

# HOUSE BILL REPORT

## E2SHB 1566

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### As Passed House - Amended:

April 13, 1995

**Title:** An act relating to implementation of health care authority responsibilities.

**Brief Description:** Changing health care authority responsibilities.

**Sponsors:** Representative Dyer; by request of Health Care Authority.

### Brief History:

#### Committee Activity:

Health Care: 2/10/95, 2/28/95 [DPS];  
Appropriations: 3/21/95 [DP2S(w/o sub HC)].

#### Floor Activity:

Amended.  
Passed House: 4/13/95, 95-0.

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### HOUSE COMMITTEE ON HEALTH CARE

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 13 members: Representatives Dyer, Chairman; Backlund, Vice Chairman; Hymes, Vice Chairman; Dellwo, Ranking Minority Member; Cody, Assistant Ranking Minority Member; Campbell; Casada; Conway; Crouse; Kessler; Morris; Sherstad and Skinner.

**Staff:** Bill Hagens (786-7131).

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### HOUSE COMMITTEE ON APPROPRIATIONS

**Majority Report:** The second substitute bill be substituted therefor and the second substitute bill do pass and do not pass the substitute bill by Committee on Health Care. Signed by 25 members: Representatives Silver, Chairman; Clements, Vice Chairman; Huff, Vice Chairman; Pelesky, Vice Chairman; Sommers, Ranking Minority Member; Valle, Assistant Ranking Minority Member; Basich; Beeksma; Brumsickle; Carlson; Chappell; Cooke; Crouse; Hargrove; Hickel; Jacobsen; Lambert; Lisk; McMorris; Rust; Sehlin; Sheahan; Talcott; Thibaudeau and Wolfe.

**Minority Report:** Without recommendation. Signed by 2 members: Representatives G. Fisher and Poulsen.

**Staff:** Jennifer Priddy (786-7118).

**Background:** The Health Care Authority (HCA) is state government's purchaser of health insurance for its employees and retirees, for enrollees in the Basic Health Plan and for other public employee groups who choose to use the HCA as their health insurance purchasing agent. At the present time, the HCA purchases health insurance for approximately 400,000 people.

Under the 1993 Health Services Act, the HCA is designated as the state's consolidated health care purchasing agent and required to purchase health insurance for school district employees and retirees beginning in October 1995.

Upon authorizing legislation, the HCA must also assume purchasing responsibility for certain portions of the state Medicaid program and prisoner health services. The HCA must also pursue various managed competition purchasing strategies in an effort to maximize the value the state receives in its purchase of health insurance.

HCA administers the Caregivers Program which enables nonprofit agencies to purchase health insurance through the state, however, at present, fewer than 50 people have enrolled.

In connection with the employer-mandate, HCA was directed to establish a depository for employer contributions on behalf of part-time workers; however, since the employer-mandate is not forthcoming because of the lack of federal approval, the utility of the depository is diminished.

A number of other statutes affecting the HCA have been identified as needing modification.

**Summary of Bill:** The requirement that school district employees purchase health insurance through the HCA is deleted.

References to the Health Services Commission and related health reform provisions are deleted.

School district and other public employees may choose to waive their right to health insurance coverage under terms and conditions to be established by the Public Employee Benefits Board (PEBB).

If the PEBB opts to limit the state's contribution to health insurance benefits to a percentage of the lowest priced available plan, the requirement to structure employee premium shares to take account of their income is deleted.

The requirement to place the Basic Health Plan, state employees, school district employees, retirees, prisoner health services ,and some Medicaid programs in a single, community-rated risk pool is deleted in statute. The state will continue to seek appropriate federal waivers and pursue other strategies to improve the state's purchasing power.

Several statutory requirements governing the optional transfer of political subdivision employees into HCA health purchasing are removed from current law, including the requirement that the entire subdivision transfer as a unit, the requirement that the subdivision obligate itself to make employer contributions at least equal to those provided by the state as an employer, and the requirement that there be a public hearing on the application for transfer to HCA.

The depository for employer contributions on behalf of part-time workers, the Caregivers Program, and the HCA responsibility to develop an Indian health care delivery plan are repealed.

The language requiring that state employees benefits be "substantially equivalent" to those received on January 1993 is changed to "not be decreased in comparison . . ." Nothing in the statute shall prohibit employee point-of-service co-payments or premium co-payments.

A voc-tech school is given the option of purchasing benefits through an employee trust if it did so prior to the implementation of the Vocational Education Act of 1991.

The HCA is required to study the feasibility of a voucher-type process for enrollment for state employees.

The Joint Committee on Health System Oversight (if created by law) is required to study the desirability of HCA future self-funding of the Uniform Medical Plan.

Managed competition is made permissive and the effective date is changed from July 1, 1995 to January 1, 1996.

School districts shall continue to remit a subsidy to the Health Care Authority for coverage of K-12 retirees in an amount to be prescribed by the Legislature in the omnibus appropriations act.

The Health Care Authority is required to adopt rules which prevent employers who purchase benefits through the Health Care Authority from entering into agreements

with employees that would increase utilization of benefits or reduce expected managed competition savings.

The Health Care Authority is authorized to establish a plan to allow employees to make any premium co-payments for health benefits on a pre-tax basis.

Provisions are added to make explicit that counties, municipalities and other political subdivisions shall bargain under applicable laws regarding whether or not employee benefits will be purchased through the Health Care Authority.

Health-related state agency flexibility is provided in developing billing codes.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date of Bill:** The bill contains an emergency clause and takes effect on July 1, 1995.

**Testimony For:** (Health Care) These changes are necessary for the effective purchase and delivery of public employee benefits.

(Appropriations) The substitute bill gives school district employees the right to voluntarily purchase benefits through the Health Care Authority or purchase benefits through their district.

**Testimony Against:** (Health Care) The imposition of the salary cap hampers school employees from negotiating for needed health benefits in their communities.

(Appropriations) Managed competition should be voluntary; employees should be given the right to pay any benefits co-payments on a sliding scale based on household income. School district employees should have representation on the public employees' benefits board.

**Testified:** (Health Care) Margaret Stanley, Health Care Authority (pro); and Randy Parr, SEIU (concerns).

(Appropriations) David Westberg, Stationary Engineers (pro); Randy Parr, Washington State Employees International Union (pro); Steven Aldrich, Washington State Labor Council (pro); Jeff Larsen, Washington Naturopathic Physicians (pro); Jean Leonard, School Insurance Trusts (pro); Cliff Webster, Standard Insurance Company (pro); Lynn McKinnon, Public School Employees (pro with concerns); and Karen Davis, Washington Education Association (pro with concerns).