

SENATE BILL REPORT

SB 6423

AS REPORTED BY COMMITTEE ON LABOR & COMMERCE, FEBRUARY 4, 1994

**Brief Description:** Modifying continuation of health plan coverage for certain persons.

**SPONSORS:** Senators Prentice, Winsley, Vognild, Erwin, Bauer, Moore, Snyder, Hochstatter, Newhouse, Prince, Talmadge, Pelz, Franklin, Fraser and Sellar

**SENATE COMMITTEE ON LABOR & COMMERCE**

**Majority Report:** That Substitute Senate Bill No. 6423 be substituted therefor, and the substitute bill do pass.

Signed by Senators Moore, Chairman; Prentice, Vice Chairman; Deccio, Fraser, McAuliffe, Pelz, Prince, Sellar, Sutherland, Vognild and Wojahn.

**Staff:** Jonathan Seib (786-7427)

**Hearing Dates:** February 2, 1994; February 4, 1994

**BACKGROUND:**

Local government employees are covered by the state Health Care Authority Act if their employer contracts with the state Health Care Authority for such coverage.

Under certain conditions, employees covered by the state Health Care Authority Act may continue their participation in the insurance plans of their employer after they retire or are disabled. Such retired or disabled employees are responsible for paying their own premiums, but the premiums charged must be developed from the same experience pool as active employees.

Local government employees not covered by the state Health Care Authority Act have no other right under state law to continue to participate in the insurance plans of their employer after they retire or are disabled.

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.

**SUMMARY:**

With some exceptions and under certain conditions, retired or disabled local government employees not covered by the state

Health Care Authority Act must be allowed to continue participation in their employer's health insurance program.

Persons continuing their insurance coverage may be required to pay for it, but may not be charged more than an active employee under the same plan. However, if their participation increases the cost of the plan by more than 10 percent, what they are charged shall be adjusted to cover the additional cost in excess of the 10 percent.

If a person continuing insurance coverage becomes eligible for Medicare, the coverage terminates but the person shall have the option of participating in a supplemental plan provided by the employer.

Other conditions are established regarding, among other things, enrollment periods, coordination of benefits with a participant's other medical coverage, and coverage of dependents if the retired or disabled employee dies.

**EFFECT OF PROPOSED SUBSTITUTE:**

The January 1, 1995 effective date is removed.

Provisions exempting members of the Law Enforcement Officers and Firefighters Retirement System and members of the first class cities' retirement system from the bill are removed.

**Appropriation:** none

**Revenue:** none

**Fiscal Note:** requested

**TESTIMONY FOR:**

This bill would extend to most local government employees a benefit now available only to some of them. Health insurance is a basic concern upon retirement and should be available.

**TESTIMONY AGAINST:**

Provisions of the bill are problematic and unclear. The bill is premature given the implementation of the state's Health Services Act. It would require active employees to substantially subsidize retired employees.

**TESTIFIED:** Guz Schwartz, Retired Public Employees Council (pro); Sam Kinville, County and City Employees (pro); Kathleen Collins, Association of WA Counties (con); James McDonald (con)