

# HOUSE BILL No. 2044

---

## DIGEST OF INTRODUCED BILL

**Citations Affected:** IC 5-10-8; IC 27-13-7-7; IC 27-13-7-7.5.

**Synopsis:** State employee health benefits. Provides that, if the state personnel department establishes a self-insurance program covering health care services, there must be at least one policy option that has a \$5,000 deductible. Provides that, if the state personnel department establishes a self-insurance program covering health care services, all out-of-pocket expenses paid by the employee must be applied to any applicable deductible. Establishes a health benefits committee to direct and monitor the state personnel department on employee health benefits. Requires the state personnel department to establish an employee benefits ombudsman division to assist employees with issues regarding employee health benefits. Requires the employee benefits  
(Continued next page)

**Effective:** July 1, 1999.

---

---

**Fry**

---

---

January 27, 1999, read first time and referred to Committee on Insurance, Corporations and Small Business.

---

---

C  
O  
P  
Y



Digest Continued

ombudsman to forward complaints regarding coverage to the state department of insurance. Defines a rural employee as a covered individual who lives in a county that does not have a second class city or a consolidated city and is not contiguous to a county with a second class city or a consolidated city. Requires that rural employees must be allowed to obtain health care services from any health care provider without financial penalties, unless otherwise directed by the health benefits committee. Requires a self-insurance program or contract with a prepaid health care delivery plan for state employees to provide coverage for laboratory services provided by a laboratory services provider chosen by the covered individual's treating physician. Prohibits financial penalties to the covered individual for obtaining laboratory services from a laboratory services provider chosen by the covered individual's treating physician. Removes provisions canceling eligibility for group health insurance coverage for retired state employees upon eligibility for Medicare. Requires a health maintenance organization to make determinations of medical necessity for health care services in writing and base the determination on certain standards. Provides standards on which a health maintenance organization must base its determinations of medical necessity.

C  
o  
p  
y



Introduced

First Regular Session 111th General Assembly (1999)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 1998 General Assembly.

C  
O  
P  
Y

## HOUSE BILL No. 2044



A BILL FOR AN ACT to amend the Indiana Code concerning state and local administration.

*Be it enacted by the General Assembly of the State of Indiana:*

- 1 SECTION 1. IC 5-10-8-1 IS AMENDED TO READ AS FOLLOWS
- 2 [EFFECTIVE JULY 1, 1999]: Sec. 1. The following definitions apply
- 3 in this chapter:
- 4 (1) "Employee" means:
- 5 (A) an elected or appointed officer or official, or a full-time
- 6 employee;
- 7 (B) if the individual is employed by a school corporation, a
- 8 full-time or part-time employee;
- 9 (C) for a local unit public employer, a full-time or part-time
- 10 employee or a person who provides personal services to the
- 11 unit under contract during the contract period; or
- 12 (D) a senior judge appointed under IC 33-2-1-8;
- 13 whose services have continued without interruption at least thirty
- 14 (30) days.
- 15 (2) "Group insurance" means any of the kinds of insurance



1 fulfilling the definitions and requirements of group insurance  
2 contained in IC 27-1.

3 (3) "**Health care provider**" means a physician, hospital, or  
4 any other person licensed or authorized to furnish health care  
5 services.

6 (4) "**Health care services**" has the meaning set forth in  
7 IC 27-13-1-18.

8 (5) "Insurance" means insurance upon or in relation to human life  
9 in all its forms, including life insurance, health insurance,  
10 disability insurance, accident insurance, hospitalization insurance,  
11 surgery insurance, medical insurance, and supplemental medical  
12 insurance.

13 ~~(4)~~ (6) "Local unit" includes a city, town, county, township, or  
14 school corporation.

15 ~~(5)~~ (7) "Public employer" means the state or a local unit,  
16 including any board, commission, department, division, authority,  
17 institution, establishment, facility, or governmental unit under the  
18 supervision of either, having a payroll in relation to persons it  
19 immediately employs, even if it is not a separate taxing unit.

20 ~~(6)~~ (8) "Public employer" does not include a state educational  
21 institution (as defined under IC 20-12-0.5-1).

22 ~~(7)~~ (9) "Retired employee" means:

23 (A) in the case of a public employer that participates in the  
24 public employees' retirement fund, a former employee who  
25 qualifies for a benefit under IC 5-10.3-8;

26 (B) in the case of a public employer that participates in the  
27 teachers' retirement fund under IC 21-6.1, a former employee  
28 who qualifies for a benefit under IC 21-6.1-5; and

29 (C) in the case of any other public employer, a former  
30 employee who meets the requirements established by the  
31 public employer for participation in a group insurance plan for  
32 retired employees.

33 ~~(8)~~ (10) "Retirement date" means the date that the employee has  
34 chosen to receive retirement benefits from the employees'  
35 retirement fund.

36 SECTION 2. IC 5-10-8-7 IS AMENDED TO READ AS FOLLOWS  
37 [EFFECTIVE JULY 1, 1999]: Sec. 7. (a) The state, excluding state  
38 educational institutions (as defined by IC 20-12-0.5-1), may not  
39 purchase or maintain a policy of group insurance, except life insurance  
40 or long term care insurance under a long term care insurance policy (as  
41 defined in IC 27-8-12-5), for its employees.

42 (b) With the consent of the governor, the state personnel department

C  
O  
P  
Y



1 may establish self-insurance programs to provide group insurance other  
 2 than life or long term care insurance for state employees and retired  
 3 state employees. **If the state personnel department establishes a**  
 4 **self-insurance program covering health care services, the program**  
 5 **must be approved by the health benefits committee established**  
 6 **under section 7.1 of this chapter.** The state personnel department may  
 7 contract with a private agency, business firm, limited liability company,  
 8 or corporation for administrative services. A commission may not be  
 9 paid for the placement of the contract. The department may require, as  
 10 part of a contract for administrative services, that the provider of the  
 11 administrative services offer to an employee terminating state  
 12 employment the option to purchase, without evidence of insurability,  
 13 an individual policy of insurance.

14 (c) Notwithstanding subsection (a), with the consent of the governor  
 15 **and the approval of the health benefits committee established**  
 16 **under section 7.1 of this chapter,** the state personnel department may  
 17 contract for health services for state employees through one (1) or more  
 18 prepaid health care delivery plans.

19 (d) The state personnel department shall adopt rules under IC 4-22-2  
 20 to establish long term and short term disability plans for state  
 21 employees (except employees who hold elected offices (as defined by  
 22 IC 3-5-2-17)). The plans adopted under this subsection may include  
 23 any provisions the department considers necessary and proper and  
 24 must:

- 25 (1) require participation in the plan by employees with six (6)
- 26 months of continuous, full-time service;
- 27 (2) require an employee to make a contribution to the plan in the
- 28 form of a payroll deduction;
- 29 (3) require that an employee's benefits under the short term
- 30 disability plan be subject to a thirty (30) day elimination period
- 31 and that benefits under the long term plan be subject to a six (6)
- 32 month elimination period;
- 33 (4) prohibit the termination of an employee who is eligible for
- 34 benefits under the plan;
- 35 (5) provide, after a seven (7) day elimination period, eighty
- 36 percent (80%) of base biweekly wages for an employee disabled
- 37 by injuries resulting from tortious acts, as distinguished from
- 38 passive negligence, that occur within the employee's scope of
- 39 state employment;
- 40 (6) provide that an employee's benefits under the plan may be
- 41 reduced, dollar for dollar, if the employee derives income from:
- 42 (A) Social Security;



C  
O  
P  
Y

- 1 (B) the public employees' retirement fund;  
 2 (C) the Indiana state teachers' retirement fund;  
 3 (D) pension disability;  
 4 (E) worker's compensation;  
 5 (F) benefits provided from another employer's group plan; or  
 6 (G) remuneration for employment entered into after the  
 7 disability was incurred.  
 8 (The department of state revenue and the department of workforce  
 9 development shall cooperate with the state personnel department  
 10 to confirm that an employee has disclosed complete and accurate  
 11 information necessary to administer subdivision (6).)  
 12 (7) provide that an employee will not receive benefits under the  
 13 plan for a disability resulting from causes specified in the rules;  
 14 and  
 15 (8) provide that, if an employee refuses to:  
 16 (A) accept work assignments appropriate to the employee's  
 17 medical condition;  
 18 (B) submit information necessary for claim administration; or  
 19 (C) submit to examinations by designated physicians;  
 20 the employee forfeits benefits under the plan.  
 21 (e) This section does not affect insurance for retirees under  
 22 IC 5-10.3 or IC 21-6.1.  
 23 (f) The state may pay part of the cost of self-insurance or prepaid  
 24 health care delivery plans for its employees.  
 25 (g) A state agency may not provide any insurance benefits to its  
 26 employees that are not generally available to other state employees,  
 27 unless specifically authorized by law.  
 28 (h) The state may pay a part of the cost of group medical and life  
 29 coverage for its employees.  
 30 **(i) If a self-insurance program covering health care services is**  
 31 **established under subsection (b), the program must include at least**  
 32 **one (1) plan option that has a five thousand dollar (\$5,000)**  
 33 **deductible.**  
 34 **(j) If a self-insurance program covering health care services is**  
 35 **established under subsection (b), all out-of-pocket expenses paid by**  
 36 **the employee including:**  
 37 **(1) copayments;**  
 38 **(2) coinsurance; and**  
 39 **(3) expenses greater than the usual and customary amount**  
 40 **paid by the self-insurance program;**  
 41 **must be applied to any applicable deductible amount.**  
 42 SECTION 3. IC 5-10-8-7.1 IS ADDED TO THE INDIANA CODE



C  
O  
P  
Y

1 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY  
2 1, 1999]: **Sec. 7.1. (a) The health benefits committee is established  
3 for the purpose of directing and monitoring the state personnel  
4 department regarding self-insurance programs under section 7(b)  
5 of this chapter and contracts for health care services through  
6 prepaid health care delivery plans under section 7(c) of this  
7 chapter.**

8 **(b) The health benefits committee shall consist of the following  
9 members appointed by the governor, to serve at the pleasure of the  
10 governor:**

11 **(1) Two (2) legislators to serve as nonvoting, advisory  
12 members, one (1) from the house of representatives and one  
13 (1) from the senate.**

14 **(2) One (1) representative appointed from a list submitted by  
15 the unity team.**

16 **(3) One (1) representative appointed from a list submitted by  
17 the American Federation of State, County, and Municipal  
18 Employees.**

19 **(4) The director of the state personnel department or the  
20 director's designee.**

21 **(5) Three (3) at-large members to serve two (2) year  
22 renewable terms.**

23 **(c) The state personnel department shall adopt rules under  
24 IC 4-22-2 to implement this section.**

25 SECTION 4. IC 5-10-8-7.3 IS ADDED TO THE INDIANA CODE  
26 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY  
27 1, 1999]: **Sec. 7.3. (a) The state personnel department shall  
28 establish an employee benefits ombudsman division that shall assist  
29 individual employees by:**

30 **(1) receiving, investigating, and responding to complaints and  
31 concerns regarding employee health benefits;**

32 **(2) explaining employee health benefits;**

33 **(3) assisting in the completion of claims forms related to  
34 employee health benefits; and**

35 **(4) providing any other assistance with regard to employee  
36 health benefits.**

37 **(b) The employee benefits ombudsman shall forward complaints  
38 regarding coverage under employee health benefits to the state  
39 department of insurance, which shall process complaints under  
40 IC 27-4-1-5.6.**

41 **(c) The state personnel department shall adopt rules under  
42 IC 4-22-2 to implement this section.**



C  
O  
P  
Y

1 SECTION 5. IC 5-10-8-7.4 IS ADDED TO THE INDIANA CODE  
2 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY  
3 1, 1999]: **Sec. 7.4. (a) As used in this section, "covered individual"**  
4 **means an individual who is:**

5 (1) covered under a self-insurance program established under  
6 section 7(b) of this chapter to provide group health coverage;  
7 or

8 (2) entitled to health care services under a contract for health  
9 care services through a prepaid health care delivery plan that  
10 is entered into or renewed under section 7(c) of this chapter.

11 (b) As used in this section, "rural employee" means a covered  
12 individual who lives in a county that:

13 (1) does not have a second class city or a consolidated city;  
14 and

15 (2) is not contiguous to a county that has a second class city or  
16 a consolidated city.

17 (c) Except as provided in section 7.5 of this chapter, a  
18 self-insurance program established under section 7(b) of this  
19 chapter to provide health care coverage must provide that a rural  
20 employee may receive health care services from any health care  
21 provider.

22 (d) Except as provided in section 7.5 of this chapter, a contract  
23 for health care services through a prepaid health care delivery plan  
24 that is entered into or renewed under section 7(c) of this chapter  
25 must provide that a rural employee may receive health care  
26 services from any health care provider.

27 (e) Except as provided under subsection (f), the coverage  
28 required under subsection (c) and services required under  
29 subsection (d) may not be subject to dollar limits, deductibles,  
30 coinsurance, or copayment provisions that are less favorable to a  
31 rural employee than the dollar limits, deductibles, coinsurance, or  
32 copayment provisions applying to a covered individual who is not  
33 a rural employee under the self-insurance program or contract for  
34 health care services.

35 (f) The health benefits committee established under section 7.1  
36 of this chapter may establish a differential payment rate for rural  
37 employees not to exceed an additional one hundred dollars (\$100)  
38 of deductible per contract year or an additional five percent (5%)  
39 of copayment for services obtained under subsections (c) and (d).

40 SECTION 6. IC 5-10-8-7.5 IS ADDED TO THE INDIANA CODE  
41 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY  
42 1, 1999]: **Sec. 7.5. (a) As used in this section, "covered individual"**

C  
O  
P  
Y

- 1 means an individual who is:
- 2 (1) covered under a self-insurance program established under
- 3 section 7(b) of this chapter to provide group health coverage;
- 4 or
- 5 (2) entitled to health services under a contract for health
- 6 services through a prepaid health care delivery plan that is
- 7 entered into or renewed under section 7(c) of this chapter.
- 8 (b) As used in this section, "laboratory services provider"
- 9 means an individual or facility that provides laboratory services
- 10 and:
- 11 (1) has been Clinical Laboratory Improvement Amendments
- 12 certified; or
- 13 (2) meets any guidelines established by the state department
- 14 of health.
- 15 (c) A self-insurance program established under section 7(b) of
- 16 this chapter to provide health care coverage must provide that
- 17 covered individuals may receive laboratory services from a
- 18 laboratory services provider selected by the covered individual's
- 19 treating physician.
- 20 (d) A contract with a prepaid health care delivery plan that is
- 21 entered into or renewed under section 7(c) of this chapter must
- 22 provide that covered individuals may receive laboratory services
- 23 from a laboratory services provider selected by the covered
- 24 individual's treating physician.
- 25 (e) The coverage required by subsection (c) and services
- 26 required by subsection (d) may not be subject to dollar limits,
- 27 deductibles, or coinsurance provisions that are less favorable to
- 28 covered individuals than the dollar limits, deductibles, or
- 29 coinsurance provisions applying to physical illness generally under
- 30 the self-insurance program or contract with a prepaid health care
- 31 delivery plan.
- 32 SECTION 7. IC 5-10-8-8 IS AMENDED TO READ AS FOLLOWS
- 33 [EFFECTIVE JULY 1, 1999]: Sec. 8. (a) This section applies only to
- 34 the state and its employees who are not covered by a plan established
- 35 under section 6 of this chapter.
- 36 (b) After June 30, 1986, the state shall provide a group health
- 37 insurance plan to each retired employee:
- 38 (1) whose retirement date is:
- 39 (A) after June 29, 1986, for a retired employee who was a
- 40 member of the field examiners' retirement fund;
- 41 (B) after May 31, 1986, for a retired employee who was a
- 42 member of the Indiana state teachers' retirement fund; or



- 1 (C) after June 30, 1986, for a retired employee not covered by  
 2 clause (A) or (B);  
 3 (2) who will have reached fifty-five (55) years of age on or before  
 4 the employee's retirement date; ~~but who will not be eligible on~~  
 5 ~~that date for Medicare coverage as prescribed by 42 U.S.C. 1395~~  
 6 ~~et seq.;~~  
 7 (3) who will have completed twenty (20) years of creditable  
 8 employment with a public employer on or before the employee's  
 9 retirement date, ten (10) years of which shall have been  
 10 completed immediately preceding the retirement; and  
 11 (4) who will have completed at least fifteen (15) years of  
 12 participation in the retirement plan of which the employee is a  
 13 member on or before the employee's retirement date.
- 14 (c) The state shall provide a group health insurance program to each  
 15 retired employee:  
 16 (1) who is a retired judge;  
 17 (2) whose retirement date is after June 30, 1990;  
 18 (3) who is at least sixty-two (62) years of age;  
 19 ~~(4) who is not eligible for Medicare coverage as prescribed by 42~~  
 20 ~~U.S.C. 1395 et seq.; and~~  
 21 ~~(5) (4) who has at least eight (8) years of service credit as a~~  
 22 ~~participant in the Indiana judges' retirement fund, with at least~~  
 23 ~~eight (8) years of that service credit completed immediately~~  
 24 ~~preceding the judge's retirement.~~
- 25 (d) The state shall provide a group health insurance program to each  
 26 retired employee:  
 27 (1) who is a retired participant under the prosecuting attorneys  
 28 retirement fund;  
 29 (2) whose retirement date is after January 1, 1990;  
 30 (3) who is at least sixty-two (62) years of age;  
 31 ~~(4) who is not eligible for Medicare coverage as prescribed by 42~~  
 32 ~~U.S.C. 1395 et seq.; and~~  
 33 ~~(5) (4) who has at least ten (10) years of service credit as a~~  
 34 ~~participant in the prosecuting attorneys retirement fund, with at~~  
 35 ~~least ten (10) years of that service credit completed immediately~~  
 36 ~~preceding the participant's retirement.~~
- 37 (e) The state shall make available a group health insurance program  
 38 to each former member of the general assembly or surviving spouse of  
 39 each former member, if the former member:  
 40 (1) is no longer a member of the general assembly;  
 41 ~~(2) is not eligible for Medicare coverage as prescribed by 42~~  
 42 ~~U.S.C. 1395 et seq. or, in the case of a surviving spouse, the~~



1 surviving spouse is not eligible for Medicare coverage as  
 2 prescribed by 42 U.S.C. 1395, et. seq.; and  
 3 ~~(3)~~ (2) has at least ten (10) years of service credit as a member in  
 4 the general assembly, with at least eight (8) years of that service  
 5 credit completed immediately preceding the member's retirement  
 6 or death.

7 A former member or surviving spouse of a former member who obtains  
 8 insurance under this section is responsible for paying both the  
 9 employer and the employee share of the cost of the coverage.

10 (f) The group health insurance program required under subsections  
 11 (b) through (e) must be equal to that offered active employees. The  
 12 retired employee may participate in the group health insurance program  
 13 if the retired employee pays an amount equal to the employer's and the  
 14 employee's premium for the group health insurance for an active  
 15 employee and if the retired employee within ninety (90) days after the  
 16 employee's retirement date files a written request for insurance  
 17 coverage with the employer. However, the employer may elect to pay  
 18 any part of the retired employee's premium.

19 (g) A retired employee's eligibility to continue insurance under this  
 20 section ends when the employee becomes eligible for Medicare  
 21 coverage as prescribed by 42 U.S.C. 1395 et seq.; or when the  
 22 employer terminates the health insurance program. A retired employee  
 23 who is eligible for insurance coverage under this section may elect to  
 24 have the employee's spouse covered under the health insurance  
 25 program at the time the employee retires. If a retired employee's spouse  
 26 pays the amount the retired employee would have been required to pay  
 27 for coverage selected by the spouse, the spouse's subsequent eligibility  
 28 to continue insurance under this section is not affected by the death of  
 29 the retired employee. The surviving spouse's eligibility ends on the  
 30 earliest of the following:

31 ~~(1)~~ When the spouse becomes eligible for Medicare coverage as  
 32 prescribed by 42 U.S.C. 1395 et seq.

33 ~~(2)~~ (1) When the employer terminates the health insurance  
 34 program.

35 ~~(3)~~ (2) Two (2) years after the date of the employee's death.

36 ~~(4)~~ (3) The date of the spouse's remarriage.

37 (h) This subsection does not apply to an employee who is entitled  
 38 to group insurance coverage under IC 20-6.1-6-1(c). An employee who  
 39 is on leave without pay is entitled to participate for ninety (90) days in  
 40 any health insurance program maintained by the employer for active  
 41 employees if the employee pays an amount equal to the total of the  
 42 employer's and the employee's premiums for the insurance.



C  
O  
P  
Y

1 (i) An employer may provide group health insurance for retired  
 2 employees or their spouses not covered by this section and may provide  
 3 group health insurance that contains provisions more favorable to  
 4 retired employees and their spouses than required by this section. A  
 5 public employer may provide group health insurance to an employee  
 6 who is on leave without pay for a longer period than required by  
 7 subsection (h).

8 SECTION 8. IC 5-10-8-8.1 IS AMENDED TO READ AS  
 9 FOLLOWS [EFFECTIVE JULY 1, 1999]: Sec. 8.1. (a) This section  
 10 applies only to the state and former legislators, instead of section 8 of  
 11 this chapter.

12 (b) As used in this section, "legislator" means a member of the  
 13 general assembly.

14 (c) After June 30, 1988, the state shall provide to each retired  
 15 legislator:

- 16 (1) whose retirement date is after June 30, 1988;  
 17 (2) who will have reached fifty-five (55) years of age on or before  
 18 the legislator's retirement date but who is not participating in a  
 19 group health insurance coverage plan,  
 20 ~~(A) including Medicare coverage as prescribed by 42 U.S.C.~~  
 21 ~~1395 et seq.; but~~  
 22 ~~(B) not including a group health insurance plan provided by~~  
 23 ~~the state;~~  
 24 (3) who served as a legislator for at least:  
 25 (A) fifteen (15) years; and  
 26 (B) ten (10) years immediately preceding the legislator's  
 27 retirement date; and  
 28 (4) who participated in a group health insurance plan provided by  
 29 the state on the legislator's retirement date;

30 a group health insurance program that is equal to that offered active  
 31 employees.

32 (d) A retired legislator who qualifies under subsection (c) may  
 33 participate in the group health insurance program if the retired  
 34 legislator:

- 35 (1) pays an amount equal to the employer's and employee's  
 36 premium for the group health insurance for an active employee;  
 37 and  
 38 (2) within ninety (90) days after the legislator's retirement date  
 39 files a written request for insurance coverage with the employer.

40 (e) A retired legislator's eligibility to continue insurance under this  
 41 section ends when the member becomes eligible for Medicare coverage  
 42 as prescribed by 42 U.S.C. 1395 et seq., or when the employer

C  
O  
P  
Y



1 terminates the health insurance program.

2 (f) A retired legislator who is eligible for insurance coverage under  
3 this section may elect to have the legislator's spouse covered under the  
4 health insurance program at the time the legislator retires. If a retired  
5 legislator's spouse pays the amount the retired legislator would have  
6 been required to pay for coverage selected by the spouse, the spouse's  
7 subsequent eligibility to continue insurance under this section is not  
8 affected by the death of the retired legislator and is not affected by the  
9 retired legislator's eligibility for Medicare. The spouse's eligibility ends  
10 on the earliest of the following:

11 ~~(1) When the spouse becomes eligible for Medicare coverage as~~  
12 ~~prescribed by 42 U.S.C. 1395 et seq.~~

13 ~~(2) (1) When the employer terminates the health insurance~~  
14 ~~program.~~

15 ~~(3) (2) The date of the spouse's remarriage.~~

16 (g) The surviving spouse of a legislator who dies or has died in  
17 office may elect to participate in the group health insurance program  
18 if all of the following apply:

19 (1) The deceased legislator would have been eligible to  
20 participate in the group health insurance program under this  
21 section had the legislator retired on the day of the legislator's  
22 death.

23 (2) The surviving spouse files a written request for insurance  
24 coverage with the employer.

25 (3) The surviving spouse pays an amount equal to the employer's  
26 and employee's premium for the group health insurance for an  
27 active employee.

28 (h) The eligibility of the surviving spouse of a legislator to purchase  
29 group health insurance under subsection (g) ends on the earliest of the  
30 following:

31 (1) When the employer terminates the health insurance program.

32 (2) The date of the spouse's remarriage.

33 ~~(3) When the spouse becomes eligible for Medicare coverage as~~  
34 ~~prescribed by 42 U.S.C. 1395 et seq.~~

35 SECTION 9. IC 27-13-7-7 IS AMENDED TO READ AS  
36 FOLLOWS [EFFECTIVE JULY 1, 1999]: Sec. 7. The evidence of  
37 coverage required by section 5 of this chapter must contain **the**  
38 **following:**

39 (1) A clear statement of the matters set forth in section 3(a) of this  
40 chapter.

41 (2) **A statement indicating how a determination of medical**  
42 **necessity for health care services is made, as provided in**

C  
O  
P  
Y



1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35  
36  
37  
38  
39  
40  
41  
42

**section 7.5 of this chapter.**

**SECTION 10. IC 27-13-7-7.5 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 1999]: Sec. 7.5. (a) A determination of medical necessity for health care services must be:**

- (1) in writing; and**
- (2) based on the standards provided in this section.**

**(b) A health maintenance organization must base a determination of medical necessity on medical information provided by:**

- (1) the enrollee;**
- (2) a member of the enrollee's family; or**
- (3) the:**
  - (A) physician; or**
  - (B) another provider, a program, or an agency;****that provides health care services relative to the enrollee's diagnosis.**

**(c) A determination of medical necessity must be made by a provider with expertise in the enrollee's area of diagnosis.**

**(d) Health care services provided to an enrollee must be sufficient in amount, duration, and scope to reasonably achieve a positive outcome.**

**(e) The amount, duration, and scope of health care services provided to an enrollee may not be arbitrarily denied or reduced solely because of the enrollee's diagnosis, type of illness, or condition.**

**(f) Satisfaction of any one (1) of the following must result in authorization for and provision of health care services to an enrollee:**

- (1) The health care service is expected to prevent the onset of an illness, disease, condition, or disability.**
- (2) The health care service is expected to correct, cure, eliminate, or reduce a physical, mental, or developmental:**
  - (A) illness;**
  - (B) disease;**
  - (C) condition;**
  - (D) injury; or**
  - (E) disability.**
- (3) The health care service will alleviate the pain of an illness, disease, condition, injury, or disability.**
- (4) The health care service will assist the enrollee to do the following:**

C  
O  
P  
Y



1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24

**(A) Prevent the development of a secondary condition.**  
**(B) Achieve, maintain, or improve functional capacity in performing daily activities, taking into account the following:**

- (i) The functional capacity of the enrollee.**
- (ii) The functional capacity that is appropriate for an individual who is the same age as the enrollee.**

**SECTION 11. [EFFECTIVE JULY 1, 1999] (a) IC 5-10-8-7, as amended by this act, applies to any self-insurance program or contract for health care services through a prepaid health care delivery plan that is established, amended, issued, entered into, or renewed after January 1, 2000.**

**(b) IC 5-10-8-7.1 and IC 5-10-8-7.4, both as added by this act, apply to any self-insurance program or contract for health care services through a prepaid health care delivery plan that is established, amended, issued, entered into, or renewed after January 1, 2000.**

**(c) This SECTION expires June 30, 2005.**

**SECTION 12. [EFFECTIVE JULY 1, 1999] (a) IC 5-10-8-7.5, as added by this act, applies to a self-insurance program or a contract with a prepaid health care delivery plan that is established, amended, issued, entered into, delivered, or renewed after January 1, 2000.**

**(b) This SECTION expires June 30, 2005.**

C  
o  
p  
y

