

SSB 5976 - S AMD 273
By Senator Litzow

1 Strike everything after the enacting clause and insert the
2 following:

3 "NEW SECTION. **Sec. 1.** The legislature finds that:

4 (1) Each year, nearly one billion dollars in public funds are
5 spent on the purchase of employee insurance benefits for more than
6 two hundred thousand public school employees and their dependents;

7 (2) The purchase of such benefits is fragmented among two hundred
8 ninety-five local school districts and nine educational services
9 districts. Each district combines state funds received with local
10 levy moneys, federal funds, and other revenue sources to provide
11 insurance benefits either directly or through more than seven hundred
12 health plans offered by insurance carriers. This approach results in
13 expensive inefficiencies due to duplication of effort, fragmentation
14 of pools, and reduced market leverage for purchasing such benefits;

15 (3) There is a lack of transparency on how funds appropriated for
16 school employee benefits are used. The legislature is unable to
17 exercise appropriate oversight over the disposition of state funds
18 due to this lack of transparency; and

19 (4) Despite the past legislature's intent that school districts
20 pool state benefit allocations for the purpose of eliminating major
21 differences in out-of-pocket premium expenses for employees who do
22 and do not need coverage for dependents, current practices are
23 inconsistent with the stated intent. School districts and collective
24 bargaining agreements often place an unfair burden on employees with
25 dependents by requiring them to pay very large premium costs for
26 dependent coverage while imposing little or no premium charges on
27 employees purchasing employee-only coverage.

28 NEW SECTION. **Sec. 2.** The legislature intends to establish a
29 consolidated system for purchasing insurance benefits for school
30 employees and their dependents that:

31 (1) Assures equitable access to quality and affordable health
32 benefits for all eligible employees and their eligible dependents by

1 reducing variation in premium expenses for employees who do and do
2 not need coverage for dependents;

3 (2) Improves transparency of financial data to assure prudent and
4 efficient use of taxpayers' funds;

5 (3) Assures cost-effectiveness through pooling of small groups,
6 leveraged purchasing, administrative simplification, and efficient
7 utilization of resources to minimize duplication and rework;

8 (4) Ensures accountability to the taxpayers through timely use of
9 a competitive bidding process, consistent with procurement
10 requirements for the state, for the purchase of benefit plans from
11 the private insurance market;

12 (5) Enables shared responsibility through state, school district,
13 and employee participation in purchasing system governance and
14 statewide collective bargaining; and

15 (6) Retains local collective bargaining for benefits not
16 otherwise addressed in statewide collective bargaining or through the
17 board which includes representatives of school employee unions.

18 NEW SECTION. **Sec. 3.** A new section is added to chapter 41.05
19 RCW to read as follows:

20 (1) The school employees' benefits board is created within the
21 authority. The function of the board is to design and approve
22 insurance benefit plans for school employees and to establish
23 eligibility criteria for participation in insurance benefit plans.

24 (2) By September 30, 2015, the governor shall appoint the
25 following voting members to the board as follows:

26 (a) Two members from associations representing certificated
27 employees;

28 (b) Two members from associations representing classified
29 employees;

30 (c) Four members with expertise in employee health benefits
31 policy and administration, one of which is nominated by an
32 association representing school business officials; and

33 (d) The director of the authority or his or her designee.

34 (3) Initial members of the board shall serve staggered terms not
35 to exceed four years. Members appointed thereafter shall serve two-
36 year terms.

37 (4) Members of the board must be compensated in accordance with
38 RCW 43.03.250 and must be reimbursed for their travel expenses while
39 on official business in accordance with RCW 43.03.050 and 43.03.060.

1 (5) The director of the authority or his or her designee shall be
2 the chair and another member shall be selected by the board as vice
3 chair. The chair shall conduct meetings of the board. The vice chair
4 shall preside over meetings in the absence of the chair. The board
5 shall develop bylaws for the conduct of its business.

6 (6) The board shall:

7 (a) Study all matters connected with the provision of health
8 benefit plan coverage for eligible employees and their dependents on
9 the best basis possible with regard to the welfare of the employees;

10 (b) Develop employee benefit plans that include comprehensive,
11 evidence-based health care benefits for employees. In developing
12 these plans, the board shall consider the following elements:

13 (i) Methods of maximizing cost containment while ensuring access
14 to quality health care;

15 (ii) Development of provider arrangements that encourage cost
16 containment and ensure access to quality care, including, but not
17 limited to, prepaid delivery systems and prospective payment methods;

18 (iii) Wellness, preventive care, chronic disease management, and
19 other incentives that focus on proven strategies;

20 (iv) Utilization review procedures to support cost-effective
21 benefits delivery;

22 (v) Ways to leverage efficient purchasing by coordinating with
23 the public employees' benefits board;

24 (vi) Effective coordination of benefits; and

25 (vii) Minimum standards for insuring entities;

26 (c) Authorize premium contributions for an employee and the
27 employee's dependents in a manner that encourages the use of cost-
28 efficient health care systems.

29 (i) For full-time employees, the required employee contribution
30 for family coverage under a plan may not exceed three times the
31 required employee contribution for employee-only coverage.

32 (ii) Employer contributions for health benefits coverage for
33 part-time employees shall be pro-rated based on the percentage of a
34 full-time equivalent position worked by the employee;

35 (d) Determine the terms and conditions of employee and dependent
36 eligibility criteria, enrollment policies, and scope of coverage. At
37 a minimum, the eligibility criteria established by the board shall
38 address the following:

39 (i) The effective date of coverage following hire;

1 (ii) An employee must work at least one-half of a full-time
2 equivalent position to qualify for coverage; and

3 (iii) Coverage for dependents, including criteria for legal
4 spouses; children up to age twenty-six; children of any age with
5 disabilities, mental illness, or intellectual or other developmental
6 disabilities; and state registered domestic partners, as defined in
7 RCW 26.60.020, and others authorized by the legislature;

8 (e) Determine the terms and conditions of purchasing system
9 participation, consistent with this act, including establishment of
10 criteria for employing agencies and individual employees;

11 (f) Establish penalties to be imposed when the employing agency
12 fails to comply with established participation criteria; and

13 (g) Participate with the authority in the preparation of
14 specifications and selection of carriers contracted for health and
15 dental benefit plan coverage of eligible employees in accordance with
16 the criteria set forth in rules. To the extent possible, the board
17 shall leverage efficient purchasing by coordinating with the public
18 employees' benefits board.

19 (7) In carrying out its duties under subsection (6)(b) through
20 (g) of this section, the goal of the school employees benefits board
21 is to provide high quality health, dental, and other benefit plans
22 for eligible employees and their eligible dependents at a cost
23 affordable to the districts, the employees, and the taxpayers of
24 Washington.

25 (8) The school employees benefits board may establish standing
26 committees and ad hoc work groups to conduct research, engage
27 stakeholders, and make recommendations that support the work of the
28 board.

29 (9) By November 30, 2020, the authority shall review the benefit
30 plans provided through the school employees benefits board, complete
31 an analysis of the benefits provided and the administration of the
32 benefits plans, and determine whether provisions in this act have
33 resulted in cost savings to the state. The authority shall submit a
34 report to the relevant legislative policy and fiscal committees
35 summarizing the results of the review and analysis.

36 **Sec. 4.** RCW 41.05.011 and 2013 c 2 s 306 are each amended to
37 read as follows:

38 The definitions in this section apply throughout this chapter
39 unless the context clearly requires otherwise.

- 1 (1) "Authority" means the Washington state health care authority.
- 2 (2) "Board" means the public employees' benefits board
3 established under RCW 41.05.055.
- 4 (3) "Dependent care assistance program" means a benefit plan
5 whereby state (~~and public~~) employees may pay for certain employment
6 related dependent care with pretax dollars as provided in the salary
7 reduction plan under this chapter pursuant to 26 U.S.C. Sec. 129 or
8 other sections of the internal revenue code.
- 9 (4) "Director" means the director of the authority.
- 10 (5) "Emergency service personnel killed in the line of duty"
11 means law enforcement officers and firefighters as defined in RCW
12 41.26.030, members of the Washington state patrol retirement fund as
13 defined in RCW 43.43.120, and reserve officers and firefighters as
14 defined in RCW 41.24.010 who die as a result of injuries sustained in
15 the course of employment as determined consistent with Title 51 RCW
16 by the department of labor and industries.
- 17 (6)(a) "Employee" for the public employees' benefits board
18 program includes all employees of the state, whether or not covered
19 by civil service; elected and appointed officials of the executive
20 branch of government, including full-time members of boards,
21 commissions, or committees; justices of the supreme court and judges
22 of the court of appeals and the superior courts; and members of the
23 state legislature. Pursuant to contractual agreement with the
24 authority, "employee" may also include: ((+a)) (i) Employees of a
25 county, municipality, or other political subdivision of the state and
26 members of the legislative authority of any county, city, or town who
27 are elected to office after February 20, 1970, if the legislative
28 authority of the county, municipality, or other political subdivision
29 of the state seeks and receives the approval of the authority to
30 provide any of its insurance programs by contract with the authority,
31 as provided in RCW 41.04.205 and 41.05.021(1)(g); ((+b)) (ii)
32 employees of employee organizations representing state civil service
33 employees, at the option of each such employee organization(~~, and,~~
34 ~~effective October 1, 1995, employees of employee organizations~~
35 ~~currently pooled with employees of school districts for the purpose~~
36 ~~of purchasing insurance benefits, at the option of each such employee~~
37 ~~organization;~~ (c)); (iii) through December 31, 2016, employees of a
38 school district if the authority agrees to provide any of the school
39 districts' insurance programs by contract with the authority as
40 provided in RCW 28A.400.350; ((+d)) (iv) employees of a tribal

1 government, if the governing body of the tribal government seeks and
2 receives the approval of the authority to provide any of its
3 insurance programs by contract with the authority, as provided in RCW
4 41.05.021(1) (f) and (g); ~~((+e))~~ (v) employees of the Washington
5 health benefit exchange if the governing board of the exchange
6 established in RCW 43.71.020 seeks and receives approval of the
7 authority to provide any of its insurance programs by contract with
8 the authority, as provided in RCW 41.05.021(1) (g) and (n); and
9 ~~((+f))~~ (vi) employees of a charter school established under chapter
10 28A.710 RCW. "Employee" does not include: Adult family homeowners;
11 unpaid volunteers; patients of state hospitals; inmates; employees of
12 the Washington state convention and trade center as provided in RCW
13 41.05.110; students of institutions of higher education as determined
14 by their institution; and any others not expressly defined as
15 employees under this chapter or by the authority under this chapter.

16 (b) Effective January 1, 2017, "employee" for the school
17 employees' benefits board program includes all employees of school
18 districts and educational service districts.

19 (7) "Employee group" means employees of a similar employment
20 type, such as administrative, represented classified, nonrepresented
21 classified, confidential, represented certificated, or nonrepresented
22 certificated, within a school district.

23 (8)(a) "Employer" for the public employees' benefits board
24 program means the state of Washington.

25 (b) "Employer" for the school employees' benefits board program
26 means school districts and educational service districts.

27 ~~((+8))~~ (9)(a) "Employing agency" for the public employees'
28 benefits board program means a division, department, or separate
29 agency of state government, including an institution of higher
30 education; a county, municipality, ~~((school district, educational~~
31 ~~service district,))~~ or other political subdivision; charter school;
32 and a tribal government covered by this chapter.

33 ~~((+9))~~ (b) "Employing agency" for the school employees' benefits
34 board program means school districts and educational service
35 districts.

36 (10) "Faculty" means an academic employee of an institution of
37 higher education whose workload is not defined by work hours but
38 whose appointment, workload, and duties directly serve the
39 institution's academic mission, as determined under the authority of

1 its enabling statutes, its governing body, and any applicable
2 collective bargaining agreement.

3 ~~((10))~~ (11) "Flexible benefit plan" means a benefit plan that
4 allows employees to choose the level of health care coverage provided
5 and the amount of employee contributions from among a range of
6 choices offered by the authority.

7 ~~((11))~~ (12) "Insuring entity" means an insurer as defined in
8 chapter 48.01 RCW, a health care service contractor as defined in
9 chapter 48.44 RCW, or a health maintenance organization as defined in
10 chapter 48.46 RCW.

11 ~~((12))~~ (13) "Medical flexible spending arrangement" means a
12 benefit plan whereby state ~~((and public))~~ employees may reduce their
13 salary before taxes to pay for medical expenses not reimbursed by
14 insurance as provided in the salary reduction plan under this chapter
15 pursuant to 26 U.S.C. Sec. 125 or other sections of the internal
16 revenue code.

17 ~~((13))~~ (14) "Participant" means an individual who fulfills the
18 eligibility and enrollment requirements under the salary reduction
19 plan.

20 ~~((14))~~ (15) "Plan year" means the time period established by
21 the authority.

22 ~~((15))~~ (16) "Premium payment plan" means a benefit plan whereby
23 state and public employees may pay their share of group health plan
24 premiums with pretax dollars as provided in the salary reduction plan
25 under this chapter pursuant to 26 U.S.C. Sec. 125 or other sections
26 of the internal revenue code.

27 ~~((16))~~ (17) "Retired or disabled school employee" means:

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

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

35 (c) Persons who separate from employment with a school district,
36 educational service district, or charter school due to a total and
37 permanent disability, and are eligible to receive a deferred
38 retirement allowance under chapter 41.32, 41.35, or 41.40 RCW.

39 ~~((17))~~ (18) "Salary" means a state employee's monthly salary or
40 wages.

1 ~~((18))~~ (19) "Salary reduction plan" means a benefit plan
2 whereby state and public employees may agree to a reduction of salary
3 on a pretax basis to participate in the dependent care assistance
4 program, medical flexible spending arrangement, or premium payment
5 plan offered pursuant to 26 U.S.C. Sec. 125 or other sections of the
6 internal revenue code.

7 ~~((19))~~ (20) "School employees' benefits board" means the board
8 established in section 3 of this act.

9 (21) "School employees' benefits board participating
10 organization" means a public school district or educational service
11 district that participates in benefit plans provided by the school
12 employees' benefits board.

13 (22) "Seasonal employee" means ~~((an))~~ a state employee hired to
14 work during a recurring, annual season with a duration of three
15 months or more, and anticipated to return each season to perform
16 similar work.

17 ~~((20))~~ (23) "Separated employees" means persons who separate
18 from employment with an employer as defined in:

- 19 (a) RCW 41.32.010(17) on or after July 1, 1996; or
20 (b) RCW 41.35.010 on or after September 1, 2000; or
21 (c) RCW 41.40.010 on or after March 1, 2002;

22 and who are at least age fifty-five and have at least ten years of
23 service under the teachers' retirement system plan 3 as defined in
24 RCW 41.32.010(33), the Washington school employees' retirement system
25 plan 3 as defined in RCW 41.35.010, or the public employees'
26 retirement system plan 3 as defined in RCW 41.40.010.

27 ~~((21))~~ (24) "State purchased health care" or "health care"
28 means medical and health care, pharmaceuticals, and medical equipment
29 purchased with state and federal funds by the department of social
30 and health services, the department of health, the basic health plan,
31 the state health care authority, the department of labor and
32 industries, the department of corrections, the department of veterans
33 affairs, and local school districts.

34 ~~((22))~~ (25) "Tribal government" means an Indian tribal
35 government as defined in section 3(32) of the employee retirement
36 income security act of 1974, as amended, or an agency or
37 instrumentality of the tribal government, that has government offices
38 principally located in this state.

1 **Sec. 5.** RCW 41.05.021 and 2012 c 87 s 23 are each amended to
2 read as follows:

3 (1) The Washington state health care authority is created within
4 the executive branch. The authority shall have a director appointed
5 by the governor, with the consent of the senate. The director shall
6 serve at the pleasure of the governor. The director may employ a
7 deputy director, and such assistant directors and special assistants
8 as may be needed to administer the authority, who shall be exempt
9 from chapter 41.06 RCW, and any additional staff members as are
10 necessary to administer this chapter. The director may delegate any
11 power or duty vested in him or her by law, including authority to
12 make final decisions and enter final orders in hearings conducted
13 under chapter 34.05 RCW. The primary duties of the authority shall be
14 to: Administer (~~((state employees'))~~) insurance benefits (~~((and))~~) for
15 state employees, retired or disabled state and school employees, and
16 subject to school employees' benefits board direction, school
17 employees(~~((insurance benefits))~~); administer the basic health plan
18 pursuant to chapter 70.47 RCW; administer the children's health
19 program pursuant to chapter 74.09 RCW; study state purchased health
20 care programs in order to maximize cost containment in these programs
21 while ensuring access to quality health care; implement state
22 initiatives, joint purchasing strategies, and techniques for
23 efficient administration that have potential application to all
24 state-purchased health services; and administer grants that further
25 the mission and goals of the authority. The authority's duties
26 include, but are not limited to, the following:

27 (a) To administer health care benefit programs for state
28 employees ((and)), retired or disabled state and school employees,
29 and subject to school employees' benefits board direction, school
30 employees as specifically authorized in RCW 41.05.065 and section 3
31 of this act and in accordance with the methods described in RCW
32 41.05.075, 41.05.140, and other provisions of this chapter;

33 (b) To analyze state purchased health care programs and to
34 explore options for cost containment and delivery alternatives for
35 those programs that are consistent with the purposes of those
36 programs, including, but not limited to:

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

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

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

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

10 (v) Development of data systems to obtain utilization data from
11 state purchased health care programs in order to identify cost
12 centers, utilization patterns, provider and hospital practice
13 patterns, and procedure costs, utilizing the information obtained
14 pursuant to RCW 41.05.031; and

15 (vi) In collaboration with other state agencies that administer
16 state purchased health care programs, private health care purchasers,
17 health care facilities, providers, and carriers:

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

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

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

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

33 (I) Facilitate diagnosis or treatment;

34 (II) Reduce unnecessary duplication of medical tests;

35 (III) Promote efficient electronic physician order entry;

36 (IV) Increase access to health information for consumers and
37 their providers; and

38 (V) Improve health outcomes;

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

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

6 (d) To provide information and technical and administrative
7 assistance to the board and the school employees' benefits board;

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

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

29 (g) To ensure the continued status of the employee insurance or
30 self-insurance programs administered under this chapter as a
31 governmental plan under section 3(32) of the employee retirement
32 income security act of 1974, as amended, the authority shall limit
33 the participation of employees of a county, municipal, school
34 district, educational service district, or other political
35 subdivision, the Washington health benefit exchange, or a tribal
36 government, including providing for the participation of those
37 employees whose services are substantially all in the performance of
38 essential governmental functions, but not in the performance of
39 commercial activities;

1 (h) To establish billing procedures and collect funds from school
2 districts in a way that minimizes the administrative burden on
3 districts;

4 (i) Through December 31, 2016, to publish and distribute to
5 nonparticipating school districts and educational service districts
6 by October 1st of each year a description of health care benefit
7 plans available through the authority and the estimated cost if
8 school districts and educational service district employees were
9 enrolled;

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

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

17 (l) To adopt rules consistent with this chapter as described in
18 RCW 41.05.160 including, but not limited to:

19 (i) Setting forth the criteria established by the board under RCW
20 41.05.065, and by the school employees' benefits board under section
21 3 of this act, for determining whether an employee is eligible for
22 benefits;

23 (ii) Establishing an appeal process in accordance with chapter
24 34.05 RCW by which an employee may appeal an eligibility
25 determination;

26 (iii) Establishing a process to assure that the eligibility
27 determinations of an employing agency comply with the criteria under
28 this chapter, including the imposition of penalties as may be
29 authorized by the board or the school employees benefits board;

30 (m)(i) To administer the medical services programs established
31 under chapter 74.09 RCW as the designated single state agency for
32 purposes of Title XIX of the federal social security act;

33 (ii) To administer the state children's health insurance program
34 under chapter 74.09 RCW for purposes of Title XXI of the federal
35 social security act;

36 (iii) To enter into agreements with the department of social and
37 health services for administration of medical care services programs
38 under Titles XIX and XXI of the social security act. The agreements
39 shall establish the division of responsibilities between the
40 authority and the department with respect to mental health, chemical

1 dependency, and long-term care services, including services for
2 persons with developmental disabilities. The agreements shall be
3 revised as necessary, to comply with the final implementation plan
4 adopted under section 116, chapter 15, Laws of 2011 1st sp. sess.;

5 (iv) To adopt rules to carry out the purposes of chapter 74.09
6 RCW;

7 (v) To appoint such advisory committees or councils as may be
8 required by any federal statute or regulation as a condition to the
9 receipt of federal funds by the authority. The director may appoint
10 statewide committees or councils in the following subject areas: (A)
11 Health facilities; (B) children and youth services; (C) blind
12 services; (D) medical and health care; (E) drug abuse and alcoholism;
13 (F) rehabilitative services; and (G) such other subject matters as
14 are or come within the authority's responsibilities. The statewide
15 councils shall have representation from both major political parties
16 and shall have substantial consumer representation. Such committees
17 or councils shall be constituted as required by federal law or as the
18 director in his or her discretion may determine. The members of the
19 committees or councils shall hold office for three years except in
20 the case of a vacancy, in which event appointment shall be only for
21 the remainder of the unexpired term for which the vacancy occurs. No
22 member shall serve more than two consecutive terms. Members of such
23 state advisory committees or councils may be paid their travel
24 expenses in accordance with RCW 43.03.050 and 43.03.060 as now
25 existing or hereafter amended;

26 (n) To review and approve or deny the application from the
27 governing board of the Washington health benefit exchange to provide
28 state-sponsored insurance or self-insurance programs to employees of
29 the exchange. The authority shall (i) establish the conditions for
30 participation; (ii) have the sole right to reject an application; and
31 (iii) set the premium contribution for approved groups as outlined in
32 RCW 41.05.050.

33 (2) On and after January 1, 1996, the public employees' benefits
34 board and the school employees' benefits board beginning October 1,
35 2015, may implement strategies to promote managed competition among
36 employee health benefit plans. Strategies may include but are not
37 limited to:

38 (a) Standardizing the benefit package;

39 (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
8 plan to promote competition among managed care plans.

9 **Sec. 6.** RCW 41.05.022 and 1995 1st sp.s. c 6 s 3 are each
10 amended to read as follows:

11 (1) The health care authority is hereby designated as the single
12 state agent for purchasing health services.

13 (2) On and after January 1, 1995, at least the following state-
14 purchased health services programs shall be merged into a single,
15 community-rated risk pool: Health benefits for groups of employees of
16 school districts and educational service districts that voluntarily
17 purchase health benefits as provided in RCW 41.05.011 through
18 December 31, 2016; health benefits for state employees; health
19 benefits for eligible retired or disabled school employees not
20 eligible for parts A and B of medicare; and health benefits for
21 eligible state retirees not eligible for parts A and B of medicare.

22 (3) On and after January 1, 2017, health benefits for groups of
23 employees of school districts and educational service districts shall
24 be merged into a single, community-rated risk pool separate and
25 distinct from the pool described in subsection (2) of this section.

26 (4) By December 15, 2015, the health care authority, in
27 consultation with the public employees' benefits board and the school
28 employees' benefits board, shall submit to the appropriate committees
29 of the legislature a complete analysis of the most appropriate risk
30 pool for the retired and disabled school employees, to include at a
31 minimum an analysis of the size of the nonmedicare and medicare
32 retiree enrollment pools, the impacts on cost for state and school
33 district retirees of moving retirees from one pool to another, the
34 need for and the amount of an ongoing retiree subsidy allocation from
35 the active school employees, and the timing and suggested approach
36 for a transition from one risk pool to another.

37 (5) At a minimum, and regardless of other legislative enactments,
38 the state health services purchasing agent shall:

1 (a) Require that a public agency that provides subsidies for a
2 substantial portion of services now covered under the basic health
3 plan use uniform eligibility processes, insofar as may be possible,
4 and ensure that multiple eligibility determinations are not required;

5 (b) Require that a health care provider or a health care facility
6 that receives funds from a public program provide care to state
7 residents receiving a state subsidy who may wish to receive care from
8 them, and that an insuring entity that receives funds from a public
9 program accept enrollment from state residents receiving a state
10 subsidy who may wish to enroll with them;

11 (c) Strive to integrate purchasing for all publicly sponsored
12 health services in order to maximize the cost control potential and
13 promote the most efficient methods of financing and coordinating
14 services;

15 (d) Consult regularly with the governor, the legislature, and
16 state agency directors whose operations are affected by the
17 implementation of this section; and

18 (e) Ensure the control of benefit costs under managed competition
19 by adopting rules to prevent employers from entering into an
20 agreement with employees or employee organizations when the agreement
21 would result in increased utilization in public employees' benefits
22 board or school employee benefits board plans or reduce the expected
23 savings of managed competition.

24 **Sec. 7.** RCW 41.05.026 and 2005 c 274 s 277 are each amended to
25 read as follows:

26 (1) When soliciting proposals for the purpose of awarding
27 contracts for goods or services, the (~~administrator~~) director
28 shall, upon written request by the bidder, exempt from public
29 inspection and copying such proprietary data, trade secrets, or other
30 information contained in the bidder's proposal that relate to the
31 bidder's unique methods of conducting business or of determining
32 prices or premium rates to be charged for services under terms of the
33 proposal.

34 (2) When soliciting information for the development, acquisition,
35 or implementation of state purchased health care services, the
36 (~~administrator~~) director shall, upon written request by the
37 respondent, exempt from public inspection and copying such
38 proprietary data, trade secrets, or other information submitted by
39 the respondent that relate to the respondent's unique methods of

1 conducting business, data unique to the product or services of the
2 respondent, or to determining prices or rates to be charged for
3 services.

4 (3) Actuarial formulas, statistics, cost and utilization data, or
5 other proprietary information submitted upon request of the
6 (~~administrator~~) director, board, school employees' benefits board,
7 or a technical review committee created to facilitate the
8 development, acquisition, or implementation of state purchased health
9 care under this chapter by a contracting insurer, health care service
10 contractor, health maintenance organization, vendor, or other health
11 services organization may be withheld at any time from public
12 inspection when necessary to preserve trade secrets or prevent unfair
13 competition.

14 (4) The board, school employees' benefits board, or a technical
15 review committee created to facilitate the development, acquisition,
16 or implementation of state purchased health care under this chapter,
17 may hold an executive session in accordance with chapter 42.30 RCW
18 during any regular or special meeting to discuss information
19 submitted in accordance with subsections (1) through (3) of this
20 section.

21 (5) A person who challenges a request for or designation of
22 information as exempt under this section is entitled to seek judicial
23 review pursuant to chapter 42.56 RCW.

24 **Sec. 8.** RCW 41.05.050 and 2009 c 537 s 5 are each amended to
25 read as follows:

26 (1) Every: (a) Department, division, or separate agency of state
27 government; (b) county, municipal, school district, educational
28 service district, or other political subdivisions; and (c) tribal
29 governments as are covered by this chapter, shall provide
30 contributions to insurance and health care plans for its employees
31 and their dependents, the content of such plans to be determined by
32 the authority. Contributions, paid by the county, the municipality,
33 other political subdivision, or a tribal government for their
34 employees, shall include an amount determined by the authority to pay
35 such administrative expenses of the authority as are necessary to
36 administer the plans for employees of those groups, except as
37 provided in subsection (4) of this section.

38 (2) If the authority at any time determines that the
39 participation of a county, municipal, other political subdivision, or

1 a tribal government covered under this chapter adversely impacts
2 insurance rates for state employees, the authority shall implement
3 limitations on the participation of additional county, municipal,
4 other political subdivisions, or a tribal government.

5 (3) The contributions of any: (a) Department, division, or
6 separate agency of the state government; (b) county, municipal, or
7 other political subdivisions; (~~and~~) (c) any tribal government as
8 are covered by this chapter; and (d) school districts and educational
9 service districts, shall be set by the authority, subject to the
10 approval of the governor for availability of funds as specifically
11 appropriated by the legislature for that purpose. Insurance and
12 health care contributions for ferry employees shall be governed by
13 RCW 47.64.270.

14 (4)(a) Until January 1, 2017, the authority shall collect from
15 each participating school district and educational service district
16 an amount equal to the composite rate charged to state agencies, plus
17 an amount equal to the employee premiums by plan and family size as
18 would be charged to state employees, for groups of district employees
19 enrolled in authority plans. The authority may collect these amounts
20 in accordance with the district fiscal year, as described in RCW
21 28A.505.030.

22 (b) For all groups of district employees enrolling in authority
23 plans for the first time after September 1, 2003, and until January
24 1, 2017, the authority shall collect from each participating school
25 district an amount equal to the composite rate charged to state
26 agencies, plus an amount equal to the employee premiums by plan and
27 by family size as would be charged to state employees, only if the
28 authority determines that this method of billing the districts will
29 not result in a material difference between revenues from districts
30 and expenditures made by the authority on behalf of districts and
31 their employees. The authority may collect these amounts in
32 accordance with the district fiscal year, as described in RCW
33 28A.505.030.

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

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

3 ~~(e))~~ Beginning January 1, 2017, all school districts and
4 educational service districts shall commence participation in the
5 school employees' benefits board program established under section 3
6 of this act. All school districts and educational service districts,
7 and all district employee groups participating in the public
8 employees' benefits board plans before January 1, 2017, shall
9 thereafter participate in the school employees' benefits board
10 program administered by the authority.

11 (e) For the purposes of this subsection:

12 (i) "District" means school district and educational service
13 district; and

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

16 (f) Notwithstanding this subsection and RCW 41.05.065(4), the
17 authority may allow districts enrolled on a tiered rate structure
18 prior to September 1, 2002, and until January 1, 2017, to continue
19 participation based on the same rate structure and under the same
20 conditions and eligibility criteria.

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

25 **Sec. 9.** RCW 41.05.055 and 2009 c 537 s 6 are each amended to
26 read as follows:

27 (1) The public employees' benefits board is created within the
28 authority. The function of the board is to design and approve
29 insurance benefit plans for employees and to establish eligibility
30 criteria for participation in insurance benefit plans.

31 (2) The board shall be composed of nine members through December
32 31, 2016, and of eight members thereafter, appointed by the governor
33 as follows:

34 (a) Two representatives of state employees, one of whom shall
35 represent an employee union certified as exclusive representative of
36 at least one bargaining unit of classified employees, and one of whom
37 is retired, is covered by a program under the jurisdiction of the
38 board, and represents an organized group of retired public employees;

1 (b) Through December 31, 2016, two representatives of school
2 district employees, one of whom shall represent an association of
3 school employees as a nonvoting member, and one of whom is retired,
4 and represents an organized group of retired school employees.
5 Thereafter, and only while retired school employees are served by the
6 board, only the retired representative shall serve on the board;

7 (c) Four members with experience in health benefit management and
8 cost containment, one of whom shall be a nonvoting member; and

9 (d) The (~~administrator~~) director.

10 (3) (~~The member who represents an association of school~~
11 ~~employees and one member appointed pursuant to subsection (2)(c) of~~
12 ~~this section shall be nonvoting members until such time that there~~
13 ~~are no less than twelve thousand school district employee subscribers~~
14 ~~enrolled with the authority for health care coverage.~~

15 (4)) The governor shall appoint the initial members of the board
16 to staggered terms not to exceed four years. Members appointed
17 thereafter shall serve two-year terms. Members of the board shall be
18 compensated in accordance with RCW 43.03.250 and shall be reimbursed
19 for their travel expenses while on official business in accordance
20 with RCW 43.03.050 and 43.03.060. The board shall prescribe rules for
21 the conduct of its business. The (~~administrator~~) director shall
22 serve as chair of the board. Meetings of the board shall be at the
23 call of the chair.

24 **Sec. 10.** RCW 41.05.075 and 2007 c 259 s 34 are each amended to
25 read as follows:

26 (1) The (~~administrator~~) director shall provide benefit plans
27 designed by the board and the school employees' benefits board
28 through a contract or contracts with insuring entities, through self-
29 funding, self-insurance, or other methods of providing insurance
30 coverage authorized by RCW 41.05.140. The process of contracting for
31 plans offered by the school employees' benefits board is subject to
32 oversight and direction by the school employees' benefits board.

33 (2) The (~~administrator~~) director, subject to school employees'
34 benefits board direction for plans offered to school employees, shall
35 establish a contract bidding process that:

36 (a) Encourages competition among insuring entities;

37 (b) Maintains an equitable relationship between premiums charged
38 for similar benefits and between risk pools including premiums
39 charged for retired state and school district employees under the

1 separate risk pools established by RCW 41.05.022 and 41.05.080 such
2 that insuring entities may not avoid risk when establishing the
3 premium rates for retirees eligible for medicare;

4 (c) Is timely to the state budgetary process; and

5 (d) Sets conditions for awarding contracts to any insuring
6 entity.

7 (3) School districts directly providing medical and dental
8 benefits plans and contracted insuring entities providing medical and
9 dental benefits plans to school districts on December 31, 2014, shall
10 provide the school employees' benefits board and authority specified
11 data by April 1, 2016, to support an initial benefits plans
12 procurement. At a minimum, the data must cover the period January 1,
13 2012, through October 31, 2015, and include:

14 (a) A summary of the benefit packages offered to each group of
15 district employees, including covered benefits, point-of-service
16 cost-sharing, member count, and the group policy number;

17 (b) Aggregated subscriber and member demographic information,
18 including age band and gender, by insurance tier by month and by
19 benefit packages;

20 (c) Monthly total by benefit package, including premiums paid,
21 inpatient facility claims paid, outpatient facility claims paid,
22 physician claims paid, pharmacy claims paid, capitation amounts paid,
23 and other claims paid;

24 (d) A listing for calendar year 2014 of large claims defined as
25 annual amounts paid in excess of one hundred thousand dollars
26 including the amount paid, the member enrollment status, and the
27 primary diagnosis; and

28 (e) A listing of calendar year 2014 allowed claims by provider
29 entity.

30 Any data that may be confidential and contain personal health
31 information may be protected in accordance with a data-sharing
32 agreement.

33 (4) The (~~administrator~~) director shall establish a requirement
34 for review of utilization and financial data from participating
35 insuring entities on a quarterly basis.

36 (~~(4)~~) (5) The (~~administrator~~) director shall centralize the
37 enrollment files for all employee and retired or disabled school
38 employee health plans offered under chapter 41.05 RCW and develop
39 enrollment demographics on a plan-specific basis.

1 (~~(5)~~) (6) All claims data shall be the property of the state.
2 The (~~administrator~~) director may require of any insuring entity
3 that submits a bid to contract for coverage all information deemed
4 necessary including:

5 (a) Subscriber or member demographic and claims data necessary
6 for risk assessment and adjustment calculations in order to fulfill
7 the (~~administrator's~~) director's duties as set forth in this
8 chapter; and

9 (b) Subscriber or member demographic and claims data necessary to
10 implement performance measures or financial incentives related to
11 performance under subsection (~~(7)~~) (8) of this section.

12 (~~(6)~~) (7) All contracts with insuring entities for the
13 provision of health care benefits shall provide that the
14 beneficiaries of such benefit plans may use on an equal participation
15 basis the services of practitioners licensed pursuant to chapters
16 18.22, 18.25, 18.32, 18.53, 18.57, 18.71, 18.74, 18.83, and 18.79
17 RCW, as it applies to registered nurses and advanced registered nurse
18 practitioners. However, nothing in this subsection may preclude the
19 (~~administrator~~) director from establishing appropriate utilization
20 controls approved pursuant to RCW 41.05.065(2) (a), (b), and (d).

21 (~~(7)~~) (8) The (~~administrator~~) director shall, in
22 collaboration with other state agencies that administer state
23 purchased health care programs, private health care purchasers,
24 health care facilities, providers, and carriers:

25 (a) Use evidence-based medicine principles to develop common
26 performance measures and implement financial incentives in contracts
27 with insuring entities, health care facilities, and providers that:

28 (i) Reward improvements in health outcomes for individuals with
29 chronic diseases, increased utilization of appropriate preventive
30 health services, and reductions in medical errors; and

31 (ii) Increase, through appropriate incentives to insuring
32 entities, health care facilities, and providers, the adoption and use
33 of information technology that contributes to improved health
34 outcomes, better coordination of care, and decreased medical errors;

35 (b) Through state health purchasing, reimbursement, or pilot
36 strategies, promote and increase the adoption of health information
37 technology systems, including electronic medical records, by
38 hospitals as defined in RCW 70.41.020(4), integrated delivery
39 systems, and providers that:

40 (i) Facilitate diagnosis or treatment;

- 1 (ii) Reduce unnecessary duplication of medical tests;
2 (iii) Promote efficient electronic physician order entry;
3 (iv) Increase access to health information for consumers and
4 their providers; and
5 (v) Improve health outcomes;

6 (c) Coordinate a strategy for the adoption of health information
7 technology systems using the final health information technology
8 report and recommendations developed under chapter 261, Laws of 2005.

9 ~~((+8))~~ The ~~((administrator))~~ director may permit the Washington
10 state health insurance pool to contract to utilize any network
11 maintained by the authority or any network under contract with the
12 authority.

13 **Sec. 11.** RCW 41.05.120 and 2005 c 518 s 921 and 2005 c 143 s 3
14 are each reenacted and amended to read as follows:

15 (1) The public employees' and retirees' insurance account is
16 hereby established in the custody of the state treasurer, to be used
17 by the ~~((administrator))~~ director for the deposit of contributions,
18 the remittance paid by school districts and educational service
19 districts under RCW 28A.400.410, reserves, dividends, and refunds,
20 for payment of premiums for employee and retiree insurance benefit
21 contracts and subsidy amounts provided under RCW 41.05.085, and
22 transfers from the ~~((medical))~~ flexible spending administrative
23 account as authorized in RCW 41.05.123. Moneys from the account shall
24 be disbursed by the state treasurer by warrants on vouchers duly
25 authorized by the ~~((administrator))~~ director. Moneys from the account
26 may be transferred to the ~~((medical))~~ flexible spending
27 administrative account to provide reserves and start-up costs for the
28 operation of the ~~((medical))~~ flexible spending administrative account
29 program.

30 (2) The state treasurer and the state investment board may invest
31 moneys in the public employees' and retirees' insurance account. All
32 such investments shall be in accordance with RCW 43.84.080 or
33 43.84.150, whichever is applicable. The ~~((administrator))~~ director
34 shall determine whether the state treasurer or the state investment
35 board or both shall invest moneys in the public employees' ~~((and~~
36 ~~retirees'))~~ and retirees' insurance account.

37 ~~((During the 2005-07 fiscal biennium, the legislature may~~
38 ~~transfer from the public employees' and retirees' insurance account~~
39 ~~such amounts as reflect the excess fund balance of the fund.))~~ The

1 school employees' insurance account is hereby established in the
2 custody of the state treasurer, to be used by the director for the
3 deposit of contributions, reserves, dividends, and refunds, for
4 payment of premiums for school employee insurance benefit contracts.
5 Moneys from the account shall be disbursed by the state treasurer by
6 warrants on vouchers duly authorized by the director.

7 (4) The state treasurer and the state investment board may invest
8 moneys in the school employees' insurance account. These investments
9 must be in accordance with RCW 43.84.080 or 43.84.150, whichever is
10 applicable. The director shall determine whether the state treasurer
11 or the state investment board or both shall invest moneys in the
12 school employees' insurance account.

13 **Sec. 12.** RCW 41.05.130 and 2014 c 221 s 914 are each amended to
14 read as follows:

15 (1) The state health care authority administrative account is
16 hereby created in the state treasury. Moneys in the account,
17 including unanticipated revenues under RCW 43.79.270, may be spent
18 only after appropriation by statute, and may be used only for
19 operating expenses of the authority, and during the 2013-2015 fiscal
20 biennium, for health care related analysis provided to the
21 legislature by the office of the state actuary.

22 (2) The school employees' insurance administrative account is
23 hereby created in the state treasury. Moneys in the account may be
24 used for operating, contracting, and other administrative expenses of
25 the authority in administration of the school employees insurance
26 program.

27 **Sec. 13.** RCW 41.05.143 and 2007 c 507 s 1 are each amended to
28 read as follows:

29 (1) The uniform medical plan benefits administration account is
30 created in the custody of the state treasurer. Only the
31 ~~((administrator))~~ director or the ~~((administrator's))~~ director's
32 designee may authorize expenditures from the account. Moneys in the
33 account shall be used exclusively for contracted expenditures for
34 uniform medical plan claims administration, data analysis,
35 utilization management, preferred provider administration, and
36 activities related to benefits administration where the level of
37 services provided pursuant to a contract fluctuate as a direct result
38 of changes in uniform medical plan enrollment. Moneys in the account

1 may also be used for administrative activities required to respond to
2 new and unforeseen conditions that impact the uniform medical plan,
3 but only when the authority and the office of financial management
4 jointly agree that such activities must be initiated prior to the
5 next legislative session.

6 (2) Receipts from amounts due from or on behalf of uniform
7 medical plan enrollees for expenditures related to benefits
8 administration, including moneys disbursed from the public employees'
9 and retirees' insurance account, shall be deposited into the account.
10 The account is subject to allotment procedures under chapter 43.88
11 RCW, but no appropriation is required for expenditures. All proposals
12 for allotment increases shall be provided to the house of
13 representatives appropriations committee and to the senate ways and
14 means committee at the same time as they are provided to the office
15 of financial management.

16 (3) The uniform dental plan benefits administration account is
17 created in the custody of the state treasurer. Only the
18 (~~administrator~~) director or the (~~administrator's~~) director's
19 designee may authorize expenditures from the account. Moneys in the
20 account shall be used exclusively for contracted expenditures related
21 to benefits administration for the uniform dental plan as established
22 under RCW 41.05.140. Receipts from amounts due from or on behalf of
23 uniform dental plan enrollees for expenditures related to benefits
24 administration, including moneys disbursed from the public employees'
25 and retirees' insurance account, shall be deposited into the account.
26 The account is subject to allotment procedures under chapter 43.88
27 RCW, but no appropriation is required for expenditures.

28 (4) The public employees' benefits board medical benefits
29 administration account is created in the custody of the state
30 treasurer. Only the (~~administrator~~) director or the
31 (~~administrator's~~) director's designee may authorize expenditures
32 from the account. Moneys in the account shall be used exclusively for
33 contracted expenditures related to claims administration, data
34 analysis, utilization management, preferred provider administration,
35 and other activities related to benefits administration for self-
36 insured medical plans other than the uniform medical plan. Receipts
37 from amounts due from or on behalf of enrollees for expenditures
38 related to benefits administration, including moneys disbursed from
39 the public employees' and retirees' insurance account, shall be
40 deposited into the account. The account is subject to allotment

1 procedures under chapter 43.88 RCW, but an appropriation is not
2 required for expenditures.

3 (5) The school employees' benefits board medical benefits
4 administration account is created in the custody of the state
5 treasurer. Only the director or the director's designee may authorize
6 expenditures from the account. Moneys in the account shall be used
7 exclusively for contracted expenditures related to claims
8 administration, data analysis, utilization management, preferred
9 provider administration, and other activities related to benefits
10 administration for self-insured medical plans other than the uniform
11 medical plan. Receipts from amounts due from or on behalf of
12 enrollees for expenditures related to benefits administration,
13 including moneys disbursed from the school employees' insurance
14 account, shall be deposited into the account. The account is subject
15 to allotment procedures under chapter 43.88 RCW, but no appropriation
16 is required for expenditures.

17 (6) A self-insured dental plan benefits administration account is
18 created in the custody of the state treasurer. Only the director or
19 the director's designee may authorize expenditures from the account.
20 Moneys in the account shall be used exclusively for contracted
21 expenditures related to benefits administration for a self-insured
22 dental plan as established under RCW 41.05.140. Receipts from amounts
23 due from or on behalf of a self-insured dental plan enrollees for
24 expenditures related to benefits administration, including moneys
25 disbursed from the school employees' insurance account, shall be
26 deposited into the account. The account is subject to allotment
27 procedures under chapter 43.88 RCW, but no appropriation is required
28 for expenditures.

29 **Sec. 14.** RCW 41.05.670 and 2011 c 316 s 6 are each amended to
30 read as follows:

31 (1) Effective January 1, 2013, the authority must contract with
32 all of the public employees' benefits board managed care plans and
33 the self-insured plan or plans to include provider reimbursement
34 methods that incentivize chronic care management within health homes
35 resulting in reduced emergency department and inpatient use.

36 (2) Health home services contracted for under this section may be
37 prioritized to enrollees with complex, high cost, or multiple chronic
38 conditions.

1 (3) For the purposes of this section, "chronic care
2 management((τ))" and "health home" have the same meaning as in RCW
3 74.09.010.

4 (4) Contracts with fully insured plans and with any third-party
5 administrator for the self-funded plan that include the items in
6 subsection (1) of this section must be funded within the resources
7 provided by employer funding rates provided for employee health
8 benefits in the omnibus appropriations act.

9 (5) Nothing in this section shall require contracted third-party
10 health plans administering the self-insured contract to expend
11 resources to implement items in subsection (1) of this section beyond
12 the resources provided by employer funding rates provided for
13 employee health benefits in the omnibus appropriations act or from
14 other sources in the absence of these provisions.

15 (6) The school employees' benefits board, under section 3 of this
16 act, shall implement the provisions of this section, effective
17 January 1, 2017.

18 **Sec. 15.** RCW 28A.400.270 and 1990 1st ex.s. c 11 s 4 are each
19 amended to read as follows:

20 Unless the context clearly requires otherwise, the definitions in
21 this section apply throughout RCW 28A.400.275 and 28A.400.280.

22 (1) "School district employee benefit plan" means the overall
23 plan used by the district for distributing fringe benefit subsidies
24 to employees, including the method of determining employee coverage
25 (~~and the amount of employer contributions, as well as the~~
26 ~~characteristics of benefit providers and the specific benefits or~~
27 ~~coverage offered)). It shall not include coverage offered to district
28 employees for which there is no contribution from public funds.~~

29 (2) "Fringe benefit" does not include liability coverage, old-age
30 survivors' insurance, workers' compensation, unemployment
31 compensation, retirement benefits under the Washington state
32 retirement system, or payment for unused leave for illness or injury
33 under RCW 28A.400.210.

34 (3) "Basic benefits" (~~are determined through local bargaining~~
35 ~~and~~) are limited to medical, dental, vision, group term life, and
36 group long-term disability insurance coverage.

37 (4) "Benefit providers" include insurers, third party claims
38 administrators, direct providers of employee fringe benefits, health
39 maintenance organizations, health care service contractors, and the

1 Washington state health care authority or any plan offered by the
2 authority.

3 (5) "Group term life insurance coverage" means term life
4 insurance coverage provided for, at a minimum, all full-time
5 employees in a bargaining unit or all full-time nonbargaining group
6 employees.

7 (6) "Group long-term disability insurance coverage" means long-
8 term disability insurance coverage provided for, at a minimum, all
9 full-time employees in a bargaining unit or all full-time
10 nonbargaining group employees.

11 **Sec. 16.** RCW 28A.400.275 and 2012 2nd sp.s. c 3 s 4 are each
12 amended to read as follows:

13 (1) Any contract or agreement for employee benefits executed
14 after April 13, 1990, between a school district and a benefit
15 provider or employee bargaining unit is null and void unless it
16 contains an agreement to abide by state laws relating to school
17 district employee benefits. The term of the contract or agreement may
18 not exceed one year.

19 (2) Through December 31, 2015, school districts and their benefit
20 providers shall annually submit, by a date determined by the office
21 of the insurance commissioner, the following information and data for
22 the prior calendar year to the office of the insurance commissioner:

23 (a) Progress by the district and its benefit providers toward
24 greater affordability for full family coverage, health care cost
25 savings, and significantly reduced administrative costs;

26 (b) Compliance with the requirement to provide a high deductible
27 health plan option with a health savings account;

28 (c) An overall plan summary including the following:

29 (i) The financial plan structure and overall performance of each
30 health plan including:

31 (A) Total premium expenses;

32 (B) Total claims expenses;

33 (C) Claims reserves; and

34 (D) Plan administration expenses, including compensation paid to
35 brokers;

36 (ii) A description of the plan's use of innovative health plan
37 features designed to reduce health benefit premium growth and reduce
38 utilization of unnecessary health services including but not limited
39 to the use of enrollee health assessments or health coach services,

1 care management for high cost or high-risk enrollees, medical or
2 health home payment mechanisms, and plan features designed to create
3 incentives for improved personal health behaviors;

4 (iii) Data to provide an understanding of employee health benefit
5 plan coverage and costs, including: The total number of employees
6 and, for each employee, the employee's full-time equivalent status,
7 types of coverage or benefits received including numbers of covered
8 dependents, the number of eligible dependents, the amount of the
9 district's contribution to premium, additional premium costs paid by
10 the employee through payroll deductions, and the age and sex of the
11 employee and each dependent;

12 (iv) Data necessary for school districts to more effectively and
13 competitively manage and procure health insurance plans for
14 employees. The data must include, but not be limited to, the
15 following:

16 (A) A summary of the benefit packages offered to each group of
17 district employees, including covered benefits, employee deductibles,
18 coinsurance, and copayments, and the number of employees and their
19 dependents in each benefit package;

20 (B) Aggregated employee and dependent demographic information,
21 including age band and gender, by insurance tier and by benefit
22 package;

23 (C) Total claim payments by benefit package, including premiums
24 paid, inpatient facility claims paid, outpatient facility claims
25 paid, physician claims paid, pharmacy claims paid, capitation amounts
26 paid, and other claims paid;

27 (D) Total premiums paid by benefit package;

28 (E) A listing of large claims defined as annual amounts paid in
29 excess of one hundred thousand dollars including the amount paid, the
30 member enrollment status, and the primary diagnosis;

31 (F) After December 31, 2015, school districts shall submit such
32 data as required by the school employees' benefits board to
33 administer the consolidated purchasing of health services.

34 (3) (~~Annually~~) Through December 31, 2015, school districts and
35 their benefit providers shall jointly report to the office of the
36 insurance commissioner on their health insurance-related efforts and
37 achievements to:

38 (a) Significantly reduce administrative costs for school
39 districts;

40 (b) Improve customer service;

1 (c) Reduce differential plan premium rates between employee only
2 and family health benefit premiums;

3 (d) Protect access to coverage for part-time K-12 employees.

4 (4) The information and data shall be submitted in a format and
5 according to a schedule established by the office of the insurance
6 commissioner under RCW 48.02.210 to enable the commissioner to meet
7 the reporting obligations under that section.

8 (5) Through December 31, 2015, any benefit provider offering a
9 benefit plan by contract or agreement with a school district under
10 subsection (1) of this section shall make available to the school
11 district the benefit plan descriptions and, where available, the
12 demographic information on plan subscribers that the district and
13 benefit provider are required to report to the office of the
14 insurance commissioner under this section. After December 31, 2015, a
15 benefit provider shall submit such data to the school employees'
16 benefits board.

17 (6) (~~This section shall not apply to benefit plans offered in~~
18 ~~the 1989-90 school year.~~) Each school district shall:

19 (a) Carry out all actions required by the school employees'
20 benefits board and the health care authority under chapter 41.05 RCW
21 including, but not limited to, those necessary for the operation of
22 benefit plans, education of employees, claims administration, and
23 appeals process; and

24 (b) Report all data relating to employees eligible to participate
25 in benefits or plans administered by the school employees' benefits
26 board and the health care authority in a format designed and
27 communicated by the school employees' benefits board and the health
28 care authority.

29 **Sec. 17.** RCW 28A.400.280 and 2012 2nd sp.s. c 3 s 2 are each
30 amended to read as follows:

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

36 (2) School districts may provide employer contributions after
37 October 1, 1990, for optional benefit plans, in addition to basic
38 benefits(~~(, only for employees included in pooling arrangements under~~
39 ~~this subsection)). Optional benefits may include direct agreements as~~

1 defined in chapter 48.150 RCW, ~~((but))~~ and may ~~((not))~~ include
2 employee beneficiary accounts that can be liquidated by the employee
3 on termination of employment. Optional benefit plans may be offered
4 only if:

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

8 ~~((b))~~ ~~Each full-time employee included in the pooling arrangement
9 is offered basic benefits, including coverage for dependents;~~

10 ~~((c))~~ ~~Each employee included in the pooling arrangement who elects
11 medical benefit coverage pays a minimum premium charge subject to
12 collective bargaining under chapter 41.59 or 41.56 RCW;~~

13 ~~((d))~~ ~~The employee premiums are structured to ensure employees
14 selecting richer benefit plans pay the higher premium;~~

15 ~~((e))~~ Each full-time employee ~~((included in the pooling
16 arrangement)),~~ regardless of the number of dependents receiving basic
17 coverage, receives the same additional employer contribution for
18 other coverage or optional benefits; and

19 ~~((f))~~ (b) For part-time employees ~~((included in the pooling
20 arrangement)),~~ participation in optional benefit plans shall be
21 governed by the same eligibility criteria and/or proration of
22 employer contributions used for allocations for basic benefits.

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

29 **Sec. 18.** RCW 28A.400.350 and 2012 2nd sp.s. c 3 s 3 are each
30 amended to read as follows:

31 (1) The board of directors of any of the state's school districts
32 or educational service districts may make available medical, dental,
33 vision, liability, life, ~~((health, health care,))~~ accident,
34 disability, and salary protection or insurance, direct agreements as
35 defined in chapter 48.150 RCW, or any one of, or a combination of the
36 types of employee benefits enumerated in this subsection, or any
37 other type of insurance or protection, for the members of the boards
38 of directors, the students, and employees of the school district or
39 educational service district, and their dependents. Except as

1 provided in subsection (6) of this section, such coverage may be
2 provided by contracts or agreements with private carriers, with the
3 state health care authority (~~(after July 1, 1990, pursuant to the~~
4 ~~approval of the authority administrator)~~), or through self-insurance
5 or self-funding pursuant to chapter 48.62 RCW, or in any other manner
6 authorized by law. Any direct agreement must comply with RCW
7 48.150.050.

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

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

19 (c) After December 31, 2016, school district contributions to any
20 employee insurance that is purchased through the health care
21 authority must conform to the requirements established by chapter
22 41.05 RCW and the school employees' benefits board.

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

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

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

16 (5)(a) Until the creation of the school employees' benefits board
17 under section 3 of this act, school districts offering medical,
18 vision, and dental benefits shall:

19 ((+a)) (i) Offer a high deductible health plan option with a
20 health savings account that conforms to section 223, part VII of
21 subchapter 1 of the internal revenue code of 1986. School districts
22 shall comply with all applicable federal standards related to the
23 establishment of health savings accounts;

24 ((+b)) (ii) Make progress toward employee premiums that are
25 established to ensure that full family coverage premiums are not more
26 than three times the premiums for employees purchasing single
27 coverage for the same coverage plan, unless a subsequent premium
28 differential target is defined as a result of the review and
29 subsequent actions described in RCW 41.05.655;

30 ((+c)) (iii) Offer employees at least one health benefit plan
31 that is not a high deductible health plan offered in conjunction with
32 a health savings account in which the employee share of the premium
33 cost for a full-time employee, regardless of whether the employee
34 chooses employee-only coverage or coverage that includes dependents,
35 does not exceed the share of premium cost paid by state employees
36 during the state employee benefits year that started immediately
37 prior to the school year.

38 ((+6)) (b) All contracts or agreements for employee benefits
39 must be held to responsible contracting standards, meaning a fair,
40 prudent, and accountable competitive procedure for procuring services

1 that includes an open competitive process, except where an open
2 process would compromise cost-effective purchasing, with
3 documentation justifying the approach.

4 ~~((7))~~ (c) School districts offering medical, vision, and dental
5 benefits shall also make progress on promoting health care
6 innovations and cost savings and significantly reduce administrative
7 costs.

8 ~~((8))~~ (d) All contracts or agreements for insurance or
9 protection described in this section shall be in compliance with
10 chapter 3, Laws of 2012 2nd sp. sess.

11 ~~((9))~~ (e) Upon notification from the office of the insurance
12 commissioner of a school district's substantial noncompliance with
13 the data reporting requirements of RCW 28A.400.275, and the failure
14 is due to the action or inaction of the school district, and if the
15 noncompliance has occurred for two reporting periods, the
16 superintendent is authorized and required to limit the school
17 district's authority provided in subsection (1) of this section
18 regarding employee health benefits to the provision of health benefit
19 coverage provided by the state health care authority.

20 (6) The authority to make available basic benefits to school
21 employees under this section expires December 31, 2016. Beginning
22 January 1, 2017, school districts and educational service districts
23 shall make available basic benefits through plans offered by the
24 health care authority and the school employees' benefits board.

25 **Sec. 19.** RCW 41.56.500 and 2010 c 235 s 802 are each amended to
26 read as follows:

27 (1) All collective bargaining agreements entered into between a
28 school district employer and school district employees under this
29 chapter after June 10, 2010, as well as bargaining agreements
30 existing on June 10, 2010, but renewed or extended after June 10,
31 2010, shall be consistent with RCW 28A.657.050.

32 (2) All collective bargaining agreements entered into between a
33 school district employer and school district employees under this
34 chapter shall be consistent with RCW 28A.400.280 and 28A.400.350.

35 (3) Employee bargaining shall be initiated after April 1, 2016,
36 over the dollar amount to be contributed for school employee health
37 benefits beginning July 1, 2017, on behalf of each employee for
38 health care benefits. Bargaining must be conducted in even-numbered
39 years between the governor or governor's designee and one coalition

1 of all the exclusive bargaining representatives impacted by benefit
2 purchasing with the school employees' benefits board established in
3 section 3 of this act, consistent with RCW 28A.400.280 and
4 28A.400.350. The coalition bargaining must follow the model initially
5 established for state employees in RCW 41.80.020. Any such provision
6 agreed to by the employer and the coalition must be included in all
7 master collective bargaining agreements negotiated by the parties.

8 (4) The governor shall submit a request for funds necessary to
9 implement the master collective bargaining agreement for the dollar
10 amount to be expended for school employee health benefits, or for
11 legislation necessary to implement the agreement. A request for funds
12 shall not be submitted to the legislature by the governor unless such
13 request:

14 (a) Has been submitted to the director of the office of financial
15 management by October 1st prior to the legislative session at which
16 the request is to be considered; and

17 (b) Has been certified by the director of the office of financial
18 management as being feasible financially for the state.

19 The legislature shall approve or reject the submission of the
20 request for funds as a whole. The legislature shall not consider a
21 request for funds to implement a master collective bargaining
22 agreement unless the request is transmitted to the legislature as
23 part of the governor's budget document submitted under RCW 43.88.030
24 and 43.88.060.

25 If the legislature rejects or fails to act on the submission,
26 either party may reopen all or part of the agreement. However, if the
27 director of the office of financial management does not certify a
28 request under this section as being feasible financially for the
29 state, the parties shall enter into collective bargaining solely for
30 the purpose of reaching a mutually agreed upon modification of the
31 agreement necessary to address the absence of those requested funds.
32 The legislature may act upon the health care benefit provisions of
33 the modified collective bargaining agreement if those provisions are
34 agreed upon and submitted to the office of financial management and
35 legislative budget committees before final legislative action on the
36 biennial or supplemental operating budget. If the legislature rejects
37 or fails to act on the submission, either party may reopen all or
38 part of the agreement.

1 **Sec. 20.** RCW 41.59.105 and 2010 c 235 s 803 are each amended to
2 read as follows:

3 (1) All collective bargaining agreements entered into between a
4 school district employer and school district employees under this
5 chapter after June 10, 2010, as well as bargaining agreements
6 existing on June 10, 2010, but renewed or extended after June 10,
7 2010, shall be consistent with RCW 28A.657.050.

8 (2) All collective bargaining agreements entered into between a
9 school district employer and school district employees under this
10 chapter shall be consistent with RCW 28A.400.280 and 28A.400.350.

11 (3) Employee bargaining shall be initiated after April 1, 2016,
12 over the dollar amount to be contributed beginning July 1, 2017, on
13 behalf of each employee for health care benefits. Bargaining must be
14 conducted in even-numbered years between the governor or governor's
15 designee and one coalition of all the exclusive bargaining
16 representatives impacted by benefit purchasing with the school
17 employees' benefits board established in section 3 of this act,
18 consistent with RCW 28A.400.280 and 28A.400.350. The coalition
19 bargaining must follow the model initially established for state
20 employees in RCW 41.80.020. Any such provision agreed to by the
21 employer and the coalition must be included in all master collective
22 bargaining agreements negotiated by the parties.

23 (4) The governor shall submit a request for funds necessary to
24 implement the master collective bargaining agreement for the dollar
25 amount to be expended for school employee health benefits, or for
26 legislation necessary to implement the agreement. A request for funds
27 shall not be submitted to the legislature by the governor unless such
28 request:

29 (a) Has been submitted to the director of the office of financial
30 management by October 1st prior to the legislative session at which
31 the request is to be considered; and

32 (b) Has been certified by the director of the office of financial
33 management as being feasible financially for the state.

34 The legislature shall approve or reject the submission of the
35 request for funds as a whole. The legislature shall not consider a
36 request for funds to implement a master collective bargaining
37 agreement unless the request is transmitted to the legislature as
38 part of the governor's budget document submitted under RCW 43.88.030
39 and 43.88.060.

1 If the legislature rejects or fails to act on the submission,
2 either party may reopen all or part of the agreement. However, if the
3 director of the office of financial management does not certify a
4 request under this section as being feasible financially for the
5 state, the parties shall enter into collective bargaining solely for
6 the purpose of reaching a mutually agreed upon modification of the
7 agreement necessary to address the absence of those requested funds.
8 The legislature may act upon the health care benefit provisions of
9 the modified collective bargaining agreement if those provisions are
10 agreed upon and submitted to the office of financial management and
11 legislative budget committees before final legislative action on the
12 biennial or supplemental operating budget. If the legislature rejects
13 or fails to act on the submission, either party may reopen all or
14 part of the agreement.

15 **Sec. 21.** RCW 48.02.210 and 2012 2nd sp.s. c 3 s 5 are each
16 amended to read as follows:

17 (1) For purposes of this section, "benefit provider" has the same
18 meaning as provided in RCW 28A.400.270.

19 (2)(a) By December 1, 2013, and December 1st of each year
20 thereafter through December 1, 2015, the commissioner shall submit a
21 report to the governor, the health care authority, and the
22 legislature on school district health insurance benefits. The report
23 shall be available to the public on the commissioner's web site. The
24 confidentiality of personally identifiable district employee data
25 shall be safeguarded consistent with the provisions of RCW
26 42.56.400(21).

27 (b) The report shall include a summary of each school district's
28 health insurance benefit plans and each district's aggregated
29 financial data and other information as required in RCW 28A.400.275.

30 (3) The commissioner shall collect data from school districts or
31 their benefit providers through December 1, 2015, as needed to
32 fulfill the requirements of this section. The commissioner may adopt
33 rules necessary to implement the data submission requirements under
34 this section and RCW 28A.400.275, including, but not limited to, the
35 format, timing of data reporting, data elements, data standards,
36 instructions, definitions, and data sources.

37 (4) In fulfilling the duties under chapter 3, Laws of 2012 2nd
38 sp. sess., the commissioner shall consult with school district
39 representatives to ensure that the data and reports from benefit

1 providers will give individual school districts sufficient
2 information to enhance districts' ability to understand, manage, and
3 seek competitive alternatives for health insurance coverage for their
4 employees.

5 (5) If the commissioner determines that a school district has not
6 substantially complied with the reporting requirements of RCW
7 28A.400.275, and the failure is due to the action or inaction of the
8 school district, the commissioner will inform the superintendent of
9 public instruction of the noncompliance.

10 (6) Data, information, and documents, other than those described
11 in subsection (2) of this section, that are provided by a school
12 district or an entity providing coverage pursuant to this section are
13 exempt from public inspection and copying under chapter 3, Laws of
14 2012 2nd sp. sess. and chapters 42.17A and 42.56 RCW.

15 (7) If a school district or benefit provider does not comply with
16 the data reporting requirements of this section or RCW 28A.400.275,
17 and the failure is due to the actions of an entity providing coverage
18 authorized under this title (~~48—RCW~~), the commissioner may take
19 enforcement actions under this chapter.

20 (8) The commissioner may enter into one or more personal services
21 contracts with third-party contractors to provide services necessary
22 to accomplish the commissioner's responsibilities under chapter 3,
23 Laws of 2012 2nd sp. sess.

24 NEW SECTION. **Sec. 22.** RCW 44.28.157 (School district health
25 benefits—Review—Recommendations—Performance grants—Report) and 2012
26 2nd sp.s. c 3 s 7 are each repealed."

SSB 5976 - S AMD 273
By Senator Litzow

27 On page 1, line 2 of the title, after "employees;" strike the
28 remainder of the title and insert "amending RCW 41.05.011, 41.05.021,
29 41.05.022, 41.05.026, 41.05.050, 41.05.055, 41.05.075, 41.05.130,
30 41.05.143, 41.05.670, 28A.400.270, 28A.400.275, 28A.400.280,
31 28A.400.350, 41.56.500, 41.59.105, and 48.02.210; reenacting and
32 amending RCW 41.05.120; adding a new section to chapter 41.05 RCW;
33 creating new sections; and repealing RCW 44.28.157."

EFFECT: 1. Changes the membership of the School Employees Benefits Board (SEBB) to make it similar to the membership of the Public Employees Benefits Board (PEBB). Provides for 4 members representing certificated and classified employees, 4 members with expertise in employee health benefits policy and administration, and the director of the HCA or his or her designee.

2. The premium charged a full-time employee for family coverage under a plan may not exceed three times the premium the employee would pay for employee-only coverage.

3. Employer contributions for health benefits shall be prorated for employees that work at least 1/2 time, based on the percentage of an FTE worked by the employees.

4. Eliminates a one-time set-up fee currently charged to school groups that enroll in PEBB plans.

5. Deletes a provision that would permit the transfer of money from the new SEBB account to provide reserves and start-up costs for a medical flexible spending account program.

6. Clarifies that the benefits that school districts and educational service districts must obtain through the SEBB beginning January 2017, are limited to medical, dental, vision, group term life, and group long-term disability insurance, which are referred to as "basic benefits."

7. Adjusts the collective bargaining process timeline for determining the state contribution for school employee health benefits to align with the timeline used for state employee health benefits. Bargaining begins in April 2016 for contributions to be made in the 2017-2019 biennium.

8. Ends the OIC reporting on school employee benefits after the December 1, 2015, report.

9. Repeals the requirement that JLARC issue a report in December 2015.

10. Makes numerous technical amendments.

--- END ---