

SENATE BILL REPORT

EHB 1383

As Reported By Senate Committee On:
Health & Long-Term Care, February 23, 2006
Ways & Means, February 27, 2006

Title: An act relating to the public employees' benefits board.

Brief Description: Requiring the public employees' benefits board to develop a health savings account option for employees.

Sponsors: Representatives Condotta, Bailey, Newhouse, Curtis, Hinkle, Pearson, Kretz, Strow, Armstrong, Kristiansen, Talcott, Skinner and Holmquist.

Brief History: Passed House: 2/08/06, 88-10.

Committee Activity: Health & Long-Term Care: 2/16/06, 2/23/06 [DP-WM].
Ways & Means: 2/27/06 [DP, w/oRec].

SENATE COMMITTEE ON HEALTH & LONG-TERM CARE

Majority Report: Do pass and be referred to Committee on Ways & Means.

Signed by Senators Keiser, Chair; Deccio, Ranking Minority Member; Benson, Brandland, Franklin, Kastama, Kline and Parlette.

Staff: Sharon Swanson (786-7447)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Prentice, Chair; Doumit, Vice Chair, Operating Budget; Zarelli, Ranking Minority Member; Brandland, Parlette, Pflug, Pridemore, Rasmussen, Roach, Rockefeller and Schoesler.

Minority Report: That it be referred without recommendation.

Signed by Senators Fairley, Kohl-Welles, Regala and Thibaudeau.

Staff: Erik Sund (360) 786-7454)

Background: In 2003, as part of the Medicare Modernization Act, Congress authorized people to establish health savings accounts to work with qualifying high-deductible health coverage to help people finance medical expenses.

Health savings accounts are tax-free accounts that can be set up by individuals or employers. They are personal accounts that are owned by individuals, even when employers establish and contribute to them. Interest earned is not taxed, and funds that are not used may carry over to the following year.

A qualifying high-deductible health plan is one that has an annual deductible of at least \$1000.00 for individual coverage and at least \$2000.00 for family coverage, with out-of-pocket costs not to exceed \$5000.00 for an individual and \$10,000.00 for families.

Preventative care is not subject to the annual deductible. The Internal Revenue Service rules on high deductible health plans provide that services such as physicals, immunizations, screenings, prenatal care, and tobacco-cessation programs are covered without imposing any deductible. Preventative care also includes medication taken to prevent a disease or reoccurrence of a disease, such as taking cholesterol-lowering medications to prevent heart disease.

Summary of Bill: The Public Employees Benefit Board will develop a health savings account with a high-deductible health plan as an option for employees who receive their health care coverage through the Health Care Authority.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

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

Testimony Against (Health & Long-Term Care): Health savings accounts are good but only for a limited use. The Washington Federation of State Employees has grave concerns about adding this requirement. Available resources are slim. This is not the direction the state should move in to address the current health care crises. Health savings accounts often serve to wean young healthy people out of the overall insurance pool which results in an older, less healthy insurance pool. It is doubtful that many state employees would sign up for this type of an option. This is not a luxury the state can afford at this time.

Who Testified (Health & Long-Term Care): CON: Greg Deveraux, Washington Federation of State Employees.

Testimony For (Ways & Means): (From SB 6130) The Health Care Authority would welcome the authorization to offer Health Savings Accounts (HSAs) as long as they are given as one of a number of health insurance options for employees. HSAs would help control employee health care costs; however, they are not a panacea. They do not address the half of current health care costs that are driven by the small portion of the population who use the most medical services, nor are they necessarily the right product for low-income households. They would be beneficial when offered in a comprehensive product mix.

Testimony Against (Ways & Means): (From SB 6130) None.

Who Testified (Ways & Means): (From SB 6130) PRO: Steve Hill, Administrator, Washington State Health Care Authority.