

# SENATE BILL REPORT

## ESHB 1740

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As Reported by Senate Committee On:  
Health Care, March 31, 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:** Passed House: 3/09/15, 92-6.

**Committee Activity:** Health Care: 3/23/15, 3/31/15 [DPA-WM, w/oRec].

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### SENATE COMMITTEE ON HEALTH CARE

**Majority Report:** Do pass as amended and be referred to Committee on Ways & Means.

Signed by Senators Becker, Chair; Dammeier, Vice Chair; Frockt, Ranking Minority Member; Angel, Cleveland, Conway, Jayapal and Keiser.

**Minority Report:** That it be referred without recommendation.

Signed by Senators Bailey, Brown and Parlette.

**Staff:** Mich'l Needham (786-7442)

**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 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

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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 HCA, 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 PEBB from state agencies and higher education institutions, about 2000 school district employees and about 12,000 other local government employees participate in PEBB.

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

**Summary of Bill (Recommended Amendments):** Counties and political subdivisions with fewer than 5000 employees may join the PEBB health care program upon completion of an application to contract for coverage with HCA. To account for an increased cost of benefits for the state and for state employees, HCA may develop a rate surcharge applicable to participating counties, municipalities, other political subdivisions, and tribal governments.

**EFFECT OF CHANGES MADE BY HEALTH CARE COMMITTEE (Recommended Amendments):** Modifies the surcharge language and allows HCA to account for an increased cost of benefits to the state, and state employees from participating groups with a rate surcharge for participating counties, political subdivisions, municipalities, and tribal governments. Removes language tying the surcharge to the specific employer group.

**Appropriation:** None.

**Fiscal Note:** Available. New fiscal note requested on March 18, 2015.

**Committee/Commission/Task Force Created:** No.

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

**Staff Summary of Public Testimony on Engrossed Substitute House Bill:** PRO: The issue was brought to me by the Okanogan County Housing Authority, a very small group of four employees that was turned away from PEBB for not meeting the demographic standard of the PEBB. They appealed and asked the Attorney General (AG) to review whether the rejection based on age and sex was discrimination. The AG indicated when there are bona fide statistical differences in risk or exposure the rejection based on age and sex is permitted under discrimination laws. Counties are ready to cover the additional costs to offset any risk charge for the group. This language was added in the House in response to fiscal note concerns.

OTHER: The agency is trying to update the fiscal note to reflect the House floor amendment and we may need further refinement to clarify how to capture the additional cost.

**Persons Testifying:** PRO: Representative Appleton, prime sponsor; Brad Banks, Assn. of Counties.

OTHER: Louis McDermott, Director, PEBB.

**Persons Signed in to Testify But Not Testifying:** No one.