

SENATE BILL REPORT

SB 5515

As of February 12, 2009

Title: An act relating to definitions regarding school district employee benefits.

Brief Description: Modifying and adding definitions related to school district employee benefits.

Sponsors: Senators Parlette, Becker, Schoesler, Kastama, Marr, Brandland and Hewitt.

Brief History:

Committee Activity: Health & Long-Term Care: 2/11/09.

SENATE COMMITTEE ON HEALTH & LONG-TERM CARE

Staff: Mich'l Needham (786-7442)

Background: A health savings account (HSA) is a tax-advantaged medical savings account available in conjunction with a high deductible health plan. Funds contributed to the account are not subject to federal income tax at the time of deposit, and funds may roll over and accumulate year over year if not spent. HSAs are owned by the individual. Deposits into an HSA may be made by an individual with a high deductible health plan, or by their employer. Employer contributions can be made on a pre-tax basis through a Section 125 plan, or on a post-tax basis. Funds in the HSA may be used for qualified medical expenses, which include costs for services and items covered by the health plan but subject to cost-sharing or a deductible, and other expenses not covered under the medical plan such as vision, dental, transportation expenses related to medical care, or over-the counter medications.

A health reimbursement arrangement (HRA) is an alternate tax-deductible source of funds, owned by the employer. Deposits must be made solely by the employer. The employer can decide if the funds are rolled over from year to year and how much rolls over. HRAs reimburse only those items agreed by the employer which are not covered by the employer's standard insurance plan, such as copays, deductibles, or coinsurance.

There are 295 school districts in Washington. School districts are authorized to provide employee benefit plans that may include medical, dental, vision, group term life, and group long-term disability insurance.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Summary of Bill: School districts are authorized to offer health reimbursement arrangements and health savings accounts as part of their basic benefits.

Appropriation: None.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony: PRO: The health savings account is permissible in PEBB now, and this option may be an option to help employees save money on out-of-pocket expenses with tax free accounts. The health reimbursement accounts are used by over 400 agencies in Washington now, largely to help employees plan for retirement expenses. This bill would allow more innovative ways to control costs.

CON: The law was modified in the late 1980s to change the pooling of benefit dollars at the district level and prevent employees from pulling state benefit funding into the VEBA accounts, thereby ensuring that the funding was made available to help employees with families. This change would reinsert the ability to siphon money away from the pool into personal accounts, and this will have the unintended consequence of hurting employees with families, raising their premium expenses.

Persons Testifying: PRO: John Kvamme, Washington Association of School Administrators and Association of Washington School Principals; Mark Wilkerson, VEBA Trust Consultant.

CON: Doug Nelson, Public School Employees and SEIU 1948; David Westberg, AFL-CIO and Stationary Operating Engineers; Randy Parr, Washington Education Association.