

By: Representative Reynolds

To: Insurance;  
Appropriations

## HOUSE BILL NO. 1437

1 AN ACT TO CREATE THE LOCAL GOVERNMENT RETIRED EMPLOYEES  
2 HEALTH INSURANCE PLAN TO BE DESIGNED AND ADMINISTERED BY THE  
3 DEPARTMENT OF FINANCE AND ADMINISTRATION; TO PROVIDE DEFINITIONS;  
4 TO AUTHORIZE THE DEPARTMENT TO EXECUTE A CONTRACT OR CONTRACTS TO  
5 PROVIDE THE BENEFITS UNDER THE PLAN; TO REQUIRE THE DEPARTMENT TO  
6 MAKE CERTAIN REPORTS ON AN ANNUAL BASIS; TO PROVIDE FOR PAYMENT OF  
7 THE PREMIUMS BY THE RETIRED EMPLOYEES OR THE EMPLOYERS, OR BOTH;  
8 TO CREATE A SPECIAL FUND IN THE STATE TREASURY FOR FUNDS IN EXCESS  
9 OF THE AMOUNT NEEDED FOR DISBURSEMENT OF CLAIMS; AND FOR RELATED  
10 PURPOSES.

11 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MISSISSIPPI:

12 SECTION 1. For the purposes of this act, the words and  
13 phrases used herein shall have the following meanings:

14 (a) "Department" means the Department of Finance and  
15 Administration.

16 (b) "Plan" means the Local Government Retired Employees  
17 Health Insurance Plan created under this act.

18 (c) "Fund" means the Local Government Retired Employees  
19 Insurance Fund set up under this act.

20 (d) "Local government retired employee" means any  
21 person who is retired and is receiving a retirement allowance  
22 under the Public Employees' Retirement System and who was an  
23 employee of a local institution, department or agency as provided  
24 in Section 25-15-101 et seq.

25 (e) "Employer" means any governing board or governing  
26 authority of a local institution, department or agency described  
27 in Section 25-15-101 et seq.

28 SECTION 2. (1) The department is empowered and authorized  
29 to administer the plan for the local government retired employees  
30 and to adopt and promulgate rules and regulations for its

31 administration, subject to the terms and limitations contained in  
32 this act. The department shall employ, subject to the rules and  
33 regulations of the State Personnel Board, such personnel as may be  
34 needed to carry out the provisions of this act.

35 (2) The department shall be responsible for fully disclosing  
36 to plan members the provisions of the plan. Such disclosure shall  
37 consist of the dissemination of educational material on the plan  
38 and any proposed changes thereto.

39 SECTION 3. The department shall design a plan of health  
40 insurance for local government retired employees which provides  
41 benefits for semiprivate rooms in addition to other incidental  
42 coverage which the department deems necessary. The amount of the  
43 coverage shall be in such reasonable amount as may be determined  
44 by the department to be adequate, after due consideration of  
45 current health costs in Mississippi. The plan shall also include  
46 major medical benefits in such amounts as the department shall  
47 determine. The department is also authorized to accept bids for  
48 such alternate coverage and optional benefits as the department  
49 shall deem proper. The department may employ or contract for such  
50 consulting or actuarial services as may be necessary to formulate  
51 the Local Government Retired Employees Health Insurance Plan and  
52 to assist the department in the preparation of specifications and  
53 in the process of advertising for the bids for the plan. The  
54 department is authorized to promulgate rules and regulations to  
55 implement the provisions of this section.

56 SECTION 4. The department is authorized to execute a  
57 contract or contracts to provide the benefits under the plan.  
58 Such contract or contracts may be executed with one or more  
59 corporations or associations licensed to transact accident and  
60 health insurance business in this state; however, no such contract  
61 shall be executed with any corporation, association or company  
62 domiciled in any other state except that such corporation,  
63 association or company shall meet the conditions and terms for a  
64 like contract established by the state of the domicile of such  
65 corporation, association or company for a Mississippi corporation,  
66 association or company. No corporation, association or company  
67 with less than five (5) years' experience in the health field may

68 bid. All of the benefits to be provided under the plan may be  
69 included in one or more similar contracts, or the benefits may be  
70 classified into different types with each type included under one  
71 or more similar contracts issued by the same or different  
72 companies.

73 The department shall supply the statistical information upon  
74 which a quotation is to be calculated, upon request, to all  
75 carriers licensed in the state. Bids may be accepted at the  
76 discretion of the department, and the department shall have the  
77 right to adjust rates on an annual basis if the department shall  
78 deem such adjustment necessary. Any additional written  
79 information the carrier wishes to submit, supporting the proposed  
80 benefits and premium rate, may accompany the proposal. Within  
81 thirty (30) days after receiving the proposals, the department  
82 shall determine whether to contract with the carrier which has  
83 been determined to have submitted the lowest and best bid or to  
84 reject all such bids and receive new proposals.

85 The department shall authorize any corporation licensed to  
86 transact accident and health insurance business in this state  
87 issuing any such contract to reinsure portions of such contract  
88 with any other such corporation which elected to be a reinsurer  
89 and is legally competent to enter into a reinsurance agreement.  
90 The department may designate one or more of such corporations as  
91 the administering corporation or corporations. Each employee who  
92 is covered under any such contract or contracts shall receive a  
93 certificate setting forth the benefits to which the employee is  
94 entitled thereunder, to whom such benefits shall be payable, to  
95 whom claims should be submitted, and summarizing the provisions of  
96 the contract principally affecting the employee. Such certificate  
97 shall be in lieu of the certificate which the corporation or  
98 corporations issuing such contract or contracts would otherwise  
99 issue.

100 The department may, as of the end of any contract year,

101 discontinue any contract or contracts it has executed with any  
102 corporation or corporations and replace it or them with a contract  
103 or contracts in any other corporation or corporations meeting the  
104 requirements of this section.

105         The department may reject any and all bids and contracts  
106 under this section and may elect for the group of local government  
107 retired employees to become a self-insurer; however,  
108 administration and service of any such self-insured program may be  
109 contracted to a third party by the department.

110         The Department of Finance and Administration shall annually  
111 report to the Joint Legislative Budget Committee the condition of  
112 the Local Government Retired Employees Health Insurance Plan.  
113 Such report shall contain, but not be limited to, a report of the  
114 plan's financial condition at the close of the most recent  
115 complete calendar year. The report shall also include all  
116 recommendations made to the department by consultants regarding  
117 the plan and its administration, including a complete departmental  
118 response to each recommendation. The department shall also list  
119 the history of yearly claims paid and premiums received. Any plan  
120 revisions made during the previous year shall also be listed in  
121 the report and fully described in the report. The department  
122 shall also provide the Joint Legislative Budget Committee with a  
123 monthly statement of plan utilization.

124         In addition to the information provided for herein, the  
125 department shall provide to the Joint Legislative Budget Committee  
126 budgetary information on the plan. All information shall be  
127 provided to the Joint Legislative Budget Committee in a format  
128 designated by the committee. The information shall be provided in  
129 September of each year and at such times throughout the year as  
130 the committee deems necessary. The information shall include, but  
131 not be limited to:

132             (a) A detailed breakdown of all expenditures of the  
133 plan, administrative and otherwise, for the most recently

134 completed fiscal year and projected expenditures for the current  
135 fiscal year.

136 (b) A schedule of all contracts, administrative and  
137 otherwise, executed for the benefit of the plan during the most  
138 recent completed fiscal year and those executed and anticipated  
139 for the current fiscal year.

140 (c) Anticipated plan expenditures, administrative and  
141 otherwise, for the next fiscal year.

142 The department shall also provide to the Joint Legislative  
143 Committee on Performance Evaluation and Expenditure Review (PEER)  
144 all information described in paragraph (b) in this section. The  
145 PEER Committee shall prepare a report by January 1 of each year on  
146 all contractors utilized by the department for the health plan  
147 (excluding the third-party administrator contract). The  
148 committee's report shall address the processes by which the  
149 department procured the contractors, the contractors' work  
150 products and contract expenditures.

151 Annually, the Department of Finance and Administration shall  
152 request, and the Department of Audit shall conduct, a  
153 comprehensive audit of the plan. For purposes of this section,  
154 the audit required herein shall be separate and distinct from any  
155 audit prepared in conjunction with the development of the  
156 Comprehensive Annual Financial Report (CAFR).

157 SECTION 5. The local government retired employees shall pay  
158 one hundred percent (100%) of the cost of the premiums for the  
159 health insurance plan unless the employer elects to pay all or a  
160 portion of the cost of the premiums, in which case the local  
161 government retired employees shall pay the difference. Funds from  
162 such premiums shall be deposited directly into a depository bank  
163 or special fund in the State Treasury, as determined by the  
164 department. These funds and interest earned on these funds may be  
165 used for the disbursement of claims and shall be exempt from the  
166 appropriation process. The Department of Finance and

167 Administration may establish and enforce late charges and interest  
168 penalties or other penalties for the purpose of requiring the  
169 prompt payment of all premiums for health insurance permitted  
170 under this act. All funds in excess of the amount needed for  
171 disbursement of claims shall be deposited in a special fund in the  
172 State Treasury to be known as the Local Government Retired  
173 Employees Insurance Fund. The State Treasurer shall invest all  
174 funds in the fund and all interest earned shall be credited to the  
175 fund. Such funds shall be placed with one or more depositories of  
176 the state and invested on the first day such funds are available  
177 for investment in certificates of deposit, repurchase agreements  
178 or in United States Treasury bills or as otherwise authorized by  
179 law for the investment of Public Employees' Retirement System  
180 funds, as long as such investment is made from competitive  
181 offering and at the highest and best market rate obtainable  
182 consistent with any available investment alternatives; however,  
183 such investments shall not be made in shares of stock, common or  
184 preferred, or in any other investments which would mature more  
185 than one (1) year from the date of investment. The department  
186 shall have the authority to draw from this fund periodically such  
187 funds as are necessary to operate the self-insurance plan or to  
188 pay to the insurance carrier the cost of operation of this plan.  
189 The state shall not share in the cost of coverage for local  
190 government retired employees.

191 The department shall also provide for the creation of an  
192 Insurance Reserve Fund and funds therein shall be invested by the  
193 State Treasurer with all interest earned credited to the Local  
194 Government Retired Employees Insurance Fund.

195 Any local government retired employee electing to purchase  
196 retired health insurance shall have the full cost of such  
197 insurance deducted monthly from his State of Mississippi  
198 retirement plan check or billed directly for the cost of the  
199 premium.

200 SECTION 6. This act shall take effect and be in force from  
201 and after July 1, 1999.