

Dear Senators ANDREASON, Coiner & Malepeai, and
Representatives SCHAEFER, Marriott & Ringo:

The Legislative Services Office, Research and Legislation, has received the enclosed
rules of the Dept. Of Administration:

IDAPA 38.03.01 – Rules Governing Group Insurance

(Docket No. 38-0301-0901 – New Chapter).

Pursuant to Section 67-454, Idaho Code, a meeting on the enclosed rules may be called by the
cochairmen or by two (2) or more members of the subcommittee giving oral or written notice to
Research and Legislation no later than fourteen (14) days after receipt of the rules' analysis from
Legislative Services. The final date to call a meeting on the enclosed rules is no later than 10-29-
09. If a meeting is called, the subcommittee must hold the meeting within forty-two (42) days of
receipt of the rules' analysis from Legislative Services. The final date to hold a meeting on the
enclosed rules is 11-27-09.

_____The germane joint subcommittee may request a statement of economic impact with
respect to a proposed rule by notifying Research and Legislation. There is no time limit on
requesting this statement, and it may be requested whether or not a meeting on the proposed rule
is called or after a meeting has been held.

To notify Research and Legislation, call 334-2475, or send a written request to the
address or FAX number indicated on the memorandum enclosed.

MEMORANDUM

TO: Rules Review Subcommittee of the Senate Commerce and Human Resources Committee and the House Commerce and Human Resources Committee

FROM: Brooke Murdoch, Research Analyst

DATE: October 9, 2009

SUBJECT: Department of Administration

IDAPA 38.03.01 – Rules Governing Group Insurance (Docket No. 38-0301-0901 – New Chapter)

The Department of Administration submits notice of proposed rulemaking at IDAPA 38.03.01 – Rules Governing Group Insurance. According to the Department, these group insurance rules constitute a new chapter establishing state active employee and retired employee eligibility requirements. It is estimated that eligibility changes requiring part-time employees to work 20 hours or more per week for five consecutive months will save the state approximately \$150,000 per year. The Department states that the proposed rule also incorporates 2009 legislative changes made by House Bill 173 regarding retiree eligibility, which achieve an estimated savings of \$9.9 million per year. Additionally, the proposed rule establishes a two year Medicare prescription medication reimbursement program for individuals in the Medicare prescription drug coverage gap. The Department states that the cost of the two year supplemental reimbursement program will be \$400,000 per year, totaling \$800,000 for the two years, plus administrative expenses related to handling claims for reimbursement.

The Department states that negotiated rulemaking was not conducted because the purpose of the rulemaking is to implement the statutory requirements of Subsection 67-5761(1)(b), Idaho Code.

The proposed rule appears to be within the authority granted to the Department in Section 67-5761, Idaho Code.

cc: Department of Administration
Melissa Vandenberg, Deputy Attorney General
Cynthia Ness, Employee Benefits Program Manager

IDAPA 38 - DEPARTMENT OF ADMINISTRATION

38.03.01 - RULES GOVERNING GROUP INSURANCE

DOCKET NO. 38-0301-0901 (NEW CHAPTER)

NOTICE OF RULEMAKING - PROPOSED RULE

AUTHORITY: In compliance with Section 67-5221(1), Idaho Code, notice is hereby given that this agency has initiated proposed rulemaking procedures. The action is authorized pursuant to Section 67-5761(1)(b), Idaho Code.

PUBLIC HEARING SCHEDULE: Public hearing(s) concerning this rulemaking will be scheduled if requested in writing by twenty-five (25) persons, a political subdivision, or an agency, not later than October 21, 2009.

The hearing site(s) will be accessible to persons with disabilities. Requests for accommodation must be made not later than five (5) days prior to the hearing, to the agency address below.

DESCRIPTIVE SUMMARY: The following is a nontechnical explanation of the substance and purpose of the proposed rulemaking:

These new Group Insurance rules will establish State employee and retired State employee eligibility requirements and the two year supplemental reimbursement for individuals in the Medicare prescription drug gap.

FEE SUMMARY: The following is a specific description of the fee or charge imposed or increased:

There are no fees or charges being imposed through this rulemaking.

FISCAL IMPACT: The following is a specific description, if applicable, of any negative fiscal impact on the state general fund greater than ten thousand dollars (\$10,000) during the fiscal year resulting from this rulemaking:

The cost of the 2-year supplemental reimbursement for individuals in the Medicare prescription drug gap will be \$400,000 per year (for a total of \$800,000), plus administrative expenses related to handling claims for reimbursement. It is estimated that the change to requiring part-time employees to work 20 hours per week or more for five (5) consecutive months will save the State approximately \$150,000 per year. These rules also incorporate recent legislative changes regarding the retiree eligibility and recent plan design changes which achieve an estimated savings of \$9.9 million per year; plus the pro-rata contribution changes for part-time employees, effective in November 2009, which will further save the State approximately \$5.9 million per year.

NEGOTIATED RULEMAKING: Pursuant to Section 67-5220, Idaho Code, negotiated rulemaking was not conducted because this rulemaking is being done to implement the statutory requirements of 67-5761(1)(b), Idaho Code.

ASSISTANCE ON TECHNICAL QUESTIONS, SUBMISSION OF WRITTEN COMMENTS: For assistance on technical questions concerning the proposed rule, contact Cynthia Ness, Employee Benefits Program Manager, Office of Group Insurance, Department of Administration at (208) 332-1865.

Anyone may submit written comments regarding this proposed rulemaking. All written comments must be directed to the undersigned and must be delivered on or before October 28, 2009.

DATED this 28th day of August, 2009.

Melissa Vandenberg
Deputy Attorney General
Department of Administration
650 W. State Street, Room 100
P.O. Box 83720
Boise, ID 83720-0003
Ph: (208) 332-1832
Fax: (208) 334-2307

THE FOLLOWING IS THE PROPOSED TEXT OF DOCKET NO. 38-0301-0901

IDAPA 38
TITLE 03
CHAPTER 01

38.03.01 - RULES GOVERNING GROUP INSURANCE

000. LEGAL AUTHORITY.

The following rules are promulgated in accordance with Sections 67-5761(1)(b), Idaho Code. ()

001. TITLE AND SCOPE.

01. Title. These rules shall be cited as IDAPA 38.03.01, "Rules Governing Group Insurance." ()

02. Scope. Pursuant to Section 67-5761, Idaho Code, these rules set forth eligibility for the state of Idaho's group insurance, and eligibility and procedures for reimbursing a Medicare-eligible retiree for his out-of-pocket expenses for prescription medications when he has exceeded the initial Medicare prescription medication coverage amount. ()

002. WRITTEN INTERPRETATIONS.

In accordance with Section 67-5201(19)(b)(iv), Idaho Code, the Department of Administration may have written statements that pertain to the interpretation of these rules or to the documentation of compliance with these rules. Any such documents are available for public inspection and copying at the office of this agency, with the exception of those documents that are exempt from disclosure pursuant to Section 9-340, et. seq., Idaho Code, and the Health Insurance Portability Accountability Act. ()

003. ADMINISTRATIVE APPEALS.

The provisions found in Section 040 of these rules shall govern administrative appeals of the director's denial to the Group Insurance Advisory Committee. ()

004. EXEMPTION FROM ATTORNEY GENERAL'S ADMINISTRATIVE PROCEDURE RULES FOR CONTESTED CASES.

Pursuant to Section 67-5206(5), Idaho Code, except as provided in these rules, the procedures contained in Subchapter B, "Contested Cases," of the rules promulgated by the attorney general as IDAPA 04.11.01, "Idaho Rules of Administrative Procedure of the Attorney General." Sections 100 through 799, do not apply to appeals from denied petitions. ()

005. REASONS FOR EXEMPTION FROM ATTORNEY GENERAL'S ADMINISTRATIVE PROCEDURE RULES.

To prevent unnecessary delays and increased costs in the determination of whether a Medicare-eligible retiree or his Medicare-eligible dependent is eligible to receive reimbursement of out-of-pocket expenses for prescription medications, the rules of procedure in this chapter are adopted to promote the speedy resolution of appeals from denied petitions. ()

006. INCORPORATION BY REFERENCE.

There are no documents incorporated by reference in this chapter. ()

007. OFFICE -- OFFICE HOURS -- MAILING AND STREET ADDRESS.

The Office of Group Insurance is located at 650 W. State Street, Boise, Idaho 83702-5936. The mailing address is P.O. Box 83720, Boise, Idaho 83720-0035. Office hours are 8 a.m. to 5 p.m., Monday through Friday. ()

008. PUBLIC RECORDS ACT COMPLIANCE.

All rules contained in this chapter are subject to and in compliance with the Idaho Public Records Act, Title 9, Chapter 3, Idaho Code. ()

009. -- 010. (RESERVED).

011. DEFINITIONS.

01. Child. Child includes a natural child, stepchild, adopted child or child in the process of adoption from the time placed with the eligible active employee or eligible retiree. The term also includes a child legally dependent upon the eligible active employee, the eligible active employee's spouse, the eligible retiree or the eligible retiree's spouse for support where a normal parent-child relationship exists with the expectation that the eligible active employee or eligible retiree will continue to rear that child to adulthood. The definition does not include a child where one or both of that child's natural parents live in the same household with the eligible active employee or eligible retiree, as a parent-child relationship is not deemed to exist even though the eligible active employee, eligible retiree or their spouses provide support. ()

02. Date of Hire. The first day an individual begins work for the state or his employer. ()

03. Director. The director of the Department of Administration. ()

04. Eligible Active Employee. An officer or employee of a state agency, department or institution, including a state official, elected official or employee of another governmental entity which has contracted with the state of Idaho for group insurance coverage, who is working twenty (20) hours or more per week, and whose term of employment is expected to exceed five (5) consecutive months. ()

05. Eligible Dependent of an Eligible Active Employee. An eligible dependent of an eligible active employee who is enrolled in group insurance, is a person who is any of the following: ()

a. The spouse of an eligible active employee. ()

b. An unmarried child under the age of twenty-one (21) of an eligible active employee or an eligible active employee's spouse. ()

c. An unmarried child under the age of twenty-five (25) who is legally dependent upon the eligible active employee or the eligible active employee's spouse for support where a normal parent-child relationship exists with the expectation that the eligible active employee will continue to rear that child to adulthood, and is eligible to be claimed as a dependent on the eligible active employee's most recent United States Individual Income Tax return. ()

06. Eligible Dependent of an Eligible Retiree. An eligible dependent of an eligible retiree who is enrolled in group insurance, is a person who is any of the following: ()

a. The non-Medicare-eligible spouse of an eligible retiree. ()

b. An unmarried child under the age of twenty-one (21) of an eligible retiree or an eligible retiree's spouse. ()

c. An unmarried child under the age of twenty-five (25) who is legally dependent upon the eligible retiree or the eligible retiree's spouse for support where a normal parent-child relationship exists with the expectation that the eligible retiree will continue to rear that child to adulthood, and is eligible to be claimed as a dependent on the eligible retiree's most recent United States Individual Income Tax return. ()

07. Eligible Retiree. A person who is any of the following: ()

a. An officer or employee of a state agency, department or institution, including state and elected

officials, who retired on or before June 30, 2009, and who is not Medicare eligible. ()

b. An officer or employee of a state agency, department or institution, including state and elected officials, who meets all of the following: ()

i. He retires after June 30, 2009, and retires directly from state employment. ()

ii. He is not Medicare eligible. ()

iii. He was hired on or before June 30, 2009, or has at least twenty thousand eight hundred (20,800) credited state service hours on or before June 30, 2009, is reemployed, reelected or reappointed after June 30, 2009, and accrues an additional six thousand two hundred forty (6,240) continuous credited state service hours. ()

c. A person receiving benefits from a state of Idaho retirement system who has at least ten (10) years or twenty thousand eight hundred (20,800) credited state service hours in a state of Idaho retirement system, and who is not Medicare eligible. ()

08. Group Insurance. Medical, dental, vision, life, disability and other types of insurance coverage provided through a carrier who has contracted with the Office of Group Insurance to provide such insurance to eligible active employees, eligible retirees and their dependents. ()

09. Health Care Coverage. Medical insurance coverage provided through a carrier who has contracted with the Office of Group Insurance to provide medical insurance to eligible active employees, eligible retirees and their dependents. ()

10. Medicare Coverage Gap. Under a Medicare-supplement plan, there is a gap in coverage for prescription medications between the initial coverage limit (two thousand seven hundred dollars [\$2,700] in 2009) and the catastrophic coverage threshold (four thousand three hundred fifty dollars [\$4,350] in 2009). Within this gap, the Medicare recipient pays one hundred percent (100%) of the cost of prescription medications before catastrophic coverage begins. ()

11. Medicare Eligible. A person who is age sixty-five (65) or older and qualifies to receive Medicare. ()

012. -- 019. (RESERVED).

020. ELIGIBILITY FOR GROUP INSURANCE.

01. Group Insurance Eligibility. The following individuals who meet the eligibility criteria are qualified to apply for and receive group insurance coverage from the state of Idaho: ()

a. Eligible active employees. ()

b. Eligible dependents of an eligible active employee. ()

02. Health Care Coverage Eligibility. The following individuals who meet the eligibility criteria are qualified to apply for and receive health care coverage from the state of Idaho. ()

a. Eligible retirees. ()

i. An eligible retiree must enroll in health care coverage from the state of Idaho within sixty (60) calendar days of the date of retirement to be eligible for continuous health care coverage. ()

b. Eligible dependents of an eligible retiree. ()

03. Eligible Retiree or Eligible Retiree's Dependent as Late Enrollee. If an eligible retiree does not enroll in health care coverage from the state of Idaho within sixty (60) calendar days of the date of his retirement, or

does not enroll his dependent in health care coverage from the state of Idaho within sixty (60) calendar days of the date of his retirement, the eligible retiree or his dependent may be eligible for health care coverage as a late enrollee. Late enrollees are not eligible for continuous health care coverage. ()

04. Other Eligibility. All other eligibility criteria not found in these rules are set forth in the contracts between the Office of Group Insurance and the group insurance carriers. An individual is not eligible for group insurance or health care coverage unless he meets the eligibility criteria set forth in these rules and the eligibility criteria set forth in the contract between the respective carrier and the Office of Group Insurance. ()

021. -- 029. (RESERVED).

030. EXCEPTIONS TO ELIGIBILITY.

01. Dual Eligibility. Neither an eligible active employee's spouse nor an eligible retiree's spouse is eligible for group insurance or health care coverage if that spouse is an eligible active employee or an eligible retiree and is enrolled in group insurance or health care coverage. ()

02. Dual Eligibility of a Dependent Child. An eligible dependent child is eligible for group insurance under one or the other parent's group insurance policy, but not both, where both parents are eligible active employees, eligible retirees or are an eligible active employee and an eligible retiree. ()

031. EFFECTIVE DATE OF COVERAGE.

Once the eligible active employee or eligible retiree has enrolled himself and his dependents in group insurance and eligibility has been established, the effective dates of group insurance coverage is governed by the contracts between the respective carrier and the Office of Group Insurance. ()

032. LOSS OF ELIGIBILITY.

01. Eligible Active Employee Separation. An eligible active employee and his dependents are no longer eligible for group insurance when the employee separates employment. An employee or former employee may be qualified to extend group insurance coverage after separation under provisions of federal and state law. ()

02. Unmarried Dependent Child At or Over Age Twenty-Five. An unmarried child under the age of twenty-five (25) who is legally dependent upon the eligible active employee or eligible retiree for support where a normal parent-child relationship exists with the expectation that the eligible employee or eligible retiree will continue to rear that child to adulthood, and is eligible to be claimed as a dependent on the eligible active employee's or eligible retiree's most recent United States Individual Income Tax return, is no longer eligible for group insurance at the end of the calendar month the child becomes twenty-five (25) years old. ()

03. Retiree Becomes Medicare Eligible. A retiree is no longer eligible for health care coverage when the retiree becomes Medicare eligible. A Medicare-eligible retiree's dependent spouse, who is not Medicare eligible, and eligible dependent children, remain eligible for health care coverage until the spouse becomes Medicare eligible. ()

04. Retiree's Dependent Spouse Becomes Medicare Eligible. A retiree's dependent spouse and other dependents are no longer eligible for health care coverage when the retiree's dependent spouse becomes Medicare eligible. ()

033. ELIGIBILITY FOR RETIREE SUBSIDY OF ONE HUNDRED FIFTY-FIVE DOLLARS.

01. Eligible Retiree Monthly Subsidy. An eligible retiree enrolled as a retiree for health care coverage and who is not Medicare eligible, shall receive a one hundred fifty-five dollars (\$155) subsidy per month toward his health care coverage premiums at the end of the month the eligible retiree becomes Medicare eligible. ()

a. An eligible retiree enrolled as a dependent is not entitled to receive a one hundred fifty-five dollars (\$155) subsidy per month. ()

b. The subsidy will be paid by the state of Idaho to the Office of Group Insurance to offset the cost of the monthly premiums charged to the eligible retiree for health care coverage, and at no time will the subsidy be paid directly to the eligible retiree. ()

034. -- 039. (RESERVED).

040. MEDICARE PRESCRIPTION MEDICATION REIMBURSEMENT PROGRAM.

Effective January 1, 2010 through December 31, 2011, any Medicare-eligible retiree or his Medicare-eligible dependent spouse, who is no longer eligible for health care coverage due to Medicare eligibility, may petition the director for reimbursement of prescription medications up to, but not to exceed, two thousand dollars (\$2,000) per calendar year, per Medicare-eligible retiree and per Medicare-eligible dependent spouse. ()

01. Eligibility for Medicare Prescription Medication Reimbursement. If an eligible retiree or his eligible dependent spouse meet the following conditions, he can request reimbursement for his respective out-of-pocket expenses for prescription medications. Each individual must meet all criteria each calendar year: ()

a. The Medicare-eligible retiree or his Medicare-eligible dependent spouse has met or exceeded the initial Medicare coverage limit for prescription medication expenses under his Medicare-supplement plan. ()

b. The Medicare-eligible retiree or his Medicare-eligible dependent spouse is in the Medicare coverage gap, and has paid two thousand dollars (\$2,000) or more out of pocket for prescription medications. ()

c. The Medicare-eligible retiree's or his Medicare-eligible dependent spouse's total out-of-pocket prescription medication expenses have not exceeded the Medicare catastrophic coverage threshold. ()

02. Deadline to Request Reimbursement from the Director. A Medicare-eligible retiree or his Medicare-eligible dependent spouse must submit a petition and a request for reimbursement to the director on or before March 31 of each year for the petition and request to be considered timely. ()

a. All reimbursement requests for 2010 out-of-pocket prescription medication expenses must be received on or before March 31, 2011, and requests for 2011 out-of-pocket prescription medication expenses must be received on or before March 31, 2012, to be considered. Petitions and reimbursement requests received after March 31, 2011 (for 2010 expenses), and March 31, 2012 (for 2011 expenses), will be denied for being untimely. ()

03. Contents of the Petition and Reimbursement Requests. The Medicare-eligible retiree's or Medicare-eligible dependent spouse's petition and reimbursement request shall specifically state the reasons why the director should grant the Medicare-eligible retiree's or the Medicare-eligible dependent spouse's petition and reimbursement request, including but not limited to evidence that the petitioner has met all of the eligibility criteria above. ()

a. Reimbursement requests must include all of the following information on an itemized receipt or statement: ()

i. Date of service. ()

ii. Description of prescription medication. ()

iii. Total amount of expenses. ()

iv. Patient name. ()

v. Any amount covered by other insurance, if applicable. ()

04. Director's Review of the Petition and Reimbursement Request. The director shall review the petition and reimbursement request, and may ask for additional information or documentation from the petitioner to assist the director in reaching a decision on the petition and reimbursement request. ()

05. Director's Decision of the Petition and Reimbursement Request. The director shall approve or deny the petition and reimbursement request, and shall provide reasons for any denial within ten (10) business days after receipt of the petition or the receipt of requested information or documentation, whichever is later. ()

06. Appeal of Denial. A petitioner may appeal the director's denial within thirty (30) days of the denial. The appeal shall state the reasons why the director's decision is in error. The appeal shall be reviewed by the Group Insurance Advisory Committee within thirty (30) calendar days of receipt of the appeal. ()

a. The Group Insurance Advisory Committee may review the appeal and make a decision on the basis of the information and documentation provided by the Medicare-eligible retiree or his Medicare-eligible dependent spouse, may request additional information or documentation, and may take written or oral testimony. ()

b. The Group Insurance Advisory Committee shall issue a written decision on the Medicare-eligible retiree's or his Medicare-eligible dependent spouse's appeal within ninety (90) days of the date of the appeal. ()

c. The Group Insurance Advisory Committee shall deny any appeal for any of the following reasons: ()

i. The individual is not Medicare eligible. ()

ii. The individual has not yet retired from state employment. ()

iii. The Medicare-eligible retiree or the Medicare-eligible dependent spouse has not met all of the criteria described in Subsection 040.01 of these rules. ()

iv. The appeal is untimely or the original petition was submitted untimely. ()

07. Subsequent Reimbursement Requests After Approval of Petition. A Medicare-eligible retiree or his Medicare-eligible dependent spouse, whose petition for prescription medication reimbursement has been approved by the director, may submit subsequent requests for reimbursement to the Office of Group Insurance, until the individual has received two thousand dollars (\$2000) for reimbursed prescription medication, per calendar year, under these rules. ()

08. Reimbursement Considered Taxable Income. Any reimbursed prescription medication expenses by and through these rules are considered taxable income to the reimbursed party. ()

041. -- 049. (RESERVED).

050. CHANGES TO ELIGIBILITY RULES.

Changes, modifications or amendments to these rules that affects an individual's eligibility shall not be effective until those changes, modifications or amendments are included in the contract between the respective carrier and the Office of Group Insurance. ()

051. -- 054. (RESERVED).

055. NO RIGHTS OR BENEFITS CREATED.

Nothing contained in these rules creates additional group insurance coverage, policy, contract or benefits, nor does it create any vested right or benefit for any employee, retiree or their dependents. ()

056. -- 999. (RESERVED).