

By: Averitt

S.B. No. 1513

A BILL TO BE ENTITLED

AN ACT

relating to the creation, powers, and duties of the health insurance division of the Texas Department of Insurance.

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

ARTICLE 1. HEALTH INSURANCE DIVISION

SECTION 1.001. Chapter 31, Insurance Code, is amended by adding Subchapter D to read as follows:

SUBCHAPTER D. HEALTH INSURANCE DIVISION

Sec. 31.101. DEFINITION. In this subchapter, "division" means the health insurance division of the department.

Sec. 31.102. DIVISION. (a) The commissioner shall establish and maintain a health insurance division at the department.

(b) The division is under the direction of a deputy commissioner appointed by the commissioner.

Sec. 31.103. GENERAL POWERS AND DUTIES OF DIVISION. The division shall ensure compliance with this code, other insurance laws, and commissioner rules relating to:

(1) benefits and coverages offered through:

(A) accident and health insurance;

(B) group and blanket health insurance;

(C) managed care entities;

(D) preferred provider benefit plans; and

(E) other health benefit plans, risk pools, or

1 programs regulated under this code;

2 (2) the operations of health insurers, managed care
3 entities, and other persons, organizations, or entities that are
4 authorized under this code to engage in the business of health
5 insurance or related businesses in this state; and

6 (3) insurance requirements adopted under this code
7 that are applicable to health care practitioners and health care
8 facilities.

9 Sec. 31.104. REFERENCE TO DEPARTMENT. To the extent
10 consistent with Section 31.003, a reference to the department means
11 the division in:

12 (1) Subtitle C, Title 6; and

13 (2) Title 8.

14 SECTION 1.002. Section 31.007, Insurance Code, is amended
15 to read as follows:

16 Sec. 31.007. REFERENCES TO BOARD; DEPARTMENT. (a) A
17 reference in this code or other law to the State Board of Insurance,
18 the Board of Insurance Commissioners, or an individual commissioner
19 means the commissioner or the department as consistent with the
20 respective duties of the commissioner and the department under this
21 code and other insurance laws.

22 (b) To the extent consistent with Section 31.103, a
23 reference in this code or other law to the State Board of Insurance,
24 the Board of Insurance Commissioners, an individual commissioner,
25 the commissioner, or the department in relation to health insurance
26 or other health coverage or benefits means the commissioner or the
27 health insurance division of the department as consistent with the

1 respective duties of the commissioner and the division under this
2 code and other insurance laws.

3 ARTICLE 2. DATA COLLECTION ON UNINSURED TEXANS

4 SECTION 2.001. Subtitle B, Title 5, Insurance Code, is
5 amended by adding Chapter 524 to read as follows:

6 Sec. 524.001. DEFINITIONS. In this subchapter:

7 (1) "Division" means the health insurance division of
8 the department established under Subchapter D, Chapter 31.

9 (2) "Health benefit plan" means a group, blanket, or
10 franchise insurance policy, a certificate issued under a group
11 policy, a group hospital service contract, or a group subscriber
12 contract or evidence of coverage issued by a health maintenance
13 organization that provides benefits for health care services. The
14 term does not include:

15 (A) accident-only or disability income insurance
16 coverage or a combination of accident-only and disability income
17 insurance coverage;

18 (B) credit-only insurance coverage;

19 (C) disability insurance coverage;

20 (D) coverage for a specified disease or illness;

21 (E) Medicare services under a federal contract;

22 (F) Medicare supplement and Medicare Select
23 benefit plans regulated in accordance with federal law;

24 (G) long-term care coverage or benefits, nursing
25 home care coverage or benefits, home health care coverage or
26 benefits, community-based care coverage or benefits, or any
27 combination of those coverages or benefits;

1 (H) coverage that provides limited-scope dental
2 or vision benefits;

3 (I) coverage provided by a single service health
4 maintenance organization;

5 (J) workers' compensation insurance coverage or
6 similar insurance coverage;

7 (K) hospital indemnity or other fixed indemnity
8 insurance coverage;

9 (L) reinsurance contracts issued on a stop-loss,
10 quota-share, or similar basis;

11 (M) short-term major medical contracts;

12 (N) liability insurance coverage, including
13 general liability insurance coverage and automobile liability
14 insurance coverage, and coverage issued as a supplement to
15 liability insurance coverage, including automobile medical payment
16 insurance coverage;

17 (O) coverage for on-site medical clinics;

18 (P) coverage that provides other limited
19 benefits specified by federal regulations; or

20 (Q) other coverage that:

21 (i) is similar to the coverage described by
22 this subdivision under which benefits for medical care are
23 secondary or incidental to other coverage benefits; and

24 (ii) is specified by federal regulations.

25 (3) "Program" means the data collection program
26 established under this chapter.

27 (4) "Uninsured individual" means an individual who is

1 not eligible to receive and does not receive benefits for health
2 care services through:

- 3 (A) a health benefit plan;
4 (B) a federal health care program other than
5 Medicaid, including the TRICARE program or the Medicare program; or
6 (C) a benefit plan established in another
7 country.

8 Sec. 524.002. INFORMATION ON UNINSURED TEXANS; DATA
9 COLLECTION PROGRAM; RULES. (a) The division shall develop and
10 maintain a program to collect:

11 (1) information regarding access to health benefit
12 plan coverage in this state, including information relating to:

- 13 (A) the cost of coverage; and
14 (B) how many residents of this state are covered;
15 and

16 (2) statistical data and other information regarding
17 uninsured individuals in this state.

18 (b) The program must include appropriate demographic
19 information regarding uninsured individuals.

20 (c) The commissioner shall adopt rules as necessary to
21 implement this chapter, including rules relating to:

- 22 (1) any required reporting by employers or health
23 benefit plan issuers;
24 (2) reporting schedules;
25 (3) report forms;
26 (4) information required to be reported; and
27 (5) reporting procedures, guidelines, and criteria.

1 (d) The division may obtain information from employers and
2 health benefit plan issuers as necessary to implement this chapter.

3 Sec. 524.003. REPORT. The division shall prepare at least
4 annually a written report of the information collected under the
5 program. The division shall:

6 (1) submit the report to the legislature not later
7 than December 1 of each year; and

8 (2) make the report available to the public on the
9 department's Internet website.

10 ARTICLE 3. ADMINISTRATION OF CERTAIN STATE

11 HEALTH BENEFIT PROGRAMS

12 PART 1. STATE EMPLOYEE PROGRAMS

13 SECTION 3.001. Section 1551.003, Insurance Code, is amended
14 by amending Subdivisions (1) and (3) and by adding Subdivision
15 (5-a) to read as follows:

16 (1) "Administering firm" means a firm designated by
17 the division [~~board of trustees~~] to administer coverages, services,
18 benefits, or requirements in accordance with this chapter and the
19 rules adopted by the commissioner [~~board of trustees~~] under this
20 chapter.

21 (3) "Basic coverage" means the group coverage plans
22 determined by the division [~~board of trustees~~] in which each
23 eligible full-time employee and annuitant participates
24 automatically unless participation is specifically waived.

25 (5-a) "Division" means the health insurance division
26 of the department established under Subchapter D, Chapter 31.

27 SECTION 3.002. Section 1551.009, Insurance Code, is amended

1 to read as follows:

2 Sec. 1551.009. ~~[BOARD OF TRUSTEES MAY DEFINE]~~ OTHER
3 DEFINITIONS ~~[WORDS]~~. The commissioner ~~[board of trustees]~~ may
4 define by rule a word in terms necessary in the administration of
5 this chapter.

6 SECTION 3.003. Section 1551.010, Insurance Code, is amended
7 to read as follows:

8 Sec. 1551.010. ~~[BOARD OF TRUSTEES]~~ APPROVAL FOR PAYROLL
9 DEDUCTIONS OR REDUCTIONS. A state agency may not establish,
10 continue, or authorize payroll deductions or reductions for any
11 benefit or coverage as provided by this chapter without the express
12 approval of the board of trustees and the commissioner.

13 SECTION 3.004. Section 1551.051, Insurance Code, is amended
14 to read as follows:

15 Sec. 1551.051. ADMINISTRATION ~~[AND IMPLEMENTATION]~~. The
16 division shall administer the group benefits program as provided by
17 ~~[administration and implementation of]~~ this chapter ~~[are vested~~
18 ~~solely in the board of trustees]~~.

19 SECTION 3.005. Section 1551.052, Insurance Code, is amended
20 to read as follows:

21 Sec. 1551.052. AUTHORITY FOR RULES, PLANS, PROCEDURES, AND
22 ORDERS. (a) The board of trustees may adopt rules consistent with
23 this chapter as it considers necessary to implement the provisions
24 of this chapter administered by the board ~~[and its purposes]~~,
25 including rules that provide standards for determining eligibility
26 for participation in the group benefits program, including
27 standards for determining disability.

1 (b) The commissioner [~~board of trustees~~] may adopt rules,
2 plans, procedures, or orders [~~a plan, procedure, or order~~]
3 reasonably necessary to implement the provisions of this chapter
4 administered by the division [~~and its purposes~~].

5 SECTION 3.006. Section 1551.053, Insurance Code, is amended
6 to read as follows:

7 Sec. 1551.053. AUTHORITY TO HIRE EMPLOYEES. (a) The
8 division [~~board of trustees~~] may hire employees as the commissioner
9 [~~board~~] considers necessary to ensure the proper administration of
10 this chapter and the coverages, services, and benefits provided for
11 or authorized by this chapter.

12 (b) The division [~~board of trustees~~] shall determine and
13 assign the compensation and duties of the employees.

14 SECTION 3.007. Section 1551.055, Insurance Code, is amended
15 to read as follows:

16 Sec. 1551.055. GENERAL POWERS OF DIVISION AND BOARD OF
17 TRUSTEES REGARDING COVERAGE PLANS. (a) The division [~~board of~~
18 ~~trustees~~] may:

19 (1) prepare specifications for a coverage provided
20 under this chapter;

21 (2) [~~prescribe the time and conditions under which an~~
22 ~~employee, annuitant, or dependent is eligible for a coverage~~
23 ~~provided under this chapter,~~

24 [~~(3)~~] determine the methods and procedures of claims
25 administration;

26 (3) [~~(4)~~] determine the amount of payroll deductions
27 ~~and reductions applicable to employees and annuitants and establish~~

1 ~~procedures to implement those deductions and reductions;~~

2 ~~(4)~~ establish procedures for the commissioner
3 ~~[board of trustees]~~ to decide contested cases arising from a
4 coverage provided under this chapter;

5 (4) ~~(6)~~ study, on an ongoing basis, the operation of
6 all coverages provided under this chapter, including gross and net
7 costs, administration costs, benefits, utilization of benefits,
8 and claims administration;

9 (5) ~~(7)~~ administer the employees life, accident,
10 and health insurance and benefits fund;

11 (6) ~~(8) provide the beginning and ending dates of~~
12 ~~coverages of participants under all benefit plans;~~

13 ~~(9)~~ develop basic group coverage plans applicable to
14 all individuals eligible to participate in the group benefits
15 program under Sections 1551.101 and 1551.102;

16 (7) ~~(10)~~ provide for optional group coverage plans
17 in addition to the basic group coverage plans;

18 (8) ~~(11)~~ provide, as the commissioner ~~[board of~~
19 ~~trustees]~~ determines is appropriate, either additional statewide
20 optional coverage plans or individual agency coverage plans;

21 (9) ~~(12)~~ develop health benefit plans that permit
22 access to high-quality, cost-effective health care;

23 (10) ~~(13)~~ design, implement, and monitor health
24 benefit plan features intended to discourage excessive
25 utilization, promote efficiency, and contain costs;

26 (11) ~~(14)~~ develop and refine, on an ongoing basis, a
27 health benefit strategy consistent with evolving benefit delivery

1 systems; and

2 (12) [~~(15)~~] develop a funding strategy that
3 efficiently uses employer contributions to achieve the purposes of
4 this chapter and that is reasonable and ensures participants a fair
5 choice among health benefit plans as provided by Section 1551.302[~~+~~
6 ~~and~~

7 [~~(16)~~ ~~appoint an advisory committee for the group~~
8 ~~benefits program under the terms provided by Section 815.509,~~
9 ~~Government Code].~~

10 (b) The board of trustees may:

11 (1) prescribe the time and conditions under which an
12 employee, annuitant, or dependent is eligible for a coverage
13 provided under this chapter;

14 (2) determine the amount of payroll deductions and
15 reductions applicable to employees and annuitants and establish
16 procedures to implement those deductions and reductions;

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

19 (4) appoint an advisory committee for the group
20 benefits program under the terms provided by Section 815.509,
21 Government Code.

22 SECTION 3.008. Section 1551.056, Insurance Code, is amended
23 to read as follows:

24 Sec. 1551.056. INDEPENDENT ADMINISTRATOR. (a) The
25 division [~~board of trustees~~] may, on a competitive bid basis,
26 contract with an entity to act for the board as an independent
27 administrator or manager of the coverages, services, and benefits

1 authorized under this chapter.

2 (b) The entity must be a qualified, experienced firm of
3 group insurance specialists or an administering firm and shall
4 assist the division [~~board of trustees~~] in ensuring the proper
5 administration of this chapter and the coverages, services, and
6 benefits provided for or authorized by this chapter.

7 (c) The department [~~board of trustees~~] shall pay an
8 independent administrator selected under this section.

9 SECTION 3.009. Section 1551.057, Insurance Code, is amended
10 to read as follows:

11 Sec. 1551.057. COMPENSATION OF PERSON EMPLOYED BY DIVISION
12 [~~BOARD OF TRUSTEES~~]. The department [~~board of trustees~~] shall pay
13 the compensation and expenses of a person employed by the division
14 under this chapter [~~board~~] at the rate or in the amount approved by
15 the commissioner [~~board~~]. The rate or amount may not exceed the
16 rate or amount paid for similar services.

17 SECTION 3.010. Section 1551.059, Insurance Code, is amended
18 to read as follows:

19 Sec. 1551.059. CERTIFICATE OF COVERAGE. The division
20 [~~board of trustees~~] shall provide for issuance to each employee or
21 annuitant participating in the group benefits program a certificate
22 of coverage that states:

- 23 (1) the benefits to which the participant is entitled;
24 (2) to whom the benefits are payable;
25 (3) to whom a claim must be submitted; and
26 (4) the provisions of the plan document, in summary
27 form, that principally affect the participant.

1 SECTION 3.011. Section 1551.060(a), Insurance Code, is
2 amended to read as follows:

3 (a) The division [~~board of trustees~~] may issue a single
4 identification card to a participant in a health benefit plan and
5 separately administered coverage under this chapter that offers
6 pharmacy benefits.

7 SECTION 3.012. Section 1551.061, Insurance Code, is amended
8 to read as follows:

9 Sec. 1551.061. ANNUAL REPORT. The commissioner [~~board of~~
10 ~~trustees~~] shall submit a written report not later than January 1 of
11 each year to the governor, lieutenant governor, speaker of the
12 house of representatives, and Legislative Budget Board concerning
13 the coverages provided and the benefits and services being received
14 by all participants under this chapter. The report must include
15 information about the effectiveness and efficiency of:

- 16 (1) managed care cost containment practices; and
17 (2) fraud detection and prevention procedures.

18 SECTION 3.013. Section 1551.062, Insurance Code, is amended
19 to read as follows:

20 Sec. 1551.062. INFORMATION ON OPERATION AND ADMINISTRATION
21 OF CHAPTER. (a) The division [~~board of trustees~~] shall:

22 (1) conduct a continuing study of the operation and
23 administration of this chapter, including:

24 (A) conducting surveys and preparing reports on
25 group coverages and benefits available to participants; and

26 (B) studying experience relating to group
27 coverages and benefits available to participants; and

1 (2) maintain statistics on the number, type, and
2 disposition of fraudulent claims for benefits under this chapter.

3 (b) A contract entered into under this chapter must require
4 a carrier to:

5 (1) furnish any reasonable report the division [~~board~~
6 ~~of trustees~~] determines is necessary to enable the division [~~board~~]
7 to perform its functions under this chapter; and

8 (2) permit the division [~~board~~] and a representative
9 of the state auditor to examine records of the carrier as necessary
10 to accomplish the purposes of this chapter.

11 (c) Each state agency shall keep records, make
12 certifications, and furnish the division [~~board of trustees~~] with
13 information and reports necessary to enable the division [~~board~~] to
14 perform its functions under this chapter.

15 SECTION 3.014. Sections 1551.063(a) and (c), Insurance
16 Code, are amended to read as follows:

17 (a) The records of a participant in the group benefits
18 program in the custody of the division, the board of trustees, or
19 [~~of~~] an administrator or carrier acting on behalf of the division
20 [~~board,~~] are confidential and not subject to disclosure, and the
21 division or board is not required to accept or comply with a request
22 for a record or information about a record or to seek an opinion
23 from the attorney general, because the records are exempt from the
24 public access provisions of Chapter 552, Government Code, except as
25 provided by this section.

26 (c) The division or board of trustees may release the
27 records to:

- 1 (1) an administrator, carrier, agent, or attorney
2 acting on behalf of the division or board;
- 3 (2) another governmental entity;
- 4 (3) a medical provider of the participant to
5 accomplish the purposes of this chapter; or
- 6 (4) a party in response to a subpoena issued under
7 applicable law.

8 SECTION 3.015. Sections 1551.064(a) and (b), Insurance
9 Code, are amended to read as follows:

10 (a) This section applies only to a group policy or contract
11 described by Subchapter G, Chapter 1251 [~~section 3B(a), Article~~
12 ~~3.51-6~~]. A policy or contract executed under this chapter must
13 provide that:

- 14 (1) premium payments must be:
 - 15 (A) paid directly to the department [~~Employees~~
16 ~~Retirement System of Texas~~]; and
 - 17 (B) postmarked or received not later than the
18 10th day of the month for which the premium is due;

19 (2) the premium for group continuation coverage under
20 Subchapter G, Chapter 1251 [~~Section 3B, Article 3.51-6~~], may not
21 exceed the level established for other surviving dependents of
22 deceased employees and annuitants;

23 (3) at the time the group policy or contract is
24 delivered, issued for delivery, renewed, amended, or extended, the
25 department [~~Employees Retirement System of Texas~~] shall give notice
26 of the continuation option to each state agency covered by the group
27 benefits program; and

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

4 (b) A group policy or contract executed under this chapter
5 must provide that, not later than the 15th day after the date of any
6 severance of the family relationship that might activate the
7 continuation option under Subchapter G, Chapter 1251 [~~Section 3B,~~
8 ~~Article 3.51-6~~], the group member shall give written notice of the
9 severance to the employing state agency.

10 SECTION 3.016. Section 1551.065, Insurance Code, is amended
11 to read as follows:

12 Sec. 1551.065. DISCLOSURE OF SOCIAL SECURITY NUMBER. The
13 division [~~board of trustees~~] may require an individual to disclose
14 the individual's social security number as the division [~~board~~]
15 considers necessary to properly administer this chapter and any
16 coverage, service, or benefit authorized by this chapter or as
17 otherwise required by state or federal law.

18 SECTION 3.017. Section 1551.066(a), Insurance Code, is
19 amended to read as follows:

20 (a) This section applies to:

21 (1) the Texas Department of Insurance [~~Employees~~
22 ~~Retirement System of Texas~~];

23 (2) a carrier or other insurance company or health
24 maintenance organization;

25 (3) an administering firm or other insurance support
26 organization that provides information or services to the group
27 benefits program or the Texas Department of Insurance under this

1 chapter [~~Employees Retirement System of Texas~~];

2 (4) an agent or third-party administrator authorized
3 under this chapter or licensed under this code;

4 (5) a regulatory authority or department; and

5 (6) a board member, executive director, employee,
6 auditor, or actuary of an entity described by this section.

7 SECTION 3.018. Section 1551.106, Insurance Code, is amended
8 to read as follows:

9 Sec. 1551.106. GROUP COVERAGE PLAN PURCHASED TO PROVIDE FOR
10 AUTOMATIC COVERAGE. A group coverage plan purchased by the
11 division [~~board of trustees~~] must provide for the automatic
12 coverage described by this subchapter.

13 SECTION 3.019. Section 1551.108, Insurance Code, is amended
14 to read as follows:

15 Sec. 1551.108. CONTINUING ELIGIBILITY OF CERTAIN PERSONS
16 WITH LEGISLATIVE SERVICE OR EMPLOYMENT. Subject to Section
17 1551.351, on application to the division [~~board of trustees~~] and on
18 arrangement for payment of contributions and postage:

19 (1) an individual who has at least eight years of
20 service credit in the Employees Retirement System of Texas for
21 service as a member of the legislature, on ending the individual's
22 service in the legislature, remains eligible for participation in
23 the group benefits program; and

24 (2) an individual who has at least 10 years of service
25 credit in the Employees Retirement System of Texas as an employee of
26 the legislature, on ending the individual's service for the
27 legislature, remains eligible for participation in the group

1 benefits program.

2 SECTION 3.020. Section 1551.109(a), Insurance Code, is
3 amended to read as follows:

4 (a) Subject to Section 1551.351, on application to the
5 division [~~board of trustees~~] and arrangement for payment of
6 contributions, an individual participating in the group benefits
7 program on August 31, 2003, as a current or former member of a
8 governing body with administrative responsibility over a state
9 agency created under a statute of this state that has statewide
10 jurisdiction and whose employees are covered by this chapter or as a
11 current or former member of the State Board of Education or the
12 governing body of an institution of higher education remains
13 eligible for participation in a health benefit plan offered under
14 this chapter if a lapse in coverage has not occurred.

15 SECTION 3.021. Section 1551.110(a), Insurance Code, is
16 amended to read as follows:

17 (a) Except as provided by Subsections (c) and (d), an
18 employee of a public junior college who is employed to perform
19 services outside this state is not eligible to participate in the
20 group benefits program unless the college elects, under procedures
21 adopted by the commissioner [~~board of trustees~~], to permit the
22 employee to participate in the group benefits program.

23 SECTION 3.022. Sections 1551.114(d), (f), and (g),
24 Insurance Code, are amended to read as follows:

25 (d) Each full-time active employee of a community
26 supervision and corrections department is automatically covered by
27 the basic coverage for employees unless the employee specifically

1 waives coverage or unless the employee is expelled from the
2 program. Each part-time active employee of a community supervision
3 and corrections department is eligible to participate in the group
4 benefits program on application in the manner provided by the
5 division [~~board of trustees~~], unless the employee has been expelled
6 from the program. Each community supervision and corrections
7 department shall notify each of its part-time employees of the
8 employee's eligibility for participation.

9 (f) A retired employee is eligible to participate in the
10 group benefits program on application to the division [~~board of~~
11 ~~trustees~~]. On application, a retired employee is automatically
12 covered by the basic coverage for annuitants unless the retired
13 employee specifically waives coverage or unless the retired
14 employee is expelled from the program. A retired employee is not
15 eligible to receive a state contribution under Subchapter G for
16 premiums. The community justice assistance division of the Texas
17 Department of Criminal Justice is responsible for payment of the
18 contributions for each of a department's retired employees and the
19 retired employees' participating dependents that the state would
20 make under Subchapter G if the retired employees were retired state
21 employees. Each participating retired employee shall pay that
22 portion of the cost of group coverage selected by the retired
23 employee that exceeds the amount of division contributions. The
24 retired employee shall pay contributions required from the retired
25 employee in the manner prescribed by the commissioner [~~board of~~
26 ~~trustees~~]. Each community supervision and corrections department
27 shall notify each of its retired employees of the eligibility for

1 participation and the costs associated with participation.

2 (g) All contributions received under this section from the
3 community justice assistance division of the Texas Department of
4 Criminal Justice, active employees of community supervision and
5 corrections departments, and retired employees of community
6 supervision and corrections departments for basic, optional, and
7 voluntary coverages under the group benefits program shall be paid
8 into the employees life, accident, and health insurance and
9 benefits fund and shall be used by the division [~~board of trustees~~]
10 to provide those coverages as provided by this chapter.

11 SECTION 3.023. Section 1551.151, Insurance Code, is amended
12 to read as follows:

13 Sec. 1551.151. ENTITLEMENT TO COVERAGE. An individual who
14 is eligible to participate in the group benefits program under
15 Section 1551.101 or 1551.102 is entitled to secure for a dependent
16 of the individual any group coverages provided under this chapter,
17 as determined by the division [~~board of trustees~~] and subject to the
18 exceptions provided by this subchapter.

19 SECTION 3.024. Section 1551.157, Insurance Code, is amended
20 to read as follows:

21 Sec. 1551.157. COVERAGE OPTIONS AFTER EXPIRATION OF ANNUITY
22 OPTION. The surviving spouse or dependent of an employee or
23 annuitant may retain authorized coverages after expiration of a
24 time-certain annuity option selected by the employee or annuitant.
25 To retain the coverages, the surviving spouse or dependent must
26 make advance payment of contributions to the division [~~Employees
27 Retirement System of Texas~~] under rules adopted by the commissioner

1 ~~[board of trustees]~~.

2 SECTION 3.025. Sections 1551.159(a)-(f), Insurance Code,
3 are amended to read as follows:

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

8 (1) is a dependent of an employee;

9 (2) would be eligible, if the child were not the
10 dependent of the employee, for benefits under the state child
11 health plan established under Chapter 62, Health and Safety Code;
12 and

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

14 (b) The division ~~[board of trustees]~~ shall notify employees
15 that:

16 (1) they may be eligible for dependent child coverage
17 under Subsection (a); and

18 (2) an employee may apply for the coverage as provided
19 by Subsection (c).

20 (c) To obtain dependent child coverage under Subsection
21 (a), the employee must apply to the Health and Human Services
22 Commission ~~[Texas Department of Human Services]~~ or other agency
23 designated by the Health and Human Services Commission to perform
24 eligibility screening under this section. The eligibility
25 screening shall be coordinated with eligibility screening for the
26 state Medicaid program. The agency that performs the eligibility
27 screening shall certify to the division ~~[board of trustees]~~ in

1 writing whether a child is eligible for dependent child coverage
2 under Subsection (a).

3 (d) If an employee does not obtain dependent child coverage
4 under this section at the time the individual begins service to the
5 state, the employee may apply for the coverage during the annual
6 open enrollment period applicable to the employee's coverage under
7 this chapter. The division [~~board of trustees~~] may:

8 (1) continue the coverage until the next annual open
9 enrollment period applicable to the employee's coverage, without
10 regard to any change in status of the child; or

11 (2) adopt rules requiring an employee, during the
12 period the coverage is in effect, to report a change in status that
13 would make the dependent child ineligible for coverage and may
14 terminate the coverage on receipt of the report of a change in
15 status.

16 (e) The division [~~board of trustees~~] may require an employee
17 to reapply for dependent child coverage under this section during
18 each annual open enrollment period applicable to the employee's
19 coverage. The division [~~board of trustees~~] and the Health and Human
20 Services Commission [~~Texas Department of Human Services~~] or other
21 agency designated by the Health and Human Services Commission to
22 perform eligibility screening under this section shall cooperate to
23 develop a cost-effective method for annual reevaluation of
24 eligibility determinations for dependent child coverage under this
25 section.

26 (f) The division [~~board of trustees~~] may pay a higher
27 percentage of the cost of basic coverage for a child described by

1 Subsection (a) than the percentage required by Subsection (a) if
2 money becomes available for that purpose.

3 SECTION 3.026. Section 1551.201, Insurance Code, is amended
4 to read as follows:

5 Sec. 1551.201. ESTABLISHMENT. (a) The commissioner [~~board~~
6 ~~of trustees~~] by rule shall establish group coverage plans for
7 individuals eligible to participate in the group benefits program.

8 (b) The group coverage plans may, in the commissioner's
9 [~~board of trustees~~] discretion, include:

- 10 (1) life coverage;
- 11 (2) accidental death and dismemberment coverage;
- 12 (3) health benefit coverage, including coverage for:
- 13 (A) hospital care and benefits;
- 14 (B) surgical care and treatment;
- 15 (C) medical care and treatment;
- 16 (D) dental care;
- 17 (E) obstetrical benefits;
- 18 (F) prescribed drugs, medicines, and prosthetic
19 devices; and
- 20 (G) supplemental benefits, supplies, and
21 services in accordance with this chapter;
- 22 (4) coverage providing protection against either
23 long-term or short-term loss of salary; and
- 24 (5) any other group coverage that the commissioner
25 [~~board of trustees~~], in consultation with the advisory committee,
26 considers advisable.

27 (c) The group coverage plans for annuitants may, at the

1 discretion of the commissioner [~~board of trustees~~], be separate or
2 a part of the group coverage plans for employees. If the division
3 [~~trustee~~] establishes separate group coverage plans for
4 annuitants, the separate group coverage plans must include both
5 full benefits and supplemental coverage options.

6 SECTION 3.027. Sections 1551.202(a) and (b), Insurance
7 Code, are amended to read as follows:

8 (a) The commissioner [~~board of trustees~~] may define the
9 basic coverage applicable to each individual for whom coverage is
10 automatic unless participation is specifically waived.

11 (b) The commissioner [~~board of trustees~~] may define
12 different basic coverage plans for individuals eligible to
13 participate in the uniform program under Section 1551.101 and for
14 individuals eligible to participate in the group benefits program
15 under Section 1551.102.

16 SECTION 3.028. Section 1551.203, Insurance Code, is amended
17 to read as follows:

18 Sec. 1551.203. AUTHORITY TO DEFINE OPTIONAL COVERAGES. The
19 commissioner [~~board of trustees~~] may define optional coverages for
20 which the board of trustees may make available employer
21 contributions under Section 1551.303.

22 SECTION 3.029. Section 1551.205, Insurance Code, is amended
23 to read as follows:

24 Sec. 1551.205. LIMITATIONS. The division [~~board of~~
25 ~~trustees~~] may not contract for or provide a coverage plan that:

26 (1) excludes or limits coverage or services for
27 acquired immune deficiency syndrome, as defined by the Centers for

1 Disease Control and Prevention of the United States Public Health
2 Service, or human immunodeficiency virus infection;

3 (2) provides coverage for serious mental illness that
4 is less extensive than the coverage provided for any physical
5 illness; or

6 (3) may provide coverage for prescription drugs to
7 assist in stopping smoking at a lower benefit level than is provided
8 for other prescription drugs.

9 SECTION 3.030. Section 1551.206, Insurance Code, is amended
10 to read as follows:

11 Sec. 1551.206. CAFETERIA PLAN. (a) The division [~~board of~~
12 ~~trustees~~] may develop, implement, and administer a cafeteria plan
13 if the commissioner [~~board~~] determines that establishment of the
14 plan:

15 (1) is feasible;

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

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

20 (b) The division [~~board of trustees~~] may include in the
21 cafeteria plan any benefit that may be included in a cafeteria plan
22 under federal law.

23 (c) The division [~~board of trustees~~] may enter into a
24 contract or agreement with an independent and qualified agency,
25 individual, or entity to:

26 (1) develop, implement, or administer a cafeteria
27 plan; or

1 (2) assist in those activities.

2 (d) The commissioner [~~board of trustees~~] may adopt an order
3 terminating the cafeteria plan and providing a procedure for the
4 orderly withdrawal of the state and its employees from the plan if
5 the commissioner [~~board~~] determines that a cafeteria plan
6 established under this section is no longer advantageous to the
7 state or its employees.

8 (e) The commissioner [~~board of trustees~~] may adopt rules for
9 the use of a debit card or other similar technology for claims
10 administration under this section.

11 SECTION 3.031. Section 1551.208, Insurance Code, is amended
12 to read as follows:

13 Sec. 1551.208. DETERMINATION TO SELF-FUND. (a) The
14 commissioner [~~board of trustees~~], in the commissioner's [~~board's~~]
15 sole discretion, shall determine those coverage plans that the
16 division [~~board~~] does not intend to purchase but intends to provide
17 directly from the employees life, accident, and health insurance
18 and benefits fund.

19 (b) The commissioner [~~board of trustees~~], in the
20 commissioner's [~~board's~~] sole discretion and under conditions the
21 commissioner [~~board~~] approves, may reinsure any coverage the
22 division [~~board~~] determines will be provided directly from the
23 employees life, accident, and health insurance and benefits fund
24 under Subsection (a).

25 SECTION 3.032. Section 1551.210, Insurance Code, is amended
26 to read as follows:

27 Sec. 1551.210. ACTUARIAL ADVICE FOR SELF-FUNDED COVERAGE.

1 A qualified actuary selected by the division [~~board of trustees~~]
2 shall advise the division [~~board~~] regarding an actuarially sound
3 level of contributions required to provide coverage directly from
4 the employees life, accident, and health insurance and benefits
5 fund.

6 SECTION 3.033. Sections 1551.211(a)-(d), Insurance Code,
7 are amended to read as follows:

8 (a) Before the first day of each state fiscal biennium, the
9 division [~~board of trustees~~] shall estimate for an average 60-day
10 period during the biennium the expenditures from the employees
11 life, accident, and health insurance and benefits fund anticipated
12 for self-funded coverage plans, considering projected claims and
13 administrative expenses for those plans.

14 (b) The division [~~board of trustees~~] shall place the
15 estimated amount in a contingency reserve fund to provide for
16 adverse fluctuations in claims or administrative expenses.

17 (c) The department [~~board of trustees~~] shall include in each
18 request for legislative appropriations to the group benefits
19 program the amount the commissioner [~~board~~] determines to be
20 necessary to maintain the contingency reserve fund at the level
21 required by this section.

22 (d) The division [~~board of trustees~~] may invest and reinvest
23 any portion of the contingency reserve fund under the standard of
24 care provided by Section 815.307, Government Code, considering the
25 functional need to provide for adverse fluctuations in claims or
26 administrative expenses.

27 SECTION 3.034. Section 1551.212, Insurance Code, is amended

1 to read as follows:

2 Sec. 1551.212. FIRMS TO ADMINISTER SELF-FUNDED COVERAGE.

3 (a) For those coverage plans that the division [~~board of trustees~~
4 funds from the employees life, accident, and health insurance and
5 benefits fund, the division [~~board~~] may contract with one or more
6 qualified and experienced administering firms to administer the
7 plans in the best interest of the participants in the group benefits
8 program.

9 (b) The contract may be awarded only after a competitive bid
10 process. The division [~~board of trustees~~] is not required to select
11 the lowest bid but shall take into consideration other relevant
12 criteria, including ability to service large group programs and
13 past experience.

14 (c) If the division [~~board of trustees~~] selects a firm whose
15 bid was not the lowest or whose bid differs from that specified, the
16 division [~~board~~] shall fully justify and explain to the
17 commissioner and the board of trustees the reasons for the action
18 [~~in the minutes of the next meeting of the board~~].

19 SECTION 3.035. Section 1551.213, Insurance Code, is amended
20 to read as follows:

21 Sec. 1551.213. BIDS FOR PURCHASED COVERAGE. (a) For those
22 coverage plans for which the division [~~board of trustees~~]
23 determines to purchase coverage, the division [~~board~~] shall notify
24 eligible carriers:

25 (1) that competitive bidding will be conducted; and

26 (2) of the date by which an eligible carrier must
27 submit a bid on the contract to the division [~~board~~].

1 (b) The division [~~board of trustees~~] shall submit the group
2 coverages provided by the group benefits program for competitive
3 bidding at least every six years.

4 SECTION 3.036. Section 1551.214, Insurance Code, is amended
5 to read as follows:

6 Sec. 1551.214. SELECTION OF BIDS FOR PURCHASED COVERAGE.

7 (a) An actuary selected by the division [~~board of trustees~~] shall
8 advise the division [~~board~~] as to the actuarial soundness of the
9 bids received under Section 1551.213.

10 (b) The division [~~board of trustees~~]:

11 (1) shall select carriers to provide services that
12 will be in the best interest of participants; and

13 (2) is not required to select the lowest bid but shall
14 take into consideration other relevant criteria, including ability
15 to service contracts, past experience, and financial ability.

16 (c) If the division [~~board of trustees~~] selects a carrier
17 whose bid differs from that advertised, the division [~~board~~] shall
18 record the deviation and shall fully justify and explain the
19 reasons for the deviation [~~in the minutes of the next meeting of the~~
20 ~~board~~].

21 (d) The division [~~board of trustees~~] shall notify the
22 carriers that submitted bids of the results of the bidding.

23 SECTION 3.037. Sections 1551.215(a) and (b), Insurance
24 Code, are amended to read as follows:

25 (a) A carrier providing a coverage purchased under this
26 chapter shall provide an accounting to the division [~~board of~~
27 ~~trustees~~] not later than the 90th day after the end of each plan

1 year.

2 (b) The accounting must be in a form approved by the
3 division [~~board of trustees~~].

4 SECTION 3.038. Sections 1551.216(c) and (d), Insurance
5 Code, are amended to read as follows:

6 (c) The special contingency reserve earns interest at a rate
7 determined before each plan year by the carrier and approved by the
8 division [~~board of trustees~~] as consistent with the rates generally
9 used by the carrier for similar funds held under other group
10 coverage plans.

11 (d) On a determination by the division [~~board of trustees~~]
12 that the special contingency reserve has attained an amount
13 estimated by the division [~~board~~] to make satisfactory provision
14 for adverse fluctuations in future charges, claims, or expenses
15 under the plan, any further excess shall be deposited to the credit
16 of the employees life, accident, and health insurance and benefits
17 fund.

18 SECTION 3.039. Section 1551.218(c), Insurance Code, is
19 amended to read as follows:

20 (c) Every six months the division [~~board of trustees~~] shall
21 submit to the comptroller and Legislative Budget Board a report
22 regarding any cost savings achieved in the group benefits program
23 through implementation of the prior authorization requirement of
24 this section. A report must cover the previous six-month period.

25 SECTION 3.040. Section 1551.219, Insurance Code, as added
26 by Chapter 213, Acts of the 78th Legislature, Regular Session,
27 2003, is amended to read as follows:

1 Sec. 1551.219. MAIL ORDER REQUIREMENT FOR PRESCRIPTION DRUG
2 COVERAGE PROHIBITED. The division [~~board of trustees~~] or a health
3 benefit plan under this chapter that provides benefits for
4 prescription drugs may not require a participant in the group
5 benefits program to purchase a prescription drug through a mail
6 order program. The division [~~board~~] or health benefit plan shall
7 require that a participant who chooses to obtain a prescription
8 drug through a retail pharmacy or other method other than by mail
9 order pay a deductible, copayment, coinsurance, or other
10 cost-sharing obligation to cover the additional cost of obtaining a
11 prescription drug through that method rather than by mail order.

12 SECTION 3.041. Section 1551.219, Insurance Code, as added
13 by Chapter 589, Acts of the 78th Legislature, Regular Session,
14 2003, is renumbered as Section 1551.220, Insurance Code, and
15 amended to read as follows:

16 Sec. 1551.220 [~~1551.219~~]. DISEASE MANAGEMENT SERVICES.

17 (a) In this section, "disease management services" means services
18 to assist an individual manage a disease or other chronic health
19 condition, such as heart disease, diabetes, respiratory illness,
20 end-stage renal disease, HIV infection, or AIDS, and with respect
21 to which the division [~~board of trustees~~] identifies populations
22 requiring disease management.

23 (b) A group health benefit plan offered under the group
24 benefits program must provide disease management services or
25 coverage for disease management services in the manner required by
26 the division [~~board of trustees~~], including:

27 (1) patient self-management education;

- 1 (2) provider education;
- 2 (3) evidence-based models and minimum standards of
3 care;
- 4 (4) standardized protocols and participation
5 criteria; and
- 6 (5) physician-directed or physician-supervised care.

7 SECTION 3.042. Section 1551.301, Insurance Code, is amended
8 to read as follows:

9 Sec. 1551.301. FUNDING OF BASIC COVERAGE. The division
10 [~~board of trustees~~] shall use the amount appropriated for employer
11 contributions in the manner provided by this subchapter to fund the
12 basic coverage.

13 SECTION 3.043. Section 1551.3015, Insurance Code, is
14 amended to read as follows:

15 Sec. 1551.3015. COST ASSESSMENT FOR CERTAIN PARTICIPANTS.
16 Notwithstanding any other provision of law, the division [~~board of~~
17 ~~trustees~~] may impose against an employer whose employees are not
18 paid salaries from amounts appropriated by the General
19 Appropriations Act and whose participation in the group benefits
20 program begins after August 31, 2003, as a condition for
21 participation in the program, a one-time assessment of
22 administrative costs for participation of the employees and
23 annuitants in the program, which may include the actuarial costs of
24 including the group in the program and a participation premium
25 determined by the division [~~board~~]. The division [~~board of~~
26 ~~trustees~~] shall deposit all amounts recovered under this section in
27 the employees life, accident, and health insurance and benefits

1 fund.

2 SECTION 3.044. Sections 1551.302(a) and (b), Insurance
3 Code, are amended to read as follows:

4 (a) The division [~~board of trustees~~] may equitably allocate
5 to each health benefit plan the employer contributions that would
6 be required to fund basic health coverage for participants in the
7 plans to the extent funds are available.

8 (b) In allocating the employer contributions among plans,
9 the division [~~board of trustees~~] shall consider the relevant risk
10 characteristics of each plan's enrollment, including:

11 (1) demographic variations in the use and cost of
12 health care; and

13 (2) prevailing cost patterns in the area in which the
14 plan operates.

15 SECTION 3.045. Section 1551.306(b), Insurance Code, is
16 amended to read as follows:

17 (b) Except as provided by Section 1551.309, if a participant
18 applies for basic and optional coverages for which the cost exceeds
19 the employer contributions for those coverages under this chapter,
20 the participant shall authorize in a form and manner satisfactory
21 to the division and the board of trustees a deduction from the
22 participant's monthly compensation or monthly annuity equal to the
23 difference between:

24 (1) the cost of basic and optional coverages for which
25 the participant applies; and

26 (2) the employer contributions for basic and optional
27 coverages.

1 SECTION 3.046. Section 1551.308, Insurance Code, is amended
2 to read as follows:

3 Sec. 1551.308. NO CONTRIBUTION ON REFUSAL OF COVERAGE. The
4 state and a state agency may not make any contribution to the cost
5 of any coverages or benefits provided under this chapter for an
6 individual who refuses the coverages or benefits in a form and
7 manner satisfactory to the division and the board of trustees.

8 SECTION 3.047. Sections 1551.309(a) and (c), Insurance
9 Code, are amended to read as follows:

10 (a) If an employee elects to participate in the cafeteria
11 plan, the employee must execute a salary reduction agreement under
12 which the employee's monthly compensation will be reduced in an
13 amount equal to the difference between:

14 (1) the employer contributions for basic and optional
15 coverages; and

16 (2) the cost of the cafeteria plan coverages the
17 division and the board of trustees identify [~~identifies~~] as
18 comparable to the basic and optional coverages for which the
19 employee is eligible.

20 (c) An employee who executes a salary reduction agreement
21 for a group coverage plan included in the cafeteria plan elects to
22 participate in the cafeteria plan and agrees to a salary reduction
23 for the coverages for subsequent plan years unless the employee,
24 during an annual enrollment period specified by the commissioner
25 [~~board of trustees~~], elects in a form and manner satisfactory to the
26 division and the board of trustees not to participate for the next
27 plan year in the coverages.

1 SECTION 3.048. Section 1552.001, Insurance Code, is amended
2 to read as follows:

3 Sec. 1552.001. DEFINITIONS. In this chapter, "annuitant,"
4 "board of trustees," "division," and "employee" have the meanings
5 assigned by Section 1551.003.

6 SECTION 3.049. Section 1552.002, Insurance Code, is amended
7 to read as follows:

8 Sec. 1552.002. ESTABLISHMENT OF PROGRAM. (a) The
9 division [~~board of trustees~~] may establish a group long-term care
10 insurance program to provide long-term care insurance coverage for:

11 (1) an individual eligible to participate in the
12 program provided by Chapter 1551 as an employee or annuitant;

13 (2) the spouse, parent, or grandparent of an employee
14 or annuitant; and

15 (3) a parent of a spouse described by Subdivision (2).

16 (b) The division [~~board of trustees~~] may not implement a
17 group long-term care insurance program unless any cost or
18 administrative burden associated with the development of,
19 implementation of, or communications about the program is
20 incidental.

21 SECTION 3.050. Section 1552.003, Insurance Code, is amended
22 to read as follows:

23 Sec. 1552.003. ADMINISTERING FIRM. The division [~~board of~~
24 ~~trustees~~] may select an administering firm to administer the group
25 long-term care insurance program under contract with the division
26 [~~board~~].

27 SECTION 3.051. Section 1552.006, Insurance Code, is amended

1 to read as follows:

2 Sec. 1552.006. RULES. The commissioner [~~board~~ of
3 ~~trustees~~] may adopt rules as necessary to implement the provisions
4 of this chapter administered by the division, including rules
5 specifying the coverage to be offered under the group long-term
6 care insurance program.

7 PART 2. PUBLIC SCHOOL RETIRED EMPLOYEES PROGRAM

8 SECTION 3.101. Section 1575.002, Insurance Code, is amended
9 by adding Subdivision (2-a) to read as follows:

10 (2-a) "Division" means the health insurance division
11 of the department established under Subchapter D, Chapter 31.

12 SECTION 3.102. Section 1575.005, Insurance Code, is amended
13 to read as follows:

14 Sec. 1575.005. ISSUANCE OF CERTIFICATE OF COVERAGE. At the
15 time and in the circumstances specified by the division [~~trustee~~],
16 a carrier shall issue to each retiree, surviving spouse, or
17 surviving dependent child covered under this chapter a certificate
18 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 SECTION 3.103. Section 1575.006(b), Insurance Code, is
26 amended to read as follows:

27 (b) The items listed in Subsection (a) may not be assigned

1 except for direct payment to benefit providers as authorized by the
2 division [~~trustee~~] by contract, rule, or otherwise.

3 SECTION 3.104. Section 1575.051, Insurance Code, is amended
4 to read as follows:

5 Sec. 1575.051. ADMINISTRATION OF GROUP PROGRAM. The
6 division and the trustee shall take the actions the division and the
7 trustee consider [~~it considers~~] necessary to devise, implement, and
8 administer the provisions of this chapter relating to the
9 respective duties of those entities regarding the group program.

10 SECTION 3.105. Section 1575.052, Insurance Code, is amended
11 to read as follows:

12 Sec. 1575.052. AUTHORITY TO ADOPT RULES AND PROCEDURES;
13 OTHER AUTHORITY. (a) The commissioner and the trustee, as
14 appropriate, shall [~~may~~] adopt rules, plans, procedures, and orders
15 as reasonably necessary to implement this chapter, including:

16 (1) minimum benefit and financing standards for group
17 coverage for retirees, dependents, surviving spouses, and
18 surviving dependent children;

19 (2) basic and optional group coverage for retirees,
20 dependents, surviving spouses, and surviving dependent children;

21 (3) procedures for contributions and deductions;

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

25 (5) procedures for claims administration;

26 (6) procedures to administer the fund; and

27 (7) a timetable for:

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

3 (B) establishing group plans; and

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

6 (b) The division [~~trustee~~] may:

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

9 (2) contract for advice and counsel in implementing
10 and administering the group program with an independent and
11 experienced group insurance consultant or actuary.

12 SECTION 3.106. Section 1575.053, Insurance Code, is amended
13 to read as follows:

14 Sec. 1575.053. PERSONNEL. (a) The division [~~trustee~~] may
15 employ persons to assist the division [~~trustee~~] in implementing
16 this chapter.

17 (b) The division [~~trustee~~] shall prescribe the duties and
18 compensation of each employee.

19 SECTION 3.107. Section 1575.054, Insurance Code, is amended
20 to read as follows:

21 Sec. 1575.054. BUDGET. Expenses incurred in developing and
22 administering the group program shall be paid as provided by a
23 budget adopted by the commissioner for the division [~~trustee~~].

24 SECTION 3.108. Section 1575.055, Insurance Code, is amended
25 to read as follows:

26 Sec. 1575.055. TRUSTEE [~~DEPARTMENT~~] ASSISTANCE. The
27 trustee [~~department~~] shall, as requested by the division [~~trustee~~],

1 assist the division [~~trustee~~] in implementing and administering
2 this chapter.

3 SECTION 3.109. Section 1575.102, Insurance Code, is amended
4 to read as follows:

5 Sec. 1575.102. SELF-INSURED PLANS. The division [~~trustee~~]
6 may self-insure any plan established under this chapter.

7 SECTION 3.110. Section 1575.103, Insurance Code, is amended
8 to read as follows:

9 Sec. 1575.103. PLANS MAY VARY ACCORDING TO MEDICARE
10 COVERAGE. For retirees and surviving spouses who are covered by
11 Medicare, the division [~~trustee~~] may provide one or more plans that
12 are different from the plans provided for retirees and surviving
13 spouses who are not covered by Medicare.

14 SECTION 3.111. Section 1575.104, Insurance Code, is amended
15 to read as follows:

16 Sec. 1575.104. TERMS OF CONTRACT. A contract for group
17 coverage awarded by the division [~~trustee~~] must meet the minimum
18 benefit and financial standards adopted by the commissioner
19 [~~trustee~~].

20 SECTION 3.112. Section 1575.106, Insurance Code, is amended
21 to read as follows:

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

26 (b) The division [~~trustee~~] shall submit for competitive
27 bidding at least every six years each contract for coverage under

1 this chapter.

2 SECTION 3.113. Section 1575.107, Insurance Code, is amended
3 to read as follows:

4 Sec. 1575.107. CONTRACT AWARD; CONSIDERATIONS. (a) In
5 awarding a contract to provide group benefits under this chapter,
6 the division [~~trustee~~] is not required to select the lowest bid and
7 may consider any relevant criteria, including the bidder's:

8 (1) ability to service contracts;

9 (2) past experiences; and

10 (3) financial stability.

11 (b) If the division [~~trustee~~] awards a contract to a bidder
12 whose bid deviates from that advertised, the division [~~trustee~~]
13 shall record the deviation [~~and fully justify the reason for the~~
14 ~~deviation in the minutes of the next meeting of the trustee~~].

15 SECTION 3.114. Section 1575.108, Insurance Code, is amended
16 to read as follows:

17 Sec. 1575.108. USE OF PRIVATE ENTITIES. The division
18 [~~trustee~~] may engage a private entity to collect contributions from
19 or to settle claims in connection with a plan established by the
20 division [~~trustee~~] under this chapter.

21 SECTION 3.115. Section 1575.109, Insurance Code, is amended
22 to read as follows:

23 Sec. 1575.109. USE OF HEALTH CARE PROVIDER. To provide
24 benefits to participants in the group program, the division
25 [~~trustee~~] may contract directly with a health care provider,
26 including a health maintenance organization, a preferred provider
27 organization, a carrier, an administrator, and any other qualified

1 vendor.

2 SECTION 3.116. Section 1575.151, Insurance Code, is amended
3 to read as follows:

4 Sec. 1575.151. TYPES OF COVERAGES. (a) The division
5 [~~trustee~~] may include in a health benefit plan any coverage it
6 considers advisable, including:

- 7 (1) [~~life insurance,~~
- 8 [~~(2) accidental death and dismemberment coverage,~~
- 9 [~~(3)~~] coverage for:
 - 10 (A) hospital care and benefits;
 - 11 (B) surgical care and treatment;
 - 12 (C) medical care and treatment;
 - 13 (D) dental care;
 - 14 (E) eye care;
 - 15 (F) obstetrical benefits;
 - 16 (G) long-term care;
 - 17 (H) prescribed drugs, medicines, and prosthetic
18 devices; and

19 (2) (1) [~~(1)~~] supplemental benefits, supplies, and
20 services in accordance with this chapter [~~, and~~

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

22 (b) In addition to the health benefit plan described by
23 Subsection (a), the trustee may include in a plan for coverage other
24 than health coverage any coverage it considers advisable,
25 including:

- 26 (1) life insurance;
- 27 (2) accidental death and dismemberment coverage; and

1 (3) protection against loss of salary.

2 SECTION 3.117. Section 1575.153, Insurance Code, is amended
3 to read as follows:

4 Sec. 1575.153. BASIC COVERAGE. A retiree who applies for
5 coverage during an enrollment period may not be denied coverage in a
6 basic plan provided under this chapter unless the division
7 [~~trustee~~] finds under Subchapter K that the retiree defrauded or
8 attempted to defraud the group program.

9 SECTION 3.118. Section 1575.155(a), Insurance Code, is
10 amended to read as follows:

11 (a) A retiree participating in the group program is entitled
12 to secure for the retiree's dependents group coverage provided for
13 the retiree under this chapter, as determined by the division
14 [~~trustee~~].

15 SECTION 3.119. Section 1575.158(a), Insurance Code, is
16 amended to read as follows:

17 (a) The division [~~trustee~~] may, in addition to providing a
18 basic plan, contract for and make available an optional group
19 health benefit plan for retirees, dependents, surviving spouses, or
20 surviving dependent children.

21 SECTION 3.120. Section 1575.163, Insurance Code, is amended
22 to read as follows:

23 Sec. 1575.163. LIMITATIONS. The division [~~Teacher~~
24 ~~Retirement System of Texas, as trustee,~~] may not contract for or
25 provide a health benefit plan that excludes from participation in
26 the network a general hospital that:

27 (1) is located in within the geographical service area

1 or areas of the health coverage plan that includes a county that:

2 (A) has a population of at least 100,000 and not
3 more than 175,000; and

4 (B) is located in the Texas-Louisiana border
5 region, as that term is defined in Section 2056.002(e), Government
6 Code; and

7 (2) agrees to provide medical and health care services
8 under the plan subject to the same terms and conditions as other
9 hospital providers under the plan.

10 SECTION 3.121. Section 1575.170(c), Insurance Code, is
11 amended to read as follows:

12 (c) Every six months the division [~~board of trustees~~] shall
13 submit to the comptroller and Legislative Budget Board a report
14 regarding any cost savings achieved in the group program through
15 implementation of the prior authorization requirement of this
16 section. A report must cover the previous six-month period.

17 SECTION 3.122. Section 1575.303(a), Insurance Code, is
18 amended to read as follows:

19 (a) The following shall, without state fiscal year
20 limitation, be paid from the fund:

21 (1) the appropriate premiums to a carrier providing
22 group coverage under a plan under this chapter;

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

24 (3) money spent by the trustee or the division to
25 administer the group program.

26 SECTION 3.123. Sections 1575.351(1) and (3), Insurance
27 Code, are amended to read as follows:

1 (1) "Credentialing committee" means a credentialing
2 committee created by the division [~~trustee~~] under Section 1575.354.

3 (3) "Network" means the coordinated care network
4 implemented and administered by the division [~~trustee~~] under this
5 subchapter.

6 SECTION 3.124. Section 1575.352, Insurance Code, is amended
7 to read as follows:

8 Sec. 1575.352. IMPLEMENTATION AND ADMINISTRATION. The
9 division [~~trustee~~] may implement and administer a coordinated care
10 network for the group program.

11 SECTION 3.125. Section 1575.353, Insurance Code, is amended
12 to read as follows:

13 Sec. 1575.353. CONTRACTS WITH HEALTH CARE PROVIDERS AND
14 OTHERS. As the division [~~trustee~~] determines is necessary to
15 implement and administer the network, the division [~~trustee~~] may
16 contract with a health care provider or other individuals or
17 entities.

18 SECTION 3.126. Section 1575.354, Insurance Code, is amended
19 to read as follows:

20 Sec. 1575.354. CREDENTIALING COMMITTEES. The division
21 [~~trustee~~] may establish credentialing committees to evaluate the
22 qualifications of health care providers to participate in the
23 network.

24 SECTION 3.127. Section 1575.355(a), Insurance Code, is
25 amended to read as follows:

26 (a) The following are not liable for damages arising from an
27 act or omission of a health care provider participating in the

1 network:

- 2 (1) the commissioner;
- 3 (2) the division [~~trustee~~] and its [~~officers and~~]
- 4 employees [~~, including the board of trustees of the trustee~~];
- 5 (3) [~~(2)~~] the group program;
- 6 (4) [~~(3)~~] the fund; and
- 7 (5) [~~(4)~~] a member of an advisory committee to the
- 8 division [~~trustee~~].

9 SECTION 3.128. Section 1575.356, Insurance Code, is amended
10 to read as follows:

11 Sec. 1575.356. IMMUNITY FROM LIABILITY ARISING FROM
12 EVALUATION OF QUALIFICATIONS OR CARE. The following are not liable
13 for damages arising from an act, including a statement,
14 determination, report of an act, or recommendation, committed
15 without malice in the course of the evaluation of the
16 qualifications of a health care provider or of the patient care
17 provided by a health care provider participating in the network:

- 18 (1) the commissioner;
- 19 (2) the division [~~trustee~~] and its [~~officers and~~]
- 20 employees [~~, including the board of trustees~~];
- 21 (3) [~~(2)~~] the group program;
- 22 (4) [~~(3)~~] the fund;
- 23 (5) [~~(4)~~] a member of an advisory committee to the
- 24 division [~~trustee~~]; and
- 25 (6) [~~(5)~~] a member of a credentialing committee.

26 SECTION 3.129. Section 1575.363(a), Insurance Code, is
27 amended to read as follows:

1 (a) Any of the following persons named as a defendant in any
2 civil action filed as a result of participation in the
3 credentialing process may use, including in the person's own
4 defense, otherwise confidential information obtained for
5 legitimate internal business and professional purposes:

6 (1) the commissioner;

7 (2) the division [~~trustee~~] and its [~~officers and~~]
8 employees [~~, including the board of trustees~~];

9 (3) [~~(2)~~] a credentialing committee;

10 (4) [~~(3)~~] a person participating in a credentialing
11 review;

12 (5) [~~(4)~~] a health care provider;

13 (6) [~~(5)~~] the group program; and

14 (7) [~~(6)~~] a member of an advisory committee.

15 SECTION 3.130. Section 1575.406, Insurance Code, is amended
16 to read as follows:

17 Sec. 1575.406. DUTIES. The committee shall:

18 (1) hold public hearings on group coverage;

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

22 (3) recommend to the division [~~trustee~~] desirable
23 changes in rules and legislation affecting the group program.

24 SECTION 3.131. Sections 1575.451(b), (c), and (d),
25 Insurance Code, are amended to read as follows:

26 (b) Group health coverage purchased under this chapter must
27 provide for an accounting to the division [~~trustee~~] by each carrier

1 providing the coverage. Group coverage other than health coverage
2 purchased under this chapter must provide for an accounting to the
3 trustee by each carrier providing the coverage.

4 (c) The accounting must be submitted:

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

7 (2) on a form approved by the division or the trustee,
8 as applicable.

9 (d) Each carrier shall prepare any other report that the
10 division or the trustee considers necessary.

11 SECTION 3.132. Section 1575.452, Insurance Code, is amended
12 to read as follows:

13 Sec. 1575.452. ANNUAL REPORT. Not later than the 180th day
14 after the last day of each state fiscal year, the division and the
15 trustee shall submit a written report to the commissioner
16 [~~department~~] concerning the group coverages provided to and the
17 benefits and services being received by individuals covered under
18 this chapter.

19 SECTION 3.133. Section 1575.453, Insurance Code, is amended
20 to read as follows:

21 Sec. 1575.453. STUDY AND REPORT [~~BY TRUSTEE~~]. (a) The
22 trustee and the division shall study the operation and
23 administration of this chapter, including:

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

27 (2) studying the experience and projected cost of

1 coverage.

2 (b) The trustee and the division shall submit a joint report
3 to the legislature at each regular session on the operation and
4 administration of this chapter.

5 SECTION 3.134. Section 1575.454, Insurance Code, is amended
6 to read as follows:

7 Sec. 1575.454. REPORTS BY AND EXAMINATION OF CARRIER. Each
8 contract entered into under this chapter between the trustee or the
9 division and a carrier must require the carrier to:

10 (1) furnish to the trustee or the division, as
11 appropriate, in a timely manner reasonable reports that the trustee
12 or the division determines are necessary to implement this chapter;
13 and

14 (2) permit the trustee or the division and the state
15 auditor to examine records of the carrier as necessary to implement
16 this chapter.

17 SECTION 3.135. Section 1575.056, Insurance Code, is
18 repealed.

19 SECTION 3.136. Section 1576.001, Insurance Code, is amended
20 by adding Subdivision (1-a) to read as follows:

21 (1-a) "Division" has the meaning assigned by Section
22 1575.002.

23 SECTION 3.137. Section 1576.002, Insurance Code, is amended
24 to read as follows:

25 Sec. 1576.002. ESTABLISHMENT OF PROGRAM. (a) The division
26 [~~trustee~~] may establish a group long-term care insurance program to
27 provide long-term care insurance coverage for:

1 (1) an active employee or retiree;

2 (2) the spouse of an active employee or retiree,
3 including a surviving spouse;

4 (3) a parent or grandparent of an active employee or
5 retiree; and

6 (4) a parent of the spouse of an employee or retiree,
7 including a parent of a surviving spouse.

8 (b) The division [~~trustee~~] may not implement a group
9 long-term care insurance program unless any cost or administrative
10 burden associated with the development of, implementation of, or
11 communications about the program is incidental.

12 SECTION 3.138. Section 1576.003, Insurance Code, is amended
13 to read as follows:

14 Sec. 1576.003. ADMINISTERING FIRM. The division [~~trustee~~]
15 may select an administering firm to administer the group long-term
16 care insurance program under contract with the division [~~trustee~~].

17 SECTION 3.139. Section 1576.006, Insurance Code, is amended
18 to read as follows:

19 Sec. 1576.006. RULES. The commissioner and the trustee, as
20 appropriate, may adopt rules as necessary to implement this
21 chapter, including rules specifying the coverage to be offered
22 under the group long-term care insurance program.

23 PART 3. ACTIVE SCHOOL EMPLOYEES PROGRAMS

24 SECTION 3.201. Section 1579.002, Insurance Code, is amended
25 by amending Subdivision (1) and adding Subdivision (3-a) to read as
26 follows:

27 (1) "Administering firm" means any entity designated

1 by:

2 (A) the division [trustee] to administer any
3 health coverages, services, benefits, or requirements under this
4 chapter and the commissioner's [trustee's] rules adopted under this
5 chapter; or

6 (B) the trustee to administer any other
7 coverages, services, benefits, or requirements under this chapter
8 and the trustee's rules adopted under this chapter.

9 (3-a) "Division" means the health insurance division
10 of the department established under Subchapter D, Chapter 31.

11 SECTION 3.202. Section 1579.051, Insurance Code, is amended
12 to read as follows:

13 Sec. 1579.051. ADMINISTRATION OF GROUP PROGRAM. (a)
14 Except as provided by Subsection (b), the [The] Teacher Retirement
15 System of Texas, as trustee, shall implement and administer the
16 uniform group coverage program described by this chapter.

17 (b) The division shall implement and administer each health
18 coverage plan described by this chapter.

19 SECTION 3.203. Section 1579.052, Insurance Code, is amended
20 by amending Subsection (a) and adding Subsection (e) to read as
21 follows:

22 (a) Except as provided by Subsection (e), the [The] trustee
23 may adopt rules relating to the program as considered necessary by
24 the trustee.

25 (e) Notwithstanding Subsections (a)-(d), the commissioner
26 shall adopt rules relating to health coverage plans offered under
27 the program and administered by the division.

1 SECTION 3.204. Section 1579.053, Insurance Code, is amended
2 to read as follows:

3 Sec. 1579.053. PERSONNEL. The trustee and the division may
4 hire and compensate employees as necessary to implement the
5 program.

6 SECTION 3.205. Section 1579.054, Insurance Code, is amended
7 to read as follows:

8 Sec. 1579.054. COMPETITIVE BIDDING REQUIREMENTS; RULES. A
9 contract to provide group health coverage under this chapter may be
10 awarded only through competitive bidding under rules adopted by the
11 commissioner [~~trustee~~].

12 SECTION 3.206. Section 1579.055, Insurance Code, is amended
13 to read as follows:

14 Sec. 1579.055. CONTRACT AWARD; CONSIDERATIONS. (a) In
15 awarding a contract to provide group benefits under this chapter,
16 the trustee or the division is not required to select the lowest bid
17 and may consider also any relevant criteria, including the
18 bidder's:

- 19 (1) ability to service contracts;
20 (2) past experiences; and
21 (3) financial stability.

22 (b) If the trustee awards a contract to a bidder whose bid
23 deviates from that advertised, the trustee shall record the
24 deviation and fully justify the reason for the deviation in the
25 minutes of the next board meeting. If the division awards a
26 contract to a bidder whose bid deviates from that advertised, the
27 division shall record the deviation and fully justify the reason

1 for the deviation.

2 SECTION 3.207. Section 1579.101, Insurance Code, is amended
3 to read as follows:

4 Sec. 1579.101. PLANS OF GROUP HEALTH COVERAGES. (a) The
5 commissioner [~~trustee~~] by rule shall establish plans of group
6 health coverages for employees participating in the program and
7 their dependents.

8 (b) The plans must include at least two tiers of group
9 health coverage, with coverage at different levels in each tier,
10 ranging from the catastrophic care coverage plan to the primary
11 care coverage plan. [~~Each tier must contain a health coverage~~
12 ~~plan.~~]

13 (c) The commissioner [~~trustee~~] by rule shall define the
14 requirements of each coverage plan and tier of coverage.

15 (d) Comparable coverage plans of each tier of health
16 coverage established must be offered to employees of all
17 participating entities.

18 SECTION 3.208. Section 1579.102, Insurance Code, is amended
19 to read as follows:

20 Sec. 1579.102. CATASTROPHIC CARE COVERAGE PLAN. The health
21 coverage provided under the catastrophic care coverage plan shall
22 be prescribed by the commissioner [~~trustee~~] by rule and must
23 provide coverage at least as extensive as the coverage provided
24 under the TRS-Care 2 plan operated by the division under Chapter
25 1575.

26 SECTION 3.209. Section 1579.103, Insurance Code, is amended
27 to read as follows:

1 Sec. 1579.103. PRIMARY CARE COVERAGE PLAN. The health
2 coverage provided under the primary care coverage plan must be
3 comparable in scope and, to the greatest extent possible, in cost to
4 the health coverage provided under Chapter 1551.

5 SECTION 3.210. Section 1579.154, Insurance Code, is amended
6 to read as follows:

7 Sec. 1579.154. PARTICIPATION BY CHARTER SCHOOLS;
8 ELIGIBILITY. (a) A charter school is eligible to participate in
9 the program if the school agrees:

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

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

17 (b) A charter school must notify the trustee and the
18 division of the school's intent to participate in the program in the
19 manner and within the time required by rules adopted by the trustee
20 and the commissioner, as appropriate.

21 SECTION 3.211. Section 1579.202(b), Insurance Code, is
22 amended to read as follows:

23 (b) An employee described by Subsection (a) who applies for
24 coverage during an open enrollment period prescribed by the trustee
25 is automatically covered by the catastrophic care coverage plan
26 unless the employee:

27 (1) specifically waives health coverage under this

1 chapter in the manner prescribed by the division;

2 (2) selects a higher tier coverage plan; or

3 (3) is expelled from the program.

4 SECTION 3.212. Sections 1579.203(a) and (b), Insurance
5 Code, are amended to read as follows:

6 (a) A participating employee may select coverage in any
7 coverage plan offered under this chapter [~~by the trustee~~].

8 (b) The employee is not required to continue participation
9 in the health coverage plan initially selected and may select a
10 higher or lower tier coverage plan than the plan initially selected
11 by the employee in the manner provided by rules adopted by the
12 commissioner [~~trustee~~].

13 SECTION 3.213. Section 1579.303, Insurance Code, is amended
14 to read as follows:

15 Sec. 1579.303. PAYMENTS FROM FUND. The trustee and the
16 division may use amounts in the fund only to provide group coverages
17 under this chapter and to pay the expenses of administering the
18 program.

19 PART 4. PROGRAMS FOR CERTAIN HIGHER EDUCATION EMPLOYEES

20 SECTION 3.301. Section 1601.003, Insurance Code, is amended
21 by amending Subdivision (1) and adding Subdivision (3-a) to read as
22 follows:

23 (1) "Administering carrier" means a carrier or
24 organization that is:

25 (A) qualified to engage in business in this
26 state; and

27 (B) designated by a system or by the division to

1 administer services, benefits, insurance coverages, or
2 requirements in accordance with this chapter.

3 (3-a) "Division" means the health insurance division
4 of the department established under Subchapter D, Chapter 31.

5 SECTION 3.302. Section 1601.051, Insurance Code, is amended
6 to read as follows:

7 Sec. 1601.051. ADMINISTRATION AND IMPLEMENTATION. (a) A
8 system shall:

9 (1) implement a uniform program for the benefit of its
10 employees and retired employees; and

11 (2) determine basic procedural and administrative
12 practices for insurance coverage provided under this chapter.

13 (b) Notwithstanding Subsection (a), the division shall
14 administer a health benefit plan offered under the uniform program.

15 SECTION 3.303. Section 1601.052, Insurance Code, is amended
16 to read as follows:

17 Sec. 1601.052. RULEMAKING AUTHORITY. A system shall adopt
18 rules consistent with this chapter as it considers necessary to
19 implement this chapter and its purposes. The commissioner shall
20 adopt rules as necessary to implement a health benefit plan
21 administered by the division under this chapter.

22 SECTION 3.304. Section 1601.053, Insurance Code, is amended
23 to read as follows:

24 Sec. 1601.053. GENERAL DUTIES RELATING TO COVERAGE. (a) A
25 system and the division shall jointly:

26 (1) determine basic coverage standards that must be
27 comparable to those commonly provided:

1 (A) in private industry; and

2 (B) to employees of another agency or an
3 institution of higher education in this state under Chapter 1551;
4 and

5 (2) establish procedures to allow each covered
6 employee and retired employee to obtain prompt action regarding
7 claims pertaining to coverages provided under this chapter.

8 (b) In designing a coverage plan, a system and the division
9 may consider existing local conditions.

10 SECTION 3.305. Section 1601.054, Insurance Code, is amended
11 to read as follows:

12 Sec. 1601.054. COMPETITIVE BIDDING REQUIRED. A system and
13 the division shall ensure that [~~submit~~] the uniform program,
14 including any agreement under which a carrier is engaged to
15 administer a self-insured program, is submitted for competitive
16 bidding at least every six years.

17 SECTION 3.306. Section 1601.055, Insurance Code, is amended
18 to read as follows:

19 Sec. 1601.055. IDENTIFICATION OF ADMINISTRATIVE COSTS IN
20 BIDS. A system and the division shall include in its respective bid
21 documents for the various coverages a provision calling for each
22 bidder to identify [~~the system's~~] administrative costs as a
23 distinguishable figure and to enumerate the services the bidder
24 will render in exchange for the administrative costs.

25 SECTION 3.307. Section 1601.057, Insurance Code, is amended
26 to read as follows:

27 Sec. 1601.057. SELECTION OF BIDS. (a) A system or the

1 division is not required to select the lowest bid under Section
2 1601.054 but shall take into consideration other relevant criteria,
3 such as ability to service contracts, past experience, and
4 financial stability.

5 (b) If a system selects a carrier whose bid differs from
6 that advertised, the governing board of the system shall fully
7 justify and record the reasons for the deviation in the minutes of
8 the next meeting of the governing board. If the division or the
9 system selects a carrier whose bid differs from that advertised,
10 the division shall fully justify and record the reasons for the
11 deviation.

12 SECTION 3.308. Section 1601.058, Insurance Code, is amended
13 to read as follows:

14 Sec. 1601.058. SELECTION OF HEALTH MAINTENANCE
15 ORGANIZATIONS. The division [~~A system~~] shall select and contract
16 for services performed by health maintenance organizations that are
17 approved by this state to offer health care services in specific
18 areas of the state to eligible employees and retired employees.

19 SECTION 3.309. Section 1601.059, Insurance Code, is amended
20 to read as follows:

21 Sec. 1601.059. CERTIFICATE OF COVERAGE. A system or the
22 division, as appropriate, shall ensure that each employee and
23 retired employee participating under this chapter is issued a
24 certificate of coverage that states:

25 (1) the benefits to which the participant is entitled;

26 (2) to whom the benefits are payable;

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

1 (4) the provisions of the plan document, in summary
2 form, that principally affect the participant.

3 SECTION 3.310. Sections 1601.060(a) and (b), Insurance
4 Code, are amended to read as follows:

5 (a) A carrier providing coverage purchased under this
6 chapter to a system shall provide an accounting for each line of
7 coverage to the system and the division, as appropriate, not later
8 than the 120th day after the end of each plan year.

9 (b) The accounting must be in a form acceptable to the
10 system and the division.

11 SECTION 3.311. Section 1601.061(b), Insurance Code, is
12 amended to read as follows:

13 (b) The system or the division, as appropriate, may use
14 money in the special reserve at its discretion, including for:

15 (1) providing additional coverage for participating
16 employees or retired employees;

17 (2) offsetting necessary rate increases; or

18 (3) reducing contributions to the coverage by
19 participating employees or retired employees.

20 SECTION 3.312. Section 1601.062, Insurance Code, is amended
21 to read as follows:

22 Sec. 1601.062. REPORTS AND RECORDS BY ADMINISTERING
23 CARRIER. Each contract entered into under this chapter between a
24 system or the division and an administering carrier must:

25 (1) require the administering carrier to provide
26 reasonable reports that the system or the division determines are
27 necessary for the system to perform its functions under this

1 chapter; and

2 (2) permit the system, the division, and
3 representatives of the state auditor to examine records of the
4 administering carrier as necessary to accomplish the purposes of
5 this chapter.

6 SECTION 3.313. Section 1601.104(a), Insurance Code, is
7 amended to read as follows:

8 (a) The division [~~A system~~] shall automatically provide the
9 basic coverage to each full-time employee unless the employee has:

10 (1) waived participation in the basic coverage; or

11 (2) selected an optional coverage plan.

12 SECTION 3.314. Section 1601.107, Insurance Code, is amended
13 to read as follows:

14 Sec. 1601.107. COVERAGE FOR DEPENDENTS. An individual who
15 is eligible to participate in the uniform program under Section
16 1601.101 or 1601.102 is entitled to secure for a dependent of the
17 individual any group coverages provided under this chapter for
18 dependents under rules adopted by the applicable system and the
19 commissioner, as appropriate.

20 SECTION 3.315. Section 1601.109(b), Insurance Code, is
21 amended to read as follows:

22 (b) The division [~~A system~~] may not contract for or provide
23 for group insurance or HMO coverage or provide self-insured
24 coverage, that:

25 (1) excludes or limits coverage or services for
26 acquired immune deficiency syndrome, as defined by the Centers for
27 Disease Control and Prevention of the United States Public Health

1 Service, or human immunodeficiency virus infection; or

2 (2) provides coverage for serious mental illness that
3 is less extensive than the coverage provided for any other physical
4 illness.

5 SECTION 3.316. Sections 1601.110(a) and (b), Insurance
6 Code, are amended to read as follows:

7 (a) In this section, "disease management services" means
8 services to assist an individual manage a disease or other chronic
9 health condition, such as heart disease, diabetes, respiratory
10 illness, end-stage renal disease, HIV infection, or AIDS, and with
11 respect to which the division [~~governing board of a system~~]
12 identifies populations requiring disease management.

13 (b) A health benefit plan provided under this chapter must
14 provide disease management services or coverage for disease
15 management services in the manner required by the division
16 [~~governing board of a system~~], including:

- 17 (1) patient self-management education;
- 18 (2) provider education;
- 19 (3) evidence-based models and minimum standards of
20 care;
- 21 (4) standardized protocols and participation
22 criteria; and
- 23 (5) physician-directed or physician-supervised care.

24 SECTION 3.317. Section 1601.151(a), Insurance Code, is
25 amended to read as follows:

26 (a) Notwithstanding any other provisions of this chapter,
27 the governing board of a system may:

1 (1) self-insure a plan provided under this chapter
2 other than a health benefit plan; and

3 (2) hire a carrier to administer the system's
4 self-insured plans [~~uniform program~~].

5 SECTION 3.318. Section 1601.152, Insurance Code, is amended
6 to read as follows:

7 Sec. 1601.152. CAFETERIA PLAN. (a) The division, in
8 conjunction with the governing board of a system, may develop,
9 implement, and administer a cafeteria plan.

10 (b) The division [~~governing board~~] may include in the
11 cafeteria plan any benefit that may be included in a cafeteria plan
12 under federal law.

13 (c) The division [~~governing board~~] may cooperate and work
14 with and enter into a necessary contract or agreement with an
15 independent and qualified agency, person, or entity to:

16 (1) develop, implement, or administer a cafeteria
17 plan; or

18 (2) assist in those activities.

19 (d) The commissioner [~~governing board~~] may adopt an order
20 terminating the cafeteria plan and providing a procedure for the
21 orderly withdrawal of the system and its employees from the
22 cafeteria plan if the commissioner and the governing board
23 determine [~~determines~~] that a cafeteria plan adopted under this
24 section is no longer advantageous to the system and its employees.

25 SECTION 3.319. Section 1601.153, Insurance Code, is amended
26 to read as follows:

27 Sec. 1601.153. GROUP CONTRACTS [~~SYSTEMS MAY JOIN IN~~

1 ~~PROCURING INSURANCE~~]. The division [~~systems~~] may [~~join together~~
2 ~~to~~] procure one or more group contracts with an insurance company
3 authorized to engage in business in this state to insure the
4 employees and retired employees of each participating system.

5 SECTION 3.320. Section 1601.154(a), Insurance Code, is
6 amended to read as follows:

7 (a) A system may join with a board of trustees that
8 administers optional or voluntary coverages under the uniform
9 program established under Chapter 1551 or optional or voluntary
10 coverages under the group program established under Chapter 1575 to
11 provide long-term care insurance coverage.

12 SECTION 3.321. Section 1601.155, Insurance Code, is amended
13 to read as follows:

14 Sec. 1601.155. REINSURANCE. (a) The division may arrange
15 with an administering carrier issuing a health insurance policy
16 under this chapter for the reinsurance of portions of the total
17 amount of insurance under the policy with other carriers that elect
18 to participate in the reinsurance.

19 (b) A system may arrange with an administering carrier
20 issuing a policy under this chapter other than a health insurance
21 policy for the reinsurance of portions of the total amount of
22 insurance under the policy with other carriers that elect to
23 participate in the reinsurance.

24 SECTION 3.322. Section 1601.204(b), Insurance Code, is
25 amended to read as follows:

26 (b) The authorization must be:

27 (1) in writing or performed electronically; and

1 (2) in a form satisfactory to the system and the
2 division.

3 SECTION 3.323. Section 1601.210, Insurance Code, is amended
4 to read as follows:

5 Sec. 1601.210. PROVISION OF NECESSARY INFORMATION. The
6 Teacher Retirement System of Texas, Optional Retirement Program
7 carriers, ~~and~~ Employees Retirement System of Texas, and the
8 division shall provide to each system information the system
9 considers necessary to provide retired employees with the coverages
10 and system contributions provided under this chapter.

11 SECTION 3.324. Sections 1601.307(a) and (b), Insurance
12 Code, are amended to read as follows:

13 (a) The advisory committee of a system shall cooperate and
14 work with the governing board of the system and the division in
15 coordinating and correlating the administration of the uniform
16 program among the various components, units, and agencies of the
17 system.

18 (b) Members of the advisory committee shall cooperate and
19 work with the governing board of the system and the division as
20 advisors in the development, implementation, coordination, and
21 administration of the uniform program among the various components,
22 units, and agencies of the system.

23 SECTION 3.325. Section 1625.003, Insurance Code, is amended
24 to read as follows:

25 Sec. 1625.003. RULES. The board of trustees, ~~and~~ the
26 governing boards of institutions of higher education, and the
27 commissioner, as appropriate, shall ~~may~~ adopt rules as necessary

1 to implement this chapter.

2 SECTION 3.326. Section 1625.004, Insurance Code, is amended
3 to read as follows:

4 Sec. 1625.004. MEMORANDUM OF UNDERSTANDING. The board of
5 trustees, ~~and~~ the governing boards of institutions of higher
6 education, and the commissioner may enter into memoranda of
7 understanding with one another to implement this chapter.

8 SECTION 3.327. Section 1625.005, Insurance Code, is amended
9 to read as follows:

10 Sec. 1625.005. UNIFORM PROCEDURES. The governing board of
11 an institution of higher education, ~~and~~ the board of trustees,
12 and the commissioner may:

13 (1) adopt uniform procedures to implement a transfer
14 under this chapter; and

15 (2) impose conditions necessary to ensure the
16 efficient operation of the programs over which they have ~~each has~~
17 jurisdiction.

18 ARTICLE 4. TRANSITION

19 SECTION 4.001. The commissioner of insurance shall adopt
20 rules and issue orders as necessary to establish the health
21 insurance division of the Texas Department of Insurance not later
22 than November 1, 2005.

23 SECTION 4.002. (a) Not later than January 1, 2006, the
24 commissioner of insurance, in consultation with the board of
25 trustees of the Employees Retirement System of Texas, shall adopt
26 rules as necessary to administer Chapters 1551 and 1552, Insurance
27 Code, as amended by this Act.

1 (b) Not later than January 1, 2006, the commissioner of
2 insurance, in consultation with the board of trustees of the
3 Teachers Retirement System of Texas, shall adopt rules as necessary
4 to administer Chapters 1575, 1576, and 1579, Insurance Code, as
5 amended by this Act.

6 (c) Not later than January 1, 2006, the commissioner of
7 insurance, in consultation with the board of regents of The
8 University of Texas System and the board of regents of The Texas A&M
9 University System, shall adopt rules as necessary to administer
10 Chapters 1601 and 1625, Insurance Code, as amended by this Act.

11 SECTION 4.003. Effective September 1, 2006, the changes in
12 law made by this Act apply to coverage offered under Chapter 1551,
13 1552, 1575, 1576, 1579, 1601, or 1625.

14 SECTION 4.004. To the extent of any conflict, this Act
15 prevails over another Act of the 79th Legislature, Regular Session,
16 2005, relating to nonsubstantive additions to and corrections in
17 enacted codes (the General Code Update bill).

18 SECTION 4.005. This Act takes effect September 1, 2005.