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HOUSE BILL 3249

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State of Washington

60th Legislature

2008 Regular Session

By Representatives Cody, Fromhold, and Hunt; by request of Health Care Authority

1 AN ACT Relating to administering benefits under the public  
2 employees' benefits board; amending RCW 41.05.008; reenacting and  
3 amending RCW 41.05.065 and 41.05.021; and providing an effective date.

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

5 **Sec. 1.** RCW 41.05.008 and 2005 c 143 s 4 are each amended to read  
6 as follows:

7 (1) Every employing agency shall fully cooperate with the authority  
8 and shall carry out all actions necessary for the operation of benefit  
9 plans, education of employees, claims administration, appeals process,  
10 and other activities that may be required by the authority for  
11 administration of this chapter, and shall accept and carry out all  
12 other duties as required by law, regulation, or administrative  
13 instruction from the authority.

14 (2) Employing agencies shall report all data relating to employees  
15 eligible to participate in benefits or plans administered by the  
16 authority in a format designed and communicated by the authority.

17 (3) The authority may delegate to employing agencies the task of  
18 determining individual employees' eligibility for benefits.

1       **Sec. 2.** RCW 41.05.065 and 2007 c 156 s 10 and 2007 c 114 s 5 are  
2 each reenacted and amended to read as follows:

3       (1) The board shall study all matters connected with the provision  
4 of health care coverage, life insurance, liability insurance,  
5 accidental death and dismemberment insurance, and disability income  
6 insurance or any of, or a combination of, the enumerated types of  
7 insurance for employees and their dependents on the best basis possible  
8 with relation both to the welfare of the employees and to the state.  
9 However, liability insurance shall not be made available to dependents.

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

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

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

18       (c) Wellness incentives that focus on proven strategies, such as  
19 smoking cessation, injury and accident prevention, reduction of alcohol  
20 misuse, appropriate weight reduction, exercise, automobile and  
21 motorcycle safety, blood cholesterol reduction, and nutrition  
22 education;

23       (d) Utilization review procedures including, but not limited to a  
24 cost-efficient method for prior authorization of services, hospital  
25 inpatient length of stay review, requirements for use of outpatient  
26 surgeries and second opinions for surgeries, review of invoices or  
27 claims submitted by service providers, and performance audit of  
28 providers;

29       (e) Effective coordination of benefits;

30       (f) Minimum standards for insuring entities; and

31       (g) Minimum scope and content of public employee benefit plans to  
32 be offered to enrollees participating in the employee health benefit  
33 plans. To maintain the comprehensive nature of employee health care  
34 benefits, employee eligibility criteria related to the number of hours  
35 worked and the benefits provided to employees shall be substantially  
36 equivalent to the state employees' health benefits plan and eligibility  
37 criteria in effect on January 1, 1993. Nothing in this subsection  
38 (2)(g) shall prohibit changes or increases in employee point-of-service

1 payments or employee premium payments for benefits or the  
2 administration of a high deductible health plan in conjunction with a  
3 health savings account.

4 (3) The board shall design benefits and has the exclusive authority  
5 to determine the terms and conditions of employee and retired employee  
6 participation and coverage, including establishment of eligibility  
7 criteria subject to the requirements of RCW 41.05.066. The same terms  
8 and conditions of participation and coverage, including eligibility  
9 criteria, shall apply to state employees and to school district  
10 employees and educational service district employees. The  
11 administrator shall adopt rules setting forth criteria for determining  
12 employee eligibility for benefits and the appeal process by which  
13 employees may appeal benefits and eligibility determinations.

14 (4) The board may authorize premium contributions for an employee  
15 and the employee's dependents in a manner that encourages the use of  
16 cost-efficient managed health care systems. During the 2005-2007  
17 fiscal biennium, the board may only authorize premium contributions for  
18 an employee and the employee's dependents that are the same, regardless  
19 of an employee's status as represented or nonrepresented by a  
20 collective bargaining unit under the personnel system reform act of  
21 2002. The board shall require participating school district and  
22 educational service district employees to pay at least the same  
23 employee premiums by plan and family size as state employees pay.

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

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

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

36 (8) The board shall review plans proposed by insuring entities that  
37 desire to offer property insurance and/or accident and casualty  
38 insurance to state employees through payroll deduction. The board may

1 approve any such plan for payroll deduction by insuring entities  
2 holding a valid certificate of authority in the state of Washington and  
3 which the board determines to be in the best interests of employees and  
4 the state. The board shall adopt rules setting forth criteria by which  
5 it shall evaluate the plans.

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

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

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

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

37 (d) The public employees' benefits board and the health care  
38 authority shall establish a technical advisory committee to provide

1 advice in the development of the benefit design and establishment of  
2 underwriting guidelines and eligibility rules. The committee shall  
3 also advise the board and authority on effective and cost-effective  
4 ways to market and distribute the long-term care product. The  
5 technical advisory committee shall be comprised, at a minimum, of  
6 representatives of the office of the insurance commissioner, providers  
7 of long-term care services, licensed insurance agents with expertise in  
8 long-term care insurance, employees, retired employees, retired school  
9 employees, and other interested parties determined to be appropriate by  
10 the board.

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

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

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

29 **Sec. 3.** RCW 41.05.021 and 2007 c 274 s 1 and 2007 c 114 s 3 are  
30 each reenacted and amended to read as follows:

31 (1) The Washington state health care authority is created within  
32 the executive branch. The authority shall have an administrator  
33 appointed by the governor, with the consent of the senate. The  
34 administrator shall serve at the pleasure of the governor. The  
35 administrator may employ up to seven staff members, who shall be exempt  
36 from chapter 41.06 RCW, and any additional staff members as are  
37 necessary to administer this chapter. The administrator may delegate

1 any power or duty vested in him or her by this chapter, including  
2 authority to make final decisions and enter final orders in hearings  
3 conducted under chapter 34.05 RCW. The primary duties of the authority  
4 shall be to: Administer state employees' insurance benefits and  
5 retired or disabled school employees' insurance benefits; administer  
6 the basic health plan pursuant to chapter 70.47 RCW; study state-  
7 purchased health care programs in order to maximize cost containment in  
8 these programs while ensuring access to quality health care; implement  
9 state initiatives, joint purchasing strategies, and techniques for  
10 efficient administration that have potential application to all state-  
11 purchased health services; and administer grants that further the  
12 mission and goals of the authority. The authority's duties include,  
13 but are not limited to, the following:

14 (a) To administer health care benefit programs for employees and  
15 retired or disabled school employees as specifically authorized in RCW  
16 41.05.065 and in accordance with the methods described in RCW  
17 41.05.075, 41.05.140, and other provisions of this chapter;

18 (b) To analyze state-purchased health care programs and to explore  
19 options for cost containment and delivery alternatives for those  
20 programs that are consistent with the purposes of those programs,  
21 including, but not limited to:

22 (i) Creation of economic incentives for the persons for whom the  
23 state purchases health care to appropriately utilize and purchase  
24 health care services, including the development of flexible benefit  
25 plans to offset increases in individual financial responsibility;

26 (ii) Utilization of provider arrangements that encourage cost  
27 containment, including but not limited to prepaid delivery systems,  
28 utilization review, and prospective payment methods, and that ensure  
29 access to quality care, including assuring reasonable access to local  
30 providers, especially for employees residing in rural areas;

31 (iii) Coordination of state agency efforts to purchase drugs  
32 effectively as provided in RCW 70.14.050;

33 (iv) Development of recommendations and methods for purchasing  
34 medical equipment and supporting services on a volume discount basis;

35 (v) Development of data systems to obtain utilization data from  
36 state-purchased health care programs in order to identify cost centers,  
37 utilization patterns, provider and hospital practice patterns, and

1 procedure costs, utilizing the information obtained pursuant to RCW  
2 41.05.031; and

3 (vi) In collaboration with other state agencies that administer  
4 state purchased health care programs, private health care purchasers,  
5 health care facilities, providers, and carriers:

6 (A) Use evidence-based medicine principles to develop common  
7 performance measures and implement financial incentives in contracts  
8 with insuring entities, health care facilities, and providers that:

9 (I) Reward improvements in health outcomes for individuals with  
10 chronic diseases, increased utilization of appropriate preventive  
11 health services, and reductions in medical errors; and

12 (II) Increase, through appropriate incentives to insuring entities,  
13 health care facilities, and providers, the adoption and use of  
14 information technology that contributes to improved health outcomes,  
15 better coordination of care, and decreased medical errors;

16 (B) Through state health purchasing, reimbursement, or pilot  
17 strategies, promote and increase the adoption of health information  
18 technology systems, including electronic medical records, by hospitals  
19 as defined in RCW 70.41.020(4), integrated delivery systems, and  
20 providers that:

21 (I) Facilitate diagnosis or treatment;

22 (II) Reduce unnecessary duplication of medical tests;

23 (III) Promote efficient electronic physician order entry;

24 (IV) Increase access to health information for consumers and their  
25 providers; and

26 (V) Improve health outcomes;

27 (C) Coordinate a strategy for the adoption of health information  
28 technology systems using the final health information technology report  
29 and recommendations developed under chapter 261, Laws of 2005;

30 (c) To analyze areas of public and private health care interaction;

31 (d) To provide information and technical and administrative  
32 assistance to the board;

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

1 (f) To review and approve or deny the application when the  
2 governing body of a tribal government applies to transfer their  
3 employees to an insurance or self-insurance program administered under  
4 this chapter. In the event of an employee transfer pursuant to this  
5 subsection (1)(f), members of the governing body are eligible to be  
6 included in such a transfer if the members are authorized by the tribal  
7 government to participate in the insurance program being transferred  
8 from and subject to payment by the members of all costs of insurance  
9 for the members. The authority shall: (i) Establish the conditions  
10 for participation; (ii) have the sole right to reject the application;  
11 and (iii) set the premium contribution for approved groups as outlined  
12 in RCW 41.05.050. Approval of the application by the authority  
13 transfers the employees and dependents involved to the insurance,  
14 self-insurance, or health care program approved by the authority;

15 (g) To ensure the continued status of the employee insurance or  
16 self-insurance programs administered under this chapter as a  
17 governmental plan under section 3(32) of the employee retirement income  
18 security act of 1974, as amended, the authority shall limit the  
19 participation of employees of a county, municipal, school district,  
20 educational service district, or other political subdivision, or a  
21 tribal government, including providing for the participation of those  
22 employees whose services are substantially all in the performance of  
23 essential governmental functions, but not in the performance of  
24 commercial activities;

25 (h) To establish billing procedures and collect funds from school  
26 districts in a way that minimizes the administrative burden on  
27 districts;

28 (i) To publish and distribute to nonparticipating school districts  
29 and educational service districts by October 1st of each year a  
30 description of health care benefit plans available through the  
31 authority and the estimated cost if school districts and educational  
32 service district employees were enrolled;

33 (j) To apply for, receive, and accept grants, gifts, and other  
34 payments, including property and service, from any governmental or  
35 other public or private entity or person, and make arrangements as to  
36 the use of these receipts to implement initiatives and strategies  
37 developed under this section;



1 (k) To issue, distribute, and administer grants that further the  
2 mission and goals of the authority; (~~and~~)

3 (l) To adopt rules consistent with this chapter as described in RCW  
4 41.05.160, including, but not limited to:

5 (i) Setting forth criteria for determining benefits eligibility as  
6 authorized in RCW 41.05.065, including determining individual  
7 employees' eligibility for benefits and any delegation of authority to  
8 employing agencies; and

9 (ii) Establishing and maintaining an appeal process by which  
10 employees may appeal benefits and eligibility determinations.

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

15 (a) Standardizing the benefit package;

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

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

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

25 NEW SECTION. **Sec. 4.** This act takes effect January 1, 2009.

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