

HOUSE BILL REPORT

SSB 5873

*As Reported By House Committee on:
Appropriations*

Title: An act relating to insurance coverage for retired and disabled school district employees.

Brief Description: Providing insurance coverage for retired and disabled school district employees.

Sponsor(s): Senate Committee on Ways & Means (originally sponsored by Senators McDonald, Gaspard, Saling, Snyder, L. Smith, Johnson, Bauer, Rasmussen and Barr).

Brief History:

Reported by House Committee on:
Appropriations, April 8, 1991, DPA.

**HOUSE COMMITTEE ON
APPROPRIATIONS**

Majority Report: *Do pass as amended. Signed by 29 members:* Representatives Locke, Chair; Inslee, Vice Chair; Spanel, Vice Chair; Silver, Ranking Minority Member; Morton, Assistant Ranking Minority Member; Appelwick; Belcher; Bowman; Braddock; Brekke; Dorn; Ebersole; Ferguson; Fuhrman; Hine; Holland; Lisk; May; McLean; Mielke; Nealey; Peery; Pruitt; Rust; H. Sommers; Valle; Vance; Wang; and Wineberry.

Staff: Barbara McLain (786-7153).

Background: State employees who are retired or disabled may continue their participation in any insurance plans and contracts offered by the State Employees' Benefits Board. The premium rates for health insurance for state retirees are developed from an experience pool that includes active employees. This rating system results in a subsidy for retirees of more than 25 percent of their premiums. The rates are also reduced actuarially to reflect the value of Medicare plans if the retiree participates in Medicare.

There are no similar provisions in state law regarding school district employees' ability to continue participation in insurance plans and contracts. Federal law requires continuation for only 18 months after retirement. Some school districts offer insurance plans for retirees; others do not. A study by the Health Care Authority in 1989 found

that the premium rate subsidy for retirees averaged 2 percent of the premium in the three largest insurance plans marketed to school districts.

Summary of Amended Bill: Retired or disabled school district employees may continue participation in any insurance plans and contracts for a period of at least 30 months after their retirement or disablement. This provision applies to employees who retire after the bill's effective date and to those who retired in the 18-month period immediately prior to the bill's effective date. Employees who retired more than 18 months prior to the bill's effective date but who were covered by a school district insurance plan on January 1, 1991, may continue coverage for at least one year after the bill's effective date.

The Health Care Authority is directed to conduct a study of health care coverage for retired school district employees, including development of mechanisms to pre-fund health care coverage, establishment of variable premiums to reflect an individual's income level, and evaluation of the feasibility of allowing retirees to continue their school district insurance coverage at a reasonable cost.

The Health Care Authority will submit its findings and recommendations to the Legislature by December 1, 1991.

Amended Bill Compared to Substitute Bill: Retired or disabled employees may continue insurance coverage under school district plans for a period of 30 months, rather than indefinitely. A requirement that premium rates for retired or disabled school district employees be developed from an experience pool consisting of active employees is removed. Requirements that insurance rates for school district employees actuarially reflect the value of Medicare coverage are removed. The Health Care Authority is directed to conduct a study of health care coverage for retired school district employees.

Fiscal Note: Available.

Effective Date of Amended Bill: Ninety days after adjournment of session in which is passed.

Testimony For: When a retired employee is forced to discontinue health care coverage under a school district plan, the premium rates increase substantially. Retirees are already financially threatened by rising health care costs. It is incorrectly assumed that retired state and school district employees are treated similarly. Health insurance dollars are driven out to districts under the

assumption that retirees will benefit. This bill would treat retirees equitably.

Testimony Against: None.

Witnesses: Dan Grefthen; Washington State Retired Teachers Association; Kris Van Gorkom, Washington Association of School Administrators; Walter Ball, Association of Washington School Principals; Leland Weaver; and David Westberg, Joint Council of Stationary Engineers.