
SUBSTITUTE SENATE BILL 5491

State of Washington

61st Legislature

2009 Regular Session

By Senate Health & Long-Term Care (originally sponsored by Senators Brandland, Zarelli, and Becker)

READ FIRST TIME 02/24/09.

1 AN ACT Relating to requiring school districts or educational
2 service districts to purchase employee health insurance coverage
3 through the state health care authority; amending RCW 28A.400.270,
4 28A.400.275, 28A.400.350, 41.05.011, and 41.05.050; and reenacting and
5 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. Beginning September 1,
29 2011, any contract for employee benefits between a school district and
30 a 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)(a) The board of directors of any of the state's school
25 districts or educational service districts may make available
26 liability, life, health, health care, accident, disability and salary
27 protection or insurance or any one of, or a combination of the
28 enumerated types of insurance, or any other type of insurance or
29 protection, for the members of the boards of directors, the students,
30 and employees of the school district or educational service district,
31 and their dependents. Except as provided in (b) of this subsection,
32 such coverage may be provided by contracts with private carriers, with
33 the state health care authority after July 1, 1990, pursuant to the
34 approval of the authority administrator, or through self-insurance or
35 self-funding pursuant to chapter 48.62 RCW, or in any other manner
36 authorized by law.

1 (b) Beginning September 1, 2011, a school district or educational
2 service district shall purchase basic benefits as defined in RCW
3 28A.400.270 for employees and dependents through the state health care
4 authority, except that the coverage may be purchased through other
5 parties if required by any collective bargaining agreement signed
6 before the effective date of this section. Upon the expiration of such
7 a collective bargaining agreement, the school district or educational
8 service district shall purchase coverage through the state health care
9 authority.

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

17 After October 1, 1990, school districts may not contribute to any
18 employee protection or insurance other than liability insurance unless
19 the district's employee benefit plan conforms to RCW 28A.400.275 and
20 28A.400.280.

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

1 reducing the premiums of such coverage as may be offered through the
2 school district or educational service district to students
3 participating in extracurricular activities, for those students whose
4 families, by reason of their low income, would have difficulty paying
5 the entire amount of such insurance premiums. The district board shall
6 adopt regulations for waiving or reducing the insurance coverage
7 requirements for low-income students in order to assure such students
8 are not prohibited from participating in extracurricular interschool
9 activities.

10 (4) All contracts for insurance or protection written to take
11 advantage of the provisions of this section shall provide that the
12 beneficiaries of such contracts may utilize on an equal participation
13 basis the services of those practitioners licensed pursuant to chapters
14 18.22, 18.25, 18.53, 18.57, and 18.71 RCW.

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

17 The definitions in this section apply throughout this chapter
18 unless the context clearly requires otherwise.

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

20 (2) "State purchased health care" or "health care" means medical
21 and health care, pharmaceuticals, and medical equipment purchased with
22 state and federal funds by the department of social and health
23 services, the department of health, the basic health plan, the state
24 health care authority, the department of labor and industries, the
25 department of corrections, the department of veterans affairs, and
26 local school districts.

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

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

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

35 (6) "Employee" includes all full-time and career seasonal employees
36 of the state, whether or not covered by civil service; elected and
37 appointed officials of the executive branch of government, including

1 full-time members of boards, commissions, or committees; and includes
2 any or all part-time and temporary employees under the terms and
3 conditions established under this chapter by the authority; justices of
4 the supreme court and judges of the court of appeals and the superior
5 courts; and members of the state legislature or of the legislative
6 authority of any county, city, or town who are elected to office after
7 February 20, 1970. "Employee" also includes: (a) Employees of a
8 county, municipality, or other political subdivision of the state if
9 the legislative authority of the county, municipality, or other
10 political subdivision of the state seeks and receives the approval of
11 the authority to provide any of its insurance programs by contract with
12 the authority, as provided in RCW 41.04.205 and 41.05.021(1)(g); (b)
13 employees of employee organizations representing state civil service
14 employees, at the option of each such employee organization, and,
15 effective October 1, 1995, employees of employee organizations
16 currently pooled with employees of school districts for the purpose of
17 purchasing insurance benefits, at the option of each such employee
18 organization; (c) employees of a school district or educational service
19 district, except that prior to September 1, 2011, only if the authority
20 agrees to provide any of the school districts' insurance programs by
21 contract with the authority as provided in RCW 28A.400.350; and (d)
22 employees of a tribal government, if the governing body of the tribal
23 government seeks and receives the approval of the authority to provide
24 any of its insurance programs by contract with the authority, as
25 provided in RCW 41.05.021(1) (f) and (g).

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

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

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

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

36 (c) Persons who separate from employment with a school district or
37 educational service district due to a total and permanent disability,

1 and are eligible to receive a deferred retirement allowance under
2 chapter 41.32, 41.35, or 41.40 RCW.

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

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

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

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

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

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

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

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

18 and who are at least age fifty-five and have at least ten years of
19 service under the teachers' retirement system plan 3 as defined in RCW
20 41.32.010(40), the Washington school employees' retirement system plan
21 3 as defined in RCW 41.35.010, or the public employees' retirement
22 system plan 3 as defined in RCW 41.40.010.

23 (14) "Emergency service personnel killed in the line of duty" means
24 law enforcement officers and firefighters as defined in RCW 41.26.030,
25 members of the Washington state patrol retirement fund as defined in
26 RCW 43.43.120, and reserve officers and firefighters as defined in RCW
27 41.24.010 who die as a result of injuries sustained in the course of
28 employment as determined consistent with Title 51 RCW by the department
29 of labor and industries.

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

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

35 (17) "Tribal government" means an Indian tribal government as
36 defined in section 3(32) of the employee retirement income security act
37 of 1974, as amended, or an agency or instrumentality of the tribal

1 government, that has government offices principally located in this
2 state.

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

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

13 (20) "Medical flexible spending arrangement" means a benefit plan
14 whereby state and public employees may reduce their salary before taxes
15 to pay for medical expenses not reimbursed by insurance as provided in
16 the salary reduction plan under this chapter pursuant to 26 U.S.C. Sec.
17 125 or other sections of the internal revenue code.

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

20 (1) The Washington state health care authority is created within
21 the executive branch. The authority shall have an administrator
22 appointed by the governor, with the consent of the senate. The
23 administrator shall serve at the pleasure of the governor. The
24 administrator may employ up to seven staff members, who shall be exempt
25 from chapter 41.06 RCW, and any additional staff members as are
26 necessary to administer this chapter. The administrator may delegate
27 any power or duty vested in him or her by this chapter, including
28 authority to make final decisions and enter final orders in hearings
29 conducted under chapter 34.05 RCW. The primary duties of the authority
30 shall be to: Administer state and school district employees' insurance
31 benefits and retired or disabled (~~school~~) employees' insurance
32 benefits; administer the basic health plan pursuant to chapter 70.47
33 RCW; study state-purchased health care programs in order to maximize
34 cost containment in these programs while ensuring access to quality
35 health care; implement state initiatives, joint purchasing strategies,
36 and techniques for efficient administration that have potential

1 application to all state-purchased health services; and administer
2 grants that further the mission and goals of the authority. The
3 authority's duties include, but are not limited to, the following:

4 (a) To administer health care benefit programs for state and school
5 district employees and retired or disabled state and school employees
6 as specifically authorized in RCW 41.05.065 and in accordance with the
7 methods described in RCW 41.05.075, 41.05.140, and other provisions of
8 this chapter;

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

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

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

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

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

26 (v) Development of data systems to obtain utilization data from
27 state-purchased health care programs in order to identify cost centers,
28 utilization patterns, provider and hospital practice patterns, and
29 procedure costs, utilizing the information obtained pursuant to RCW
30 41.05.031; and

31 (vi) In collaboration with other state agencies that administer
32 state purchased health care programs, private health care purchasers,
33 health care facilities, providers, and carriers:

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

37 (I) Reward improvements in health outcomes for individuals with

1 chronic diseases, increased utilization of appropriate preventive
2 health services, and reductions in medical errors; and

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

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

12 (I) Facilitate diagnosis or treatment;

13 (II) Reduce unnecessary duplication of medical tests;

14 (III) Promote efficient electronic physician order entry;

15 (IV) Increase access to health information for consumers and their
16 providers; and

17 (V) Improve health outcomes;

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

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

22 (d) To provide information and technical and administrative
23 assistance to the board;

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

30 (f) To review and approve or deny the application when the
31 governing body of a tribal government applies to transfer their
32 employees to an insurance or self-insurance program administered under
33 this chapter. In the event of an employee transfer pursuant to this
34 subsection (1)(f), members of the governing body are eligible to be
35 included in such a transfer if the members are authorized by the tribal
36 government to participate in the insurance program being transferred
37 from and subject to payment by the members of all costs of insurance
38 for the members. The authority shall: (i) Establish the conditions

1 for participation; (ii) have the sole right to reject the application;
2 and (iii) set the premium contribution for approved groups as outlined
3 in RCW 41.05.050. Approval of the application by the authority
4 transfers the employees and dependents involved to the insurance,
5 self-insurance, or health care program approved by the authority;

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

16 (h) To establish billing procedures and collect funds from school
17 districts in a way that minimizes the administrative burden on
18 districts;

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

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

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

31 (1) To adopt rules consistent with this chapter as described in RCW
32 41.05.160.

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

37 (a) Standardizing the benefit package;

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

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

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

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

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

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

29 (3) The contributions of any: (a) Department, division, or
30 separate agency of the state government; (b) county, municipal, or
31 other political subdivisions; and (c) any tribal government as are
32 covered by this chapter, shall be set by the authority, subject to the
33 approval of the governor for availability of funds as specifically
34 appropriated by the legislature for that purpose. Insurance and health
35 care contributions for ferry employees shall be governed by RCW
36 47.64.270.

1 (4)(a) Beginning September 1, 2003, the authority shall collect
2 from each participating school district and educational service
3 district an amount equal to the composite rate charged to state
4 agencies, plus an amount equal to the employee premiums by plan and
5 family size as would be charged to state employees(~~(, for groups of~~
6 ~~district employees enrolled in authority plans as of January 1, 2003.~~
7 ~~However, during the 2005-07 fiscal biennium, the authority shall~~
8 ~~collect from each participating school district and educational service~~
9 ~~district an amount equal to the insurance benefit allocations provided~~
10 ~~in section 504, chapter 518, Laws of 2005, plus any additional funding~~
11 ~~provided by the legislature for school employee health benefits, plus~~
12 ~~an amount equal to the employee premiums by plan and family size as~~
13 ~~would be charged to state employees, for groups of district employees~~
14 ~~enrolled in authority plans as of July 1, 2005.~~

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

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

30 ~~(d) The authority may charge districts a one-time set-up fee for~~
31 ~~employee groups enrolling in authority plans for the first time)). The~~
32 ~~authority may collect these amounts in accordance with the district~~
33 ~~fiscal year.~~

34 ~~((e)) (b) For the purposes of this subsection((+~~
35 ~~(i))), "district" means school district and educational service~~
36 ~~district((+and~~

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

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

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

9 (6) The authority shall explore opportunities to change the start
10 of the benefit year to September to accommodate the September 1, 2011,
11 merger of school districts and educational service districts.

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

14 (1) The board shall study all matters connected with the provision
15 of health care coverage, life insurance, liability insurance,
16 accidental death and dismemberment insurance, and disability income
17 insurance or any of, or a combination of, the enumerated types of
18 insurance for employees and their dependents on the best basis possible
19 with relation both to the welfare of the employees and to the state.
20 However, liability insurance shall not be made available to dependents.

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

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

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

29 (c) Wellness incentives that focus on proven strategies, such as
30 smoking cessation, injury and accident prevention, reduction of alcohol
31 misuse, appropriate weight reduction, exercise, automobile and
32 motorcycle safety, blood cholesterol reduction, and nutrition
33 education;

34 (d) Utilization review procedures including, but not limited to a
35 cost-efficient method for prior authorization of services, hospital
36 inpatient length of stay review, requirements for use of outpatient

1 surgeries and second opinions for surgeries, review of invoices or
2 claims submitted by service providers, and performance audit of
3 providers;

4 (e) Effective coordination of benefits;

5 (f) Minimum standards for insuring entities; and

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

17 (3) The board shall design benefits and determine the terms and
18 conditions of employee and retired employee participation and coverage,
19 including establishment of eligibility criteria subject to the
20 requirements of RCW 41.05.066. ~~((The same terms and conditions of
21 participation and coverage, including eligibility criteria, shall apply
22 to state employees and to school district employees and educational
23 service district employees.))~~ School districts and educational service
24 districts may contractually agree with the authority to benefits
25 eligibility criteria which differs from that determined by the board.

26 (4) The board may authorize premium contributions for an employee
27 and the employee's dependents in a manner that encourages the use of
28 cost-efficient managed health care systems. During the 2005-2007
29 fiscal biennium, the board may only authorize premium contributions for
30 an employee and the employee's dependents that are the same, regardless
31 of an employee's status as represented or nonrepresented by a
32 collective bargaining unit under the personnel system reform act of
33 2002. The board shall require participating school district and
34 educational service district employees to pay at least the same
35 employee premiums by plan and family size as state employees pay. A
36 school district or educational service district may collect additional
37 contributions from part-time employees not to exceed the cost of the
38 benefits provided to these employees.

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

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

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

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

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

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

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

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

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

17 (d) The public employees' benefits board and the health care
18 authority shall establish a technical advisory committee to provide
19 advice in the development of the benefit design and establishment of
20 underwriting guidelines and eligibility rules. The committee shall
21 also advise the board and authority on effective and cost-effective
22 ways to market and distribute the long-term care product. The
23 technical advisory committee shall be comprised, at a minimum, of
24 representatives of the office of the insurance commissioner, providers
25 of long-term care services, licensed insurance agents with expertise in
26 long-term care insurance, employees, retired employees(~~(7, retired~~
27 ~~school employees)~~), and other interested parties determined to be
28 appropriate by the board.

29 (e) The health care authority shall offer employees(~~(7)~~) and
30 retired employees(~~(7, and retired school employees)~~) the option of
31 purchasing long-term care insurance through licensed agents or brokers
32 appointed by the long-term care insurer. The authority, in
33 consultation with the public employees' benefits board, shall establish
34 marketing procedures and may consider all premium components as a part
35 of the contract negotiations with the long-term care insurer.

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

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

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

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