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SENATE BILL 5613

State of Washington 62nd Legislature 2011 Regular Session

By Senators Hobbs, Tom, Rockefeller, Pridemore, Schoesler, and Shin Read first time 02/01/11. Referred to Committee on Early Learning & K-12 Education.

- 1 AN ACT Relating to requiring school districts or educational 2 service districts to purchase employee health insurance coverage
- 3 through the state health care authority; and amending RCW 28A.400.270,
- 4 28A.400.275, 28A.400.350, 41.05.011, 41.05.021, and 41.05.050.
- 5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

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- 6 **Sec. 1.** RCW 28A.400.270 and 1990 1st ex.s. c 11 s 4 are each 7 amended to read as follows:
 - Unless the context clearly requires otherwise, the definitions in this section apply throughout RCW 28A.400.275 and 28A.400.280.
 - (1) "School district employee benefit plan" means the overall plan used by the district for distributing fringe benefit subsidies to employees, including the method of determining employee coverage and the amount of employer contributions, as well as the characteristics of benefit providers and the specific benefits or coverage offered. It shall not include coverage offered to district employees for which there is no contribution from public funds.
- 17 (2) "Fringe benefit" does not include liability coverage, old-age 18 survivors' insurance, workers' compensation, unemployment compensation,

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retirement benefits under the Washington state retirement system, or payment for unused leave for illness or injury under RCW 28A.400.210.

- (3) "Basic benefits" are determined through local bargaining <u>until</u> <u>September 1, 2013</u>, and are limited to medical, dental, vision, group term life, and group long-term disability insurance coverage. <u>Beginning September 1, 2013</u>, <u>basic benefits are determined by the public employees' benefits board and administered by the Washington state health care authority.</u>
- (4) "Benefit providers" include insurers, third party claims administrators, direct providers of employee fringe benefits, health maintenance organizations, health care service contractors, and the Washington state health care authority or any plan offered by the authority.
- (5) "Group term life insurance coverage" means term life insurance coverage provided for, at a minimum, all full-time employees in a bargaining unit or all full-time nonbargaining group employees.
- 17 (6) "Group long-term disability insurance coverage" means long-term 18 disability insurance coverage provided for, at a minimum, all full-time 19 employees in a bargaining unit or all full-time nonbargaining group 20 employees.
- **Sec. 2.** RCW 28A.400.275 and 1990 1st ex.s. c 11 s 5 are each 22 amended to read as follows:
 - (1) Any contract for employee benefits executed after April 13, 1990, between a school district and a benefit provider or employee bargaining unit is null and void unless it contains an agreement to abide by state laws relating to school district employee benefits. The term of the contract may not exceed one year. Beginning September 1, 2013, any contract for employee benefits between a school district and a bargaining unit is null and void unless basic benefits are provided through plans administered by the Washington state health care authority.
 - (2) School districts shall ((annually)) submit to the Washington state health care authority ((summary descriptions of all benefits offered under the district's employee benefit plan.)) all information deemed necessary by the health care authority for the administration of the employee benefit plans provided to school district employees, including all information requested between the effective date of this

- section and September 1, 2013, requested for preparing for the enrollment of school district employees in benefit plans administered by the Washington state health care authority. Until September 1, 2013, the districts shall also submit data to the health care authority specifying the total number of employees and, for each employee, types of coverage or benefits received including numbers of covered dependents, the number of eligible dependents, the amount of the district's contribution, additional premium costs paid by the employee through payroll deductions, and the age and sex of the employee and each dependent. The plan descriptions and the data shall be submitted in a format and according to a schedule established by the health care authority.
 - (3) Any benefit provider offering a benefit plan by contract with a school district under subsection (1) of this section shall agree to make available to the school district the benefit plan descriptions and, where available, the demographic information on plan subscribers that the district is required to report to the Washington state health care authority under this section.

- 19 (4) This section shall not apply to benefit plans offered in the 20 1989-90 school year.
- **Sec. 3.** RCW 28A.400.350 and 2001 c 266 s 2 are each amended to 22 read as follows:
 - (1)(a) The board of directors of any of the state's school districts or educational service districts may make available liability, life, health, health care, accident, disability and salary protection or insurance or any one of, or a combination of the enumerated types of insurance, or any other type of insurance or protection, for the members of the boards of directors, the students, and employees of the school district or educational service district, and their dependents. Except as provided in (b) of this subsection, such coverage may be provided by contracts with private carriers, with the state health care authority after July 1, 1990, pursuant to the approval of the authority administrator, or through self-insurance or self-funding pursuant to chapter 48.62 RCW, or in any other manner authorized by law.
 - (b) Beginning September 1, 2013, a school district or educational service district shall purchase basic benefits as defined in RCW

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28A.400.270 for employees and dependents through the state health care
authority, except that the coverage may be purchased through other
parties if required by any collective bargaining agreement signed
before the effective date of this section. Upon the expiration of such
a collective bargaining agreement, the school district or educational
service district shall purchase coverage through the state health care
authority.

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(2) Whenever funds are available for these purposes the board of directors of the school district or educational service district may contribute all or a part of the cost of such protection or insurance for the employees of their respective school districts or educational service districts and their dependents. The premiums on such liability insurance shall be borne by the school district or educational service district.

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

(3) For school board members, educational service district board members, and students, the premiums due on such protection or insurance shall be borne by the assenting school board member, educational service district board member, or student. The school district or educational service district may contribute all or part of the costs, including the premiums, of life, health, health care, accident or disability insurance which shall be offered to all students participating in interschool activities on the behalf of or as representative of their school, school district, or educational service The school district board of directors and the educational service district board may require any student participating extracurricular interschool activities to, as a condition participation, document evidence of insurance or purchase insurance that will provide adequate coverage, as determined by the school district board of directors or the educational service district board, for medical expenses incurred as a result of injury sustained while participating in the extracurricular activity. In establishing such a requirement, the district shall adopt regulations for waiving or reducing the premiums of such coverage as may be offered through the school district or educational service district to

participating in extracurricular activities, for those students whose families, by reason of their low income, would have difficulty paying the entire amount of such insurance premiums. The district board shall adopt regulations for waiving or reducing the insurance coverage requirements for low-income students in order to assure such students are not prohibited from participating in extracurricular interschool activities.

- (4) All contracts for insurance or protection written to take advantage of the provisions of this section shall provide that the beneficiaries of such contracts may utilize on an equal participation basis the services of those practitioners licensed pursuant to chapters 18.22, 18.25, 18.53, 18.57, and 18.71 RCW.
- **Sec. 4.** RCW 41.05.011 and 2009 c 537 s 3 are each amended to read 14 as follows:

15 The definitions in this section apply throughout this chapter 16 unless the context clearly requires otherwise.

- (1) "Administrator" means the administrator of the authority.
- (2) "State purchased health care" or "health care" means medical and health care, pharmaceuticals, and medical equipment purchased with state and federal funds by the department of social and health services, the department of health, the basic health plan, the state health care authority, the department of labor and industries, the department of corrections, the department of veterans affairs, and local school districts.
 - (3) "Authority" means the Washington state health care authority.
- (4) "Insuring entity" means an insurer as defined in chapter 48.01 RCW, a health care service contractor as defined in chapter 48.44 RCW, or a health maintenance organization as defined in chapter 48.46 RCW.
- (5) "Flexible benefit plan" means a benefit plan that allows employees to choose the level of health care coverage provided and the amount of employee contributions from among a range of choices offered by the authority.
- (6) "Employee" includes all employees of the state, whether or not covered by civil service; elected and appointed officials of the executive branch of government, including full-time members of boards, commissions, or committees; justices of the supreme court and judges of the court of appeals and the superior courts; and members of the state

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Pursuant to contractual agreement with the authority, 1 2 "employee" may also include: (a) Employees of a county, municipality, or other political subdivision of the state and members of the 3 4 legislative authority of any county, city, or town who are elected to office after February 20, 1970, if the legislative authority of the 5 6 county, municipality, or other political subdivision of the state seeks 7 and receives the approval of the authority to provide any of its 8 insurance programs by contract with the authority, as provided in RCW 9 41.04.205 and 41.05.021(1)(g); (b) employees of employee organizations representing state civil service employees, at the option of each such 10 11 employee organization, and, effective October 1, 1995, employees of 12 employee organizations currently pooled with employees of school 13 districts for the purpose of purchasing insurance benefits, at the option of each such employee organization; (c) employees of a school 14 district or educational service district, except that prior to 15 September 1, 2013, only if the authority agrees to provide any of the 16 17 school districts' insurance programs by contract with the authority as provided in RCW 28A.400.350; and (d) employees of a tribal government, 18 if the governing body of the tribal government seeks and receives the 19 20 approval of the authority to provide any of its insurance programs by 21 contract with the authority, as provided in RCW 41.05.021(1) (f) and 22 "Employee" does not include: Adult family homeowners; unpaid 23 volunteers; patients of state hospitals; inmates; employees of the 24 Washington state convention and trade center as provided in RCW 41.05.110; students of institutions of higher education as determined 25 26 by their institution; and any others not expressly defined as employees 27 under this chapter or by the authority under this chapter.

- (7) "Seasonal employee" means an employee hired to work during a recurring, annual season with a duration of three months or more, and anticipated to return each season to perform similar work.
- (8) "Faculty" means an academic employee of an institution of higher education whose workload is not defined by work hours but whose appointment, workload, and duties directly serve the institution's academic mission, as determined under the authority of its enabling statutes, its governing body, and any applicable collective bargaining agreement.
- 37 (9) "Board" means the public employees' benefits board established 38 under RCW 41.05.055.

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(10) "Retired or disabled school employee" means:

- (a) Persons who separated from employment with a school district or educational service district and are receiving a retirement allowance under chapter 41.32 or 41.40 RCW as of September 30, 1993;
- (b) Persons who separate from employment with a school district or educational service district on or after October 1, 1993, and immediately upon separation receive a retirement allowance under chapter 41.32, 41.35, or 41.40 RCW;
- (c) Persons who separate from employment with a school district or educational service district due to a total and permanent disability, and are eligible to receive a deferred retirement allowance under chapter 41.32, 41.35, or 41.40 RCW.
 - (11) "Premium payment plan" means a benefit plan whereby state and public employees may pay their share of group health plan premiums with pretax dollars as provided in the salary reduction plan under this chapter pursuant to 26 U.S.C. Sec. 125 or other sections of the internal revenue code.
 - (12) "Salary" means a state employee's monthly salary or wages.
- (13) "Participant" means an individual who fulfills the eligibility and enrollment requirements under the salary reduction plan.
- 21 (14) "Plan year" means the time period established by the 22 authority.
- 23 (15) "Separated employees" means persons who separate from 24 employment with an employer as defined in:
 - (a) RCW 41.32.010(((11))) (17) on or after July 1, 1996; or
 - (b) RCW 41.35.010 on or after September 1, 2000; or
- 27 (c) RCW 41.40.010 on or after March 1, 2002;
 - and who are at least age fifty-five and have at least ten years of service under the teachers' retirement system plan 3 as defined in RCW 41.32.010(((40))) (33), the Washington school employees' retirement system plan 3 as defined in RCW 41.35.010, or the public employees' retirement system plan 3 as defined in RCW 41.40.010.
 - (16) "Emergency service personnel killed in the line of duty" means law enforcement officers and firefighters as defined in RCW 41.26.030, members of the Washington state patrol retirement fund as defined in RCW 43.43.120, and reserve officers and firefighters as defined in RCW 41.24.010 who die as a result of injuries sustained in the course of

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employment as determined consistent with Title 51 RCW by the department of labor and industries.

(17) "Employer" means the state of Washington.

- (18) "Employing agency" means a division, department, or separate agency of state government, including an institution of higher education; a county, municipality, school district, educational service district, or other political subdivision; and a tribal government covered by this chapter.
- (19) "Tribal government" means an Indian tribal government as defined in section 3(32) of the employee retirement income security act of 1974, as amended, or an agency or instrumentality of the tribal government, that has government offices principally located in this state.
- (20) "Dependent care assistance program" means a benefit plan whereby state and public employees may pay for certain employment related dependent care with pretax dollars as provided in the salary reduction plan under this chapter pursuant to 26 U.S.C. Sec. 129 or other sections of the internal revenue code.
- (21) "Salary reduction plan" means a benefit plan whereby state and public employees may agree to a reduction of salary on a pretax basis to participate in the dependent care assistance program, medical flexible spending arrangement, or premium payment plan offered pursuant to 26 U.S.C. Sec. 125 or other sections of the internal revenue code.
- (22) "Medical flexible spending arrangement" means a benefit plan whereby state and public employees may reduce their salary before taxes to pay for medical expenses not reimbursed by insurance as provided in the salary reduction plan under this chapter pursuant to 26 U.S.C. Sec. 125 or other sections of the internal revenue code.
- **Sec. 5.** RCW 41.05.021 and 2009 c 537 s 4 are each amended to read 30 as follows:
 - (1) The Washington state health care authority is created within the executive branch. The authority shall have an administrator appointed by the governor, with the consent of the senate. The administrator shall serve at the pleasure of the governor. The administrator may employ up to seven staff members, who shall be exempt from chapter 41.06 RCW, and any additional staff members as are necessary to administer this chapter. The administrator may delegate

any power or duty vested in him or her by this chapter, including 1 2 authority to make final decisions and enter final orders in hearings conducted under chapter 34.05 RCW. The primary duties of the authority 3 4 shall be to: Administer state and school district employees' insurance benefits and retired or disabled ((school)) employees' 5 insurance 6 benefits; administer the basic health plan pursuant to chapter 70.47 7 RCW; study state-purchased health care programs in order to maximize 8 cost containment in these programs while ensuring access to quality 9 health care; implement state initiatives, joint purchasing strategies, 10 and techniques for efficient administration that have potential 11 application to all state-purchased health services; and administer 12 grants that further the mission and goals of the authority. The 13 authority's duties include, but are not limited to, the following:

(a) To administer health care benefit programs for <u>state and school</u> <u>district</u> employees and retired or disabled <u>state and</u> school employees as specifically authorized in RCW 41.05.065 and in accordance with the methods described in RCW 41.05.075, 41.05.140, and other provisions of this chapter;

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- (b) To analyze state-purchased health care programs and to explore options for cost containment and delivery alternatives for those programs that are consistent with the purposes of those programs, including, but not limited to:
- (i) Creation of economic incentives for the persons for whom the state purchases health care to appropriately utilize and purchase health care services, including the development of flexible benefit plans to offset increases in individual financial responsibility;
- (ii) Utilization of provider arrangements that encourage cost containment, including but not limited to prepaid delivery systems, utilization review, and prospective payment methods, and that ensure access to quality care, including assuring reasonable access to local providers, especially for employees residing in rural areas;
- (iii) Coordination of state agency efforts to purchase drugs effectively as provided in RCW 70.14.050;
- (iv) Development of recommendations and methods for purchasing medical equipment and supporting services on a volume discount basis;
- (v) Development of data systems to obtain utilization data from state-purchased health care programs in order to identify cost centers,

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- utilization patterns, provider and hospital practice patterns, and procedure costs, utilizing the information obtained pursuant to RCW 41.05.031; and
 - (vi) In collaboration with other state agencies that administer state purchased health care programs, private health care purchasers, health care facilities, providers, and carriers:
 - (A) Use evidence-based medicine principles to develop common performance measures and implement financial incentives in contracts with insuring entities, health care facilities, and providers that:
 - (I) Reward improvements in health outcomes for individuals with chronic diseases, increased utilization of appropriate preventive health services, and reductions in medical errors; and
 - (II) Increase, through appropriate incentives to insuring entities, health care facilities, and providers, the adoption and use of information technology that contributes to improved health outcomes, better coordination of care, and decreased medical errors;
 - (B) Through state health purchasing, reimbursement, or pilot strategies, promote and increase the adoption of health information technology systems, including electronic medical records, by hospitals as defined in RCW 70.41.020(4), integrated delivery systems, and providers that:
 - (I) Facilitate diagnosis or treatment;
 - (II) Reduce unnecessary duplication of medical tests;
 - (III) Promote efficient electronic physician order entry;
- 25 (IV) Increase access to health information for consumers and their 26 providers; and
 - (V) Improve health outcomes;

- (C) Coordinate a strategy for the adoption of health information technology systems using the final health information technology report and recommendations developed under chapter 261, Laws of 2005;
 - (c) To analyze areas of public and private health care interaction;
- (d) To provide information and technical and administrative assistance to the board;
- (e) To review and approve or deny applications from counties, municipalities, and other political subdivisions of the state to provide state-sponsored insurance or self-insurance programs to their employees in accordance with the provisions of RCW 41.04.205 and (g) of

this subsection, setting the premium contribution for approved groups as outlined in RCW 41.05.050;

- (f) To review and approve or deny the application when the governing body of a tribal government applies to transfer their employees to an insurance or self-insurance program administered under this chapter. In the event of an employee transfer pursuant to this subsection (1)(f), members of the governing body are eligible to be included in such a transfer if the members are authorized by the tribal government to participate in the insurance program being transferred from and subject to payment by the members of all costs of insurance for the members. The authority shall: (i) Establish the conditions for participation; (ii) have the sole right to reject the application; and (iii) set the premium contribution for approved groups as outlined in RCW 41.05.050. Approval of the application by the authority transfers the employees and dependents involved to the insurance, self-insurance, or health care program approved by the authority;
- (g) To ensure the continued status of the employee insurance or self-insurance programs administered under this chapter as a governmental plan under section 3(32) of the employee retirement income security act of 1974, as amended, the authority shall limit the participation of employees of a county, municipal, school district, educational service district, or other political subdivision, or a tribal government, including providing for the participation of those employees whose services are substantially all in the performance of essential governmental functions, but not in the performance of commercial activities;
- (h) To establish billing procedures and collect funds from school districts in a way that minimizes the administrative burden on districts;
- (i) <u>Until September 1, 2013, to publish and distribute to</u> nonparticipating school districts and educational service districts by October 1st of each year a description of health care benefit plans available through the authority and the estimated cost if school districts and educational service district employees were enrolled;
- (j) To apply for, receive, and accept grants, gifts, and other payments, including property and service, from any governmental or other public or private entity or person, and make arrangements as to

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- the use of these receipts to implement initiatives and strategies developed under this section;
- 3 (k) To issue, distribute, and administer grants that further the 4 mission and goals of the authority;
 - (1) To adopt rules consistent with this chapter as described in RCW 41.05.160 including, but not limited to:
 - (i) Setting forth the criteria established by the board under RCW 41.05.065 for determining whether an employee is eligible for benefits;
 - (ii) Establishing an appeal process in accordance with chapter 34.05 RCW by which an employee may appeal an eligibility determination;
- (iii) Establishing a process to assure that the eligibility determinations of an employing agency comply with the criteria under this chapter, including the imposition of penalties as may be authorized by the board.
 - (2) On and after January 1, 1996, the public employees' benefits board may implement strategies to promote managed competition among employee health benefit plans. Strategies may include but are not limited to:
 - (a) Standardizing the benefit package;

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- (b) Soliciting competitive bids for the benefit package;
- 21 (c) Limiting the state's contribution to a percent of the lowest 22 priced qualified plan within a geographical area;
 - (d) Monitoring the impact of the approach under this subsection with regards to: Efficiencies in health service delivery, cost shifts to subscribers, access to and choice of managed care plans statewide, and quality of health services. The health care authority shall also advise on the value of administering a benchmark employer-managed plan to promote competition among managed care plans.
- 29 **Sec. 6.** RCW 41.05.050 and 2009 c 537 s 5 are each amended to read 30 as follows:
- 31 (1) Every: (a) Department, division, or separate agency of state 32 government; (b) county, municipal, school district, educational service 33 district, or other political subdivisions; and (c) tribal governments 34 as are covered by this chapter, shall provide contributions to 35 insurance and health care plans for its employees and their dependents, 36 the content of such plans to be determined by the authority. 37 Contributions, paid by the county, the municipality, other political

subdivision, or a tribal government for their employees, shall include an amount determined by the authority to pay such administrative expenses of the authority as are necessary to administer the plans for employees of those groups((, except as provided in subsection (4) of this section)).

- (2) If the authority at any time determines that the participation of a county, municipal, other political subdivision, or a tribal government covered under this chapter adversely impacts insurance rates for state employees, the authority shall implement limitations on the participation of additional county, municipal, other political subdivisions, or a tribal government.
- (3) The contributions of any: (a) Department, division, or separate agency of the state government; (b) county, municipal, or other political subdivisions; and (c) any tribal government as are covered by this chapter, shall be set by the authority, subject to the approval of the governor for availability of funds as specifically appropriated by the legislature for that purpose. Insurance and health care contributions for ferry employees shall be governed by RCW 47.64.270.
- (4)(a) The authority shall collect from each participating school district and educational service district an amount equal to the composite rate charged to state agencies, plus an amount equal to the employee premiums by plan and family size as would be charged to state employees((, for groups of district employees enrolled in authority plans. The authority may collect these amounts in accordance with the district fiscal year, as described in RCW 28A.505.030.
- (b) For all groups of district employees enrolling in authority plans for the first time after September 1, 2003, the authority shall collect from each participating school district an amount equal to the composite rate charged to state agencies, plus an amount equal to the employee premiums by plan and by family size as would be charged to state employees, only if the authority determines that this method of billing the districts will not result in a material difference between revenues from districts and expenditures made by the authority on behalf of districts and their employees. The authority may collect these amounts in accordance with the district fiscal year, as described in RCW 28A.505.030.

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(c) If the authority determines at any time that the conditions in (b) of this subsection cannot be met, the authority shall offer enrollment to additional groups of district employees on a tiered rate structure until such time as the authority determines there would be no material difference between revenues and expenditures under a composite rate structure for all district employees enrolled in authority plans.

(d) The authority may charge districts a one-time set-up fee for employee groups enrolling in authority plans for the first time)). The authority may collect these amounts in accordance with the district fiscal year.

 $((\frac{(e)}{(e)}))$ (b) For the purposes of this subsection((÷

 $\frac{(i)}{(i)}$), "district" means school district and educational service 13 district($\frac{(i)}{(i)}$)

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

- (f) Notwithstanding this subsection and RCW 41.05.065(4), the authority may allow districts enrolled on a tiered rate structure prior to September 1, 2002, to continue participation based on the same rate structure and under the same conditions and eligibility criteria)).
- (5) The authority shall transmit a recommendation for the amount of the employer contribution to the governor and the director of financial management for inclusion in the proposed budgets submitted to the legislature.
- (6) The authority shall explore opportunities to change the start of the benefit year to September to accommodate the September 1, 2013, merger of school districts and educational service districts.

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