

# HOUSE BILL REPORT

## SB 6475

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### As Reported by House Committee On: Appropriations

**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:** Senators Dansel, King, Takko and Frockt.

#### **Brief History:**

##### **Committee Activity:**

Appropriations: 2/27/16, 2/29/16 [DP].

#### **Brief Summary of Bill**

- Permits counties and political subdivisions with fewer than 5,000 employees to join the Public Employees' Benefits Board program (PEBB).
- Allows the Health Care Authority to develop a rate surcharge applicable to participating counties, municipalities, political subdivisions, and tribal governments to account for any increased cost of state and state employee benefits that might otherwise occur from non-state participation in the PEBB.

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### HOUSE COMMITTEE ON APPROPRIATIONS

**Majority Report:** Do pass. Signed by 33 members: Representatives Dunshee, Chair; Ormsby, Vice Chair; Chandler, Ranking Minority Member; Parker, Assistant Ranking Minority Member; Wilcox, Assistant Ranking Minority Member; Buys, Cody, Condotta, Dent, Fitzgibbon, Haler, Hansen, Harris, Hudgins, S. Hunt, Jinkins, Kagi, Lytton, MacEwen, Magendanz, Manweller, Pettigrew, Robinson, Sawyer, Schmick, Senn, Springer, Stokesbary, Sullivan, Taylor, Tharinger, Van Werven and Walkinshaw.

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

#### **Background:**

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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.*

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 employees 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 109,000 employee subscribers that participate in the PEBB from state agencies and higher education institutions, about 2,600 school district employees and about 13,000 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 the HCA approval; the HCA has the sole right to reject the application to join the PEBB.

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**Summary of 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.

To account for an increased cost of benefits for the state and for state employees, the HCA may develop a rate surcharge applicable to participating counties, municipalities, other political subdivisions, and tribal governments.

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**Appropriation:** None.

**Fiscal Note:** Preliminary 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) This bill is a good proactive solution. Counties and political subdivisions in rural areas particularly stand to benefit from this arrangement, as there are few provider options available to them now. There was a strong vote on this bill in the House of Representatives last year for Substitute House Bill 1740, and this bill incorporates many of the changes that were made to that bill last year.

(Opposed) None.

**Persons Testifying:** Brad Banks, Washington Association of Counties.

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