

SENATE BILL REPORT

ESSB 5777

As Passed Senate, February 1, 2002

Title: An act relating to health care benefits for retirees of local government employers.

Brief Description: Permitting retired and disabled employees to obtain health insurance.

Sponsors: Senate Committee on Health & Long-Term Care (originally sponsored by Senators Prentice, Winsley, Thibaudeau, Deccio and Rasmussen).

Brief History:

Committee Activity: Health & Long-Term Care: 2/12/01, 2/27/01 [DPS-WM].

Ways & Means: 3/7/01, 3/8/01 [DPS (HEA)].

Passed Senate: 3/13/01, 49-0; 2/1/02, 47-0.

SENATE COMMITTEE ON HEALTH & LONG-TERM CARE

Majority Report: That Substitute Senate Bill No. 5777 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Thibaudeau, Chair; Franklin, Vice Chair; Costa, Deccio, Fraser, Parlette and Winsley.

Staff: Jonathan Seib (786-7427)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 5777 as recommended by Committee on Health & Long-Term Care be substituted therefor, and the substitute bill do pass.

Signed by Senators Brown, Chair; Constantine, Vice Chair; Fairley, Vice Chair; Fraser, Hewitt, Honeyford, Kline, Kohl-Welles, Long, Parlette, Rasmussen, Regala, Rossi, Sheahan, B. Sheldon, Snyder, Spanel, Thibaudeau, Winsley and Zarelli.

Staff: Tim Yowell (786-7435)

Background: Local government employees have health insurance coverage through the state Health Care Authority if their employer contracts with the state Health Care Authority for such coverage.

Under certain conditions, local government employees covered by the state Health Care Authority may continue their participation in the insurance plans of their employer after they retire or are disabled. Such retired or disabled employees are responsible for paying their own premiums, but the premiums charged must be developed from the same experience pool as active employees.

Local government employees not covered by the state Health Care Authority have no other right under state law to continue to participate in the insurance plans of their employer after they retire or are disabled.

Federal law, under the Consolidated Omnibus Budget Reconciliation Act (COBRA), requires that employees who retire be allowed to purchase group health insurance from their employer for a period of 18 months, at a rate no more than 2 percent higher than active employees would pay. COBRA does not apply to retirees eligible for Medicare.

Summary of Bill: With some exceptions and under certain terms and conditions, retired or disabled local government employees not covered by the state Health Care Authority must be allowed to continue participation in a health plan of their employer.

Local governments may require a retired or disabled person who requests continued participation in its health plan to pay the full cost of such participation, including any amounts necessary for administration.

Other conditions are established regarding, among other things, enrollment periods, coordination of benefits with a participant's other employer-based medical coverage, and coverage of dependents if the retired or disabled employee dies.

The Joint Legislative Audit and Review Committee is to report on the impact of the act on local governments, and evaluate its effectiveness in providing access to health care coverage to local government retirees. The report must be submitted to the Legislature by December 1, 2009.

The act takes effect January 1, 2003, but allows political subdivisions up to one year following this date to come into compliance.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect on January 1, 2003.

Testimony For (Health & Long-Term Care): This is a compromise bill that has passed the Senate in previous years. It asks only that local government retirees have access to health care coverage. Allowing those who retire before they are eligible for Medicare coverage to access coverage through their employer will meet an important need, especially given the fragile nature of the individual health insurance market.

Testimony Against (Health & Long-Term Care): None.

Testified (Health & Long-Term Care): PRO: Terry Kohl, Mary Anne Fast, Gail McComb, Gloria Champeaux, Retired Public Employees Council; Larry Montgomery, Fred Ropes, ATU; Jim Justin, Association of Washington Cities; Pat Thompson, County and City Employees; Dick Warbrouck, Retired Firefighters of Washington; Bruce Reeves, Senior Citizens Lobby.

Testimony For (Ways & Means): Local governments should be required to permit their employees to continue their health insurance on a self-pay basis. This bill provides clearly that employers may require retirees to pay the full cost of their coverage, including administrative costs. It will impose no costs on local or state government.

Testimony Against (Ways & Means): Concerns: Only time will tell if the bill will truly not impose any new costs on local governments.

Testified (Ways & Means): PRO: Fred Ropes (ATU-LC); Gloria Champeaux (RPEC); MaryAnne Fast (RPEC); Jim Justin (AWC).

House Amendment(s): The House striking amendment removes the requirement that the Joint Legislative Audit and Review Committee study the impact of the bill, and adds a section that requires the Health Care Authority, if it determines that allowing political subdivisions to participate in PEBB health plans is adversely impacting insurance rates for state employees, to implement limitations on the participation of additional political subdivisions.