

# HOUSE BILL REPORT

## ESHB 1740

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**As Passed House:**  
March 9, 2015

**Title:** An act relating to political subdivisions purchasing health coverage through the public employees' benefits board program.

**Brief Description:** Addressing political subdivisions purchasing health coverage through the public employees' benefits board program.

**Sponsors:** House Committee on Appropriations (originally sponsored by Representatives Appleton and Ryu).

**Brief History:**

**Committee Activity:**

Appropriations: 2/11/15, 2/25/15 [DPS].

**Floor Activity:**

Passed House: 3/9/15, 92-6.

**Brief Summary of Engrossed Substitute Bill**

- Permits counties and political subdivisions with fewer than 5,000 employees to apply for and join the Public Employees' Benefits Board (PEBB) health care program without being subject to rejection by the Health Care Authority (HCA).
- Authorizes the HCA to develop employer-specific charges to offset significant increases in insurance rates that could be caused by the participation of a non-state employers in the PEBB.

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### HOUSE COMMITTEE ON APPROPRIATIONS

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 22 members: Representatives Hunter, Chair; Ormsby, Vice Chair; Wilcox, Assistant Ranking Minority Member; Carlyle, Cody, Dunshee, Haler, Hansen, Hudgins, S. Hunt, Jinkins, Kagi, Lytton, Magendanz, Pettigrew, Sawyer, Schmick, Senn, Springer, Sullivan, Tharinger and Walkinshaw.

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

**Minority Report:** Do not pass. Signed by 7 members: Representatives Chandler, Ranking Minority Member; Buys, Condotta, Dent, G. Hunt, Taylor and Van Werven.

**Minority Report:** Without recommendation. Signed by 4 members: Representatives Parker, Assistant Ranking Minority Member; Fagan, MacEwen and Stokesbary.

**Staff:** David Pringle (786-7310).

**Background:**

The Health Care Authority (HCA) administers benefits plans, forms benefits contracts, develops participation rules, and through the Public Employees' Benefit Board (PEBB) approves schedules of rates and premiums for active employee and retired participants. The members of the PEBB vote to approve contracts and benefits for the PEBB program.

The PEBB program primarily covers employees and retirees of state agencies and state higher education institutions, and the retirees of school districts and educational service districts. Active employees and pre-Medicare retirees participate in a single medical risk pool, so that the cost of claims, insurance, and risk are shared amongst all employers and employees that participate. Retirees eligible for Medicare participate in a separate risk pool; however, employer cost sharing is significantly different. Medicare absorbs the majority of medical expenses for this group, and other insurance costs are limited by a maximum per person retiree cost established in the state biennial operating budget. Currently, this "explicit" Medicare-eligible retiree subsidy is set at \$150 per Medicare-eligible participant per month.

Subject to the approval of the HCA, the PEBB may also cover employees of a county, municipality, or other political subdivision of the state, as well as employees of a tribal government, and the Washington Health Benefit Exchange. Currently, in addition to the approximately 108,000 employee subscribers that participate in the PEBB from state agencies and higher education institutions, about 2,000 school district employees and about 12,000 other local government employees participate in the PEBB.

For a county or other non-state governmental entity to join the PEBB system, a contract must be negotiated with the HCA and receive HCA approval; the HCA has the sole right to reject the application to join the PEBB.

**Summary of Engrossed Substitute Bill:**

Counties and political subdivisions with fewer than 5,000 employees may join the PEBB health care program upon completion of an application to contract for coverage with the HCA. If the participation of a non-state employer in the PEBB significantly increases insurance rates for state employees, the HCA is authorized to develop an employer-specific charge to offset the increase.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.

**Staff Summary of Public Testimony:**

(In support) The intent of this bill is to have counties pick up these costs. The Okanogan County Housing Authority asserts that this would allow them to provide health coverage to four full-time employees. The PEBB denied them entrance into the plan, and that was it. The small group of employees includes three women over age 50, and one single mom. On its own, adding four people couldn't have a measurable impact on the PEBB risk pool. This bill is part of a county fiscal sustainability initiative. This simple bill is needed to control costs. Member counties need options. San Juan County has been rejected by the HCA for too much risk, twice. San Juan County wants options, and is willing to pay for all of this, but it is not among the options now. This bill could be a vehicle for affordable health care, and counties are willing to make this work by carrying the cost of this at the county level.

(Opposed) None.

**Persons Testifying:** Representative Appleton, prime sponsor; Josh Weiss and Brad Banks, Washington Association of Counties; Rick Hughes, San Juan County Council; and J. Pat Thompson, Washington State Council of County and City Employees.

**Persons Signed In To Testify But Not Testifying:** None.