FINAL BILL REPORT

SHB 1784

Synopsis as Enacted
C 386 L 93

Brief Description: Allowing retired and disabled school employees to purchase health care insurance from the state health care authority.

By House Committee on Appropriations (originally sponsored by Representatives Locke, Sommers, Dellwo, Wang, Brough, Jacobsen, Karahalios, Peery, Talcott, Dorn, Cothern, Ogden, Holm, Pruitt, Jones, Romero, Campbell, Valle, Thibaudeau, King, Ballard, Basich, Quall, Veloria, Linville, Rayburn, Kessler, Orr, Carlson, Johanson, L. Johnson, Leonard, J. Kohl, Lemmon, H. Myers, Hansen, Patterson and Shin).

House Committee on Appropriations
Senate Committee on Health & Human Services
Senate Committee on Ways & Means

Background:

STATE EMPLOYEES/STATE RETIREES

State employees may continue health insurance coverage from the State Employees' Benefits Board and the Health Care Authority (HCA) when they retire. The premium rates retirees pay for this insurance are indirectly subsidized because state law requires that the cost of retiree premiums be developed from an experience pool that includes active employees.

The subsidy is funded by the Legislature when money is appropriated for insurance for active state employees. The latest data available shows that in fiscal year 1992, $13.72 of the $289.95 per month premium appropriated for active employees actually went to help retirees - 4.7 percent of the total.

SCHOOL DISTRICT EMPLOYEES/SCHOOL DISTRICT RETIREES

The Legislature appropriates the same premium for school district employees as it does for state employees. However, the appropriation is for allocation purposes only. School district contributions for employee insurance are collectively bargained at the local level. Some insurance plans for school employees offer a subsidy for retirees, others do not.

School districts may purchase employee insurance from the HCA if all employees in the district join the HCA plan. If a school employee who is covered by the HCA plan retires, that retiree receives an indirect subsidy for insurance just as a state retiree would.

FEDERAL COBRA LAW/STATE COBRA EXTENSION

Federal law, under the Consolidated Omnibus Budget Reconciliation Act (COBRA), requires that employees who retire be allowed to purchase group health insurance from their employer for a period of 18 months, at a rate no more than 2 percent higher than active employees would pay. COBRA does not apply to retirees eligible for Medicare.

In 1991, the Legislature extended COBRA coverage for certain school district retirees for an additional 12 months beyond the federally-mandated 18 months. In 1992, the extension was amended to end June 30, 1994.

HEALTH CARE AUTHORITY STUDY

The HCA was directed to study the issue of insurance coverage for school district retirees, and make recommendations to the Legislature by January 15, 1993. The study recommended establishing a direct subsidy for school district retirees, based on a set percentage the premium appropriated for active employees. School district retirees could receive the subsidy by purchasing insurance offered by the HCA, with plans for retirees under 65 and Medicare supplement plans for those over 65.

Summary:

STATE COBRA EXTENSION

Extended insurance coverage under the terms of the federal Consolidated Omnibus Budget Reconciliation Act that is provided under state law to certain school district retirees is terminated on September 30, 1993, rather than June 30, 1994.

INSURANCE FOR SCHOOL DISTRICT RETIREES

The State Employees' Benefits Board is authorized to develop and offer health care benefit plans for retired or disabled school district employees and their dependents. Medicare supplement plans are to be made available for retirees eligible for Medicare coverage. The Health Care Authority is authorized to administer the plans.

A representative of retired or disabled school employees is added to the State Employees' Benefits Board, along with an additional management member, bringing the total membership to nine. However, if a health care reform bill is enacted that also changes membership on the board, the change proposed in this act will not take effect.

Retirees and their dependents may purchase the plans after October 1, 1993. Any former school district employee receiving a pension from a state retirement system as of September 30, 1993, qualifies as an eligible retiree. However, for employees who retire after October 1, 1993, the retiree must either be eligible to receive a state pension immediately after separating from active service to qualify as an eligible retiree, or if retiring under disability, be eligible for a deferred pension.

Retirees must pay the cost of the insurance coverage offered by the HCA, including any amounts necessary for reserves and administration, but their premiums will be reduced by a direct subsidy.

SUBSIDY FOR SCHOOL DISTRICT RETIREES

The retired school employees' subsidy account is created, to be used to reduce the insurance premiums charged by the HCA to retired or disabled school employees. The amount of the premium reduction is established by the State Employees' Benefits Board, but it cannot be more than 50 percent. Premium reductions for dependents are at the discretion of the board.

Through September 30, 1994, moneys in the subsidy account are also to be used to reduce premiums charged to non-Medicare eligible retirees covered under a group-purchased insurance plan offered through a district. The HCA will send the subsidy to the insurance carrier covering the retiree upon receipt of satisfactory information that the retiree is eligible for the subsidy and actually benefits from it. However, if health insurance for active school employees is required to be provided solely through the HCA on or before October 1, 1993, then the provision dealing with a subsidy for retirees on a group-purchased insurance plan has no effect.

These subsidies are not a matter of contractual right.

SOURCE OF FUNDING FOR SUBSIDY ACCOUNT

From October 1, 1993 to September 30, 1994, school districts and educational service districts will remit to the HCA, for deposit in the retired school employees' subsidy account,

$10 for each full-time employee for each month of the school year.

For each part-time employee who earns state retirement system credit and who qualifies under district collective bargaining for district contributions toward insurance benefits, the district will remit $10 for each month of the school year, prorated by the proportion of district insurance contributions that the part-time employee receives.

After October 1, 1994, the amount of the remittance will be 4.7 percent of the active employee premium allocation appropriated by the Legislature for a full-time employee, and 4.7 percent of the active premium allocation, prorated, for each part-time employee who earns retirement credit and receives district contributions toward insurance benefits.

The Legislature reserves the right to increase or decrease these percentages or amounts required to be remitted.

<u>OTHER</u>

If a school district wishes to purchase HCA insurance for its active employees, the school district employees may transfer to the HCA by bargaining unit, rather than the requirement that <u>all</u> district employees transfer. A school district is no longer required to make employer contributions equal to those made by the state toward insurance for transferring employees, thereby allowing pro-rated coverage of part-time employees.

Retired school employees who were covered under HCA plans as active employees can purchase HCA insurance the same as other retired school employees, and qualify for the same direct subsidy. These retirees are therefore excluded from the pool of active and retired state employees that currently determines premium rates for retired state employees. School districts that purchase HCA insurance for active employees will be charged a premium rate that reflects that the district is already paying a direct subsidy for its retirees, so as not to be charged for the indirect subsidy based on the pool.

Votes on Final Passage:

House	98	0	
Senate	46	0	(Senate amended)
House	97	0	(House concurred)

Effective: May 15, 1993
October 1, 1993 (Sections 3, 7 and 11)