

State of Arizona
House of Representatives
Forty-fifth Legislature
First Regular Session
2001

CHAPTER 127

HOUSE BILL 2243

AN ACT

AMENDING SECTIONS 15-388, 38-651 AND 38-656, ARIZONA REVISED STATUTES;
RELATING TO INSURANCE COVERAGE.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 15-388, Arizona Revised Statutes, is amended to
3 read:

4 15-388. Optional inclusion of school district employees in
5 state health and accident coverage; payment of
6 premiums; advance notice; minimum period of
7 participation; definition

8 A. If a governing board of a school district with ~~five hundred or~~
9 ~~fewer full-time equivalent employees~~ determines that state health and
10 accident insurance coverage is necessary or desirable and in the best
11 interest of the district, it may provide for inclusion of the district's
12 employees and spouses and dependents of school district employees in state
13 health and accident insurance coverage pursuant to section 38-651.

14 B. If the school district elects to participate in the state health
15 and accident insurance coverage, it shall be the only health and accident
16 insurance coverage offered to school district employees.

17 C. A school district governing board that elects to include its
18 employees in the state health and accident insurance coverage shall notify
19 the department of administration of its intention to do so by January 15 of
20 the calendar year prior to the school year starting after June 30 in which
21 the school district's employees would be eligible to receive state health and
22 accident insurance coverage.

23 D. A school district governing board that elects to include its
24 employees in the state health and accident insurance coverage shall
25 participate in state health and accident insurance coverage for at least two
26 years.

27 E. School districts that opt to participate in the state health and
28 accident insurance coverage shall agree to accept the benefit level, plan
29 design, insurance providers, premium level and other terms and conditions
30 determined by the department of administration and shall accept such other
31 contractual arrangements made by the department of administration with health
32 and accident insurance providers.

33 F. School districts shall reimburse the department of administration
34 for administrative and operational costs associated with school districts
35 participating in the state health and accident insurance coverage determined
36 pursuant to section 38-651, subsection K.

37 G. As used in this section, "state health and accident insurance
38 coverage" means the health and accident coverage procured by the department
39 of administration under section 38-651.

40 Sec. 2. Section 38-651, Arizona Revised Statutes, is amended to read:
41 38-651. Expenditure of funds for health and accident insurance

42 A. The department of administration may expend public monies
43 appropriated for such purpose to procure health and accident coverage for
44 full-time officers and employees of the state and its departments and
45 agencies. The department of administration may adopt rules which provide

1 that if an employee dies while the employee's surviving spouse's health
2 insurance is in force, the surviving spouse shall be entitled to no more than
3 thirty-six months of extended coverage at one hundred two per cent of the
4 group rates by paying the premiums. No public monies may be expended to pay
5 all or any part of the premium of health insurance continued in force by the
6 surviving spouse. The department of administration shall seek a variety of
7 plans, including indemnity health insurance, hospital and medical service
8 plans, dental plans and health maintenance organizations. On a
9 recommendation of the department of administration and the approval of the
10 joint legislative budget committee, the department of administration may
11 self-insure for the purposes of this subsection. If the department of
12 administration self-insures, the department may contract directly with
13 preferred provider organizations, physician and hospital networks, indemnity
14 health insurers, hospital and medical service plans, dental plans and health
15 maintenance organizations. The department of administration by rule shall
16 designate and adopt performance standards, including cost competitiveness,
17 utilization review issues, network development and access, conversion and
18 implementation, report timeliness, quality outcomes and customer satisfaction
19 for qualifying plans. The qualifying plans for which the standards are
20 adopted include indemnity health insurance, hospital and medical service
21 plans, closed panel medical and dental plans and health maintenance
22 organizations, and for eligibility of officers and employees to participate
23 in such plans. Any indemnity health insurance or hospital and medical
24 service plan designated as a qualifying plan by the department of
25 administration must be open for enrollment to all permanent full-time state
26 employees, except that any plan established prior to June 6, 1977 may be
27 continued as a separate plan. Any closed panel medical or dental plan or
28 health maintenance organization designated as the qualifying plan by the
29 department of administration must be open for enrollment to all permanent
30 full-time state employees residing within the geographic area or area to be
31 served by the plan or organization. Officers and employees may select
32 coverage under the available options.

33 B. The department of administration may expend public monies
34 appropriated for such purpose to procure health and accident coverage for the
35 dependents of full-time officers and employees of the state and its
36 departments and agencies. The department of administration shall seek a
37 variety of plans, including indemnity health insurance, hospital and medical
38 service plans, dental plans and health maintenance organizations. On a
39 recommendation of the department of administration and the approval of the
40 joint legislative budget committee, the department of administration may
41 self-insure for the purposes of this subsection. If the department of
42 administration self-insures, the department may contract directly with
43 preferred provider organizations, physician and hospital networks, indemnity
44 health insurers, hospital and medical service plans, dental plans and health
45 maintenance organizations. The department of administration by rule shall

1 designate and adopt performance standards, including cost competitiveness,
2 utilization review issues, network development and access, conversion and
3 implementation, report timeliness, quality outcomes and customer satisfaction
4 for qualifying plans. The qualifying plans for which the standards are
5 adopted include indemnity health insurance, hospital and medical service
6 plans, closed panel medical and dental plans and health maintenance
7 organizations, and for eligibility of the dependents of officers and
8 employees to participate in such plans. Any indemnity health insurance or
9 hospital and medical service plan designated as a qualifying plan by the
10 department of administration must be open for enrollment to all permanent
11 full-time state employees, except that any plan established prior to June 6,
12 1977 may be continued as a separate plan. Any closed panel medical or dental
13 plan or health maintenance organization designated as a qualifying plan by
14 the department of administration must be open for enrollment to all permanent
15 full-time state employees residing within the geographic area or area to be
16 served by the plan or organization. Officers and employees may select
17 coverage under the available options.

18 C. The department of administration shall designate the Arizona health
19 care cost containment system established by title 36, chapter 29 as a
20 qualifying plan for the provision of health and accident coverage to
21 full-time state officers and employees and their dependents. The Arizona
22 health care cost containment system shall not be the exclusive qualifying
23 plan for health and accident coverage for state officers and employees either
24 on a statewide or regional basis.

25 D. Except as provided in section 38-652, public monies expended
26 pursuant to this section each month shall not exceed:

27 1. Two hundred fifteen dollars multiplied by the number of officers
28 and employees who receive individual coverage.

29 2. Four hundred sixty dollars multiplied by the number of married
30 couples if both members of the couple are either officers or employees and
31 each receives individual coverage or family coverage.

32 3. Four hundred sixty dollars multiplied by the number of officers or
33 employees who receive family coverage if the spouses of the officers or
34 employees are not officers or employees.

35 E. Subsection D of this section:

36 1. Establishes a total maximum expenditure of public monies pursuant
37 to this section.

38 2. Does not establish a minimum or maximum expenditure for each
39 individual officer or employee.

40 F. In order to ensure that an officer or employee does not suffer a
41 financial penalty or receive a financial benefit based on the officer's or
42 employee's age, gender or health status, the department of administration
43 shall consider implementing the following:

44 1. Requests for proposals for health insurance that specify that the
45 carrier's proposed premiums for each plan be based on the expected age,

1 gender and health status of the entire pool of employees and officers and
2 their family members enrolled in all qualifying plans and not on the age,
3 gender or health status of the individuals expected to enroll in the
4 particular plan for which the premium is proposed.

5 2. Recommendations from a legislatively established study group on
6 risk adjustments relating to a system for reallocating premium revenues among
7 the contracting qualifying plans to the extent necessary to adjust the
8 revenues received by any carrier to reflect differences between the average
9 age, gender and health status of the enrollees in that carrier's plan or
10 plans and the average age, gender and health status of all enrollees in all
11 qualifying plans.

12 G. Each officer or employee shall certify on the initial application
13 for family coverage that such officer or employee is not receiving more than
14 the contribution for which eligible pursuant to subsection D of this section.
15 Each officer or employee shall also provide such certification on any change
16 of coverage or marital status.

17 H. If a qualifying health maintenance organization is not available
18 to an officer or employee within fifty miles of the officer's or employee's
19 residence and the officer or employee is enrolled in a qualifying plan, the
20 officer or employee shall be offered the opportunity to enroll with a health
21 maintenance organization when the option becomes available. If a health
22 maintenance organization is available within fifty miles and it is determined
23 by the department of administration that there is an insufficient number of
24 medical providers in the organization, the department may provide for a
25 change in enrollment from plans designated by the director when additional
26 medical providers join the organization.

27 I. Notwithstanding the provisions of subsection H of this section,
28 officers and employees who enroll in a qualifying plan and reside outside the
29 area of a qualifying health maintenance organization shall be offered the
30 option to enroll with a qualified health maintenance organization offered
31 through their provider under the same premiums as if they lived within the
32 area boundaries of the qualified health maintenance organization, provided
33 that:

34 1. All medical services are rendered and received at an office
35 designated by the qualifying health maintenance organization or at a facility
36 referred by the health maintenance organization.

37 2. All nonemergency or nonurgent travel, ambulatory and other expenses
38 from the residence area of the officer or employee to the designated office
39 of the qualifying health maintenance organization or the facility referred
40 by the health maintenance organization shall be the responsibility of and at
41 the expense of the officer or employee.

42 3. All emergency or urgent travel, ambulatory and other expenses from
43 the residence area of the officer or employee to the designated office of the
44 qualifying health maintenance organization or the facility referred by the
45 health maintenance organization shall be paid pursuant to any agreement

1 between the health maintenance organization and the officer or employee
2 living outside the area of the qualifying health maintenance organization.

3 J. The department of administration shall allow any school district
4 in this state that meets the requirements of section 15-388, a charter school
5 in this state that meets the requirements of section 15-187.01 or a city,
6 town, or county, COMMUNITY COLLEGE DISTRICT, SPECIAL TAXING DISTRICT,
7 AUTHORITY OR PUBLIC ENTITY ORGANIZED PURSUANT TO THE LAWS OF THIS STATE that
8 meets the requirements of section 38-656 to participate in the health and
9 accident coverage prescribed in this section. A school district, a charter
10 school, a city, a town, or a county, A COMMUNITY COLLEGE DISTRICT, A SPECIAL
11 TAXING DISTRICT, AN AUTHORITY OR ANY PUBLIC ENTITY ORGANIZED PURSUANT TO THE
12 LAWS OF THIS STATE rather than the state shall pay directly to the benefits
13 provider the premium for its employees.

14 K. The department of administration shall determine the actual
15 administrative and operational costs associated with school districts,
16 charter schools, cities, towns, and counties, COMMUNITY COLLEGE DISTRICTS,
17 SPECIAL TAXING DISTRICTS, AUTHORITIES AND PUBLIC ENTITIES ORGANIZED PURSUANT
18 TO THE LAWS OF THIS STATE participating in the state health and accident
19 insurance coverage. These costs shall be allocated to each school district,
20 charter school, city, town, and county, COMMUNITY COLLEGE DISTRICT, SPECIAL
21 TAXING DISTRICT, AUTHORITY AND PUBLIC ENTITY ORGANIZED PURSUANT TO THE LAWS
22 OF THIS STATE based upon the total number of employees participating in the
23 coverage.

24 L. Insurance providers contracting with the state shall separately
25 maintain records that delineate claims and other expenses attributable to
26 PARTICIPATION OF A school district, charter school, city, town, and county,
27 COMMUNITY COLLEGE DISTRICT, SPECIAL TAXING DISTRICT, AUTHORITY AND PUBLIC
28 ENTITY ORGANIZED PURSUANT TO THE LAWS OF THIS STATE participation in the
29 state health and accident insurance coverage and, by November 1 of each year,
30 shall report to the department of administration the extent to which state
31 costs are impacted by participation of school districts, charter schools,
32 cities, towns, and counties, COMMUNITY COLLEGE DISTRICTS, SPECIAL TAXING
33 DISTRICTS, AUTHORITIES AND PUBLIC ENTITIES ORGANIZED PURSUANT TO THE LAWS OF
34 THIS STATE in the state health and accident insurance coverage. By December
35 1 of each year, the director of the department of administration shall submit
36 a report to the president of the senate and the speaker of the house of
37 representatives detailing the information provided to the department by the
38 insurance providers and including any recommendations for possible
39 legislative action.

40 M. Any person that submits a bid to provide health and accident
41 coverage pursuant to this section shall disclose any court or administrative
42 judgments or orders issued against that person within the last ten years
43 before the submittal.

1 Sec. 3. Section 38-656, Arizona Revised Statutes, is amended to read:
2 38-656. Optional inclusion of city, town, county, special
3 taxing district, authority, public entity and
4 community college district employees in state health
5 and accident coverage; payment of premiums; advance
6 notice; minimum period of participation; definition

7 A. If a governing body of a city or town, or a county board of
8 supervisors, A COMMUNITY COLLEGE DISTRICT GOVERNING BOARD, A SPECIAL TAXING
9 DISTRICT, AN AUTHORITY OR ANY PUBLIC ENTITY ORGANIZED PURSUANT TO THE LAWS
10 OF THIS STATE determines that state health and accident insurance coverage
11 is necessary or desirable and in the best interest of its employees, it may
12 provide for inclusion of its employees and spouses and the dependents of its
13 employees in state health and accident insurance coverage pursuant to section
14 38-651.

15 B. If a governing body of a city or town, or a county board of
16 supervisors, A COMMUNITY COLLEGE DISTRICT GOVERNING BOARD, A SPECIAL TAXING
17 DISTRICT, AN AUTHORITY OR ANY PUBLIC ENTITY ORGANIZED PURSUANT TO THE LAWS
18 OF THIS STATE elects to participate in the state health and accident
19 insurance coverage, it shall be the only health and accident insurance
20 coverage offered to the city's, town's, or county's, DISTRICT'S, SPECIAL
21 TAXING DISTRICT'S, AUTHORITY'S OR PUBLIC ENTITY'S employees.

22 C. A governing body of a city or town, or a county board of
23 supervisors, A COMMUNITY COLLEGE DISTRICT GOVERNING BOARD, A SPECIAL TAXING
24 DISTRICT, AN AUTHORITY OR ANY PUBLIC ENTITY ORGANIZED PURSUANT TO THE LAWS
25 OF THIS STATE that elects to include its employees in the state health and
26 accident insurance coverage shall notify the department of administration of
27 its intention to do so by January 15 prior to the year in which the city's,
28 town's, or county's, DISTRICT'S, SPECIAL TAXING DISTRICT'S, AUTHORITY'S OR
29 PUBLIC ENTITY'S employees would be eligible to receive state health and
30 accident insurance coverage.

31 D. A governing body of a city or town, or a county board of
32 supervisors, A COMMUNITY COLLEGE DISTRICT GOVERNING BOARD, A SPECIAL TAXING
33 DISTRICT, AN AUTHORITY OR ANY PUBLIC ENTITY ORGANIZED PURSUANT TO THE LAWS
34 OF THIS STATE that elects to include its employees in the state health and
35 accident insurance coverage shall participate in state health and accident
36 insurance coverage for at least two years.

37 E. A governing body of a city or town, or a county board of
38 supervisors, A COMMUNITY COLLEGE DISTRICT GOVERNING BOARD, A SPECIAL TAXING
39 DISTRICT, AN AUTHORITY OR ANY PUBLIC ENTITY ORGANIZED PURSUANT TO THE LAWS
40 OF THIS STATE that opts to participate in the state health and accident
41 insurance coverage shall agree to accept the benefit level, plan design,
42 insurance providers, premium level and other terms and conditions determined
43 by the department of administration and shall accept any other contractual
44 arrangements made by the department of administration with health and
45 accident insurance providers.

1 F. A governing body of a city or town, or a county board of
2 supervisors, A COMMUNITY COLLEGE DISTRICT GOVERNING BOARD, A SPECIAL TAXING
3 DISTRICT, AN AUTHORITY OR ANY PUBLIC ENTITY ORGANIZED PURSUANT TO THE LAWS
4 OF THIS STATE shall reimburse the department of administration for
5 administrative and operational costs associated with the city's, town's, or
6 county's, COMMUNITY COLLEGE DISTRICT'S, SPECIAL TAXING DISTRICT'S,
7 AUTHORITY'S OR PUBLIC ENTITY'S participation in the state health and accident
8 insurance coverage determined pursuant to section 38-651, subsection K.

9 G. As used in this section, "state health and accident insurance
10 coverage" means the health and accident coverage procured by the department
11 of administration under section 38-651.

APPROVED BY THE GOVERNOR APRIL 17, 2001.

FILED IN THE OFFICE OF THE SECRETARY OF STATE APRIL 17, 2001.

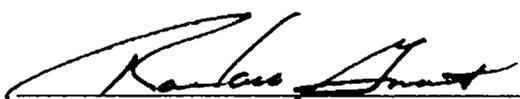
Passed the House March 07, 2001,

Passed the Senate April 4, 2001,

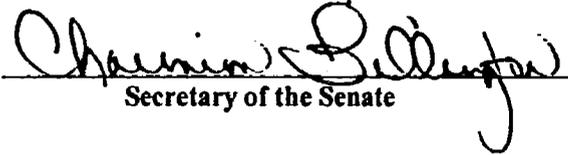
by the following vote: 58 Ayes,
0 Nays, 2 Not Voting

by the following vote: 28 Ayes,
2 Nays, 0 Not Voting


Speaker of the House


President of the Senate


Chief Clerk of the House


Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF GOVERNOR

This Bill was received by the Governor this
_____ day of _____, 20____,
at _____ o'clock _____ M.

Secretary to the Governor

Approved this _____ day of
_____, 20____,
at _____ o'clock _____ M.

Governor of Arizona

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF SECRETARY OF STATE

This Bill was received by the Secretary of State
this _____ day of _____, 20____,
at _____ o'clock _____ M.

Secretary of State

H.B. 2243

HOUSE CONCURS IN SENATE
AMENDMENTS AND FINAL PASSAGE

April 12, 2001,

by the following vote: 48 Ayes,

0 Nays, 12 Not Voting

Jake Flake
Speaker of the House
Pro Tempore
Norman L. Moore
Chief Clerk of the House

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF GOVERNOR

This Bill was received by the Governor this

12 day of April, 2001,

at 1:41 o'clock P M.

Sandra Gandy
Secretary to the Governor

Approved this 17 day of

April, 2001,

at 11:11 o'clock A M.

Janice McMillan
Governor of Arizona

H.B. 2243

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF SECRETARY OF STATE

This Bill was received by the Secretary of State

this 17 day of April, 2001,

at 4:45 o'clock P M.

Kristen Gayles
Secretary of State