

**SHB 1843 - H AMD 31**

By Representative MacEwen

NOT ADOPTED 02/22/2017

1 On page 4, line 2, after "**ALLOCATIONS**" insert "**AND BENEFITS**"

2

3 On page 11, after line 20, insert the following:

4

5 "NEW SECTION. **Sec. 107.** (1) The legislature finds that:

6 (a) The 2012 legislature enacted Engrossed Substitute Senate  
7 Bill No. 5940, that among other things:

8 (i) Established a goal of creating greater affordability for  
9 full family coverage and greater equity between premium costs for  
10 full family coverage and for employee only coverage for the same  
11 health benefit plan; and

12 (ii) Directed school districts to make progress toward employee  
13 contributions for full family coverage that are not more than three  
14 times the employee contributions for employees purchasing single  
15 coverage; and

16 (b) An analysis by the joint legislative audit and review  
17 committee found that:

18 (i) In the 2013-14 school year, only twenty-seven out of the two  
19 hundred ninety-five districts had full family premiums that were at  
20 or below three times the rate of single coverage;

21 (ii) On average full family premiums were eight and nine-tenths  
22 times more than single coverage; and

23 (iii) Many districts continue to use pooled savings to further  
24 reduce the cost for single coverage premiums.

25 (2) The issues identified by the joint legislative audit and review  
26 committee are particularly burdensome to classified school district  
27 employees, therefore, it is the intent of the legislature that

1 classified school district employees be provided health benefits through  
2 the programs offered to state employees through the public employees'  
3 benefits board.

4

5 **Sec. 108.** RCW 28A.400.270 and 1990 1st ex.s. c 11 s 4 are each  
6 amended to read as follows:

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

9 (1) "School district employee benefit plan" means the overall  
10 plan used by the district for distributing fringe benefit subsidies  
11 to employees, including the method of determining employee coverage  
12 and the amount of employer contributions, as well as the  
13 characteristics of benefit providers and the specific benefits or  
14 coverage offered. It shall not include coverage offered to district  
15 employees for which there is no contribution from public funds.

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

21 (3) "Basic benefits" are determined through local bargaining  
22 until December 31, 2018, and are limited to medical, dental, vision,  
23 group term life, and group long-term disability insurance coverage.  
24 Beginning January 1, 2019, basic benefits are determined for  
25 classified school district employees by the public employees'  
26 benefits board and administered by the health care authority as  
27 described under RCW 28A.400.275.

28 (4) "Benefit providers" include insurers, third party claims  
29 administrators, direct providers of employee fringe benefits, health  
30 maintenance organizations, health care service contractors, and the  
31 Washington state health care authority or any plan offered by the  
32 authority.

33 (5) "Group term life insurance coverage" means term life  
34 insurance coverage provided for, at a minimum, all full-time

1 employees in a bargaining unit or all full-time nonbargaining group  
2 employees.

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

7

8 **Sec. 109.** RCW 28A.400.275 and 2012 2nd sp.s. c 3 s 4 are each  
9 amended to read as follows:

10 (1) Any contract or agreement for employee benefits executed  
11 after April 13, 1990, between a school district and a benefit  
12 provider or employee bargaining unit is null and void unless it  
13 contains an agreement to abide by state laws relating to school  
14 district employee benefits. The term of the contract or agreement  
15 may not exceed one year. Beginning January 1, 2019, any contract for  
16 employee basic benefits between a school district and a bargaining  
17 unit of classified school employees is null and void unless basic  
18 benefits are provided through plans administered by the Washington  
19 state health care authority.

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

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

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

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

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

32 (A) Total premium expenses;

33 (B) Total claims expenses;

34 (C) Claims reserves; and

1 (D) Plan administration expenses, including compensation paid to  
2 brokers;

3 (ii) A description of the plan's use of innovative health plan  
4 features designed to reduce health benefit premium growth and reduce  
5 utilization of unnecessary health services including but not limited  
6 to the use of enrollee health assessments or health coach services,  
7 care management for high cost or high-risk enrollees, medical or  
8 health home payment mechanisms, and plan features designed to create  
9 incentives for improved personal health behaviors;

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

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

22 (A) A summary of the benefit packages offered to each group of  
23 district employees, including covered benefits, employee  
24 deductibles, coinsurance, and copayments, and the number of  
25 employees and their dependents in each benefit package;

26 (B) Aggregated employee and dependent demographic information,  
27 including age band and gender, by insurance tier and by benefit  
28 package;

29 (C) Total claim payments by benefit package, including premiums  
30 paid, inpatient facility claims paid, outpatient facility claims  
31 paid, physician claims paid, pharmacy claims paid, capitation  
32 amounts paid, and other claims paid;

33 (D) Total premiums paid by benefit package;

34

1 (E) A listing of large claims defined as annual amounts paid in  
2 excess of one hundred thousand dollars including the amount paid,  
3 the member enrollment status, and the primary diagnosis. School  
4 districts shall submit to the Washington state health care authority  
5 all information deemed necessary by the health care authority for  
6 the administration of the employee benefit plans provided to  
7 classified school districts employees, including all information  
8 requested between the effective date of this section and December  
9 31, 2018, requested for preparing for the enrollment of classified  
10 school district employees in benefit plans administered by the  
11 Washington state health care authority.

12 (3) Annually, school districts and their benefit providers shall  
13 jointly report to the office of the insurance commissioner on their  
14 health insurance-related efforts and achievements to:

15 (a) Significantly reduce administrative costs for school  
16 districts;

17 (b) Improve customer service;

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

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

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

25 (5) Any benefit provider offering a benefit plan by contract or  
26 agreement with a school district under subsection (1) of this  
27 section shall make available to the school district the benefit plan  
28 descriptions and, where available, the demographic information on  
29 plan subscribers that the district and benefit provider are required  
30 to report to the office of the insurance commissioner under this  
31 section.

32 (6) This section shall not apply to benefit plans offered in the  
33 1989-90 school year.

34 (7) Each school district shall:

1 (a) Carry out all actions required by the health care authority  
2 under chapter 41.05 RCW including, but not limited to, those  
3 necessary for the operation of benefit plans, education of  
4 employees, claims administration, and appeals process; and

5 (b) Report all data relating to employees eligible to  
6 participate in benefits or plans administered by the health care  
7 authority in a format designed and communicated by the health care  
8 authority.

9

10 **Sec. 110.** RCW 28A.400.350 and 2012 2nd sp.s. c 3 s 3 are each  
11 amended to read as follows:

12 (1)(a) The board of directors of any of the state's school  
13 districts or educational service districts may make available  
14 medical, dental, vision, liability, life, ((health, health care,))  
15 accident, disability, and salary protection or insurance, direct  
16 agreements as defined in chapter 48.150 RCW, or any one of, or a  
17 combination of the types of employee benefits enumerated in this  
18 subsection, or any other type of insurance or protection, for the  
19 members of the boards of directors, the students, and employees of  
20 the school district or educational service district, and their  
21 dependents. Except as provided in (b) of this subsection, such  
22 coverage may be provided by contracts or agreements with private  
23 carriers, with the state health care authority after July 1, 1990,  
24 pursuant to the approval of the authority administrator, or through  
25 self-insurance or self-funding pursuant to chapter 48.62 RCW, or in  
26 any other manner authorized by law. Any direct agreement must comply  
27 with RCW 48.150.050.

28 (b) Beginning January 1, 2019, a school district or educational  
29 service district shall purchase basic benefits as defined in RCW  
30 28A.400.270 for classified employees and dependents through the  
31 state health care authority.

32 (2) Whenever funds are available for these purposes the board of  
33 directors of the school district or educational service district may  
34 contribute all or a part of the cost of such protection or insurance

1 for the employees of their respective school districts or  
2 educational service districts and their dependents. The premiums on  
3 such liability insurance shall be borne by the school district or  
4 educational service district.

5 After October 1, 1990, school districts may not contribute to  
6 any employee protection or insurance other than liability insurance  
7 unless the district's employee benefit plan conforms to RCW  
8 28A.400.275 and 28A.400.280.

9 (3) For school board members, educational service district board  
10 members, and students, the premiums due on such protection or  
11 insurance shall be borne by the assenting school board member,  
12 educational service district board member, or student. The school  
13 district or educational service district may contribute all or part  
14 of the costs, including the premiums, of life, health, health care,  
15 accident or disability insurance which shall be offered to all  
16 students participating in interschool activities on the behalf of or  
17 as representative of their school, school district, or educational  
18 service district. The school district board of directors and the  
19 educational service district board may require any student  
20 participating in extracurricular interschool activities to, as a  
21 condition of participation, document evidence of insurance or  
22 purchase insurance that will provide adequate coverage, as  
23 determined by the school district board of directors or the  
24 educational service district board, for medical expenses incurred as  
25 a result of injury sustained while participating in the  
26 extracurricular activity. In establishing such a requirement, the  
27 district shall adopt regulations for waiving or reducing the  
28 premiums of such coverage as may be offered through the school  
29 district or educational service district to students participating  
30 in extracurricular activities, for those students whose families, by  
31 reason of their low income, would have difficulty paying the entire  
32 amount of such insurance premiums. The district board shall adopt  
33 regulations for waiving or reducing the insurance coverage  
34 requirements for low-income students in order to assure such

1 students are not prohibited from participating in extracurricular  
2 interschool activities.

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

9 (5) School districts offering medical, vision, and dental  
10 benefits shall:

11 (a) Offer a high deductible health plan option with a health  
12 savings account that conforms to section 223, part VII of subchapter  
13 1 of the internal revenue code of 1986. School districts shall  
14 comply with all applicable federal standards related to the  
15 establishment of health savings accounts;

16 (b) Make progress toward employee premiums that are established  
17 to ensure that full family coverage premiums are not more than three  
18 times the premiums for employees purchasing single coverage for the  
19 same coverage plan, unless a subsequent premium differential target  
20 is defined as a result of the review and subsequent actions  
21 described in RCW 41.05.655;

22 (c) Offer employees at least one health benefit plan that is not  
23 a high deductible health plan offered in conjunction with a health  
24 savings account in which the employee share of the premium cost for  
25 a full-time employee, regardless of whether the employee chooses  
26 employee-only coverage or coverage that includes dependents, does  
27 not exceed the share of premium cost paid by state employees during  
28 the state employee benefits year that started immediately prior to  
29 the school year.

30 (6) All contracts or agreements for employee benefits must be  
31 held to responsible contracting standards, meaning a fair, prudent,  
32 and accountable competitive procedure for procuring services that  
33 includes an open competitive process, except where an open process  
34



1 would compromise cost-effective purchasing, with documentation  
2 justifying the approach.

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

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

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

19

20 **Sec. 111.** RCW 41.05.050 and 2016 c 67 s 3 are each amended to  
21 read as follows:

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

34

1 (2) To account for increased cost of benefits for the state and  
2 for state employees, the authority may develop a rate surcharge  
3 applicable to participating counties, municipalities, other  
4 political subdivisions, and tribal governments.

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 are  
8 covered by this chapter, shall be set by the authority, subject to  
9 the approval of the governor for availability of funds as  
10 specifically appropriated by the legislature for that purpose.  
11 Insurance and health care contributions for ferry employees shall be  
12 governed by RCW 47.64.270.

13 (4)(a) Until December 31, 2018, the authority shall collect from  
14 each participating school district and educational service district  
15 an amount equal to the composite rate charged to state agencies,  
16 plus an amount equal to the employee premiums by plan and family  
17 size as would be charged to state employees, for groups of district  
18 employees enrolled in authority plans. The authority may collect  
19 these amounts in accordance with the district fiscal year, as  
20 described in RCW 28A.505.030. On or after January 1, 2019, the  
21 authority shall collect the composite rate for certificated  
22 employees enrolled in authority plans, and for classified employees  
23 shall collect the same amounts from districts and employees as are  
24 collected from state agencies.

25 (b) Until December 31, 2018, for all groups of district  
26 employees enrolling in authority plans for the first time after  
27 September 1, 2003, the authority shall collect from each  
28 participating school district an amount equal to the composite rate  
29 charged to state agencies, plus an amount equal to the employee  
30 premiums by plan and by family size as would be charged to state  
31 employees, only if the authority determines that this method of  
32 billing the districts will not result in a material difference  
33 between revenues from districts and expenditures made by the  
34 authority on behalf of districts and their employees. The authority

1 may collect these amounts in accordance with the district fiscal  
2 year, as described in RCW 28A.505.030. On or after January 1, 2019,  
3 the authority shall collect the composite rate for certificated  
4 employees enrolled in authority plans, and for classified employees  
5 shall collect the same amounts from districts and employees as are  
6 collected from state agencies.

7 (c) Until December 31, 2018, if the authority determines at any  
8 time that the conditions in (b) of this subsection cannot be met,  
9 the authority shall offer enrollment to additional groups of  
10 district employees on a tiered rate structure until such time as the  
11 authority determines there would be no material difference between  
12 revenues and expenditures under a composite rate structure for all  
13 district employees enrolled in authority plans. On or after January  
14 1, 2019, the authority shall collect for classified employees the  
15 same amounts from districts and employees as are collected from  
16 state agencies.

17 (d) The authority may charge districts a one-time set-up fee for  
18 employee groups enrolling in authority plans for the first time,  
19 however this fee may not be charged for the addition of classified  
20 employees to authority plans beginning January 1, 2019.

21 (e) For the purposes of this subsection:

22 (i) "District" means school district and educational service  
23 district; and

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

26 (f) Until December 31, 2018, notwithstanding this subsection and  
27 RCW 41.05.065(4), the authority may allow districts enrolled on a  
28 tiered rate structure prior to September 1, 2002, to continue  
29 participation based on the same rate structure and under the same  
30 conditions and eligibility criteria. On or after January 1, 2019,  
31 the authority shall may allow the tiered rate structure to continue  
32 for certificated employees enrolled prior to September 1, 2002, but  
33 for classified employees shall be participate under the same rate  
34 structure, conditions, and eligibility criteria as state employees.

1 (5) The authority shall transmit a recommendation for the amount  
2 of the employer contribution to the governor and the director of  
3 financial management for inclusion in the proposed budgets submitted  
4 to the legislature.

5  
6 **Sec. 112.** RCW 41.05.075 and 2007 c 259 s 34 are each amended to  
7 read as follows:

8 (1) The (~~administrator~~) director shall provide benefit plans  
9 designed by the board through a contract or contracts with insuring  
10 entities, through self-funding, self-insurance, or other methods of  
11 providing insurance coverage authorized by RCW 41.05.140.

12 (2) The (~~administrator~~) director shall establish a contract  
13 bidding process that:

14 (a) Encourages competition among insuring entities;

15 (b) Maintains an equitable relationship between premiums charged  
16 for similar benefits and between risk pools including premiums  
17 charged for retired state and school district employees under the  
18 separate risk pools established by RCW 41.05.022 and 41.05.080 such  
19 that insuring entities may not avoid risk when establishing the  
20 premium rates for retirees eligible for medicare;

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

22 (d) Sets conditions for awarding contracts to any insuring  
23 entity.

24 (3)(a) School districts directly providing medical and dental  
25 benefit plans and contracted insuring entities providing medical and  
26 dental benefit plans to school districts on December 31, 2017, shall  
27 provide the health care authority specified data by July 1, 2017, to  
28 support benefit plans procurement that includes all classified  
29 employees beginning January 1, 2019. At a minimum, the data on  
30 classified employees must cover the period January 1, 2014, through  
31 May 31, 2018, and include:

32 (i) A summary of the benefit packages offered to each group of  
33 classified district employees, including covered benefits, point-of-  
34 service cost-sharing, member count, and the group policy number;

1 (ii) Aggregated subscriber and member demographic information,  
2 including age band and gender, by insurance tier by month and by  
3 benefit packages;

4 (iii) Monthly total by benefit package, including premiums paid,  
5 inpatient facility claims paid, outpatient facility claims paid,  
6 physician claims paid, pharmacy claims paid, capitation amounts  
7 paid, and other claims paid;

8 (iv) A listing for calendar year 2017 of large claims defined as  
9 annual amounts paid in excess of one hundred thousand dollars  
10 including the amount paid, the member enrollment status, and the  
11 primary diagnosis; and

12 (v) A listing of calendar year 2017 allowed claims by provider  
13 entity.

14 (b) Any data that may be confidential and contain personal  
15 health information may be protected in accordance with a data-  
16 sharing agreement.

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

20 ((~~+4~~)) (5) The ((~~administrator~~)) director shall centralize the  
21 enrollment files for all employee and retired or disabled school  
22 employee health plans offered under chapter 41.05 RCW and develop  
23 enrollment demographics on a plan-specific basis.

24 ((~~+5~~)) (6) All claims data shall be the property of the state.  
25 The ((~~administrator~~)) director may require of any insuring entity  
26 that submits a bid to contract for coverage all information deemed  
27 necessary including:

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

32 (b) Subscriber or member demographic and claims data necessary  
33 to implement performance measures or financial incentives related to  
34 performance under subsection ((~~+7~~)) (8) of this section.

1       (~~(6)~~) (7) All contracts with insuring entities for the  
2 provision of health care benefits shall provide that the  
3 beneficiaries of such benefit plans may use on an equal  
4 participation basis the services of practitioners licensed pursuant  
5 to chapters 18.22, 18.25, 18.32, 18.53, 18.57, 18.71, 18.74, 18.83,  
6 and 18.79 RCW, as it applies to registered nurses and advanced  
7 registered nurse practitioners. However, nothing in this subsection  
8 may preclude the (~~administrator~~) director from establishing  
9 appropriate utilization controls approved pursuant to RCW  
10 41.05.065(2) (a), (b), and (d).

11       (~~(7)~~) (8) The (~~administrator~~) director shall, in  
12 collaboration with other state agencies that administer state  
13 purchased health care programs, private health care purchasers,  
14 health care facilities, providers, and carriers:

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

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

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

25       (b) Through state health purchasing, reimbursement, or pilot  
26 strategies, promote and increase the adoption of health information  
27 technology systems, including electronic medical records, by  
28 hospitals as defined in RCW 70.41.020(~~(4)~~) (7), integrated  
29 delivery systems, and providers that:

30       (i) Facilitate diagnosis or treatment;

31       (ii) Reduce unnecessary duplication of medical tests;

32       (iii) Promote efficient electronic physician order entry;

33       (iv) Increase access to health information for consumers and  
34 their providers; and

1 (v) Improve health outcomes;

2 (c) Coordinate a strategy for the adoption of health information  
3 technology systems using the final health information technology  
4 report and recommendations developed under chapter 261, Laws of  
5 2005.

6 ~~((+8))~~ (9) The ~~((administrator))~~ director may permit the  
7 Washington state health insurance pool to contract to utilize any  
8 network maintained by the authority or any network under contract  
9 with the authority.

10

11 **Sec. 113.** RCW 28A.400.280 and 2012 2nd sp.s. c 3 s 2 are each  
12 amended to read as follows:

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

18 (2) School districts may provide employer contributions after  
19 October 1, 1990, for optional benefit plans, in addition to basic  
20 benefits, only for employees included in pooling arrangements under  
21 this subsection. Optional benefits may include direct agreements as  
22 defined in chapter 48.150 RCW, but may not include employee  
23 beneficiary accounts that can be liquidated by the employee on  
24 termination of employment. Optional benefit plans may be offered  
25 only if:

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

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

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

34

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

3 (e) Each full-time employee included in the pooling arrangement,  
4 regardless of the number of dependents receiving basic coverage,  
5 receives the same additional employer contribution for other  
6 coverage or optional benefits; and

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

11 (3) Savings accruing to school districts due to limitations on  
12 benefit options under this section shall be pooled and made  
13 available by the districts to reduce out-of-pocket premium expenses  
14 for employees needing basic coverage for dependents. School  
15 districts are not intended to divert state basic benefit allocations  
16 for other purposes.

17 (4) Beginning September 1, 2018, school districts and  
18 educational service districts may provide optional vision, dental,  
19 group life, and group long-term disability coverage to classified  
20 employees in excess of what is provided through the health care  
21 authority, if that coverage is consistent with a collective  
22 bargaining agreement.

23

24 **Sec. 114.** RCW 41.56.500 and 2010 c 235 s 802 are each amended  
25 to read as follows:

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

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

34



1 (3) Except as provided in RCW 28A.400.280(4), classified  
2 employee bargaining may not include the dollar amount to be  
3 contributed for school employee health benefits beginning January 1,  
4 2019, on behalf of each employee for health care benefits.

5 (4) The governor shall submit a request for funds for the dollar  
6 amount to be expended for classified school employee health benefits  
7 that is the same as the amount bargained under RCW 41.80.020.

8  
9 **Sec. 115.** RCW 41.59.105 and 2010 c 235 s 803 are each amended  
10 to read as follows:

11 (1) All collective bargaining agreements entered into between a  
12 school district employer and school district employees under this  
13 chapter after June 10, 2010, as well as bargaining agreements  
14 existing on June 10, 2010, but renewed or extended after June 10,  
15 2010, shall be consistent with RCW 28A.657.050.

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

19 (3) Except as provided in RCW 28A.400.280(4), employee  
20 bargaining may not include the dollar amount to be contributed  
21 beginning January 1, 2019, on behalf of each employee for health  
22 care benefits.

23 (4) The governor shall submit a request for funds for the dollar  
24 amount to be expended for school employee health benefits that is  
25 the same as the amount bargained under RCW 41.80.020.

26  
27 **Sec. 116.** RCW 41.05.065 and 2015 c 116 s 3 are each amended to  
28 read as follows:

29 (1) The board shall study all matters connected with the  
30 provision of health care coverage, life insurance, liability  
31 insurance, accidental death and dismemberment insurance, and  
32 disability income insurance or any of, or a combination of, the  
33 enumerated types of insurance for employees and their dependents on  
34 the best basis possible with relation both to the welfare of the

1 employees and to the state. However, liability insurance shall not  
2 be made available to dependents.

3 (2) The board shall develop employee benefit plans that include  
4 comprehensive health care benefits for employees. In developing  
5 these plans, the board shall consider the following elements:

6 (a) Methods of maximizing cost containment while ensuring access  
7 to quality health care;

8 (b) Development of provider arrangements that encourage cost  
9 containment and ensure access to quality care, including but not  
10 limited to prepaid delivery systems and prospective payment methods;

11 (c) Wellness incentives that focus on proven strategies, such as  
12 smoking cessation, injury and accident prevention, reduction of  
13 alcohol misuse, appropriate weight reduction, exercise, automobile  
14 and motorcycle safety, blood cholesterol reduction, and nutrition  
15 education;

16 (d) Utilization review procedures including, but not limited to  
17 a cost-efficient method for prior authorization of services,  
18 hospital inpatient length of stay review, requirements for use of  
19 outpatient surgeries and second opinions for surgeries, review of  
20 invoices or claims submitted by service providers, and performance  
21 audit of providers;

22 (e) Effective coordination of benefits; and

23 (f) Minimum standards for insuring entities.

24 (3) To maintain the comprehensive nature of employee health care  
25 benefits, benefits provided to employees shall be substantially  
26 equivalent to the state employees' health (~~benefits~~) benefit plan  
27 in effect on January 1, 1993. Nothing in this subsection shall  
28 prohibit changes or increases in employee point-of-service payments  
29 or employee premium payments for benefits or the administration of a  
30 high deductible health plan in conjunction with a health savings  
31 account. The board may establish employee eligibility criteria which  
32 are not substantially equivalent to employee eligibility criteria in  
33 effect on January 1, 1993.

34

1 (4) Except if bargained for under chapter 41.80 RCW, the board  
2 shall design benefits and determine the terms and conditions of  
3 employee and retired employee participation and coverage, including  
4 establishment of eligibility criteria subject to the requirements of  
5 this chapter. Employer groups obtaining benefits through contractual  
6 agreement with the authority for employees defined in RCW  
7 41.05.011(6) (a) through (d) may contractually agree with the  
8 authority to benefits eligibility criteria which differs from that  
9 determined by the board. The eligibility criteria established by the  
10 board shall be no more restrictive than the following:

11 (a) Except as provided in (b) through (e) of this subsection, an  
12 employee is eligible for benefits from the date of employment if the  
13 employing agency anticipates he or she will work an average of at  
14 least eighty hours per month and for at least eight hours in each  
15 month for more than six consecutive months. An employee determined  
16 ineligible for benefits at the beginning of his or her employment  
17 shall become eligible in the following circumstances:

18 (i) An employee who works an average of at least eighty hours  
19 per month and for at least eight hours in each month and whose  
20 anticipated duration of employment is revised from less than or  
21 equal to six consecutive months to more than six consecutive months  
22 becomes eligible when the revision is made.

23 (ii) An employee who works an average of at least eighty hours  
24 per month over a period of six consecutive months and for at least  
25 eight hours in each of those six consecutive months becomes eligible  
26 at the first of the month following the six-month averaging period.

27 (b) A seasonal employee is eligible for benefits from the date  
28 of employment if the employing agency anticipates that he or she  
29 will work an average of at least eighty hours per month and for at  
30 least eight hours in each month of the season. A seasonal employee  
31 determined ineligible at the beginning of his or her employment who  
32 works an average of at least eighty hours per month over a period of  
33 six consecutive months and at least eight hours in each of those six  
34 consecutive months becomes eligible at the first of the month

1 following the six-month averaging period. A benefits-eligible  
2 seasonal employee who works a season of less than nine months shall  
3 not be eligible for the employer contribution during the off season,  
4 but may continue enrollment in benefits during the off season by  
5 self-paying for the benefits. A benefits-eligible seasonal employee  
6 who works a season of nine months or more is eligible for the  
7 employer contribution through the off season following each season  
8 worked.

9 (c) Faculty are eligible as follows:

10 (i) Faculty who the employing agency anticipates will work half-  
11 time or more for the entire instructional year or equivalent nine-  
12 month period are eligible for benefits from the date of employment.  
13 Eligibility shall continue until the beginning of the first full  
14 month of the next instructional year, unless the employment  
15 relationship is terminated, in which case eligibility shall cease  
16 the first month following the notice of termination or the effective  
17 date of the termination, whichever is later.

18 (ii) Faculty who the employing agency anticipates will not work  
19 for the entire instructional year or equivalent nine-month period  
20 are eligible for benefits at the beginning of the second consecutive  
21 quarter or semester of employment in which he or she is anticipated  
22 to work, or has actually worked, half-time or more. Such an employee  
23 shall continue to receive uninterrupted employer contributions for  
24 benefits if the employee works at least half-time in a quarter or  
25 semester. Faculty who the employing agency anticipates will not work  
26 for the entire instructional year or equivalent nine-month period,  
27 but who actually work half-time or more throughout the entire  
28 instructional year, are eligible for summer or off-quarter or off-  
29 semester coverage. Faculty who have met the criteria of this  
30 subsection (4)(c)(ii), who work at least two quarters or two  
31 semesters of the academic year with an average academic year  
32 workload of half-time or more for three quarters or two semesters of  
33 the academic year, and who have worked an average of half-time or  
34 more in each of the two preceding academic years shall continue to

1 receive uninterrupted employer contributions for benefits if he or  
2 she works at least half-time in a quarter or semester or works two  
3 quarters or two semesters of the academic year with an average  
4 academic workload each academic year of half-time or more for three  
5 quarters or two semesters. Eligibility under this section ceases  
6 immediately if this criteria is not met.

7 (iii) Faculty may establish or maintain eligibility for benefits  
8 by working for more than one institution of higher education. When  
9 faculty work for more than one institution of higher education,  
10 those institutions shall prorate the employer contribution costs, or  
11 if eligibility is reached through one institution, that institution  
12 will pay the full employer contribution. Faculty working for more  
13 than one institution must alert his or her employers to his or her  
14 potential eligibility in order to establish eligibility.

15 (iv) The employing agency must provide written notice to faculty  
16 who are potentially eligible for benefits under this subsection  
17 (4)(c) of their potential eligibility.

18 (v) To be eligible for maintenance of benefits through averaging  
19 under (c)(ii) of this subsection, faculty must provide written  
20 notification to his or her employing agency or agencies of his or  
21 her potential eligibility.

22 (vi) For the purposes of this subsection (4)(c):

23 (A) "Academic year" means summer, fall, winter, and spring  
24 quarters or summer, fall, and spring semesters;

25 (B) "Half-time" means one-half of the full-time academic  
26 workload as determined by each institution; except that for  
27 community and technical college faculty, half-time academic workload  
28 is calculated according to RCW 28B.50.489.

29 (d) A legislator is eligible for benefits on the date his or her  
30 term begins. All other elected and full-time appointed officials of  
31 the legislative and executive branches of state government are  
32 eligible for benefits on the date his or her term begins or they  
33 take the oath of office, whichever occurs first.

34

1 (e) A justice of the supreme court and judges of the court of  
2 appeals and the superior courts become eligible for benefits on the  
3 date he or she takes the oath of office.

4 (f) An employee of a school district or educational service  
5 district is eligible for benefits if they are expected to work at  
6 least six hundred thirty hours during a school year.

7 (g) Except as provided in (c)(i) and (ii) of this subsection,  
8 eligibility ceases for any employee the first of the month following  
9 termination of the employment relationship.

10 (~~(g)~~) (h) In determining eligibility under this section, the  
11 employing agency may disregard training hours, standby hours, or  
12 temporary changes in work hours as determined by the authority under  
13 this section.

14 (~~(h)~~) (i) Insurance coverage for all eligible employees begins  
15 on the first day of the month following the date when eligibility  
16 for benefits is established. If the date eligibility is established  
17 is the first working day of a month, insurance coverage begins on  
18 that date.

19 (~~(i)~~) (j) Eligibility for an employee whose work circumstances  
20 are described by more than one of the eligibility categories in (a)  
21 through (e) of this subsection shall be determined solely by the  
22 criteria of the category that most closely describes the employee's  
23 work circumstances.

24 (~~(j)~~) (k) Except for an employee eligible for benefits under  
25 (b) or (c)(ii) of this subsection, an employee who has established  
26 eligibility for benefits under this section shall remain eligible  
27 for benefits each month in which he or she is in pay status for  
28 eight or more hours, if (i) he or she remains in a benefits-eligible  
29 position and (ii) leave from the benefits-eligible position is  
30 approved by the employing agency. A benefits-eligible seasonal  
31 employee is eligible for the employer contribution in any month of  
32 his or her season in which he or she is in pay status eight or more  
33 hours during that month. Eligibility ends if these conditions are  
34

1 not met, the employment relationship is terminated, or the employee  
2 voluntarily transfers to a noneligible position.

3 ~~((k))~~ (1) For the purposes of this subsection, the board shall  
4 define "benefits-eligible position."

5 (5) The board may authorize premium contributions for an  
6 employee and the employee's dependents in a manner that encourages  
7 the use of cost-efficient managed health care systems.

8 (6)(a) For any open enrollment period following August 24, 2011,  
9 the board shall offer a health savings account option for employees  
10 that conforms to section 223, Part VII of subchapter B of chapter 1  
11 of the internal revenue code of 1986. The board shall comply with  
12 all applicable federal standards related to the establishment of  
13 health savings accounts.

14 (b) By November 30, 2015, and each year thereafter, the  
15 authority shall submit a report to the relevant legislative policy  
16 and fiscal committees that includes the following:

17 (i) Public employees' benefits board health plan cost and  
18 service utilization trends for the previous three years, in total  
19 and for each health plan offered to employees;

20 (ii) For each health plan offered to employees, the number and  
21 percentage of employees and dependents enrolled in the plan, and the  
22 age and gender demographics of enrollees in each plan;

23 (iii) Any impact of enrollment in alternatives to the most  
24 comprehensive plan, including the high deductible health plan with a  
25 health savings account, upon the cost of health benefits for those  
26 employees who have chosen to remain enrolled in the most  
27 comprehensive plan.

28 (7) Notwithstanding any other provision of this chapter, for any  
29 open enrollment period following August 24, 2011, the board shall  
30 offer a high deductible health plan in conjunction with a health  
31 savings account developed under subsection (6) of this section.

32 (8) Employees shall choose participation in one of the health  
33 care benefit plans developed by the board and may be permitted to  
34 waive coverage under terms and conditions established by the board.

1 (9) The board shall review plans proposed by insuring entities  
2 that desire to offer property insurance and/or accident and casualty  
3 insurance to state employees through payroll deduction. The board  
4 may approve any such plan for payroll deduction by insuring entities  
5 holding a valid certificate of authority in the state of Washington  
6 and which the board determines to be in the best interests of  
7 employees and the state. The board shall adopt rules setting forth  
8 criteria by which it shall evaluate the plans.

9 (10) Before January 1, 1998, the public employees' benefits  
10 board shall make available one or more fully insured long-term care  
11 insurance plans that comply with the requirements of chapter 48.84  
12 RCW. Such programs shall be made available to eligible employees,  
13 retired employees, and retired school employees as well as eligible  
14 dependents which, for the purpose of this section, includes the  
15 parents of the employee or retiree and the parents of the spouse of  
16 the employee or retiree. Employees of local governments, political  
17 subdivisions, and tribal governments not otherwise enrolled in the  
18 public employees' benefits board sponsored medical programs may  
19 enroll under terms and conditions established by the administrator,  
20 if it does not jeopardize the financial viability of the public  
21 employees' benefits board's long-term care offering.

22 (a) Participation of eligible employees or retired employees and  
23 retired school employees in any long-term care insurance plan made  
24 available by the public employees' benefits board is voluntary and  
25 shall not be subject to binding arbitration under chapter 41.56 RCW.  
26 Participation is subject to reasonable underwriting guidelines and  
27 eligibility rules established by the public employees' benefits  
28 board and the health care authority.

29 (b) The employee, retired employee, and retired school employee  
30 are solely responsible for the payment of the premium rates  
31 developed by the health care authority. The health care authority is  
32 authorized to charge a reasonable administrative fee in addition to  
33 the premium charged by the long-term care insurer, which shall  
34 include the health care authority's cost of administration,



1 marketing, and consumer education materials prepared by the health  
2 care authority and the office of the insurance commissioner.

3 (c) To the extent administratively possible, the state shall  
4 establish an automatic payroll or pension deduction system for the  
5 payment of the long-term care insurance premiums.

6 (d) The public employees' benefits board and the health care  
7 authority shall establish a technical advisory committee to provide  
8 advice in the development of the benefit design and establishment of  
9 underwriting guidelines and eligibility rules. The committee shall  
10 also advise the board and authority on effective and cost-effective  
11 ways to market and distribute the long-term care product. The  
12 technical advisory committee shall be comprised, at a minimum, of  
13 representatives of the office of the insurance commissioner,  
14 providers of long-term care services, licensed insurance agents with  
15 expertise in long-term care insurance, employees, retired employees,  
16 retired school employees, and other interested parties determined to  
17 be appropriate by the board.

18 (e) The health care authority shall offer employees, retired  
19 employees, and retired school employees the option of purchasing  
20 long-term care insurance through licensed agents or brokers  
21 appointed by the long-term care insurer. The authority, in  
22 consultation with the public employees' benefits board, shall  
23 establish marketing procedures and may consider all premium  
24 components as a part of the contract negotiations with the long-term  
25 care insurer.

26 (f) In developing the long-term care insurance benefit designs,  
27 the public employees' benefits board shall include an alternative  
28 plan of care benefit, including adult day services, as approved by  
29 the office of the insurance commissioner.

30 (g) The health care authority, with the cooperation of the  
31 office of the insurance commissioner, shall develop a consumer  
32 education program for the eligible employees, retired employees, and  
33 retired school employees designed to provide education on the  
34 potential need for long-term care, methods of financing long-term

1 care, and the availability of long-term care insurance products  
2 including the products offered by the board.

3 (11) The board may establish penalties to be imposed by the  
4 authority when the eligibility determinations of an employing agency  
5 fail to comply with the criteria under this chapter.

6

7 **Sec. 117.** RCW 41.80.020 and 2015 3rd sp.s. c 1 s 318 are each  
8 amended to read as follows:

9 (1) Except as otherwise provided in this chapter, the matters  
10 subject to bargaining include wages, hours, and other terms and  
11 conditions of employment, and the negotiation of any question  
12 arising under a collective bargaining agreement.

13 (2) The employer is not required to bargain over matters  
14 pertaining to:

15 (a) Health care benefits or other employee insurance benefits,  
16 except as required in subsection (3) of this section;

17 (b) Any retirement system or retirement benefit; or

18 (c) Rules of the director of financial management, the director  
19 of enterprise services, or the Washington personnel resources board  
20 adopted under RCW 41.06.157.

21 (3) Matters subject to bargaining include the number of names to  
22 be certified for vacancies, promotional preferences, and the dollar  
23 amount expended on behalf of each employee for health care benefits.  
24 However, except as provided otherwise in this subsection for  
25 institutions of higher education, negotiations regarding the number  
26 of names to be certified for vacancies, promotional preferences, and  
27 the dollar amount expended on behalf of each employee for health  
28 care benefits shall be conducted between the employer and one  
29 coalition of all the exclusive bargaining representatives subject to  
30 this chapter and bargaining units representing classified employees  
31 of school districts and educational service districts. The exclusive  
32 bargaining representatives for employees that are subject to chapter  
33 47.64 RCW shall bargain the dollar amount expended on behalf of each  
34 employee for health care benefits with the employer as part of the

1 coalition under this subsection. Any such provision agreed to by the  
2 employer and the coalition shall be included in all master  
3 collective bargaining agreements negotiated by the parties. For  
4 institutions of higher education, promotional preferences and the  
5 number of names to be certified for vacancies shall be bargained  
6 under the provisions of RCW 41.80.010(4). For agreements covering  
7 the 2013-2015 fiscal biennium, any agreement between the employer  
8 and the coalition regarding the dollar amount expended on behalf of  
9 each employee for health care benefits is a separate agreement and  
10 shall not be included in the master collective bargaining agreements  
11 negotiated by the parties.

12 (4) The employer and the exclusive bargaining representative  
13 shall not agree to any proposal that would prevent the  
14 implementation of approved affirmative action plans or that would be  
15 inconsistent with the comparable worth agreement that provided the  
16 basis for the salary changes implemented beginning with the 1983-  
17 1985 biennium to achieve comparable worth.

18 (5) The employer and the exclusive bargaining representative  
19 shall not bargain over matters pertaining to management rights  
20 established in RCW 41.80.040.

21 (6) Except as otherwise provided in this chapter, if a conflict  
22 exists between an executive order, administrative rule, or agency  
23 policy relating to wages, hours, and terms and conditions of  
24 employment and a collective bargaining agreement negotiated under  
25 this chapter, the collective bargaining agreement shall prevail. A  
26 provision of a collective bargaining agreement that conflicts with  
27 the terms of a statute is invalid and unenforceable.

28 (7) This section does not prohibit bargaining that affects  
29 contracts authorized by RCW 41.06.142."

30

31 Correct the title.

32

33 EFFECT: Requires that health benefits be provided to  
34 classified school employees through the state employees' Public

35

Employees' Benefits Board (PEBB) program administered by the Health Care Authority(HCA), beginning January 1, 2019.

States legislative findings, including that issues particularly burdensome to classified employees remain in the school district health benefit system.

Beginning on the effective date of the act, school districts are required to submit all information required by the HCA necessary for administration of employee benefit plans provided to classified employees. Specific information on classified employees must be provided by school districts to the HCA in preparation for the transition to coverage under the PEBB program.

After January 1, 2019, the composite health benefit funding rate systems used for PEBB-participating school districts will apply only to certificated employees that participate - for classified employees, the rates collected are the same as for state employees.

School districts may provide additional vision, dental, and other non-health insurance coverage to classified employees in excess of what is provided by HCA if collectively bargained. Beginning January 1, 2019, local bargaining must be consistent with the provision of health benefits for classified school district employees through the HCA.

The employer and state contribution for classified school employees health benefits is collectively bargained with the Governor as part of the state employee health benefits super coalition. The Governor shall submit a request for funds for classified school employee health benefits that is the same as for state employees.

Eligibility for health benefits as a classified school employee is defined in the HCA statutes, and limited to employees that are expected to work at least six hundred thirty hours during a school year.

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