

By: Delisi

H.B. No. 3360

A BILL TO BE ENTITLED

1 AN ACT

2 relating to the establishment of a defined contribution health care
3 benefits program for state employees, retired state employees,
4 active school employees, and retired school employees that is
5 operated through the establishment of medical savings accounts.

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

7 ARTICLE 1. PROGRAM FOR STATE EMPLOYEES AND ANNUITANTS

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

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

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

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

19 (2) [~~(3)~~] foster, promote, and encourage employment
20 by and service to the state as a career profession for individuals
21 of high standards of competence and ability;

22 (3) [~~(4)~~] recognize and protect the state's investment
23 in each permanent employee by promoting and preserving economic
24 security and good health among employees and their dependents;

1 (4) [~~(5)~~] foster and develop high standards of
2 employer-employee relationships between the state and its
3 employees; and

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

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

11 (10-a) "Medical savings account program" means the
12 program operated under Subchapter K.

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

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

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

22 (2) may not be assigned, except:

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

25 (B) as specifically provided by this chapter.

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

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

3 (1) prepare specifications for a coverage provided
4 under this chapter;

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

8 (3) determine the methods and procedures of claims
9 administration;

10 (4) determine the amount of payroll deductions and
11 reductions applicable to employees and annuitants and establish
12 procedures to implement those deductions and reductions;

13 (5) establish procedures for the board of trustees to
14 decide contested cases arising from a coverage provided under this
15 chapter;

16 (6) study, on an ongoing basis, the operation of all
17 coverages provided under this chapter, including gross and net
18 costs, administration costs, benefits, utilization of benefits,
19 and claims administration;

20 (7) administer the employees life, accident, and
21 health insurance and benefits fund;

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

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

27 (10) provide for optional group coverage plans in

1 addition to the basic group coverage plans;

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

5 (12) develop the medical savings account program in a
6 manner [~~health benefit plans~~] that permits [~~permit~~] access to
7 high-quality, cost-effective health care;

8 (13) design, implement, and monitor the medical
9 savings account program [~~health benefit plan~~] features intended to
10 discourage excessive utilization, promote efficiency, and contain
11 costs;

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

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

19 SECTION 1.05. Section 1551.113(a), Insurance Code, as
20 effective June 1, 2003, is amended to read as follows:

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

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

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

5 (1) is a dependent of an employee;

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

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

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

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

19 (b) The group coverage plans may, in the board of trustees'
20 discretion, include:

21 (1) life coverage;

22 (2) accidental death and dismemberment coverage;

23 (3) ~~[health benefit coverage, including coverage for:~~

24 ~~[(A) hospital care and benefits,~~

25 ~~[(B) surgical care and treatment,~~

26 ~~[(C) medical care and treatment,~~

27 ~~[(D) dental care,~~

1 ~~[(E) obstetrical benefits,~~
2 ~~[(F) prescribed drugs, medicines, and prosthetic~~
3 ~~devices, and~~
4 ~~[(G) supplemental benefits, supplies, and~~
5 ~~services in accordance with this chapter,~~

6 [(4)] coverage providing protection against either
7 long-term or short-term loss of salary; and

8 (4) [(5)] any other group coverage that the board of
9 trustees~~[, in consultation with the group benefits advisory~~
10 ~~committee created under Subchapter J,]~~ considers advisable.

11 (d) The group coverage plans shall include health benefit
12 coverage through the medical savings account program established
13 under Subchapter K.

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

16 (c) Basic coverage must include basic health coverage. The
17 basic health coverage shall ~~may~~ be offered through the medical
18 savings account program established under Subchapter K ~~[any health~~
19 ~~benefit plan]~~.

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

22 SUBCHAPTER K. PROVISION OF STATE EMPLOYEE HEALTH CARE

23 BENEFITS THROUGH MEDICAL SAVINGS ACCOUNT PROGRAM

24 Sec. 1551.501. DEFINITIONS. In this subchapter:

25 (1) "Account" means a medical savings account
26 established under this subchapter for a participating employee or
27 annuitant.

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

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

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

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

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

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

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

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

19 (C) a health maintenance organization operating
20 under Chapter 843;

21 (D) a stipulated premium insurance company
22 operating under Chapter 884;

23 (E) a multiple employer welfare arrangement
24 subject to Chapter 846;

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

27 (G) any other entity providing a plan of health

1 insurance or health benefits coverage subject to state regulation
2 by the department.

3 (5) "Participant" means an employee or annuitant
4 enrolled in the program.

5 (6) "Program" means the medical savings account
6 program established under this subchapter.

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

12 Sec. 1551.502. ESTABLISHMENT OF PROGRAM. (a) The Texas
13 state employees medical savings account program is established for
14 the benefit of state employees and annuitants and their dependents.

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

17 Sec. 1551.503. CONTRACTS. On a competitive bid basis, the
18 board of trustees shall, as necessary to implement this subchapter,
19 contract with:

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

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

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

26 Sec. 1551.504. REQUIREMENTS FOR MEDICAL SAVINGS ACCOUNTS.

27 (a) The board of trustees shall request in writing a ruling or

1 opinion from the Internal Revenue Service as to whether medical
2 savings accounts adopted under this subchapter and the state rules
3 governing those accounts qualify the accounts for appropriate
4 federal tax exemptions. Based on the response of the Internal
5 Revenue Service, the board of trustees shall:

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

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

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

14 (1) solicit bids for the development and establishment
15 of the medical savings account program; and

16 (2) provide information to participating employees
17 and annuitants regarding the operation of the medical savings
18 accounts adopted under this subchapter.

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

21 (1) a bank, savings and loan association, savings
22 bank, or credit union chartered under the laws of this state or the
23 United States;

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

25 (3) an insurance company authorized to engage in the
26 business of health insurance in this state, a group hospital
27 service corporation authorized under Chapter 842 to engage in

1 business in this state, or a health maintenance organization
2 authorized under Chapter 843 to engage in business in this state;

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

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

7 (b) An account administrator may charge a fee for services
8 performed as the administrator of an account. The amount of the fee
9 shall be established in the contract between the account
10 administrator and the board of trustees.

11 (c) The account administrator is the fiduciary of the
12 participating employee or annuitant who has an account under this
13 subchapter.

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

18 (b) The report must summarize the activities of the medical
19 savings account program in the calendar year preceding the year in
20 which the report is submitted.

21 Sec. 1551.507. REQUIRED PARTICIPATION; PARTICIPATION
22 OBLIGATIONS. (a) Each state agency shall participate in the
23 medical savings account program as provided by this subchapter.

24 (b) Participation in the medical savings account program
25 includes compliance with rules adopted by the board of trustees for
26 the administration of the program and provision of a notice to each
27 employee and annuitant as prescribed by the board of trustees

1 relating to the existence of the program. The notice must contain a
2 mailing address and the address of an Internet site from which an
3 employee or annuitant may obtain information about:

4 (1) the coverage offered by the program;

5 (2) eligibility requirements for and costs of that
6 coverage;

7 (3) the contribution that the employee or annuitant is
8 eligible to receive from the state for the costs of the coverage;
9 and

10 (4) other information considered useful by the board
11 of trustees.

12 Sec. 1551.508. PROVISION OF COVERAGE. The medical savings
13 account program shall provide, through medical savings accounts,
14 health benefit plan coverage as provided by this subchapter to an
15 employee or annuitant who is eligible for that coverage under this
16 chapter and, as provided by this chapter, to that person's
17 dependents.

18 Sec. 1551.509. COVERAGE PLANS. (a) The medical savings
19 account program must include:

20 (1) a primary care coverage plan; and

21 (2) a catastrophic care coverage plan.

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

26 (c) The board of trustees shall establish an annual
27 deductible of \$4,000 for the catastrophic care coverage plan

1 provided in conjunction with the medical savings account program.

2 Sec. 1551.510. PARTICIPATION BY EMPLOYEES AND ANNUITANTS.

3 (a) Each employee and each annuitant is eligible to participate in
4 the medical savings account program established under this
5 subchapter. An employee or annuitant who elects to participate
6 shall be enrolled in the primary care coverage plan unless the
7 employee or annuitant elects in writing to participate only in the
8 catastrophic care coverage plan.

9 (b) Participation in the medical savings account program
10 qualifies an employee or annuitant to receive a contribution to the
11 employee's or annuitant's account, as authorized under Section
12 1551.515. An employee or annuitant who elects not to participate in
13 the program is ineligible to receive a contribution.

14 Sec. 1551.511. COVERAGE FOR DEPENDENTS. (a) A
15 participating employee or annuitant is entitled to obtain for a
16 dependent of the participating employee or annuitant coverage in
17 the plan selected by the employee or annuitant in the manner
18 determined by the board of trustees.

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

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

25 (1) the name of the employee or annuitant and any
26 dependent of the employee or annuitant for whom eligible expenses
27 may be paid under the medical savings account program;

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

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

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

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

11 (1) the costs of the health benefit plan coverage
12 selected by:

13 (A) the employee for the employee and the
14 employee's dependents; or

15 (B) the annuitant for the annuitant and the
16 annuitant's dependents; and

17 (2) any additional eligible medical expenses of the
18 participating employee, annuitant, or dependents or to reimburse
19 the employee or annuitant for those expenses.

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

22 (1) it is a medical expense described under Section
23 213(d), Internal Revenue Code of 1986, as amended; and

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

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

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

13 Sec. 1551.515. STATE CONTRIBUTION. For each participating
14 employee or annuitant, the state shall annually contribute \$3,000
15 or the amount specified in the General Appropriations Act to the
16 medical savings account established for that employee or annuitant
17 for the payment of qualified health care expenses if the board of
18 trustees has determined that those accounts meet the requirements
19 described by Section 1551.504.

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

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

26 Sec. 1551.517. CONFIDENTIALITY OF RECORDS. (a) Section
27 1551.063 applies to information in records relating to an employee,

1 annuitant, or other participant under the medical savings account
2 program.

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

6 Sec. 1551.518. ANNUAL ACCOUNTING. (a) In this subchapter,
7 "plan year" means the period beginning on September 1 and ending the
8 following August 31.

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

12 (c) The accounting must be submitted:

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

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

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

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

20 Sec. 1551.519. ASSISTANCE. In implementing and
21 administering this subchapter, the board of trustees may obtain the
22 assistance of any state agency the board of trustees considers
23 appropriate.

24 Sec. 1551.520. ROLLOVER. At the end of a plan year, the
25 unexpended and unobligated balance of any state contribution
26 deposited in an employee's or annuitant's medical savings account
27 under this subchapter during that plan year remains in the medical

1 savings account and may be spent only as authorized by this
2 subchapter for a qualified health care expense.

3 SECTION 1.10. Sections 1551.003(5) and (12), 1551.005,
4 1551.060, 1551.205, 1551.206, 1551.207, 1551.302, 1551.309,
5 1551.402, 1551.403, and 1551.404, Insurance Code, are repealed.

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

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

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

24 SECTION 1.14. During the initial implementation of Chapter
25 1551, Insurance Code, as amended by this article, and
26 notwithstanding any bidding requirements or other requirements set
27 forth in Chapter 1551, Insurance Code, as that chapter existed

1 before amendment by this article, the Employees Retirement System
2 of Texas may amend any agreement in effect on September 1, 2003,
3 that it has entered into as necessary to comply with Chapter 1551,
4 Insurance Code, as amended by this article.

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

11 ARTICLE 2. PROGRAM FOR ACTIVE SCHOOL EMPLOYEES

12 PART A. MEDICAL SAVINGS ACCOUNT PROGRAM

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

15 CHAPTER 1579. TEXAS PUBLIC SCHOOL EMPLOYEES

16 MEDICAL SAVINGS ACCOUNT PROGRAM

17 SUBCHAPTER A. GENERAL PROVISIONS

18 Sec. 1579.001. DEFINITIONS. In this chapter:

19 (1) "Account" means a medical savings account
20 established under this chapter for a participating employee.

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

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

25 (4) "Dependent" means:

26 (A) the spouse of a person;

27 (B) an unmarried child of the person if that

1 child is under 25 years of age, including:

2 (i) an adopted child;

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

6 (iii) a recognized natural child; or

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

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

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

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

24 The term includes:

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

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

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

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

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

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

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

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

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

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

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

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

24 (10) "Participating entity" means an entity
25 participating in the medical savings account program established
26 under this chapter. The term includes:

27 (A) a school district;

1 (B) another educational district whose employees
2 are members of the Teacher Retirement System of Texas;

3 (C) a regional education service center; and

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

6 (11) "Program" means the Texas public school employees
7 medical savings account program established by this 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 MEDICAL SAVINGS ACCOUNT

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 medical savings account
27 program is established for the benefit of active public school

1 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 medical savings account
7 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 MEDICAL SAVINGS ACCOUNTS.

18 (a) The trustee shall request in writing a ruling or opinion from
19 the Internal Revenue Service as to whether the medical savings
20 accounts adopted under this chapter and the state rules governing
21 those accounts qualify the accounts for appropriate federal tax
22 exemptions. Based on the response of the Internal Revenue Service,
23 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 medical savings account program; and

7 (2) provide information to participating employees
8 regarding the operation of the medical savings accounts adopted
9 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 employing 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 medical savings accounts, health benefit plan
20 coverage as provided by this chapter to an active employee who is
21 eligible for that coverage under this chapter and, as provided by
22 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 medical savings account 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
17 the 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 Sec. 1579.107. IDENTIFICATION CARDS. (a) The account

1 administrator shall issue to each participating employee an
2 identification card indicating:

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

5 (2) the name, address, and phone number of the account
6 administrator; and

7 (3) a description of the coverage plan in which the
8 employee is participating.

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

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

14 (1) the costs of the health benefit plan coverage
15 selected by the employee for the employee and the employee's
16 dependents; and

17 (2) any additional eligible medical expenses of the
18 participating employee or the employee's dependents or to reimburse
19 the employee for those expenses.

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

22 (1) it is a medical expense described under Section
23 213(d), Internal Revenue Code of 1986, as amended; and

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

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

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

13 [Sections 1579.110-1579.200 reserved for expansion]

14 SUBCHAPTER D. CONTRIBUTIONS

15 Sec. 1579.201. STATE CONTRIBUTION. (a) For each
16 participating employee, the state shall annually contribute \$3,000
17 or the amount specified in the General Appropriations Act to the
18 medical savings account established for that employee for the
19 payment of qualified health care expenses if the trustee has
20 determined that those accounts meet the requirements described by
21 Section 1579.053.

22 (b) Each year, the trustee shall contribute to the medical
23 savings account of the participating employees of a participating
24 entity the amount to which the employee is entitled under
25 Subsection (a). The contributions shall be made in equal monthly
26 installments.

27 (c) A school district that is ineligible for state aid under

1 Chapter 42, Education Code, is entitled to the funds delivered
2 under this section.

3 Sec. 1579.202. EMPLOYEE CONTRIBUTIONS. (a) Each
4 participating employee shall contribute any amounts required to
5 cover benefit options selected by the employee beyond the state
6 contribution under Section 1579.201.

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

9 [Sections 1579.203-1579.250 reserved for expansion]

10 SUBCHAPTER E. RECORDS, PROCEEDINGS, AND ACCOUNTING;

11 INVESTMENT AUTHORITY

12 Sec. 1579.251. CONFIDENTIALITY OF RECORDS. (a) Section
13 825.507, Government Code, concerning confidentiality and
14 disclosure of records, applies to records in the custody of the
15 trustee or in the custody of an account or other administrator,
16 carrier, health benefit plan provider, agent, attorney,
17 consultant, or governmental body acting in cooperation with or on
18 behalf of the trustee relating to an employee or other participant
19 under the program.

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

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

26 (b) Adjudication of claim disputes and expulsions from the
27 program are subject to the contested case provisions of Chapter

1 2001, Government Code.

2 Sec. 1579.253. HEARING EXAMINER. The trustee may delegate
3 its authority to adjudicate claim disputes and expulsions to a
4 qualified hearing examiner.

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

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

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

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

15 (c) The accounting must be submitted:

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

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

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

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

23 Sec. 1579.256. ASSISTANCE. In implementing and
24 administering this chapter, the trustee may obtain the assistance
25 of any state agency the trustee considers appropriate.

26 Sec. 1579.257. ROLLOVER. At the end of a plan year, the
27 unexpended and unobligated balance of any state contribution

1 deposited in a participating employee's medical savings account
2 under this chapter during that plan year remains in the medical
3 savings account and may be spent only as authorized by this chapter
4 for a qualified health care expense.

5 PART B. CONFORMING AMENDMENTS--EDUCATION CODE

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

8 (a) A district shall participate in the medical savings
9 account [~~uniform group coverage~~] program established under Chapter
10 1579 [~~Article 3.50-7~~], Insurance Code [~~, as provided by Section 5 of~~
11 ~~that article~~].

12 (b) In addition to participation in the medical savings
13 account program under Chapter 1579, Insurance Code, a [A] district
14 may [~~that does not participate in the program described by~~
15 ~~Subsection (a) shall~~] make available to its employees group health
16 coverage provided by a risk pool established by one or more school
17 districts under Chapter 172, Local Government Code, or under a
18 policy of insurance or group contract issued by an insurer, a group
19 hospital service corporation [~~company~~] subject to Chapter 842 [~~20~~],
20 Insurance Code, or a health maintenance organization subject to
21 Chapter 843, Insurance Code [~~under the Texas Health Maintenance~~
22 ~~Organization Act (Chapter 20A, Vernon's Texas Insurance Code)]
23 [~~The coverage must meet the substantive coverage requirements of~~
24 ~~Article 3.51-6, Insurance Code, and any other law applicable to~~
25 ~~group health insurance policies or contracts issued in this state.~~
26 ~~The coverage must include major medical treatment but may exclude~~
27 ~~experimental procedures. In this subsection, "major medical~~~~

1 ~~treatment" means a medical, surgical, or diagnostic procedure for~~
2 ~~illness or injury. The coverage may include managed care or~~
3 ~~preventive care and must be comparable to the basic health coverage~~
4 ~~provided under the Texas Employees Uniform Group Insurance Benefits~~
5 ~~Act (Article 3.50-2, Vernon's Texas Insurance Code). The board of~~
6 ~~trustees of the Teacher Retirement System of Texas shall adopt~~
7 ~~rules to determine whether a school district's group health~~
8 ~~coverage is comparable to the basic health coverage specified by~~
9 ~~this subsection. The rules must provide for consideration of the~~
10 ~~following factors concerning the district's coverage in~~
11 ~~determining whether the district's coverage is comparable to the~~
12 ~~basic health coverage specified by this subsection.~~

13 ~~[(1) the deductible amount for service provided inside~~
14 ~~and outside of the network;~~

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

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

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

20 ~~[(5) the schedule of benefits and the scope of~~
21 ~~coverage;~~

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

23 ~~[(7) verification that the coverage is issued by a~~
24 ~~provider licensed to do business in this state by the Texas~~
25 ~~Department of Insurance or is provided by a risk pool authorized~~
26 ~~under Chapter 172, Local Government Code, or that a district is~~
27 ~~capable of covering the assumed liabilities in the case of coverage~~

1 ~~provided through district self-insurance.]~~

2 (c) The cost of the coverage provided under the program
3 described by Subsection (a) shall be paid by the state~~[, the~~
4 ~~district,]~~ and the employees in the manner provided by Chapter 1579
5 ~~[Article 3.50-7]~~, Insurance Code. The cost of any coverage
6 provided under a plan adopted under Subsection (b) shall be shared
7 by the employees and the district ~~[using the contributions by the~~
8 ~~state described by Section 9, Article 3.50-7, Insurance Code, or by~~
9 ~~Article 3.50-8, Insurance Code].~~

10 (g) An insurer, a group hospital service corporation
11 ~~[company]~~ subject to Chapter 842 ~~[20]~~, Insurance Code, or a health
12 maintenance organization subject to Chapter 843, Insurance Code,
13 that issues a policy or contract under this section and any person
14 that assists the school district in obtaining or managing the
15 policy or contract for compensation shall provide an annual audited
16 financial statement to the school district showing the financial
17 condition of the insurer, corporation ~~[company]~~, organization, or
18 person.

19 (j) This section does not preclude a district that is
20 participating in the medical savings account ~~[uniform group~~
21 ~~coverage]~~ program established under Chapter 1579 ~~[Article 3.50-7]~~,
22 Insurance Code, from voluntarily entering into contracts to provide
23 optional insurance coverages for the employees of the district.

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

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

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

3 (a) Each school district is guaranteed a specified amount
4 per weighted student in state and local funds for each cent of tax
5 effort over that required for the district's local fund assignment
6 up to the maximum level specified in this subchapter. The amount of
7 state support, subject only to the maximum amount under Section
8 42.303, is determined by the formula:

9
$$\text{GYA} = (\text{GL} \times \text{WADA} \times \text{DTR} \times 100) - \text{LR}$$

10 where:

11 "GYA" is the guaranteed yield amount of state funds to be
12 allocated to the district;

13 "GL" is the dollar amount guaranteed level of state and local
14 funds per weighted student per cent of tax effort, which is \$25.53
15 [~~\$27.14~~] or a greater amount for any year provided by
16 appropriation;

17 "WADA" is the number of students in weighted average daily
18 attendance, which is calculated by dividing the sum of the school
19 district's allotments under Subchapters B and C, less any allotment
20 to the district for transportation, any allotment under Section
21 42.158, and 50 percent of the adjustment under Section 42.102, by
22 the basic allotment for the applicable year;

23 "DTR" is the district enrichment tax rate of the school
24 district, which is determined by subtracting the amounts specified
25 by Subsection (b) from the total amount of maintenance and
26 operations taxes collected by the school district for the
27 applicable school year and dividing the difference by the quotient

1 of the district's taxable value of property as determined under
2 Subchapter M, Chapter 403, Government Code, or, if applicable,
3 under Section 42.2521, divided by 100; and

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

8 SECTION 2.05. Sections 22.004(d), (e), (f), and (i),
9 42.2514, 42.253(e-1), and 42.260, Education Code, are repealed.

10 PART C. CONFORMING AMENDMENT--GOVERNMENT CODE

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

13 (c) Excluded from salary and wages are:

14 (1) expense payments;

15 (2) allowances;

16 (3) payments for unused vacation or sick leave;

17 (4) maintenance or other nonmonetary compensation;

18 (5) fringe benefits;

19 (6) deferred compensation other than as provided by
20 Subsection (b)(3);

21 (7) compensation that is not made pursuant to a valid
22 employment agreement;

23 (8) payments received by an employee in a school year
24 that exceed \$5,000 for teaching a driver education and traffic
25 safety course that is conducted outside regular classroom hours;

26 (9) the benefit replacement pay a person earns as a
27 result of a payment made under Subchapter B or C, Chapter 661; and

1 (10) [~~supplemental compensation received by an~~
2 ~~employee under Article 3.50-8, Insurance Code, and~~

3 [~~(11)~~] any compensation not described by [~~in~~]
4 Subsection (b).

5 PART D. CONFORMING AMENDMENT--HEALTH AND SAFETY CODE

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

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

12 PART E. CONFORMING AMENDMENT--TAX CODE

13 SECTION 2.08. Sections 26.08(k), (l), and (m), Tax Code,
14 are repealed.

15 PART F. REPEALER

16 SECTION 2.09. Effective September 1, 2004, the following
17 laws are repealed:

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

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

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

22 PART G. TRANSITION; EFFECTIVE DATE

23 SECTION 2.10. The Teacher Retirement System of Texas shall
24 develop the medical savings account program to be implemented under
25 Chapter 1579, Insurance Code, as added by this Act, beginning
26 September 1, 2003, and shall develop enrollment requirements for
27 the program during the 2003-2004 school year, with coverage

1 beginning September 1, 2004.

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

7 SECTION 2.12. Not later than July 31, 2004, the Teacher
8 Retirement System of Texas shall provide written information to
9 school districts eligible to participate in the medical savings
10 account program under Chapter 1579, Insurance Code, as added by
11 this Act, that provides a general description of the requirements
12 for such a program as adopted under Chapter 1579, Insurance Code, as
13 added by this Act.

14 SECTION 2.13. During the initial implementation of Chapter
15 1579, Insurance Code, as added by this Act, and notwithstanding any
16 bidding requirements or other requirements set forth in Article
17 3.50-4, Insurance Code, or Article 3.50-7, Insurance Code, as added
18 by Chapter 1187, Acts of the 77th Legislature, Regular Session,
19 2001, the Teacher Retirement System of Texas may amend any
20 agreement in effect on September 1, 2003, that it has entered into
21 under Article 3.50-4, Insurance Code, or Article 3.50-7, Insurance
22 Code, as added by Chapter 1187, Acts of the 77th Legislature,
23 Regular Session, 2001, as necessary to comply with Chapter 1579,
24 Insurance Code, as added by this Act.

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

27 (b) Parts B, C, D, and E of this article take effect

1 September 1, 2004, and apply beginning with the 2004-2005 school
2 year.

3 ARTICLE 3. PROGRAM FOR RETIRED SCHOOL EMPLOYEES

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

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

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

11 SECTION 3.02. (a) Section 1575.002, Insurance Code, is
12 amended to conform to Section 3.03, Chapter 1187, Acts of the 77th
13 Legislature, Regular Session, 2001, by amending Subdivisions (4),
14 (5), and (7) and further amended by adding Subdivision (6-a) to read
15 as follows:

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

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

21 (6-a) "Medical savings account program" means the
22 program operated under Subchapter L.

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

25 (b) Section 1575.003(1), Insurance Code, is amended to
26 conform to Section 3.03, Chapter 1187, Acts of the 77th
27 Legislature, Regular Session, 2001, and to conform more closely to

1 the source law from which the subdivision was derived, to read as
2 follows:

3 (1) "Dependent" means:

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

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

8 (i) an adopted child;

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

11 (iii) a recognized natural child;

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

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

27 (i) lived with or had the child's care

1 provided by the active member [~~employee~~] on a regular basis; and

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

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

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

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

19 (1) states the benefits to which the person is
20 entitled;

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

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

23 (4) summarizes the provisions of the coverage
24 principally affecting the person.

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

27 SECTION 3.04. (a) Section 1575.052, Insurance Code, is

1 amended to conform to Section 3.05, Chapter 1187, Acts of the 77th
2 Legislature, Regular Session, 2001, and to conform more closely to
3 the source law from which the section was derived, and further
4 amended, to read as follows:

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

9 (1) minimum benefit and financing standards for group
10 coverage for retirees, dependents, surviving spouses, and
11 surviving dependent children[~~, and active employees of~~
12 ~~participating school districts~~];

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

16 (3) procedures for contributions and deductions;

17 (4) periods for enrollment and selection of optional
18 coverage and procedures for enrolling and exercising options under
19 the group program;

20 (5) procedures for claims administration;

21 (6) procedures to administer the fund; and

22 (7) a timetable for:

23 (A) developing minimum benefit and financial
24 standards for group coverage;

25 (B) establishing group plans; and

26 (C) taking bids and awarding contracts for group
27 plans.

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

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

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

8 (c) The trustee by rule shall establish the medical savings
9 account program under Subchapter L.

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

12 SECTION 3.05. (a) Subchapter B, Chapter 1575, Insurance
13 Code, is amended to conform to Section 3A, Article 3.50-4,
14 Insurance Code, as added by Section 3.01, Chapter 1187, Acts of the
15 77th Legislature, Regular Session, 2001, by adding Section 1575.056
16 and further amending that section to read as follows:

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

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

27 SECTION 3.06. (a) Section 1575.106, Insurance Code, is

1 amended to conform to Section 3.06, Chapter 1187, Acts of the 77th
2 Legislature, Regular Session, 2001, and to conform more closely to
3 the source law from which the section was derived, to read as
4 follows:

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

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

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

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

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

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

21 (b) Section 1575.107(a), Insurance Code, is amended to
22 conform to Section 3.06, Chapter 1187, Acts of the 77th
23 Legislature, Regular Session, 2001, and to conform more closely to
24 the source law from which the subsection was derived, to read as
25 follows:

26 (a) In awarding a contract to provide group benefits under
27 this chapter, the trustee [~~board of trustees~~] is not required to

1 select the lowest bid and[+]

2 ~~[(1) shall consider information obtained under~~
3 ~~Section 1575.106, and~~

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

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

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

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

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

11 SECTION 3.07. Section 1575.151, Insurance Code, is amended
12 to conform more closely to the source law from which the section was
13 derived, and further amended to read as follows:

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

17 (1) life insurance;

18 (2) accidental death and dismemberment coverage; and

19 (3) ~~[coverage for:~~

20 ~~[(A) hospital care and benefits,~~

21 ~~[(B) surgical care and treatment,~~

22 ~~[(C) medical care and treatment,~~

23 ~~[(D) dental care,~~

24 ~~[(E) eye care,~~

25 ~~[(F) obstetrical benefits,~~

26 ~~[(G) long-term care,~~

27 ~~[(H) prescribed drugs, medicines, and prosthetic~~

1 ~~devices, and~~

2 ~~[(I) supplemental benefits, supplies, and~~
3 ~~services in accordance with this chapter, and~~

4 ~~(4)]~~ protection against loss of salary.

5 (b) The group coverage plan shall provide health benefit
6 coverage through the medical savings account program established
7 under Subchapter L.

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

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

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

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

26 Sec. 1575.160. GROUP LIFE OR ACCIDENTAL DEATH AND
27 DISMEMBERMENT INSURANCE: PAYMENT OF CLAIM. The amount of group

1 life insurance or group accidental death and dismemberment
2 insurance covering a retiree, [~~active employee,~~] dependent,
3 surviving spouse, or surviving dependent child on the date of death
4 shall be paid, on the establishment of a valid claim, only to:

5 (1) the beneficiary designated by the person in a
6 signed and witnessed document received before death in the office
7 of the trustee system; or

8 (2) a person in the order prescribed by Section
9 824.103(b), Government Code, if a beneficiary is not properly
10 designated or a beneficiary does not exist.

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

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

15 Sec. 1575.201. [~~ADDITIONAL~~] STATE CONTRIBUTIONS FOR HEALTH
16 CARE. For each participating retiree, the [~~The~~] state through the
17 trustee [~~system~~] shall annually contribute from money in the fund
18 \$3,000 or the amount specified in the General Appropriations Act to
19 the medical savings account established for that retiree for the
20 payment of qualified health care expenses if the trustee has
21 determined that those accounts meet the requirements described by
22 Section 1575.554 [~~the total cost of the basic plan covering each~~
23 ~~participating retiree~~].

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

26 Sec. 1575.202. ADDITIONAL STATE CONTRIBUTION FOR OTHER
27 COVERAGES [~~BASED ON ACTIVE EMPLOYEE COMPENSATION~~]. [~~(a)~~] Each

1 state fiscal year, the state shall contribute to the fund an amount
2 as determined by the General Appropriations Act to pay all or part
3 of coverages provided under the plan other than health benefit
4 coverages provided through the medical savings account program
5 ~~[equal to 0.5 percent of the salary of each active employee].~~

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

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

11 Sec. 1575.205. PARTICIPANT CONTRIBUTION FOR OPTIONAL PLAN.

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

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

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

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

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

- 6 (1) the contributions; and
7 (2) interest on the unpaid amounts at the annual rate
8 of six percent compounded monthly.

9 SECTION 3.14. Section 1575.208, Insurance Code, is amended
10 to conform more closely to the source law from which the section was
11 derived, to read as follows:

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

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

19 SECTION 3.15. Section 1575.209, 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. 1575.209. CERTIFICATION OF AMOUNT OF STATE
23 CONTRIBUTIONS. Not later than August 31 of each year, the trustee
24 [~~board of trustees~~] shall certify to the comptroller the estimated
25 amount of state contributions to be received by the fund for the
26 next fiscal year under the appropriations authorized by this
27 chapter.

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

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

6 (1) paid from the general revenue fund in equal
7 monthly installments;

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

10 (3) subject to any express limitations specified in
11 the Act making the appropriation.

12 SECTION 3.17. Section 1575.253, Insurance Code, is amended
13 to conform more closely to the source law from which the section was
14 derived, to read as follows:

15 Sec. 1575.253. MONTHLY CERTIFICATION. An employer shall
16 monthly certify to the trustee [~~board of trustees~~] in a form
17 prescribed by the trustee [~~board~~]:

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

20 (2) the total amount of state contributions provided
21 by the funds and grants.

22 SECTION 3.18. Section 1575.254, Insurance Code, is amended
23 to conform more closely to the source law from which the section was
24 derived, to read as follows:

25 Sec. 1575.254. MONTHLY MAINTENANCE OF INFORMATION. An
26 employer shall monthly maintain:

27 (1) the name of each employee whose salary is paid

1 wholly or partly from a grant;

2 (2) the source of the grant;

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

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

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

9 SECTION 3.19. Section 1575.255, Insurance Code, is amended
10 to conform more closely to the source law from which the section was
11 derived, to read as follows:

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

14 (1) require an employer to report an application for
15 federal or private money;

16 (2) require evidence that the application includes a
17 request for funds available to pay state contributions for active
18 employees; and

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

22 SECTION 3.20. Section 1575.257(b), 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 (b) The trustee [~~board of trustees~~] shall report an alleged
26 noncompliance with this subchapter to the attorney general, the
27 Legislative Budget Board, the comptroller, and the governor.

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

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

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

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

14 SUBCHAPTER G. RETIRED [~~TEXAS PUBLIC~~] SCHOOL EMPLOYEES
15 GROUP INSURANCE FUND

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

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

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

23 (1) the appropriate premiums to a carrier providing
24 group coverage under a plan under this chapter, including payments
25 made under the medical savings account program established under
26 Subchapter L;

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

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

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

7 SECTION 3.23. Section 1575.304, 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. 1575.304. TRANSFER OF CERTAIN CONTRIBUTIONS. The
11 trustee [~~board of trustees~~] shall transfer into the fund the
12 amounts deducted from annuities for contributions.

13 SECTION 3.24. Section 1575.305, 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. 1575.305. INVESTMENT OF FUND. The trustee [~~board of~~
17 ~~trustees~~] may invest money in the fund in the manner provided by
18 Subchapter D, Chapter 825, Government Code, for assets of the
19 system.

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

26 SECTION 3.26. Section 1575.405(a), Insurance Code, is
27 amended to conform more closely to the source law from which the

1 section was derived, to read as follows:

2 (a) The committee shall meet:

3 (1) at least twice each year; and

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

5 SECTION 3.27. Section 1575.406, Insurance Code, is amended
6 to conform more closely to the source law from which the section was
7 derived, to read as follows:

8 Sec. 1575.406. DUTIES. The committee shall:

9 (1) hold public hearings on group coverage;

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

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

16 SECTION 3.28 Section 1575.407, 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. 1575.407. PROCEDURAL RULES. The trustee [~~board of~~
20 ~~trustees~~] shall adopt procedural rules for the committee to follow
21 in implementing its powers and duties under this subchapter.

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

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

1 (c) The accounting must be submitted:

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

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

6 SECTION 3.30. Section 1575.452, Insurance Code, is amended
7 to conform more closely to the source law from which the section was
8 derived, and further amended, to read as follows:

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

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

22 (1) conducting surveys and preparing reports on
23 financing group coverages and health benefit plans available to
24 participants; and

25 (2) studying the experience and projected cost of
26 coverage.

27 (b) The trustee [~~board of trustees~~] shall report to the

1 legislature at each regular session on the operation and
2 administration of this chapter.

3 SECTION 3.32. Section 1575.454, 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. 1575.454. REPORTS BY AND EXAMINATION OF CARRIER. Each
7 contract entered into under this chapter between the trustee [~~board~~
8 ~~of trustees~~] and a carrier must require the carrier to:

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

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

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

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

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

3 SECTION 3.34. (a) Section 1575.501, Insurance Code, is
4 amended to conform to Section 3.12, Chapter 1187, Acts of the 77th
5 Legislature, Regular Session, 2001, and to conform more closely to
6 the source law from which the section was derived, to read as
7 follows:

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

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

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

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

19 SECTION 3.35. Section 1575.502, 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. 1575.502. HEARING. On receipt of a complaint or on its
23 own motion, the trustee [~~board of trustees~~] may call and hold a
24 hearing to determine whether an individual has acted in the manner
25 described by Section 1575.501.

26 SECTION 3.36. Section 1575.504, Insurance Code, is amended
27 to conform more closely to the source law from which the section was

1 derived, to read as follows:

2 Sec. 1575.504. EXPULSION AT CONCLUSION OF HEARING. At the
3 conclusion of the hearing under Section 1575.502, if the trustee
4 [~~board of trustees~~] determines that the individual acted in the
5 manner described by Section 1575.501, the trustee [~~board~~] shall
6 expel the individual from participation in the group program.

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

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

16 SECTION 3.38. Section 1575.506, 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. 1575.506. APPEAL. An appeal of a determination by the
20 trustee [~~board of trustees~~] under this subchapter is under the
21 substantial evidence rule.

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

24 SUBCHAPTER L. PROVISION OF RETIREE HEALTH CARE BENEFITS
25 THROUGH MEDICAL SAVINGS ACCOUNT PROGRAM

26 Sec. 1575.551. DEFINITIONS. In this subchapter:

27 (1) "Account" means a medical savings account

1 established under this subchapter for a participating retiree.

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

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

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

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

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

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

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

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

20 (C) a health maintenance organization operating
21 under Chapter 843;

22 (D) a stipulated premium insurance company
23 operating under Chapter 884;

24 (E) a multiple employer welfare arrangement
25 subject to Chapter 846;

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

1 (G) any other entity providing a plan of health
2 insurance or health benefits coverage subject to state regulation
3 by the department.

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

6 (6) "Program" means the medical savings account
7 program established under this subchapter.

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

13 Sec. 1575.552. ESTABLISHMENT OF PROGRAM. (a) The Texas
14 school retirees medical savings account program is established for
15 the benefit of retirees and their dependents.

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

18 Sec. 1575.553. CONTRACTS. On a competitive bid basis, the
19 trustee shall, as necessary to implement this subchapter, contract
20 with:

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

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

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

27 Sec. 1575.554. REQUIREMENTS FOR MEDICAL SAVINGS ACCOUNTS.

1 (a) The trustee shall request in writing a ruling or opinion from
2 the Internal Revenue Service as to whether medical savings accounts
3 adopted under this subchapter and the state rules governing those
4 accounts qualify the accounts for appropriate federal tax
5 exemptions. Based on the response of the Internal Revenue Service,
6 the trustee shall:

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

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

12 (b) Once finalized rules, plans, and procedures are adopted
13 by the trustee and approved by the Internal Revenue Service, the
14 trustee shall:

15 (1) solicit bids for the development and establishment
16 of the medical savings account program; and

17 (2) provide information to participating retirees
18 regarding the operation of the medical savings accounts adopted
19 under this subchapter.

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

22 (1) a bank, savings and loan association, savings
23 bank, or credit union chartered under the laws of this state or the
24 United States;

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

26 (3) an insurance company authorized to engage in the
27 business of health insurance in this state, a group hospital

1 service corporation authorized under Chapter 842 to engage in
2 business in this state, or a health maintenance organization
3 authorized under Chapter 843 to engage in business in this state;

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

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

8 (b) An account administrator may charge a fee for services
9 performed as the administrator of an account. The amount of the fee
10 shall be established in the contract between the account
11 administrator and the trustee.

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

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

18 (b) The report must summarize the activities of the medical
19 savings account program in the calendar year preceding the year in
20 which the report is submitted.

21 Sec. 1575.557. PARTICIPATION OBLIGATIONS. (a) Each
22 retiree is eligible to participate in the medical savings account
23 program as provided by Subchapter D and this subchapter.

24 (b) Participation in the medical savings account program
25 includes compliance with rules adopted by the trustee for the
26 administration of the program and provision of a notice to each
27 retiree as prescribed by the trustee relating to the existence of

1 the program that contains the address from which a retiree may
2 obtain information about:

3 (1) the coverage offered by the program;

4 (2) eligibility requirements for and costs of that
5 coverage;

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

8 (4) other information considered useful by the
9 trustee.

10 Sec. 1575.558. PROVISION OF COVERAGE. The medical savings
11 account program shall provide, through medical savings accounts,
12 health benefit plan coverage as provided by this subchapter to a
13 retiree who is eligible for that coverage under this subchapter
14 and, as provided by this subchapter, to the retiree's dependents.

15 Sec. 1575.559. COVERAGE PLANS. (a) The medical savings
16 account program must include:

17 (1) a primary care coverage plan; and

18 (2) a catastrophic care coverage plan.

19 (b) The catastrophic care coverage plan must be less
20 expensive than the primary care coverage plan for retiree and
21 retiree and dependents coverage.

22 (c) The trustee shall establish an annual deductible of
23 \$4,000 for the catastrophic care coverage plan provided in
24 conjunction with the medical savings account program.

25 Sec. 1575.560. PARTICIPATION BY RETIREES. (a) Each
26 retiree who elects to participate shall be enrolled in the primary
27 care coverage plan unless the retiree elects in writing to

1 participate only in the catastrophic care coverage plan.

2 (b) Participation in the medical savings account program
3 qualifies a retiree to receive a contribution to the retiree's
4 account, as authorized under Section 1575.565. A retiree who
5 elects not to participate in the program is ineligible to receive a
6 contribution.

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

11 (b) The participating retiree shall make any required
12 additional contribution payments for the dependent coverage in the
13 manner prescribed by the trustee.

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

17 (1) the name of the retiree and any dependent of the
18 retiree for whom eligible expenses may be paid under the medical
19 savings account program;

20 (2) the name, address, and phone number of the account
21 administrator; and

22 (3) a description of the coverage plan in which the
23 retiree is participating.

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

27 Sec. 1575.563. USE OF ACCOUNT. (a) The account

1 administrator shall use money in a retiree's account to pay:

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

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

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

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

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

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

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

1 Sec. 1575.565. STATE CONTRIBUTION. For each participating
2 retiree, the state shall annually contribute to the Texas public
3 school retired employees group insurance fund \$3,000 or the amount
4 specified in the General Appropriations Act for distribution to the
5 medical savings account established for that retiree for the
6 payment of qualified health care expenses if the trustee has
7 determined that those accounts meet the requirements described by
8 Section 1575.554.

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

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

15 Sec. 1575.567. CONFIDENTIALITY OF RECORDS. (a) Section
16 1575.456, applies to records relating to a retiree under the
17 medical savings account program.

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

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

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

27 (c) The accounting must be submitted:

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

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

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

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

8 Sec. 1575.569. ASSISTANCE. In implementing and
9 administering this subchapter, the trustee may obtain the
10 assistance of any state agency the trustee considers appropriate.

11 Sec. 1575.570. ROLLOVER. At the end of a plan year, the
12 unexpended and unobligated balance of any state contribution
13 deposited in a retiree's medical savings account under this
14 subchapter during that plan year remains in the medical savings
15 account and may be spent only as authorized by this subchapter for a
16 qualified health care expense.

17 SECTION 3.40. The following laws are repealed:

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

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

21 SECTION 3.41. The Teacher Retirement System of Texas shall
22 develop the medical savings account program to be implemented under
23 Chapter 1575, Insurance Code, as amended by this article, beginning
24 September 1, 2003, and shall develop enrollment requirements for
25 the program during 2004, with coverage beginning September 1, 2004.

26 SECTION 3.42. The Teacher Retirement System of Texas shall
27 continue to operate the uniform group health coverage program

1 established under Chapter 1575, Insurance Code, as that chapter
2 existed before amendment by this article, until September 1, 2004.

3 SECTION 3.43. Not later than July 31, 2004, the Teacher
4 Retirement System of Texas shall provide written information to
5 retirees eligible to participate in the medical savings account
6 program under Chapter 1575, Insurance Code, as amended by this
7 article, that provides a general description of the requirements
8 for such a program as adopted under Chapter 1575, Insurance Code, as
9 amended by this article.

10 SECTION 3.44. During the initial implementation of Chapter
11 1575, Insurance Code, as amended by this article, and
12 notwithstanding any bidding requirements or other requirements set
13 forth in Chapter 1575, Insurance Code, as that chapter existed
14 before amendment by this article, the Teacher Retirement System of
15 Texas may amend any agreement in effect on September 1, 2003, that
16 it has entered into as necessary to comply with Chapter 1575,
17 Insurance Code, as amended by this article.

18 ARTICLE 4. GENERAL TRANSITION; EFFECTIVE DATE

19 SECTION 4.01. To the extent of any conflict, this Act
20 prevails over another Act of the 78th Legislature, Regular Session,
21 2003, relating to nonsubstantive additions to and corrections in
22 enacted codes.

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