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HOUSE BILL 2651

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State of Washington

60th Legislature

2008 Regular Session

By Representatives Fromhold, Morrell, Chase, McIntire, and Kenney; by request of Health Care Authority

Read first time 01/15/08. Referred to Committee on Appropriations.

1 AN ACT Relating to modifying requirements for participation in  
2 public employees' benefits board programs by K-12 school districts and  
3 educational service districts; amending RCW 41.05.050, 41.05.050, and  
4 41.05.065; reenacting and amending RCW 41.05.065; providing effective  
5 dates; and providing an expiration date.

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

7 **Sec. 1.** RCW 41.05.050 and 2005 c 518 s 919 are each amended to  
8 read as follows:

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

1 (2) If the authority at any time determines that the participation  
2 of a county, municipal, or other political subdivision covered under  
3 this chapter adversely impacts insurance rates for state employees, the  
4 authority shall implement limitations on the participation of  
5 additional county, municipal, or other political subdivisions.

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

13 (4)(a) Beginning September 1, 2003, the authority shall collect  
14 from each participating school district and educational service  
15 district an amount equal to the composite rate charged to state  
16 agencies, plus an amount equal to the employee premiums by plan and  
17 family size as would be charged to state employees, for groups of  
18 district employees enrolled in authority plans as of January 1, 2003.  
19 (~~However, during the 2005-07 fiscal biennium, the authority shall~~  
20 ~~collect from each participating school district and educational service~~  
21 ~~district an amount equal to the insurance benefit allocations provided~~  
22 ~~in section 504, chapter 518, Laws of 2005, plus any additional funding~~  
23 ~~provided by the legislature for school employee health benefits, plus~~  
24 ~~an amount equal to the employee premiums by plan and family size as~~  
25 ~~would be charged to state employees, for groups of district employees~~  
26 ~~enrolled in authority plans as of July 1, 2005.)) The authority may  
27 collect these amounts in accordance with the district fiscal year, as  
28 defined in RCW 28A.505.030.~~

29 (b) For all groups of district employees enrolling in authority  
30 plans for the first time after September 1, 2003, the authority shall  
31 collect from each participating school district an amount equal to the  
32 composite rate charged to state agencies, plus an amount equal to the  
33 employee premiums by plan and by family size as would be charged to  
34 state employees, only if the authority determines that this method of  
35 billing the districts will not result in a material difference between  
36 revenues from districts and expenditures made by the authority on  
37 behalf of districts and their employees. The authority may collect

1 these amounts in accordance with the district fiscal year, as defined  
2 in RCW 28A.505.030.

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

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

11 (e) For the purposes of this subsection:

12 (i) "District" means school district and educational service  
13 district; and

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

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

20 (5) The authority shall transmit a recommendation for the amount of  
21 the employer contribution to the governor and the director of financial  
22 management for inclusion in the proposed budgets submitted to the  
23 legislature.

24 **Sec. 2.** RCW 41.05.050 and 2007 c 114 s 4 are each amended to read  
25 as follows:

26 (1) Every: (a) Department, division, or separate agency of state  
27 government; (b) county, municipal, school district, educational service  
28 district, or other political subdivisions; and (c) tribal governments  
29 as are covered by this chapter, shall provide contributions to  
30 insurance and health care plans for its employees and their dependents,  
31 the content of such plans to be determined by the authority.  
32 Contributions, paid by the county, the municipality, other political  
33 subdivision, or a tribal government for their employees, shall include  
34 an amount determined by the authority to pay such administrative  
35 expenses of the authority as are necessary to administer the plans for  
36 employees of those groups, except as provided in subsection (4) of this  
37 section.

1 (2) If the authority at any time determines that the participation  
2 of a county, municipal, other political subdivision, or a tribal  
3 government covered under this chapter adversely impacts insurance rates  
4 for state employees, the authority shall implement limitations on the  
5 participation of additional county, municipal, other political  
6 subdivisions, or a tribal government.

7 (3) The contributions of any: (a) Department, division, or  
8 separate agency of the state government; (b) county, municipal, or  
9 other political subdivisions; and (c) any tribal government as are  
10 covered by this chapter, shall be set by the authority, subject to the  
11 approval of the governor for availability of funds as specifically  
12 appropriated by the legislature for that purpose. Insurance and health  
13 care contributions for ferry employees shall be governed by RCW  
14 47.64.270.

15 (4)(a) Beginning September 1, 2003, the authority shall collect  
16 from each participating school district and educational service  
17 district an amount equal to the composite rate charged to state  
18 agencies, plus an amount equal to the employee premiums by plan and  
19 family size as would be charged to state employees, for groups of  
20 district employees enrolled in authority plans as of January 1, 2003.  
21 (~~However, during the 2005-07 fiscal biennium, the authority shall~~  
22 ~~collect from each participating school district and educational service~~  
23 ~~district an amount equal to the insurance benefit allocations provided~~  
24 ~~in section 504, chapter 518, Laws of 2005, plus any additional funding~~  
25 ~~provided by the legislature for school employee health benefits, plus~~  
26 ~~an amount equal to the employee premiums by plan and family size as~~  
27 ~~would be charged to state employees, for groups of district employees~~  
28 ~~enrolled in authority plans as of July 1, 2005.)) The authority may  
29 collect these amounts in accordance with the district fiscal year, as  
30 defined in RCW 28A.505.030.~~

31 (b) For all groups of district employees enrolling in authority  
32 plans for the first time after September 1, 2003, the authority shall  
33 collect from each participating school district an amount equal to the  
34 composite rate charged to state agencies, plus an amount equal to the  
35 employee premiums by plan and by family size as would be charged to  
36 state employees, only if the authority determines that this method of  
37 billing the districts will not result in a material difference between  
38 revenues from districts and expenditures made by the authority on

1 behalf of districts and their employees. The authority may collect  
2 these amounts in accordance with the district fiscal year, as defined  
3 in RCW 28A.505.030.

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

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

12 (e) For the purposes of this subsection:

13 (i) "District" means school district and educational service  
14 district; and

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

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

21 (5) The authority shall transmit a recommendation for the amount of  
22 the employer contribution to the governor and the director of financial  
23 management for inclusion in the proposed budgets submitted to the  
24 legislature.

25 **Sec. 3.** RCW 41.05.065 and 2007 c 156 s 10 are each amended to read  
26 as follows:

27 (1) The board shall study all matters connected with the provision  
28 of health care coverage, life insurance, liability insurance,  
29 accidental death and dismemberment insurance, and disability income  
30 insurance or any of, or a combination of, the enumerated types of  
31 insurance for employees and their dependents on the best basis possible  
32 with relation both to the welfare of the employees and to the state.  
33 However, liability insurance shall not be made available to dependents.

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

1 (a) Methods of maximizing cost containment while ensuring access to  
2 quality health care;

3 (b) Development of provider arrangements that encourage cost  
4 containment and ensure access to quality care, including but not  
5 limited to prepaid delivery systems and prospective payment methods;

6 (c) Wellness incentives that focus on proven strategies, such as  
7 smoking cessation, injury and accident prevention, reduction of alcohol  
8 misuse, appropriate weight reduction, exercise, automobile and  
9 motorcycle safety, blood cholesterol reduction, and nutrition  
10 education;

11 (d) Utilization review procedures including, but not limited to a  
12 cost-efficient method for prior authorization of services, hospital  
13 inpatient length of stay review, requirements for use of outpatient  
14 surgeries and second opinions for surgeries, review of invoices or  
15 claims submitted by service providers, and performance audit of  
16 providers;

17 (e) Effective coordination of benefits;

18 (f) Minimum standards for insuring entities; and

19 (g) Minimum scope and content of public employee benefit plans to  
20 be offered to enrollees participating in the employee health benefit  
21 plans. To maintain the comprehensive nature of employee health care  
22 benefits, employee eligibility criteria related to the number of hours  
23 worked and the benefits provided to employees shall be substantially  
24 equivalent to the state employees' health benefits plan and eligibility  
25 criteria in effect on January 1, 1993. Nothing in this subsection  
26 (2)(g) shall prohibit changes or increases in employee point-of-service  
27 payments or employee premium payments for benefits or the  
28 administration of a high deductible health plan in conjunction with a  
29 health savings account.

30 (3) The board shall design benefits and determine the terms and  
31 conditions of employee and retired employee participation and coverage,  
32 including establishment of eligibility criteria subject to the  
33 requirements of RCW 41.05.066. (~~The same terms and conditions of~~  
34 ~~participation and coverage, including eligibility criteria, shall apply~~  
35 ~~to state employees and to school district employees and educational~~  
36 ~~service district employees.))~~

37 (4) The board may authorize premium contributions for an employee  
38 and the employee's dependents in a manner that encourages the use of

1 cost-efficient managed health care systems. During the 2005-2007  
2 fiscal biennium, the board may only authorize premium contributions for  
3 an employee and the employee's dependents that are the same, regardless  
4 of an employee's status as represented or nonrepresented by a  
5 collective bargaining unit under the personnel system reform act of  
6 2002. (~~The board shall require participating school district and  
7 educational service district employees to pay at least the same  
8 employee premiums by plan and family size as state employees pay.~~)

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

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

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

21 (8) The board shall review plans proposed by insuring entities that  
22 desire to offer property insurance and/or accident and casualty  
23 insurance to state employees through payroll deduction. The board may  
24 approve any such plan for payroll deduction by insuring entities  
25 holding a valid certificate of authority in the state of Washington and  
26 which the board determines to be in the best interests of employees and  
27 the state. The board shall promulgate rules setting forth criteria by  
28 which it shall evaluate the plans.

29 (9) Before January 1, 1998, the public employees' benefits board  
30 shall make available one or more fully insured long-term care insurance  
31 plans that comply with the requirements of chapter 48.84 RCW. Such  
32 programs shall be made available to eligible employees, retired  
33 employees, and retired school employees as well as eligible dependents  
34 which, for the purpose of this section, includes the parents of the  
35 employee or retiree and the parents of the spouse of the employee or  
36 retiree. Employees of local governments and employees of political  
37 subdivisions not otherwise enrolled in the public employees' benefits  
38 board sponsored medical programs may enroll under terms and conditions

1 established by the administrator, if it does not jeopardize the  
2 financial viability of the public employees' benefits board's long-term  
3 care offering.

4 (a) Participation of eligible employees or retired employees and  
5 retired school employees in any long-term care insurance plan made  
6 available by the public employees' benefits board is voluntary and  
7 shall not be subject to binding arbitration under chapter 41.56 RCW.  
8 Participation is subject to reasonable underwriting guidelines and  
9 eligibility rules established by the public employees' benefits board  
10 and the health care authority.

11 (b) The employee, retired employee, and retired school employee are  
12 solely responsible for the payment of the premium rates developed by  
13 the health care authority. The health care authority is authorized to  
14 charge a reasonable administrative fee in addition to the premium  
15 charged by the long-term care insurer, which shall include the health  
16 care authority's cost of administration, marketing, and consumer  
17 education materials prepared by the health care authority and the  
18 office of the insurance commissioner.

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

22 (d) The public employees' benefits board and the health care  
23 authority shall establish a technical advisory committee to provide  
24 advice in the development of the benefit design and establishment of  
25 underwriting guidelines and eligibility rules. The committee shall  
26 also advise the board and authority on effective and cost-effective  
27 ways to market and distribute the long-term care product. The  
28 technical advisory committee shall be comprised, at a minimum, of  
29 representatives of the office of the insurance commissioner, providers  
30 of long-term care services, licensed insurance agents with expertise in  
31 long-term care insurance, employees, retired employees, retired school  
32 employees, and other interested parties determined to be appropriate by  
33 the board.

34 (e) The health care authority shall offer employees, retired  
35 employees, and retired school employees the option of purchasing long-  
36 term care insurance through licensed agents or brokers appointed by the  
37 long-term care insurer. The authority, in consultation with the public



1 employees' benefits board, shall establish marketing procedures and may  
2 consider all premium components as a part of the contract negotiations  
3 with the long-term care insurer.

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

8 (g) The health care authority, with the cooperation of the office  
9 of the insurance commissioner, shall develop a consumer education  
10 program for the eligible employees, retired employees, and retired  
11 school employees designed to provide education on the potential need  
12 for long-term care, methods of financing long-term care, and the  
13 availability of long-term care insurance products including the  
14 products offered by the board.

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

20 **Sec. 4.** RCW 41.05.065 and 2007 c 156 s 10 and 2007 c 114 s 5 are  
21 each reenacted and amended to read as follows:

22 (1) The board shall study all matters connected with the provision  
23 of health care coverage, life insurance, liability insurance,  
24 accidental death and dismemberment insurance, and disability income  
25 insurance or any of, or a combination of, the enumerated types of  
26 insurance for employees and their dependents on the best basis possible  
27 with relation both to the welfare of the employees and to the state.  
28 However, liability insurance shall not be made available to dependents.

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

32 (a) Methods of maximizing cost containment while ensuring access to  
33 quality health care;

34 (b) Development of provider arrangements that encourage cost  
35 containment and ensure access to quality care, including but not  
36 limited to prepaid delivery systems and prospective payment methods;

1 (c) Wellness incentives that focus on proven strategies, such as  
2 smoking cessation, injury and accident prevention, reduction of alcohol  
3 misuse, appropriate weight reduction, exercise, automobile and  
4 motorcycle safety, blood cholesterol reduction, and nutrition  
5 education;

6 (d) Utilization review procedures including, but not limited to a  
7 cost-efficient method for prior authorization of services, hospital  
8 inpatient length of stay review, requirements for use of outpatient  
9 surgeries and second opinions for surgeries, review of invoices or  
10 claims submitted by service providers, and performance audit of  
11 providers;

12 (e) Effective coordination of benefits;

13 (f) Minimum standards for insuring entities; and

14 (g) Minimum scope and content of public employee benefit plans to  
15 be offered to enrollees participating in the employee health benefit  
16 plans. To maintain the comprehensive nature of employee health care  
17 benefits, employee eligibility criteria related to the number of hours  
18 worked and the benefits provided to employees shall be substantially  
19 equivalent to the state employees' health benefits plan and eligibility  
20 criteria in effect on January 1, 1993. Nothing in this subsection  
21 (2)(g) shall prohibit changes or increases in employee point-of-service  
22 payments or employee premium payments for benefits or the  
23 administration of a high deductible health plan in conjunction with a  
24 health savings account.

25 (3) The board shall design benefits and determine the terms and  
26 conditions of employee and retired employee participation and coverage,  
27 including establishment of eligibility criteria subject to the  
28 requirements of RCW 41.05.066. ~~((The same terms and conditions of  
29 participation and coverage, including eligibility criteria, shall apply  
30 to state employees and to school district employees and educational  
31 service district employees.))~~

32 (4) The board may authorize premium contributions for an employee  
33 and the employee's dependents in a manner that encourages the use of  
34 cost-efficient managed health care systems. During the 2005-2007  
35 fiscal biennium, the board may only authorize premium contributions for  
36 an employee and the employee's dependents that are the same, regardless  
37 of an employee's status as represented or nonrepresented by a  
38 collective bargaining unit under the personnel system reform act of

1 2002. ((The board shall require participating school district and  
2 educational service district employees to pay at least the same  
3 employee premiums by plan and family size as state employees pay.))

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

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

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

16 (8) The board shall review plans proposed by insuring entities that  
17 desire to offer property insurance and/or accident and casualty  
18 insurance to state employees through payroll deduction. The board may  
19 approve any such plan for payroll deduction by insuring entities  
20 holding a valid certificate of authority in the state of Washington and  
21 which the board determines to be in the best interests of employees and  
22 the state. The board shall adopt rules setting forth criteria by which  
23 it shall evaluate the plans.

24 (9) Before January 1, 1998, the public employees' benefits board  
25 shall make available one or more fully insured long-term care insurance  
26 plans that comply with the requirements of chapter 48.84 RCW. Such  
27 programs shall be made available to eligible employees, retired  
28 employees, and retired school employees as well as eligible dependents  
29 which, for the purpose of this section, includes the parents of the  
30 employee or retiree and the parents of the spouse of the employee or  
31 retiree. Employees of local governments, political subdivisions, and  
32 tribal governments not otherwise enrolled in the public employees'  
33 benefits board sponsored medical programs may enroll under terms and  
34 conditions established by the administrator, if it does not jeopardize  
35 the financial viability of the public employees' benefits board's long-  
36 term care offering.

37 (a) Participation of eligible employees or retired employees and  
38 retired school employees in any long-term care insurance plan made

1 available by the public employees' benefits board is voluntary and  
2 shall not be subject to binding arbitration under chapter 41.56 RCW.  
3 Participation is subject to reasonable underwriting guidelines and  
4 eligibility rules established by the public employees' benefits board  
5 and the health care authority.

6 (b) The employee, retired employee, and retired school employee are  
7 solely responsible for the payment of the premium rates developed by  
8 the health care authority. The health care authority is authorized to  
9 charge a reasonable administrative fee in addition to the premium  
10 charged by the long-term care insurer, which shall include the health  
11 care authority's cost of administration, marketing, and consumer  
12 education materials prepared by the health care authority and the  
13 office of the insurance commissioner.

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

17 (d) The public employees' benefits board and the health care  
18 authority shall establish a technical advisory committee to provide  
19 advice in the development of the benefit design and establishment of  
20 underwriting guidelines and eligibility rules. The committee shall  
21 also advise the board and authority on effective and cost-effective  
22 ways to market and distribute the long-term care product. The  
23 technical advisory committee shall be comprised, at a minimum, of  
24 representatives of the office of the insurance commissioner, providers  
25 of long-term care services, licensed insurance agents with expertise in  
26 long-term care insurance, employees, retired employees, retired school  
27 employees, and other interested parties determined to be appropriate by  
28 the board.

29 (e) The health care authority shall offer employees, retired  
30 employees, and retired school employees the option of purchasing long-  
31 term care insurance through licensed agents or brokers appointed by the  
32 long-term care insurer. The authority, in consultation with the public  
33 employees' benefits board, shall establish marketing procedures and may  
34 consider all premium components as a part of the contract negotiations  
35 with the long-term care insurer.

36 (f) In developing the long-term care insurance benefit designs, the  
37 public employees' benefits board shall include an alternative plan of

1 care benefit, including adult day services, as approved by the office  
2 of the insurance commissioner.

3 (g) The health care authority, with the cooperation of the office  
4 of the insurance commissioner, shall develop a consumer education  
5 program for the eligible employees, retired employees, and retired  
6 school employees designed to provide education on the potential need  
7 for long-term care, methods of financing long-term care, and the  
8 availability of long-term care insurance products including the  
9 products offered by the board.

10 NEW SECTION. **Sec. 5.** Sections 1 and 3 of this act take effect  
11 July 1, 2008.

12 NEW SECTION. **Sec. 6.** Sections 1 and 3 of this act expire January  
13 1, 2009.

14 NEW SECTION. **Sec. 7.** Sections 2 and 4 of this act take effect  
15 January 1, 2009.

--- END ---