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HOUSE BILL 1940

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State of Washington                      61st Legislature                      2009 Regular Session

By Representatives Bailey, Morrell, Alexander, Hinkle, and Chandler

Read first time 02/03/09. Referred to Committee on Ways & Means.

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, 2011, and are limited to medical, dental, vision, group  
6 term life, and group long-term disability insurance coverage.  
7 Beginning September 1, 2011, 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, 2011,  
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, 2011, 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 2011, 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, 2011, 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, 2011,  
36 health insurance and other forms of insurance available from the  
37 Washington state health care authority shall only be made available to

1 the members of the boards of directors, the students, and employees of  
2 the school district or educational service district, and their  
3 dependents through the plans administered by the Washington state  
4 health care authority.

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

12 After October 1, 1990, school districts may not contribute to any  
13 employee protection or insurance other than liability insurance unless  
14 the district's employee benefit plan conforms to RCW 28A.400.275 and  
15 28A.400.280.

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

1 adopt regulations for waiving or reducing the insurance coverage  
2 requirements for low-income students in order to assure such students  
3 are not prohibited from participating in extracurricular interschool  
4 activities.

5 (4) All contracts for insurance or protection written to take  
6 advantage of the provisions of this section shall provide that the  
7 beneficiaries of such contracts may utilize on an equal participation  
8 basis the services of those practitioners licensed pursuant to chapters  
9 18.22, 18.25, 18.53, 18.57, and 18.71 RCW.

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

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

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

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

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

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

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

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

1 authority of any county, city, or town who are elected to office after  
2 February 20, 1970. "Employee" also includes: (a) Employees of a  
3 county, municipality, or other political subdivision of the state if  
4 the legislative authority of the county, municipality, or other  
5 political subdivision of the state seeks and receives the approval of  
6 the authority to provide any of its insurance programs by contract with  
7 the authority, as provided in RCW 41.04.205 and 41.05.021(1)(g); (b)  
8 employees of employee organizations representing state civil service  
9 employees, at the option of each such employee organization, and,  
10 effective October 1, 1995, employees of employee organizations  
11 currently pooled with employees of school districts for the purpose of  
12 purchasing insurance benefits, at the option of each such employee  
13 organization; (c) employees of a school district, except that prior to  
14 September 1, 2011, only if the authority agrees to provide any of the  
15 school districts' insurance programs by contract with the authority as  
16 provided in RCW 28A.400.350; and (d) employees of a tribal government,  
17 if the governing body of the tribal government seeks and receives the  
18 approval of the authority to provide any of its insurance programs by  
19 contract with the authority, as provided in RCW 41.05.021(1) (f) and  
20 (g).

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

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

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

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

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

35 (9) "Premium payment plan" means a benefit plan whereby state and  
36 public employees may pay their share of group health plan premiums with  
37 pretax dollars as provided in the salary reduction plan under this

1 chapter pursuant to 26 U.S.C. Sec. 125 or other sections of the  
2 internal revenue code.

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

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

6 (12) "Plan year" means the time period established by the  
7 authority.

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

10 (a) RCW 41.32.010(11) on or after July 1, 1996; or

11 (b) RCW 41.35.010 on or after September 1, 2000; or

12 (c) RCW 41.40.010 on or after March 1, 2002;

13 and who are at least age fifty-five and have at least ten years of  
14 service under the teachers' retirement system plan 3 as defined in RCW  
15 41.32.010(40), the Washington school employees' retirement system plan  
16 3 as defined in RCW 41.35.010, or the public employees' retirement  
17 system plan 3 as defined in RCW 41.40.010.

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

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

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

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

35 (18) "Dependent care assistance program" means a benefit plan  
36 whereby state and public employees may pay for certain employment  
37 related dependent care with pretax dollars as provided in the salary

1 reduction plan under this chapter pursuant to 26 U.S.C. Sec. 129 or  
2 other sections of the internal revenue code.

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

8 (20) "Medical flexible spending arrangement" means a benefit plan  
9 whereby state and public employees may reduce their salary before taxes  
10 to pay for medical expenses not reimbursed by insurance as provided in  
11 the salary reduction plan under this chapter pursuant to 26 U.S.C. Sec.  
12 125 or other sections of the internal revenue code.

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

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

35 (a) To administer health care benefit programs for state and school  
36 district employees and retired or disabled school employees as



1 specifically authorized in RCW 41.05.065 and in accordance with the  
2 methods described in RCW 41.05.075, 41.05.140, and other provisions of  
3 this chapter;

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

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

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

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

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

21 (v) Development of data systems to obtain utilization data from  
22 state-purchased health care programs in order to identify cost centers,  
23 utilization patterns, provider and hospital practice patterns, and  
24 procedure costs, utilizing the information obtained pursuant to RCW  
25 41.05.031; and

26 (vi) In collaboration with other state agencies that administer  
27 state purchased health care programs, private health care purchasers,  
28 health care facilities, providers, and carriers:

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

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

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

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

6 (I) Facilitate diagnosis or treatment;

7 (II) Reduce unnecessary duplication of medical tests;

8 (III) Promote efficient electronic physician order entry;

9 (IV) Increase access to health information for consumers and their  
10 providers; and

11 (V) Improve health outcomes;

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

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

16 (d) To provide information and technical and administrative  
17 assistance to the board;

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

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

1 (g) To ensure the continued status of the employee insurance or  
2 self-insurance programs administered under this chapter as a  
3 governmental plan under section 3(32) of the employee retirement income  
4 security act of 1974, as amended, the authority shall limit the  
5 participation of employees of a county, municipal, school district,  
6 educational service district, or other political subdivision, or a  
7 tribal government, including providing for the participation of those  
8 employees whose services are substantially all in the performance of  
9 essential governmental functions, but not in the performance of  
10 commercial activities;

11 (h) To establish billing procedures and collect funds from school  
12 districts in a way that minimizes the administrative burden on  
13 districts;

14 (i) Until September 1, 2011, to publish and distribute to  
15 nonparticipating school districts and educational service districts by  
16 October 1st of each year a description of health care benefit plans  
17 available through the authority and the estimated cost if school  
18 districts and educational service district employees were enrolled;

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

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

26 (l) To adopt rules consistent with this chapter as described in RCW  
27 41.05.160.

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

32 (a) Standardizing the benefit package;

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

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

36 (d) Monitoring the impact of the approach under this subsection  
37 with regards to: Efficiencies in health service delivery, cost shifts  
38 to subscribers, access to and choice of managed care plans statewide,

1 and quality of health services. The health care authority shall also  
2 advise on the value of administering a benchmark employer-managed plan  
3 to promote competition among managed care plans.

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

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

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

24 (3) The contributions of any: (a) Department, division, or  
25 separate agency of the state government; (b) county, municipal, or  
26 other political subdivisions; and (c) any tribal government as are  
27 covered by this chapter, shall be set by the authority, subject to the  
28 approval of the governor for availability of funds as specifically  
29 appropriated by the legislature for that purpose. Insurance and health  
30 care contributions for ferry employees shall be governed by RCW  
31 47.64.270.

32 (4)(a) Beginning September 1, 2003, the authority shall collect  
33 from each participating school district and educational service  
34 district an amount equal to the composite rate charged to state  
35 agencies, plus an amount equal to the employee premiums by plan and  
36 family size as would be charged to state employees, for groups of  
37 district employees enrolled in authority plans as of January 1, 2003.

1 However, during the 2005-07 fiscal biennium, the authority shall  
2 collect from each participating school district and educational service  
3 district an amount equal to the insurance benefit allocations provided  
4 in section 504, chapter 518, Laws of 2005, plus any additional funding  
5 provided by the legislature for school employee health benefits, plus  
6 an amount equal to the employee premiums by plan and family size as  
7 would be charged to state employees, for groups of district employees  
8 enrolled in authority plans as of July 1, 2005.

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

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

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

26 (e) For the purposes of this subsection:

27 (i) "District" means school district and educational service  
28 district; ~~((and))~~

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

31 (iii) "Participating district" means all school districts and  
32 educational service districts beginning September 1, 2011.

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

37 (5) The authority shall transmit a recommendation for the amount of

1 the employer contribution to the governor and the director of financial  
2 management for inclusion in the proposed budgets submitted to the  
3 legislature.

4 **Sec. 7.** RCW 41.05.065 and 2007 c 156 s 10 and 2007 c 114 s 5 are  
5 each reenacted and amended to read as follows:

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

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

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

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

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

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

32 (e) Effective coordination of benefits;

33 (f) Minimum standards for insuring entities; and

34 (g) Minimum scope and content of public employee benefit plans to  
35 be offered to enrollees participating in the employee health benefit  
36 plans. To maintain the comprehensive nature of employee health care  
37 benefits, employee eligibility criteria related to the number of hours

1 worked and the benefits provided to employees shall be substantially  
2 equivalent to the state employees' health benefits plan and eligibility  
3 criteria in effect on January 1, 1993. Nothing in this subsection  
4 (2)(g) shall prohibit changes or increases in employee point-of-service  
5 payments or employee premium payments for benefits or the  
6 administration of a high deductible health plan in conjunction with a  
7 health savings account.

8 (3) The board shall design benefits and determine the terms and  
9 conditions of employee and retired employee participation and coverage,  
10 including establishment of eligibility criteria subject to the  
11 requirements of RCW 41.05.066. The same terms and conditions of  
12 participation and coverage, including eligibility criteria, shall apply  
13 to state employees and to school district employees and educational  
14 service district employees.

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

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

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

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

37 (8) The board shall review plans proposed by insuring entities that  
38 desire to offer property insurance and/or accident and casualty

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

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

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

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



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

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

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

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

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

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