
SUBSTITUTE SENATE BILL 5202

State of Washington

59th Legislature

2005 Regular Session

By Senate Committee on Health & Long-Term Care (originally sponsored by Senators Parlette, Hewitt, Zarelli, Brandland, Schoesler, Delvin, Mulliken, Johnson, Rasmussen, Benton, Roach, Oke, Benson and Stevens)

READ FIRST TIME 03/02/05.

1 AN ACT Relating to the public employees' benefits board; and
2 amending RCW 41.05.006 and 41.05.065.

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

4 **Sec. 1.** RCW 41.05.006 and 1988 c 107 s 2 are each amended to read
5 as follows:

6 (1) The legislature recognizes that (a) the state is a major
7 purchaser of health care services, (b) the increasing costs of such
8 health care services are posing and will continue to pose a great
9 financial burden on the state, (c) it is the state's policy, consistent
10 with the best interests of the state, to provide comprehensive health
11 care as an employer, to state employees and officials and their
12 dependents and to those who are dependent on the state for necessary
13 medical care, and (d) it is imperative that the state begin to develop
14 effective and efficient health care delivery systems and strategies for
15 procuring health care services in order for the state to continue to
16 purchase the most comprehensive health care possible.

17 (2) It is therefore the purpose of this chapter to establish the
18 Washington state health care authority whose purpose shall be to (a)
19 develop health care benefit programs((7)) that provide access to at

1 least one comprehensive benefit plan funded to the fullest extent
2 possible by the employer, (~~that provide comprehensive health care~~)
3 and a health savings account/high deductible health plan option as
4 defined in section 1201 of the medicare prescription drug improvement
5 and modernization act of 2003, as amended, for eligible state
6 employees, officials, and their dependents, and (b) study all state-
7 purchased health care, alternative health care delivery systems, and
8 strategies for the procurement of health care services and make
9 recommendations aimed at minimizing the financial burden which health
10 care poses on the state, its employees, and its charges, while at the
11 same time allowing the state to provide the most comprehensive health
12 care options possible.

13 **Sec. 2.** RCW 41.05.065 and 2003 c 158 s 2 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 or the
15 administration of a high deductible health plan in conjunction with a
16 health savings account.

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

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

29 (5) The board shall develop a health savings account option for
30 employees that conform to section 223, Part VII of subchapter B of
31 chapter 1 of the internal revenue code of 1986. The board shall comply
32 with all applicable federal standards related to the establishment of
33 health savings accounts.

34 (6) Notwithstanding any other provision of this chapter, the board
35 shall develop a high deductible health plan to be offered in
36 conjunction with a health savings account developed under subsection
37 (5) of this section.

1 (7) Employees shall choose participation in one of the health care
2 benefit plans developed by the board and may be permitted to waive
3 coverage under terms and conditions established by the board.

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

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

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

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

1 education materials prepared by the health care authority and the
2 office of the insurance commissioner.

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

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

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

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

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

36 (h) By December 1998, the health care authority, in consultation
37 with the public employees' benefits board, shall submit a report to the

1 appropriate committees of the legislature, including an analysis of the
2 marketing and distribution of the long-term care insurance provided
3 under this section.

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