
SUBSTITUTE HOUSE BILL 1940

State of Washington

61st Legislature

2009 Regular Session

By House Ways & Means (originally sponsored by Representatives Bailey, Morrell, Alexander, Hinkle, and Chandler)

READ FIRST TIME 03/03/09.

1 AN ACT Relating to requiring that school district and educational
2 service district employees' basic benefits be determined and
3 administered by the state health care authority; amending RCW
4 28A.400.270, 28A.400.275, 28A.400.350, 41.05.011, and 41.05.050; and
5 reenacting and amending RCW 41.05.021 and 41.05.065.

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

7 **Sec. 1.** RCW 28A.400.270 and 1990 1st ex.s. c 11 s 4 are each
8 amended to read as follows:

9 Unless the context clearly requires otherwise, the definitions in
10 this section apply throughout RCW 28A.400.275 and 28A.400.280.

11 (1) "School district employee benefit plan" means the overall plan
12 used by the district for distributing fringe benefit subsidies to
13 employees, including the method of determining employee coverage and
14 the amount of employer contributions, as well as the characteristics of
15 benefit providers and the specific benefits or coverage offered. It
16 shall not include coverage offered to district employees for which
17 there is no contribution from public funds.

18 (2) "Fringe benefit" does not include liability coverage, old-age

1 survivors' insurance, workers' compensation, unemployment compensation,
2 retirement benefits under the Washington state retirement system, or
3 payment for unused leave for illness or injury under RCW 28A.400.210.

4 (3) "Basic benefits" are determined through local bargaining until
5 September 1, 2012, and are limited to medical, dental, vision, group
6 term life, and group long-term disability insurance coverage.
7 Beginning September 1, 2012, basic benefits are determined by the
8 public employees' benefits board and administered by the Washington
9 state health care authority.

10 (4) "Benefit providers" include insurers, third party claims
11 administrators, direct providers of employee fringe benefits, health
12 maintenance organizations, health care service contractors, and the
13 Washington state health care authority or any plan offered by the
14 authority.

15 (5) "Group term life insurance coverage" means term life insurance
16 coverage provided for, at a minimum, all full-time employees in a
17 bargaining unit or all full-time nonbargaining group employees.

18 (6) "Group long-term disability insurance coverage" means long-term
19 disability insurance coverage provided for, at a minimum, all full-time
20 employees in a bargaining unit or all full-time nonbargaining group
21 employees.

22 **Sec. 2.** RCW 28A.400.275 and 1990 1st ex.s. c 11 s 5 are each
23 amended to read as follows:

24 (1) Any contract for employee benefits executed after April 13,
25 1990, between a school district and a benefit provider or employee
26 bargaining unit is null and void unless it contains an agreement to
27 abide by state laws relating to school district employee benefits. The
28 term of the contract may not exceed one year. After September 1, 2012,
29 any contract for employee benefits between a school district and a
30 bargaining unit is null and void unless basic benefits are provided
31 through plans administered by the Washington state health care
32 authority.

33 (2) School districts shall (~~annually~~) submit to the Washington
34 state health care authority (~~summary descriptions of all benefits~~
35 ~~offered under the district's employee benefit plan.~~) all information
36 deemed necessary by the health care authority for the administration of
37 the employee benefit plans provided to school district employees,

1 including all information requested between the effective date of this
2 section and September 1, 2012, requested for preparing for the
3 enrollment of school district employees in benefit plans administered
4 by the Washington state health care authority. Until September 1,
5 2012, the districts shall also submit data to the health care authority
6 specifying the total number of employees and, for each employee, types
7 of coverage or benefits received including numbers of covered
8 dependents, the number of eligible dependents, the amount of the
9 district's contribution, additional premium costs paid by the employee
10 through payroll deductions, and the age and sex of the employee and
11 each dependent. The plan descriptions and the data shall be submitted
12 in a format and according to a schedule established by the health care
13 authority.

14 (3) Any benefit provider offering a benefit plan by contract with
15 a school district under subsection (1) of this section shall agree to
16 make available to the school district the benefit plan descriptions
17 and, where available, the demographic information on plan subscribers
18 that the district is required to report to the Washington state health
19 care authority under this section.

20 (4) This section shall not apply to benefit plans offered in the
21 1989-90 school year.

22 **Sec. 3.** RCW 28A.400.350 and 2001 c 266 s 2 are each amended to
23 read as follows:

24 (1) The board of directors of any of the state's school districts
25 or educational service districts may make available liability, life,
26 health, health care, accident, disability and salary protection or
27 insurance or any one of, or a combination of the enumerated types of
28 insurance, or any other type of insurance or protection, for the
29 members of the boards of directors, the students, and employees of the
30 school district or educational service district, and their dependents.
31 Until September 1, 2012, such coverage may be provided by contracts
32 with private carriers, with the state health care authority after July
33 1, 1990, pursuant to the approval of the authority administrator, or
34 through self-insurance or self-funding pursuant to chapter 48.62 RCW,
35 or in any other manner authorized by law. Beginning September 1, 2012,
36 health insurance and other forms of insurance authorized under this

1 section shall be made available to employees only through plans
2 administered by the health care authority.

3 (2) Whenever funds are available for these purposes the board of
4 directors of the school district or educational service district may
5 contribute all or a part of the cost of such protection or insurance
6 for the employees of their respective school districts or educational
7 service districts and their dependents. The premiums on such liability
8 insurance shall be borne by the school district or educational service
9 district.

10 After October 1, 1990, school districts may not contribute to any
11 employee protection or insurance other than liability insurance unless
12 the district's employee benefit plan conforms to RCW 28A.400.275 and
13 28A.400.280.

14 (3) For school board members, educational service district board
15 members, and students, the premiums due on such protection or insurance
16 shall be borne by the assenting school board member, educational
17 service district board member, or student. The school district or
18 educational service district may contribute all or part of the costs,
19 including the premiums, of life, health, health care, accident or
20 disability insurance which shall be offered to all students
21 participating in interschool activities on the behalf of or as
22 representative of their school, school district, or educational service
23 district. The school district board of directors and the educational
24 service district board may require any student participating in
25 extracurricular interschool activities to, as a condition of
26 participation, document evidence of insurance or purchase insurance
27 that will provide adequate coverage, as determined by the school
28 district board of directors or the educational service district board,
29 for medical expenses incurred as a result of injury sustained while
30 participating in the extracurricular activity. In establishing such a
31 requirement, the district shall adopt regulations for waiving or
32 reducing the premiums of such coverage as may be offered through the
33 school district or educational service district to students
34 participating in extracurricular activities, for those students whose
35 families, by reason of their low income, would have difficulty paying
36 the entire amount of such insurance premiums. The district board shall
37 adopt regulations for waiving or reducing the insurance coverage

1 requirements for low-income students in order to assure such students
2 are not prohibited from participating in extracurricular interschool
3 activities.

4 (4) All contracts for insurance or protection written to take
5 advantage of the provisions of this section shall provide that the
6 beneficiaries of such contracts may utilize on an equal participation
7 basis the services of those practitioners licensed pursuant to chapters
8 18.22, 18.25, 18.53, 18.57, and 18.71 RCW.

9 **Sec. 4.** RCW 41.05.011 and 2008 c 229 s 2 are each amended to read
10 as follows:

11 The definitions in this section apply throughout this chapter
12 unless the context clearly requires otherwise.

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

14 (2) "State purchased health care" or "health care" means medical
15 and health care, pharmaceuticals, and medical equipment purchased with
16 state and federal funds by the department of social and health
17 services, the department of health, the basic health plan, the state
18 health care authority, the department of labor and industries, the
19 department of corrections, the department of veterans affairs, and
20 local school districts.

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

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

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

29 (6) "Employee" includes all full-time and career seasonal employees
30 of the state, whether or not covered by civil service; elected and
31 appointed officials of the executive branch of government, including
32 full-time members of boards, commissions, or committees; and includes
33 any or all part-time and temporary employees under the terms and
34 conditions established under this chapter by the authority; justices of
35 the supreme court and judges of the court of appeals and the superior
36 courts; and members of the state legislature or of the legislative
37 authority of any county, city, or town who are elected to office after

1 February 20, 1970. "Employee" also includes: (a) Employees of a
2 county, municipality, or other political subdivision of the state if
3 the legislative authority of the county, municipality, or other
4 political subdivision of the state seeks and receives the approval of
5 the authority to provide any of its insurance programs by contract with
6 the authority, as provided in RCW 41.04.205 and 41.05.021(1)(g); (b)
7 employees of employee organizations representing state civil service
8 employees, at the option of each such employee organization, and,
9 effective October 1, 1995, employees of employee organizations
10 currently pooled with employees of school districts for the purpose of
11 purchasing insurance benefits, at the option of each such employee
12 organization; (c) employees of a school district, except that prior to
13 September 1, 2012, only if the authority agrees to provide any of the
14 school districts' insurance programs by contract with the authority as
15 provided in RCW 28A.400.350; and (d) employees of a tribal government,
16 if the governing body of the tribal government seeks and receives the
17 approval of the authority to provide any of its insurance programs by
18 contract with the authority, as provided in RCW 41.05.021(1) (f) and
19 (g).

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

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

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

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

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

34 (9) "Premium payment plan" means a benefit plan whereby state and
35 public employees may pay their share of group health plan premiums with
36 pretax dollars as provided in the salary reduction plan under this
37 chapter pursuant to 26 U.S.C. Sec. 125 or other sections of the
38 internal revenue code.

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

2 (11) "Participant" means an individual who fulfills the eligibility
3 and enrollment requirements under the salary reduction plan.

4 (12) "Plan year" means the time period established by the
5 authority.

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

8 (a) RCW 41.32.010(11) on or after July 1, 1996; or
9 (b) RCW 41.35.010 on or after September 1, 2000; or
10 (c) RCW 41.40.010 on or after March 1, 2002;

11 and who are at least age fifty-five and have at least ten years of
12 service under the teachers' retirement system plan 3 as defined in RCW
13 41.32.010(40), the Washington school employees' retirement system plan
14 3 as defined in RCW 41.35.010, or the public employees' retirement
15 system plan 3 as defined in RCW 41.40.010.

16 (14) "Emergency service personnel killed in the line of duty" means
17 law enforcement officers and firefighters as defined in RCW 41.26.030,
18 members of the Washington state patrol retirement fund as defined in
19 RCW 43.43.120, and reserve officers and firefighters as defined in RCW
20 41.24.010 who die as a result of injuries sustained in the course of
21 employment as determined consistent with Title 51 RCW by the department
22 of labor and industries.

23 (15) "Employer" means the state of Washington.

24 (16) "Employing agency" means a division, department, or separate
25 agency of state government; a county, municipality, school district,
26 educational service district, or other political subdivision; and a
27 tribal government covered by this chapter.

28 (17) "Tribal government" means an Indian tribal government as
29 defined in section 3(32) of the employee retirement income security act
30 of 1974, as amended, or an agency or instrumentality of the tribal
31 government, that has government offices principally located in this
32 state.

33 (18) "Dependent care assistance program" means a benefit plan
34 whereby state and public employees may pay for certain employment
35 related dependent care with pretax dollars as provided in the salary
36 reduction plan under this chapter pursuant to 26 U.S.C. Sec. 129 or
37 other sections of the internal revenue code.

1 (19) "Salary reduction plan" means a benefit plan whereby state and
2 public employees may agree to a reduction of salary on a pretax basis
3 to participate in the dependent care assistance program, medical
4 flexible spending arrangement, or premium payment plan offered pursuant
5 to 26 U.S.C. Sec. 125 or other sections of the internal revenue code.

6 (20) "Medical flexible spending arrangement" means a benefit plan
7 whereby state and public employees may reduce their salary before taxes
8 to pay for medical expenses not reimbursed by insurance as provided in
9 the salary reduction plan under this chapter pursuant to 26 U.S.C. Sec.
10 125 or other sections of the internal revenue code.

11 **Sec. 5.** RCW 41.05.021 and 2007 c 274 s 1 and 2007 c 114 s 3 are
12 each reenacted and amended to read as follows:

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

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

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

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

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

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

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

18 (v) Development of data systems to obtain utilization data from
19 state-purchased health care programs in order to identify cost centers,
20 utilization patterns, provider and hospital practice patterns, and
21 procedure costs, utilizing the information obtained pursuant to RCW
22 41.05.031; and

23 (vi) In collaboration with other state agencies that administer
24 state purchased health care programs, private health care purchasers,
25 health care facilities, providers, and carriers:

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

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

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

36 (B) Through state health purchasing, reimbursement, or pilot
37 strategies, promote and increase the adoption of health information

1 technology systems, including electronic medical records, by hospitals
2 as defined in RCW 70.41.020(4), integrated delivery systems, and
3 providers that:

- 4 (I) Facilitate diagnosis or treatment;
- 5 (II) Reduce unnecessary duplication of medical tests;
- 6 (III) Promote efficient electronic physician order entry;
- 7 (IV) Increase access to health information for consumers and their
8 providers; and
- 9 (V) Improve health outcomes;

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

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

14 (d) To provide information and technical and administrative
15 assistance to the board;

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

22 (f) To review and approve or deny the application when the
23 governing body of a tribal government applies to transfer their
24 employees to an insurance or self-insurance program administered under
25 this chapter. In the event of an employee transfer pursuant to this
26 subsection (1)(f), members of the governing body are eligible to be
27 included in such a transfer if the members are authorized by the tribal
28 government to participate in the insurance program being transferred
29 from and subject to payment by the members of all costs of insurance
30 for the members. The authority shall: (i) Establish the conditions
31 for participation; (ii) have the sole right to reject the application;
32 and (iii) set the premium contribution for approved groups as outlined
33 in RCW 41.05.050. Approval of the application by the authority
34 transfers the employees and dependents involved to the insurance,
35 self-insurance, or health care program approved by the authority;

36 (g) To ensure the continued status of the employee insurance or
37 self-insurance programs administered under this chapter as a
38 governmental plan under section 3(32) of the employee retirement income

1 security act of 1974, as amended, the authority shall limit the
2 participation of employees of a county, municipal, school district,
3 educational service district, or other political subdivision, or a
4 tribal government, including providing for the participation of those
5 employees whose services are substantially all in the performance of
6 essential governmental functions, but not in the performance of
7 commercial activities;

8 (h) To establish billing procedures and collect funds from school
9 districts in a way that minimizes the administrative burden on
10 districts;

11 (i) Until September 1, 2012, to publish and distribute to
12 nonparticipating school districts and educational service districts by
13 October 1st of each year a description of health care benefit plans
14 available through the authority and the estimated cost if school
15 districts and educational service district employees were enrolled;

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

21 (k) To issue, distribute, and administer grants that further the
22 mission and goals of the authority; and

23 (l) To adopt rules consistent with this chapter as described in RCW
24 41.05.160.

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

29 (a) Standardizing the benefit package;

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

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

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

1 **Sec. 6.** RCW 41.05.050 and 2007 c 114 s 4 are each amended to read
2 as follows:

3 (1) Every: (a) Department, division, or separate agency of state
4 government; (b) county, municipal, school district, educational service
5 district, or other political subdivisions; and (c) tribal governments
6 as are covered by this chapter, shall provide contributions to
7 insurance and health care plans for its employees and their dependents,
8 the content of such plans to be determined by the authority.
9 Contributions, paid by the county, the municipality, other political
10 subdivision, or a tribal government for their employees, shall include
11 an amount determined by the authority to pay such administrative
12 expenses of the authority as are necessary to administer the plans for
13 employees of those groups, except as provided in subsection (4) of this
14 section.

15 (2) If the authority at any time determines that the participation
16 of a county, municipal, other political subdivision, or a tribal
17 government covered under this chapter adversely impacts insurance rates
18 for state employees, the authority shall implement limitations on the
19 participation of additional county, municipal, other political
20 subdivisions, or a tribal government.

21 (3) The contributions of any: (a) Department, division, or
22 separate agency of the state government; (b) county, municipal, or
23 other political subdivisions; and (c) any tribal government as are
24 covered by this chapter, shall be set by the authority, subject to the
25 approval of the governor for availability of funds as specifically
26 appropriated by the legislature for that purpose. Insurance and health
27 care contributions for ferry employees shall be governed by RCW
28 47.64.270.

29 (4)(a) (~~Beginning September 1, 2003, the authority shall collect~~
30 ~~from each participating school district and educational service~~
31 ~~district an amount equal to the composite rate charged to state~~
32 ~~agencies, plus an amount equal to the employee premiums by plan and~~
33 ~~family size as would be charged to state employees, for groups of~~
34 ~~district employees enrolled in authority plans as of January 1, 2003.~~
35 ~~However, during the 2005-07 fiscal biennium, the authority shall~~
36 ~~collect from each participating school district and educational service~~
37 ~~district an amount equal to the insurance benefit allocations provided~~
38 ~~in section 504, chapter 518, Laws of 2005, plus any additional funding~~

1 ~~provided by the legislature for school employee health benefits, plus~~
2 ~~an amount equal to the employee premiums by plan and family size as~~
3 ~~would be charged to state employees, for groups of district employees~~
4 ~~enrolled in authority plans as of July 1, 2005.~~

5 ~~(b))~~ For all groups of district employees enrolling in authority
6 plans for the first time after September 1, 2003, the authority shall
7 collect from each participating school district an amount equal to the
8 composite rate charged to state agencies, plus an amount equal to the
9 employee premiums by plan and by family size as would be charged to
10 state employees, only if the authority determines that this method of
11 billing the districts will not result in a material difference between
12 revenues from districts and expenditures made by the authority on
13 behalf of districts and their employees.

14 ~~((e))~~ (b) If the authority determines at any time that the
15 conditions in ~~((b))~~ (a) of this subsection cannot be met, the
16 authority shall offer enrollment to additional groups of district
17 employees on a tiered rate structure until such time as the authority
18 determines there would be no material difference between revenues and
19 expenditures under a composite rate structure for all district
20 employees enrolled in authority plans.

21 ~~((d))~~ (c) The authority may charge districts a one-time set-up
22 fee for employee groups enrolling in authority plans for the first
23 time.

24 ~~((e))~~ (d) For the purposes of this subsection:

25 (i) "District" means school district and educational service
26 district; ~~((and))~~

27 (ii) "Tiered rates" means the amounts the authority must pay to
28 insuring entities by plan and by family size; and

29 (iii) "Participating district" means all school districts and
30 educational service districts beginning September 1, 2012.

31 ~~((f))~~ (e) Notwithstanding this subsection and RCW 41.05.065(3),
32 the authority may allow districts enrolled on a tiered rate structure
33 prior to September 1, 2002, to continue participation based on the same
34 rate structure and under the same conditions and eligibility criteria.

35 (5) The authority shall transmit a recommendation for the amount of
36 the employer contribution to the governor and the director of financial
37 management for inclusion in the proposed budgets submitted to the
38 legislature.

1 **Sec. 7.** 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 determine the terms and
5 conditions of employee and retired employee participation and coverage,
6 including establishment of eligibility criteria subject to the
7 requirements of RCW 41.05.066. (~~The same terms and conditions of~~
8 ~~participation and coverage, including eligibility criteria, shall apply~~
9 ~~to state employees and to school district employees and educational~~
10 ~~service district employees)) School districts and educational service
11 districts may contractually agree with the authority to benefits
12 eligibility criteria that differ from the criteria applicable to state
13 employees.~~

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
11 dependents which, for the purpose of this section, includes the parents
12 of the employee or retiree and the parents of the spouse of the
13 employee or retiree. Employees of local governments, political
14 subdivisions, and tribal governments not otherwise enrolled in the
15 public employees' benefits board sponsored medical programs may enroll
16 under terms and conditions established by the administrator, if it does
17 not jeopardize the financial viability of the public employees'
18 benefits board's long-term care offering. For the purposes of this
19 subsection, employees and retired employees include the employees and
20 retired employees of school districts and educational service
21 districts.

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

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

37 (c) To the extent administratively possible, the state shall

1 establish an automatic payroll or pension deduction system for the
2 payment of the long-term care insurance premiums.

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

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

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

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

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