

HOUSE BILL REPORT

HB 1796

*As Reported By House Committee on:
Appropriations*

Title: An act relating to health care benefits for retired and disabled state, local government, and common school employees.

Brief Description: Addressing problems with health care coverage for retired and disabled public employees.

Sponsor(s): Representatives Belcher, Fraser, Locke, Dellwo, Bowman, Basich, Riley, Zellinsky, Ebersole, Orr, Inslee, Sheldon, Rasmussen, Ogden, Spanel, R. King, H. Myers, O'Brien, Sprenkle and Anderson.

Brief History:

Reported by House Committee on:
Appropriations, March 7, 1991, DPS.

**HOUSE COMMITTEE ON
APPROPRIATIONS**

Majority Report: *That Substitute House Bill No. 1796 be substituted therefor, and the substitute bill do pass.*
Signed by 28 members: Representatives Locke, Chair; Inslee, Vice Chair; Spanel, Vice Chair; Silver, Ranking Minority Member; Morton, Assistant Ranking Minority Member; Appelwick; Belcher; Bowman; Brekke; Dorn; Ebersole; Ferguson; Fuhrman; Hine; Lisk; May; McLean; Mielke; Nealey; Peery; Pruitt; Rust; H. Sommers; Sprenkle; Valle; Vance; Wang; and Wineberry.

Staff: Barbara McLain (786-7153).

Background: Prior to 1988, the State Employees Insurance Board coordinated benefits for retired state employees with Medicare so that retirees had few out-of-pocket expenses for medical care other than deductibles. When the Uniform Medical Plan was created, the State Employees Benefits Board and the Health Care Authority implemented "non-duplication" of benefits. That is, the Uniform Plan will not pay more in coordination with another insurance plan, such as Medicare, than it would if it were the only plan. The State subsidizes monthly premiums for retirees by between 25 to 35 percent, but retirees generally receive less benefit from the Uniform Plan than previously.

The Health Care Authority has indicated interest in providing Medicare-eligible retirees with an insurance plan other than the Uniform Plan that would provide better coordination with Medicare. However, statute requires that the rates charged for retired or disabled employees be developed from the same experience pool as active employees. The State Attorney General's Office has determined that a plan offered only to retirees would not be consistent with the requirement of a single experience pool to establish state-provided insurance plans.

The issue of how best to meet the health insurance needs of retirees was also a topic in two studies of school district employee benefits done by the Health Care Authority. The latest study, completed in March 1991, recommends that the State conduct a comprehensive study of insurance availability and needs of all public retirees before changes to current practice are proposed.

Summary of Substitute Bill:

I. Commission

A study commission on public employee health care benefits is established. The commission membership is: (a) four legislators, one from each of the four caucuses; (b) three active and three retired employee representatives, two each representing state employees, public school employees, and other public employees appointed by the Governor; and (c) three members to represent the Governor and executive agencies. Members who participate in the commission as part of their regular employment do not receive per diem or travel expenses.

The commission is to study and develop recommendations regarding health care coverage for retired and disabled state, school district, and local government employees. The study should examine and/or develop:

- (1) A way to determine the annual level of subsidy of premiums for retired and disabled employees;
- (2) A way to pre-fund health care coverage for retired and disabled employees, such as voluntary contributions toward an account while the employee is still active;
- (3) Premium rates for retired or disabled employees that vary based on income;
- (4) Health care coverage for retired or disabled employees of school districts and local governments; and

(5) Any other areas deemed necessary by the commission.

The commission's report is due December 1, 1992. Staff will be provided by the Office of Financial Management and appropriate committees of the House and Senate. The Health Care Authority, Department of Retirement Systems, Office of the Actuary, and Department of Personnel will provide support in the form of technical expertise and data.

II. Medical Insurance for Retired Employees

For the duration of the commission's study, until July 1, 1993, the Health Care Authority may offer a health insurance plan for Medicare-eligible retired employees that differs from plans offered to active employees. The premium rate for the Medicare supplement plan will be subsidized to the same extent as the premium rate for plans offered to other retired employees.

After July 1, 1993, the HCA must return to its current practice, which is to offer the same insurance plan to both active and retired employees.

Substitute Bill Compared to Original Bill: Members who participate in the commission as part of their regular employment do not receive per diem or travel expenses.

Fiscal Note: Requested March 3, 1991.

Effective Date of Substitute Bill: The provisions regarding the commission and establishment of a Medicare supplement insurance plan take effect ninety days after adjournment of session in which bill is passed.

The section requiring the Health Care Authority to return to current practice in offering the same insurance plan to both active and retired employees takes effect July 1, 1993.

Testimony For: The issue of health care for retirees is a very important one. It is hoped that the study will come back with recommendations to create equitable and improved plans and options for retirees. A Medicare supplement plan would temporarily solve some dissatisfactions that retirees have with the Uniform Plan. The current system of rating premiums for retirees is unfair and inconsistent with the intent of the law creating the State Employees Benefits Board.

Testimony Against: None.

Witnesses: Margaret Stanley, Health Care Authority (supports); Karen Davis, Washington Education Association

(supports); Gus Schwartz and John Demanovich, Retired Public Employees Council (support with concerns); Sam Kinville, Washington State Council of County and City Employees (supports); Ed Montermini (expressed concerns); Bob Waldo, Coalition of Retired Higher Education Employees (supports); and Lee Ozman, Washington State Retired Teachers Association (supports).