HOUSE BILL REPORT
HB 1940

As Reported by House Committee On:
Ways & Means

Title: An act relating to requiring that school district and educational service district employees' basic benefits be determined and administered by the state health care authority.

Brief Description: Requiring that school district and educational service district employees' basic benefits be determined and administered by the state health care authority.

Sponsors: Representatives Bailey, Morrell, Alexander, Hinkle and Chandler.

Brief History:
Committee Activity:
Ways & Means: 2/18/09, 3/2/09 [DPS].

Brief Summary of Substitute Bill

- Requires that health and related insurance benefits for school district and educational service district employees be provided through the Public Employees' Benefits Board (PEBB) plans administered by the Health Care Authority (HCA) beginning September 1, 2012.
- Transfers the determination of basic benefits for school district employees to the PEBB.
- Adds to the existing one-year restriction on contracts for school district employee benefits the requirement that after September 1, 2011, those contracts must be provided through HCA-administered plans.
- Provides school districts to contract with the PEBB for eligibility standards that are different than those applicable to state employees.

HOUSE COMMITTEE ON WAYS & MEANS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 15 members: Representatives Linville, Chair; Ericks, Vice Chair; Alexander, Ranking Minority Member; Bailey, Assistant Ranking Minority Member; Dammeier, Assistant Ranking Minority Member; Chandler, Cody, Darneille, Hinkle, Kagi, Kessler, Priest, Ross, Schmick and Seaquist.

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.

Minority Report: Do not pass. Signed by 6 members: Representatives Conway, Haigh, Hunt, Kenney, Pettigrew and Sullivan.

Staff: David Pringle (786-7310)

Background:

The state Health Care Authority (HCA), through the Public Employee Benefits Board (PEBB), provides medical benefits for about 300,000 employees, retirees and dependents of the state, and participating school districts, local governments, and tribal governments. The PEBB coverage is also available to retired employees of the state, school districts, and those local governments that purchase active employee benefits through the HCA. The Legislature provides a subsidy for Medicare-eligible retirees that enroll in the PEBB plans.

The PEBB has nine members appointed by the Governor representing state agencies, state employees, school employees, state retirees, and school retirees. The 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.

School districts and educational service districts have the option of purchasing insurance benefits for their employees from the HCA, and in 2008, about 2,000 K-12 employees participated in HCA-administered plans.

Prior to 2002, the HCA charged participating districts under a tiered rate structure, which is based on family size and plan choice. In 2002 the Legislature passed Substitute House Bill 2536, which directed the HCA to charge participating districts the same composite rate that state agencies are charged. In addition, Substitute House Bill 2536 required that participating district employees meet the same eligibility criteria and pay the same co-premiums as state employees. Under eligibility criteria established by the PEBB, employees working half-time or more are eligible for full benefits coverage in HCA plans. The intent of the bill was to make it more attractive for school districts and their employees to purchase insurance benefits through the HCA. The 2003 Legislature passed Substitute Senate Bill 5236, requiring that school district and educational service district employees participating in HCA plans pay at least the same employee premiums as state employees pay. The total amount collected from a participating district must be the same as the composite rate collected by the HCA from state agencies, plus an amount equal to the employee premiums charged to state employees. The portion of the total paid by the district and the portion paid by district employees are determined at the local level.

The state provides the state funding rate to state agencies to distribute the cost of the state employee health benefit system evenly over the number of state employees that are projected to work half-time or more in each agency. As state employees must work half-time or more to be eligible, the funding rate distribution formula includes no funding for state employees expected to work less than half-time. The state allocates a similar school district employee health benefit funding rate based on state-funded formula-driven full-time equivalent (FTE) staff. The amount of the school funding rate is commonly passed through as an allocation to each school district employee through bargaining agreements. In addition, some school districts have in some instances bargained local funds that are added to the state allocation.

At the district level, the actual distribution of the health benefit allocation is determined through collective bargaining. There are no state mandated maximum or minimum amounts that a district must spend per employee or FTE. In many districts, the amount provided for health benefits is pro-rated based on the amount of time an employee works; in some instances employees may be eligible for benefits beginning at 10 percent of full-time employment. In other districts, employees working at least half-time are provided the same benefit as a full-time employee.

For the 2008 calendar year, individual employee premiums for participation in the health, dental, vision, and other basic benefits included in the PEBB plans range from $20 per month to $112 per month. Full family premiums for the PEBB package of benefits for 2008 range from $79 per month to $318 per month. School district employee contributions vary by district, and often by bargaining unit within districts. In general, non-PEBB school district employees that are single and work full time pay less for health and related insurance benefits than PEBB-participating ones, and those choosing family coverage pay more.

Summary of Substitute Bill:

Health and related insurance benefits for school district and educational service district employees must be provided through the PEBB plans administered by the HCA beginning September 1, 2012. The authority to determine basic benefits for school district employees is transferred from the local collective bargaining process to the PEBB beginning on September 1, 2012. School boards are permitted to continue to provide insurance coverage to school board members and students.

School districts may, by contract with the PEBB, set eligibility standards that are different than the ones that are determined by the PEBB for state employees.

School districts are required to submit all information deemed by the HCA to be necessary for the administration of employee benefit plans to school district employees, including information requested between the effective date of the bill and September 1, 2012, in preparation for the transfer of school district employees into the PEBB.

The existing one-year restriction on contracts between school districts and benefit providers or employee bargaining units for school district employee benefits is restricted so that after September, 1, 2012, basic benefits provided through contracts must be through the HCA-administered plans.

Substitute Bill Compared to Original Bill:

The substitute bill moves the date that school districts must join the PEBB from September 1, 2011 to September 1, 2012. The substitute bill adds provisions permitting school districts to contract with the PEBB to set eligibility standards that are different than the ones that are determined by the PEBB for state employees.

Appropriation: None.

Fiscal Note: Requested on February 10, 2009.

Effective Date of Substitute Bill: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) Why are school district employees, essentially state employees, not in the PEBB and relieved of the conflicts of bargaining and excess costs? A substitute is being developed to address several technical and substantive concerns. This endeavor will increase the pool substantially and perhaps reduce costs. The Office of the Superintendant of Public Instruction supports this, as the percentage of costs devoted to health care continues to rise. School districts have a particular concern with funding for part-time employees, as it is unclear how they would be affected in such a transition.

(With concerns) In looking at plan and premium comparisons, many of the studies did not do a very good job. Families in districts are paying much more – in some cases double, from $300 or so in the PEBB to $600 or more in the districts. Health benefits were taken out of the compensation lid, and there is now great pressure on districts to bargain health benefits funding, both enough to backfill the retiree remittance and even more. The main concern is about the funding of FTEs versus eligibles in the PEBB.

(Opposed) In the last 17 years several studies have been conducted on this issue. None of them identified significant savings or compelling reasons to merge the PEBB and the K-12 health benefit systems; in fact, 62 percent of school district employees that we represent would pay more in the PEBB than they do now. Insurance brokers and underwriters are opposed to this bill – our services are valued by the districts and employees that receive the advice on choices of benefits from our members. The choices should not be taken away. We oppose this because of the mandate, but approve the choice that our members have now to choose levels of coverage and benefits, as well as individual costs. There are misconceptions and some marginalized employees could be faced with the loss of benefits. Savings from retiree remittances in joining the PEBB are often misunderstood. In recent years, we have endeavored to present fair comparisons to our members of the advantages and disadvantages of joining the PEBB. Very few school districts choose to join the PEBB. If the Washington Education Association was to be placed in the PEBB, there would be a loss of about $10 million in insurance premium tax, money that would not go into the Health Services Account. About 56,000 Premera-participating employees pay no employee contributions now, and would under the PEBB. We have 26,000 members that would be affected differently. We do have a problem with out of pocket costs; $600 to $700 for monthly family premiums is not unusual.

Persons Testifying: (In support) Representative Bailey, prime sponsor.

(With concerns) Jennifer Priddy, Office of the Superintendent of Public Instruction; and John Kvamme, Washington Association of School Administrators and Association of Washington School Principals.

(Opposed) Jack McRae, Premera Blue Cross; Mel Sorensen, Washington Association of Health Underwriters; David Westberg, Joint Council of Stationary Engineers, AFL-CIO; Bill Stauffacher, Independent Insurance Agents and Brokers of Washington; Doug Nelson, Public School Employees of Washington; and Randy Parr, Washington Education Association.

Persons Signed In To Testify But Not Testifying: None.