

SENATE BILL REPORT

SHB 1721

AS REPORTED BY COMMITTEE ON HEALTH & HUMAN SERVICES,  
APRIL 1, 1993

**Brief Description:** Authorizing jointly administered health and welfare benefits trusts for local government employees.

**SPONSORS:** House Committee on Financial Institutions & Insurance (originally sponsored by Representatives R. Meyers, Dorn, Zellinsky, Wang, Reams, G. Fisher, H. Myers and Mielke)

**HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE**

**SENATE COMMITTEE ON HEALTH & HUMAN SERVICES**

**Majority Report:** Do pass as amended.

Signed by Senators Talmadge, Chairman; Wojahn, Vice Chairman; Erwin, Franklin, Hargrove, McDonald, Moyer, Niemi, Quigley, Sheldon, and Winsley.

**Staff:** Shannon Murphy (786-7483)

**Hearing Dates:** March 26, 1993; April 1, 1993

**BACKGROUND:**

In 1991, the Legislature overhauled the statute governing local government self-insurance programs. All local government entities were authorized to self-insure property and liability risks and employee health and welfare benefits only as permitted under the new act. The state risk manager was granted regulatory jurisdiction over such programs.

Under the new act, the state risk manager must either approve or disapprove a plan to create self-insurance programs providing employee health and welfare benefits. The state risk manager must also approve or disapprove any change to the initial plan.

The state risk manager may order any approved program to cease and desist any act or practice in violation of the act or threatening the solvency of the program. If the program fails to comply with the order, the risk manager must notify the State Auditor and the Attorney General of the violation.

Under the new act, local governments must have complete control over any joint self-insurance program. Investment of program funds must comply with statutes governing the investment by the local government entity creating or participating in the program.

**SUMMARY:**

Local government self-insurance programs established as trusts for employee health and welfare benefits may share controlling authority with employees if the local government maintains at least half the voting interests, if no more than one non-employee union representative has a voting right, and if the trust agreement contains provisions for breaking any voting deadlocks.

A local government self-insured trust plan must contain a provision that trust funds be expended only for purposes of the trust, consistent with statutes and rules governing the local government creating the trust.

Local government self-insurance programs that have been created as employee trusts must comply with state laws governing local government self-insurance programs within 180 days from the effective date of the act unless the state risk manager extends the compliance deadline for 90 additional days.

**SUMMARY OF PROPOSED SENATE AMENDMENT:**

The amendment requires that if Engrossed Second Substitute Senate Bill No. 5304 is enacted into law, the provisions of Chapter 48.62 will be reviewed. Upon review, the Health Services Commission is required to make appropriate recommendations to the Governor and the Legislature as to how these trusts can be brought under the provisions of Engrossed Second Substitute Senate Bill No. 5304.

**Appropriation:** none

**Revenue:** none

**Fiscal Note:** none requested

**TESTIMONY FOR:**

This bill is a technical change to allow compliance with the law and allow the trust to continue to operate. This technical amendment to the law was agreed upon by the state risk manager, the insurance pools, the State Auditor and the Sound Partnership. This bill will allow the Sound Partnership to continue to purchase health and welfare benefits for Tacoma school employees.

**TESTIMONY AGAINST:** None

**TESTIFIED:** Jean Leonard, The Sound Partnership (pro); Paul Morris, The Sound Partnership (pro); Tom Pursley, William M. Mercer (pro); Andy Dolan, The Sound Partnership (pro); Jani M. Greer, The Sound Partnership/Tacoma Federation of Paraprofessionals (pro); Jim Wrenn, Operating Engineers (pro); John Kvamme, Tacoma Public Schools (pro)