

1 **E2SHB 1566** - H AMD **950 ADOPTED AS AMENDED 5/23/95**
2 By Representatives Dyer, Dellwo and Carlson

3 Strike everything after the enacting clause and insert the
4 following:

5 "NEW SECTION. **Sec. 1.** A new section is added to chapter
6 28A.400 RCW to read as follows:

7 (1) In a manner prescribed by the state health care authority,
8 school districts and educational service districts shall remit to
9 the health care authority for deposit in the public employees' and
10 retirees' insurance account established in RCW 41.05.120 the amount
11 specified for remittance in the omnibus appropriations act.

12 (2) The remittance requirements specified in this section
13 shall not apply to employees of a school district or educational
14 service district who receive insurance benefits through contracts
15 with the health care authority.

16 **Sec. 2.** RCW 41.05.011 and 1994 c 153 s 2 are each amended to
17 read as follows:

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

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

21 (2) "State purchased health care" or "health care" means
22 medical and health care, pharmaceuticals, and medical equipment
23 purchased with state and federal funds by the department of social
24 and health services, the department of health, the basic health
25 plan, the state health care authority, the department of labor and
26 industries, the department of corrections, the department of
27 veterans affairs, and local school districts.

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

1 (4) "Insuring entity" means an insurer as defined in chapter
2 48.01 RCW, a health care service contractor as defined in chapter
3 48.44 RCW, or a health maintenance organization as defined in
4 chapter 48.46 RCW. (~~On and after July 1, 1995, "insuring entity"~~
5 ~~means a certified health plan, as defined in RCW 43.72.010.~~)

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

10 (6) "Employee" includes all full-time and career seasonal
11 employees of the state, whether or not covered by civil service;
12 elected and appointed officials of the executive branch of
13 government, including full-time members of boards, commissions, or
14 committees; and includes any or all part-time and temporary
15 employees under the terms and conditions established under this
16 chapter by the authority; justices of the supreme court and judges
17 of the court of appeals and the superior courts; and members of the
18 state legislature or of the legislative authority of any county,
19 city, or town who are elected to office after February 20, 1970.
20 "Employee" also includes: (a) (~~By October 1, 1995, all employees~~
21 ~~of school districts and educational service districts. Between~~
22 ~~October 1, 1994, and September 30, 1995, "employee" includes~~
23 ~~employees of those school districts and educational service~~
24 ~~districts for whom the authority has undertaken the purchase of~~
25 ~~insurance benefits. The transition to insurance benefits~~
26 ~~purchasing by the authority may not disrupt existing insurance~~
27 ~~contracts between school district or educational service district~~
28 ~~employees and insurers. However, except to the extent provided in~~
29 ~~RCW 28A.400.200, any such contract that provides for health~~
30 ~~insurance benefits coverage after October 1, 1995, shall be void as~~
31 ~~of that date if the contract was entered into, renewed, or extended~~
32 ~~after July 1, 1993. Prior to October 1, 1994, "employee" includes~~
33 ~~employees of a school district if the board of directors of the~~

1 ~~school district seeks and receives the approval of the authority to~~
2 ~~provide any of its insurance programs by contract with the~~
3 ~~authority; (b))~~ Employees of a county, municipality, or other
4 political subdivision of the state if the legislative authority of
5 the county, municipality, or other political subdivision of the
6 state seeks and receives the approval of the authority to provide
7 any of its insurance programs by contract with the authority, as
8 provided in RCW 41.04.205; (b) employees of employee organizations
9 representing state civil service employees, at the option of each
10 such employee organization, and, effective October 1, 1995,
11 employees of employee organizations currently pooled with employees
12 of school districts for the purpose of purchasing insurance
13 benefits, at the option of each such employee organization; and (c)
14 employees of a school district if the authority agrees to provide
15 any of the school districts' insurance programs by contract with
16 the authority as provided in RCW 28A.400.350.

17 (7) "Board" means the public employees' benefits board
18 established under RCW 41.05.055.

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

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

24 (b) Persons who separate from employment with a school
25 district or educational service district on or after October 1,
26 1993, and immediately upon separation receive a retirement
27 allowance under chapter 41.32 or 41.40 RCW;

28 (c) Persons who separate from employment with a school
29 district or educational service district due to a total and
30 permanent disability, and are eligible to receive a deferred
31 retirement allowance under chapter 41.32 or 41.40 RCW.

32 (9) "Benefits contribution plan" means a premium only
33 contribution plan, a medical flexible spending arrangement, or a

1 cafeteria plan whereby state and public employees may agree to a
2 contribution to benefit costs which will allow the employee to
3 participate in benefits offered pursuant to 26 U.S.C. Sec. 125 or
4 other sections of the internal revenue code.

5 (10) "Salary" means a state employee's monthly salary or
6 wages.

7 (11) "Participant" means an individual who fulfills the
8 eligibility and enrollment requirements under the benefits
9 contribution plan.

10 (12) "Plan year" means the time period established by the
11 authority.

12 **Sec. 3.** RCW 41.05.022 and 1994 c 153 s 3 are each amended to
13 read as follows:

14 (1) The health care authority is hereby designated as the
15 single state agent for purchasing health services.

16 (2) On and after January 1, 1995, at least the following
17 state-purchased health services programs shall be merged into a
18 single, community-rated risk pool: Health benefits for groups of
19 employees of school districts and educational service districts
20 that voluntarily purchase health benefits as provided in RCW
21 41.05.011; health benefits for state employees; health benefits for
22 eligible retired or disabled school employees not eligible for
23 parts A and B of medicare; and health benefits for eligible state
24 retirees not eligible for parts A and B of medicare. ((Beginning
25 July 1, 1995, the basic health plan shall be included in the risk
26 pool. The administrator may develop mechanisms to ensure that the
27 cost of comparable benefits packages does not vary widely across
28 the risk pools before they are merged. At the earliest opportunity
29 the governor shall seek necessary federal waivers and state
30 legislation to place the medical and acute care components of the
31 medical assistance program, the limited casualty program, and the
32 medical care services program of the department of social and

1 health services in this single risk pool. Long term care services
2 that are provided under the medical assistance program shall not be
3 placed in the single risk pool until such services have been added
4 to the uniform benefits package. On or before January 1, 1997, the
5 governor shall submit necessary legislation to place the purchasing
6 of health benefits for persons incarcerated in institutions
7 administered by the department of corrections into the single
8 community-rated risk pool effective on and after July 1, 1997.)

9 (3) At a minimum, and regardless of other legislative
10 enactments, the state health services purchasing agent shall:

11 (a) Require that a public agency that provides subsidies for
12 a substantial portion of services now covered under the basic
13 health plan (~~(or a uniform benefits package as adopted by the~~
14 ~~Washington health services commission as provided in RCW 43.72.130~~
15 ~~7)~~) use uniform eligibility processes, insofar as may be possible,
16 and ensure that multiple eligibility determinations are not
17 required;

18 (b) Require that a health care provider or a health care
19 facility that receives funds from a public program provide care to
20 state residents receiving a state subsidy who may wish to receive
21 care from them (~~(consistent with the provisions of chapter 492,~~
22 ~~Laws of 1993)), and that ((a health maintenance organization,~~
23 ~~health care service contractor, insurer, or certified health plan))
24 an insuring entity that receives funds from a public program accept
25 enrollment from state residents receiving a state subsidy who may
26 wish to enroll with them(~~(under the provisions of chapter 492,~~
27 ~~Laws of 1993)));~~~~

28 (c) Strive to integrate purchasing for all publicly sponsored
29 health services in order to maximize the cost control potential and
30 promote the most efficient methods of financing and coordinating
31 services;

1 (d) ~~((Annually suggest changes in state and federal law and~~
2 ~~rules to bring all publicly funded health programs in compliance~~
3 ~~with the goals and intent of chapter 492, Laws of 1993;~~

4 ~~(e))~~ Consult regularly with the governor, the legislature,
5 and state agency directors whose operations are affected by the
6 implementation of this section; and

7 (e) Ensure the control of benefit costs under managed
8 competition by adopting rules to prevent employers from entering
9 into an agreement with employees or employee organizations when the
10 agreement would result in increased utilization in public
11 employees' benefits board plans or reduce the expected savings of
12 managed competition.

13 **Sec. 4.** RCW 41.05.055 and 1994 c 36 s 1 are each amended to
14 read as follows:

15 (1) The public employees' benefits board is created within the
16 authority. The function of the board is to design and approve
17 insurance benefit plans for state employees ~~((and school district~~
18 ~~employees))~~.

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

21 (a) Two representatives of state employees, one of whom shall
22 represent an employee union certified as exclusive representative
23 of at least one bargaining unit of classified employees, and one of
24 whom is retired, is covered by a program under the jurisdiction of
25 the board, and represents an organized group of retired public
26 employees;

27 (b) ~~((Two))~~ One representative~~((s))~~ of ~~((school district~~
28 ~~employees, one of whom shall represent an association of school~~
29 ~~employees and one of whom is retired, and represents))~~ an organized
30 group of retired school employees;

31 (c) ~~((Four))~~ Three members with experience in health benefit
32 management and cost containment; and

1 (d) The administrator.

2 (3) The governor shall appoint the initial members of the
3 board to staggered terms not to exceed four years. Members
4 appointed thereafter shall serve two-year terms. Members of the
5 board shall be compensated in accordance with RCW 43.03.250 and
6 shall be reimbursed for their travel expenses while on official
7 business in accordance with RCW 43.03.050 and 43.03.060. The board
8 shall prescribe rules for the conduct of its business. The
9 administrator shall serve as chair of the board. Meetings of the
10 board shall be at the call of the chair.

11 **Sec. 5.** RCW 41.05.065 and 1994 c 153 s 5 are each amended to
12 read as follows:

13 (1) The board shall study all matters connected with the
14 provision of health care coverage, life insurance, liability
15 insurance, accidental death and dismemberment insurance, and
16 disability income insurance or any of, or a combination of, the
17 enumerated types of insurance for employees and their dependents on
18 the best basis possible with relation both to the welfare of the
19 employees and to the state((7)).However, liability insurance
20 shall not be made available to dependents.

21 (2) The ((~~public employees' benefits~~)) board shall develop
22 employee benefit plans that include comprehensive health care
23 benefits for all employees. In developing these plans, the board
24 shall consider the following elements:

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

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

31 (c) Wellness incentives that focus on proven strategies, such
32 as smoking cessation, injury and accident prevention, reduction of

1 alcohol misuse, appropriate weight reduction, exercise, automobile
2 and motorcycle safety, blood cholesterol reduction, and nutrition
3 education;

4 (d) Utilization review procedures including, but not limited
5 to a cost-efficient method for prior authorization of services,
6 hospital inpatient length of stay review, requirements for use of
7 outpatient surgeries and second opinions for surgeries, review of
8 invoices or claims submitted by service providers, and performance
9 audit of providers;

10 (e) Effective coordination of benefits;

11 (f) Minimum standards for insuring entities; and

12 (g) Minimum scope and content of (~~standard~~) public employee
13 benefit plans to be offered to enrollees participating in the
14 employee health benefit plans. ((On and after July 1, 1995, the
15 uniform benefits package shall constitute the minimum level of
16 health benefits offered to employees.)) To maintain the
17 comprehensive nature of employee health care benefits, employee
18 eligibility criteria related to the number of hours worked and the
19 benefits provided to employees shall be substantially equivalent to
20 the state employees' health benefits plan and eligibility criteria
21 in effect on January 1, 1993. Nothing in this subsection (2)(g)
22 shall prohibit changes or increases in employee point-of-service
23 payments or employee premium payments for benefits.

24 (3) The board shall design benefits and determine the terms
25 and conditions of employee participation and coverage, including
26 establishment of eligibility criteria.

27 (4) (~~The board shall attempt to achieve enrollment of all~~
28 ~~employees and retirees in managed health care systems by July~~
29 ~~1994.))~~

30 The board may authorize premium contributions for an employee
31 and the employee's dependents in a manner that encourages the use
32 of cost-efficient managed health care systems.

1 (5) Employees shall choose participation in one of the health
2 care benefit plans developed by the board and may be permitted to
3 waive coverage under terms and conditions established by the board.

4 (6) The board shall review plans proposed by ~~((insurance~~
5 ~~carriers))~~ insuring entities that desire to offer property
6 insurance and/or accident and casualty insurance to state employees
7 through payroll deduction. The board may approve any such plan for
8 payroll deduction by ~~((carriers))~~ insuring entities holding a valid
9 certificate of authority in the state of Washington and which the
10 board determines to be in the best interests of employees and the
11 state. The board shall promulgate rules setting forth criteria by
12 which it shall evaluate the plans.

13 **Sec. 6.** RCW 47.64.270 and 1993 c 492 s 224 are each amended
14 to read as follows:

15 ~~((Until December 31, 1996,))~~ Absent a collective bargaining
16 agreement to the contrary, the department of transportation shall
17 provide contributions to insurance and health care plans for ferry
18 system employees and dependents, as determined by the state health
19 care authority, under chapter 41.05 RCW; and the ferry system
20 management and employee organizations may collectively bargain for
21 other insurance and health care plans, and employer contributions
22 may exceed that of other state agencies as provided in RCW
23 41.05.050, subject to RCW 47.64.180. ~~((On January 1, 1997, ferry~~
24 ~~employees shall enroll in certified health plans under the~~
25 ~~provisions of chapter 492, Laws of 1993.))~~ To the extent that
26 ferry employees by bargaining unit have absorbed the required
27 offset of wage increases by the amount that the employer's
28 contribution for employees' and dependents' insurance and health
29 care plans exceeds that of other state general government employees
30 in the 1985-87 fiscal biennium, employees shall not be required to
31 absorb a further offset except to the extent the differential
32 between employer contributions for those employees and all other

1 state general government employees increases during any subsequent
2 fiscal biennium. If such differential increases in the 1987-89
3 fiscal biennium or the 1985-87 offset by bargaining unit is
4 insufficient to meet the required deduction, the amount available
5 for compensation shall be reduced by bargaining unit by the amount
6 of such increase or the 1985-87 shortage in the required offset.
7 Compensation shall include all wages and employee benefits.

8 **Sec. 7.** RCW 41.05.021 and 1994 c 309 s 1 are each amended to
9 read as follows:

10 (1) The Washington state health care authority is created
11 within the executive branch. The authority shall have an
12 administrator appointed by the governor, with the consent of the
13 senate. The administrator shall serve at the pleasure of the
14 governor. The administrator may employ up to seven staff members,
15 who shall be exempt from chapter 41.06 RCW, and any additional
16 staff members as are necessary to administer this chapter. The
17 administrator may delegate any power or duty vested in him or her
18 by this chapter, including authority to make final decisions and
19 enter final orders in hearings conducted under chapter 34.05 RCW.
20 The primary duties of the authority shall be to: Administer state
21 employees' insurance benefits and retired or disabled school
22 employees' insurance benefits((7)); administer the basic health
23 plan pursuant to chapter 70.47 RCW; study state-purchased health
24 care programs in order to maximize cost containment in these
25 programs while ensuring access to quality health care((7)); and
26 implement state initiatives, joint purchasing strategies, and
27 techniques for efficient administration that have potential
28 application to all state-purchased health services. The
29 authority's duties include, but are not limited to, the following:

30 (a) To administer health care benefit programs for employees
31 and retired or disabled school employees as specifically authorized

1 in RCW 41.05.065 and in accordance with the methods described in
2 RCW 41.05.075, 41.05.140, and other provisions of this chapter;

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

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

12 (ii) Utilization of provider arrangements that encourage cost
13 containment, including but not limited to prepaid delivery systems,
14 utilization review, and prospective payment methods, and that
15 ensure access to quality care, including assuring reasonable access
16 to local providers, especially for employees residing in rural
17 areas;

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

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

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

28 (c) To analyze areas of public and private health care
29 interaction;

30 (d) To provide information and technical and administrative
31 assistance to the board;

32 (e) To review and approve or deny applications from counties,
33 municipalities, and other political subdivisions of the state to

1 provide state-sponsored insurance or self-insurance programs to
2 their employees in accordance with the provisions of RCW 41.04.205,
3 setting the premium contribution for approved groups as outlined in
4 RCW 41.05.050;

5 (f) To appoint a health care policy technical advisory
6 committee as required by RCW 41.05.150;

7 (g) To establish billing procedures and collect funds from
8 school districts and educational service districts under RCW
9 28A.400.400 in a way that minimizes the administrative burden on
10 districts; and

11 (h) To promulgate and adopt rules consistent with this chapter
12 as described in RCW 41.05.160.

13 (2) On and after ((July)) January 1, ((1995)) 1996, the public
14 employees' benefits board ((shall)) may implement strategies to
15 promote managed competition among employee health benefit plans
16 ((in accordance with the Washington health services commission
17 schedule of employer requirements)). Strategies may include but
18 are not limited to:

19 (a) Standardizing the benefit package;

20 (b) Soliciting competitive bids for the benefit package;

21 (c) Limiting the state's contribution to a percent of the
22 lowest priced qualified plan within a geographical area((~~. If the~~
23 ~~state's contribution is less than one hundred percent of the lowest~~
24 ~~priced qualified bid, employee financial contributions shall be~~
25 ~~structured on a sliding scale basis related to household income));~~

26 (d) Monitoring the impact of the approach under this
27 subsection with regards to: Efficiencies in health service
28 delivery, cost shifts to subscribers, access to and choice of
29 managed care plans state-wide, and quality of health services. The
30 health care authority shall also advise on the value of
31 administering a benchmark employer-managed plan to promote
32 competition among managed care plans. The health care authority

1 shall report its findings and recommendations to the legislature by
2 January 1, 1997.

3 (3) The health care authority shall, no later than July 1,
4 1996, submit to the appropriate committees of the legislature,
5 proposed methods whereby, through the use of a voucher-type
6 process, state employees may enroll with any health carrier to
7 receive employee benefits. Such methods shall include the employee
8 option of participating in a health care savings account, as set
9 forth in Title 48 RCW.

10 (4) The Washington health care policy board shall study the
11 necessity and desirability of the health care authority continuing
12 as a self-insuring entity and make recommendations to the
13 appropriate committees of the legislature by December 1, 1996.

14 **Sec. 8.** RCW 41.04.205 and 1993 c 386 s 3 are each amended to
15 read as follows:

16 (1) Notwithstanding the provisions of RCW 41.04.180, the
17 employees, with their dependents, of any county, municipality, or
18 other political subdivision of this state shall be eligible to
19 participate in any insurance or self-insurance program for
20 employees administered under chapter 41.05 RCW if the legislative
21 authority of any such county, municipality, or other political
22 subdivisions of this state determines, subject to collective
23 bargaining under applicable statutes, a transfer to an insurance or
24 self-insurance program administered under chapter 41.05 RCW should
25 be made. In the event of a special district employee transfer
26 pursuant to this section, members of the governing authority shall
27 be eligible to be included in such transfer if such members are
28 authorized by law as of June 25, 1976 to participate in the
29 insurance program being transferred from and subject to payment by
30 such members of all costs of insurance for members.

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

4 (a) Establish the conditions (~~((under which the transfer may be
5 made, which shall include the requirements that:~~

6 ~~(i) All the eligible employees of the political subdivision
7 transfer as a unit, and~~

8 ~~(ii) The political subdivision involved obligate itself to
9 make employer contributions in an amount at least equal to those
10 provided by the state as employer)) for participation; and~~

11 (b) (~~Hold public hearings on the application for transfer;~~
12 ~~and~~

13 ~~(c))~~) Have the sole right to reject the application.

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

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

20 (4) (~~The requirements in subsection (2)(a) (i) and (ii) of
21 this section need not be applied to)) School districts may
22 voluntarily transfer, except that all eligible employees in a
23 bargaining unit of a school district may transfer only as a unit
24 and all nonrepresented employees in a district may transfer only as
25 a unit.~~

26 NEW SECTION. Sec. 9. The following acts or parts of acts are
27 each repealed:

28 (1) RCW 41.05.200 and 1993 c 492 s 228;

29 (2) RCW 41.05.210 and 1993 c 492 s 229;

30 (3) RCW 41.05.240 and 1993 c 492 s 468; and

31 (4) RCW 43.72.230 and 1993 c 492 s 465.

1 NEW SECTION. **Sec. 10.** A new section is added to Title 28C
2 RCW to read as follows:

3 Employees of vocational technical institutes who were members
4 of the public employees' benefits trust and as a result of chapter
5 238, Laws of 1991, were required to enroll in public employees'
6 benefits board-sponsored plans, must decide whether to reenroll in
7 the trust by January 1, 1996, or the expiration of the current
8 collective bargaining agreements, whichever is later. Employees of
9 a bargaining unit or administrative or managerial employees
10 otherwise not included in a bargaining unit shall be required to
11 transfer by group. Administrative or managerial employees shall
12 transfer in accordance with rules established by the health care
13 authority. If employee groups elect to transfer, they are eligible
14 to reenroll in the public employees' benefits board-sponsored
15 plans. This one-time reenrollment option in the public employees'
16 benefits board sponsored plans is available to be exercised in
17 January 2001, or only every five years thereafter, until exercised.

18 NEW SECTION. **Sec. 11.** A new section is added to chapter
19 41.05 RCW to read as follows:

20 (1) The state of Washington may enter into benefits
21 contribution plans with employees of the state pursuant to the
22 internal revenue code, 26 U.S.C. Sec. 125, for the purpose of
23 making it possible for employees of the state to select on a
24 "before-tax basis" certain taxable and nontaxable benefits pursuant
25 to 26 U.S.C. Sec. 125. The purpose of the benefits contribution
26 plan established in this chapter is to attract and retain
27 individuals in governmental service by permitting them to enter
28 into agreements with the state to provide for benefits pursuant to
29 26 U.S.C. Sec. 125 and other applicable sections of the internal
30 revenue code.

31 (2) Nothing in the benefits contribution plan constitutes an
32 employment agreement between the participant and the state, and

1 nothing contained in the participant's benefits contribution
2 agreement, the plan, this section, or sections 12 through 17 of
3 this act gives a participant any right to be retained in state
4 employment.

5 NEW SECTION. **Sec. 12.** A new section is added to chapter
6 41.05 RCW to read as follows:

7 The authority shall have responsibility for the formulation
8 and adoption of a plan, policies, and procedures designed to guide,
9 direct, and administer the benefits contribution plan. For the plan
10 year beginning January 1, 1996, the administrator may establish a
11 premium only contribution plan. Expansion of the benefits
12 contribution plan to a medical flexible spending arrangement or
13 cafeteria plan during subsequent plan years shall be subject to
14 approval by the director of the office of financial management.

15 (1) A plan document describing the benefits contribution plan
16 shall be adopted and administered by the authority. The authority
17 shall represent the state in all matters concerning the
18 administration of the plan. The state, through the authority, may
19 engage the services of a professional consultant or administrator
20 on a contractual basis to serve as an agent to assist the authority
21 or perform the administrative functions necessary in carrying out
22 the purposes of this section and sections 11 and 13 through 16 of
23 this act.

24 (2) The authority shall formulate and establish policies and
25 procedures for the administration of the benefits contribution plan
26 that are consistent with existing state law, the internal revenue
27 code, and the regulations adopted by the internal revenue service
28 as they may apply to the benefits offered to participants under the
29 plan.

30 (3) Every action taken by the authority in administering this
31 section and sections 11 and 13 through 16 of this act shall be
32 presumed to be a fair and reasonable exercise of the authority

1 vested in or the duties imposed upon it. The authority shall be
2 presumed to have exercised reasonable care, diligence, and prudence
3 and to have acted impartially as to all persons interested unless
4 the contrary be proved by clear and convincing affirmative
5 evidence.

6 NEW SECTION. **Sec. 13.** A new section is added to chapter
7 41.05 RCW to read as follows:

8 (1) Elected officials and all permanent employees of the state
9 are eligible to participate in the benefits contribution plan and
10 contribute amount(s) by agreement with the authority. The
11 authority may adopt rules to permit participation in the plan by
12 temporary employees of the state.

13 (2) Persons eligible under subsection (1) of this section may
14 enter into benefits contribution agreements with the state.

15 (3)(a) In the initial year of the medical flexible spending
16 arrangement or cafeteria plan, if authorized, an eligible person
17 may become a participant after the adoption of the plan and before
18 its effective date by agreeing to have a portion of his or her
19 gross salary contributed and deposited into a health care and other
20 benefits account to be used for reimbursement of expenses covered
21 by the plan.

22 (b) After the initial year of the medical flexible spending
23 arrangement or cafeteria plan, if authorized, an eligible person
24 may become a participant for a full plan year, with annual benefit
25 selection for each new plan year made before the beginning of the
26 plan year, as determined by the authority, or upon becoming
27 eligible.

28 (c) Once an eligible person elects to participate and the
29 amount of gross salary that he or she shall contribute and the
30 benefit for which the funds are to be used during the plan year is
31 determined, the agreement shall be irrevocable and may not be
32 amended during the plan year except as provided in (d) of this

1 subsection. Prior to making an election to participate in the
2 benefit contribution plan, the eligible person shall be informed in
3 writing of all the benefits and contributions that will occur as a
4 result of such election.

5 (d) The authority shall provide in the benefits contribution
6 plan that a participant may enroll, terminate, or change his or her
7 election after the plan year has begun if there is a significant
8 change in a participant's status, as provided by 26 U.S.C. Sec. 125
9 and the regulations adopted under that section and defined by the
10 authority.

11 (4) The authority shall establish as part of the benefits
12 contribution plan the procedures for and effect of withdrawal from
13 the plan by reason of retirement, death, leave of absence, or
14 termination of employment. To the extent possible under federal
15 law, the authority shall protect participants from forfeiture of
16 rights under the plan.

17 (5) Any contribution under the benefits contribution plan
18 shall continue to be included as reportable compensation for the
19 purpose of computing the state retirement and pension benefits
20 earned by the employee pursuant to chapters 41.26, 41.32, 41.40,
21 and 43.43 RCW.

22 NEW SECTION. **Sec. 14.** A new section is added to chapter
23 41.05 RCW to read as follows:

24 The authority shall keep or cause to be kept full and adequate
25 accounts and records of the assets, obligations, transactions, and
26 affairs of a benefits contribution plan created under section 11 of
27 this act.

28 NEW SECTION. **Sec. 15.** A new section is added to chapter
29 41.05 RCW to read as follows:

1 (1) The state may terminate the benefits contribution plan at
2 the end of the plan year or upon notification of federal action
3 affecting the status of the plan.

4 (2) The authority may amend the benefits contribution plan at
5 any time if the amendment does not affect the rights of the
6 participants to receive eligible reimbursement from the
7 participants' benefits contribution accounts.

8 NEW SECTION. **Sec. 16.** A new section is added to chapter
9 41.05 RCW to read as follows:

10 The authority shall adopt rules necessary to implement
11 sections 11 through 15 of this act.

12 NEW SECTION. **Sec. 17.** A new section is added to chapter
13 41.05 RCW to read as follows:

14 Sections 11 through 16 of this act shall be construed to
15 effectuate the purposes of 26 U.S.C. Sec. 125 and other applicable
16 sections of the internal revenue code as required.

17 **Sec. 18.** RCW 28A.400.350 and 1993 c 492 s 226 are each
18 amended to read as follows:

19 (1) The board of directors of any of the state's school
20 districts may make available liability, life, health, health care,
21 accident, disability and salary protection or insurance or any one
22 of, or a combination of the enumerated types of insurance, or any
23 other type of insurance or protection, for the members of the
24 boards of directors, the students, and employees of the school
25 district, and their dependents. Such coverage may be provided by
26 contracts with private carriers, with the state health care
27 authority after July 1, 1990, pursuant to the approval of the
28 authority administrator, or through self-insurance or self-funding
29 pursuant to chapter 48.62 RCW, or in any other manner authorized by
30 law. (~~Except for health benefits purchased with nonstate funds as~~

1 ~~provided in RCW 28A.400.200, effective on and after October 1,~~
2 ~~1995, health care coverage, life insurance, liability insurance,~~
3 ~~accidental death and dismemberment insurance, and disability income~~
4 ~~insurance shall be provided only by contracts with the state health~~
5 ~~care authority.))~~

6 (2) Whenever funds are available for these purposes the board
7 of directors of the school district may contribute all or a part of
8 the cost of such protection or insurance for the employees of their
9 respective school districts and their dependents. The premiums on
10 such liability insurance shall be borne by the school district.

11 After October 1, 1990, school districts may not contribute to
12 any employee protection or insurance other than liability insurance
13 unless the district's employee benefit plan conforms to RCW
14 28A.400.275 and 28A.400.280.

15 (3) For school board members and students, the premiums due on
16 such protection or insurance shall be borne by the assenting school
17 board member or student. The school district may contribute all or
18 part of the costs, including the premiums, of life, health, health
19 care, accident or disability insurance which shall be offered to
20 all students participating in interschool activities on the behalf
21 of or as representative of their school or school district. The
22 school district board of directors may require any student
23 participating in extracurricular interschool activities to, as a
24 condition of participation, document evidence of insurance or
25 purchase insurance that will provide adequate coverage, as
26 determined by the school district board of directors, for medical
27 expenses incurred as a result of injury sustained while
28 participating in the extracurricular activity. In establishing
29 such a requirement, the district shall adopt regulations for
30 waiving or reducing the premiums of such coverage as may be offered
31 through the school district to students participating in
32 extracurricular activities, for those students whose families, by
33 reason of their low income, would have difficulty paying the entire

1 amount of such insurance premiums. The district board shall adopt
2 regulations for waiving or reducing the insurance coverage
3 requirements for low-income students in order to assure such
4 students are not prohibited from participating in extracurricular
5 interschool activities.

6 (4) All contracts for insurance or protection written to take
7 advantage of the provisions of this section shall provide that the
8 beneficiaries of such contracts may utilize on an equal
9 participation basis the services of those practitioners licensed
10 pursuant to chapters 18.22, 18.25, 18.53, 18.57, and 18.71 RCW.

11 NEW SECTION. **Sec. 19.** A new section is added to chapter
12 28B.50 RCW to read as follows:

13 (1) In a manner prescribed by the state health care authority,
14 technical colleges who have employees enrolled in a benefits trust
15 shall remit to the health care authority for deposit in the public
16 employees' and retirees' insurance account established in RCW
17 41.05.120 the amount specified for remittance in the omnibus
18 appropriations act.

19 (2) The remittance requirements of this section do not apply
20 to employees of a technical college who receive insurance benefits
21 through contracts with the health care authority.

22 NEW SECTION. **Sec. 20.** A new section is added to Title 43 RCW
23 to read as follows:

24 For the purpose of accurately describing professional health
25 services purchased by the state, health-related state agencies may
26 develop fee schedules based on billing codes and service
27 descriptions published by the American medical association or the
28 United States federal health care financing administration, or
29 develop agency unique codes and service descriptions.

1 **Sec. 21.** RCW 41.04.230 and 1993 c 2 s 26 are each amended to
2 read as follows:

3 Any official of the state authorized to disburse funds in
4 payment of salaries and wages of public officers or employees is
5 authorized, upon written request of the officer or employee, to
6 deduct from the salaries or wages of the officers or employees, the
7 amount or amounts of subscription payments, premiums,
8 contributions, or continuation thereof, for payment of the
9 following:

10 (1) Credit union deductions: PROVIDED, That twenty-five or
11 more employees of a single state agency or a total of one hundred
12 or more state employees of several agencies have authorized such a
13 deduction for payment to the same credit union. An agency may, in
14 its own discretion, establish a minimum participation requirement
15 of fewer than twenty-five employees.

16 (2) Parking fee deductions: PROVIDED, That payment is made
17 for parking facilities furnished by the agency or by the department
18 of general administration.

19 (3) U.S. savings bond deductions: PROVIDED, That a person
20 within the particular agency shall be appointed to act as trustee.
21 The trustee will receive all contributions; purchase and deliver
22 all bond certificates; and keep such records and furnish such bond
23 or security as will render full accountability for all bond
24 contributions.

25 (4) Board, lodging or uniform deductions when such board,
26 lodging and uniforms are furnished by the state, or deductions for
27 academic tuition or fees or scholarship contributions payable to
28 the employing institution.

29 (5) Dues and other fees deductions: PROVIDED, That the
30 deduction is for payment of membership dues to any professional
31 organization formed primarily for public employees or college and
32 university professors: AND PROVIDED, FURTHER, That twenty-five or
33 more employees of a single state agency, or a total of one hundred

1 or more state employees of several agencies have authorized such a
2 deduction for payment to the same professional organization.

3 (6) Labor or employee organization dues may be deducted in the
4 event that a payroll deduction is not provided under a collective
5 bargaining agreement under the provisions of RCW 41.06.150:
6 PROVIDED, That twenty-five or more officers or employees of a
7 single agency, or a total of one hundred or more officers or
8 employees of several agencies have authorized such a deduction for
9 payment to the same labor or employee organization: PROVIDED,
10 FURTHER, That labor or employee organizations with five hundred or
11 more members in state government may have payroll deduction for
12 employee benefit programs.

13 (7) Insurance contributions to the authority for payment of
14 premiums under contracts authorized by the state health care
15 authority. However, enrollment or assignment by the state health
16 care authority to participate in a health care benefit plan, as
17 required by RCW 41.05.065(5), shall authorize a payroll deduction
18 of premium contributions without a written consent under the terms
19 and conditions established by the public employees benefits board.

20 (8) Deductions to a bank, savings bank, or savings and loan
21 association if (a) the bank, savings bank, or savings and loan
22 association is authorized to do business in this state; and (b)
23 twenty-five or more employees of a single agency, or fewer, if a
24 lesser number is established by such agency, or a total of one
25 hundred or more state employees of several agencies have authorized
26 a deduction for payment to the same bank, savings bank, or savings
27 and loan association.

28 Deductions from salaries and wages of public officers and
29 employees other than those enumerated in this section or by other
30 law, may be authorized by the director of financial management for
31 purposes clearly related to state employment or goals and
32 objectives of the agency and for plans authorized by the state
33 health care authority.

1 The authority to make deductions from the salaries and wages
2 of public officers and employees as provided for in this section
3 shall be in addition to such other authority as may be provided by
4 law: PROVIDED, That the state or any department, division, or
5 separate agency of the state shall not be liable to any insurance
6 carrier or contractor for the failure to make or transmit any such
7 deduction.

8 **Sec 22.** RCW 41.05.050 and 1994 c 309 s 2 are each amended to
9 read as follows:

10 (1) Every department, division, or separate agency of state
11 government, and such county, municipal, or other political
12 subdivisions as are covered by this chapter, shall provide
13 contributions to insurance and health care plans for its employees
14 and their dependents, the content of such plans to be determined by
15 the authority. Contributions, paid by the county, the
16 municipality, or other political subdivision for their employees,
17 shall include an amount determined by the authority to pay such
18 administrative expenses of the authority as are necessary to
19 administer the plans for employees of those groups. Contributions
20 to be paid by school districts or educational service districts
21 shall be adjusted by the authority to reflect that retired school
22 employees are covered under *RCW 41.05.250, and are not covered
23 under RCW 41.05.080. All such contributions will be paid into the
24 public employees' health insurance account.

25 (2) The contributions of any department, division, or separate
26 agency of the state government, and such county, municipal, or
27 other political subdivisions as are covered by this chapter, shall
28 be set by the authority, subject to the approval of the governor
29 for availability of funds as specifically appropriated by the
30 legislature for that purpose. Insurance and health care
31 contributions for ferry employees shall be governed by RCW
32 47.64.270 (~~until December 31, 1996. On and after January 1, 1997,~~

1 ~~ferry employees shall enroll with certified health plans under~~
2 ~~chapter 492, Laws of 1993)).~~

3 (3) The authority shall transmit a recommendation for the
4 amount of the employer contribution to the governor and the
5 director of financial management for inclusion in the proposed
6 budgets submitted to the legislature.

7
8 NEW SECTION. **Sec. 23.** This act is necessary for the
9 immediate preservation of the public peace, health, or safety, or
10 support of the state government and its existing public
11 institutions, and shall take effect July 1, 1995."

12 Correct the title.