

# SENATE BILL REPORT

## SB 6516

---

---

As of February 1, 2012

**Title:** An act relating to plan year for the purposes of the public employees' benefits board.

**Brief Description:** Defining plan year for the purposes of the public employees' benefits board.

**Sponsors:** Senators Tom, Zarelli, Hobbs and Hatfield.

**Brief History:**

**Committee Activity:** Ways & Means: 2/01/12.

---

### SENATE COMMITTEE ON WAYS & MEANS

**Staff:** Erik Sund (786-7454)

**Background:** The Washington State Health Care Authority (HCA) is the state agency that purchases insurance benefits for state employees and retirees, school district employees and retirees, and local government employees and retirees. School districts and other political subdivisions have the option of purchasing benefits through the HCA, and must have the approval of the HCA to do so. The health plans offered by the HCA through the Public Employees' Benefits Board (PEBB) are offered on a calendar year basis, running from January 1 through December 31. Employee premium rates are also established by calendar year. A new employee may choose from any of the current plans at the time that the employee is hired. Current employees must choose their health plan for the coming year during an open enrollment period each November.

State funding for employee benefits is provided through a state employer funding rate, a flat amount per month that is included in each state agency's base funding for each employee working half-time or more. A state agency must pay to the HCA that same flat amount for each eligible employee. The state employer funding rate is established for each state fiscal year, which runs from July 1 through June 30. The rate for Fiscal Year 2012 is \$850 per employee per month. For state employees who are represented by a labor union, the amount of funding provided by the state for health benefits is subject to collective bargaining. Current labor contracts specify the average share of premium costs that the state must pay rather than a specific state employer funding rate. Labor contracts for state employees are generally valid for two fiscal years. By statute, state employee labor contracts must be submitted to the Office of Financial Management (OFM) by the October 1 prior to the start of each fiscal biennium and be certified to be financially feasible by the Director of OFM in

---

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

order to be included in the Governor's budget proposal. The Legislature must approve or reject the Governor's request for funding for the labor contracts as a whole, including the funding for health benefits.

**Summary of Bill:** After June 30, 2013, the health plans offered by the Health Care Authority (HCA) through the Public Employees' Benefits Board (PEBB) must be operated concurrently with the state fiscal year running from July 1 through June 30, rather than the calendar year running from January 1 through December 31. The PEBB may establish a six-month plan beginning January 1, 2013, in order to facilitate the transition.

**Appropriation:** None.

**Fiscal Note:** Requested on January 31, 2012.

**Committee/Commission/Task Force Created:** No.

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

**Staff Summary of Public Testimony:** OTHER: We like the general concept of this bill. If all it accomplished was the alignment of the PEBB plan years with the state's fiscal years, we would support it without reservation. However, changing the PEBB plan year to something other than the regular calendar year would pose serious problems for the HCA's administration of Flexible Spending Accounts and Health Savings Accounts. This bill solves one problem but creates another.

**Persons Testifying:** OTHER: Greg Deveraux, WA Federation of State Employees.