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HOUSE DEMOCRATIC POLICY COMMITTEE

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**House of Representatives**  
COMMONWEALTH OF PENNSYLVANIA  
HARRISBURG

**HOUSE DEMOCRATIC POLICY COMMITTEE HEARING**

**Topic: House Bill 348**

**Dickson City Borough Building – Dickson City, PA**

**April 9, 2015**

**AGENDA**

- 10:00 a.m. Welcome and Opening Remarks
- 10:10 a.m. Brian Rinaldi  
Business Manager  
Old Forge School District
- 10:40 a.m. Ron Koldjeski  
Deputy Director  
Lackawanna County Tax Claim Bureau
- 11:10 a.m. Joseph Surridge  
Business Manager  
Riverside School District
- 11:40 a.m. Closing Remarks

# MEMORANDUM

**Posted:** January 21, 2015 10:39 AM

**From:** [Representative Bernie O'Neill](#) and [Rep. Sid Kavulich](#)

**To:** All House members

**Subject:** Public School Employees Benefit Board Legislation (Prior HB 2080 – 2011-12 Session)

In the near future, we intend to re-introduce legislation establishing the Public School Employees Benefit Board. The Board will be comprised of twenty members, representing school employees, school boards, the legislature and the administration. The duties of this board would be to conduct a comprehensive study of health benefits currently provided to public school employers and the cost effectiveness of a statewide public school employee health care benefit program.

Once the board has completed its study, the board will determine whether to proceed with one of two options. In order to proceed on either option, a qualified majority of board members – at least 15 of the 20 members – is required to vote for that option. The first option that could be pursued by the board, with a qualified majority vote, would be to *develop* a statewide public school health care benefits program, including the design and implementation of such a program. This includes, but is not limited to establishing health plan options, benefit offerings, eligibility requirements, employee-cost sharing requirements, and payment provisions. Before the program could be *established* a qualified majority vote by the board would be required to approve the program.

If the board decided against proceeding with the first option, the board could decide by a qualified majority vote to *develop* an alternative measures program, such as consolidating coverage regionally, consolidating selected areas of coverage such as prescriptions, and/or developing best practice standards and benchmarks for current health care plans. In order to *establish* the alternative measures program a qualified majority of board members would be required to approve the program.

This legislation provides additional oversight by the legislature before a statewide public school health care benefits program can be implemented by the board. The board can proceed with implementation of the program unless a legislative resolution to the contrary is adopted by the legislature within 45 days after publication of the plan. The process by which a resolution would be enacted by the legislature would be similar to the existing regulatory review process.

As health care costs continue to rise in our Commonwealth and across the nation, we believe this legislation to be of great importance. Thank you for your consideration and support of this very important piece of legislation.

I hope you will join us as a co-sponsor of this legislation. If you have any questions please contact Connie McClure in my Harrisburg office at 705-7170 or by e-mailing [cmccclure@pahousegop.com](mailto:cmccclure@pahousegop.com).

Thank you for your consideration of this legislation.

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Introduced as [HB348](#)

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Introduced as [HB348](#)

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THE GENERAL ASSEMBLY OF PENNSYLVANIA

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HOUSE BILL

No. 348 Session of  
2015

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INTRODUCED BY O'NEILL, KAVULICH, DEASY, GOODMAN, GREINER,  
HARKINS, McCARTER, MILLARD, READSHAW AND TOEPEL,  
FEBRUARY 5, 2015

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REFERRED TO COMMITTEE ON EDUCATION, FEBRUARY 5, 2015

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AN ACT

1 Establishing the Public School Employees' Benefit Board and  
2 providing for its powers and duties; requiring a school  
3 employee benefits study and evaluation; providing for a  
4 Statewide health benefits program for public school  
5 employees, for alternative measures for cost reduction and  
6 for a retirement health savings plan; and establishing the  
7 Public School Employees' Benefit Trust Fund.

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16 Section 312. Administrative duties of board.

17 Subchapter C. Study and Options Election

18 Section 321. School employee health benefits study and  
19 evaluation.

20 Section 322. Board review and election.

1 Section 323. Plan adoption.  
2 Subchapter D. Statewide Health Benefits Program  
3 Section 331. Health benefits program.  
4 Section 332. Participation.  
5 Section 333. Continuation of coverage and transfer employees.  
6 Section 334. Partnership for stable benefits funding.  
7 Section 335. Powers and duties of board.  
8 Section 336. Public School Employees' Benefit Trust Fund.  
9 Section 337. Misrepresentation, refusal to cooperate and fraud.  
10 Section 338. Miscellaneous provisions.

11 Subchapter E. Alternative Measures for Cost Reduction  
12 Section 351. Alternative measures program.

13 Subchapter F. Retirement Health Savings Plan  
14 Section 361. Retirement health savings plan.

15 Chapter 5. Miscellaneous Provisions

16 Section 501. Feasibility report.

17 Section 502. Effective date.

18 The General Assembly of the Commonwealth of Pennsylvania  
19 hereby enacts as follows:

20 CHAPTER 1

21 PRELIMINARY PROVISIONS

22 Section 101. Short title.

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

25 CHAPTER 3

26 ADMINISTRATION OF BENEFITS

27 SUBCHAPTER A

28 DEFINITIONS

29 Section 301. Definitions.

30 The following words and phrases when used in this chapter

1 shall have the meanings given to them in this section unless the  
2 context clearly indicates otherwise:

3 "Alternate health care plan." A plan or plan design  
4 established by the Public School Employees' Benefit Board  
5 pursuant to section 331(f)(2)(ii) which the board in its  
6 exclusive authority determines to contain benefits equivalent to  
7 the standard benefit package.

8 "Alternative measures program." A program created by the  
9 Public School Employees' Benefit Board in accordance with the  
10 provisions of Subchapter E.

11 "Annuitant." Any "annuitant" or "disability annuitant" as  
12 defined in 24 Pa.C.S. § 8102 (relating to definitions).

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

21 "Board." The Public School Employees' Benefit Board created  
22 in section 311.

23 "Board member." A person designated or appointed to the  
24 Public School Employees' Benefit Board pursuant to section  
25 311(a).

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

combined purchasing of the individual participants in order to increase bargaining power to obtain health care benefits.

"Contribution rate." The rate established by the Public School Employees' Benefit Board in accordance with section 334(b) and (c) used to determine contributions by the Commonwealth and public school entities for the funding of the standard benefit package for eligible individuals in each health care region.

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

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

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

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

"Employee benefits account." A ledger account of the Public School Employees' Benefit Trust Fund created in section 336(a) (1).

"Employer contribution account." A ledger account of the Public School Employees' Benefit Trust Fund created in section 336(a) (3).

"Health care dependent." An individual who is eligible to receive health care coverage under the Statewide health benefits

1 program due to the individual's relation to the member, as  
2 determined by the Public School Employees' Benefit Board.

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

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

16 "Long-term substitute." A school employee who is  
17 substituting for an officer, administrator or employee of a  
18 public school entity for a qualifying period of time to be  
19 determined by the Public School Employees' Benefit Board.

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

27 "Member." An eligible individual who is so specified for  
28 enrollment in the Statewide health benefits program and in whose  
29 name the identification card is issued. A member can be:

30 (1) A school employee.



1           (2) An annuitant.

2           (3) A transfer employee.

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

7           (5) Others as approved by the Public School Employees'  
8 Benefit Board.

9       "Optional benefit package." A plan or plan design  
10 established by the Public School Employees' Benefit Board  
11 pursuant to section 331(f)(2)(iii) which includes specific  
12 health care services that are not part of the standard benefit  
13 package.

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

24       "Phase-in period." The period of program operation in any  
25 health care region from the time the Public School Employees'  
26 Benefit Board begins implementation of mandatory participation  
27 under section 332 until the commencement of the first plan year  
28 in which 75% of school districts in that region are  
29 participating in the program.

30       "Program." The Statewide health benefits program sponsored

1 by the Public School Employees' Benefit Board in accordance with  
2 the provisions of Subchapter D.

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

5 "Public school entity." A school district of any class,  
6 intermediate unit, area vocational-technical school, charter  
7 school or other school, as provided for under the Public School  
8 Code. The term shall also include the former Scotland School for  
9 Veterans' Children and the former Scranton State School for the  
10 Deaf.

11 "Qualified majority vote." A vote by the Public School  
12 Employees' Benefit Board requiring the support of a majority of  
13 the members of the board present and voting, with the support of  
14 at least two board members described in section 311(a)(1), at  
15 least two board members appointed under section 311(a)(3) and at  
16 least four board members appointed under section 311(a)(2), of  
17 whom at least two board members must be appointed under section  
18 311(a)(2)(i)(A), to pass.

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

24 "Reserve account." A ledger account of the Public School  
25 Employees' Benefit Trust Fund created in section 336(a)(2).

26 "Retirement system." The term shall have the same meaning as  
27 "system" in 24 Pa.C.S. § 8102 (relating to definitions).

28 "School employee." Any person regularly employed by or in a  
29 public school entity for which work the person is receiving  
30 regular remuneration as an officer, administrator, employee or

1 long-term substitute. The term excludes any independent  
2 contractor, person compensated on a fee basis or, unless  
3 otherwise determined by the Public School Employees' Benefit  
4 Board, any part-time hourly school employee. The term includes  
5 any employee of a public school entity who has a position for  
6 which eligibility in a health care plan sponsored by the public  
7 school entity is in effect as of the effective date of this  
8 chapter.

9 "Standard benefit package." The benefit package established  
10 by the Public School Employees' Benefit Board pursuant to  
11 section 331(f)(1).

12 "Supplemental benefits." Dental care, vision care and  
13 employee assistance program benefits that may be offered in  
14 addition to medical and hospital services and prescription drug  
15 benefits.

16 "Transfer employee." A person who is not a school employee  
17 who is regularly employed at a worksite in a public school  
18 entity, regardless of who actually employs the person, if the  
19 person is performing services previously performed by a school  
20 employee.

21 "Trust fund." The Public School Employees' Benefit Trust  
22 Fund established in section 336.

## 23 SUBCHAPTER B

### 24 PUBLIC SCHOOL EMPLOYEES' BENEFIT BOARD

#### 25 Section 311. Public School Employees' Benefit Board.

26 (a) Status and membership.--The board shall be an  
27 independent administrative board and shall consist of the  
28 following board members:

29 (1) The Secretary of the Budget, the Secretary of  
30 Education, the Secretary of Administration and the Insurance

1 Commissioner, who shall serve ex officio.

2 (2) Eight persons representing school employees who are  
3 covered by the program appointed in the following manner:

4 (i) Six persons representing school employees who  
5 are covered by the program in an approximate proportion  
6 to the percentage of professional employees represented  
7 in collective bargaining by school employee unions  
8 working in public school entities that will be covered by  
9 the program when it is fully operational and based on  
10 full participation by all school entities, appointed by  
11 the Governor and chosen from a list of candidates  
12 submitted by those school employee unions; provided that  
13 all of the following shall occur:

14 (A) no fewer than five persons shall be  
15 appointed from a list of candidates submitted by the  
16 school employee union that on the effective date of  
17 this chapter represents in collective bargaining the  
18 greatest proportion of all professional employees  
19 working in public school entities that will be  
20 covered by the program when it is fully operational  
21 based on full participation by all school entities;  
22 and

23 (B) no less than one person shall be appointed  
24 from a list of candidates submitted by any school  
25 employee union that on the effective date of this  
26 chapter represents in collective bargaining more than  
27 4,000 professional employees working in public school  
28 entities that will be covered by the program when it  
29 is fully operational.

30 (ii) Two persons representing school employees who

1 are covered by the program represented in collective  
2 bargaining by school employee unions other than school  
3 employee unions within subparagraph (i) appointed by the  
4 Governor and chosen from a list of candidates submitted  
5 by those school employee unions other than school  
6 employee unions within subparagraph (i).

7 (iii) For purposes of this section "school employee  
8 unions" shall include a Statewide affiliate of such  
9 school employee unions.

10 (3) Four persons representing public school entity  
11 employers appointed by the Governor and chosen from a list of  
12 candidates submitted by the Pennsylvania School Boards  
13 Association. At least one of the school entity employer  
14 representatives initially named to the board shall be a  
15 member of a consortium board.

16 The school employee unions and the Pennsylvania School Boards  
17 Association shall provide the Governor with their respective  
18 lists of candidates within 15 days following the effective date  
19 of this section. The Governor shall make his appointments within  
20 45 days following receipt of the lists.

21 (b) Terms.--

22 (1) Three board members appointed under subsection (a)  
23 (2)(i), as designated by the Governor, shall serve a term of  
24 two years, and three board members appointed under subsection  
25 (a)(2)(i), as designated by the Governor, shall serve a term  
26 of four years.

27 (2) One board member appointed under subsection (a)(2)  
28 (ii), as designated by the Governor, shall serve a term of  
29 two years, and one board member appointed under subsection  
30 (a)(2)(ii), as designated by the Governor, shall serve a term

1 of four years.

2 (3) Two board members appointed under subsection (a)(3),  
3 as designated by the Governor, shall serve a term of two  
4 years, and two board members appointed under subsection (a)  
5 (3), as designated by the Governor, shall serve a term of  
6 four years, except that the Pennsylvania School Boards  
7 Association shall designate for which initial term the  
8 representative who is a member of a consortium board shall  
9 serve.

10 (4) Successors for all board members shall be appointed  
11 for terms of four years, except as provided in subsection  
12 (d). Board members shall be eligible for reappointment.

13 (c) Meetings.--The board shall meet as needed to fulfill its  
14 duties, and nine board members shall constitute a quorum. Board  
15 members shall elect the chairman of the board. Except in  
16 instances where a qualified majority is required under this  
17 chapter, a majority of the board members present and voting  
18 shall have authority to act upon any matter. The board is  
19 authorized to establish rules of its operation, including a  
20 provision for the removal of board members for nonattendance.

21 (d) Vacancies.--A vacancy occurring during the term of any  
22 board member shall be filled for the unexpired term by a  
23 successor appointed in the same manner as his predecessor. The  
24 school employee unions and the Pennsylvania School Boards  
25 Association shall provide the Governor with their respective  
26 lists of candidates within 60 days prior to the end of a  
27 member's term or within 15 days of any other vacancy.

28 (e) Oath of office.--Each board member shall take an oath of  
29 office that the member will, so far as it devolves upon the  
30 member, diligently and honestly administer the affairs of the

1 board and that the member will not knowingly violate or  
2 willfully permit to be violated any of the provisions of law  
3 applicable to this chapter. The oath shall be subscribed by the  
4 board member making it and certified by the officer before whom  
5 it is taken and shall be immediately filed in the office of the  
6 Secretary of the Commonwealth.

7 (f) Compensation and expenses.--Board members who are  
8 members of the retirement system or the State Employees'  
9 Retirement System shall serve without compensation. Board  
10 members who are members of the retirement system and who are  
11 employed by a public school entity shall not suffer loss of  
12 salary or wages through serving on the board. The board, on  
13 request of the employer of any board member who is an active  
14 professional or nonprofessional member of the retirement system,  
15 may reimburse the employer for the salary or wages of the member  
16 or for the cost of employing a substitute for the board member  
17 while the board member is necessarily absent from employment to  
18 execute the duties of the board. The board members who are not  
19 members of either the retirement system or the State Employees'  
20 Retirement System may be paid \$100 per day when attending  
21 meetings, and all board members shall be reimbursed for any  
22 necessary expenses. When, however, the duties of the board as  
23 mandated are not executed, no compensation or reimbursement for  
24 expenses of board members shall be paid or payable during the  
25 period in which the duties are not executed.

26 (g) Corporate power and legal advisor.--For the purposes of  
27 this chapter, the board shall possess the power and privileges  
28 of a corporation. The Office of General Counsel shall be the  
29 legal advisor of the board.

30 (h) Duties of the board.--The board shall have the power and

1 authority to carry out the duties established by this chapter,  
2 including the design, implementation and administration of the  
3 school employee health benefits study pursuant to Subchapter C  
4 and either the Statewide health benefits program if approved  
5 pursuant to section 323 or the alternative measures program if  
6 created pursuant to section 351.

7 Section 312. Administrative duties of board.

8 (a) Employees.--The compensation of all officers and  
9 employees of the board who are not covered by a collective  
10 bargaining agreement shall be established by the board  
11 consistent with the standards of compensation established by the  
12 Executive Board.

13 (b) Secretary.--The board shall select a secretary, who  
14 shall not be a board member. The secretary shall act as chief  
15 administrative officer for the board. In addition to other  
16 powers and duties conferred upon and delegated to the secretary  
17 by the board, the secretary shall:

18 (1) Serve as the administrative agent of the board and  
19 as liaison between the board and applicable legislative  
20 committees.

21 (2) Review and analyze proposed legislation and  
22 legislative developments affecting the program and present  
23 findings to the board, legislative committees and other  
24 interested groups or individuals.

25 (3) Receive inquiries and requests for information  
26 concerning the program from the press, Commonwealth  
27 officials, public school entities, school employees and the  
28 general public and provide information as authorized by the  
29 board.

30 (c) Professional personnel.--The board may employ or



1 contract with consultants and other professional personnel as  
2 needed to conduct the school employee health benefits study and  
3 evaluation pursuant to Subchapter C and to operate the program,  
4 including third-party administrators, managed care managers,  
5 chief medical examiners, actuaries, investment advisors and  
6 managers, legal counsel and other professional personnel as it  
7 deems advisable. The board may also contract for the services of  
8 any national or State banking corporation or association having  
9 trust powers, with respect to carrying out the business and  
10 other matters of the program.

11 (d) Expenses.--The board shall, through the Governor, submit  
12 to the General Assembly annually a budget covering the  
13 administrative expenses of this chapter. The expenses, as  
14 approved by the General Assembly in an appropriation bill, shall  
15 be paid:

16 (1) from the General Fund; or

17 (2) starting in the first fiscal year after the  
18 transition period is complete and every fiscal year  
19 thereafter, from reserves and investment earnings of the  
20 trust fund.

21 (e) Meetings.--The board shall hold at least four regular  
22 meetings annually and other meetings as it may deem necessary.

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

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

27 (h) Temporary regulations.--

28 (1) Notwithstanding any other provision of law to the  
29 contrary and in order to facilitate the prompt implementation  
30 of this chapter, regulations promulgated by the board during

1 the two years following the effective date of this chapter  
2 shall be deemed temporary regulations which shall expire no  
3 later than three years following the effective date of this  
4 chapter or upon promulgation of regulations as generally  
5 provided by law. The temporary regulations shall not be  
6 subject to:

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

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

12 (2) The authority provided to the board to adopt  
13 temporary regulations in this subsection shall expire two  
14 years from the effect date of this chapter. Regulations  
15 adopted after the two-year period shall be promulgated as  
16 provided by law.

17 (i) Postretirement benefits study.--The board shall conduct  
18 an assessment of public school entity postretirement health care  
19 liability in this Commonwealth and publish a report providing  
20 generalized data regarding the scope of the liability to be  
21 borne by public school entities and measures implemented by  
22 public school entities to prepare for this liability. This  
23 assessment may be conducted in conjunction with the study  
24 required by section 321.

#### 25 SUBCHAPTER C

#### 26 STUDY AND OPTIONS ELECTION

27 Section 321. School employee health benefits study and  
28 evaluation.

29 (a) Study.--The board shall conduct a thorough evaluation of  
30 existing health care arrangements covering school employees in

1 this Commonwealth, examine future cost forecasts and collect  
2 data necessary to determine if the board could construct and  
3 sponsor a health care benefit program that would reduce long-  
4 term costs or the rate of growth of long-term costs in the  
5 aggregate for public school entities while maintaining a  
6 comprehensive package of quality health care benefits for school  
7 employees. The board shall conduct the study as provided under  
8 this section.

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

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

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

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

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

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

27 (6) The term and effect of collective bargaining  
28 agreements governing health benefits.

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

1           (8) The total amount of employer-paid costs in  
2 aggregate.

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

5       (c) Data sources.--All entities providing health benefit  
6 coverage for eligible individuals or administering coverage for  
7 health benefits under this chapter shall provide information on  
8 coverage, benefits, plan design, claims data, premiums, cost-  
9 sharing and financial arrangements as the board shall specify to  
10 meet the requirements of subsection (b). Notwithstanding any law  
11 to the contrary, any agency, authority, board, commission,  
12 council, department or office under the jurisdiction of the  
13 Governor shall cooperate with the board in its collection of  
14 health insurance or health care coverage data as specified by  
15 the board to effectuate this section in accordance with this  
16 section.

17       (d) Public school entities.--The Secretary of Education  
18 shall assist the board in obtaining the necessary data for the  
19 study from public school entities and consortia. In the event it  
20 is necessary to facilitate the collection of data from a  
21 noncooperating public school entity or consortium, the Secretary  
22 of Education may request the State Treasurer to cause the  
23 suspension of any payment of money due to the noncooperating  
24 public school entity or public school entities that are  
25 participants in a noncooperating consortium on account of any  
26 appropriation for schools or other purposes until the necessary  
27 information is properly provided. A public school entity shall  
28 be notified before any payments are suspended and may appeal to  
29 the secretary and request an extension of time if there have  
30 been extenuating circumstances preventing the timely submission

1 of all necessary information. In considering an appeal, the  
2 secretary may grant an extension of time for the public school  
3 entity or consortium to provide the necessary information before  
4 the suspension is instituted. The board is authorized and shall  
5 authorize school entities and consortia to enter into agreements  
6 with entities providing or administering coverage for health  
7 care benefits under this chapter for the purpose of carrying out  
8 the provisions of this section.

9 (e) Health benefit entities.--

10 (1) An entity providing or administering health  
11 insurance or health care coverage for public school  
12 employees, with the exception of public school entities or  
13 consortia as provided for in subsection (d), shall, upon the  
14 written request of the board, public school entities,  
15 consortium or insured, provide claims and loss information  
16 within 60 days of the request or sooner, if so determined by  
17 the board.

18 (2) The Insurance Commissioner, the Department of Health  
19 and any other agency, authority, board, commission, council,  
20 department or office under the jurisdiction of the Governor  
21 having regulatory authority over any entity charged under  
22 paragraph (1), hereafter known as "regulating authority,"  
23 shall cooperate with the board, if necessary, to obtain  
24 information from any insurance company, third-party  
25 administrator or other administrator or provider of health  
26 insurance benefits for school employees, other than a public  
27 school entity or consortium. Following notice and hearing,  
28 the board may impose an order assessing a penalty of up to  
29 \$1,000 per day upon any entity, other than a public school  
30 entity or consortium, that willfully fails to comply with the

obligations imposed by this section. If the entity does not comply with the obligations imposed by this section within 15 days of an order being imposed, the board shall notify the regulating authority of the failure of an entity under its jurisdiction to provide data as set forth in this section. Upon notification, the regulating authority shall suspend or revoke the license of the entity or otherwise suspend or revoke the entity's ability to operate until such time as the board notifies the regulating authority that the entity is in compliance. The board shall have standing to petition the Commonwealth Court to seek enforcement of the order.

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

(i) A stock insurance company incorporated for any of the purposes set forth in section 202(c) of the act of May 17, 1921 (P.L.682, No.284), known as The Insurance Company Law of 1921.

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

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

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

(v) A fraternal benefit society as defined in

section 2403 of The Insurance Company Law of 1921.

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

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

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

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

(x) Any other person providing or administering group health care coverage on behalf of a public school entity, or accepting charges or premiums from a public school entity, in connection with providing health care coverage for school employees, including, but not limited to, multiple employer welfare arrangements, self-insured public school entities and third-party administrators.

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

(g) Prepared materials.--Any documents, materials or information solely prepared or created for the purpose of implementation of subsection (b) are confidential and shall not be discoverable or admissible as evidence in any civil or administrative action or proceeding. Any documents, materials, records or information that would otherwise be available from

1 original sources shall not be construed as immune from discovery  
2 or use in any civil or administrative action or proceeding  
3 merely because they were presented to the board. Nothing in this  
4 subsection shall be construed to prevent publication or  
5 dissemination of the aggregate study findings.

6 (h) Received materials.--Any documents, materials or  
7 information received by the board or by a department under the  
8 jurisdiction of the Governor on the board's behalf for the  
9 purpose of implementation of subsection (b) shall not be  
10 discoverable from the board, any department or the submitting  
11 entity, nor shall they be 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 received by the board or any  
17 department.

18 (i) Document review.--No current or former member or  
19 employee of the board or any department shall be allowed to  
20 testify as to any matters by reason of the member's or  
21 employee's review of documents, materials, records or  
22 information submitted to the board by the entity providing  
23 health insurance or health care coverage pursuant to subsection  
24 (b). The enjoinder of testimony does not apply to findings or  
25 actions by the board or any department that are public records.

26 (j) Original source document.--In the event an original  
27 source document as set forth in subsection (g) is determined by  
28 a court of competent jurisdiction to be unavailable from the  
29 entity providing health insurance or health care coverage in a  
30 civil action or proceeding, then, in that circumstance alone,



1 the board may be required pursuant to a court order to release  
2 that original source document to the party identified in the  
3 court order.

4 (k) Right-to-know requests.--Any documents, materials or  
5 information made confidential by subsection (f) shall not be  
6 subject to requests under the act of February 14, 2008 (P.L.6,  
7 No.3), known as the Right-to-Know Law, or any successor statute.

8 (l) Liability.--Notwithstanding any other provision of law,  
9 no person or entity providing any documents, materials or  
10 information to the board, any department or other entity on the  
11 board's behalf shall be held by reason of having provided the  
12 documents, materials or information to have violated any  
13 criminal law, or to be civilly liable under any law, unless the  
14 information is false and the person providing the information  
15 knew or had reason to believe that the information was false and  
16 was motivated by malice toward any person directly affected by  
17 the action.

18 Section 322. Board review and election.

19 (a) Options assessment.--Upon collection of the necessary  
20 information, the board shall evaluate existing public school  
21 entity health care arrangements, examine options that would  
22 aggregate, either Statewide or regionally, health care coverage  
23 for public school employees, assess possible cost-management  
24 improvements and solicit input from public school entities and  
25 consortia identified with best practice standards. The board  
26 shall investigate the creation of a Statewide health benefits  
27 program as provided for in section 331 with the goal of  
28 improving the overall affordability of providing health care  
29 coverage for public school employees. The cost projections shall  
30 be predicated on a plan that provides quality health care

1 benefits at a level consistent with those now provided to most  
2 school employees through existing collective bargaining  
3 contracts and offers coverage to school employees and other  
4 eligible individuals.

5 (b) Election to proceed with program.--No later than 10  
6 months after the board is constituted, unless a request by the  
7 board for an extension is granted by the Governor, the board  
8 shall decide whether to implement a Statewide health benefits  
9 program, as provided for in section 331, or to implement an  
10 alternative measures program, as provided for in section 351, to  
11 reduce health coverage costs for public school entities. The  
12 board's election to implement a Statewide health benefits  
13 program or to implement an alternative measures program shall  
14 require approval by a qualified majority vote. Upon election to  
15 proceed with a Statewide health benefits program, the board  
16 shall develop a plan for adoption, pursuant to section 323.

17 (c) Alternative election.--If the board decides that a  
18 Statewide health benefits program cannot be created in  
19 accordance with subsection (a), or the board fails to achieve  
20 agreement and approve a plan for implementing a Statewide health  
21 benefits program, the board will proceed with consideration of  
22 an alternative measures program that will reduce long-term costs  
23 or the rate of growth of such costs in the aggregate for public  
24 school entities in accordance with Subchapter E.

25 Section 323. Plan adoption.

26 (a) Statewide health benefits program adoption.--Within  
27 three months of electing to proceed with the Statewide health  
28 benefits program, pursuant to section 322(b), the board shall  
29 verify that implementation of a Statewide health care program  
30 will result in reduction in the Statewide aggregate cost of the

1 purchase of benefits or the rate of growth of such costs and  
2 adopt a proposed plan for the implementation of the program. The  
3 proposed plan shall be in writing and shall include a detailed  
4 description of the program and the transition procedures  
5 necessary to phase in and implement the program. The board's  
6 adoption of a proposed plan shall require approval by a  
7 qualified majority vote.

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

10 (1) The eligibility requirements for a school employee  
11 and the employee's health care dependents to qualify for  
12 participation in the program.

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

15 (3) Disclosure of any member cost-sharing contributions,  
16 whether expressed as a target percentage of overall program  
17 costs or individually determined as a percentage of salary  
18 and whether the cost-sharing is uniform on a Statewide basis  
19 or varies by health care region.

20 (4) The designation of health care regions.

21 (5) The design of the Statewide pool or regional pools  
22 that would be established to aggregate public school entities  
23 for the purpose of purchasing services and managing health  
24 insurance risks.

25 (6) The requirements for electronic eligibility  
26 transmission between the board and other participating  
27 entities, including public school entities, consortia and the  
28 retirement system.

29 (7) Financial and accounting plans, including the  
30 establishment of any necessary reserves or escrow accounts

1 with carriers.

2 (8) The method to be used to compare costs and levels of  
3 health care benefits pursuant to section 332(d)(2).

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

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

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

14 (3) The interim steps to aggregate public school  
15 entities into a Statewide pool or regional pools, including  
16 any best practice standards and benchmarks to be applied to  
17 new or existing consortia, or public school entities, or in  
18 any selection process to build a Statewide or regional pool.

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

22 (5) Transition rules to limit any negative financial  
23 impact on a public school entity required to purchase health  
24 care coverage through a Statewide or regional pool and to  
25 normalize contribution rates for all participating public  
26 school entities within the same health care region.

27 (d) Alternative measures program adoption.--Within three  
28 months of proceeding with consideration of an alternative  
29 measures program pursuant to section 322(c), the board shall  
30 adopt a proposed plan for the implementation of an alternative

1 measures program, pursuant to Subchapter E, that will result in  
2 reduction in the Statewide aggregate cost of the purchase of  
3 benefits or the rate of growth of such costs. The proposed plan  
4 shall be in writing and shall include a detailed description and  
5 the transition procedures necessary to phase in and implement  
6 the alternative measures program. The board's adoption of a  
7 proposed plan for implementation of an alternative measures  
8 program shall require approval by a qualified majority vote.

9 (e) Legislative and public review.--

10 (1) The board shall publish the provisions of any  
11 proposed plan adopted pursuant to this section in the  
12 Pennsylvania Bulletin and make it available on the board's  
13 Internet website. Following publication, the board shall  
14 schedule at least eight public hearings to solicit public  
15 input on the plan. The hearings shall be conducted in  
16 Philadelphia County; Allegheny County; and the Northeast,  
17 Northwest, Southeast, Southwest, North Central and South  
18 Central regions of this Commonwealth.

19 (2) The board shall submit the provisions of any  
20 proposed plan adopted pursuant to this section to the  
21 chairman and minority chairman of the Education Committee of  
22 the Senate and the chairman and minority chairman of the  
23 Education Committee of the House of Representatives. The  
24 committees shall have 45 days to review the proposed plan and  
25 submit comments to the board.

26 (f) Final plan adoption.--Upon completion of the public  
27 hearings pursuant to subsection (e)(1) and expiration of the  
28 committee review pursuant to subsection (e)(2), the board shall  
29 review all the testimony and comments received regarding the  
30 proposed plan. The board may, subject to a qualified majority

1 vote, make changes and adjustments to the plan to effectuate  
2 this chapter. Within 90 days of publishing the proposed plan,  
3 pursuant to subsection (e)(1), the board shall publish the final  
4 plan, as adopted by the board, in the Pennsylvania Bulletin and  
5 on the Internet website of the Department of Education.

6 (g) Legislative oversight.--The board shall proceed with  
7 implementation unless a resolution to the contrary has been  
8 adopted within 45 days after publication of the plan, in  
9 accordance with this subsection. Upon publication of the final  
10 adopted plan in the Pennsylvania Bulletin, the board shall  
11 submit the plan to the Education Committee of the Senate and the  
12 Education Committee of the House of Representatives. Either  
13 committee may recommend to its respective chamber whether the  
14 board shall be prevented from implementing the plan. If the  
15 committee recommends the plan not be implemented, the Secretary  
16 of the Senate or the Chief Clerk of the House of Representatives  
17 shall place on the calendar for the next legislative day the  
18 question, in the form of a resolution, of whether the board  
19 shall proceed with implementation. If the resolution is adopted  
20 in either chamber, it shall be referred to the Education  
21 Committee in the opposite chamber which may recommend the board  
22 not implement the plan. Upon the recommendation, the resolution  
23 shall be placed on the calendar of the chamber. If a majority of  
24 the members elected to each House approve the resolution, the  
25 resolution shall be presented to the Governor for approval or  
26 disapproval in accordance with section 9 of Article III of the  
27 Constitution of Pennsylvania.

28 (h) Failure to reach consensus.--If the board fails to  
29 achieve agreement and approve a plan for implementing a  
30 Statewide health benefits program by a qualified majority vote

1 or if the board fails to achieve agreement and approve a plan  
2 for implementing an alternative measures program by a qualified  
3 majority vote, the board shall report as to its findings and  
4 reasons preventing agreement on a plan to the Governor, the  
5 President pro tempore of the Senate and the Speaker of the House  
6 of Representatives.

#### 7 SUBCHAPTER D

#### 8 STATEWIDE HEALTH BENEFITS PROGRAM

9 Section 331. Health benefits program.

10 (a) Creation.--Upon adoption of a Statewide health plan  
11 under section 323(f), the board shall proceed to initiate and  
12 sponsor an employee benefits program for eligible individuals.

13 (b) Program design.--The board shall design a program which  
14 follows the parameters of the plan and transition procedures as  
15 established in section 323. The board may develop and administer  
16 the program itself or operate through any legal entity  
17 authorized by law to do so, including consortia, and the program  
18 may be developed and administered differently within each health  
19 care region as long as a standard benefit package that is  
20 substantially equivalent in coverage, as determined by the  
21 board, is available to eligible individuals. The program may  
22 also be administered in whole or in part on a fully insured or  
23 self-funded basis at the board's sole discretion. The board  
24 shall seek no fewer than three proposals for the administration  
25 of the program.

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

27 (1) Establish pools for selected areas of coverage, such  
28 as pharmacy services, transplants, stop-loss insurance,  
29 health care management or other possible areas that in the  
30 board's judgment can be offered Statewide or regionally on a

1 more stable and cost-effective basis. The board may offer  
2 separate plans to public school entities and consortia prior  
3 to the phase-in of the standard benefit package.

4 (2) Make the program available in some health care  
5 regions before it is made available within all regions.

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

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

21 (f) Standard and optional benefits.--

22 (1) A standard benefit package shall be established by  
23 the board that shall include coverage for medical and  
24 hospital services, prescription drugs and may include  
25 supplemental and other benefits in amounts to be determined  
26 by the board.

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



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

4           (ii) One or more alternate health care plans or plan  
5 designs which in the board's judgment contain benefits  
6 equivalent to the standard benefit package in paragraph  
7 (1). The deductibles and copayments for each alternate  
8 health care plan shall be set and annually adjusted so  
9 that the cost of providing the coverage for the  
10 Commonwealth and a public school entity is no greater  
11 than the cost incurred for the health plan in  
12 subparagraph (i).

13           (iii) One or more optional benefit plans, as  
14 approved by the board, which allow an eligible individual  
15 to purchase coverage that is not included in the standard  
16 benefit package, provided that any cost over and above  
17 the cost of the health care plan in subparagraph (i) is  
18 to be paid by the member except as otherwise provided in  
19 section 338(f)(1)(ii).

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

27 Section 332. Participation.

28           (a) Mandatory participation.--The board shall have the  
29 authority to require public school entities to participate in  
30 the program on a Statewide basis or may phase in and require

1 participation on a regional basis. Except as provided under  
2 subsections (c), (d), (e) and (f), public school entities in any  
3 health care region designated by the board shall be required to  
4 participate in the program.

5 (b) Transition plan.--When the board determines pursuant to  
6 subsection (a) that a public school entity shall be required to  
7 participate in the program, the public school entity or  
8 consortium in which the public school entity is a participant  
9 shall, within a reasonable period of time as determined by the  
10 board, present to the board a transition plan with a schedule  
11 for the eventual migration of school employees into the program.  
12 The board shall review the transition plan with the public  
13 school entity or consortium and make any necessary modifications  
14 before granting approval of the plan. A public school entity or  
15 consortium shall be subject to adherence to the transition plan  
16 approved by the board.

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

22 (1) A public school entity that participates in a  
23 consortium where an extension of time is necessary for the  
24 rundown and proper termination of the consortium's health  
25 care program.

26 (2) A public school entity that participates in a  
27 consortium where the withdrawal of the public school entity  
28 may undermine the financial stability of the consortium.

29 (3) A public school entity or a consortium which will  
30 incur a significant financial penalty under terms of a

1 contract with an insurance carrier or other provider of  
2 health care coverage for a contract in existence on or before  
3 January 1, 2015.

4 (4) A public school entity or consortium which will  
5 incur a significant financial cost, including fees, penalties  
6 or other contractual financial obligations, related to the  
7 termination of coverage under a contract of insurance or, in  
8 the case of a public school entity that self-insures,  
9 insufficient reserves to pay claims incurred during the  
10 previous coverage year, if the obligation relates to a plan  
11 of coverage that was in existence on or before January 1,  
12 2015, and the public school entity or consortium provides the  
13 board with a financial plan for meeting these obligations.

14 (d) Rejection of participation.--Within 60 days of creation  
15 of the health benefits program under section 331(a), a public  
16 school entity may reject participation in the program under the  
17 following conditions:

18 (1) the governing body of the school entity and the  
19 school employee union representing the greatest number of  
20 school employees in the school entity that would be covered  
21 by the program when it is fully operational execute a  
22 memorandum of understanding rejecting participation in the  
23 program that is approved by a majority of the members of the  
24 governing body and a majority of the employees that would be  
25 covered by the program; and

26 (2) the memorandum of understanding demonstrates that  
27 participation in the program would result in:

28 (i) payment by the school entity on behalf of school  
29 employees and their eligible health care dependents that  
30 would exceed the cost, excluding any employee cost-

1 sharing, of providing, purchasing and administering  
2 health care benefits to members who are school employees  
3 and their eligible health care dependents in the year  
4 before implementation of the program;

5 (ii) a reduction in the coverage of health care  
6 benefits for school employees; provided that, if more  
7 than one plan is available to school employees in the  
8 school entity, this comparison shall be with the health  
9 care plan that covers the greatest number of bargaining  
10 unit members; or

11 (iii) both (i) and (ii).

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

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

27 (g) Transition of employees.--A public school entity that  
28 provides some or all of its employees with health benefits  
29 through another health care plan by virtue of one or more  
30 collective bargaining agreements, entered into prior to the

1 effective date of this chapter, shall not be required to join  
2 the program until expiration of the collective bargaining  
3 agreements. The public school entity and some or all of its  
4 employees or bargaining representatives of its employees may by  
5 mutual agreement and approval of the board join the program at  
6 an earlier date. Renewal or extension of a collective bargaining  
7 agreement shall constitute its expiration for the purpose of  
8 this subsection.

9 Section 333. Continuation of coverage and transfer employees.

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

20 (1) For an annuitant who is enrolled in the program  
21 pursuant to section 513 of the Public School Code or an  
22 annuitant who pursuant to any award of health benefits for  
23 annuitants under a written policy or agreement collectively  
24 bargained or otherwise entered into by the public school  
25 entity prior to the effective date of this section, payments  
26 shall be based on the total contribution rate established  
27 pursuant to section 334(b) and (c) for a school employee in  
28 the same health care region, plus a 2% administrative fee.

29 (2) For an annuitant, other than an annuitant qualified  
30 for coverage under paragraph (1), payments shall be made on

1 the same basis as an annuitant qualified for coverage under  
2 paragraph (1), except as determined as follows:

3 (i) The board shall periodically have the actuary  
4 review and determine the separate cost of providing  
5 continuation of coverage to annuitants under this  
6 paragraph, along with an assessment of its impact on the  
7 cost of providing coverage to members who are school  
8 employees and annuitants qualified for coverage under  
9 paragraph (1). The review and assessment shall first  
10 occur as part of the school employee health benefits  
11 study and evaluation conducted pursuant to section 321  
12 and its results shall be considered in the development of  
13 parameters under section 323(b).

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

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

1 set by the board. The board shall, at minimum, provide  
2 continuation of coverage eligibility that meets the requirements  
3 of Title 1, Subtitle B, Part 6 of the Employee Retirement Income  
4 Security Act of 1974 (Public Law 93-406, 88 Stat. 829) and  
5 provide the continuation of coverage options required pursuant  
6 to 51 Pa.C.S. § 7309 (relating to employment discrimination for  
7 military membership or duty) for members on military leave.

8 (c) Transfer employees.--The board may, in its discretion,  
9 approve the participation of transfer employees in the program,  
10 provided that any position for which a transfer employee who is  
11 provided health benefits in a health care plan sponsored by a  
12 public school entity through an agreement that was in existence  
13 on or before January 1, 2015, with the transfer employee's  
14 employer shall be allowed to participate in the program. The  
15 board shall set the terms and conditions necessary for  
16 participation in the program, including the cost of coverage to  
17 be paid by the third-party entity which shall be based on the  
18 full cost of coverage in the health care region as determined by  
19 the board, plus an administrative fee. The sponsoring public  
20 school entity shall be responsible to the board for the  
21 collection of the payments for transfer employees from the  
22 third-party entity.

23 Section 334. Partnership for stable benefits funding.

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

1 from members and from the Commonwealth.

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

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

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

29 (1) the projected carry-over balance for the plan year  
30 in the employer contribution account after all required



transfers have been made to the employee benefits account for the prior year; and

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

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

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

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

(f) Limitation on Commonwealth contribution.--

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

(i) fifty percent of the amount that the board determines is necessary to meet the increase in the contribution rate on behalf of members who are school employees determined pursuant to subsection (b); and

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

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

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

19          (h) Allocation of Commonwealth contribution.--Any  
20          contribution made by the Commonwealth under this section shall  
21          be used to offset an increase in the contribution rate paid in a  
22          health care region by public school entities on behalf of  
23          members who are school employees and their eligible health care  
24          dependents and to maintain any offset that was paid in a prior  
25          year. The Commonwealth contribution shall be allocated to offset  
26          a portion of each participating public school entity's cost of  
27          coverage on a per-member basis, for members who are school  
28          employees and their eligible health care dependents, based on  
29          the public school entity's market value/income aid ratio using  
30          the most recent data provided by the Department of Education.

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

7 (i) Contributions on behalf of school employees.--Consistent  
8 with any transition procedure pursuant to section 323(c)(5),  
9 each public school entity shall be required to make payments to  
10 the trust fund on behalf of members who are school employees and  
11 their eligible health care dependents based on the contribution  
12 rate certified by the board in subsection (c). The increase in  
13 payments made from one year to the next by public school  
14 entities on behalf of school employees shall be equal to or  
15 greater than the increase in payment from one year to the next  
16 made pursuant to subsection (d), excluding any additional  
17 optional contribution made by the Commonwealth pursuant to  
18 subsection (g).

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

30 (k) Transition.--Until any transition pursuant to section

323(c)(5) has been completed, the payments made by each public school entity shall be no less than the total amount paid by the public school entity to provide, purchase and administer health care benefits to members who are school employees and their eligible health care dependents in the year before implementation of the program. Any contributions received by the public school entity from school employees in the form of cost-sharing payments for health care coverage shall be excluded from the amount.

(1) Referendum exception.--

(1) In addition to the exceptions provided for in section 333(f) of the act of June 27, 2006 (1st Sp.Sess., P.L.1873, No.1), known as the Taxpayer Relief Act, the costs specified in paragraph (2) shall constitute an exception to the referendum requirements of section 333(c) of the Taxpayer Relief Act subject to department approval pursuant to section 333(j) of the Taxpayer Relief Act.

(2) Costs incurred by a school district in providing health care-related benefits which are attributable to the school district's participation in the program shall constitute an expenditure for purposes of section 333(f)(1) and (2) of the Taxpayer Relief Act to the extent the anticipated increase in such costs between the current year and the upcoming year is greater than the index established for the school district pursuant to section 313(1)(ii) of the Taxpayer Relief Act. The dollar amount of this exception shall be equal to the portion of the increase which exceeds the index established for the school district pursuant to section 313(1)(ii) of the Taxpayer Relief Act.

Section 335. Powers and duties of board.

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

5 (1) Determine appropriate geographic health care regions  
6 for the administration of the program and make changes to the  
7 regions as necessary; provided, that a school district of the  
8 first class shall be designated as its own health care  
9 region.

10 (2) Formulate and establish the conditions of  
11 eligibility, including eligibility for health care dependent  
12 coverage for members, to include consideration if a member or  
13 health care dependent is covered, or eligible for coverage,  
14 under another employer-sponsored group health insurance plan;  
15 provisions for payment of benefits; and all other provisions  
16 that may be required or necessary to carry out the intent and  
17 purpose of the program.

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

20 (4) Establish copayments, annual deductibles,  
21 coinsurance levels, exclusions, formularies and other  
22 coverage limitations and payment responsibilities of members  
23 incurred at the time of service.

24 (5) Set and adjust member cost-sharing contributions to  
25 be expressed as a target percentage of overall program costs  
26 or individually determined as a percentage of salary. The  
27 board shall determine whether member cost-sharing shall be  
28 uniform on a Statewide basis or shall vary by health care  
29 region.

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

1           (7) Determine enrollment procedures.

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

5           (9) Establish a plan with the retirement system to  
6 coordinate health care coverage for annuitants between the  
7 program established by this chapter and the group health  
8 insurance program sponsored by the retirement system under  
9 the provisions of 24 Pa.C.S. Ch. 89 (relating to group health  
10 insurance program) and to coordinate the sharing of  
11 information pertaining to premium assistance payment  
12 transfers.

13          (10) Set and adjust contribution rates sufficient to  
14 maintain the adequacy of any reserves established by this  
15 chapter and to fully fund the benefits offered by and to pay  
16 for the administrative expenses related to the program.

17          (11) Set and adjust costs for members electing to  
18 continue coverage upon retirement or separation from  
19 employment. The board may establish different cost rates to  
20 be charged for different categories of members electing to  
21 continue coverage.

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

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

28          (14) Issue self-liquidating debt or borrow against  
29 contributions, payments or other accounts receivable for the  
30 purposes of prepaying any health benefits, establishing

1 reserves or otherwise lowering the cost of coverage.

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

5 (16) Receive and collect all contributions due and  
6 payable to the accounts or delegate to a public school entity  
7 or claims processor the right to receive contributions,  
8 payments or perform ministerial functions required to assert  
9 the board's rights. In so doing, the board shall have the  
10 right to:

11 (i) maintain any and all actions and legal  
12 proceedings necessary for the collection of  
13 contributions; and

14 (ii) prosecute, defend, compound, compromise,  
15 settle, abandon or adjust any actions, suits,  
16 proceedings, disputes, claims, details and things related  
17 to the accounts and program.

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

20 (18) Promulgate rules and regulations regarding the  
21 administration of the program, including the establishment of  
22 the plan year.

23 (19) Ensure that a public school entity provides  
24 detailed information about the program to eligible employees  
25 at least 90 days before program coverage begins to be offered  
26 to school employees.

27 (20) Seek and take all necessary steps to retain  
28 eligibility for the members, public school entities and the  
29 Commonwealth to receive tax-preferred or tax-free treatment  
30 under the IRC for contributions to and earnings of the trust

1 fund.

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

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

9 (23) Determine best practice standards and benchmarks  
10 for consortia in any selection process to build a Statewide  
11 pool or regional pools, including the power to require a  
12 consortium to merge with another consortium. The board shall  
13 have the power to require consortia, as a condition of  
14 continued participation in the program, to accept any public  
15 school entity applying to join and participate in a  
16 consortium.

17 (24) Enter into agreements with any public school entity  
18 or consortium to implement the program developed pursuant to  
19 this chapter and delegate powers necessary to administer  
20 coverage for health benefits.

21 (b) Administrative duties of board.--In addition to other  
22 duties of the board provided in this chapter, the following  
23 duties shall be afforded to the board for the implementation of  
24 this section.

25 (c) Regulations and procedures.--The board shall, with the  
26 advice of the Office of General Counsel and the actuary, adopt  
27 and promulgate rules and regulations for the uniform  
28 administration of the program. The actuary shall approve in  
29 writing all computational procedures used in the calculation of  
30 contributions and the cost of benefits, and the board shall by



1 resolution adopt the computational procedures prior to their  
2 application by the board. The rules, regulations and  
3 computational procedures as so adopted from time to time and as  
4 in force and effect at any time, together with tables that are  
5 adopted as necessary for the calculation of contributions and  
6 the cost of benefits, shall be effective as if fully set forth  
7 in this chapter.

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

16 (e) Annual financial statement.--The board shall prepare and  
17 have published within six months following the end of each plan  
18 year a financial statement showing the condition of the trust  
19 fund as of the end of the previous plan year. The board shall  
20 submit the financial statement to the Governor and shall make  
21 copies available to public school entities for the use of the  
22 school employees and the public.

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

26 (g) Manual of regulations.--The board shall, with the advice  
27 of the Office of General Counsel and the actuary, prepare within  
28 six months of the commencement of a program adopted under this  
29 chapter a manual incorporating rules and regulations consistent  
30 with the provisions of this chapter for each participating

1 public school entity that shall make information contained in  
2 the manual available to school employees. The board shall  
3 thereafter advise public school entities within 90 days of any  
4 changes in rules and regulations due to changes in the law or  
5 due to changes in administrative policies.

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

9 (i) Program assistance.--The board may solicit and accept  
10 grants, loans and other aid from any person, corporation or  
11 other legal entity or from the Federal, State or local  
12 government and participate in any Federal, State or local  
13 government program if necessary for prudent management of the  
14 program.

15 (j) Functions.--The board shall perform other functions as  
16 are required for the execution of this chapter and shall have  
17 the right to inspect employment records of public school  
18 entities.

19 (k) Qualified majority voting provision.--A qualified  
20 majority vote shall be required on any matter voted upon by the  
21 board affecting the development of or any change in:

22 (1) The plan to implement the program adopted pursuant  
23 to section 323(f).

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

26 (3) Membership eligibility criteria.

27 (4) The addition, deletion or significant change in  
28 status of an insurance carrier, benefits administrator or  
29 other major contractor in the administration of benefits, or  
30 the addition, deletion or significant change in status of a

1 health care provider network.

2 (5) Any determination on the use of excess fund  
3 payments.

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

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

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

10 (9) Changes in trust document, bylaws or any major  
11 internal operating policies or procedures, such as claims  
12 appeal procedures, not to include routine ministerial  
13 functions.

14 (10) The alternative measures program created pursuant  
15 to section 351(a).

16 (11) Approve employment of and contracts with  
17 consultants and professional personnel.

18 (1) Duties conferred upon secretary.--The secretary of the  
19 board shall supervise a staff of administrative, technical and  
20 clerical employees engaged in recordkeeping and clerical  
21 processing activities in maintaining files of members,  
22 accounting for contributions, processing payments, preparing  
23 required reports and counseling.

24 Section 336. Public School Employees' Benefit Trust Fund.

25 (a) Establishment of trust fund.--The Public School  
26 Employees' Benefit Trust Fund is established in the State  
27 Treasury. The money of the trust fund are appropriated on a  
28 continuing basis and shall be used exclusively for the purposes  
29 set forth in this chapter. All of the assets of the trust fund  
30 shall be maintained and accounted for, separate from all other

1 funds and money of the Commonwealth. The Treasury Department  
2 shall credit to the trust fund all money received from the  
3 Department of Revenue arising from the contributions required  
4 under this chapter and all earnings from investments or money of  
5 the trust fund. There shall be established and maintained by the  
6 board the several ledger accounts, including:

7       (1) The employee benefits account shall be the ledger  
8       account to which shall be credited the payments from section  
9       333(a), (b) and (c), payments from members for cost sharing  
10      and any additional member-paid cost associated with optional  
11      benefit packages elected by members and transfers from the  
12      employer contribution account as provided in paragraph (3).  
13      All earnings derived from investment of the assets of the  
14      employee benefits account shall be credited to this account.  
15      The board is authorized to separately invest the amounts in  
16      the employee benefits account in a prudent manner intended to  
17      maximize the safety of the capital contained in the employee  
18      benefits account. Payments for member health care benefits  
19      and the direct administrative expenses of the board related  
20      to the administration of the employee benefits program, as  
21      provided in section 312(d), shall be charged to this account.

22       (2) The reserve account. The following shall apply:

23           (i) A restricted reserve account, or more than one  
24           account if the board determines it necessary to have  
25           segregated accounts, is established within the trust fund  
26           for the purpose of establishing and maintaining a reserve  
27           or separate reserves sufficient:

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

1           (B) to prefund the accrued liability for any  
2           postretirement health care benefits earned by  
3           employees enrolled in the program pursuant to section  
4           333(a)(1) as the benefit is earned by the employees;  
5           and

6           (C) to amortize the unfunded actuarial accrued  
7           liability for postretirement health care benefits  
8           already earned by employees and annuitants pursuant  
9           to section 333(a)(1) in the event the board elects to  
10          assume all or a portion of the liability. The board  
11          shall use an amortization period that does not exceed  
12          30 years for this purpose.

13          (ii) The board shall annually establish through an  
14          actuary retained by the board the amount necessary, if  
15          any, to establish and maintain a reserve or separate  
16          reserves sufficient for the purposes of this paragraph.  
17          Any money needed to maintain the reserve or separate  
18          reserves established under this paragraph shall be  
19          collected through the adjustment of the contribution rate  
20          established pursuant to section 334(b) and (c) or through  
21          other available sources.

22          (iii) The money in any reserve account may be  
23          invested by the board separate from other money of the  
24          trust fund. All earnings derived from investment of the  
25          assets of any reserve account shall be credited to the  
26          reserve account.

27          (3) The employer contribution account shall be the  
28          ledger account to which shall be credited all contributions  
29          made by the Commonwealth as determined in accordance with  
30          section 334(e) and payments from public school entities as

determined in accordance with section 334(i), as well as all earnings derived from the investment of the assets of the employer contribution account. The total amount of the Commonwealth and public school entity contributions required to provide the standard benefit package on behalf of all members who are school employees and their eligible health care dependents shall be transferred on a monthly basis to the employee benefits account.

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

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

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

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

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

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

(2) The board may invest in every kind of property and type of investment, including, but not limited to, mutual

1 funds and similar investments, consistent with this  
2 subsection.

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

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

7 (ii) the liquidity and payment requirements of the  
8 account;

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

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

13 (v) the reasonable diversification of assets, taking  
14 into account the purposes, terms and other circumstances  
15 of the trust fund and the requirements of this section.

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

18 (f) Name for transacting business.--By the name of "The  
19 Public School Employees' Benefit Trust Fund," all of the  
20 business of the trust fund shall be transacted, its fund  
21 invested, all requisitions for money drawn and payments made and  
22 all of its cash and securities and other property shall be held,  
23 except that, any other law to the contrary notwithstanding, the  
24 board may establish a nominee registration procedure for the  
25 purpose of registering securities in order to facilitate the  
26 purchase, sale or other disposition of securities.

27 (g) Payment from trust fund.--All payments from the trust  
28 fund shall be made by the State Treasurer in accordance with  
29 requisitions signed by the secretary of the board or the  
30 secretary's designee. The board shall reimburse the State

1 Treasurer for the cost of making disbursements from the trust  
2 fund.

3 (h) Fiduciary status of board.--Board members, employees of  
4 the board and agents thereof shall stand in a fiduciary  
5 relationship to the members regarding the investments and  
6 disbursements of any of the money of the trust fund and shall  
7 not profit either directly or indirectly with respect thereto.

8 (i) Transfers.--The board may transfer money among the  
9 various accounts of the trust fund, including any reserve  
10 accounts established under subsection (a)(2), as may be  
11 necessary to satisfy the provisions of this chapter. Transfers  
12 from funds retained in the reserve account pursuant to  
13 subsection (a)(2)(i)(A) may be made only for the payment of  
14 claims or expected claims as determined by the actuary retained  
15 by the board. Transfers from funds retained in the reserve  
16 account pursuant to subsection (a)(2)(i)(B) or (C) may be made  
17 only for paying toward the cost of providing health care  
18 benefits to annuitants enrolled in the program pursuant to  
19 section 333(a)(1).

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

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

24 (2) Retain such portion of the money of the accounts in  
25 cash or cash balances as the board may deem desirable,  
26 without any liability or interest thereon.

27 (3) Settle, compromise or submit to arbitration all  
28 claims or damages due from or to the accounts, commence or  
29 defend any legal, equitable or administrative proceedings  
30 brought in connection with the program and represent the



trust fund in all proceedings under this paragraph.

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

Section 337. Misrepresentation, refusal to cooperate and fraud.

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

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

1 (c) Penalty for fraud.--In any case in which the board finds  
2 that an eligible individual is receiving benefits based on false  
3 information, the additional amounts received predicated on the  
4 false information, together with interest doubled and compounded  
5 and legal fees, shall be due from the member. To secure payment  
6 of funds, the board shall have the right to garnish or attach  
7 all or a portion of any compensation payable to the party by the  
8 party's employer, any annuity payable to the party by the  
9 retirement system, any accumulated deductions held by the  
10 retirement system in the party's account or any process  
11 whatsoever.

12 Section 338. Miscellaneous provisions.

13 (a) Construction of chapter.--

14 (1) Any termination or other modifications of the  
15 program, including, but not limited to, a change in rates,  
16 benefits options or structure of the provision of health care  
17 benefits, shall not give rise to any contractual rights or  
18 claims by any eligible individuals or any other person  
19 claiming an interest, either directly or indirectly, in the  
20 program. No provisions of this chapter, nor any rule or  
21 regulation adopted pursuant to this chapter, shall create in  
22 any person a contractual right in that provision.

23 (2) The provisions of this chapter are severable and if  
24 any of its provisions shall be held to be unconstitutional,  
25 the decision of the court shall not affect or impair any of  
26 the remaining provisions. It is hereby declared to be the  
27 legislative intent that this chapter would have been adopted  
28 had the unconstitutional provisions not been included.

29 (3) This subsection shall not apply to policies designed  
30 primarily to provide coverage payable on a per diem, fixed

1 indemnity or nonexpense incurred basis, or policies that  
2 provide accident only coverage, where payment for such policy  
3 is made solely by the school employee.

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

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

24 (d) Reservation of immunities.--Nothing contained in this  
25 chapter shall be construed as a waiver of the Commonwealth's or  
26 board's immunities, defenses, rights or actions arising out of  
27 their sovereign status or from the 11th amendment to the  
28 Constitution of the United States.

29 (e) Collective bargaining, mediation and binding  
30 arbitration.--Except as otherwise provided in subsection (f),

1 nothing in this chapter or in any other law shall be construed  
2 to permit, authorize or require collective bargaining, mediation  
3 or binding arbitration to create, alter or modify health  
4 benefits set forth in this chapter or administered by the board  
5 for school employees and their health care dependents. Further,  
6 except as otherwise provided in subsection (f), nothing in this  
7 chapter or in any other law shall be construed to permit,  
8 authorize or require a public school entity, through collective  
9 bargaining, mediation or binding arbitration, or otherwise, to  
10 establish, create, alter or modify a health benefits plan or pay  
11 health benefits set forth in this chapter or administered by the  
12 board that modify or supplement in any way the health benefits  
13 set forth in this chapter for school employees and their health  
14 care dependents.

15 (f) Exceptions.--

16 (1) The parties may:

17 (i) Continue to engage in collective bargaining with  
18 regard to health benefits until such time as the board-  
19 sponsored program, pursuant to this subchapter, is  
20 released and the standard benefit package is made  
21 available to employees of a public school entity.

22 However, any health benefits provided under a collective  
23 bargaining agreement entered into on or after the  
24 effective date of this chapter shall contain a provision  
25 that school employees covered by the agreement must join  
26 the board-sponsored program as required by section 332 as  
27 a condition of continuing to receive health benefits. The  
28 board shall determine the appropriate timing and phase-in  
29 of the program in any public school entity taking into  
30 consideration the need for the public school entity to

properly terminate any existing health benefits arrangements.

(ii) Negotiate or otherwise agree to provide or make payment for supplemental benefits that have not been included as part of the standard benefit package.

(2) Nothing contained in this chapter shall restrict a public school entity from negotiating or otherwise agreeing to make payment for postretirement health benefits for members or as may be provided for in Subchapter F.

#### SUBCHAPTER E

#### ALTERNATIVE MEASURES FOR COST REDUCTION

Section 351. Alternative measures program.

(a) Creation.--Upon completing the study required under section 321 with either a negative recommendation to proceed with implementation of a Statewide health care program or if the board fails to achieve agreement and approve a plan for implementing a Statewide health benefits program by a qualified majority vote, the board shall proceed to initiate and sponsor an alternative measures program to reduce the costs for public school entities in providing health care coverage to employees and other eligible individuals.

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

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

(2) Assistance in the formation of consortia to serve public school entities that do not have the option of joining

1 an existing consortium.

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

5 (4) Requirements that public school entities and  
6 consortia aggregate into larger regional pools, with opt-out  
7 provisions for public school entities or consortia that meet  
8 best practice standards and benchmarks.

9 (5) Requirements for public disclosure by public school  
10 entities and consortia comparing their health benefits  
11 purchasing to established best practice standards in their  
12 region.

13 (c) Implementation.--The board shall have full authority to  
14 select and contract with insurance carriers, health maintenance  
15 organizations, pharmacy benefit managers, third-party  
16 administrators, reinsurers and any other entities necessary to  
17 provide the selected areas of coverage. The board shall have  
18 full authority to determine the nature, amount and duration and  
19 discontinuation of coverage to be provided.

20 (d) Mandatory and optional participation.--The board shall  
21 have the authority to require public school entities and  
22 consortia to participate in the alternative measures program.

23 (e) Transition plan.--If the board determines that a public  
24 school entity or consortium shall be required to participate in  
25 the alternative measures program, the public school entity or  
26 consortium shall, within a reasonable period of time as  
27 determined by the board, present to the board a transition plan  
28 with a schedule for the public school entity or consortium to  
29 join the alternative measures program. The board shall review  
30 the transition plan with the public school entity or consortium

1 and make any necessary modifications before granting approval of  
2 the plan. A public school entity or consortium shall be subject  
3 to adherence to the transition plan approved by the board.

4 (f) Extensions of time.--The board shall give due  
5 consideration to a transition plan submitted pursuant to  
6 subsection (e) that includes a request for an extension of time.  
7 Consideration shall be given to a public school entity or  
8 consortium which will incur a significant financial cost or  
9 penalty.

10 (g) Prohibited membership.--A public school entity that  
11 participates in the Pennsylvania Employees' Benefit Trust Fund  
12 shall be prohibited from participating in the alternative  
13 measures program.

14 (h) Transition of employees.--A public school entity that  
15 provides some or all of its employees with health benefits  
16 through another health care plan by virtue of one or more  
17 collective bargaining agreements entered into prior to the  
18 effective date of this chapter shall not be required to join the  
19 alternative measures program until expiration of the collective  
20 bargaining agreements. The public school entity and some or all  
21 of its employees, or bargaining representatives of its  
22 employees, may, by mutual agreement and approval of the board,  
23 join the program at an earlier date. Renewal or extension of a  
24 collective bargaining agreement shall constitute its expiration  
25 for the purposes of this subsection.

26 (i) Optional membership.--No school district of the first  
27 class, as classified pursuant to section 202 of the Public  
28 School Code, shall be required to participate in the alternative  
29 measures program, except as may be agreed upon under the terms  
30 of a collective bargaining agreement covering a majority of

1 employees of the school district. Upon a school district of the  
2 first class entering participation in the alternative measures  
3 program pursuant to a collective bargaining agreement, continued  
4 participation in the alternative measures program shall become  
5 mandatory.

## 6 SUBCHAPTER F

### 7 RETIREMENT HEALTH SAVINGS PLAN

8 Section 361. Retirement health savings plan.

9 (a) Plan created.--The board shall establish a retirement  
10 health savings plan through which school employees can save to  
11 cover health-related expenses following retirement. For this  
12 purpose the board shall make available one or more trusts  
13 including a governmental trust or governmental trusts authorized  
14 under the IRC as eligible for tax-preferred or tax-free  
15 treatment. The board may promulgate regulations regarding the  
16 prudent and efficient operation of the retirement health savings  
17 plan, including, but not limited to:

18 (1) Establishment of an annual administrative budget and  
19 disbursements in accordance with the budget.

20 (2) Determination of the structure of the retirement  
21 health savings accounts available to eligible school  
22 employees.

23 (3) Determination of enrollment procedures.

24 (b) Contracting authorized.--The board is authorized to  
25 administer the retirement health savings plan and to contract  
26 with any lawfully authorized entities to provide investment  
27 services, recordkeeping, benefit payments and other functions  
28 necessary for the administration of the retirement health  
29 savings plan. The board may contract with the retirement system  
30 to invest funds in an account that shall be maintained and



1 accounted for separately from the funds of the retirement system  
2 and invested in a prudent manner intended to maximize the safety  
3 of the capital, with all earnings derived from investment of the  
4 assets to be credited to the retirement health savings plan.

5 Costs and expenses incurred by the retirement system in  
6 administering the investment option shall be paid by the  
7 retirement health savings plan.

8 (c) Separate account.--All funds related to the retirement  
9 health savings plan shall be maintained and accounted for  
10 separately from the health benefits program sponsored by the  
11 board. The assets of the retirement health savings plan shall  
12 not be liable or utilized for payment of any expenses or claims  
13 incurred by the health benefits program other than as may be  
14 directed by the participant account holder for reimbursement of  
15 an IRC-qualifying health-related expense.

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

19 (e) Contributions.--

20 (1) The board shall determine what contributions are  
21 eligible under the IRC for tax-preferred or tax-free  
22 treatment and may be made into a retirement health savings  
23 plan by a school employee. The board shall authorize and  
24 allow contributions, subject to appropriate limits as may be  
25 established by the board, to be paid by a school employee  
26 electing participation in the retirement health savings plan  
27 subject to the following conditions:

28 (i) A mandatory school employee contribution  
29 established as a fixed percentage of compensation may be  
30 established through a collective bargaining agreement

1 between a public school entity and a bargaining group  
2 representing school employees. The retirement health  
3 savings plan contribution rate does not have to be  
4 uniform for all groups of school employees.

5 (ii) An optional employee contribution at a fixed  
6 percentage of compensation may be elected by a school  
7 employee during an annual election window that, once  
8 elected, shall continue in effect, except to the extent  
9 it may be changed or discontinued at a subsequent annual  
10 election window as provided for by the board or  
11 supplanted by a mandatory contribution.

12 (iii) An optional school employee contribution of  
13 all or any portion of annual leave, vacation pay,  
14 personal days or sick leave may be elected by a school  
15 employee as so designated by the employee and agreed to  
16 by the employee's employer. The board may provide that  
17 the election shall be made during an annual election  
18 window of no greater than 90 days as determined by the  
19 board. Once the election has been made, an employee shall  
20 not be allowed to change the amount or discontinue the  
21 contributions until the next annual election window.

22 (2) The following contributions shall be made into a  
23 retirement health savings plan on behalf of a school  
24 employee:

25 (i) For an employee who elects participation in the  
26 retirement health savings plan, the employee's employer  
27 shall make a contribution to the employee's account equal  
28 to the public school entity's savings in Social Security  
29 and Medicare taxes resulting from the tax-preferred or  
30 tax-free treatment of contributions made by the school

1 employee under this subsection. Additional contributions  
2 by a public school entity may be established through a  
3 collective bargaining agreement between a public school  
4 entity and a bargaining group representing school  
5 employees.

6 (ii) Any other payments by the Commonwealth or  
7 public school entity, including any set-aside payments to  
8 be made to school employee accounts under section 334 as  
9 determined by the board.

10 (3) Contributions to the plan by a school employee or by  
11 the Commonwealth or a public school entity on behalf of an  
12 employee must be held in trust for reimbursement of employee  
13 health-related expenses and the health-related expenses of  
14 any health care dependents following retirement of the  
15 employee or when otherwise determined to be benefit eligible.  
16 The board shall maintain a separate account of the  
17 contributions made by or on behalf of each participant and  
18 the earnings thereon. The board shall make available a  
19 selection of investment options for participants who wish to  
20 direct the investment of the accumulations in the  
21 participant's account, in addition to a default option for  
22 participants to be invested in a prudent manner as determined  
23 by the board.

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

25 (1) Upon retirement or separation from employment with a  
26 public school entity, a participant becomes eligible to seek  
27 reimbursements for IRC-qualifying health-related expenses  
28 from the participant's retirement health savings plan  
29 account, including reimbursements for the health-related  
30 expenses of the participant's eligible health care

dependents.

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

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

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

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

(i) Advisory committee.--

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

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

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

1           (iii) One representative of the Pennsylvania  
2 Association of School Business Officials.

3           (iv) One representative of the Pennsylvania School  
4 Boards Association.

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

7           (3) The advisory committee shall meet at least two times  
8 per year and shall be consulted on plan offerings. By October  
9 1 of each year, the board shall give the advisory committee a  
10 statement of fees collected and the use of the fees.

## 11                               CHAPTER 5

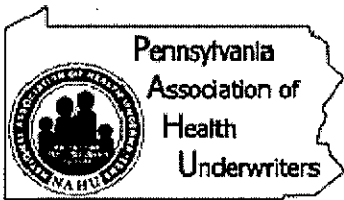
### 12                               MISCELLANEOUS PROVISIONS

#### 13 Section 501. Feasibility report.

14       Within 18 months after the Statewide health benefits program  
15 or the alternative measures program is fully implemented, the  
16 Secretary of Administration shall report to the Governor, the  
17 President pro tempore of the Senate and the Speaker of the House  
18 of Representatives the feasibility of including community  
19 college employees in the program.

#### 20 Section 502. Effective date.

21       This act shall take effect immediately.



## Pennsylvania Association of Health Underwriters

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April 9, 2015

TO: Hon. Mike Sturla, Chair  
HOUSE DEMOCRATIC POLICY COMMITTEE

FR: Vince Phillips, PAHU Lobbyist

RE: House Bill 348 Hearing

Thank you for accepting this statement from the PA Association of Health Underwriters (PAHU) regarding House Bill 348 which seeks to establish a framework for consolidation of the various school districts' health benefits into one state-run system similar to the pension system for retired teachers or municipal employees.

In researching this statement for the House Democratic Policy Committee, I noted that PAHU testified on this topic on October 29, 2007 before the House Education Committee and before that to the Hay Group in 2003. Should you have another hearing on this topic, we certainly would like to testify. As you know, PAHU members are insurance producers specializing in employee benefits and health insurance. Those from our membership who have school district clients tell me several things that refute the perceived need for consolidation.

First, school districts need choice in benefit plans. Districts with the help of brokers are able to identify which carrier's health insurance is most appropriate in terms of employee coverage and cost to the taxpayers. If a school district chooses a high-deductible plan coupled with tax-advantaged health savings accounts, why should it not be able to? School districts of course do not make those decisions in a vacuum because there is collective bargaining. Still, why restrict choices when there is already a check and balance system regarding which plan is most appropriate locally?

Second, a consolidated school benefit system envisions a one size fits all approach. Even though HB 348 allows for regional differences, you still have a benefits program imposed on local school districts which may or may not be best suited. An example might be for the state program to pick either Highmark or UPMC for western Pennsylvania school districts. If so, that means teachers and other school employees would not have access to either UPMC or Highmark services except as more expensive non-network health care. One size does not fit all in a particular region.

Third, regional integration of school district benefit systems is already taking place. These consortia have allowed for economies of scale (a rationale for state-wide consolidation) and have resulted in more affordable coverage. In other words, why do we need state consolidation when school districts are solving their problems themselves?

Accountability and transparency are also an issue. Consolidation does not have the advantages of local decision-making and supervision locally -- and ultimately by taxpayers. The proposed plan may not have the proper oversight from the General Assembly or by the residents, teachers, school boards, and school administrators.

Thus, PAHU respectfully disagrees with the consolidation of school benefits into one state-level entity. Thank you again for accepting this statement.