, Insurance Code, is
10 amended to conform to Section 3.09, Chapter 1187, Acts of the 77th
11 Legislature, Regular Session, 2001, and to conform more closely to
12 the source law from which the section was derived, to read as
13 follows:

14 Sec. 1575.160. GROUP LIFE OR ACCIDENTAL DEATH AND
15 DISMEMBERMENT INSURANCE: PAYMENT OF CLAIM. The amount of group
16 life insurance or group accidental death and dismemberment
17 insurance covering a retiree, [~~active employee,~~] dependent,
18 surviving spouse, or surviving dependent child on the date of death
19 shall be paid, on the establishment of a valid claim, only to:

20 (1) the beneficiary designated by the person in a
21 signed and witnessed document received before death in the office
22 of the trustee system; or

23 (2) a person in the order prescribed by Section
24 824.103(b), Government Code, if a beneficiary is not properly
25 designated or a beneficiary does not exist.

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

SECTION 3.10. Section 1575.201, Insurance Code, is amended to read as follows:

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

SECTION 3.11. Section 1575.202, Insurance Code, is amended to read as follows:

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

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

SECTION 3.12. Section 1575.205, Insurance Code, is amended to conform more closely to the source law from which the section was derived, to read as follows:

Sec. 1575.205. PARTICIPANT CONTRIBUTION FOR OPTIONAL PLAN.

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

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

9 (c) The trustee [~~board of trustees~~] may spend a part of the
10 money received for the group program to offset a part of the costs
11 for optional coverage paid by retirees if the expenditure does not
12 reduce the period the group program is projected to remain
13 financially solvent by more than one year in a biennium.

14 (d) Amounts contributed under this section shall not be
15 contributed to the health reimbursement arrangement provided to the
16 employee or annuitant, but may be contributed to any other account
17 or arrangement established under this, or another chapter, or by
18 rule, to the extent allowed by federal law and regulation.

19 SECTION 3.13. Section 1575.207, Insurance Code, is amended
20 to conform more closely to the source law from which the section was
21 derived, to read as follows:

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

27 (1) the contributions; and

1 (2) interest on the unpaid amounts at the annual rate
2 of six percent compounded monthly.

3 SECTION 3.14. Section 1575.208, 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. 1575.208. CERTIFICATION OF AMOUNT NECESSARY TO PAY
7 STATE CONTRIBUTIONS. Not later than October 31 preceding each
8 regular session of the legislature, the trustee [~~board of trustees~~]
9 shall certify the amount necessary to pay the state contributions
10 to the fund to:

11 (1) the Legislative Budget Board; and

12 (2) the budget division of the governor's office.

13 SECTION 3.15. Section 1575.209, Insurance Code, is amended
14 to conform more closely to the source law from which the section was
15 derived, to read as follows:

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

22 SECTION 3.16. Section 1575.210(a), Insurance Code, is
23 amended to conform more closely to the source law from which the
24 section was derived, to read as follows:

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

27 (1) paid from the general revenue fund in equal

1 monthly installments;

2 (2) based on the estimated amount certified by the
3 trustee [~~board of trustees~~] to the comptroller for that year; and

4 (3) subject to any express limitations specified in
5 the Act making the appropriation.

6 SECTION 3.17. Section 1575.253, 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. 1575.253. MONTHLY CERTIFICATION. An employer shall
10 monthly certify to the trustee [~~board of trustees~~] in a form
11 prescribed by the trustee [~~board~~]:

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

14 (2) the total amount of state contributions provided
15 by the funds and grants.

16 SECTION 3.18. Section 1575.254, 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. 1575.254. MONTHLY MAINTENANCE OF INFORMATION. An
20 employer shall monthly maintain:

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

23 (2) the source of the grant;

24 (3) the amount of the employee's salary paid from the
25 grant;

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

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

3 SECTION 3.19. Section 1575.255, 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. 1575.255. PROOF OF COMPLIANCE. The trustee [~~board of~~
7 ~~trustees~~] may:

8 (1) require an employer to report an application for
9 federal or private money;

10 (2) require evidence that the application includes a
11 request for funds available to pay state contributions for active
12 employees; and

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

16 SECTION 3.20. Section 1575.257(b), Insurance Code, is
17 amended to conform more closely to the source law from which the
18 section was derived, to read as follows:

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

22 SECTION 3.21. (a) Section 1575.301, Insurance Code, is
23 amended to conform to Section 3.11, Chapter 1187, Acts of the 77th
24 Legislature, Regular Session, 2001, and to conform more closely to
25 the source law from which the section was derived, to read as
26 follows:

27 Sec. 1575.301. FUND; ADMINISTRATION. (a) The retired

1 ~~[Texas public school]~~ employees group insurance fund is a trust
2 fund with the comptroller, who is custodian of the fund.

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

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

8 SUBCHAPTER G. RETIRED ~~[TEXAS PUBLIC]~~ SCHOOL EMPLOYEES

9 GROUP INSURANCE FUND

10 (c) Section 3.11, Chapter 1187, Acts of the 77th
11 Legislature, Regular Session, 2001, is repealed.

12 SECTION 3.22. Section 1575.303, Insurance Code, is amended
13 to conform more closely to the source law from which the section was
14 derived, and further amended, to read as follows:

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

17 (1) the appropriate premiums to a carrier providing
18 group coverage under a plan under this chapter, including payments
19 made under the health reimbursement arrangement program
20 established under Subchapter L;

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

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

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

1 SECTION 3.23. Section 1575.304, Insurance Code, is amended
2 to conform more closely to the source law from which the section was
3 derived, to read as follows:

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

7 SECTION 3.24. Section 1575.305, Insurance Code, is amended
8 to conform more closely to the source law from which the section was
9 derived, to read as follows:

10 Sec. 1575.305. INVESTMENT OF FUND. The trustee [~~board of~~
11 ~~trustees~~] may invest money in the fund in the manner provided by
12 Subchapter D, Chapter 825, Government Code, for assets of the
13 system.

14 SECTION 3.25. Section 1575.404, 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. 1575.404. VACANCY. The trustee [~~board of trustees~~]
18 shall fill a vacancy on the committee by appointing a person who
19 meets the qualifications applicable to the vacated position.

20 SECTION 3.26. Section 1575.405(a), Insurance Code, is
21 amended to conform more closely to the source law from which the
22 section was derived, to read as follows:

23 (a) The committee shall meet:

24 (1) at least twice each year; and

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

26 SECTION 3.27. Section 1575.406, Insurance Code, is amended
27 to conform more closely to the source law from which the section was

derived, to read as follows:

Sec. 1575.406. DUTIES. The committee shall:

(1) hold public hearings on group coverage;

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

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

SECTION 3.28 Section 1575.407, Insurance Code, is amended to conform more closely to the source law from which the section was derived, to read as follows:

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

SECTION 3.29. Sections 1575.451(b) and (c), Insurance Code, are amended to conform more closely to the source law from which the section was derived, to read as follows:

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

(c) The accounting must be submitted:

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

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

SECTION 3.30. Section 1575.452, Insurance Code, is amended

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

3 Sec. 1575.452. ANNUAL REPORT. Not later than the 180th day
4 after the last day of each state fiscal year, the trustee [~~board of~~
5 ~~trustees~~] shall submit a written report to the department
6 concerning the group coverages provided to and the benefits and
7 services being received by individuals covered under this chapter.
8 The report must include a summary of the report required under
9 Section 1575.556.

10 SECTION 3.31. Section 1575.453, 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. 1575.453. STUDY AND REPORT BY TRUSTEE [~~BOARD OF~~
14 ~~TRUSTEES~~]. (a) The trustee [~~board of trustees~~] shall study the
15 operation and administration of this chapter, including:

16 (1) conducting surveys and preparing reports on
17 financing group coverages and health benefit plans available to
18 participants; and

19 (2) studying the experience and projected cost of
20 coverage.

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

24 SECTION 3.32. Section 1575.454, 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. 1575.454. REPORTS BY AND EXAMINATION OF CARRIER. Each

1 contract entered into under this chapter between the trustee [~~board~~
2 ~~of trustees~~] and a carrier must require the carrier to:

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

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

9 SECTION 3.33. (a) Section 1575.456(a), Insurance Code, is
10 amended to conform to Section 3.13, Chapter 1187, Acts of the 77th
11 Legislature, Regular Session, 2001, and to conform more closely to
12 the source law from which the subsection was derived, and further
13 amended, to read as follows:

14 (a) Section 825.507, Government Code, concerning
15 confidentiality and disclosure of records, applies to [~~information~~
16 ~~in~~] records in the custody of the trustee or in the custody of an
17 account or other administrator, carrier, health benefit plan
18 provider, agent, attorney, consultant, or governmental body acting
19 in cooperation with or on behalf of the trustee system relating to a
20 retiree, active employee, annuitant, or beneficiary under the group
21 program.

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

24 SECTION 3.34. (a) Section 1575.501, Insurance Code, is
25 amended to conform to Section 3.12, Chapter 1187, Acts of the 77th
26 Legislature, Regular Session, 2001, and to conform more closely to
27 the source law from which the section was derived, to read as

1 follows:

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

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

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

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

13 SECTION 3.35. Section 1575.502, Insurance Code, is amended
14 to conform more closely to the source law from which the section was
15 derived, to read as follows:

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

20 SECTION 3.36. Section 1575.504, 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. 1575.504. EXPULSION AT CONCLUSION OF HEARING. At the
24 conclusion of the hearing under Section 1575.502, if the trustee
25 [~~board of trustees~~] determines that the individual acted in the
26 manner described by Section 1575.501, the trustee [~~board~~] shall
27 expel the individual from participation in the group program.

SECTION 3.37. Section 1575.505, Insurance Code, is amended to conform more closely to the source law from which the section was derived, and further amended, to read as follows:

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

SECTION 3.38. Section 1575.506, Insurance Code, is amended to conform more closely to the source law from which the section was derived, to read as follows:

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

SECTION 3.39. Chapter 1575, Insurance Code, is amended by adding Subchapter L to read as follows:

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

Sec. 1575.551. DEFINITIONS. In this subchapter:

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

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

(3) "Health benefit plan" means a plan designed to provide, pay for, or reimburse expenses for health care services.

1 The term includes:

2 (A) a group insurance policy, contract, or
3 certificate;

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

5 (C) a similar group arrangement, including
6 coverage through a health maintenance organization operating under
7 Chapter 843.

8 (4) "Health benefit plan provider" means an entity
9 that provides health benefit plan coverage in this state. The term
10 includes:

11 (A) an insurance company authorized to do
12 business in this state;

13 (B) a Group hospital service corporation
14 operating under Chapter 842;

15 (C) a health maintenance organization operating
16 under Chapter 843;

17 (D) a stipulated premium insurance company
18 operating under Chapter 884;

19 (E) a multiple employer welfare arrangement
20 subject to Chapter 846;

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

23 (G) any other entity providing a plan of health
24 insurance or health benefits coverage subject to state regulation
25 by the department.

26 (5) "Participant" means a retiree enrolled in the
27 program.

1 (6) "Program" means the Health reimbursement
2 arrangement established under this subchapter.

3 (7) "Qualified health care expense" means an expense
4 paid by a participant for medical care, as defined by 26 U.S.C.
5 Section 213(d), as amended, for the participant or the
6 participant's dependents as defined by 26 U.S.C. Section 152, as
7 amended.

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

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

13 Sec. 1575.553. CONTRACTS. On a competitive bid basis, the
14 trustee shall, as necessary to implement this subchapter, contract
15 with:

16 (1) a qualified, experienced firm of group insurance
17 specialists;

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

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

22 Sec. 1575.554. REQUIREMENTS FOR HEALTH REIMBURSEMENT
23 ARRANGEMENTS. (a) The trustee shall request in writing a ruling or
24 opinion from the Internal Revenue Service as to whether health
25 reimbursement arrangements adopted under this subchapter and the
26 state rules governing those accounts qualify the arrangements for
27 appropriate federal tax exemptions. Based on the response of the

1 Internal Revenue Service, the trustee shall:

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

5 (2) certify the information regarding federal tax
6 qualifications to the comptroller.

7 (b) Once finalized rules, plans, and procedures are adopted
8 by the trustee and approved by the Internal Revenue Service, the
9 trustee shall:

10 (1) solicit bids for the development and establishment
11 of the health reimbursement arrangement program; and

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

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

17 (1) a bank, savings and loan association, savings
18 bank, or credit union chartered under the laws of this state or the
19 United States;

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

21 (3) an insurance company authorized to engage in the
22 business of health insurance in this state, a group hospital
23 service corporation authorized under Chapter 842 to engage in
24 business in this state, or a health maintenance organization
25 authorized under Chapter 843 to engage in business in this state;

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

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

3 (b) An account administrator may charge a fee for services
4 performed as the administrator of an account. The amount of the fee
5 shall be established in the contract between the account
6 administrator and the trustee.

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

9 Sec. 1575.556. ANNUAL REPORT OF PROGRAM ACTIVITIES. (a)
10 Not later than June 1 of each year, the trustee shall submit a
11 report to the governor, the lieutenant governor, the speaker of the
12 house of representatives, and the commissioner.

13 (b) The report must summarize the activities of the health
14 reimbursement arrangement program in the calendar year preceding
15 the year in which the report is submitted.

16 Sec. 1575.557. PARTICIPATION OBLIGATIONS. (a) Each
17 retiree is eligible to participate in the health reimbursement
18 arrangement program as provided by Subchapter D and this
19 subchapter.

20 (b) Participation in the health reimbursement arrangement
21 program includes compliance with rules adopted by the trustee for
22 the administration of the program and provision of a notice to each
23 retiree as prescribed by the trustee relating to the existence of
24 the program that contains the address from which a retiree may
25 obtain information about:

26 (1) the coverage offered by the program;

27 (2) eligibility requirements for and costs of that

1 coverage;

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

4 (4) other information considered useful by the
5 trustee.

6 Sec. 1575.558. PROVISION OF COVERAGE. The health
7 reimbursement arrangement program shall provide, through health
8 reimbursement arrangements, health benefit plan coverage as
9 provided by this subchapter to a retiree who is eligible for that
10 coverage under this subchapter and, as provided by this subchapter,
11 to the retiree's dependents.

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

14 (1) a primary care coverage plan; and

15 (2) a catastrophic care coverage plan.

16 (b) The catastrophic care coverage plan must be less
17 expensive than the primary care coverage plan for retiree and
18 retiree and dependents coverage.

19 (c) The trustee shall establish an annual deductible of
20 \$4,000 for the catastrophic care coverage plan provided in
21 conjunction with the health reimbursement arrangement program.

22 Sec. 1575.560. PARTICIPATION BY RETIREES. (a) Each
23 retiree who elects to participate shall be enrolled in the primary
24 care coverage plan unless the retiree elects in writing to
25 participate only in the catastrophic care coverage plan.

26 (b) Participation in the Health reimbursement arrangement
27 qualifies a retiree to receive a contribution to the retiree's

1 account, as authorized under Section 1575.565. A retiree who
2 elects not to participate in the program is ineligible to receive a
3 contribution.

4 Sec. 1575.561. COVERAGE FOR DEPENDENTS. (a) A
5 participating retiree is entitled to obtain coverage for a
6 dependent of the participating retiree in the plan selected by the
7 retiree in the manner determined by the trustee.

8 (b) The participating retiree shall make any required
9 additional contribution payments for the dependent coverage in the
10 manner prescribed by the trustee.

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

16 Sec. 1575.562. IDENTIFICATION CARDS. (a) The account
17 administrator shall issue to each participating retiree an
18 identification card indicating:

19 (1) the name of the retiree and any dependent of the
20 retiree for whom eligible expenses may be paid under the health
21 reimbursement arrangement program;

22 (2) the name, address, and phone number of the account
23 administrator; and

24 (3) a description of the coverage plan in which the
25 retiree is participating.

26 (b) The account administrator shall issue a duplicate
27 identification card to each dependent for whom eligible expenses

1 may be paid under the program.

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

4 (1) the costs of the health benefit plan coverage
5 selected by the retiree for the retiree and the retiree's
6 dependents; and

7 (2) any additional eligible medical expenses of the
8 participating retiree or dependents or to reimburse the retiree for
9 those expenses.

10 (b) A medical expense is eligible for payment or
11 reimbursement under Subsection (a)(2) if:

12 (1) it is a medical expense described under Section
13 213(d), Internal Revenue Code of 1986, as amended; and

14 (2) payment or reimbursement for the expense is not
15 otherwise provided for under the coverage plan selected by the
16 retiree or under another insurance policy, including a motor
17 vehicle or workers' compensation insurance policy.

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

23 (b) The account administrator may request documents
24 necessary to verify whether an expense is eligible for payment or
25 reimbursement from the account. If the account administrator makes
26 a request under this subsection, the account administrator shall
27 pay a claim for an expense that is eligible for payment or

1 reimbursement from the account not later than the 30th day after the
2 date the documents are received by the account administrator.

3 Sec. 1575.565. STATE CONTRIBUTION. For each participating
4 retiree, the state shall annually contribute to the Texas public
5 school retired employees group insurance fund the amount specified
6 in the General Appropriations Act for distribution to the health
7 reimbursement arrangement established for that retiree for the
8 payment of qualified health care expenses if the trustee has
9 determined that those accounts meet the requirements described by
10 Section 1575.554.

11 Sec. 1575.566. RETIREE CONTRIBUTIONS. (a) Each
12 participating retiree shall contribute any amounts required to
13 cover health benefit options selected by the retiree beyond the
14 state contribution under Section 1575.565.

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

17 (c) Amounts contributed under this section shall not be
18 contributed to the health reimbursement arrangement provided to the
19 employee or annuitant, but may be contributed to any other account
20 or arrangement established under this, or another chapter, or by
21 rule, to the extent allowed by federal law and regulation.

22 Sec. 1575.567. CONFIDENTIALITY OF RECORDS. (a) Section
23 1575.456, applies to records relating to a retiree under the health
24 reimbursement arrangement program.

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

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

4 (b) Coverage purchased under this subchapter must provide
5 for an accounting to the trustee by each health benefit plan
6 provider.

7 (c) The accounting must be submitted:

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

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

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

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

15 Sec. 1575.569. ASSISTANCE. In implementing and
16 administering this subchapter, the trustee may obtain the
17 assistance of any state agency the trustee considers appropriate.

18 Sec. 1575.570. ROLLOVER. (a) At the end of a plan year, the
19 unexpended and unobligated balance of any state contribution
20 deposited in a retiree's health reimbursement arrangement under
21 this subchapter during that plan year remains in the health
22 reimbursement arrangement and may be spent only as authorized by
23 this subchapter for a qualified health care expense.

24 (b) At the end of a plan year, the unexpended and
25 unobligated balance of any state contributions that have rolled
26 over from previous plan years remain in the health reimbursement
27 arrangement.

1 SECTION 3.40. The following laws are repealed:

2 (1) Sections 1575.109, 1575.152, 1575.158, 1575.159,
3 and 1575.204, Insurance Code; and

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

5 SECTION 3.41. The Teacher Retirement System of Texas shall
6 develop the health reimbursement arrangement program to be
7 implemented under Chapter 1575, Insurance Code, as amended by this
8 article, beginning September 1, 2003, and shall develop enrollment
9 requirements for the program during 2004, with coverage beginning
10 September 1, 2004.

11 SECTION 3.42. The Teacher Retirement System of Texas shall
12 continue to operate the uniform group health coverage program
13 established under Chapter 1575, Insurance Code, as that chapter
14 existed before amendment by this article, until September 1, 2004.

15 SECTION 3.43. Not later than July 31, 2004, the Teacher
16 Retirement System of Texas shall provide written information to
17 retirees eligible to participate in the health reimbursement
18 arrangement program under Chapter 1575, Insurance Code, as amended
19 by this article, that provides a general description of the
20 requirements for such a program as adopted under Chapter 1575,
21 Insurance Code, as amended by this article.

22 SECTION 3.44. During the initial implementation of Chapter
23 1575, Insurance Code, as amended by this article, and
24 notwithstanding any bidding requirements or other requirements set
25 forth in Chapter 1575, Insurance Code, as that chapter existed
26 before amendment by this article, the Teacher Retirement System of
27 Texas may amend any agreement in effect on September 1, 2003, that

1 it has entered into as necessary to comply with Chapter 1575,
2 Insurance Code, as amended by this article.

3 ARTICLE 4. GENERAL TRANSITION; EFFECTIVE DATE

4 SECTION 4.01. To the extent of any conflict, this Act
5 prevails over another Act of the 78th Legislature, Regular Session,
6 2003, relating to nonsubstantive additions to and corrections in
7 enacted codes.

8 SECTION 4.02. Except as otherwise provided by this Act,
9 this Act takes effect September 1, 2003.