

SENATE BILL REPORT

ESSB 5905

As Passed Senate, April 22, 2013

Title: An act relating to modifying employee eligibility for health insurance benefits consistent with the employer shared responsibility provisions of the patient protection and affordable care act.

Brief Description: Establishing state employee eligibility for insurance benefits consistent with the employer shared responsibility provisions of the patient protection and affordable care act.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Hill and Hargrove).

Brief History:

Committee Activity: Ways & Means: 4/10/13, 4/11/13 [DPS, DNP].

Passed Senate: 4/22/13, 25-23.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 5905 be substituted therefor, and the substitute bill do pass.

Signed by Senators Hill, Chair; Baumgartner, Vice Chair; Honeyford, Capital Budget Chair; Hargrove, Ranking Member; Bailey, Becker, Braun, Dammeier, Hatfield, Hewitt, Parlette, Rivers, Schoesler and Tom.

Minority Report: Do not pass.

Signed by Senators Nelson, Assistant Ranking Member; Conway, Fraser, Hasegawa, Keiser, Kohl-Welles and Ranker.

Staff: Pete Cutler (786-7474)

Background: The 2010 federal Affordable Care Act makes many changes to the health insurance market intended to make health insurance more available and affordable, especially for low-income individuals. Beginning January 1, 2014, the new marketplace for health insurance in Washington state will include the following:

- a health benefit exchange to enable consumers to compare qualified health insurance options to find the plan that best meets their needs and budget;

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- a requirement that plans offered on the exchange include coverage for all essential health benefits;
- federal tax credits to make health insurance premiums more affordable for individuals whose income is below 400 percent of the federal poverty level and who do not have access to an employer-provided health plan;
- federal subsidies to reduce out-of-pocket medical expenses for persons with incomes below 250 percent of the federal poverty level and who do not have access to an employer-provided health plan; and
- a requirement that employers with more than 50 full-time employees offer a health benefit plan to all their full-time employees or pay a shared-responsibility penalty.

Federal regulations generally define full-time employees as those who work at least 30 hours per week, or 130 hours per month and make tax credits and subsidies available only to individuals who do not have the option of being covered by an affordable employer health plan. The tax credits establish the maximum premium cost that varies by income and family composition as such:

- for an individual at 200 percent of the federal poverty guideline, \$22,980 per year, the maximum premium payment is 6.3 percent of household income, or \$121; at 400 percent of the federal poverty guideline, \$45,960 per year, it is 9.5 percent of income, or \$364.
- for a family of four at 200 percent of the federal poverty guideline, \$47,100 per year, the maximum premium payment is 6.3 percent of household income, or \$247; at 400 percent of the federal poverty guideline, \$94,200 per year, it is 9.5 percent of income, or \$746.
- Only persons who do not have the option of being covered by an employer health plan are eligible for the premium tax credits and out-of-pocket cost subsidies.

For K-12 school district employees, eligibility for health insurance coverage is bargained at the local level. The state allocates more than \$800 million annually to school districts for employee insurance benefits; about \$248 million of that amount is for classified employees. A majority of classified employees have part-time positions and earn less than 400 percent of the federal poverty guideline. Most certificated employees have full-time positions. State agency and higher education employee eligibility for insurance benefits through the Public Employees Benefits Board (PEBB) plans is established in statute. The current PEBB eligibility rules generally provide coverage for persons employed at least 80 hours per month for more than six months. The state pays the same monthly contribution to the PEBB fund, currently \$800 per month, for part-time and full-time, PEBB-eligible employees.

Summary of Engrossed Substitute Bill: The Legislature establishes the following goals:

- for school districts and the state to take advantage of the federal Affordable Care Act, including the Washington health benefits exchange, premium tax credits, and subsidies, to make more affordable health benefit plans available to part-time school district and state employees;
- to provide more affordable options for full family health benefits coverage for low-income, part-time employees;
- to dedicate a portion of the savings resulting from part-time employees obtaining coverage and tax credits through the exchange as a source of funding for school

- districts and the state to reimburse premium or out-of-pocket costs, or for compensation increases, for those employees; and
- to redirect a portion of the savings from reduced state spending for school district, state agency, and higher education part-time employees' health benefits to other public school needs.

Beginning with the 2013-14 school year, school districts must identify opportunities for using the health plans, premium credits, and subsidies available through the Washington health benefit exchange to provide affordable health insurance benefits for part-time employees. From funding provided in the biennial appropriations act and other funding sources, school districts must establish compensation arrangements to reimburse a portion of premium or out-of-pocket costs of part-time employees who obtain health insurance coverage through the exchange. Such compensation may be provided in such amount and such form as the school district determines will best promote the legislative goals.

The eligibility standard for state agency and higher education employee coverage in PEBB is changed beginning January 1, 2014 to be the same as the definition of full-time employee in the employer shared-responsibility provisions of the federal Affordable Care Act and related regulations. Beginning January 1, 2014, from funding provided in the biennial appropriation act, the Health Care Authority (HCA) must establish and administer a compensation arrangement to reimburse a portion of the premium or out-of-pocket costs of part-time state agency and higher education institution employees who obtain health insurance coverage through the Washington health benefit exchange. Part-time employees who are expected to be employed for at least six months for at least 80 hours per month are made eligible for the reimbursement benefit administered by HCA. HCA may adopt rules consistent with the legislative goals to implement the benefit.

The current PEBB eligibility criteria remains in place through December 31, 2013. Part-time state agency and higher education positions that are half time or greater are made eligible for PEBB coverage through collective bargaining. The Office of Financial Management may make part-time positions that are half time or greater and not covered by a collective bargaining agreement eligible for PEBB coverage.

Appropriation: None.

Fiscal Note: Requested on April 12, 2013.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony as Heard in Committee: CON: There is still much that is not known about the health plan benefits, premium costs, eligibility for premium tax credits, and other aspects of the health insurance exchanges. The benefit designs and costs will not be known for several months. While some part-time employees might benefit from the exchange, many will not. Part-time employees should be able to keep their current benefits and costs, it is only fair. Sometimes employees go to part-time status as a result of agency budget reductions; this could greatly increase the cost of coverage for persons who

agreed to reduce their hours. The Affordable Care Act was not intended to provide coverage for part-time employees as a substitute for employer-provided coverage. Not all employees work full-time – it is to the advantage of hospitals like Harborview to have nurses who work part time, for busy periods. The state health insurance benefits are a major recruitment tool for nurses and other part-time state jobs. We know many low-paid, part-time state and school district employees are currently uninsured or underinsured; participating in the exchange might be a win-win opportunity, but we are opposed to the current bill because it would make a mandatory global change in eligibility and would strand some employees without affordable health benefits. We support encouraging voluntary migration – removing obstacles and investing resources in outreach and education to help part-time employees understand the options provided by the exchange. There is a germ of a good idea behind the bill but it is premature – there are many complexities that must be considered. For example, under current state eligibility rules, community college faculty who work at multiple schools can combine their hours to be eligible for insurance benefits; it is not clear whether they would be able to do so under the federal regulations. The state should hold off on making big changes now – funding should not be reduced for part-time, classified school district employees until there is certainty that the employees are getting better and more affordable coverage from the exchange.

Persons Testifying: CON: Michael Bryant, Greg Devereux, WA Federation of State Employees; Ellie Menzies, Service Employees International Union (SEIU) 1199NW; Doug Nelson, Public School Employees/SEIU 1948; Vince Oliveri, Professional and Technical Employees, Local 17; Randy Parr, WA Education Assn.; Lonnie Todd, SEIU 925; Steve Hodes, citizen.