

---

HOUSE BILL 1221

---

State of Washington

59th Legislature

2005 Regular Session

By Representatives Cody, Schual-Berke, Morrell, Kessler, Simpson, Campbell, Williams, Chase, Dickerson, Kenney, O'Brien, Clibborn, Conway, Sells, Kagi, Ormsby, McIntire, Upthegrove and Kilmer; by request of Governor Gregoire

Read first time 01/18/2005. Referred to Committee on Health Care.

1 AN ACT Relating to private participation in public employees'  
2 benefits board programs; amending RCW 41.05.011 and 41.05.021; adding  
3 a new section to chapter 41.05 RCW; and creating a new section.

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

5 NEW SECTION. **Sec. 1.** (1) The legislature finds that many  
6 employers want to provide comprehensive health benefits to their  
7 employees. However, employers, particularly small employers,  
8 consistently report that cost is a significant barrier to their  
9 offering health insurance coverage to their workers. The high cost of  
10 health insurance coverage for small employers is due in part to the  
11 costs associated with marketing and administering health benefit plans  
12 for small groups. Some of these costs could be avoided by  
13 participation in a large purchasing group.

14 (2) The legislature intends to expand health benefit plan options  
15 available to employers by offering them the opportunity to enroll in  
16 programs administered by the health care authority. This option  
17 provides employers with the opportunity to benefit from participation  
18 in a large purchasing pool that is able to negotiate favorable premium

1 rates and improvements in the quality of health care services provided  
2 to enrollees.

3 **Sec. 2.** RCW 41.05.011 and 2001 c 165 s 2 are each amended to read  
4 as follows:

5 Unless the context clearly requires otherwise, the definitions in  
6 this section shall apply throughout this chapter.

7 (1) "Administrator" means the administrator of the authority.

8 (2) "State purchased health care" or "health care" means medical  
9 and health care, pharmaceuticals, and medical equipment purchased with  
10 state and federal funds by the department of social and health  
11 services, the department of health, the basic health plan, the state  
12 health care authority, the department of labor and industries, the  
13 department of corrections, the department of veterans affairs, and  
14 local school districts.

15 (3) "Authority" means the Washington state health care authority.

16 (4) "Insuring entity" means an insurer as defined in chapter 48.01  
17 RCW, a health care service contractor as defined in chapter 48.44 RCW,  
18 or a health maintenance organization as defined in chapter 48.46 RCW.

19 (5) "Flexible benefit plan" means a benefit plan that allows  
20 employees to choose the level of health care coverage provided and the  
21 amount of employee contributions from among a range of choices offered  
22 by the authority.

23 (6) "Employee" includes all full-time and career seasonal employees  
24 of the state, whether or not covered by civil service; elected and  
25 appointed officials of the executive branch of government, including  
26 full-time members of boards, commissions, or committees; and includes  
27 any or all part-time and temporary employees under the terms and  
28 conditions established under this chapter by the authority; justices of  
29 the supreme court and judges of the court of appeals and the superior  
30 courts; and members of the state legislature or of the legislative  
31 authority of any county, city, or town who are elected to office after  
32 February 20, 1970. "Employee" also includes: (a) Employees of a  
33 county, municipality, or other political subdivision of the state if  
34 the legislative authority of the county, municipality, or other  
35 political subdivision of the state seeks and receives the approval of  
36 the authority to provide any of its insurance programs by contract with  
37 the authority, as provided in RCW 41.04.205; (b) employees of employee

1 organizations representing state civil service employees, at the option  
2 of each such employee organization, and, effective October 1, 1995,  
3 employees of employee organizations currently pooled with employees of  
4 school districts for the purpose of purchasing insurance benefits, at  
5 the option of each such employee organization; and (c) employees of a  
6 school district if the authority agrees to provide any of the school  
7 districts' insurance programs by contract with the authority as  
8 provided in RCW 28A.400.350. For the purposes of section 3 of this  
9 act, "employee" means a person employed by a private employer who seeks  
10 and receives the approval of the authority to provide health coverage  
11 through its insurance programs.

12 (7) "Board" means the public employees' benefits board established  
13 under RCW 41.05.055.

14 (8) "Retired or disabled school employee" means:

15 (a) Persons who separated from employment with a school district or  
16 educational service district and are receiving a retirement allowance  
17 under chapter 41.32 or 41.40 RCW as of September 30, 1993;

18 (b) Persons who separate from employment with a school district or  
19 educational service district on or after October 1, 1993, and  
20 immediately upon separation receive a retirement allowance under  
21 chapter 41.32, 41.35, or 41.40 RCW;

22 (c) Persons who separate from employment with a school district or  
23 educational service district due to a total and permanent disability,  
24 and are eligible to receive a deferred retirement allowance under  
25 chapter 41.32, 41.35, or 41.40 RCW.

26 (9) "Benefits contribution plan" means a premium only contribution  
27 plan, a medical flexible spending arrangement, or a cafeteria plan  
28 whereby state and public employees may agree to a contribution to  
29 benefit costs which will allow the employee to participate in benefits  
30 offered pursuant to 26 U.S.C. Sec. 125 or other sections of the  
31 internal revenue code.

32 (10) "Salary" means a state employee's monthly salary or wages.

33 (11) "Participant" means an individual who fulfills the eligibility  
34 and enrollment requirements under the benefits contribution plan.

35 (12) "Plan year" means the time period established by the  
36 authority.

37 (13) "Separated employees" means persons who separate from  
38 employment with an employer as defined in:

- 1 (a) RCW 41.32.010(11) on or after July 1, 1996; or  
2 (b) RCW 41.35.010 on or after September 1, 2000; or  
3 (c) RCW 41.40.010 on or after March 1, 2002;

4 and who are at least age fifty-five and have at least ten years of  
5 service under the teachers' retirement system plan 3 as defined in RCW  
6 41.32.010(40), the Washington school employees' retirement system plan  
7 3 as defined in RCW 41.35.010, or the public employees' retirement  
8 system plan 3 as defined in RCW 41.40.010.

9 (14) "Emergency service personnel killed in the line of duty" means  
10 law enforcement officers and fire fighters as defined in RCW 41.26.030,  
11 and reserve officers and fire fighters as defined in RCW 41.24.010 who  
12 die as a result of injuries sustained in the course of employment as  
13 determined consistent with Title 51 RCW by the department of labor and  
14 industries.

15 (15) "Private employer" includes a person, firm, corporation,  
16 partnership, association, sole proprietor, or self-employed individual  
17 that is actively engaged in business that, on at least fifty percent of  
18 its working days during the preceding calendar quarter, employed at  
19 least two employees, with a normal work week of thirty or more hours,  
20 the majority of whom were employed and resided within this state, and  
21 is not formed primarily for purposes of buying health insurance and in  
22 which a bona fide employer-employee relationship exists.

23 NEW SECTION. Sec. 3. A new section is added to chapter 41.05 RCW  
24 to read as follows:

25 (1) The administrator shall:

26 (a) Establish an opportunity for private employers to provide  
27 health coverage to themselves and their dependents, and their employees  
28 and their employees' dependents, as offered under this chapter;

29 (b) Require private employers to submit an application to  
30 participate as provided under this chapter; and

31 (c) Review and approve or deny applications from private employers  
32 to provide health coverage for themselves and their dependents, and  
33 their employees and their employees' dependents.

34 (2) Amounts paid by a private employer for coverage under this  
35 chapter shall include an amount determined by the administrator to pay  
36 such administrative expenses of the authority as are necessary to  
37 administer plans for covered persons under this section.

1 (3) Private employer groups whose applications for coverage are  
2 accepted by the authority shall be included in the single community-  
3 rated risk pool established under RCW 41.05.022.

4 (4) If the administrator at any time determines that the  
5 participation of a private employer covered under this chapter  
6 adversely impacts insurance rates for state employees, the  
7 administrator shall implement limitations on the participation of  
8 additional private employers.

9 (5) The administrator may design, establish rates for, and  
10 implement additional benefit plans exclusively for private employers  
11 who enroll under this section.

12 **Sec. 4.** RCW 41.05.021 and 2002 c 142 s 1 are each amended to read  
13 as follows:

14 (1) The Washington state health care authority is created within  
15 the executive branch. The authority shall have an administrator  
16 appointed by the governor, with the consent of the senate. The  
17 administrator shall serve at the pleasure of the governor. The  
18 administrator may employ up to seven staff members, who shall be exempt  
19 from chapter 41.06 RCW, and any additional staff members as are  
20 necessary to administer this chapter. The administrator may delegate  
21 any power or duty vested in him or her by this chapter, including  
22 authority to make final decisions and enter final orders in hearings  
23 conducted under chapter 34.05 RCW. The primary duties of the authority  
24 shall be to: Administer state employees' insurance benefits and  
25 retired or disabled school employees' insurance benefits; administer  
26 the basic health plan pursuant to chapter 70.47 RCW; study state-  
27 purchased health care programs in order to maximize cost containment in  
28 these programs while ensuring access to quality health care; and  
29 implement state initiatives, joint purchasing strategies, and  
30 techniques for efficient administration that have potential application  
31 to all state-purchased health services. The authority's duties  
32 include, but are not limited to, the following:

33 (a) To administer health care benefit programs for employees and  
34 retired or disabled school employees as specifically authorized in RCW  
35 41.05.065 and in accordance with the methods described in RCW  
36 41.05.075, 41.05.140, and other provisions of this chapter;

1       **(b) To administer health care benefits programs for private**  
2 **employers as specifically authorized in section 3 of this act in**  
3 **accordance with the methods described in RCW 41.05.075, 41.05.140, and**  
4 **other provisions of this chapter;**

5       **(c)** To analyze state-purchased health care programs and to explore  
6 options for cost containment and delivery alternatives for those  
7 programs that are consistent with the purposes of those programs,  
8 including, but not limited to:

9       **(i)** Creation of economic incentives for the persons for whom the  
10 state purchases health care to appropriately utilize and purchase  
11 health care services, including the development of flexible benefit  
12 plans to offset increases in individual financial responsibility;

13       **(ii)** Utilization of provider arrangements that encourage cost  
14 containment, including but not limited to prepaid delivery systems,  
15 utilization review, and prospective payment methods, and that ensure  
16 access to quality care, including assuring reasonable access to local  
17 providers, especially for employees residing in rural areas;

18       **(iii)** Coordination of state agency efforts to purchase drugs  
19 effectively as provided in RCW 70.14.050;

20       **(iv)** Development of recommendations and methods for purchasing  
21 medical equipment and supporting services on a volume discount basis;  
22 and

23       **(v)** Development of data systems to obtain utilization data from  
24 state-purchased health care programs in order to identify cost centers,  
25 utilization patterns, provider and hospital practice patterns, and  
26 procedure costs, utilizing the information obtained pursuant to RCW  
27 41.05.031;

28       ~~((+e))~~ **(d)** To analyze areas of public and private health care  
29 interaction;

30       ~~((+d))~~ **(e)** To provide information and technical and administrative  
31 assistance to the board;

32       ~~((+e))~~ **(f)** To review and approve or deny applications from  
33 counties, municipalities, and other political subdivisions of the state  
34 to provide state-sponsored insurance or self-insurance programs to  
35 their employees in accordance with the provisions of RCW 41.04.205,  
36 setting the premium contribution for approved groups as outlined in RCW  
37 41.05.050;

1       (~~(f)~~) (g) To appoint a health care policy technical advisory  
2 committee as required by RCW 41.05.150;

3       (~~(g)~~) (h) To establish billing procedures and collect funds from  
4 school districts and educational service districts under RCW  
5 28A.400.400 in a way that minimizes the administrative burden on  
6 districts;

7       (~~(h)~~) (i) To publish and distribute to nonparticipating school  
8 districts and educational service districts by October 1st of each year  
9 a description of health care benefit plans available through the  
10 authority and the estimated cost if school districts and educational  
11 service district employees were enrolled; and

12       (~~(i)~~) (j) To promulgate and adopt rules consistent with this  
13 chapter as described in RCW 41.05.160.

14       (2) On and after January 1, 1996, the public employees' benefits  
15 board may implement strategies to promote managed competition among  
16 employee health benefit plans. Strategies may include but are not  
17 limited to:

18       (a) Standardizing the benefit package;

19       (b) Soliciting competitive bids for the benefit package;

20       (c) Limiting the state's contribution to a percent of the lowest  
21 priced qualified plan within a geographical area;

22       (d) Monitoring the impact of the approach under this subsection  
23 with regards to: Efficiencies in health service delivery, cost shifts  
24 to subscribers, access to and choice of managed care plans statewide,  
25 and quality of health services. The health care authority shall also  
26 advise on the value of administering a benchmark employer-managed plan  
27 to promote competition among managed care plans.

--- END ---