
HOUSE BILL 1382

State of Washington

55th Legislature

1997 Regular Session

By Representatives Lambert and Talcott

Read first time 01/23/97. Referred to Committee on Health Care.

1 AN ACT Relating to health benefits provided through the health care
2 authority; and amending RCW 41.05.065 and 41.05.140.

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

4 **Sec. 1.** RCW 41.05.065 and 1996 c 140 s 1 are each amended to read
5 as follows:

6 (1) The board shall study all matters connected with the provision
7 of health care coverage, life insurance, liability insurance,
8 accidental death and dismemberment insurance, and disability income
9 insurance or any of, or a combination of, the enumerated types of
10 insurance for employees and their dependents on the best basis possible
11 with relation both to the welfare of the employees and to the state.
12 However, liability insurance shall not be made available to dependents.

13 (2) The board shall develop employee benefit plans that include
14 comprehensive health care benefits for all employees. In developing
15 these plans, the board shall consider the following elements:

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

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

4 (c) Wellness incentives that focus on proven strategies, such as
5 smoking cessation, injury and accident prevention, reduction of alcohol
6 misuse, appropriate weight reduction, exercise, automobile and
7 motorcycle safety, blood cholesterol reduction, and nutrition
8 education;

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

15 (e) Effective coordination of benefits;

16 (f) Minimum standards for insuring entities; and

17 (g) Minimum scope and content of public employee benefit plans to
18 be offered to enrollees participating in the employee health benefit
19 plans. To maintain the comprehensive nature of employee health care
20 benefits, employee eligibility criteria related to the number of hours
21 worked and the benefits provided to employees shall be substantially
22 equivalent to the state employees' health benefits plan and eligibility
23 criteria in effect on January 1, 1993. Nothing in this subsection
24 (2)(g) shall prohibit changes or increases in employee point-of-service
25 payments or employee premium payments for benefits.

26 (3) The board shall design benefits and determine the terms and
27 conditions of employee participation and coverage, including
28 establishment of eligibility criteria. In defining eligible
29 dependents, the board shall include as an eligible dependent the
30 dependent of a qualifying dependent if the dependent of the qualifying
31 dependent resides with the subscriber and qualifies as a dependent of
32 the subscriber under the internal revenue code.

33 (4) The board may authorize premium contributions for an employee
34 and the employee's dependents in a manner that encourages the use of
35 cost-efficient managed health care systems.

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

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

9 (7) Before January 1, 1998, the public employees' benefits board
10 shall make available one or more fully insured long-term care insurance
11 plans that comply with the requirements of chapter 48.84 RCW. Such
12 programs shall be made available to eligible employees, retired
13 employees, and retired school employees as well as eligible dependents
14 which, for the purpose of this section, includes the parents of the
15 employee or retiree and the parents of the spouse of the employee or
16 retiree. Employees of local governments and employees of political
17 subdivisions not otherwise enrolled in the public employees' benefits
18 board sponsored medical programs may enroll under terms and conditions
19 established by the administrator, if it does not jeopardize the
20 financial viability of the public employees' benefits board's long-term
21 care offering.

22 (a) Participation of eligible employees or retired employees and
23 retired school employees in any long-term care insurance plan made
24 available by the public employees' benefits board is voluntary and
25 shall not be subject to binding arbitration under chapter 41.56 RCW.
26 Participation is subject to reasonable underwriting guidelines and
27 eligibility rules established by the public employees' benefits board
28 and the health care authority.

29 (b) The employee, retired employee, and retired school employee are
30 solely responsible for the payment of the premium rates developed by
31 the health care authority. The health care authority is authorized to
32 charge a reasonable administrative fee in addition to the premium
33 charged by the long-term care insurer, which shall include the health
34 care authority's cost of administration, marketing, and consumer
35 education materials prepared by the health care authority and the
36 office of the insurance commissioner.

37 (c) To the extent administratively possible, the state shall
38 establish an automatic payroll or pension deduction system for the
39 payment of the long-term care insurance premiums.

1 (d) The public employees' benefits board and the health care
2 authority shall establish a technical advisory committee to provide
3 advice in the development of the benefit design and establishment of
4 underwriting guidelines and eligibility rules. The committee shall
5 also advise the board and authority on effective and cost-effective
6 ways to market and distribute the long-term care product. The
7 technical advisory committee shall be comprised, at a minimum, of
8 representatives of the office of the insurance commissioner, providers
9 of long-term care services, licensed insurance agents with expertise in
10 long-term care insurance, employees, retired employees, retired school
11 employees, and other interested parties determined to be appropriate by
12 the board.

13 (e) The health care authority shall offer employees, retired
14 employees, and retired school employees the option of purchasing long-
15 term care insurance through licensed agents or brokers appointed by the
16 long-term care insurer. The authority, in consultation with the public
17 employees' benefits board, shall establish marketing procedures and may
18 consider all premium components as a part of the contract negotiations
19 with the long-term care insurer.

20 (f) In developing the long-term care insurance benefit designs, the
21 public employees' benefits board shall include an alternative plan of
22 care benefit, including adult day services, as approved by the office
23 of the insurance commissioner.

24 (g) The health care authority, with the cooperation of the office
25 of the insurance commissioner, shall develop a consumer education
26 program for the eligible employees, retired employees, and retired
27 school employees designed to provide education on the potential need
28 for long-term care, methods of financing long-term care, and the
29 availability of long-term care insurance products including the
30 products offered by the board.

31 (h) By December 1998, the health care authority, in consultation
32 with the public employees' benefits board, shall submit a report to the
33 appropriate committees of the legislature, including an analysis of the
34 marketing and distribution of the long-term care insurance provided
35 under this section.

36 **Sec. 2.** RCW 41.05.140 and 1994 c 153 s 10 are each amended to read
37 as follows:

1 (1) The authority may self-fund, self-insure, or enter into other
2 methods of providing insurance coverage for insurance programs under
3 its jurisdiction except property and casualty insurance. The authority
4 shall contract for payment of claims or other administrative services
5 for programs under its jurisdiction. If a program does not require the
6 prepayment of reserves, the authority shall establish such reserves
7 within a reasonable period of time for the payment of claims as are
8 normally required for that type of insurance under an insured program.

9 (2) Reserves established by the authority for employee and retiree
10 benefit programs shall be held in a separate trust fund by the state
11 treasurer and shall be known as the public employees' and retirees'
12 insurance reserve fund. The state investment board shall act as the
13 investor for the funds and, except as provided in RCW 43.33A.160, one
14 hundred percent of all earnings from these investments shall accrue
15 directly to the public employees' and retirees' insurance reserve fund.

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

19 (4) Any program created under this section shall be subject to
20 coordination of benefits provisions in Title 48 RCW, including
21 coordination of benefit rules adopted by the office of the insurance
22 commissioner, and the examination requirements of chapter 48.03 RCW as
23 if the program were a domestic insurer. In conducting an examination,
24 the commissioner shall determine the adequacy of the reserves
25 established for the program.

26 (5) The authority shall keep full and adequate accounts and records
27 of the assets, obligations, transactions, and affairs of any program
28 created under this section.

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

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