

SENATE BILL REPORT

SB 6605

AS PASSED SENATE, MARCH 1, 1994

Brief Description: Increasing access to health insurance for retired and disabled state and school district employees.

SPONSORS: Senator Rinehart

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Rinehart, Chairman; Quigley, Vice Chairman; Bauer, Bluechel, Hargrove, Hochstatter, Ludwig, Owen, Pelz, Snyder, Spanel, Talmadge, Williams and Wojahn.

Staff: Denise Graham (786-7715)

Hearing Dates: February 21, 1994; February 22, 1994

BACKGROUND:

Retired state employees have long had a statutory guarantee to continued coverage in a group health plan. State retirees pay their own health benefits premiums, but they are subsidized due to the fact that the retirees are in the same risk pool as active employees who, as a group, experience lower health costs than retirees.

Prior to the passage of SHB 1784 last year, school district employees had no statutory guarantee to continued group health benefits coverage once they retired. Some school districts offered continued coverage and others did not; some offered a subsidy to retirees and others did not.

With the passage of SHB 1784, retired school district employees can now purchase health benefits from the Health Care Authority. Retired school district employees are in a risk pool by themselves, but they are provided an explicit subsidy. Funding for the subsidy comes from the state allocation to school districts for employee health benefit premiums. For the 1993/94 school year, \$10 per each active employee each month was provided from the school districts to the Health Care Authority. Beginning next year, the amount will be 4.7 percent of the state allocation to school districts for employee health benefits.

The subsidy received by school district retirees under age 65 is substantially less than the subsidy received by state retirees under age 65. The subsidies provided to school district and to state retirees over age 65 are comparable.

The health benefits purchased through the Health Care Authority by Medicare-eligible retirees do not include costs

covered by Medicare. The Health Care Authority must adjust the rates charged to Medicare-eligible enrollees to reflect the differences in benefits they receive compared to non-Medicare eligible enrollees.

Under the Health Services Act of 1993, school districts and educational service districts must all purchase health benefits from the Health Care Authority beginning October 1995.

SUMMARY:

School district retirees under age 65 are brought into the risk pool with active public employees and state retirees under age 65 by January 1995. The existing explicit subsidy for school district retirees under age 65 is abolished.

Medicare-eligible retirees of school districts and the state are placed in a separate risk pool. They are provided an explicit subsidy. The amount of the subsidy is to be determined by the public employees benefits board. Funding for the subsidy will be determined in each omnibus appropriations act beginning with the 1995-97 biennium, and will be expressed as a percentage of the active employee insurance benefit rate. The 4.7 percent remittance from school district employees' benefit allocation is eliminated as of October 1995.

Monies provided by the 4.7 percent remittance prior to its elimination may be used to fund any increase in the state employee and retiree premium rate that may result from school district retirees joining the public employees' risk pool before active school district employees join in October 1995. Monies from the remittance may also be used to fund increased explicit subsidies to Medicare-eligible retirees of the state and school districts.

The Health Care Authority administrator must establish a contract bidding process that maintains an equitable relationship between premiums charged for similar benefits and between risk pools, including premiums charged for retired state and school district employees in the Medicare-eligible risk pool. The administrator may require an insuring entity submitting a bid to provide subscriber or member demographic data and claims data necessary for risk assessment and adjustment calculations.

Appropriation: none

Revenue: none

Fiscal Note: requested

TESTIMONY FOR:

This bill addresses all the concerns raised by retired school employees earlier this year, including high premiums and low subsidies compared to state retirees. The reconfiguration of

the risk pools would have to happen anyway under health care reform, and by doing it now school district retirees will be helped sooner.

TESTIMONY AGAINST:

The K-12 carve out should be used to help K-12 retirees only, not state retirees. The K-12 subsidy can be increased without this bill; the reason the subsidy is so low is that the Health Care Authority overestimated the number of K-12 retirees who would be receiving the subsidy.

TESTIFIED: Karen Davis, Washington Education Association (con); Lynn McKinnon, Public School Employees of Washington (con); Wayne Mann, Washington State Retired Teachers Association (pro); Marcia Costello, Washington School Administrators (con); Guz Schwartz, Retired Public Employees Council of Washington (con)