

SENATE BILL REPORT

SB 5653

As Reported by Senate Committee On:
Ways & Means, February 23, 2017

Title: An act relating to administration of the public employees' benefits program.

Brief Description: Addressing the administration of the public employees' benefits program.

Sponsors: Senators Becker, Braun, Brown, Bailey, Padden, Zeiger, King, Wilson, O'Ban, Rossi, Walsh, Hawkins and Fain.

Brief History:

Committee Activity: Ways & Means: 2/07/17, 2/23/17 [DPS, DNP, w/oRec].

Brief Summary of Substitute Bill

- Creates a new Office of Public Employee Benefits within the executive branch that will house the Public Employees' Benefits Board.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 5653 be substituted therefor, and the substitute bill do pass.

Signed by Senators Braun, Chair; Brown, Vice Chair; Rossi, Vice Chair; Honeyford, Vice Chair, Capital Budget; Bailey, Becker, Fain, Miloscia, Padden, Rivers, Schoesler, Warnick and Zeiger.

Minority Report: Do not pass.

Signed by Senators Ranker, Ranking Minority Member; Carlyle, Conway, Darneille, Hasegawa, Keiser and Pedersen.

Minority Report: That it be referred without recommendation.

Signed by Senators Rolfes, Assistant Ranking Minority Member, Operating Budget; Frockt, Assistant Ranking Minority Member, Capital Budget; Billig.

Staff: Sandy Stith (786-7710)

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.

Background: The Department of Retirement Systems (DRS) was created under RCW 41.50 and is responsible for the administration of retirement and pension benefits for nearly 700,000 current and former public employees in Washington. The benefit programs administered by DRS include 8 public retirement systems, 15 retirement plans and the Deferred Compensation Savings Program.

The Public Employees Benefits Board (PEBB) was created under RCW 41.05.065 within the Washington State Health Care Authority (HCA) to design and approve insurance benefit plans for employees and to establish eligibility criteria for participation in insurance benefit plans. The PEBB program provides health insurance benefits for approximately 370,000 active and retired employees. The benefit programs administered by PEBB include medical and dental plans and life and disability insurance for both active employees and retirees.

The Medical Assistance program is codified under RCW 74.09. The Medicaid program is responsible for providing health care for approximately 1.9 million low income Washington residents. Beginning July 1, 2011, the Medicaid program and PEB program were consolidated under the Health Care Authority.

Summary of Bill (First Substitute): Beginning January 1, 2018, the administration of the Public Employee Benefits program moves from the Health Care Authority to the newly created Office of Employee Benefits within the executive branch.

EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE (First Substitute):

- Creates a new Office of Public Employee Benefits within the executive branch that will house the Public Employees' Benefits Board rather than moving it to the Department of Retirement Systems.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: The bill takes effect on January 1, 2018.

Staff Summary of Public Testimony on Original Bill: *The committee recommended a different version of the bill than what was heard.* PRO: This bill is moving benefits to benefits and entitlements to entitlements. In working with the HCA, with the rapid growth over the last few years, it's been a challenge to get accurate information. While reports have been more timely, the information has not been accurate. With the contemplation of adding more responsibility to the HCA, the addition of behavioral health, this seems like a logical time to help, by moving employee benefits to DRS. This would give HCA a chance to focus on entitlements. It would give HCA a chance to focus its mission.

CON: The Federation does not support this bill. Merging PEB and DRS doesn't make sense. These programs are different. The program staffs have different focuses. The agency

missions are different. Mergers don't always make agencies more nimble or efficient. PEB and non-PEB work is similar, however, this merger would require two sets of health care staff and would make the benefit system less responsive. We should focus on one mission.

OTHER: We appreciate ideas to improve the PEB program. We have concerns about this bill. The Medicaid and PEB program cover about 2.2 million lives. The Legislature combined these programs in 2011 to take advantage of the joint purchasing power of these programs in both clinical, fiscal, and policy areas. Taking these programs apart would lead to inefficiencies in these areas. Keeping these programs together allows for accountability in cost and quality and alignment of health policy and guidance. Splintering these could lead to higher health care costs. Staff mentioned concerns that the bill eliminates the Dependent Care Assistance Program. HCA is willing to work with staff and the sponsor on improving the bill. The DRS interacts with 30 other retirement systems around the country. Of those, 13 administer health care to varying degrees. Of the 13, 4 administer these for active members. These 4 do this administration in varying ways. DRS would need to go outside their 30-peer network to see if there are other states that administer benefits and pensions in the manner being proposed.

Persons Testifying: PRO: Senator Randi Becker, Prime Sponsor

CON: Greg Devereux, Washington Federation of State Employees

OTHER: David Iseminger, Washington State Health Care Authority; Mark Feldhausen, Department of Retirement Systems.

Persons Signed In To Testify But Not Testifying: No one.