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SENATE BILL 5940

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State of Washington                      62nd Legislature                      2011 Regular Session

By Senators Hobbs, Ericksen, Keiser, Tom, Kastama, and Zarelli

Read first time 04/14/11. Referred to Committee on Ways & Means.

1            AN ACT Relating to implementation of reforms to school employee  
2 benefits purchasing consistent with recommendations of the state  
3 auditor's performance review; amending RCW 28A.400.280; creating new  
4 sections; providing an effective date; and declaring an emergency.

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

6            NEW SECTION.    **Sec. 1.**    (1) The state auditor's office completed a  
7 performance review of school employee benefits purchasing and found the  
8 system is fragmented, with two hundred ninety-five school districts  
9 purchasing more than two hundred different medical plans offered  
10 through ten different insurance companies and more than one thousand  
11 separate benefits-funding bargaining pools. The state and school  
12 districts spent one billion two hundred million dollars on benefits in  
13 the 2009-10 school year, with over seven hundred eighty million dollars  
14 coming from the state, and the balance from school districts and  
15 employees. Over one-half of all state school employees are not  
16 required to contribute toward the cost of single coverage, while the  
17 balance of employees purchasing dependent coverage are burdened with  
18 significant out-of-pocket expenses due to the distribution of the  
19 funding. The auditor's review recommended policy options to improve

1 benefit delivery and efficiency in the purchasing. Recommendations  
2 include streamlining funding of health benefits, restructuring the  
3 health benefits system with a uniform statewide approach, transitioning  
4 to a standardized benefit package, restructuring local funding pools  
5 for stability, and establishing a new governance structure.

6 (2) The legislature finds the transition of school employee  
7 benefits can provide efficiencies and offer savings to the state, local  
8 school districts, and many employees. The transition to a uniform  
9 statewide approach is a significant shift and should be done gradually  
10 to minimize disruption. It is therefore the intent of the legislature  
11 to set in motion the transition and implementation planning for a new  
12 K-12 employee benefits administration and governance structure,  
13 allowing voluntary participation with incentives to transition into the  
14 statewide pool beginning with the September 2012-13 school year.

15 NEW SECTION. **Sec. 2.** (1) The office of the superintendent of  
16 public instruction shall establish interagency agreements with the  
17 state health care authority, the office of the insurance commissioner,  
18 and the office of financial management, to provide a system allowing  
19 for voluntary enrollment in a new statewide K-12 employees' health  
20 benefits pool, beginning with the 2012-13 school year.

21 (2) Beginning July 1, 2011, the office of the superintendent of  
22 public instruction, in collaboration with the health care authority,  
23 the office of financial management, and the insurance commissioner's  
24 office, shall convene a technical working group on K-12 employee  
25 benefits, to recommend the details of the implementation of the  
26 voluntary statewide pool, create the infrastructure for the new pool,  
27 and develop recommendations to the legislature for standardizing  
28 benefit packages and purchasing efforts and achieving full  
29 implementation of a statewide pool.

30 (3) The initial consolidated pool for the 2012-13 school year shall  
31 be structured to attract a minimum of five thousand employees but allow  
32 no more than sixteen thousand employees to enroll in the first year.  
33 All enrollment decisions must be made by school district, by entire  
34 bargaining unit, or by entire group of nonrepresented employees. The  
35 state health benefit allocations provide an incentive to participate in  
36 the new pool and a disincentive for nonparticipants. As the savings  
37 from the combination of standardized benefit packages and improved

1 purchasing are realized, the pool must be opened further to allow  
2 enrollment to increase, within the budget limitations. The new  
3 statewide pool is expected to be separate from the public employees  
4 benefits board but staffing and administration for benefits purchasing  
5 shall be provided by the health care authority. The new K-12 pool  
6 shall operate on a schedule that coordinates with the financing and  
7 enrollment schedule used for school districts.

8 (4) In addition to any other details the technical working group  
9 deems necessary, the technical working group shall make recommendations  
10 on the following:

11 (a) Approaches for implementing the transition to a statewide pool,  
12 including administrative and statutory changes necessary to ensure a  
13 successful transition;

14 (b) Standardizing the benefit plans in a manner that seeks to  
15 maximize funding and equity for all school employees;

16 (c) Consolidating the purchasing and budget accountability for  
17 school employee benefits to maximize administrative efficiency and  
18 leverage existing skills and resources;

19 (d) The structure of a permanent governing group to provide ongoing  
20 oversight to the consolidated pool, in a manner similar to the public  
21 employees benefits board functions for employee health benefits,  
22 including statutory duties and authorities of the board; and

23 (e) Options for further implementation and expansion of the  
24 statewide pool and any statutory changes needed for the full  
25 transition, including changes to the public employees benefits risk  
26 pools, the movement of school employee retirees into the new K-12 pool  
27 or pools, and the potential movement of educational service district  
28 employees into the new K-12 pool or pools.

29 (5) The technical working group shall include representatives of  
30 the office of the superintendent of public instruction, the Washington  
31 education association, the Washington association of school  
32 administrators, the association of Washington school principals, the  
33 Washington state school directors' association, the public school  
34 employees of Washington, and other interested stakeholders with  
35 appropriate expertise in benefit purchasing and administration. The  
36 working group may convene advisory subgroups on specific topics as  
37 necessary to assure participation and input from a broad array of  
38 diverse stakeholders. Staff support for the working group shall be

1 provided by the office of the superintendent of public instruction, the  
2 health care authority, and the office of insurance commissioner, as  
3 detailed in the interagency agreements.

4 (6) The working group shall make an initial report to the  
5 legislature by December 1, 2011, and shall include in its report  
6 recommendations for whether additional further work of the group is  
7 necessary.

8 **Sec. 3.** RCW 28A.400.280 and 1990 1st ex.s. c 11 s 6 are each  
9 amended to read as follows:

10 (1) Except as provided in subsection (2) of this section, school  
11 districts may provide employer fringe benefit contributions after  
12 October 1, 1990, only for basic benefits. However, school districts  
13 may continue payments under contracts with employees or benefit  
14 providers in effect on April 13, 1990, until the contract expires.

15 (2) School districts may provide employer contributions after  
16 October 1, 1990, for optional benefit plans, in addition to basic  
17 benefits, only for employees included in pooling arrangements under  
18 this subsection. Beginning with the 2012-13 school year, school  
19 districts shall provide a maximum of two employee pooling arrangements  
20 for the entire district, ensuring employees have a pool of sufficient  
21 size to share employer funding contributions equitably. Optional  
22 benefit plans may not include employee beneficiary accounts that can be  
23 liquidated by the employee on termination of employment. Optional  
24 benefit plans may be offered only if:

25 (a) The school district pools benefit allocations among employees  
26 using a pooling arrangement that includes at least one employee  
27 bargaining unit and/or all nonbargaining group employees;

28 (b) Each full-time employee included in the pooling arrangement is  
29 offered basic benefits, including coverage for dependents, without a  
30 payroll deduction for premium charges;

31 (c) Each full-time employee included in the pooling arrangement,  
32 regardless of the number of dependents receiving basic coverage,  
33 receives the same additional employer contribution for other coverage  
34 or optional benefits; and

35 (d) For part-time employees included in the pooling arrangement,  
36 participation in optional benefit plans shall be governed by the same

1 eligibility criteria and/or proration of employer contributions used  
2 for allocations for basic benefits.

3 (3) Savings accruing to school districts due to limitations on  
4 benefit options under this section shall be pooled and made available  
5 by the districts to reduce out-of-pocket premium expenses for employees  
6 needing basic coverage for dependents. School districts are not  
7 intended to divert state benefit allocations for other purposes.

8 NEW SECTION. **Sec. 4.** This act is necessary for the immediate  
9 preservation of the public peace, health, or safety, or support of the  
10 state government and its existing public institutions, and takes effect  
11 July 1, 2011.

12 NEW SECTION. **Sec. 5.** If specific funding for the purposes of this  
13 act, referencing this act by bill or chapter number, is not provided by  
14 June 30, 2011, in the omnibus appropriations act, this act is null and  
15 void.

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