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**SUBSTITUTE HOUSE BILL 1191**

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**State of Washington**

**58th Legislature**

**2003 Regular Session**

**By** House Committee on Appropriations (originally sponsored by Representatives Fromhold, Cox, Moeller, Talcott, Wallace, Pflug, Grant, Lovick, Dunshee, Anderson, Delvin, McCoy, Benson, Miloscia, Eickmeyer, Mielke, Schindler, Schual-Berke, Linville, Lantz, Pearson, Kessler, Morrell, Cairnes and Simpson)

READ FIRST TIME 02/17/03.

1       AN ACT Relating to offering health care benefit plans to school  
2 district employees; amending RCW 41.05.065; and reenacting and amending  
3 RCW 41.05.050.

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

5       **Sec. 1.** RCW 41.05.050 and 2002 c 319 s 4 and 2002 c 142 s 2 are  
6 each reenacted and amended to read as follows:

7       (1) Every department, division, or separate agency of state  
8 government, and such county, municipal, school district, educational  
9 service district, or other political subdivisions as are covered by  
10 this chapter, shall provide contributions to insurance and health care  
11 plans for its employees and their dependents, the content of such plans  
12 to be determined by the authority. Contributions, paid by the county,  
13 the municipality, or other political subdivision for their employees,  
14 shall include an amount determined by the authority to pay such  
15 administrative expenses of the authority as are necessary to administer  
16 the plans for employees of those groups, except as provided in  
17 subsection (4) of this section.

18       (2) If the authority at any time determines that the participation  
19 of a county, municipal, or other political subdivision covered under

1 this chapter adversely impacts insurance rates for state employees, the  
2 authority shall implement limitations on the participation of  
3 additional county, municipal, or other political subdivisions.

4 (3) The contributions of any department, division, or separate  
5 agency of the state government, and such county, municipal, or other  
6 political subdivisions as are covered by this chapter, shall be set by  
7 the authority, subject to the approval of the governor for availability  
8 of funds as specifically appropriated by the legislature for that  
9 purpose. Insurance and health care contributions for ferry employees  
10 shall be governed by RCW 47.64.270.

11 (4)(a) Beginning September 1, ~~((2002))~~ 2003, the authority shall  
12 collect from each participating school district~~((s))~~ and educational  
13 service district~~((s shall be charged the same))~~ an amount equal to the  
14 composite rate ~~((as))~~ charged to state agencies, plus ~~((the same~~  
15 ~~amounts for))~~ an amount equal to the employee premiums by plan and  
16 family size as ~~((are))~~ would be charged to state employees, for groups  
17 of district employees enrolled in authority plans as of January 1,  
18 ~~((2002))~~ 2003.

19 (b) For all groups of district employees enrolling in authority  
20 plans for the first time after September 1, ~~((2002))~~ 2003, the  
21 authority shall ~~((charge districts the same))~~ collect from each  
22 participating school district an amount equal to the composite rate  
23 charged to state agencies, plus ~~((the same amounts for))~~ an amount  
24 equal to the employee premiums by plan and by family size as ~~((are))~~  
25 would be charged to state employees, only if the authority determines  
26 that this method of billing the districts will not result in a material  
27 difference between revenues from districts and expenditures made by the  
28 authority on behalf of districts and their employees.

29 (c) If the authority determines at any time that the conditions in  
30 (b) of this subsection cannot be met, the authority shall offer  
31 enrollment to additional groups of district employees on a tiered rate  
32 structure until such time as the authority determines there would be no  
33 material difference between revenues and expenditures under a composite  
34 rate structure for all district employees enrolled in authority plans.

35 (d) The authority may charge districts a one-time set-up fee for  
36 employee groups enrolling in authority plans for the first time.

37 (e) For the purposes of this subsection:

1 (i) "District" means school district and educational service  
2 district; and

3 (ii) "Tiered rates" means the amounts the authority must pay to  
4 insuring entities by plan and by family size.

5 (f) Notwithstanding this subsection and RCW 41.05.065(3), the  
6 authority may allow districts enrolled on a tiered rate structure prior  
7 to September 1, 2002, to continue participation based on the same rate  
8 structure and under the same conditions and eligibility criteria.

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

13 **Sec. 2.** RCW 41.05.065 and 2002 c 142 s 3 are each amended to read  
14 as follows:

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

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

25 (a) Methods of maximizing cost containment while ensuring access to  
26 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 methods;

30 (c) Wellness incentives that focus on proven strategies, such as  
31 smoking cessation, injury and accident prevention, reduction of alcohol  
32 misuse, appropriate weight reduction, exercise, automobile and  
33 motorcycle safety, blood cholesterol reduction, and nutrition  
34 education;

35 (d) Utilization review procedures including, but not limited to a  
36 cost-efficient method for prior authorization of services, hospital  
37 inpatient length of stay review, requirements for use of outpatient

1 surgeries and second opinions for surgeries, review of invoices or  
2 claims submitted by service providers, and performance audit of  
3 providers;

4 (e) Effective coordination of benefits;

5 (f) Minimum standards for insuring entities; and

6 (g) Minimum scope and content of public employee benefit plans to  
7 be offered to enrollees participating in the employee health benefit  
8 plans. To maintain the comprehensive nature of employee health care  
9 benefits, employee eligibility criteria related to the number of hours  
10 worked and the benefits provided to employees shall be substantially  
11 equivalent to the state employees' health benefits plan and eligibility  
12 criteria in effect on January 1, 1993. Nothing in this subsection  
13 (2)(g) shall prohibit changes or increases in employee point-of-service  
14 payments or employee premium payments for benefits.

15 (3) The board shall design benefits and determine the terms and  
16 conditions of employee participation and coverage, including  
17 establishment of eligibility criteria. The same terms and conditions  
18 of participation and coverage, including eligibility criteria, shall  
19 apply to state employees and to school district employees and  
20 educational service district employees.

21 (4) The board may authorize premium contributions for an employee  
22 and the employee's dependents in a manner that encourages the use of  
23 cost-efficient managed health care systems. The board shall require  
24 participating school district and educational service district  
25 employees to pay at least the same employee premiums by plan and family  
26 size as state employees pay.

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

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

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

14 (a) Participation of eligible employees or retired employees and  
15 retired school employees in any long-term care insurance plan made  
16 available by the public employees' benefits board is voluntary and  
17 shall not be subject to binding arbitration under chapter 41.56 RCW.  
18 Participation is subject to reasonable underwriting guidelines and  
19 eligibility rules established by the public employees' benefits board  
20 and the health care authority.

21 (b) The employee, retired employee, and retired school employee are  
22 solely responsible for the payment of the premium rates developed by  
23 the health care authority. The health care authority is authorized to  
24 charge a reasonable administrative fee in addition to the premium  
25 charged by the long-term care insurer, which shall include the health  
26 care authority's cost of administration, marketing, and consumer  
27 education materials prepared by the health care authority and the  
28 office of the insurance commissioner.

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

32 (d) The public employees' benefits board and the health care  
33 authority shall establish a technical advisory committee to provide  
34 advice in the development of the benefit design and establishment of  
35 underwriting guidelines and eligibility rules. The committee shall  
36 also advise the board and authority on effective and cost-effective  
37 ways to market and distribute the long-term care product. The  
38 technical advisory committee shall be comprised, at a minimum, of

1 representatives of the office of the insurance commissioner, providers  
2 of long-term care services, licensed insurance agents with expertise in  
3 long-term care insurance, employees, retired employees, retired school  
4 employees, and other interested parties determined to be appropriate by  
5 the board.

6 (e) The health care authority shall offer employees, retired  
7 employees, and retired school employees the option of purchasing long-  
8 term care insurance through licensed agents or brokers appointed by the  
9 long-term care insurer. The authority, in consultation with the public  
10 employees' benefits board, shall establish marketing procedures and may  
11 consider all premium components as a part of the contract negotiations  
12 with the long-term care insurer.

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

17 (g) The health care authority, with the cooperation of the office  
18 of the insurance commissioner, shall develop a consumer education  
19 program for the eligible employees, retired employees, and retired  
20 school employees designed to provide education on the potential need  
21 for long-term care, methods of financing long-term care, and the  
22 availability of long-term care insurance products including the  
23 products offered by the board.

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

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