

# SENATE BILL REPORT

## SB 5726

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As Reported by Senate Committee On:  
Ways & Means, February 22, 2017

**Title:** An act relating to public school employee benefits.

**Brief Description:** Addressing public school employee benefits.

**Sponsors:** Senators Hobbs, Rivers, Mullet, Takko and Keiser.

**Brief History:**

**Committee Activity:** Ways & Means: 2/14/17, 2/22/17 [DPS, DNP, w/oRec].

**Brief Summary of Substitute Bill**

- Requires that school and educational service districts provide based health care to employees through the Public Employee Benefits Board.

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** That Substitute Senate Bill No. 5726 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 ; Rolfes, Assistant Ranking Minority Member, Operating Budget; Bailey, Becker, Fain, Keiser, Miloscia, Padden, Rivers, Schoesler, Warnick and Zeiger.

**Minority Report:** Do not pass.

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

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

Signed by Senators Frockt, Assistant Ranking Minority Member, Capital Budget; Billig and Carlyle.

**Staff:** Amanda Cecil (786-7460)

**Background:** Health care for state employees and participating school districts is provided through the Public Employee Benefits Board (PEBB). PEBB provides medical benefits for

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about 362,000 public employees, their dependents, and retirees through 11 plans. PEBB has nine members appointed by the Governor representing state agencies, state employees, school employees, state retirees, and school retirees. PEBB sets eligibility requirements, approves premium contributions for eligible employees—these may vary for employees of K-12 school districts and certain employer groups, and approves benefits of all participating health insurance plans.

Basic health benefits for school district and educational service district (districts) employees may be locally bargained and purchased separately by each district. Employee contributions vary by district, and by bargaining units, and there is substantial variation in the share of the costs paid by employees who insure only themselves versus those who also insure their family members. According to a 2016 Office of the Insurance Commissioner report, insurance carriers provided health benefits coverage in 2015 through 482 health plans at the 295 school districts, at a premium cost of \$1 billion for more than 200,000 employees and dependents.

Districts also have the option of purchasing benefits for employees through PEBB. In 2016, about 6400 K-12 employees and their dependents were covered through PEBB.

In 2010, the State Auditor's Office conducted a performance review of K–12 school employee health benefits purchasing and made three main recommendations in its 2011 report: (1) streamline the system to improve efficiency, transparency, and stability; (2) standardize coverage levels for more affordable, quality medical benefits; and (3) reduce costs by restructuring the health benefits system. In 2011, the Legislature directed PEBB to develop a plan to implement a consolidated health benefits system for K–12 employees. The PEBB report was delivered in December 2011.

In 2012, Engrossed Substitute Senate Bill 5940 (ESSB 5940) made changes to the requirements for school district employee health benefits to promote several goals, including (1) having all employees make at least a minimum premium contribution; (2) having employees pay higher premiums for richer benefit plans; (3) offering a high-deductible health plan and health savings account option in all districts; and (4) making progress toward achieving employee premiums for full family coverage that are not more than three times larger than the premiums for employee-only coverage.

A report by the Joint Legislative Audit and Review Committee, published January 2016, found that mixed progress had been made towards meeting the goals and requirements in ESSB 5940.

**Summary of Bill (First Substitute):** Beginning January 1, 2019, or by a date determined by PEBB that is not later than December 1, 2021, basic health benefits for district employees must be determined by and provided through PEBB. District employees must be expected to work at least 630 hours during a school year in order to be for eligible for basic benefit coverage.

After December 31, 2018, any collectively bargained agreements that do not provides for employee benefits through PEBB are null and void. Local collective bargaining agreements entered into may not include the dollar amount to be contributed by the employer for basic

health care benefits. District employees are represented at the health care coalition table for the collective bargaining of PEBB benefits and rates.

Districts and benefit providers must submit necessary information to PEBB to allow for the administration of the employee benefit plans.

Districts may continue to provide optional vision, dental, group life, and group long-term disability coverage if that coverage is consistent with a collectively bargained agreement.

Various reporting and data submittal requirements by districts and benefit providers related to the various types of insurance provided to district employees are eliminated.

The provisions of the bill are null and void if not specifically funded in the operating budget.

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

- Changes dates that the districts must submit information to PEBB.
- Makes the provision of the bill null and void if not specifically funded in the budget.
- Clarifies that PEBB has the authority to develop a phased in implementation schedule.

**Appropriation:** None.

**Fiscal Note:** Available.

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

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

**Staff Summary of Public Testimony on Original Bill:** *The committee recommended a different version of the bill than what was heard.* PRO: This is a bill that has been introduced before and it is a difficult proposal, but it is the right thing to do. This bill provides affordable, quality health coverage to an additional 9000 employees and 30,000 dependents to get health care coverage. Health coverage will not change in the districts until it is mandated. The current laws that establish goals and encourage change have not worked. School districts take the goals seriously but have not been able to get the teachers to budge in negotiations. Some districts still have teachers opting for the richest plans that do not pay any out of pocket costs. The cost of health care for classified staff and teachers with families is crippling. This bill would play a tangible role in addressing the teacher shortage by providing young families with affordable health care. This bill should have passed 20 years ago. The high cost of family coverage has resulted in parents not being able to cover their children.

CON: There is support to lower risk but this is not the right approach. This should be addressed by the state providing as much towards teacher health care as it does towards state employees. The allocation rate has been lower than the state employee rate since 2010. The

plans that are offered by Premera are very efficient private sector options. A costly consolidation is not needed to meet the equity goals.

OTHER: PEBB rates are low because of part time requirements.

**Persons Testifying:** PRO: Senator Steve Hobbs, Prime Sponsor; Fred Yancey, WA Assn. of School Administrators/Assn. of WA School Principals; Doug Nelson, PSE/SEIU 1948; Dawna Hansen, Yelm Community Schools; Kim Lackey, Puyallup School District; Karen Carter, Mead School District; Amy Lindsey, Pioneer School District; Mark Trobough, citizen; Jessica Vavrus, WA State School Directors' Association; Debra Campbell, Sumner School District, Chief Financial Officer; David Updike, citizen; David Berg, citizen.

CON: Julie Salvi, Washington Education Association; Len Sorrin, Premera.

OTHER: David Iseminger, Washington State Health Care Authority.

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