
Ways & Means Committee

HB 2829

Brief Description: Addressing public school employees' insurance benefits.

Sponsors: Representative Sullivan.

Brief Summary of Bill

- Limits school districts to forming no more than two financial pooling arrangements for grouping employees for the purchase of insurance benefits.
- Requires school districts and providers to annually submit information on the health benefit plans operated for district employees to the Office of the Insurance Commissioner (OIC), and subjects school districts or benefit providers that do not comply with the data reporting requirements to the market oversight authority of the OIC.
- Removes authorization to operate in the state from any individual or joint local government self-insured health and welfare benefits plan formed by a school district that does not comply with the data reporting requirements contained in the bill.
- Requires the OIC to submit an annual report to the Legislature containing specific information and analysis on school district health benefit plans.
- Adds information provided by school districts and benefit providers to OIC for the annual report to the types of insurance and financial institution information exempt from public disclosure.

Hearing Date: 4/4/12

Staff: David Pringle (786-7310).

Background:

The state provides funding to school districts to support the purchase of health benefits for employees. For the 2011-13 fiscal biennium, the state provides \$768 per full time equivalent employee (FTE). The amount of the school funding rate is commonly passed through as an

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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 districts 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.

School district employee contributions vary by district, and often by bargaining unit within districts. Similarly, benefits may be purchased by bargaining unit or other groups of employees, and each bargaining unit or group of bargaining units may receive funding in separate funding pools. Recent studies indicate that significantly more than 1,000 funding pools are operated in Washington's 296 school districts.

Employee premiums may vary significantly between districts and funding pools. There is also substantial variation in the share of the costs employees pay between those insuring only themselves, and those insuring families. Full-time school district employees that are insuring only themselves on average pay about 4 percent of the cost of benefits, while those full-time school district employees that insure their families on average pay about 43 percent of the cost.

State law requires school districts to annually submit summary descriptions to the Health Care Authority (HCA) of the employees covered and benefits offered under the district's employee benefit plans. Benefit providers are similarly required to make the information school districts are required to report to the HCA available to the districts.

During study of the school district health benefit system in 2011, the HCA stated that it was unable to collect some of the needed demographic, payroll, and benefits data. The HCA identified a number of the obstacles to data collection that it found and would need to be dealt with to enable analysis of the effectiveness of the administration and purchasing systems employed by districts. Among the obstacles to data transparency identified were: (1) variations in district budget practices; (2) contracts with third party administrators that made it difficult to assess administrative costs; and (3) contracts with benefits carriers which allow the carriers to withhold information about the make-up of premiums, including components of administrative fees, and claims information at the school district, employee bargaining group, or individual member level.

The Office of the Insurance Commissioner oversees Washington's insurance industry, ensuring that companies, agents, and brokers follow state law.

Summary of Bill:

School districts are limited to forming no more than two financial pooling arrangements for grouping employees for the purchase of insurance benefits.

Instead of reporting to the Health Care Authority (HCA) on the operations of school district employee health benefit programs, school districts and school district employee health benefit providers are required to annually submit specified information on the health benefit plans operated for district employees to the Office of the Insurance Commissioner (OIC). School districts or school district employee benefit providers that do not comply with the data reporting requirements are subject to the market oversight authority of the OIC. Similarly, the authority to operate in the state is removed from any individual or joint local government self-insured health and welfare benefits plan formed by a school district that does not comply with the data reporting requirements contained in the bill. In addition, the Attorney General must take all necessary action to terminate the operation of an out-of-compliance self-insured health and welfare benefits program.

The OIC is required to submit an annual report to the Legislature containing specific information and analysis on school district health benefit plans. The report shall include information on district and provider administrative costs, health plan customer service data, part-time employee coverage information, use of innovative plan design features, and progress towards a goal of reducing the difference in premium rates between single employee and family coverage towards a 3:1 ratio.

The types of insurance and financial institution information that is exempt from public disclosure is expanded to include information provided by school districts and benefit providers to the OIC for the annual report required in the bill.

Appropriation: None.

Fiscal Note: Requested on April 3, 2012.

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