

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 1841 Session of
2007

INTRODUCED BY SURRA, NICKOL, SHIMKUS, McILVAINE SMITH, WANSACZ, DePASQUALE, McILHATTAN, McCALL, ARGALL, BELFANTI, BENNINGHOFF, BEYER, BIANCUCCI, BUXTON, CAPPELLI, COSTA, CRUZ, DeWEESE, FREEMAN, GIBBONS, GILLESPIE, GINGRICH, GODSHALL, GRUCELA, HARKINS, JAMES, JOSEPHS, KING, KORTZ, KOTIK, LENTZ, MACKERETH, MICOZZIE, R. MILLER, MOUL, PETRONE, RAMALEY, SAINATO, SAYLOR, SOLOBAY, SONNEY, THOMAS, WALKO, WATSON, YOUNGBLOOD AND YUDICHAK, OCTOBER 4, 2007

REFERRED TO COMMITTEE ON EDUCATION, OCTOBER 4, 2007

AN ACT

1 Amending Title 24 (Education) of the Pennsylvania Consolidated
2 Statutes, further providing for taxation, attachment and
3 assignment of funds; establishing the Public School
4 Employees' Benefit Board and providing for its powers and
5 duties; requiring a school employee benefits study and
6 evaluation; providing for a Statewide health benefits program
7 for public school employees, for alternative measures for
8 cost reduction and for a retirement health savings plan; and
9 establishing the Public School Employees' Benefit Trust Fund.

10 The General Assembly of the Commonwealth of Pennsylvania
11 hereby enacts as follows:

12 Section 1. Section 8533(a) of Title 24 of the Pennsylvania
13 Consolidated Statutes is amended to read:

14 § 8533. Taxation, attachment and assignment of funds.

15 (a) General rule.--Except as provided in subsections (b),
16 (c) and (d)[,] and section 9337(c) (relating to
17 misrepresentation, refusal to cooperate and fraud), the right of
18 a person to a member's annuity, a State annuity, or retirement

1 allowance, to the return of contributions, any benefit or right
2 accrued or accruing to any person under the provisions of this
3 part, and the moneys in the fund are hereby exempt from any
4 State or municipal tax, and exempt from levy and sale,
5 garnishment, attachment, or any other process whatsoever, and
6 shall be unassignable.

7 * * *

8 Section 2. Title 24 is amended by adding a chapter to read:

9 CHAPTER 93

10 SCHOOL EMPLOYEE BENEFITS

11 Subchapter

12 A. Preliminary Provisions

13 B. Public School Employees' Benefit Board

14 C. Study and Options Election

15 D. Statewide Health Benefits Program

16 E. Alternative Measures for Cost Reduction

17 F. Retirement Health Savings Plan

18 SUBCHAPTER A

19 PRELIMINARY PROVISIONS

20 Sec.

21 9301. Short title of chapter.

22 9302. Definitions.

23 § 9301. Short title of chapter.

24 This chapter shall be known and may be cited as the Public
25 School Employees' Benefit Act.

26 § 9302. Definitions.

27 The following words and phrases when used in this chapter
28 shall have the meanings given to them in this section unless the
29 context clearly indicates otherwise:

30 "Alternate health care plan." A plan or plan design

1 established by the Public School Employees' Benefit Board
2 pursuant to section 9331(f)(2)(ii) (relating to health benefits
3 program) which the board in its exclusive authority determines
4 to contain benefits equivalent to the standard benefit package.

5 "Alternative measures program." A program created by the
6 Public School Employees' Benefit Board in accordance with the
7 provisions of Subchapter E (relating to alternative measures for
8 cost reduction).

9 "Annuitant." Any "annuitant" or "disability annuitant" as
10 defined in section 8102 (relating to definitions).

11 "Best practices." Standards of criteria, measures and
12 results developed by the Public School Employees' Benefit Board
13 that may be reflective of such standards developed by broadly
14 accepted organizations such as the National Committee for
15 Quality Assurance (NCOA) and the Centers for Medicare and
16 Medicaid Services (CMS), consulting firm benchmarks and medical
17 and industry journals that promote the precisions of efficient
18 delivery and design of employee benefits.

19 "Board." The Public School Employees' Benefit Board created
20 in section 9311 (relating to Public School Employees' Benefit
21 Board).

22 "Board member." A person designated or appointed to the
23 Public School Employees' Benefit Board pursuant to section
24 9311(a) (relating to Public School Employees' Benefit Board).

25 "Consortium." A coalition of two or more geographically
26 defined public school entities, or a coalition of one or more
27 geographically defined public school entities and one or more
28 political subdivisions as defined by 61 Pa. Code § 315.2
29 (relating to definitions), formed for the purpose of pooling
30 combined purchasing of the individual participants in order to

1 increase bargaining power to obtain health care benefits.

2 "Contribution rate." The rate established by the Public
3 School Employees' Benefit Board in accordance with section
4 9334(b) and (c) (relating to partnership for stable benefits
5 funding) used to determine contributions by the Commonwealth and
6 public school entities for the funding of the standard benefit
7 package for eligible individuals in each health care region.

8 "Cost-sharing." The fee paid by the member that covers a
9 share of the cost of providing group health benefits under the
10 Statewide health benefits program or the fee paid by a school
11 employee or annuitant that covers a share of the cost of
12 providing health care coverage in a plan sponsored by the public
13 school entity. The term shall not include:

14 (1) any fee paid by the member, school employee or
15 annuitant at the time of service, such as copayments or
16 deductibles, in order to obtain prescription drugs or other
17 specific health care services; or

18 (2) any additional cost paid by the member, school
19 employee or annuitant for optional benefit packages.

20 "Eligible individual." An individual who is a member or the
21 health care dependent of a member.

22 "Employee benefits account." A ledger account of the Public
23 School Employees' Benefit Trust Fund created in section
24 9336(a)(1) (relating to Public School Employees' Benefit Trust
25 Fund).

26 "Employer contribution account." A ledger account of the
27 Public School Employees' Benefit Trust Fund created in section
28 9336(a)(3) (relating to Public School Employees' Benefit Trust
29 Fund).

30 "Health care dependent." An individual who is eligible to

1 receive health care coverage under the Statewide health benefits
2 program due to the individual's relation to the member, as
3 determined by the Public School Employees' Benefit Board.

4 "Health care region." The geographic regions determined by
5 the Public School Employees' Benefit Board to be appropriate for
6 providing health benefits for eligible individuals based on the
7 availability of insurance carriers, benefit administrators,
8 health care providers, health care provider networks, costs and
9 any other factors related to health care or the financing of the
10 benefits.

11 "IRC." The Internal Revenue Code of 1986, as designated and
12 referred to in section 2 of the Tax Reform Act of 1986 (Public
13 Law 99-514, 100 Stat. 2085, 2095). A reference in this chapter
14 to "IRC § " shall be deemed to refer to the identically numbered
15 section and subsection or other subdivision of such section in
16 26 United States Code (relating to Internal Revenue Code).

17 "Long-term substitute." A school employee who is
18 substituting for a professional or temporary professional
19 employee of a public school entity for a qualifying period of
20 time to be determined by the Public School Employees' Benefit
21 Board.

22 "Medicare." The programs established by Title XVIII of the
23 Social Security Act (49 Stat. 620, 42 U.S.C. § 1395 et seq.)
24 which include: Part A, Hospital Insurance Benefits for the Aged
25 and Disabled; Part B, Supplementary Medical Insurance Benefits
26 for the Aged and Disabled; Part C, Medicare+ Choice Program; and
27 Part D, Voluntary Prescription Drug Benefit Program; and
28 including any subsequent changes or additions to those programs.

29 "Member." An eligible individual who is so specified for
30 enrollment in the Statewide health benefits program and in whose

1 name the identification card is issued. A member can be:

2 (1) A school employee.

3 (2) An annuitant.

4 (3) A transfer employee.

5 (4) An individual separated from employment with a
6 public school entity who the Public School Employees' Benefit
7 Board determines is eligible to purchase continuation of
8 coverage in the Statewide health benefits program.

9 (5) Others as approved by the Public School Employees'
10 Benefit Board.

11 "Optional benefit package." A plan or plan design
12 established by the Public School Employees' Benefit Board
13 pursuant to section 9331(f)(2)(iii) (relating to health benefits
14 program) which includes specific health care services that are
15 not part of the standard benefit package.

16 "Participant account holder." A school employee
17 participating in a retirement health savings plan or a school
18 employee who retires or otherwise terminates employment with a
19 public school entity and becomes eligible to be reimbursed from
20 the employee's retirement health savings plan account for the
21 Internal Revenue Code of 1986 qualified health-related expenses.
22 The term shall also include the health care dependent of a
23 school employee who succeeds in interest to a deceased school
24 employee and becomes eligible to be reimbursed for health-
25 related expenses from the school employee's account.

26 "Phase-in period." The period of program operation in any
27 health care region from the time the Public School Employees'
28 Benefit Board begins implementation of mandatory participation
29 under section 9332 (relating to mandatory participation and
30 optional membership) until the commencement of the first plan

1 year in which 75% of school districts in that region are
2 participating in the program.

3 "Program." The Statewide health benefits program sponsored
4 by the Public School Employees' Benefit Board in accordance with
5 the provisions of Subchapter D (relating to Statewide health
6 benefits program).

7 "Public School Code." The act of March 10, 1949 (P.L.30,
8 No.14), known as the Public School Code of 1949.

9 "Public school entity." A school district of any class,
10 intermediate unit, area vocational-technical school, charter
11 school or other school, as provided for under the act of March
12 10, 1949 (P.L.30, No.14), known as the Public School Code of
13 1949. The term shall also include the Scotland School for
14 Veterans' Children and the Scranton State School for the Deaf.

15 "Qualified majority vote." A vote by the Public School
16 Employees' Benefit Board requiring the support of a majority of
17 the members of the board present and voting, with the support of
18 at least two board members described in section 9311(a)(1)
19 (relating to Public School Employees' Benefit Board), at least
20 two board members appointed under section 9311(a)(2) and at
21 least two board members appointed under section 9311(a)(3) to
22 pass.

23 "Qualifying event." A change in marital status, death of a
24 member or the change in a health care dependent's status,
25 subsequent to the commencement of coverage under this chapter,
26 or the involuntary termination of health plan coverage that was
27 obtained through a health care dependent.

28 "Reserve account." A ledger account of the Public School
29 Employees' Benefit Trust Fund created in section 9336(a)(2)
30 (relating to Public School Employees' Benefit Trust Fund).

1 § 9311. Public School Employees' Benefit Board.

2 (a) Status and membership.--The board shall be an
3 independent administrative board and shall consist of the
4 following board members:

5 (1) The Secretary of the Budget, the Secretary of
6 Education, the Secretary of Administration and the Insurance
7 Commissioner, all of whom shall serve ex officio.

8 (2) Four persons representing school employees who are
9 covered by the program in an approximate proportion to the
10 percentage of actual members of those unions working as
11 school employees in public school entities that will be
12 covered by the program when it is fully operational,
13 appointed by the Governor and chosen from a list of
14 candidates submitted by those school employee unions. The
15 proportional calculation of membership under this paragraph
16 shall not include members of those unions working as school
17 employees in a school district of the first class, as
18 classified pursuant to section 202 of the Public School Code,
19 until such school district opts to participate in the program
20 under the terms provided pursuant to section 9332(d)
21 (relating to mandatory participation and optional
22 membership).

23 (3) Four persons representing public school entity
24 employers appointed by the Governor and chosen from a list of
25 candidates submitted by the Pennsylvania School Boards
26 Association. At least one of the school entity employer
27 representatives initially named to the board shall be a
28 member of a consortium board.

29 The school employee unions and the Pennsylvania School Boards
30 Association shall provide the Governor with their respective

1 lists of candidates within 15 days following the effective date
2 of this section. The Governor shall make his appointments within
3 45 days following receipt of the lists.

4 (b) Terms.--

5 (1) Two board members appointed under subsection (a)(2),
6 as designated by the Governor, shall serve a term of two
7 years, and two board members appointed under subsection
8 (a)(2), as designated by the Governor, shall serve a term of
9 four years.

10 (2) Two board members appointed under subsection (a)(3),
11 as designated by the Governor, shall serve a term of two
12 years, and two board members appointed under subsection
13 (a)(3), as designated by the Governor, shall serve a term of
14 four years, except that the Pennsylvania School Boards
15 Association shall designate for which initial term the
16 representative who is a member of a consortium board shall
17 serve.

18 (3) Successors for all board members shall be appointed
19 for terms of four years, except as provided in subsection
20 (d). Board members shall be eligible for reappointment.

21 (c) Meetings.--The board shall meet as needed to fulfill its
22 duties, and seven board members shall constitute a quorum. Board
23 members shall elect the chairman of the board. Except in
24 instances where a qualified majority is required under this
25 chapter, a majority of the board members present and voting
26 shall have authority to act upon any matter. The board is
27 authorized to establish rules of its operation, including a
28 provision for the removal of board members for nonattendance.

29 (d) Vacancies.--A vacancy occurring during the term of any
30 board member shall be filled for the unexpired term by a

1 successor appointed in the same manner as his predecessor. The
2 school employee unions and the Pennsylvania School Boards
3 Association shall provide the Governor with their respective
4 lists of candidates within 60 days of the end of a member's term
5 or within 15 days of any other vacancy.

6 (e) Oath of office.--Each board member shall take an oath of
7 office that the member will, so far as it devolves upon the
8 member, diligently and honestly administer the affairs of the
9 board and that the member will not knowingly violate or
10 willfully permit to be violated any of the provisions of law
11 applicable to this chapter. The oath shall be subscribed by the
12 board member making it and certified by the officer before whom
13 it is taken and shall be immediately filed in the office of the
14 Secretary of the Commonwealth.

15 (f) Compensation and expenses.--Board members who are
16 members of the retirement system or the State Employees'
17 Retirement System shall serve without compensation. Board
18 members who are members of the retirement system and who are
19 employed by a public school entity shall not suffer loss of
20 salary or wages through serving on the board. The board, on
21 request of the employer of any board member who is an active
22 professional or nonprofessional member of the retirement system,
23 may reimburse the employer for the salary or wages of the member
24 or for the cost of employing a substitute for the board member
25 while the board member is necessarily absent from employment to
26 execute the duties of the board. The board members who are not
27 members of either the retirement system or the State Employees'
28 Retirement System may be paid \$100 per day when attending
29 meetings, and all board members shall be reimbursed for any
30 necessary expenses. When, however, the duties of the board as

1 mandated are not executed, no compensation or reimbursement for
2 expenses of board members shall be paid or payable during the
3 period in which the duties are not executed.

4 (g) Corporate power and legal advisor.--For the purposes of
5 this chapter, the board shall possess the power and privileges
6 of a corporation. The Office of General Counsel shall be the
7 legal advisor of the board.

8 (h) Duties of the board.--The board shall have the power and
9 authority to carry out the duties established by this chapter,
10 including the design, implementation and administration of the
11 school employee health benefits study pursuant to Subchapter C
12 (relating to study and options election) and either the
13 Statewide health benefits program if approved pursuant to
14 section 9323 (relating to plan adoption) or the alternative
15 measures program if created pursuant to section 9351 (relating
16 to alternative measures program).

17 § 9312. Administrative duties of board.

18 (a) Employees.--The compensation of all officers and
19 employees of the board who are not covered by a collective
20 bargaining agreement shall be established by the board
21 consistent with the standards of compensation established by the
22 Executive Board.

23 (b) Secretary.--The board shall select a secretary, who
24 shall not be a board member. The secretary shall act as chief
25 administrative officer for the board. In addition to other
26 powers and duties conferred upon and delegated to the secretary
27 by the board, the secretary shall:

28 (1) Serve as the administrative agent of the board and
29 as liaison between the board and applicable legislative
30 committees.

1 (2) Review and analyze proposed legislation and
2 legislative developments affecting the program and present
3 findings to the board, legislative committees and other
4 interested groups or individuals.

5 (3) Receive inquiries and requests for information
6 concerning the program from the press, Commonwealth
7 officials, public school entities, school employees and the
8 general public and provide information as authorized by the
9 board.

10 (c) Professional personnel.--The board may employ or
11 contract with consultants and other professional personnel as
12 needed to operate the program, including third-party
13 administrators, managed care managers, chief medical examiners,
14 actuaries, investment advisors and managers, legal counsel and
15 other professional personnel as it deems advisable. The board
16 may also contract for the services of any national or State
17 banking corporation or association having trust powers, with
18 respect to carrying out the business and other matters of the
19 program.

20 (d) Expenses.--The board shall, through the Governor, submit
21 to the General Assembly annually a budget covering the
22 administrative expenses of this chapter. The expenses, as
23 approved by the General Assembly in an appropriation bill, shall
24 be paid:

25 (1) from the General Fund; or

26 (2) starting in the first fiscal year after the
27 transition period is complete and every fiscal year
28 thereafter, from reserves and investment earnings of the
29 trust fund.

30 (e) Meetings.--The board shall hold at least four regular

1 meetings annually and other meetings as it may deem necessary.

2 (f) Records.--The board shall keep a record of all its
3 proceedings which shall be open to inspection by the public.

4 (g) Procurement.--The board shall not be subject to 62
5 Pa.C.S. Pt. I (relating to Commonwealth Procurement Code).

6 (h) Temporary regulations.--

7 (1) Notwithstanding any other provision of law to the
8 contrary and in order to facilitate the prompt implementation
9 of this chapter, regulations promulgated by the board during
10 the two years following the effective date of this chapter
11 shall be deemed temporary regulations which shall expire no
12 later than three years following the effective date of this
13 chapter or upon promulgation of regulations as generally
14 provided by law. The temporary regulations shall not be
15 subject to:

16 (i) Sections 201, 202, 203, 204 and 205 of the act
17 of July 31, 1968 (P.L.769, No.240), referred to as the
18 Commonwealth Documents Law.

19 (ii) The act of June 25, 1982 (P.L.633, No.181),
20 known as the Regulatory Review Act.

21 (2) The authority provided to the board to adopt
22 temporary regulations in this subsection shall expire two
23 years from the effect date of this chapter. Regulations
24 adopted after the two-year period shall be promulgated as
25 provided by law.

26 (i) Postretirement benefits study.--The board shall conduct
27 an assessment of public school entity postretirement health care
28 liability in this Commonwealth and publish a report providing
29 generalized data regarding the scope of the liability to be
30 borne by public school entities and measures implemented by

1 public school entities to prepare for this liability. This
2 assessment may be conducted in conjunction with the study
3 required by section 9321 (relating to school employee health
4 benefits study and evaluation).

5 SUBCHAPTER C

6 STUDY AND OPTIONS ELECTION

7 Sec.

8 9321. School employee health benefits study and evaluation.

9 9322. Board review and election.

10 9323. Plan adoption.

11 § 9321. School employee health benefits study and evaluation.

12 (a) Study.--The board shall conduct a thorough evaluation of
13 existing health care arrangements covering school employees in
14 this Commonwealth, examine future cost forecasts and collect
15 data necessary to determine if the board could construct and
16 sponsor a health care benefit program that would reduce long-
17 term costs or the rate of growth of long-term costs in the
18 aggregate for public school entities while maintaining a
19 comprehensive package of quality health care benefits for school
20 employees. The board shall conduct the study as provided under
21 this section.

22 (b) Data elements.--No later than 60 days after the board is
23 constituted, the board shall determine the information necessary
24 to evaluate the existing health care arrangements covering
25 school employees in this Commonwealth and begin to collect the
26 data, including, but not limited to:

27 (1) The total cost of providing medical/hospital and
28 prescription drug coverage.

29 (2) The types and levels of coverage currently made
30 available to school employees.

1 (3) The nature of health care purchasing arrangements.

2 (4) An explanation and estimate of any financial
3 obligation of or funds owed to a public school entity related
4 to the termination of coverage under a school district-
5 sponsored health benefits plan.

6 (5) An estimate of the amount of and basis for claims
7 which may be outstanding during the transition for public
8 school entities which self-fund their coverage and the status
9 of any reserves established for such outstanding claims.

10 (6) The term and effect of collective bargaining
11 agreements governing health benefits.

12 (7) The amount and basis of any school employee cost-
13 sharing, both individual and in aggregate.

14 (8) The total amount of employer-paid costs in
15 aggregate.

16 (9) An assessment of any postretirement health care
17 benefit liabilities and claims experience data.

18 (c) Data sources.--All entities providing health benefit
19 coverage for eligible individuals or administering coverage for
20 health benefits under this chapter shall provide information on
21 coverage, benefits, plan design, claims data, premiums, cost-
22 sharing and financial arrangements as the board shall specify to
23 meet the requirements of subsection (b). Notwithstanding any law
24 to the contrary, any agency, authority, board, commission,
25 council, department or office under the jurisdiction of the
26 Governor shall cooperate with the board in its collection of
27 health insurance or health care coverage data as specified by
28 the board to effectuate this section in accordance with this
29 section.

30 (d) Public school entities.--The Secretary of Education

1 shall assist the board in obtaining the necessary data for the
2 study from public school entities and consortia. In the event it
3 is necessary to facilitate the collection of data from a
4 noncooperating public school entity or consortium, the Secretary
5 of Education may request the State Treasurer to cause the
6 suspension of any payment of moneys due to the noncooperating
7 public school entity or public school entities that are
8 participants in a noncooperating consortium on account of any
9 appropriation for schools or other purposes until the necessary
10 information is properly provided. A public school entity shall
11 be notified before any payments are suspended and may appeal to
12 the secretary and request an extension of time if there have
13 been extenuating circumstances preventing the timely submission
14 of all necessary information. In considering an appeal, the
15 secretary may grant an extension of time for the public school
16 entity or consortium to provide the necessary information before
17 the suspension is instituted. The board is authorized and shall
18 authorize school entities and consortia to enter into agreements
19 with entities providing or administering coverage for health
20 care benefits under this chapter for the purpose of carrying out
21 the provisions of this section.

22 (e) Health benefit entities.--

23 (1) An entity providing or administering health
24 insurance or health care coverage for public school
25 employees, with the exception of public school entities or
26 consortia as provided for in subsection (d), shall, upon the
27 written request of the board, public school entities,
28 consortium or insured, provide claims and loss information
29 within 60 days of the request or sooner, if so determined by
30 the board.

1 (2) The Insurance Commissioner, the Department of Health
2 and any other agency, authority, board, commission, council,
3 department or office under the jurisdiction of the Governor
4 having regulatory authority over any entity charged under
5 paragraph (1), hereafter known as "regulating authority,"
6 shall cooperate with the board, if necessary, to obtain
7 information from any insurance company, third-party
8 administrator or other administrator or provider of health
9 insurance benefits for school employees, other than a public
10 school entity or consortium. Following notice and hearing,
11 the board may impose an order assessing a penalty of up to
12 \$1,000 per day upon any entity, other than a public school
13 entity or consortium, that willfully fails to comply with the
14 obligations imposed by this section. If the entity does not
15 comply with the obligations imposed by this section within 15
16 days of an order being imposed, the board shall notify the
17 regulating authority of the failure of an entity under its
18 jurisdiction to provide data as set forth in this section.
19 Upon notification, the regulating authority shall suspend or
20 revoke the license of the entity or otherwise suspend or
21 revoke the entity's ability to operate until such time as the
22 board notifies the regulating authority that the entity is in
23 compliance. The board shall have standing to petition the
24 Commonwealth Court to seek enforcement of the order.

25 (3) This subsection shall apply to every entity
26 providing or administering group health coverage in
27 connection with providing health care benefits to school
28 employees within this Commonwealth, including plans,
29 policies, contracts or certificates issued by:

30 (i) A stock insurance company incorporated for any

1 of the purposes set forth in section 202(c) of the act of
2 May 17, 1921 (P.L.682, No.284), known as The Insurance
3 Company Law of 1921.

4 (ii) A mutual insurance company incorporated for any
5 of the purposes set forth in section 202(d) of The
6 Insurance Company Law of 1921.

7 (iii) A professional health services plan
8 corporation as defined in 40 Pa.C.S. Ch. 63 (relating to
9 professional health services plan corporations).

10 (iv) A health maintenance organization as defined in
11 the act of December 29, 1972 (P.L.1701, No.364), known as
12 the Health Maintenance Organization Act.

13 (v) A fraternal benefit society as defined in
14 section 2403 of The Insurance Company Law of 1921.

15 (vi) A hospital plan corporation as defined in 40
16 Pa.C.S. Ch. 61 (relating to hospital plan corporations).

17 (vii) Health care plans subject to the Employee
18 Retirement Income Security Act of 1974 (Public Law 93-
19 406, 88 Stat. 829), to the maximum extent permitted by
20 Federal law.

21 (viii) An administrator as defined in section 1002
22 of the act of May 17, 1921 (P.L.789, No.285), known as
23 The Insurance Department Act of 1921.

24 (ix) A person licensed pursuant to Article VI-A of
25 The Insurance Department Act of 1921.

26 (x) Any other person providing or administering
27 group health care coverage on behalf of a public school
28 entity, or accepting charges or premiums from a public
29 school entity, in connection with providing health care
30 coverage for school employees, including, but not limited

1 to, multiple employer welfare arrangements, self-insured
2 public school entities and third-party administrators.

3 (f) Confidentiality.--Any data requested by or provided to
4 the board pursuant to this section shall comply with the
5 standards for privacy established pursuant to the Health
6 Insurance Portability and Accountability Act of 1996 (Public Law
7 104-191, 110 Stat. 1936).

8 (g) Prepared materials.--Any documents, materials or
9 information solely prepared or created for the purpose of
10 implementation of subsection (b) are confidential and shall not
11 be discoverable or admissible as evidence in any civil or
12 administrative action or proceeding. Any documents, materials,
13 records or information that would otherwise be available from
14 original sources shall not be construed as immune from discovery
15 or use in any civil or administrative action or proceeding
16 merely because they were presented to the board. Nothing in this
17 subsection shall be construed to prevent publication or
18 dissemination of the aggregate study findings.

19 (h) Received materials.--Any documents, materials or
20 information received by the board or by a department under the
21 jurisdiction of the Governor on the board's behalf for the
22 purpose of implementation of subsection (b) shall not be
23 discoverable from the board, any department or the submitting
24 entity, nor shall they be admissible as evidence in any civil or
25 administrative action or proceeding. Any documents, materials,
26 records or information that would otherwise be available from
27 original sources shall not be construed as immune from discovery
28 or use in any civil or administrative action or proceeding
29 merely because they were received by the board or any
30 department.

1 (i) Document review.--No current or former member or
2 employee of the board or any department shall be allowed to
3 testify as to any matters by reason of the member's or
4 employee's review of documents, materials, records or
5 information submitted to the board by the entity providing
6 health insurance or health care coverage pursuant to subsection
7 (b). The enjoinder of testimony does not apply to findings or
8 actions by the board or any department that are public records.

9 (j) Original source document.--In the event an original
10 source document as set forth in subsection (g) is determined by
11 a court of competent jurisdiction to be unavailable from the
12 entity providing health insurance or health care coverage in a
13 civil action or proceeding, then, in that circumstance alone,
14 the board may be required pursuant to a court order to release
15 that original source document to the party identified in the
16 court order.

17 (k) Right-to-know requests.--Any documents, materials or
18 information made confidential by subsection (f) shall not be
19 subject to requests under the act of June 21, 1957 (P.L.390,
20 No.212), referred to as the Right-to-Know Law, or any successor
21 statute.

22 (l) Liability.--Notwithstanding any other provision of law,
23 no person or entity providing any documents, materials or
24 information to the board, any department or other entity on the
25 board's behalf shall be held by reason of having provided the
26 documents, materials or information to have violated any
27 criminal law, or to be civilly liable under any law, unless the
28 information is false and the person providing the information
29 knew or had reason to believe that the information was false and
30 was motivated by malice toward any person directly affected by

1 the action.

2 § 9322. Board review and election.

3 (a) Options assessment.--Upon collection of the necessary
4 information, the board shall evaluate existing public school
5 entity health care arrangements, examine options that would
6 aggregate, either Statewide or regionally, health care coverage
7 for public school employees, assess possible cost-management
8 improvements and solicit input from public school entities and
9 consortia identified with best practice standards. The board
10 shall investigate the creation of a Statewide health benefits
11 program as provided for in section 9331 (relating to health
12 benefits program) with the goal of improving the overall
13 affordability of providing health care coverage for public
14 school employees. The cost projections shall be predicated on a
15 plan that provides quality health care benefits at a level
16 consistent with those now provided to most school employees
17 through existing collective bargaining contracts and offers
18 coverage to school employees and other eligible individuals.

19 (b) Election to proceed with program.--No later than ten
20 months after the board is constituted, unless a request by the
21 board for an extension is granted by the Governor, the board
22 shall decide whether to implement a Statewide health benefits
23 program, as provided for in section 9331, or to implement an
24 alternative measures program, as provided for in section 9351
25 (relating to alternative measures program), to reduce health
26 coverage costs for public school entities. The board's election
27 to implement a Statewide health benefits program shall require
28 approval by a qualified majority vote. Upon election to proceed
29 with a Statewide health benefits program, the board shall
30 develop a plan for adoption, pursuant to section 9323 (relating

1 to plan adoption).

2 (c) Alternative election.--If the board decides that a
3 Statewide health benefits program cannot be created in
4 accordance with subsection (a), or the board fails to achieve
5 agreement and approve a plan for implementing a Statewide health
6 benefits program, the board will proceed with consideration of
7 an alternative measures program that will reduce long-term costs
8 or the rate of growth of such costs in the aggregate for public
9 school entities in accordance with Subchapter E (relating to
10 alternative measures for cost reduction).

11 § 9323. Plan adoption.

12 (a) Statewide health benefits program adoption.--Within
13 three months of electing to proceed with the Statewide health
14 benefits program, pursuant to section 9322(b) (relating to board
15 review and election), the board shall verify that implementation
16 of a Statewide health care program will result in reduction in
17 the Statewide aggregate cost of the purchase of benefits or the
18 rate of growth of such costs and adopt a proposed plan for the
19 implementation of the program. The proposed plan shall be in
20 writing and shall include a detailed description of the program
21 and the transition procedures necessary to phase in and
22 implement the program. The board's adoption of a proposed plan
23 shall require approval by a qualified majority vote.

24 (b) Parameters of program.--The description of the Statewide
25 health benefits program shall at minimum include:

26 (1) The eligibility requirements for a school employee
27 and the employee's health care dependents to qualify for
28 participation in the program.

29 (2) The identification of the benefits to be included as
30 part of the standard benefit package.

1 (3) Disclosure of any member cost-sharing contributions,
2 whether expressed as a target percentage of overall program
3 costs or individually determined as a flat fee or a
4 percentage of salary and whether the cost-sharing is uniform
5 on a Statewide basis or varies by health care region.

6 (4) The designation of health care regions.

7 (5) The design of the Statewide pool or regional pools
8 that would be established to aggregate public school entities
9 for the purpose of purchasing services and managing health
10 insurance risks.

11 (6) The requirements for electronic eligibility
12 transmission between the board and other participating
13 entities, including public school entities, consortia and the
14 retirement system.

15 (7) Financial and accounting plans, including the
16 establishment of any necessary reserves or escrow accounts
17 with carriers.

18 (c) Transition procedures.--The description of the steps to
19 phase in and implement the Statewide health benefits program
20 shall at minimum include:

21 (1) A determination of when the standard benefit package
22 shall become the mandatory program offering for eligible
23 individuals in a public school entity as health care benefits
24 for school employees are normalized on a Statewide basis.

25 (2) A determination, based on the size and structure of
26 any risk pool established within a health care region, as to
27 when the program would be phased in within that region.

28 (3) The interim steps to aggregate public school
29 entities into a Statewide pool or regional pools, including
30 any best practice standards and benchmarks to be applied to

1 new or existing consortia, or public school entities, or in
2 any selection process to build a Statewide or regional pool.

3 (4) Transition rules on member cost-sharing
4 responsibility until any member cost-sharing is required for
5 all members Statewide, or within any region.

6 (5) Transition rules to limit any negative financial
7 impact on a public school entity required to purchase health
8 care coverage through a Statewide or regional pool and to
9 normalize contribution rates for all participating public
10 school entities within the same health care region.

11 (d) Alternative measures program adoption.--Within three
12 months of proceeding with consideration of an alternative
13 measures program pursuant to section 9322(c) (relating to board
14 review and election), the board shall adopt a proposed plan for
15 the implementation of an alternative measures program, pursuant
16 to Subchapter E (relating to alternative measures for cost
17 reduction), that will result in reduction in the Statewide
18 aggregate cost of the purchase of benefits or the rate of growth
19 of such costs. The proposed plan shall be in writing and shall
20 include a detailed description and the transition procedures
21 necessary to phase in and implement the alternative measures
22 program.

23 (e) Legislative and public review.--

24 (1) The board shall publish the provisions of any
25 proposed plan adopted pursuant to this section in the
26 Pennsylvania Bulletin and make it available on the board's
27 Internet website. Following publication, the board shall
28 schedule at least three public hearings to be conducted in
29 geographically diverse areas of this Commonwealth to solicit
30 public input on the plan.

1 9334. Partnership for stable benefits funding.

2 9335. Powers and duties of board.

3 9336. Public School Employees' Benefit Trust Fund.

4 9337. Misrepresentation, refusal to cooperate and fraud.

5 9338. Miscellaneous provisions.

6 § 9331. Health benefits program.

7 (a) Creation.--Upon adoption of a Statewide health plan
8 under section 9323(f) (relating to plan adoption), the board
9 shall proceed to initiate and sponsor an employee benefits
10 program for eligible individuals.

11 (b) Program design.--The board shall design a program which
12 follows the parameters of the plan and transition procedures as
13 established in section 9323. The board may develop and
14 administer the program itself or operate through any legal
15 entity authorized by law to do so, including consortia, and the
16 program may be developed and administered differently within
17 each health care region as long as a standard benefit package
18 that is substantially equivalent in coverage, as determined by
19 the board, is available to eligible individuals. The program may
20 also be administered in whole or in part on a fully insured or
21 self-funded basis at the board's sole discretion.

22 (c) Implementation.--The board may:

23 (1) Establish pools for selected areas of coverage, such
24 as pharmacy services, transplants, stop-loss insurance,
25 health care management or other possible areas that in the
26 board's judgment can be offered Statewide or regionally on a
27 more stable and cost-effective basis. The board may offer
28 separate plans to public school entities and consortia prior
29 to the phase-in of the standard benefit package.

30 (2) Make the program available in some health care

1 regions before it is made available within all regions.

2 (d) Eligibility requirements.--The board shall have full
3 authority to determine eligibility requirements for benefits and
4 to adopt rules and regulations setting forth the same which will
5 be binding on all eligible individuals. No coverage shall be
6 provided for eligible individuals without payment being made,
7 except under circumstances as may be established by the board
8 under reasonable guidelines.

9 (e) Coverage and plan selection.--The board shall have full
10 authority to select and contract with insurance carriers, health
11 maintenance organizations, pharmacy benefit managers, third-
12 party administrators, reinsurers and any other entities
13 necessary to provide a range of benefit packages to eligible
14 individuals through the program. The board shall have full
15 authority to determine the nature, amount and duration and
16 discontinuation of coverage to be provided.

17 (f) Standard and optional benefits.--

18 (1) A standard benefit package shall be established by
19 the board that shall include coverage for medical and
20 hospital services, prescription drugs and other benefits in
21 amounts to be determined by the board.

22 (2) Within each health care region, the board shall
23 approve and make available to each eligible individual
24 affiliated with a public school entity which is participating
25 in the program the following:

26 (i) A health care plan that includes coverage the
27 board determines to be the equivalent of the standard
28 benefit package established in paragraph (1).

29 (ii) One or more alternate health care plans or plan
30 designs which in the board's judgment contain benefits

1 equivalent to the standard benefit package in paragraph
2 (1). The deductibles and copayments for each alternate
3 health care plan shall be set and annually adjusted so
4 that the cost of providing the coverage for the
5 Commonwealth and a public school entity is no greater
6 than the cost incurred for the health plan in
7 subparagraph (i).

8 (iii) One or more optional benefit plans, as
9 approved by the board, which allow an eligible individual
10 to purchase coverage that is not included in the standard
11 benefit package, provided that any cost over and above
12 the cost of the health care plan in subparagraph (i) is
13 to be paid by the member.

14 (3) The detailed basis on which payment of benefits is
15 to be made shall be specified in writing. The benefits
16 provided in this chapter are subject to change or
17 modification by the board from time to time as the board, in
18 its discretion, may determine. All changes or modifications
19 shall be specified in writing and communicated to members
20 within a reasonable period of time.

21 § 9332. Mandatory participation and optional membership.

22 (a) Mandatory participation.--The board shall have the
23 authority to require public school entities to participate in
24 the program on a Statewide basis or may phase in and require
25 participation on a regional basis. Except as provided under
26 subsections (c), (d), (e) and (f), public school entities in any
27 health care region designated by the board shall be required to
28 participate in the program.

29 (b) Transition plan.--When the board determines pursuant to
30 subsection (a) that a public school entity shall be required to

1 participate in the program, the public school entity or
2 consortium in which the public school entity is a participant
3 shall, within a reasonable period of time as determined by the
4 board, present to the board a transition plan with a schedule
5 for the eventual migration of school employees into the program.
6 The board shall review the transition plan with the public
7 school entity or consortium and make any necessary modifications
8 before granting approval of the plan. A public school entity or
9 consortium shall be subject to adherence to the transition plan
10 approved by the board.

11 (c) Extensions of time.--The board shall give due
12 consideration to a transition plan submitted pursuant to
13 subsection (b) that includes a request for an extension of time.
14 Requests may be submitted by, but shall not be limited to, any
15 of the following:

16 (1) A public school entity that participates in a
17 consortium where an extension of time is necessary for the
18 rundown and proper termination of the consortium's health
19 care program.

20 (2) A public school entity that participates in a
21 consortium where the withdrawal of the public school entity
22 may undermine the financial stability of the consortium.

23 (3) A public school entity or a consortium which will
24 incur a significant financial penalty under terms of a
25 contract with an insurance carrier or other provider of
26 health care coverage for a contract in existence on or before
27 January 1, 2008.

28 (4) A public school entity or consortium which will
29 incur a significant financial cost, including fees, penalties
30 or other contractual financial obligations, related to the

1 termination of coverage under a contract of insurance or, in
2 the case of a public school entity that self-insures,
3 insufficient reserves to pay claims incurred during the
4 previous coverage year, if the obligation relates to a plan
5 of coverage that was in existence on or before January 1,
6 2008, and the public school entity or consortium provides the
7 board with a financial plan for meeting these obligations.

8 (d) Optional membership.--No school district of the first
9 class, as classified pursuant to section 202 of the Public
10 School Code, shall be required to participate in the program,
11 except as may be agreed upon under terms of a collective
12 bargaining agreement covering a majority of employees of a
13 school district of the first class. Upon a school district of
14 the first class entering participation in the program pursuant
15 to a collective bargaining agreement, continued participation in
16 the program shall become mandatory.

17 (e) Prohibited membership.--A public school entity that, on
18 the effective date of this chapter, participates in the
19 Pennsylvania Employees' Benefit Trust Fund shall be prohibited
20 from participating in the program, and employees of the public
21 school entity shall not have the right to elect membership in
22 the program.

23 (f) Transition of employees.--A public school entity that
24 provides some or all of its employees with health benefits
25 through another health care plan by virtue of one or more
26 collective bargaining agreements, entered into prior to the
27 effective date of this chapter, shall not be required to join
28 the program until expiration of the collective bargaining
29 agreements. The public school entity and some or all of its
30 employees or bargaining representatives of its employees may by

1 mutual agreement and approval of the board join the program at
2 an earlier date. Renewal or extension of a collective bargaining
3 agreement shall constitute its expiration for the purpose of
4 this subsection.

5 § 9333. Continuation of coverage and transfer employees.

6 (a) Annuitants.--Upon retirement, an annuitant eligible
7 under paragraph (1) or (2) shall have the option to elect
8 coverage in the program, including coverage for any eligible
9 health care dependent. The annuitant shall be responsible to pay
10 the full cost of the coverage, unless a public school entity has
11 agreed, separate from any requirements of the program, to pay
12 toward the coverage pursuant to an award of health benefits
13 under a written policy or agreement collectively bargained or
14 otherwise entered into by the public school entity. The board
15 shall annually determine the cost of coverage as follows:

16 (1) For an annuitant who is enrolled in the program
17 pursuant to section 513 of the Public School Code or an
18 annuitant who pursuant to any award of health benefits for
19 annuitants under a written policy or agreement collectively
20 bargained or otherwise entered into by the public school
21 entity prior to the effective date of this section, payments
22 shall be based on the total contribution rate established
23 pursuant to section 9334(b) and (c) (relating to partnership
24 for stable benefits funding) for a school employee in the
25 same health care region, plus a 2% administrative fee.

26 (2) For an annuitant, other than an annuitant qualified
27 for coverage under paragraph (1), payments shall be made on
28 the same basis as an annuitant qualified for coverage under
29 paragraph (1), except as determined as follows:

30 (i) The board shall periodically have the actuary

1 review and determine the separate cost of providing
2 continuation of coverage to annuitants under this
3 paragraph, along with an assessment of its impact on the
4 cost of providing coverage to members who are school
5 employees and annuitants qualified for coverage under
6 paragraph (1). The review and assessment shall first
7 occur as part of the school employee health benefits
8 study and evaluation conducted pursuant to section 9321
9 (relating to school employee health benefits study and
10 evaluation) and its results shall be considered in the
11 development of parameters under section 9323(b) (relating
12 to plan adoption).

13 (ii) The board shall consider the findings of the
14 actuary in subparagraph (i) to determine if there is a
15 substantial impact on the cost of providing coverage to
16 members who are school employees and annuitants qualified
17 for coverage under paragraph (1). If there is a
18 substantial cost impact, the board shall require payments
19 for an annuitant qualified to elect coverage in the
20 program under this paragraph to be separately determined
21 and the contribution rate to be based on the
22 disaggregated cost of providing the coverage, plus a 2%
23 administrative fee.

24 (b) Separation from service.--The board shall determine the
25 eligibility of members, other than annuitants covered by
26 subsection (a), to elect continuation of coverage in the program
27 upon separation from service as a school employee. The member
28 shall be responsible to pay the full cost of the coverage in the
29 member's health care region, plus an administrative fee to be
30 set by the board. The board shall, at minimum, provide

1 continuation of coverage eligibility that meets the requirements
2 of Title X of the Employee Retirement Income Security Act of
3 1974 (Public Law 99-272, 29 U.S.C. § 1161 et seq.) and provide
4 the continuation of coverage options required pursuant to 51
5 Pa.C.S. § 7309 (relating to employment discrimination for
6 military membership or duty) for members on military leave.

7 (c) Transfer employees.--The board may, in its discretion,
8 approve the participation of transfer employees in the program,
9 provided that any position for which a transfer employee who is
10 provided health benefits in a health care plan sponsored by a
11 public school entity through an agreement that was in existence
12 on or before January 1, 2008, with the transfer employee's
13 employer shall be allowed to participate in the program. The
14 board shall set the terms and conditions necessary for
15 participation in the program, including the cost of coverage to
16 be paid by the third-party entity which shall be based on the
17 full cost of coverage in the health care region as determined by
18 the board, plus an administrative fee. The sponsoring public
19 school entity shall be responsible to the board for the
20 collection of the payments for transfer employees from the
21 third-party entity.

22 § 9334. Partnership for stable benefits funding.

23 (a) Basis of partnership.--In recognition that the long-term
24 viability and stability of the program will require public
25 school entity employers, members and the Commonwealth to be
26 partners both in sustaining the health benefits program as well
27 as managing the costs of a reasonable and appropriate standard
28 benefit package, the board shall determine for each plan year
29 and in each region the payments due from public school entities,
30 from members and from the Commonwealth.

1 (b) Determination of contribution rate.--The board shall
2 determine for each plan year the total amount of the
3 contributions by the Commonwealth, public school entities and
4 school employees required to provide projected benefits for that
5 plan year under the standard benefit package on behalf of each
6 school employee member and the employee's eligible health care
7 dependents. The contribution rate shall consist of the amount
8 required to provide the standard benefit package, including
9 appropriate reserves and administrative expenses, and shall be
10 adjusted for each health care region to reflect the cost of
11 benefits in that region. The contribution rates may
12 differentiate between single coverage for members only and types
13 of family coverage, as determined by the board.

14 (c) Certification of rate.--The board shall certify the
15 contribution rate for each health care region to the
16 Commonwealth and public school entities, including the payments
17 that shall be due from public school entities, from members and
18 from the Commonwealth. The certifications shall be regarded as
19 final and not subject to modification by the Secretary of the
20 Budget.

21 (d) Commonwealth cost share.--The Commonwealth shall make a
22 contribution to offset a portion of the cost increase consistent
23 with subsections (e) and (f). For any plan year in which the
24 board determines that the aggregate cost of providing the
25 standard benefit package on behalf of members who are school
26 employees and their eligible health care dependents exceeds the
27 sum of:

28 (1) the projected carry-over balance for the plan year
29 in the employer contribution account after all required
30 transfers have been made to the employee benefits account for

1 the prior year; and

2 (2) any employee cost-sharing for the plan year.

3 (e) Budget submission and appropriation.--If the board
4 determines that the requirements of subsection (d) have been
5 met, all of the following shall occur:

6 (1) The board shall submit to the Secretary of the
7 Budget an itemized budget specifying the amount necessary to
8 be appropriated by the Commonwealth consistent with
9 subsection (f). The budget submission shall be on a form and
10 in a manner determined by the Secretary of the Budget and
11 shall occur no later than November 1 of the fiscal year
12 preceding the plan year for which funds are requested.

13 (2) Upon appropriation by the General Assembly to
14 provide for the obligations of the Commonwealth, the amount
15 shall be paid by the State Treasurer through the Department
16 of Revenue into the employer contribution account within 30
17 days of receipt of the requisition presented each month by
18 the board.

19 (f) Limitation on Commonwealth contribution.--

20 (1) The Commonwealth shall not be obligated to pay any
21 amount beyond that which is appropriated by the General
22 Assembly. The amount requested by the board pursuant to
23 subsection (e)(1) shall not exceed the sum of any amount paid
24 by the Commonwealth for the fiscal year preceding the plan
25 year for which funds are requested and the lesser of:

26 (i) 50% of the amount that the board determines is
27 necessary to meet the increase in the contribution rate
28 on behalf of members who are school employees determined
29 pursuant to subsection (b); and

30 (ii) the product of the total revenue transferred in

1 the prior plan year from the employer contribution
2 account to the employee benefits account and the most
3 recent annual percent change in the per enrollee private
4 health insurance premium for all benefits, as defined in
5 the National Health Expenditure Data published by the
6 Centers for Medicare and Medicaid Services, Department of
7 Health and Human Services.

8 (2) If any excess revenue in the employer contribution
9 account is to be applied to payments for the plan year, then
10 the excess revenue shall be used to reduce the calculation
11 under this subsection in proportion to the Commonwealth's
12 share of the total increase in the contribution rate on
13 behalf of active members for the plan year.

14 (g) Additional optional contribution.--Notwithstanding the
15 limitation in subsection (f), the General Assembly may
16 appropriate additional revenue to the employer contribution
17 account in any fiscal year.

18 (h) Allocation of Commonwealth contribution.--Any
19 contribution made by the Commonwealth under this section shall
20 be used to offset an increase in the contribution rate paid in a
21 health care region by public school entities on behalf of
22 members who are school employees and their eligible health care
23 dependents and to maintain any offset that was paid in a prior
24 year. The Commonwealth contribution shall be allocated to offset
25 a portion of each participating public school entity's cost of
26 coverage on a per-member basis, for members who are school
27 employees and their eligible health care dependents, based on
28 the public school entity's market value/income aid ratio using
29 the most recent data provided by the Department of Education.
30 For any public school entity that is not assigned a market

1 value/income aid ratio by the Department of Education, the
2 Commonwealth contribution shall not be adjusted based on a
3 market value/income aid ratio. For the purpose of this
4 subsection, "market value/income aid ratio" shall have the same
5 meaning given to it in the Public School Code.

6 (i) Contributions on behalf of school employees.--Consistent
7 with any transition procedure pursuant to section 9323(c)(5)
8 (relating to plan adoption), each public school entity shall be
9 required to make payments to the trust fund on behalf of members
10 who are school employees and their eligible health care
11 dependents based on the contribution rate certified by the board
12 in subsection (c). The increase in payments made from one year
13 to the next by public school entities on behalf of school
14 employees shall be equal to or greater than the increase in
15 payment from one year to the next made pursuant to subsection
16 (d), excluding any additional optional contribution made by the
17 Commonwealth pursuant to subsection (g).

18 (j) Deduction from appropriations.--In the event a public
19 school entity does not make the required payment in the time
20 allotted, as determined by the board, the Secretary of Education
21 and the State Treasurer shall cause to be deducted and paid into
22 the trust fund from the amount of any moneys due to any public
23 school entity on account of any appropriation for schools or
24 other purposes the amount due to the trust fund as certified by
25 the board and as remains unpaid on the date such appropriations
26 would otherwise be paid to the public school entity by the
27 Department of Education, and the amount shall be credited to the
28 public school entity's account in the trust fund.

29 (k) Transition.--Until any transition pursuant to section
30 9323(c)(5) has been completed, the payments made by each public

1 school entity shall be no less than the total amount paid by the
2 public school entity to provide, purchase and administer health
3 care benefits to members who are school employees and their
4 eligible health care dependents in the year before
5 implementation of the program. Any contributions received by the
6 public school entity from school employees in the form of cost-
7 sharing payments for health care coverage shall be excluded from
8 the amount.

9 (1) Applicability.--Any expenditures necessary to fund
10 participation in this program shall qualify as costs incurred
11 under section 333(f)(2)(ix) of the act of June 27, 2006 (1st
12 Sp.Sess., P.L.1873, No.1), known as the Taxpayer Relief Act.
13 § 9335. Powers and duties of board.

14 (a) Powers.--In addition to the powers granted by other
15 provisions of this chapter, the board shall have the powers
16 necessary or convenient to carry out this subchapter, including,
17 but not limited to, the power to:

18 (1) Determine appropriate geographic health care regions
19 for the administration of the program and make changes to the
20 regions as necessary.

21 (2) Formulate and establish the conditions of
22 eligibility, including eligibility for health care dependent
23 coverage for members, to include consideration if a member or
24 health care dependent is covered, or eligible for coverage,
25 under another employer-sponsored group health insurance plan;
26 provisions for payment of benefits; and all other provisions
27 that may be required or necessary to carry out the intent and
28 purpose of the program.

29 (3) Determine and make necessary changes to the standard
30 benefit package and benefit structure of the program.

1 (4) Establish copayments, annual deductibles,
2 coinsurance levels, exclusions, formularies and other
3 coverage limitations and payment responsibilities of members
4 incurred at the time of service.

5 (5) Set and adjust member cost-sharing contributions to
6 be expressed as a target percentage of overall program costs
7 or individually determined as a flat fee or a percentage of
8 salary. The board shall determine whether member cost-sharing
9 shall be uniform on a Statewide basis or shall vary by health
10 care region.

11 (6) Impose and collect necessary fees and charges.

12 (7) Determine enrollment procedures.

13 (8) Establish procedures for coordination of benefits
14 with other plans and third-party payers, including
15 coordinating benefits or contracting directly with Medicare.

16 (9) Establish a plan with the retirement system to
17 coordinate health care coverage for annuitants between the
18 program established by this chapter and the group health
19 insurance program sponsored by the retirement system under
20 the provisions of Chapter 89 (relating to group health
21 insurance program) and to coordinate the sharing of
22 information pertaining to premium assistance payment
23 transfers.

24 (10) Set and adjust contribution rates sufficient to
25 maintain the adequacy of any reserves established by this
26 chapter and to fully fund the benefits offered by and to pay
27 for the administrative expenses related to the program.

28 (11) Set and adjust costs for members electing to
29 continue coverage upon retirement or separation from
30 employment. The board may establish different cost rates to

1 be charged for different categories of members electing to
2 continue coverage.

3 (12) Purchase insurance or employ self-insurance, alone
4 or in combination, to provide benefits as shall be determined
5 by the board.

6 (13) Establish appropriate reserves based on generally
7 accepted standards as applied by Federal and State regulators
8 to similar types of plans.

9 (14) Issue self-liquidating debt or borrow against
10 contributions, payments or other accounts receivable for the
11 purposes of prepaying any health benefits, establishing
12 reserves or otherwise lowering the cost of coverage.

13 (15) Establish procedures to verify the accuracy of
14 statements and information submitted by eligible individuals
15 on enrollment forms, claim forms or other forms.

16 (16) Receive and collect all contributions due and
17 payable to the accounts or delegate to a public school entity
18 or claims processor the right to receive contributions,
19 payments or perform ministerial functions required to assert
20 the board's rights. In so doing, the board shall have the
21 right to:

22 (i) maintain any and all actions and legal
23 proceedings necessary for the collection of
24 contributions; and

25 (ii) prosecute, defend, compound, compromise,
26 settle, abandon or adjust any actions, suits,
27 proceedings, disputes, claims, details and things related
28 to the accounts and program.

29 (17) Establish procedures to hear and determine any
30 claims and controversies under this chapter.

1 (18) Promulgate rules and regulations regarding the
2 administration of the program, including the establishment of
3 the plan year.

4 (19) Ensure that a public school entity provides
5 detailed information about the program to eligible employees
6 at least 90 days before program coverage begins to be offered
7 to school employees.

8 (20) Seek and take all necessary steps to retain
9 eligibility for the members, public school entities and the
10 Commonwealth to receive tax-preferred or tax-free treatment
11 under the IRC for contributions to and earnings of the trust
12 fund.

13 (21) Enter into agreements with entities providing or
14 administering coverage for health benefits under this chapter
15 for the electronic exchange of data between the parties at a
16 frequency as determined by the board.

17 (22) Perform and do any and all such actions and things
18 that may be properly incidental to the exercising of powers,
19 rights, duties and responsibilities of the board.

20 (23) Determine best practice standards and benchmarks
21 for consortia in any selection process to build a Statewide
22 pool or regional pools, including the power to require a
23 consortium to merge with another consortium. The board shall
24 have the power to require consortia, as a condition of
25 continued participation in the program, to accept any public
26 school entity applying to join and participate in a
27 consortium.

28 (24) Enter into agreements with any public school entity
29 or consortium to implement the program developed pursuant to
30 this chapter and delegate powers necessary to administer

1 coverage for health benefits.

2 (b) Administrative duties of board.--In addition to other
3 duties of the board provided in this chapter, the following
4 duties shall be afforded to the board for the implementation of
5 this section.

6 (c) Regulations and procedures.--The board shall, with the
7 advice of the Office of General Counsel and the actuary, adopt
8 and promulgate rules and regulations for the uniform
9 administration of the program. The actuary shall approve in
10 writing all computational procedures used in the calculation of
11 contributions and the cost of benefits, and the board shall by
12 resolution adopt the computational procedures prior to their
13 application by the board. The rules, regulations and
14 computational procedures as so adopted from time to time and as
15 in force and effect at any time, together with tables that are
16 adopted as necessary for the calculation of contributions and
17 the cost of benefits, shall be effective as if fully set forth
18 in this chapter.

19 (d) Data.--The board shall keep in electronic format records
20 of claims, eligibility and other data as are stipulated by the
21 actuary in order that an annual contribution rate determination
22 for each health care region and various program options can be
23 completed within six months of the close of each plan year. The
24 board shall have final authority over the means by which data is
25 collected, maintained and stored and in so doing shall protect
26 the rights of its membership as to privacy and confidentiality.

27 (e) Annual financial statement.--The board shall prepare and
28 have published within six months following the end of each plan
29 year a financial statement showing the condition of the trust
30 fund as of the end of the previous plan year. The board shall

1 submit said financial statement to the Governor and shall make
2 copies available to public school entities for the use of the
3 school employees and the public.

4 (f) Independent audit.--The board shall provide for an
5 annual audit of the trust fund by an independent certified
6 public accounting firm.

7 (g) Manual of regulations.--The board shall, with the advice
8 of the Office of General Counsel and the actuary, prepare within
9 six months of the commencement of a program adopted under this
10 chapter a manual incorporating rules and regulations consistent
11 with the provisions of this chapter for each participating
12 public school entity that shall make information contained in
13 the manual available to school employees. The board shall
14 thereafter advise public school entities within 90 days of any
15 changes in rules and regulations due to changes in the law or
16 due to changes in administrative policies.

17 (h) Annual budget.--The board shall establish an annual
18 budget for the program and make disbursements from the trust
19 fund that are consistent with the budget.

20 (i) Program assistance.--The board may solicit and accept
21 grants, loans and other aid from any person, corporation or
22 other legal entity or from the Federal, State or local
23 government and participate in any Federal, State or local
24 government program if necessary for prudent management of the
25 program.

26 (j) Functions.--The board shall perform other functions as
27 are required for the execution of this chapter and shall have
28 the right to inspect employment records of public school
29 entities.

30 (k) Qualified majority voting provision.--A qualified

1 majority vote shall be required on any matter voted upon by the
2 board affecting the development of or any change in:

3 (1) The plan to implement the program adopted pursuant
4 to section 9323(f) (relating to plan adoption).

5 (2) The standard benefit package, benefit options or
6 plan design offered by the program to covered employees.

7 (3) Membership eligibility criteria.

8 (4) The addition, deletion or significant change in
9 status of an insurance carrier, benefits administrator or
10 other major contractor in the administration of benefits, or
11 the addition, deletion or significant change in status of a
12 health care provider network.

13 (5) Any determination on the use of excess fund
14 payments.

15 (6) The overall per-employee cost of the standard
16 benefit package to the trust fund and any public school
17 entity funding and member cost-sharing responsibilities.

18 (7) Cost containment measures such as managed care,
19 wellness centers and large case management.

20 (8) Contracts valued at more than \$25,000,000.

21 (9) Changes in trust document, bylaws or any major
22 internal operating policies or procedures, such as claims
23 appeal procedures, not to include routine ministerial
24 functions.

25 (1) Duties conferred upon secretary.--The secretary of the
26 board shall supervise a staff of administrative, technical and
27 clerical employees engaged in recordkeeping and clerical
28 processing activities in maintaining files of members,
29 accounting for contributions, processing payments, preparing
30 required reports and counseling.

1 § 9336. Public School Employees' Benefit Trust Fund.

2 (a) Establishment of trust fund.--The Public School
3 Employees' Benefit Trust Fund is established in the State
4 Treasury. The moneys of the trust fund are appropriated on a
5 continuing basis and shall be used exclusively for the purposes
6 set forth in this chapter. All of the assets of the trust fund
7 shall be maintained and accounted for, separate from all other
8 funds and moneys of the Commonwealth. The Treasury Department
9 shall credit to the trust fund all moneys received from the
10 Department of Revenue arising from the contributions required
11 under this chapter and all earnings from investments or moneys
12 of the trust fund. There shall be established and maintained by
13 the board the several ledger accounts, including:

14 (1) The employee benefits account shall be the ledger
15 account to which shall be credited the payments from section
16 9333(a),(b) and (c) (relating to continuation of coverage and
17 transfer employees), payments from members for cost sharing
18 and any additional member-paid cost associated with optional
19 benefit packages elected by members and transfers from the
20 employer contribution account as provided in paragraph (3).
21 All earnings derived from investment of the assets of the
22 employee benefits account shall be credited to this account.
23 The board is authorized to separately invest the amounts in
24 the employee benefits account in a prudent manner intended to
25 maximize the safety of the capital contained in the employee
26 benefits account. Payments for member health care benefits
27 and the direct administrative expenses of the board related
28 to the administration of the employee benefits program, as
29 provided in section 9312(d) (relating to administrative
30 duties of board), shall be charged to this account.

1 (2) Reserve account.

2 (i) A restricted reserve account, or more than one
3 account if the board determines it necessary to have
4 segregated accounts, is established within the trust fund
5 for the purpose of establishing and maintaining a reserve
6 or separate reserves sufficient:

7 (A) to pay the expected claims experience of the
8 program in the event the board elects to self-fund
9 all or a portion of the program for any plan years;

10 (B) to prefund the accrued liability for any
11 postretirement health care benefits earned by
12 employees enrolled in the program pursuant to section
13 9333(a)(1) (relating to continuation of coverage and
14 transfer employees) as the benefit is earned by the
15 employees; and

16 (C) to amortize the unfunded actuarial accrued
17 liability for postretirement health care benefits
18 already earned by employees and annuitants pursuant
19 to section 9333(a)(1) in the event the board elects
20 to assume all or a portion of the liability. The
21 board shall use an amortization period that does not
22 exceed 30 years for this purpose.

23 (ii) The board shall annually establish through an
24 actuary retained by the board the amount necessary, if
25 any, to establish and maintain a reserve or separate
26 reserves sufficient for the purposes of this paragraph.
27 Any moneys needed to maintain the reserve or separate
28 reserves established under this paragraph shall be
29 collected through the adjustment of the contribution rate
30 established pursuant to section 9334(b) and (c) (relating

1 to partnership for stable benefits funding) or through
2 other available sources.

3 (iii) The moneys in any reserve account may be
4 invested by the board separate from other moneys of the
5 trust fund. All earnings derived from investment of the
6 assets of any reserve account shall be credited to the
7 reserve account.

8 (3) The employer contribution account shall be the
9 ledger account to which shall be credited all contributions
10 made by the Commonwealth as determined in accordance with
11 section 9334(e) and payments from public school entities as
12 determined in accordance with section 9334(i), as well as all
13 earnings derived from the investment of the assets of the
14 employer contribution account. The total amount of the
15 Commonwealth and public school entity contributions required
16 to provide the standard benefit package on behalf of all
17 members who are school employees and their eligible health
18 care dependents shall be transferred on a monthly basis to
19 the employee benefits account.

20 (b) Composition.--The trust fund shall consist of:

21 (1) All payments made by members or received from the
22 Commonwealth and public school entities and all interest,
23 earnings and additions thereto.

24 (2) Any other money, public or private, appropriated or
25 made available to the board for the trust fund or any reserve
26 account from any source and all interest, earnings and
27 additions thereto.

28 (c) Administration of trust and associated funds.--The
29 assets of the trust fund shall be preserved, invested and
30 expended solely pursuant to and for the purposes set forth in

1 this chapter.

2 (d) Control and management of trust fund.--

3 (1) The board shall have exclusive control and
4 management of the trust fund and full power to invest and
5 manage the assets of each account of the trust fund as a
6 prudent investor would, by considering the purposes, terms
7 and other circumstances of each account and by pursuing an
8 overall investment strategy reasonably suited to the trust
9 fund.

10 (2) The board may invest in every kind of property and
11 type of investment, including, but not limited to, mutual
12 funds and similar investments, consistent with this
13 subsection.

14 (3) In making investment and management decisions, the
15 board shall consider, among other things, to the extent
16 relevant to the decision or action:

17 (i) the size and nature of the account;

18 (ii) the liquidity and payment requirements of the
19 account;

20 (iii) the role that each investment or course of
21 action plays in the overall investment strategy;

22 (iv) to the extent reasonably known to the board,
23 the needs for present and future payments; and

24 (v) the reasonable diversification of assets, taking
25 into account the purposes, terms and other circumstances
26 of the trust fund and the requirements of this section.

27 (e) Custodian of trust fund.--The State Treasurer shall be
28 the custodian of the trust fund.

29 (f) Name for transacting business.--By the name of "The
30 Public School Employees' Benefit Trust Fund," all of the

1 business of the trust fund shall be transacted, its fund
2 invested, all requisitions for money drawn and payments made and
3 all of its cash and securities and other property shall be held,
4 except that, any other law to the contrary notwithstanding, the
5 board may establish a nominee registration procedure for the
6 purpose of registering securities in order to facilitate the
7 purchase, sale or other disposition of securities.

8 (g) Payment from trust fund.--All payments from the trust
9 fund shall be made by the State Treasurer in accordance with
10 requisitions signed by the secretary of the board or the
11 secretary's designee. The board shall reimburse the State
12 Treasurer for the cost of making disbursements from the trust
13 fund.

14 (h) Fiduciary status of board.--Board members, employees of
15 the board and agents thereof shall stand in a fiduciary
16 relationship to the members regarding the investments and
17 disbursements of any of the moneys of the trust fund and shall
18 not profit either directly or indirectly with respect thereto.

19 (i) Transfers.--The board may transfer moneys among the
20 various accounts of the trust fund, including any reserve
21 accounts established under subsection (a)(2), as may be
22 necessary to satisfy the provisions of this chapter. Transfers
23 from funds retained in the reserve account pursuant to
24 subsection (a)(2)(i)(A) may be made only for the payment of
25 claims or expected claims as determined by the actuary retained
26 by the board. Transfers from funds retained in the reserve
27 account pursuant to subsection (a)(2)(i)(B) or (C) may be made
28 only for paying toward the cost of providing health care
29 benefits to annuitants enrolled in the program pursuant to
30 section 9333(a)(1).

1 (j) Additional powers of board.--The board may:

2 (1) Adopt, from time to time, appropriate investment
3 policy guidelines and convey the same to those fiduciaries
4 who have the responsibility for the investment of funds.

5 (2) Retain such portion of the moneys of the accounts in
6 cash or cash balances as the board may deem desirable,
7 without any liability or interest thereon.

8 (3) Settle, compromise or submit to arbitration all
9 claims or damages due from or to the accounts, commence or
10 defend any legal, equitable or administrative proceedings
11 brought in connection with the program and represent the
12 trust fund in all proceedings under this paragraph.

13 (k) Additional duties of secretary.--The secretary of the
14 board shall serve as liaison to the Treasury Department, the
15 Department of the Auditor General and between the board and the
16 investment counsel and the mortgage supervisor in arranging for
17 investments to secure maximum returns to the trust fund.

18 § 9337. Misrepresentation, refusal to cooperate and fraud.

19 (a) Misrepresentation.--If the eligible individual or anyone
20 acting on behalf of an eligible individual makes a false
21 statement or withholds information on the application for
22 enrollment with intent to deceive or affect the acceptance of
23 the enrollment application or the risks assumed by the program
24 or otherwise misleads the board, the board shall be entitled to
25 recover its damages, including legal fees, from the eligible
26 individual or from any other person responsible for misleading
27 the board and from the person for whom the benefits were
28 provided. Any material misrepresentation on the part of the
29 eligible individual in making application for coverage or any
30 application for reclassification thereof or for service

1 thereunder shall render the coverage under the program null and
2 void.

3 (b) Refusal to cooperate.--The board may refuse to pay
4 benefits, or cease to pay benefits, on behalf of an eligible
5 individual who fails to sign any document deemed by the board to
6 be relevant to protecting its subrogation rights or certifying
7 eligibility or who fails to provide relevant information when
8 requested. As used in this subsection, the term "information"
9 includes any documents, insurance policies, police reports or
10 any reasonable request by the claims processor to enforce the
11 board's rights.

12 (c) Penalty for fraud.--In any case in which the board finds
13 that an eligible individual is receiving benefits based on false
14 information, the additional amounts received predicated on the
15 false information, together with interest doubled and compounded
16 and legal fees, shall be due from the member. To secure payment
17 of funds, the board shall have the right to garnish or attach
18 all or a portion of any compensation payable to the party by the
19 party's employer, any annuity payable to the party by the
20 retirement system, any accumulated deductions held by the
21 retirement system in the party's account or any process
22 whatsoever.

23 § 9338. Miscellaneous provisions.

24 (a) Construction of chapter.--

25 (1) Any termination or other modifications of the
26 program, including, but not limited to, a change in rates,
27 benefits options or structure of the provision of health care
28 benefits, shall not give rise to any contractual rights or
29 claims by any eligible individuals or any other person
30 claiming an interest, either directly or indirectly, in the

1 program. No provisions of this chapter, nor any rule or
2 regulation adopted pursuant to this chapter, shall create in
3 any person a contractual right in that provision.

4 (2) The provisions of this chapter are severable and if
5 any of its provisions shall be held to be unconstitutional,
6 the decision of the court shall not affect or impair any of
7 the remaining provisions. It is hereby declared to be the
8 legislative intent that this chapter would have been adopted
9 had the unconstitutional provisions not been included.

10 (b) Hold harmless.--Neither the Commonwealth nor the board,
11 including their respective officers, directors and employees,
12 shall be liable for any claims, demands, actions or liability of
13 any nature, including, but not limited to, attorney fees and
14 court costs, based upon or arising out of the operations of the
15 program, whether incurred directly or indirectly. The eligible
16 individuals who enroll and participate in the program shall be
17 deemed to agree, on behalf of themselves and their heirs,
18 successors and assigns, to hold harmless the Commonwealth and
19 the board, including their respective officers, directors and
20 employees, from any claims, demands, actions or liability of any
21 nature, whether directly or indirectly, including attorney fees
22 and court costs, based upon or arising out of the operation of
23 the program.

24 (c) No recourse.--Under no circumstances shall the assets of
25 the Commonwealth be liable for or its assets be used to pay any
26 claims, demands, actions or liability of any nature, whether
27 directly or indirectly, including, but not limited to, attorney
28 fees and court costs, based upon or arising out of the operation
29 of the program.

30 (d) Reservation of immunities.--Nothing contained in this

1 chapter shall be construed as a waiver of the Commonwealth's or
2 board's immunities, defenses, rights or actions arising out of
3 their sovereign status or from the 11th amendment to the
4 Constitution of the United States.

5 (e) Collective bargaining, mediation and binding
6 arbitration.--Nothing in this chapter or in any other law shall
7 be construed to permit, authorize or require collective
8 bargaining, mediation or binding arbitration to create, alter or
9 modify health benefits set forth in this chapter or administered
10 by the board for school employees and their health care
11 dependents. Further, nothing in this chapter or in any other law
12 shall be construed to permit, authorize or require a public
13 school entity, through collective bargaining, mediation or
14 binding arbitration, or otherwise, to establish, create, alter
15 or modify a health benefits plan or pay health benefits set
16 forth in this chapter or administered by the board that modify
17 or supplement in any way the health benefits set forth in this
18 chapter for school employees and their health care dependents.
19 Notwithstanding the provisions of this subsection, the parties
20 may:

21 (1) Continue to engage in collective bargaining with
22 regard to health benefits until such time as the board-
23 sponsored program, pursuant to this subchapter, is released
24 and the standard benefit package is made available to
25 employees of a public school entity. However, any health
26 benefits provided under a collective bargaining agreement
27 entered into on or after the effective date of this chapter
28 shall contain a provision that school employees covered by
29 the agreement must join the board-sponsored program as
30 required by section 9332 (relating to mandatory participation

1 and optional membership) as a condition of continuing to
2 receive health benefits. The board shall determine the
3 appropriate timing and phase-in of the program in any public
4 school entity taking into consideration the need for the
5 public school entity to properly terminate any existing
6 health benefits arrangements.

7 (2) Negotiate or otherwise agree to provide benefits
8 that have not been included as part of the standard benefit
9 package so long as they do not increase or diminish the level
10 of any benefit provided as part of the standard benefit
11 package or any alternate health care plan or any optional
12 benefit packages. Nothing contained in this section shall
13 restrict a public school entity from negotiating or otherwise
14 agreeing to make payment for postretirement health benefits
15 for members or as may be provided for in Subchapter F
16 (relating to retirement health savings plan).

17 SUBCHAPTER E

18 ALTERNATIVE MEASURES FOR COST REDUCTION

19 Sec.

20 9351. Alternative measures program.

21 § 9351. Alternative measures program.

22 (a) Creation.--Upon completing the study required under
23 section 9321 (relating to school employee health benefits study
24 and evaluation) with either a negative recommendation to proceed
25 with implementation of a Statewide health care program or if the
26 board fails to achieve agreement and approve a plan for
27 implementing a Statewide health benefits program by a qualified
28 majority vote, the board shall proceed to initiate and sponsor
29 an alternative measures program to reduce the costs for public
30 school entities in providing health care coverage to employees

1 and other eligible individuals.

2 (b) Program design.--In designing an alternative measures
3 program, the board may consider all of the following:

4 (1) Establishment of pools for selected areas of
5 coverage, such as pharmacy services, transplants, stop-loss
6 insurance, health care management or other possible areas
7 that in the board's judgment can be offered Statewide or
8 regionally on a more stable and cost-effective basis.

9 (2) Assistance in the formation of consortia to serve
10 public school entities that do not have the option of joining
11 an existing consortium.

12 (3) Development of best practice standards and
13 benchmarks for public school entities and consortia-
14 sponsoring health care plans for school employees.

15 (4) Requirements that public school entities and
16 consortia aggregate into larger regional pools, with opt-out
17 provisions for public school entities or consortia that meet
18 best practice standards and benchmarks.

19 (5) Requirements for public disclosure by public school
20 entities and consortia comparing their health benefits
21 purchasing to established best practice standards in their
22 region.

23 (c) Implementation.--The board shall have full authority to
24 select and contract with insurance carriers, health maintenance
25 organizations, pharmacy benefit managers, third-party
26 administrators, reinsurers and any other entities necessary to
27 provide the selected areas of coverage. The board shall have
28 full authority to determine the nature, amount and duration and
29 discontinuation of coverage to be provided.

30 (d) Mandatory and optional participation.--The board shall

1 have the authority to require public school entities and
2 consortia to participate in the alternative measures program.

3 (e) Transition plan.--If the board determines that a public
4 school entity or consortium shall be required to participate in
5 the alternative measures program, the public school entity or
6 consortium shall, within a reasonable period of time as
7 determined by the board, present to the board a transition plan
8 with a schedule for the public school entity or consortium to
9 join the alternative measures program. The board shall review
10 the transition plan with the public school entity or consortium
11 and make any necessary modifications before granting approval of
12 the plan. A public school entity or consortium shall be subject
13 to adherence to the transition plan approved by the board.

14 (f) Extensions of time.--The board shall give due
15 consideration to a transition plan submitted pursuant to
16 subsection (e) that includes a request for an extension of time.
17 Consideration shall be given to a public school entity or
18 consortium which will incur a significant financial cost or
19 penalty.

20 (g) Prohibited membership.--A public school entity that
21 participates in the Pennsylvania Employees' Benefit Trust Fund
22 shall be prohibited from participating in the alternative
23 measures program.

24 (h) Transition of employees.--A public school entity that
25 provides some or all of its employees with health benefits
26 through another health care plan by virtue of one or more
27 collective bargaining agreements entered into prior to the
28 effective date of this chapter shall not be required to join the
29 alternative measures program until expiration of the collective
30 bargaining agreements. The public school entity and some or all

1 of its employees, or bargaining representatives of its
2 employees, may, by mutual agreement and approval of the board,
3 join the program at an earlier date. Renewal or extension of a
4 collective bargaining agreement shall constitute its expiration
5 for the purposes of this subsection.

6 (i) Optional membership.--No school district of the first
7 class, as classified pursuant to section 202 of the Public
8 School Code, shall be required to participate in the alternative
9 measures program, except as may be agreed upon under the terms
10 of a collective bargaining agreement covering a majority of
11 employees of the school district. Upon a school district of the
12 first class entering participation in the alternative measures
13 program pursuant to a collective bargaining agreement, continued
14 participation in the alternative measures program shall become
15 mandatory.

16 SUBCHAPTER F

17 RETIREMENT HEALTH SAVINGS PLAN

18 Sec.

19 9361. Retirement health savings plan.

20 § 9361. Retirement health savings plan.

21 (a) Plan created.--The board shall establish a retirement
22 health savings plan through which school employees can save to
23 cover health-related expenses following retirement. For this
24 purpose the board shall make available one or more trusts
25 including a governmental trust or governmental trusts authorized
26 under the IRC as eligible for tax-preferred or tax-free
27 treatment. The board may promulgate regulations regarding the
28 prudent and efficient operation of the retirement health savings
29 plan, including, but not limited to:

30 (1) Establishment of an annual administrative budget and

1 disbursements in accordance with the budget.

2 (2) Determination of the structure of the retirement
3 health savings accounts available to eligible school
4 employees.

5 (3) Determination of enrollment procedures.

6 (b) Contracting authorized.--The board is authorized to
7 administer the retirement health savings plan and to contract
8 with any lawfully authorized entities to provide investment
9 services, recordkeeping, benefit payments and other functions
10 necessary for the administration of the retirement health
11 savings plan. The board may contract with the retirement system
12 to invest funds in an account that shall be maintained and
13 accounted for separately from the funds of the retirement system
14 and invested in a prudent manner intended to maximize the safety
15 of the capital, with all earnings derived from investment of the
16 assets to be credited to the retirement health savings plan.
17 Costs and expenses incurred by the retirement system in
18 administering the investment option shall be paid by the
19 retirement health savings plan.

20 (c) Separate account.--All funds related to the retirement
21 health savings plan shall be maintained and accounted for
22 separately from the health benefits program sponsored by the
23 board. The assets of the retirement health savings plan shall
24 not be liable or utilized for payment of any expenses or claims
25 incurred by the health benefits program other than as may be
26 directed by the participant account holder for reimbursement of
27 an IRC-qualifying health-related expense.

28 (d) Enrollment.--The board shall establish eligibility
29 guidelines consistent with the IRC for school employees to
30 participate in the retirement health savings plan.

1 (e) Contributions.--

2 (1) The board shall determine what contributions are
3 eligible under the IRC for tax-preferred or tax-free
4 treatment and may be made into a retirement health savings
5 plan by a school employee. The board shall authorize and
6 allow contributions, subject to appropriate limits as may be
7 established by the board, to be paid by a school employee
8 electing participation in the retirement health savings plan
9 subject to the following conditions:

10 (i) A mandatory school employee contribution
11 established as a fixed percentage of compensation may be
12 established through a collective bargaining agreement
13 between a public school entity and a bargaining group
14 representing school employees. The retirement health
15 savings plan contribution rate does not have to be
16 uniform for all groups of school employees.

17 (ii) An optional employee contribution at a fixed
18 percentage of compensation may be elected by a school
19 employee during an annual election window that, once
20 elected, shall continue in effect, except to the extent
21 it may be changed or discontinued at a subsequent annual
22 election window as provided for by the board or
23 supplanted by a mandatory contribution.

24 (iii) An optional school employee contribution of
25 all or any portion of annual leave, vacation pay,
26 personal days or sick leave may be elected by a school
27 employee as so designated by the employee and agreed to
28 by the employee's employer. The board may provide that
29 the election shall be made during an annual election
30 window of no greater than 90 days as determined by the

1 board. Once the election has been made, an employee shall
2 not be allowed to change the amount or discontinue the
3 contributions until the next annual election window.

4 (2) The following contributions shall be made into a
5 retirement health savings plan on behalf of a school
6 employee:

7 (i) For an employee who elects participation in the
8 retirement health savings plan, the employee's employer
9 shall make a contribution to the employee's account equal
10 to the public school entity's savings in Social Security
11 and Medicare taxes resulting from the tax-preferred or
12 tax-free treatment of contributions made by the school
13 employee under this subsection. Additional contributions
14 by a public school entity may be established through a
15 collective bargaining agreement between a public school
16 entity and a bargaining group representing school
17 employees.

18 (ii) Any other payments by the Commonwealth or
19 public school entity, including any set-aside payments to
20 be made to school employee accounts under section 9334
21 (relating to partnership for stable benefits funding) as
22 determined by the board.

23 (3) Contributions to the plan by a school employee or by
24 the Commonwealth or a public school entity on behalf of an
25 employee must be held in trust for reimbursement of employee
26 health-related expenses and the health-related expenses of
27 any health care dependents following retirement of the
28 employee or when otherwise determined to be benefit eligible.
29 The board shall maintain a separate account of the
30 contributions made by or on behalf of each participant and

1 the earnings thereon. The board shall make available a
2 selection of investment options for participants who wish to
3 direct the investment of the accumulations in the
4 participant's account, in addition to a default option for
5 participants to be invested in a prudent manner as determined
6 by the board.

7 (f) Reimbursement for health-related expenses.--

8 (1) Upon retirement or separation from employment with a
9 public school entity, a participant becomes eligible to seek
10 reimbursements for IRC-qualifying health-related expenses
11 from the participant's retirement health savings plan
12 account, including reimbursements for the health-related
13 expenses of the participant's eligible health care
14 dependents.

15 (2) If a school employee dies prior to exhausting the
16 balance in the employee's retirement health savings plan
17 account, the employee's health care dependents are eligible
18 to seek reimbursement for IRC-qualifying health-related
19 expenses from the account.

20 (3) The board shall pay reimbursements from a retirement
21 health savings plan account until the accumulation in the
22 account has been exhausted. If an account balance remains
23 after the death of all participant account holders, the
24 remainder of the account must be paid to the school
25 employee's beneficiaries or, if none, to the employee's
26 estate.

27 (g) Annual financial statement.--Quarterly and annually the
28 board shall prepare summary retirement health savings plan
29 statements for individual participant account holders listing
30 information on contributions, investment earnings and

1 distributions for the account holders' accounts.

2 (h) Fees.--The board is authorized to charge uniform fees to
3 participants to cover the ongoing costs of operating the plan.
4 Any fees not needed must revert to participant accounts or be
5 used to reduce plan fees the following year.

6 (i) Advisory committee.--

7 (1) The board shall establish a participant advisory
8 committee for the retirement health savings plan composed of:

9 (i) One representative appointed by each Statewide
10 union that represents bargaining groups of school
11 employees participating in the plan.

12 (ii) One representative of each Statewide
13 organization representing at least 10% of annuitants.

14 (iii) One representative of the Pennsylvania
15 Association of School Business Officials.

16 (iv) One representative of the Pennsylvania School
17 Boards Association.

18 (2) Each participant group shall be responsible for the
19 expenses of its own representative.

20 (3) The advisory committee shall meet at least two times
21 per year and shall be consulted on plan offerings. By October
22 1 of each year, the board shall give the advisory committee a
23 statement of fees collected and the use of the fees.

24 Section 3. Within 18 months after the Statewide health
25 benefits program or the alternative measures program is fully
26 implemented, the Secretary of Administration shall report to the
27 Governor, the President pro tempore of the Senate and the
28 Speaker of the House of Representatives the feasibility of
29 including community college employees in the program.

30 Section 4. This act shall take effect immediately.