

1 HB136
2 156164-2
3 By Representative McCutcheon
4 RFD: State Government
5 First Read: 14-JAN-14
6 PFD: 01/10/2014

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ENROLLED, An Act,

To create the Local Government Health Insurance Board to administer the Local Government Health Insurance Program beginning January 1, 2015.

BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

Section 1. For the purpose of this act, the following words have the following meanings:

(1) BOARD. The Local Government Health Insurance Board established in this act.

(2) PROGRAM. The Local Government Health Insurance Program as provided by the State Employees' Insurance Board prior to the effective date of this act and as transferred and further provided for pursuant to this act.

Section 2. (a) The Local Government Health Insurance Board shall govern and administer the Local Government Health Insurance Program currently governed and administered by the State Employees' Insurance Board (SEIB) pursuant to Chapter 29, Title 36, Code of Alabama 1975. The transfer of the governance and administration to the board shall take effect at 12:01 a.m. on January 1, 2015, and thereafter the board shall take all control and responsibility for the program under procedures and authority set out in this act.

(b) The program governed and administered by the board shall provide a reasonable relationship between the

1 health care benefits to be included and the expected health
2 care expenses to be incurred by affected employees, retirees,
3 and their dependents. The board may establish a fully insured
4 or self-insured health care plan for employees and retirees as
5 defined in this act and may adopt and promulgate rules for the
6 administration of the program. The program shall include
7 appropriate controls to provide reasonable assurance of its
8 stability in future years, which may include, but are not
9 limited to, deductibles, copayments, coinsurance, and other
10 cost containment measures such as medical management,
11 utilization review, wellness initiatives, and case management
12 for the purpose of making the benefit plan more cost
13 effective.

14 (c) Except as otherwise provided herein, the program
15 shall be funded solely from contributions of the employer
16 participants of the program and shall not receive any funding
17 from the state. The governing bodies of entities participating
18 in the program (hereinafter "employer participants") are
19 authorized to make appropriations to the board as necessary
20 for the proper administration of the program including the
21 payment of premiums as provided in this act or under rules and
22 regulations promulgated by the board.

23 (d) Notwithstanding the provisions of Section
24 36-29-14, Code of Alabama 1975, the following entities and
25 organizations shall be employer participants in the program:

1 (1) All entities and organizations which are active
2 participants in good standing in the Local Government Health
3 Insurance Program governed and administered by SEIB
4 immediately prior to 12:01 a.m. on January 1, 2015.

5 (2) Subject to acceptance by the board, any of the
6 following entities or organizations not already employer
7 participants in the program pursuant to subdivision (1) which
8 by resolution legally conforming to rules prescribed by the
9 board elects to have its elected officials, full-time
10 employees, and retired employees become eligible for health
11 care coverage under the program: Any county, any municipality,
12 any municipal foundation, any fire or water district,
13 authority, or cooperative, any regional planning and
14 development commission established pursuant to Sections
15 11-85-50 through 11-85-73, Code of Alabama 1975; the
16 Association of County Commissions of Alabama; the Alabama
17 League of Municipalities; the Alabama Retired State Employees'
18 Association; the Alabama State Employees Credit Union; Easter
19 Seals Alabama; Alabama State University; the Alabama Rural
20 Water Association; Rainbow Omega, Incorporated; The Arc of
21 Alabama, Incorporated, and any of the affiliated local
22 chapters of The Arc of Alabama, Incorporated; United Ways of
23 Alabama and its member United Ways; any railroad authority
24 organized pursuant to Chapter 13, Title 37, Code of Alabama

1 1975; or any solid waste disposal authority organized pursuant
2 to Chapter 89A, Title 11, Code of Alabama 1975.

3 (e) The agreement of an employer participant to have
4 its full-time employees, elected officials, retirees, and
5 dependents covered under the program may be revoked only if
6 the employer participant, by resolution of its governing body,
7 signifies its intention and desire to withdraw from the
8 program. Any resolution to withdraw shall be delivered to the
9 board by certified mail no later than six months prior to the
10 effective date of withdrawal. Any employer participant that
11 withdraws from participation in the program shall be
12 responsible for paying any claims incurred prior to the date
13 of withdrawal that are not reported and paid by the date of
14 withdrawal and, on and after the date of withdrawal, shall be
15 liable for interest accrued at a rate of one and one-half
16 percent per month on any monies due the board which are over
17 30 days past due.

18 (f) Any organization that provides or administers
19 health care benefits through or on behalf of the board shall
20 not provide or administer health care benefits to any entity
21 that withdraws from the program for a period of two years from
22 the effective date of withdrawal.

23 (g) The board shall promulgate rules as may be
24 necessary for the effective administration of this section.

1 Section 3. (a) All full-time employees, elected
2 officials, and retirees of employer participants who are
3 eligible for health care benefits for themselves or their
4 dependents under the provisions of the program shall be
5 entitled to coverage and benefits as designated by the board.

6 (b) Each employee and retiree shall be entitled to
7 have his or her spouse and dependent children, as those
8 persons are defined by the board, included in the coverage
9 under rules and regulations promulgated by the board upon
10 agreeing to pay the employee's contribution of the health care
11 premium for the dependents. The board shall adopt rules and
12 regulations governing the discontinuance and resumption of
13 coverage for dependents by the employees and retirees. The
14 board shall adopt rules governing the discontinuance and
15 resumption of coverage for dependents by the employees and
16 retirees.

17 (c) The board shall establish premiums required for
18 employee, retiree, and dependent coverage to be paid by each
19 employer participant in the program pursuant to rules adopted
20 by the board. Employer participants shall provide to the board
21 any information deemed necessary by the board for the
22 determination of premium or other program matters. Employer
23 participants shall submit all premium payments and any other
24 information required pursuant to rules adopted by the board.
25 Any portion of the premium to be paid for the full-time

1 employees, elected officials, and retirees and their
2 dependents pursuant to this section may be paid by the
3 employer participant.

4 (d) During any period in which an employee or an
5 employee's dependents are covered under this act, the
6 employee's contribution to the health care premium may be
7 deducted from payroll by his or her employer on a pretax basis
8 as permitted under Section 125 of the federal Internal Revenue
9 Code or its successor.

10 (e) Each employee and retiree who is covered under
11 the program shall be provided a summary document setting forth
12 the benefits to which the employee, retiree, and dependents
13 are entitled, to whom such benefits shall be payable, to whom
14 claims shall be submitted, and a summary of the provisions of
15 the program as they affect the employee, retiree, and
16 dependents. The summary document may be provided in electronic
17 format at the discretion of the board.

18 Section 4. (a) Notwithstanding the provisions of
19 Section 36-29-14, Code of Alabama 1975, the board shall have
20 exclusive responsibility and control over the program as of
21 12:01 a.m. on January 1, 2015. In order to make proper
22 preparation to assume all responsibility and control for the
23 program effective at 12:01 a.m. on January 1, 2015, the board
24 shall be in place no later than September 1, 2014, and shall
25 hold its organizational meeting no later than October 1, 2014.

1 The SEIB shall be responsible for setting and conducting the
2 initial board elections required under subsection (c) and for
3 ensuring that all appointing authorities for board
4 appointments as set out in subsection (c) are notified of
5 appointments to be made pursuant to this act. In order to
6 ensure that all board members are appointed or elected no
7 later than September 1, 2014, all appointments shall be made
8 and all elections conducted no later than August 15, 2014. All
9 elections held after January 1, 2015, shall be conducted by
10 the chief executive officer of the board under rules
11 promulgated by the board.

12 (b) The board shall consist of members appointed or
13 elected as set out in subsection (c) who shall serve a
14 three-year term expiring on December 31 of the third year;
15 provided that, in order to establish staggered terms for board
16 members, the initial terms of office for board members shall
17 be as set out in subsection (c). All members of the board may
18 be re-elected or re-appointed to successive terms.

19 (c) The membership of the board shall consist of the
20 following:

21 (1) Three members who are representatives of
22 municipal government from municipal employer participants
23 appointed by the Alabama League of Municipalities. Initial
24 appointments shall be for staggered terms with one member
25 appointed to an initial term expiring on December 31, 2015;

1 one member appointed to an initial term expiring on December
2 31, 2016; and one member appointed to an initial term expiring
3 on December 31, 2017.

4 (2) Three members who are representatives of county
5 government from county employer participants appointed by the
6 Association of County Commissions of Alabama. Initial
7 appointments shall be for staggered terms with one member
8 appointed to an initial term expiring on December 31, 2015;
9 one member appointed to an initial term expiring on December
10 31, 2016; and one member appointed to an initial term expiring
11 on December 31, 2017.

12 (3) One member who is a retired employee
13 participating in the program appointed by the Alabama Retired
14 Employees' Association. The member appointed pursuant to this
15 subdivision shall serve a three-year term, provided that the
16 retiree first appointed shall serve an initial term expiring
17 on December 31, 2015.

18 (4) One member who is an active full-time employee
19 of municipal or county government with at least 10 years of
20 creditable coverage in the program who is elected by the
21 full-time employees of municipalities and counties
22 participating in the program pursuant to procedures set out in
23 subsection (a). The member elected pursuant to this
24 subdivision shall serve a three-year term, provided that the

1 member first elected shall serve an initial term expiring on
 2 December 31, 2016.

3 (5) One member who is either an active full-time
 4 employee of an employer participant that is not a county or
 5 municipality with at least 10 years of creditable coverage in
 6 the program or a retiree participating in the program. This
 7 member shall be elected by active full-time employees of an
 8 employer participant that is not a county or municipality and
 9 retirees participating in the program pursuant to procedures
 10 set out in subsection (a). The member elected pursuant to this
 11 subdivision shall serve a three-year term, with the initial
 12 term of the member first elected expiring on December 31,
 13 2017.

14 (d) Any vacancy of an elected board member prior to
 15 the expiration of his or her term shall be filled for the
 16 remainder of the term by special election provided there are
 17 at least 12 months remaining in the term. The special election
 18 shall be conducted by the chief executive officer of the board
 19 under rules and regulations promulgated by the board. Any
 20 vacancy of an appointed board member shall be filled by the
 21 original appointing authority for the remainder of the
 22 unexpired term.

23 Section 5. (a) The organizational meeting of the
 24 board shall be set no later than October 1, 2014, by the Chief
 25 Executive Officer of the SEIB. The first order of business at

1 the organizational meeting shall be the election of a chair
2 and vice chair by majority vote of the membership of the
3 board. The Chief Executive Officer of the SEIB shall call the
4 meeting to order and preside only until the chair and vice
5 chair are elected. Thereafter, the board shall annually elect
6 a chair and vice chair by majority vote of the membership of
7 the board, provided that any chair or vice chair may be
8 re-elected and serve successive terms as chair or vice chair.

9 (b) A majority of the members of the board shall
10 constitute a quorum for the transaction of business and each
11 member shall be entitled to one vote on all matters. Except
12 where otherwise provided, a majority vote of the board members
13 present shall be necessary for a decision by the board. The
14 board shall keep a record of all of its proceedings which
15 shall be open to public inspection and shall at all times
16 comply with Alabama's Open Meetings Law, Chapter 25A of Title
17 36, Code of Alabama 1975.

18 (c) Board members shall serve without compensation
19 for their services, but shall be reimbursed from the program
20 for all necessary expenses that they may incur through service
21 on the board.

22 (d) The board shall be a state agency and shall
23 constitute a body corporate for the purpose of providing for
24 and participating in the management of the program. The board
25 shall have all powers and privileges of a corporation and may

1 enforce all existing rights and claims, and hold its cash and
2 securities and other property in trust for the purpose for
3 which received; provided, however, the board, its officers,
4 and its employees shall be immune from suit to the same extent
5 as the state, its agencies, officers, and employees.

6 (e) The board shall be exempt from payment of all
7 fees and all taxes levied by the State of Alabama or any of
8 its subdivisions.

9 Section 6. (a) Except as otherwise provided in this
10 act, the SEIB shall provide for the administration of the
11 program as provided in Chapter 29, Title 36, Code of Alabama
12 1975, until the transfer of the governance and administration
13 of the program takes place as provided herein. Effective at
14 12:01 a.m. on January 1, 2015, all property rights and
15 contractual obligations of the SEIB related to the
16 administration and governance of the program shall be
17 transferred to the board. The SEIB and its employees shall
18 fully cooperate with the board in the transfer of the
19 governance and administration of the program both prior to and
20 after January 1, 2015, including, but not limited to,
21 providing the board with all the software necessary to
22 properly administer the program beginning on January 1, 2015.
23 Additionally, in order to affect an orderly transfer, the
24 administrator of the SEIB shall serve as the chief executive
25 officer of the board for a period of not less than 18 months

1 beginning on January 1, 2015, and may thereafter be retained
2 as chief executive officer as provided in subsection (h) of
3 Section 7.

4 (b) The board shall compensate the SEIB for the cost
5 of any software or other property transferred from the SEIB
6 based upon the fair market value of such software or other
7 property at the time of transfer determined by mutual
8 agreement.

9 (c) Any contracts executed between the SEIB and a
10 contractor may be assigned to the board upon mutual consent of
11 all parties.

12 Section 7. The board shall have full, complete, and
13 exclusive jurisdiction over the program and shall allocate
14 funds from its treasury for the fulfillment and accomplishment
15 of its duties and responsibilities in a manner as may be
16 necessary and appropriate to carry out the purposes of this
17 act. The board shall have the general powers and authority
18 granted under the laws of this state for health insurers, and
19 in addition thereto, the specific authority to do all of the
20 following:

21 (a) Subject to compliance with Section 8 where
22 applicable, execute a contract or contracts to provide for the
23 administration of the program in accordance with this act. The
24 contract or contracts may be executed with one or more
25 agencies or corporations licensed to transact or administer

1 group health care business in this state with similar plans of
2 the state for the joint performance of common administrative
3 functions.

4 (b) Establish, and modify from time to time as
5 appropriate, rates, rate schedules, rate adjustments, expense
6 allowances, claim reserve formulas, and any other actuarial
7 function necessary and appropriate for the operation of the
8 program. Rates and rate schedules may be adjusted for
9 appropriate factors such as age, family size, smokers and
10 users of tobacco products, preventive care and wellness care
11 participation, and any such other categories of risk that the
12 board shall approve.

13 (c) Appoint appropriate legal, actuarial, and other
14 committees as necessary to provide technical or program
15 assistance to the board.

16 (d) Establish and maintain at a lawful depository or
17 depositories in the State of Alabama as it shall select a
18 Local Government Health Insurance Fund, composed of the money
19 or moneys which may come into its hands from premiums, fees,
20 assessments, grants, loans, or other sources, either public or
21 private. The funds shall be used by the board to pay the
22 administrative expenses of the board, pay medical claims costs
23 of the program, and maintain a reserve fund. No moneys
24 received or held by the board shall be co-mingled with any
25 other funds of the state or any governmental entity.

1 (e) Borrow money to effect the purposes of this act
2 as determined appropriate by the board.

3 (f) Take legal action as necessary, including, but
4 not limited to, bringing action to do any of the following:

5 (1) Recover premiums, fees, assessments, and
6 penalties due the board.

7 (2) Avoid the payment of improper claims against the
8 board or the coverage provided by or through the board.

9 (3) Recover any amounts erroneously or improperly
10 paid by the board.

11 (4) Recover any amounts paid by the board as a
12 result of mistake of fact or law.

13 (5) Recover other amounts due the board.

14 (g) Promulgate rules concerning the selection of
15 benefits offered and any other matters which in the opinion of
16 the board may be required for the effective administration of
17 this act.

18 (h) Subject to subsection (a) of Section 6, employ
19 or otherwise appoint a chief executive officer to serve as
20 manager of the program under the direction and supervision of
21 the board and as required under this act. The board may
22 appoint the chief executive officer of the SEIB to continue as
23 chief executive officer after the initial 18 months of service
24 as provided in subsection (a) of Section 6 upon mutual consent
25 of the board and the SEIB.

1 (i) Employ and fix the compensation of employees,
 2 consultants, actuaries, and other personnel as may be
 3 necessary for carrying out the purposes and provisions of this
 4 act. All compensation shall be paid from the funds of the
 5 board. Employees of the board shall not be subject to the
 6 state Merit System Act; provided, however, the board shall
 7 offer its employees benefits equivalent to those offered to
 8 employees of the State of Alabama, including retirement,
 9 medical and dental care, and workers' compensation plans. The
 10 employees of the board are eligible and may elect to
 11 participate in the state health care plan under Chapter 29,
 12 Title 36, Code of Alabama 1975, and in the State Employees'
 13 Retirement System under Chapter 27, Title 36, Code of Alabama
 14 1975.

15 (j) Acquire property by purchase or lease.

16 (k) Provide for reinsurance of risks incurred by the
 17 program.

18 (l) Issue additional types of health care policies
 19 to provide optional coverage.

20 (m) Adopt bylaws, policies, and procedures as may be
 21 necessary or convenient for the implementation of this act and
 22 the operations of the program.

23 Section 8. (a) Before entering into any contract or
 24 contracts for a carrier or third party administrator, the
 25 board shall solicit competitive proposals from companies or

1 agencies qualified to administer or offer plans for group
2 health care coverage. The board shall carefully evaluate all
3 proposals received and award the contract or contracts to the
4 most qualified company or agency taking into consideration all
5 relevant factors, including, but not limited to, the
6 following: The benefits offered; the proposed administrative
7 costs and the costs to be incurred by the employer participant
8 and its employees, retirees, and dependents; and the
9 experience of the companies or agencies submitting proposals.
10 In evaluating these factors, the board may employ the services
11 of impartial professional insurance analysts or actuaries. The
12 contract or contracts executed by the board with the selected
13 carrier or third party administrator shall be a contract to
14 offer coverage to all employees and retirees of employer
15 participants subject to this act.

16 (b) The board may at the end of any contract period
17 discontinue any contract or contracts it has executed with any
18 carrier or third party administrator and replace the carrier
19 or administrator with a contract or contracts with any other
20 carrier or third party administrator meeting the requirements
21 of this act.

22 Section 9. The board shall have complete discretion
23 and final authority to interpret the terms and conditions of
24 the program. The program shall require adequate notice in
25 writing to any participant whose claim for benefits under the

1 program has been denied, setting forth the specific reasons
2 for such denial. Any participant whose claim for benefits has
3 been denied shall be afforded a reasonable opportunity for a
4 full and fair review by the claims administrator upon the
5 written request made within 60 days of the date of denial and
6 setting forth the specific reasons the participant believes
7 the claim should be approved. The claims administrator shall
8 provide a written final determination of the claim upon
9 completion of the review. Appeal of a final decision made by
10 the claims administrator shall be by legal action filed in the
11 Circuit Court of Montgomery County.

12 Section 10. The board shall maintain books of
13 account covering revenues derived by it from all sources,
14 together with accounts of all expenses incurred in connection
15 with the carrying out by the board of its purposes as
16 established by and under the terms of this act. The board may
17 obtain the services of a certified public accountant for
18 annual audits in lieu of audits conducted by the Department of
19 Examiners of Public Accounts. All such audits shall be filed
20 with the Department of Examiners of Public Accounts and open
21 for public inspection.

22 Section 11. All laws or parts of laws which conflict
23 with this act are repealed.

1 Section 12. This act shall become effective
2 immediately following its passage and approval by the
3 Governor, or its otherwise becoming law.

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Speaker of the House of Representatives

President and Presiding Officer of the Senate

House of Representatives

I hereby certify that the within Act originated in
 and was passed by the House 18-FEB-14.

Jeff Woodard
 Clerk

Senate

03-APR-14

Passed