
SUBSTITUTE HOUSE BILL 1784

State of Washington

53rd Legislature

1993 Regular Session

By House Committee on Appropriations (originally sponsored by Representatives Locke, Sommers, Dellwo, Wang, Brough, Jacobsen, Karahalios, Peery, Talcott, Dorn, Cothorn, 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)

Read first time 03/01/93.

1 AN ACT Relating to health care insurance for employees and retirees
2 of school districts and educational service districts; amending RCW
3 28A.400.391, 41.04.205, 41.04.235, 41.05.011, 41.05.021, 41.05.050,
4 41.05.055, 41.05.065, 41.05.075, 41.05.080, and 41.05.140; adding a new
5 section to chapter 28A.400 RCW; adding new sections to chapter 41.05
6 RCW; creating a new section; providing an effective date; and declaring
7 an emergency.

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

9 NEW SECTION. **Sec. 1.** It is the legislature's intent to increase
10 access to health insurance for retired and disabled school employees
11 and also to improve equity between state employees and school employees
12 by providing for the reduction of health insurance premiums charged to
13 retired school employees through a subsidy charged against health
14 insurance allocations for active employees. It is further the
15 legislature's intent to improve the cost-effectiveness of state-
16 purchased health care by managing programs for public employees, in
17 this case retired school employees, through the state health care
18 authority.

1 **Sec. 2.** RCW 28A.400.391 and 1992 c 152 s 1 are each amended to
2 read as follows:

3 (1) Every group disability insurance policy, health care service
4 contract, health maintenance agreement, and health and welfare benefit
5 plan obtained or created to provide benefits to employees of school
6 districts and their dependents shall contain provisions that permit
7 retired and disabled employees to continue medical, dental, or vision
8 coverage under the group policy, contract, agreement, or plan until
9 (~~June 30, 1994~~) September 30, 1993, or until the employee becomes
10 eligible for federal medicare coverage, whichever occurs first. The
11 terms and conditions for election and maintenance of such continued
12 coverage shall conform to the standards established under the federal
13 consolidated omnibus budget reconciliation act of 1985, as amended.
14 The period of continued coverage provided under this section shall run
15 concurrently with any period of coverage guaranteed under the federal
16 consolidated omnibus budget reconciliation act of 1985, as amended.

17 (2) This section applies to:

18 (a) School district employees who retired or lost insurance
19 coverage due to disability after July 28, 1991;

20 (b) School district employees who retired or lost insurance
21 coverage due to disability within the eighteen-month period ending on
22 July 28, 1991; and

23 (c) School district employees who retired or lost insurance
24 coverage due to disability prior to January 28, 1990, and who were
25 covered by their employing district's insurance plan on January 1,
26 1991.

27 (3) For the purposes of this section "retired employee" means an
28 employee who separates from district service and is eligible at the
29 time of separation from service to receive, immediately following
30 separation from service, a retirement allowance under chapter 41.32 or
31 41.40 RCW.

32 (4) The superintendent of public instruction shall adopt
33 administrative rules to implement this section.

34 **Sec. 3.** RCW 41.04.205 and 1992 c 199 s 1 are each amended to read
35 as follows:

36 (1) Notwithstanding the provisions of RCW 41.04.180, the employees,
37 with their dependents, of any county, municipality, or other political
38 subdivision of this state shall be eligible to participate in any

1 insurance or self-insurance program for employees administered under
2 chapter 41.05 RCW if the legislative authority of any such county,
3 municipality, or other political subdivisions of this state determines
4 a transfer to an insurance or self-insurance program administered under
5 chapter 41.05 RCW should be made. In the event of a special district
6 employee transfer pursuant to this section, members of the governing
7 authority shall be eligible to be included in such transfer if such
8 members are authorized by law as of June 25, 1976 to participate in the
9 insurance program being transferred from and subject to payment by such
10 members of all costs of insurance for members.

11 (2) When the legislative authority of a county, municipality, or
12 other political subdivision determines to so transfer, the state health
13 care authority shall:

14 (a) Establish the conditions under which the transfer may be made,
15 which shall include the requirements that:

16 (i) All the eligible employees of the political subdivision
17 transfer as a unit, and

18 (ii) The political subdivision involved obligate itself to make
19 employer contributions in an amount at least equal to those provided by
20 the state as employer; and

21 (b) Hold public hearings on the application for transfer; and

22 (c) Have the sole right to reject the application.

23 Approval of the application by the state health care authority
24 shall effect a transfer of the employees involved to the insurance,
25 self-insurance, or health care program applied for.

26 (3) Any application of this section to members of the law
27 enforcement officers' and fire fighters' retirement system under
28 chapter 41.26 RCW is subject to chapter 41.56 RCW.

29 (4) The requirements in subsection (2)(a) (i) and (ii) of this
30 section need not be applied to school districts, except that all
31 eligible employees in a bargaining unit of a school district may
32 transfer only as a unit and all nonrepresented employees in a district
33 may transfer only as a unit.

34 **Sec. 4.** RCW 41.04.235 and 1983 c 3 s 89 are each amended to read
35 as follows:

36 Participants in a health care benefit plan approved pursuant to RCW
37 41.04.180, ((41.05.025)) 41.05.065, or 28A.400.350, whichever is
38 applicable, who are retired public employees, may authorize the

1 deduction from their retirement allowances, of the amount or amounts of
2 their subscription payments, premiums, or contributions to any person,
3 firm, or corporation furnishing or providing medical, surgical, and
4 hospital care or other health care insurance upon the approval by the
5 retirement board of an application for such deduction on the prescribed
6 form, and the treasurer of the state shall duly and timely draw and
7 issue proper warrants directly to and in favor of the person, firm, or
8 corporation, or organization named in the authorization for the amount
9 authorized to be deducted.

10 **Sec. 5.** RCW 41.05.011 and 1990 c 222 s 2 are each amended to read
11 as follows:

12 Unless the context clearly requires otherwise, the definitions in
13 this section shall apply throughout this chapter.

14 (1) "Administrator" means the administrator of the authority.

15 (2) "State purchased health care" or "health care" means medical
16 and health care, pharmaceuticals, and medical equipment purchased with
17 state and federal funds by the department of social and health
18 services, the department of health, the basic health plan, the state
19 health care authority, the department of labor and industries, the
20 department of corrections, the department of veterans affairs, and
21 local school districts.

22 (3) "Authority" means the Washington state health care authority.

23 (4) "Insuring entity" means an insurance carrier as defined in
24 chapter 48.21 or 48.22 RCW, a health care service contractor as defined
25 in chapter 48.44 RCW, or a health maintenance organization as defined
26 in chapter 48.46 RCW.

27 (5) "Flexible benefit plan" means a benefit plan that allows
28 employees to choose the level of health care coverage provided and the
29 amount of employee contributions from among a range of choices offered
30 by the authority.

31 (6) "Employee" includes all full-time and career seasonal employees
32 of the state, whether or not covered by civil service; elected and
33 appointed officials of the executive branch of government, including
34 full-time members of boards, commissions, or committees; and includes
35 any or all part-time and temporary employees under the terms and
36 conditions established under this chapter by the authority; justices of
37 the supreme court and judges of the court of appeals and the superior
38 courts; and members of the state legislature or of the legislative

1 authority of any county, city, or town who are elected to office after
2 February 20, 1970. "Employee" also includes employees of a county,
3 municipality, or other political subdivision of the state if the
4 legislative authority of the county, municipality, or other political
5 subdivision of the state seeks and receives the approval of the
6 authority to provide any of its insurance programs by contract with the
7 authority, as provided in RCW 41.04.205, and employees of a school
8 district if the board of directors of the school district seeks and
9 receives the approval of the authority to provide any of its insurance
10 programs by contract with the authority as provided in RCW 28A.400.350.

11 (7) "Board" means the state employees' benefits board established
12 under RCW 41.05.055.

13 (8) "Retired or disabled school employee" means:

14 (a) Persons who separated from employment with a school district or
15 educational service district and are receiving a retirement allowance
16 under chapter 41.32 or 41.40 RCW as of September 30, 1993;

17 (b) Persons who separate from employment with a school district or
18 educational service district on or after October 1, 1993, and
19 immediately upon separation receive a retirement allowance under
20 chapter 41.32 or 41.40 RCW;

21 (c) Persons who separate from employment with a school district or
22 educational service district on or after October 1, 1993, due to a
23 total and permanent disability, and are eligible to receive a deferred
24 retirement allowance under chapter 41.32 or 41.40 RCW.

25 **Sec. 6.** RCW 41.05.021 and 1990 c 222 s 3 are each amended to read
26 as follows:

27 The Washington state health care authority is created within the
28 executive branch. The authority shall have an administrator appointed
29 by the governor, with the consent of the senate. The administrator
30 shall serve at the pleasure of the governor. The administrator may
31 employ up to seven staff members, who shall be exempt from chapter
32 41.06 RCW, and any additional staff members as are necessary to
33 administer this chapter. The primary duties of the authority shall be
34 to administer state employees' insurance benefits and retired or
35 disabled school employees' insurance benefits and to study state-
36 purchased health care programs in order to maximize cost containment in
37 these programs while ensuring access to quality health care. The
38 authority's duties include, but are not limited to, the following:

1 (1) To administer ((a)) health care benefit programs for employees
2 and retired or disabled school employees as specifically authorized in
3 RCW 41.05.065 and in accordance with the methods described in RCW
4 41.05.075, 41.05.140, and other provisions of this chapter;

5 (2) To analyze state-purchased health care programs and to explore
6 options for cost containment and delivery alternatives for those
7 programs that are consistent with the purposes of those programs,
8 including, but not limited to:

9 (a) Creation of economic incentives for the persons for whom the
10 state purchases health care to appropriately utilize and purchase
11 health care services, including the development of flexible benefit
12 plans to offset increases in individual financial responsibility;

13 (b) Utilization of provider arrangements that encourage cost
14 containment and ensure access to quality care, including but not
15 limited to prepaid delivery systems, utilization review, and
16 prospective payment methods;

17 (c) Coordination of state agency efforts to purchase drugs
18 effectively as provided in RCW 70.14.050;

19 (d) Development of recommendations and methods for purchasing
20 medical equipment and supporting services on a volume discount basis;
21 and

22 (e) Development of data systems to obtain utilization data from
23 state-purchased health care programs in order to identify cost centers,
24 utilization patterns, provider and hospital practice patterns, and
25 procedure costs, utilizing the information obtained pursuant to RCW
26 41.05.031;

27 (3) To analyze areas of public and private health care interaction;

28 (4) To provide information and technical and administrative
29 assistance to the board;

30 (5) To review and approve or deny applications from counties,
31 municipalities, other political subdivisions of the state, and school
32 districts to provide state-sponsored insurance or self-insurance
33 programs to their employees in accordance with the provisions of RCW
34 41.04.205 and 28A.400.350, setting the premium contribution for
35 approved groups as outlined in RCW 41.05.050;

36 (6) To appoint a health care policy technical advisory committee as
37 required by RCW 41.05.150; ((and))

1 (7) To establish billing procedures and collect funds from school
2 districts and educational service districts under section 13 of this
3 act in a way that minimizes the administrative burden on districts; and
4 (8) To promulgate and adopt rules consistent with this chapter as
5 described in RCW 41.05.160.

6 **Sec. 7.** RCW 41.05.050 and 1988 c 107 s 18 are each amended to read
7 as follows:

8 (1) Every department, division, or separate agency of state
9 government, and such county, municipal, or other political subdivisions
10 as are covered by this chapter, shall provide contributions to
11 insurance and health care plans for its employees and their dependents,
12 the content of such plans to be determined by the authority.
13 Contributions, paid by the county, the municipality, or other political
14 subdivision for their employees, shall include an amount determined by
15 the authority to pay such administrative expenses of the authority as
16 are necessary to administer the plans for employees of those groups.
17 Contributions to be paid by school districts or educational service
18 districts shall be adjusted by the authority to reflect that retired
19 school employees are covered under section 14 of this act, and are not
20 covered under RCW 41.05.080. All such contributions will be paid into
21 the state employees' health insurance account.

22 (2) The contributions of any department, division, or separate
23 agency of the state government, and such county, municipal, or other
24 political subdivisions as are covered by this chapter, shall be set by
25 the authority, subject to the approval of the governor for availability
26 of funds as specifically appropriated by the legislature for that
27 purpose. However, insurance and health care contributions for ferry
28 employees shall be governed by RCW 47.64.270.

29 (3) The administrator with the assistance of the state employees'
30 benefits board shall survey private industry and public employers in
31 the state of Washington to determine the average employer contribution
32 for group insurance programs under the jurisdiction of the authority.
33 Such survey shall be conducted during each even-numbered year but may
34 be conducted more frequently. The survey shall be reported to the
35 authority for its use in setting the amount of the recommended employer
36 contribution to the employee insurance benefit program covered by this
37 chapter. The authority shall transmit a recommendation for the amount
38 of the employer contribution to the governor and the director of

1 financial management for inclusion in the proposed budgets submitted to
2 the legislature.

3 **Sec. 8.** RCW 41.05.055 and 1989 c 324 s 1 are each amended to read
4 as follows:

5 (1) The state employees' benefits board is created within the
6 authority. The function of the board is to design and approve
7 insurance benefit plans for state employees and retired or disabled
8 school employees.

9 (2) The board shall be composed of (~~seven~~) nine members appointed
10 by the governor as follows:

11 (a) Three representatives of state employees, one of whom shall
12 represent an employee association certified as exclusive representative
13 of at least one bargaining unit of classified employees, one of whom
14 shall represent an employee union certified as exclusive representative
15 of at least one bargaining unit of classified employees, and one of
16 whom is retired, is covered by a program under the jurisdiction of the
17 board, and represents an organized group of retired public employees;

18 (b) (~~Three~~) One representative of retired or disabled school
19 employees;

20 (c) Four members with experience in health benefit management and
21 cost containment; and

22 (~~e~~) (d) The administrator.

23 (3) The governor shall appoint the initial members of the board to
24 staggered terms not to exceed four years. Members appointed thereafter
25 shall serve two-year terms. Members of the board shall be compensated
26 in accordance with RCW 43.03.250 and shall be reimbursed for their
27 travel expenses while on official business in accordance with RCW
28 43.03.050 and 43.03.060. The board shall prescribe rules for the
29 conduct of its business. The administrator shall serve as chair of the
30 board. Meetings of the board shall be at the call of the chair.

31 **Sec. 9.** RCW 41.05.065 and 1988 c 107 s 8 are each amended to read
32 as follows:

33 (1) The board shall study all matters connected with the provision
34 of health care coverage, life insurance, liability insurance,
35 accidental death and dismemberment insurance, and disability income
36 insurance or any of, or a combination of, the enumerated types of
37 insurance for employees and their dependents on the best basis possible

1 with relation both to the welfare of the employees and to the state:
2 PROVIDED, That liability insurance shall not be made available to
3 dependents.

4 (2) The state employees' benefits board shall develop employee
5 benefit plans that include comprehensive health care benefits for all
6 employees. In developing these plans, the board shall consider the
7 following elements:

8 (a) Methods of maximizing cost containment while ensuring access to
9 quality health care;

10 (b) Development of provider arrangements that encourage cost
11 containment and ensure access to quality care, including but not
12 limited to prepaid delivery systems and prospective payment methods;

13 (c) Wellness incentives that focus on proven strategies, such as
14 smoking cessation, exercise, and automobile and motorcycle safety;

15 (d) Utilization review procedures including, but not limited to
16 prior authorization of services, hospital inpatient length of stay
17 review, requirements for use of outpatient surgeries and second
18 opinions for surgeries, review of invoices or claims submitted by
19 service providers, and performance audit of providers; and

20 (e) Effective coordination of benefits.

21 (3) The board shall design benefits and determine the terms and
22 conditions of employee participation and coverage, including
23 establishment of eligibility criteria.

24 (4) The board may authorize premium contributions for an employee
25 and the employee's dependents. Such authorization shall require a vote
26 of five members of the board for approval.

27 (5) Employees may choose participation in only one of the health
28 care benefit plans developed by the board.

29 (6) The board shall review plans proposed by insurance carriers
30 that desire to offer property insurance and/or accident and casualty
31 insurance to state employees through payroll deduction. The board may
32 approve any such plan for payroll deduction by carriers holding a valid
33 certificate of authority in the state of Washington and which the board
34 determines to be in the best interests of employees and the state. The
35 board shall promulgate rules setting forth criteria by which it shall
36 evaluate the plans.

37 (7) The board shall develop benefit plans that provide health care
38 benefits for retired or disabled school employees and their dependents,
39 and shall establish terms and conditions of coverage under the plans.

1 The board shall make available separate and appropriate plans that
2 supplement medicare for retired or disabled school employees who are
3 eligible for federal medicare coverage. The board shall also consider
4 the elements referenced in subsection (2) of this section in developing
5 the plans.

6 **Sec. 10.** RCW 41.05.075 and 1988 c 107 s 9 are each amended to read
7 as follows:

8 (1) The administrator shall provide ((employee)) benefit plans
9 designed by the board through a contract or contracts with insuring
10 entities, through self-funding, self-insurance, or other methods of
11 providing insurance coverage authorized by RCW 41.05.140.

12 (2) The administrator shall establish a contract bidding process
13 that encourages competition among insuring entities, is timely to the
14 state budgetary process, and sets conditions for awarding contracts to
15 any insuring entity.

16 (3) The administrator shall establish a requirement for review of
17 utilization and financial data from participating insuring entities on
18 a quarterly basis.

19 (4) The administrator shall centralize the enrollment files for all
20 employee and retired or disabled school employee health plans offered
21 under chapter 41.05 RCW and develop enrollment demographics on a plan-
22 specific basis.

23 (5) The administrator shall establish methods for collecting,
24 analyzing, and disseminating to covered individuals information on the
25 cost and quality of services rendered by individual health care
26 providers.

27 (6) All claims data shall be the property of the state. The
28 administrator may require of any insuring entity that submits a bid to
29 contract for coverage all information deemed necessary to fulfill the
30 administrator's duties as set forth in this chapter.

31 (7) All contracts with insuring entities for the provision of
32 health care benefits shall provide that the beneficiaries of such
33 benefit plans may use on an equal participation basis the services of
34 practitioners licensed pursuant to chapters 18.22, 18.25, 18.32, 18.53,
35 18.57, 18.71, 18.74, 18.83, and 18.88 RCW. However, nothing in this
36 subsection may preclude the administrator from establishing appropriate
37 utilization controls approved pursuant to RCW 41.05.065(2) (a)(i), (b),
38 and (d).

1 (8) Beginning in January 1990, and each January thereafter, the
2 administrator shall publish and distribute to each school district a
3 description of health care benefit plans available through the
4 authority and the estimated cost if school district employees were
5 enrolled.

6 **Sec. 11.** RCW 41.05.080 and 1977 ex.s. c 136 s 6 are each amended
7 to read as follows:

8 Retired or disabled state employees, or employees of county,
9 municipal, or other political subdivisions covered by this chapter who
10 are retired, but not including retired or disabled school employees,
11 may continue their participation in insurance plans and contracts after
12 retirement or disablement, under the qualifications, terms, conditions,
13 and benefits set by the board: PROVIDED, That the rates charged such
14 retired or disabled employees for health care will be developed from
15 the same experience pool as active employees: PROVIDED FURTHER, That
16 such retired or disabled employees shall bear the full cost of premiums
17 required to provide such coverage: PROVIDED FURTHER, That such self
18 pay rates will be established based on a separate rate for the
19 employee, the spouse, and the children: PROVIDED FURTHER, That rates
20 for a retired or disabled employee, spouse, or child who is eligible
21 for and who elects to apply for medicare will be actuarially reduced to
22 reflect the value of Part A and Part B of medicare. The term "retired
23 state employees" for the purpose of this section shall include but not
24 be limited to members of the legislature whether voluntarily or
25 involuntarily leaving state office.

26 **Sec. 12.** RCW 41.05.140 and 1988 c 107 s 12 are each amended to
27 read as follows:

28 (1) The authority may self-fund, self-insure, or enter into other
29 methods of providing insurance coverage for insurance programs under
30 its jurisdiction except property and casualty insurance. The authority
31 shall contract for payment of claims or other administrative services
32 for programs under its jurisdiction. If a program does not require the
33 prepayment of reserves, the authority shall establish such reserves
34 within a reasonable period of time for the payment of claims as are
35 normally required for that type of insurance under an insured program.

36 (2) Reserves established by the authority for employee benefit
37 programs shall be held in a separate trust fund by the state treasurer

1 and shall be known as the state employees' insurance reserve fund. The
2 state investment board shall act as the investor for the funds and,
3 except as provided in RCW 43.33A.160, one hundred percent of all
4 earnings from these investments shall accrue directly to the state
5 employees' insurance reserve fund.

6 ~~((+2))~~ (3) Reserves established by the authority for programs for
7 retired or disabled school employees shall be held in a separate trust
8 fund by the state treasurer and shall be known as the retired school
9 employees' insurance reserve fund hereby created. The state investment
10 board shall act as the investor for the funds and, except as provided
11 in RCW 43.33A.160, one hundred percent of all earnings from these
12 investments shall accrue directly to the retired school employees'
13 insurance reserve fund.

14 (4) Any savings realized as a result of a program created for
15 employees under this section shall not be used to increase benefits
16 unless such use is authorized by statute.

17 ~~((+3))~~ (5) Any program created under this section shall be subject
18 to the examination requirements of chapter 48.03 RCW as if the program
19 were a domestic insurer. In conducting an examination, the
20 commissioner shall determine the adequacy of the reserves established
21 for the program.

22 ~~((+4))~~ (6) The authority shall keep full and adequate accounts and
23 records of the assets, obligations, transactions, and affairs of any
24 program created under this section.

25 ~~((+5))~~ (7) The authority shall file a quarterly statement of the
26 financial condition, transactions, and affairs of any program created
27 under this section in a form and manner prescribed by the insurance
28 commissioner. The statement shall contain information as required by
29 the commissioner for the type of insurance being offered under the
30 program. A copy of the annual statement shall be filed with the
31 speaker of the house of representatives and the president of the
32 senate.

33 NEW SECTION. Sec. 13. A new section is added to chapter 28A.400
34 RCW to read as follows:

35 (1) In a manner prescribed by the state health care authority,
36 school districts and educational service districts shall remit to the
37 health care authority for deposit in the retired school employees'
38 subsidy account established in section 15 of this act:

1 (a) During the period beginning October 1, 1993, and ending
2 September 30, 1994:

3 (i) For each full-time employee of the district, ten dollars for
4 each month of the school year;

5 (ii) For each part-time employee of the district who, at the time
6 of the remittance, is employed in an eligible position as defined in
7 RCW 41.32.010 or 41.40.010 and is eligible for employer fringe benefit
8 contributions for basic benefits as defined in RCW 28A.400.270, ten
9 dollars for each month of the school year, prorated by the proportion
10 of employer fringe benefit contributions for a full-time employee that
11 the part-time employee receives;

12 (b) Beginning October 1, 1994:

13 (i) For each full-time employee of the district, an amount equal to
14 four and seven-tenths percent multiplied by the insurance benefit
15 allocation rate in the appropriations act for a certificated or
16 classified staff, for each month of the school year;

17 (ii) For each part-time employee of the district who, at the time
18 of the remittance, is employed in an eligible position as defined in
19 RCW 41.32.010 or 41.40.010 and is eligible for employer fringe benefit
20 contributions for basic benefits as defined in RCW 28A.400.270, an
21 amount equal to four and seven-tenths percent multiplied by the
22 insurance benefit allocation rate in the appropriations act for a
23 certificated or classified staff, for each month of the school year,
24 prorated by the proportion of employer fringe benefit contributions for
25 a full-time employee that the part-time employee receives.

26 (2) The legislature reserves the right to increase or decrease the
27 percent or amount required to be remitted in this section.

28 NEW SECTION. Sec. 14. A new section is added to chapter 41.05 RCW
29 to read as follows:

30 (1) After October 1, 1993, retired or disabled school employees and
31 their dependents may purchase health care insurance coverage from the
32 authority under terms and conditions established by this chapter and by
33 the board.

34 (2) Retired or disabled school employees may enroll in benefit
35 plans under the authority during enrollment periods established by the
36 board.

37 (3) Retired or disabled school employees and their dependents shall
38 pay the cost of premiums for the insurance offered by the authority.

1 The authority shall charge as premiums, the cost to the authority of
2 providing insurance coverage for retired and disabled school employees
3 and their dependents, including any amounts necessary for reserves and
4 administration. However, the premiums charged to a retired or disabled
5 school employee shall be reduced by the amount of the subsidy provided
6 in section 15 of this act.

7 NEW SECTION. **Sec. 15.** A new section is added to chapter 41.05 RCW
8 to read as follows:

9 (1) The retired school employees' subsidy account is hereby
10 established in the custody of the state treasurer, to be used by the
11 administrator for the deposit of the remittance paid by school
12 districts and educational service districts under section 13 of this
13 act.

14 (2) Moneys available in the account, as determined by the
15 administrator, shall be used to reduce the health care insurance
16 premiums charged to retired or disabled school employees under this
17 chapter. The amount of any premium reduction shall be established by
18 the board. However, use of moneys from the account shall not result in
19 a premium reduction for retired or disabled school employees of more
20 than fifty percent. Moneys from the account may be used to reduce
21 premiums charged to dependents at the discretion of the board.

22 (3) From October 1, 1993, through September 30, 1994, moneys
23 available in the account shall also be used to reduce premiums charged
24 to persons who meet the definition of retired or disabled school
25 employee in RCW 41.05.011, are not eligible for federal medicare
26 coverage, and are covered under a group-purchased health insurance plan
27 through a school district or educational service district. The moneys
28 shall be paid to the appropriate insurance carrier, or in the case of
29 self-insurance, to the district. Payments shall be made subject to
30 submission of information to the satisfaction of the administrator that
31 the recipient of the premium reduction is eligible to receive the
32 reduction and that the moneys are used for their intended purpose. If
33 health care insurance for active school district and educational
34 service district employees is required to be provided solely through
35 the authority beginning on or before October 1, 1993, the provisions of
36 this subsection (3) shall have no effect.

37 (4) Should the legislature revoke or reduce any remuneration or
38 benefits granted under this section, an affected retired or disabled

1 employee shall not be entitled thereafter to receive such benefits as
2 a matter of contractual right.

3 (5) Moneys from the account shall be disbursed by the state
4 treasurer by warrants on vouchers duly authorized by the administrator.

5 (6) The state treasurer and the state investment board may invest
6 moneys in the retired school employees' subsidy account. All such
7 investments shall be in accordance with RCW 43.84.080 or 43.84.150,
8 whichever is applicable. The administrator shall determine whether the
9 state treasurer or the state investment board or both shall invest
10 moneys in the account.

11 NEW SECTION. **Sec. 16.** A new section is added to chapter 41.05 RCW
12 to read as follows:

13 (1) The retired school employees' insurance account is hereby
14 established in the custody of the state treasurer, to be used by the
15 administrator for the deposit of contributions, premium payments from
16 retired or disabled school employees, subsidy amounts from the retired
17 school employees' subsidy account, reserves, dividends, and refunds,
18 and for payment of premiums for retired or disabled school employee
19 benefit contracts and operating expenses incurred by the authority in
20 the administration of benefit plans for retired or disabled school
21 employees. Moneys from the account shall be disbursed by the state
22 treasurer by warrants on vouchers duly authorized by the administrator.

23 (2) Disbursements from the account are not subject to
24 appropriation, but shall be subject to the allotment procedure provided
25 under chapter 43.88 RCW.

26 (3) The state treasurer and the state investment board may invest
27 moneys in the retired school employees' insurance account. All such
28 investments shall be in accordance with RCW 43.84.080 or 43.84.150,
29 whichever is applicable. The administrator shall determine whether the
30 state treasurer or the state investment board or both shall invest
31 moneys in the account.

32 NEW SECTION. **Sec. 17.** Sections 3, 7, and 11 of this act shall
33 take effect October 1, 1993.

34 NEW SECTION. **Sec. 18.** Sections 1, 2, 4 through 6, 8 through 10,
35 and 12 through 16 of this act are necessary for the immediate
36 preservation of the public peace, health, or safety, or support of the

1 state government and its existing public institutions, and shall take
2 effect immediately.

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