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SENATE BILL 6442

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State of Washington

62nd Legislature

2012 Regular Session

By Senators Hobbs, Litzow, Keiser, Holmquist Newbry, Hatfield, Hewitt, Kastama, Schoesler, Tom, Fain, Hill, Zarelli, Hargrove, Kline, Murray, Shin, Sheldon, Fraser, Haugen, Morton, Honeyford, Benton, Carrell, Roach, Delvin, and King

Read first time 01/23/12. Referred to Committee on Health & Long-Term Care.

1 AN ACT Relating to establishing a consolidating purchasing system  
2 for public school employees; amending RCW 41.05.021, 41.05.022,  
3 41.05.026, 41.05.050, 41.05.055, 41.05.075, 41.05.130, 41.05.140,  
4 41.05.143, 41.05.670, 28A.400.270, 28A.400.275, 28A.400.280,  
5 28A.400.350, 41.56.500, and 41.59.105; reenacting and amending RCW  
6 41.05.011 and 41.05.120; adding a new section to chapter 41.05 RCW; and  
7 creating new sections.

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

9 NEW SECTION. **Sec. 1.** The legislature finds that:

10 (1) Each year, nearly one billion dollars in public funds are spent  
11 on the purchase of employee insurance benefits for more than two  
12 hundred thousand public school employees and their dependents;

13 (2) The purchase of such benefits is fragmented among two hundred  
14 ninety-five local school districts and nine educational services  
15 districts. Each district combines state funds received with local levy  
16 moneys, federal funds, and other revenue sources to provide insurance  
17 benefits either directly or through contracts with benefit plan  
18 carriers. This approach results in inefficiencies due to duplication

1 of effort, fragmentation of pools, and reduced market leverage for  
2 purchasing such benefits;

3 (3) There is a lack of transparency on how funds appropriated for  
4 school employee benefits are used. The legislature is unable to  
5 exercise appropriate oversight over the disposition of state funds due  
6 to this lack of transparency; and

7 (4) Despite the past legislature's intent that school districts  
8 pool state benefit allocations for the purpose of eliminating major  
9 differences in out-of-pocket premium expenses for employees who do and  
10 do not need coverage for dependents, the current program is  
11 inconsistent with the stated intent and places an unfair burden on  
12 school employees with dependents by requiring such employees to pay  
13 nearly all of the premium costs for dependent coverage while imposing  
14 little or no premium charges on employees purchasing employee-only  
15 coverage.

16 NEW SECTION. **Sec. 2.** The legislature intends to establish a  
17 consolidated system for purchasing insurance benefits for school  
18 employees and their dependents that:

19 (1) Assures equitable access to quality and affordable health  
20 benefits for all eligible employees and their eligible dependents by  
21 reducing variation in premium expenses for employees who do and do not  
22 need coverage for dependents;

23 (2) Improves transparency of financial data to assure prudent and  
24 efficient use of taxpayers' funds;

25 (3) Assures cost-effectiveness through pooling of small groups,  
26 leveraged purchasing, administrative simplification, and efficient  
27 utilization of resources to minimize duplication and rework;

28 (4) Ensures accountability to the taxpayers through timely use of  
29 a competitive bidding process, consistent with procurement requirements  
30 for the state, for the purchase of benefit plans from the private  
31 insurance market;

32 (5) Enables shared responsibility through state, school district,  
33 and employee participation in purchasing system governance and  
34 statewide collective bargaining; and

35 (6) Retains local collective bargaining for benefits not otherwise  
36 addressed in statewide collective bargaining or through the board which  
37 includes representatives of school employee unions.

1           NEW SECTION.   **Sec. 3.** A new section is added to chapter 41.05 RCW  
2 to read as follows:

3           (1) The school employees' benefits board is created within the  
4 authority. The function of the board is to design and approve  
5 insurance benefit plans for school employees and to establish  
6 eligibility criteria for participation in insurance benefit plans.

7           (2) By September 30, 2012, the governor shall appoint the following  
8 voting members to the board as follows:

9           (a) Two members from associations representing district level  
10 administrators;

11           (b) Two members from an association representing school boards of  
12 directors;

13           (c) Two members from an association representing certificated  
14 employees;

15           (d) Two members from an association representing classified  
16 employees;

17           (e) One member designated to represent employees as a collective  
18 group that is not otherwise affiliated with an employee association or  
19 nonrepresented employees;

20           (f) Two at-large active employees;

21           (g) Two members with expertise in employee health benefits policy  
22 and administration, one of which is nominated by an association  
23 representing school business officials and one at-large member with  
24 expertise in health care policy;

25           (h) The director of the authority or his or her designee;

26           (i) One representative of the office of financial management; and

27           (j) One representative of the office of the superintendent of  
28 public instruction.

29           (3) Initial members of the board shall serve staggered terms not to  
30 exceed four years. Members appointed thereafter shall serve two-year  
31 terms.

32           (4) Members of the board must be compensated in accordance with RCW  
33 43.03.250 and must be reimbursed for their travel expenses while on  
34 official business in accordance with RCW 43.03.050 and 43.03.060.

35           (5) The board shall select one of its appointed voting members as  
36 chair and another voting member as vice chair. The chair shall conduct  
37 meetings of the board. The vice chair shall preside over meetings in  
38 the absence of the chair.

1 (6) The board shall:

2 (a) Develop by-laws for the conduct of its business;

3 (b) Study all matters connected with the provision of health  
4 benefit plan coverage for eligible employees and their dependents on  
5 the best basis possible with regard to the welfare of the employees;

6 (c) Develop employee benefit plans that include comprehensive,  
7 evidence-based health care benefits for employees. In developing these  
8 plans, the board shall consider the following elements:

9 (i) Methods of maximizing cost containment while ensuring access to  
10 quality health care;

11 (ii) Development of provider arrangements that encourage cost  
12 containment and ensure access to quality care, including, but not  
13 limited to, prepaid delivery systems and prospective payment methods;

14 (iii) Wellness, preventive care, chronic disease management, and  
15 other incentives that focus on proven strategies;

16 (iv) Utilization review procedures to support cost-effective  
17 benefits delivery;

18 (v) Ways to leverage efficient purchasing by coordinating with the  
19 public employees' benefits board;

20 (vi) Effective coordination of benefits; and

21 (vii) Minimum standards for insuring entities;

22 (d) Authorize premium contributions for an employee and the  
23 employee's dependents in a manner that encourages the use of  
24 cost-efficient health care systems, including:

25 (i) Establishing full-time employee premium contributions for the  
26 benchmark plan such that the percentage of marginal dependent premiums  
27 paid by the employee is no greater than two and one-half times the  
28 percentage of premiums required for employee-only coverage; and

29 (ii) Allowing for proration of the employer contribution for part-  
30 time employees;

31 (e) Determine the terms and conditions of employee, dependent, and  
32 retiree enrollment policies and scope of coverage. Establishment of  
33 eligibility criteria is determined by each school district, subject to  
34 the requirements of this act. At a minimum, the eligibility criteria  
35 established by the board shall address the following:

36 (i) The effective date of coverage following hire;

37 (ii) An employee must work at least one-half of a full-time  
38 equivalent position to qualify for coverage, except that, through

1 December 31, 2016, the board shall continue to cover part-time  
2 employees working less than half-time who were covered prior to January  
3 1, 2012; and

4 (iii) Coverage for dependents, including criteria for legal  
5 spouses; children up to age twenty-six; children of any age with  
6 disabilities, mental illness, or intellectual or other developmental  
7 disabilities; and state registered domestic partners, as defined in RCW  
8 26.60.020, and others authorized by the legislature;

9 (f) Determine the terms and conditions of purchasing system  
10 participation, consistent with this act, including establishment of  
11 criteria for employing agencies and individual employees;

12 (g) As authorized by the legislature, allow exceptions to mandatory  
13 participation of a school district in accordance with established terms  
14 and conditions for defined periods, so long as the exempted district  
15 complies with board-required reporting and premium participation levels  
16 for individual employees and employees with dependents. Criteria the  
17 board may consider for an exception include, but are not limited to:

18 (i) A threshold number of employees may be considered as a baseline  
19 qualification;

20 (ii) A threshold risk pool size may be set as a baseline  
21 qualification;

22 (iii) Districts that self-insure a covered benefit or utilize a  
23 benefit trust as the purchasing system could be eligible for an  
24 exception; and

25 (iv) Districts must demonstrate premiums for comparable benefits  
26 plans provided or contracted for by the district are equal to or less  
27 than the premiums for comparable benefit plans provided and  
28 administered by the school employees' benefits board and must  
29 demonstrate adequate access to in-network providers;

30 (h) Establish penalties to be imposed when the employing agency  
31 fails to comply with established participation criteria; and

32 (i) Participate with the authority in the preparation of  
33 specifications and selection of carriers contracted for health and  
34 dental benefit plan coverage of eligible employees in accordance with  
35 the criteria set forth in rules. To the extent possible, the board  
36 shall leverage efficient purchasing by coordinating with the public  
37 employees' benefits board.

1 (7) In carrying out its duties under subsection (6)(c) through (i)  
2 of this section, the goal of the board is to provide high quality  
3 health, dental, and other benefit plans for eligible employees and  
4 their eligible dependents at a cost affordable to the districts, the  
5 employees, and the taxpayers of Washington.

6 (8) The board may establish standing committees and ad hoc work  
7 groups to conduct research, engage stakeholders, and make  
8 recommendations that support the work of the board.

9 (9) By November 30, 2017, the authority shall review the benefit  
10 plans provided through the board, complete an analysis of the benefits  
11 provided and the administration of the benefits plans, and determine  
12 whether provisions in this act have resulted in cost savings to the  
13 state. The authority shall submit a report to the relevant legislative  
14 policy and fiscal committees summarizing the results of the review and  
15 analysis.

16 **Sec. 4.** RCW 41.05.011 and 2011 1st sp.s. c 15 s 54 are each  
17 reenacted and amended to read as follows:

18 The definitions in this section apply throughout this chapter  
19 unless the context clearly requires otherwise.

20 (1) "Authority" means the Washington state health care authority.

21 (2) "Board" means the public employees' benefits board established  
22 under RCW 41.05.055.

23 (3) "Dependent care assistance program" means a benefit plan  
24 whereby state and (~~public~~) state agency employees may pay for certain  
25 employment related dependent care with pretax dollars as provided in  
26 the salary reduction plan under this chapter pursuant to 26 U.S.C. Sec.  
27 129 or other sections of the internal revenue code.

28 (4) "Director" means the director of the authority.

29 (5) "Emergency service personnel killed in the line of duty" means  
30 law enforcement officers and firefighters as defined in RCW 41.26.030,  
31 members of the Washington state patrol retirement fund as defined in  
32 RCW 43.43.120, and reserve officers and firefighters as defined in RCW  
33 41.24.010 who die as a result of injuries sustained in the course of  
34 employment as determined consistent with Title 51 RCW by the department  
35 of labor and industries.

36 (6) "Employee" includes all employees of the state, whether or not  
37 covered by civil service; effective January 1, 2014, the employees of

1 a school district; elected and appointed officials of the executive  
2 branch of government, including full-time members of boards,  
3 commissions, or committees; justices of the supreme court and judges of  
4 the court of appeals and the superior courts; and members of the state  
5 legislature. Pursuant to contractual agreement with the authority,  
6 "employee" may also include: (a) Employees of a county, municipality,  
7 or other political subdivision of the state and members of the  
8 legislative authority of any county, city, or town who are elected to  
9 office after February 20, 1970, if the legislative authority of the  
10 county, municipality, or other political subdivision of the state seeks  
11 and receives the approval of the authority to provide any of its  
12 insurance programs by contract with the authority, as provided in RCW  
13 41.04.205 and 41.05.021(1)(g); (b) employees of employee organizations  
14 representing state civil service employees, at the option of each such  
15 employee organization(~~(, and, effective October 1, 1995, employees of~~  
16 ~~employee organizations currently pooled with employees of school~~  
17 ~~districts for the purpose of purchasing insurance benefits, at the~~  
18 ~~option of each such employee organization)); (c) through December 31,  
19 2013, employees of a school district if the authority agrees to provide  
20 any of the school districts' insurance programs by contract with the  
21 authority as provided in RCW 28A.400.350; and (d) employees of a tribal  
22 government, if the governing body of the tribal government seeks and  
23 receives the approval of the authority to provide any of its insurance  
24 programs by contract with the authority, as provided in RCW  
25 41.05.021(1) (f) and (g). "Employee" does not include: Adult family  
26 homeowners; unpaid volunteers; patients of state hospitals; inmates;  
27 employees of the Washington state convention and trade center as  
28 provided in RCW 41.05.110; students of institutions of higher education  
29 as determined by their institution; and any others not expressly  
30 defined as employees under this chapter or by the authority under this  
31 chapter.~~

32 (7) "Employee group" means employees of a similar employment type,  
33 such as administrative, represented classified, nonrepresented  
34 classified, confidential, represented certificated, or nonrepresented  
35 certificated, within a school district.

36 (8) "Employer" means the state of Washington.

37 ((+8)) (9) "Employing agency" means a division, department, or  
38 separate agency of state government, including an institution of higher

1 education; a county, municipality, school district, educational service  
2 district, or other political subdivision; and a tribal government  
3 covered by this chapter.

4 ((+9)) (10) "Faculty" means an academic employee of an institution  
5 of higher education whose workload is not defined by work hours but  
6 whose appointment, workload, and duties directly serve the  
7 institution's academic mission, as determined under the authority of  
8 its enabling statutes, its governing body, and any applicable  
9 collective bargaining agreement.

10 ((+10)) (11) "Flexible benefit plan" means a benefit plan that  
11 allows employees to choose the level of health care coverage provided  
12 and the amount of employee contributions from among a range of choices  
13 offered by the authority.

14 ((+11)) (12) "Insuring entity" means an insurer as defined in  
15 chapter 48.01 RCW, a health care service contractor as defined in  
16 chapter 48.44 RCW, or a health maintenance organization as defined in  
17 chapter 48.46 RCW.

18 ((+12)) (13) "Medical flexible spending arrangement" means a  
19 benefit plan whereby state ~~((and public))~~ employees may reduce their  
20 salary before taxes to pay for medical expenses not reimbursed by  
21 insurance as provided in the salary reduction plan under this chapter  
22 pursuant to 26 U.S.C. Sec. 125 or other sections of the internal  
23 revenue code.

24 ((+13)) (14) "Participant" means an individual who fulfills the  
25 eligibility and enrollment requirements under the salary reduction  
26 plan.

27 ((+14)) (15) "Plan year" means the time period established by the  
28 authority.

29 ((+15)) (16) "Premium payment plan" means a benefit plan whereby  
30 state ~~((and public))~~ employees may pay their share of group health plan  
31 premiums with pretax dollars as provided in the salary reduction plan  
32 under this chapter pursuant to 26 U.S.C. Sec. 125 or other sections of  
33 the internal revenue code.

34 ((+16)) (17) "Retired or disabled school employee" means:

35 (a) Persons who separated from employment with a school district or  
36 educational service district and are receiving a retirement allowance  
37 under chapter 41.32 or 41.40 RCW as of September 30, 1993;



1 (b) Persons who separate from employment with a school district or  
2 educational service district on or after October 1, 1993, and  
3 immediately upon separation receive a retirement allowance under  
4 chapter 41.32, 41.35, or 41.40 RCW;

5 (c) Persons who separate from employment with a school district or  
6 educational service district due to a total and permanent disability,  
7 and are eligible to receive a deferred retirement allowance under  
8 chapter 41.32, 41.35, or 41.40 RCW.

9 ~~((+17))~~ (18) "Salary" means a state employee's monthly salary or  
10 wages.

11 ~~((+18))~~ (19) "Salary reduction plan" means a benefit plan whereby  
12 state ~~((and public))~~ employees may agree to a reduction of salary on a  
13 pretax basis to participate in the dependent care assistance program,  
14 medical flexible spending arrangement, or premium payment plan offered  
15 pursuant to 26 U.S.C. Sec. 125 or other sections of the internal  
16 revenue code.

17 ~~((+19))~~ (20) "School employees' benefits board" means the board  
18 established in section 3 of this act.

19 (21) "School employees' benefits board participating organization"  
20 means a public school district or educational service district that  
21 participates in benefit plans provided by the school employees'  
22 benefits board.

23 (22) "Seasonal employee" means ~~((an))~~ a state employee hired to  
24 work during a recurring, annual season with a duration of three months  
25 or more, and anticipated to return each season to perform similar work.

26 ~~((+20))~~ (23) "Separated employees" means persons who separate from  
27 employment with an employer as defined in:

28 (a) RCW 41.32.010(17) on or after July 1, 1996; or

29 (b) RCW 41.35.010 on or after September 1, 2000; or

30 (c) RCW 41.40.010 on or after March 1, 2002;

31 and who are at least age fifty-five and have at least ten years of  
32 service under the teachers' retirement system plan 3 as defined in RCW  
33 41.32.010(33), the Washington school employees' retirement system plan  
34 3 as defined in RCW 41.35.010, or the public employees' retirement  
35 system plan 3 as defined in RCW 41.40.010.

36 ~~((+21))~~ (24) "State purchased health care" or "health care" means  
37 medical and health care, pharmaceuticals, and medical equipment  
38 purchased with state and federal funds by the department of social and

1 health services, the department of health, the basic health plan, the  
2 state health care authority, the department of labor and industries,  
3 the department of corrections, the department of veterans affairs, and  
4 local school districts.

5 ((+22+)) (25) "Tribal government" means an Indian tribal government  
6 as defined in section 3(32) of the employee retirement income security  
7 act of 1974, as amended, or an agency or instrumentality of the tribal  
8 government, that has government offices principally located in this  
9 state.

10 **Sec. 5.** RCW 41.05.021 and 2011 1st sp.s. c 15 s 56 are each  
11 amended to read as follows:

12 (1) The Washington state health care authority is created within  
13 the executive branch. The authority shall have a director appointed by  
14 the governor, with the consent of the senate. The director shall serve  
15 at the pleasure of the governor. The director may employ a deputy  
16 director, and such assistant directors and special assistants as may be  
17 needed to administer the authority, who shall be exempt from chapter  
18 41.06 RCW, and any additional staff members as are necessary to  
19 administer this chapter. The director may delegate any power or duty  
20 vested in him or her by law, including authority to make final  
21 decisions and enter final orders in hearings conducted under chapter  
22 34.05 RCW. The primary duties of the authority shall be to:  
23 Administer state employees' insurance benefits and ((retired—  
24 disabled)) school employees' insurance benefits; administer the basic  
25 health plan pursuant to chapter 70.47 RCW; administer the children's  
26 health program pursuant to chapter 74.09 RCW; study state-purchased  
27 health care programs in order to maximize cost containment in these  
28 programs while ensuring access to quality health care; implement state  
29 initiatives, joint purchasing strategies, and techniques for efficient  
30 administration that have potential application to all state-purchased  
31 health services; and administer grants that further the mission and  
32 goals of the authority. The authority's duties include, but are not  
33 limited to, the following:

34 (a) To administer health care benefit programs for employees and  
35 ((retired—  
36 RCW 41.05.065 and section 3 of this act and in accordance with the

1 methods described in RCW 41.05.075, 41.05.140, and other provisions of  
2 this chapter;

3 (b) To analyze state-purchased health care programs and to explore  
4 options for cost containment and delivery alternatives for those  
5 programs that are consistent with the purposes of those programs,  
6 including, but not limited to:

7 (i) Creation of economic incentives for the persons for whom the  
8 state purchases health care to appropriately utilize and purchase  
9 health care services, including the development of flexible benefit  
10 plans to offset increases in individual financial responsibility;

11 (ii) Utilization of provider arrangements that encourage cost  
12 containment, including but not limited to prepaid delivery systems,  
13 utilization review, and prospective payment methods, and that ensure  
14 access to quality care, including assuring reasonable access to local  
15 providers, especially for employees residing in rural areas;

16 (iii) Coordination of state agency efforts to purchase drugs  
17 effectively as provided in RCW 70.14.050;

18 (iv) Development of recommendations and methods for purchasing  
19 medical equipment and supporting services on a volume discount basis;

20 (v) Development of data systems to obtain utilization data from  
21 state-purchased health care programs in order to identify cost centers,  
22 utilization patterns, provider and hospital practice patterns, and  
23 procedure costs, utilizing the information obtained pursuant to RCW  
24 41.05.031; and

25 (vi) In collaboration with other state agencies that administer  
26 state purchased health care programs, private health care purchasers,  
27 health care facilities, providers, and carriers:

28 (A) Use evidence-based medicine principles to develop common  
29 performance measures and implement financial incentives in contracts  
30 with insuring entities, health care facilities, and providers that:

31 (I) Reward improvements in health outcomes for individuals with  
32 chronic diseases, increased utilization of appropriate preventive  
33 health services, and reductions in medical errors; and

34 (II) Increase, through appropriate incentives to insuring entities,  
35 health care facilities, and providers, the adoption and use of  
36 information technology that contributes to improved health outcomes,  
37 better coordination of care, and decreased medical errors;

1 (B) Through state health purchasing, reimbursement, or pilot  
2 strategies, promote and increase the adoption of health information  
3 technology systems, including electronic medical records, by hospitals  
4 as defined in RCW 70.41.020(4), integrated delivery systems, and  
5 providers that:

6 (I) Facilitate diagnosis or treatment;

7 (II) Reduce unnecessary duplication of medical tests;

8 (III) Promote efficient electronic physician order entry;

9 (IV) Increase access to health information for consumers and their  
10 providers; and

11 (V) Improve health outcomes;

12 (C) Coordinate a strategy for the adoption of health information  
13 technology systems using the final health information technology report  
14 and recommendations developed under chapter 261, Laws of 2005;

15 (c) To analyze areas of public and private health care interaction;

16 (d) To provide information and technical and administrative  
17 assistance to the two boards;

18 (e) To review and approve or deny applications from counties,  
19 municipalities, and other political subdivisions of the state to  
20 provide state-sponsored insurance or self-insurance programs to their  
21 employees in accordance with the provisions of RCW 41.04.205 and (g) of  
22 this subsection, setting the premium contribution for approved groups  
23 as outlined in RCW 41.05.050;

24 (f) To review and approve or deny the application when the  
25 governing body of a tribal government applies to transfer their  
26 employees to an insurance or self-insurance program administered under  
27 this chapter. In the event of an employee transfer pursuant to this  
28 subsection (1)(f), members of the governing body are eligible to be  
29 included in such a transfer if the members are authorized by the tribal  
30 government to participate in the insurance program being transferred  
31 from and subject to payment by the members of all costs of insurance  
32 for the members. The authority shall: (i) Establish the conditions  
33 for participation; (ii) have the sole right to reject the application;  
34 and (iii) set the premium contribution for approved groups as outlined  
35 in RCW 41.05.050. Approval of the application by the authority  
36 transfers the employees and dependents involved to the insurance,  
37 self-insurance, or health care program approved by the authority;

1 (g) To ensure the continued status of the employee insurance or  
2 self-insurance programs administered under this chapter as a  
3 governmental plan under section 3(32) of the employee retirement income  
4 security act of 1974, as amended, the authority shall limit the  
5 participation of employees of a county, municipal, school district,  
6 educational service district, or other political subdivision, or a  
7 tribal government, including providing for the participation of those  
8 employees whose services are substantially all in the performance of  
9 essential governmental functions, but not in the performance of  
10 commercial activities;

11 (h) To establish billing procedures and collect administration  
12 funds from school districts in a way that minimizes the administrative  
13 burden on districts;

14 (i) Through December 31, 2013, to publish and distribute to  
15 nonparticipating school districts and educational service districts by  
16 October 1st of each year a description of health care benefit plans  
17 available through the authority and the estimated cost if school  
18 districts and educational service district employees were enrolled;

19 (j) To apply for, receive, and accept grants, gifts, and other  
20 payments, including property and service, from any governmental or  
21 other public or private entity or person, and make arrangements as to  
22 the use of these receipts to implement initiatives and strategies  
23 developed under this section;

24 (k) To issue, distribute, and administer grants that further the  
25 mission and goals of the authority;

26 (l) To adopt rules consistent with this chapter as described in RCW  
27 41.05.160 including, but not limited to:

28 (i) Setting forth the criteria established by the board under RCW  
29 41.05.065 and section 3 of this act for determining whether an employee  
30 is eligible for benefits;

31 (ii) Establishing an appeal process in accordance with chapter  
32 34.05 RCW by which an employee may appeal an eligibility determination;

33 (iii) Establishing a process to assure that the eligibility  
34 determinations of an employing agency comply with the criteria under  
35 this chapter, including the imposition of penalties as may be  
36 authorized by the board;

37 (m)(i) To administer the medical services programs established

1 under chapter 74.09 RCW as the designated single state agency for  
2 purposes of Title XIX of the federal social security act;

3 (ii) To administer the state children's health insurance program  
4 under chapter 74.09 RCW for purposes of Title XXI of the federal social  
5 security act;

6 (iii) To enter into agreements with the department of social and  
7 health services for administration of medical care services programs  
8 under Titles XIX and XXI of the social security act. The agreements  
9 shall establish the division of responsibilities between the authority  
10 and the department with respect to mental health, chemical dependency,  
11 and long-term care services, including services for persons with  
12 developmental disabilities. The agreements shall be revised as  
13 necessary, to comply with the final implementation plan adopted under  
14 section 116, chapter 15, Laws of 2011 1st sp. sess.;

15 (iv) To adopt rules to carry out the purposes of chapter 74.09 RCW;

16 (v) To appoint such advisory committees or councils as may be  
17 required by any federal statute or regulation as a condition to the  
18 receipt of federal funds by the authority. The director may appoint  
19 statewide committees or councils in the following subject areas: (A)  
20 Health facilities; (B) children and youth services; (C) blind services;  
21 (D) medical and health care; (E) drug abuse and alcoholism; (F)  
22 rehabilitative services; and (G) such other subject matters as are or  
23 come within the authority's responsibilities. The statewide councils  
24 shall have representation from both major political parties and shall  
25 have substantial consumer representation. Such committees or councils  
26 shall be constituted as required by federal law or as the director in  
27 his or her discretion may determine. The members of the committees or  
28 councils shall hold office for three years except in the case of a  
29 vacancy, in which event appointment shall be only for the remainder of  
30 the unexpired term for which the vacancy occurs. No member shall serve  
31 more than two consecutive terms. Members of such state advisory  
32 committees or councils may be paid their travel expenses in accordance  
33 with RCW 43.03.050 and 43.03.060 as now existing or hereafter amended.

34 (2) On and after January 1, 1996, the public employees' benefits  
35 board and the school employees' benefits board upon establishment may  
36 implement strategies to promote managed competition among employee  
37 health benefit plans. Strategies may include but are not limited to:

38 (a) Standardizing the benefit package;

1 (b) Soliciting competitive bids for the benefit package;

2 (c) Limiting the state's contribution to a percent of the lowest  
3 priced qualified plan within a geographical area;

4 (d) Monitoring the impact of the approach under this subsection  
5 with regards to: Efficiencies in health service delivery, cost shifts  
6 to subscribers, access to and choice of managed care plans statewide,  
7 and quality of health services. The health care authority shall also  
8 advise on the value of administering a benchmark employer-managed plan  
9 to promote competition among managed care plans.

10 **Sec. 6.** RCW 41.05.022 and 1995 1st sp.s. c 6 s 3 are each amended  
11 to read as follows:

12 (1) The health care authority is hereby designated as the single  
13 state agent for purchasing health services.

14 (2) On and after January 1, 1995, at least the following state-  
15 purchased health services programs shall be merged into a single,  
16 community-rated risk pool: Health benefits for groups of employees of  
17 school districts and educational service districts that voluntarily  
18 purchase health benefits as provided in RCW 41.05.011 through December  
19 1, 2013; health benefits for state employees; health benefits for  
20 eligible retired or disabled school employees not eligible for parts A  
21 and B of medicare; and health benefits for eligible state retirees not  
22 eligible for parts A and B of medicare.

23 (3) On and after January 1, 2014, health benefits for groups of  
24 employees of school districts and educational service districts shall  
25 be merged into a single, community-rated risk pool separate and  
26 distinct from the pool described in subsection (2) of this section.

27 (4) By December 15, 2012, the health care authority, in  
28 consultation with the public employees' benefits board and the school  
29 employees' benefits board, shall submit to the appropriate committees  
30 of the legislature a complete analysis of the most appropriate risk  
31 pool for the retired and disabled school employees, to include at a  
32 minimum an analysis of the size of the nonmedicare and medicare retiree  
33 enrollment pools, the impacts on cost for state and school district  
34 retirees of moving retirees from one pool to another, the need for and  
35 the amount of an ongoing retiree subsidy allocation from the active  
36 school employees, and the timing and suggested approach for a  
37 transition from one risk pool to another.

1       (5) At a minimum, and regardless of other legislative enactments,  
2 the state health services purchasing agent shall:

3       (a) Require that a public agency that provides subsidies for a  
4 substantial portion of services now covered under the basic health plan  
5 use uniform eligibility processes, insofar as may be possible, and  
6 ensure that multiple eligibility determinations are not required;

7       (b) Require that a health care provider or a health care facility  
8 that receives funds from a public program provide care to state  
9 residents receiving a state subsidy who may wish to receive care from  
10 them, and that an insuring entity that receives funds from a public  
11 program accept enrollment from state residents receiving a state  
12 subsidy who may wish to enroll with them;

13       (c) Strive to integrate purchasing for all publicly sponsored  
14 health services in order to maximize the cost control potential and  
15 promote the most efficient methods of financing and coordinating  
16 services;

17       (d) Consult regularly with the governor, the legislature, and state  
18 agency directors whose operations are affected by the implementation of  
19 this section; and

20       (e) Ensure the control of benefit costs under managed competition  
21 by adopting rules to prevent employers from entering into an agreement  
22 with employees or employee organizations when the agreement would  
23 result in increased utilization in public employees' benefits board  
24 plans or reduce the expected savings of managed competition.

25       **Sec. 7.** RCW 41.05.026 and 2005 c 274 s 277 are each amended to  
26 read as follows:

27       (1) When soliciting proposals for the purpose of awarding contracts  
28 for goods or services, the (~~administrator~~) director shall, upon  
29 written request by the bidder, exempt from public inspection and  
30 copying such proprietary data, trade secrets, or other information  
31 contained in the bidder's proposal that relate to the bidder's unique  
32 methods of conducting business or of determining prices or premium  
33 rates to be charged for services under terms of the proposal.

34       (2) When soliciting information for the development, acquisition,  
35 or implementation of state purchased health care services, the  
36 (~~administrator~~) director shall, upon written request by the  
37 respondent, exempt from public inspection and copying such proprietary



1 data, trade secrets, or other information submitted by the respondent  
2 that relate to the respondent's unique methods of conducting business,  
3 data unique to the product or services of the respondent, or to  
4 determining prices or rates to be charged for services.

5 (3) Actuarial formulas, statistics, cost and utilization data, or  
6 other proprietary information submitted upon request of the  
7 (~~administrator~~) director, board, school employees' benefits board, or  
8 a technical review committee created to facilitate the development,  
9 acquisition, or implementation of state purchased health care under  
10 this chapter by a contracting insurer, health care service contractor,  
11 health maintenance organization, vendor, or other health services  
12 organization may be withheld at any time from public inspection when  
13 necessary to preserve trade secrets or prevent unfair competition.

14 (4) The board, school employees' benefits board, or a technical  
15 review committee created to facilitate the development, acquisition, or  
16 implementation of state purchased health care under this chapter, may  
17 hold an executive session in accordance with chapter 42.30 RCW during  
18 any regular or special meeting to discuss information submitted in  
19 accordance with subsections (1) through (3) of this section.

20 (5) A person who challenges a request for or designation of  
21 information as exempt under this section is entitled to seek judicial  
22 review pursuant to chapter 42.56 RCW.

23 **Sec. 8.** RCW 41.05.050 and 2009 c 537 s 5 are each amended to read  
24 as follows:

25 (1) Every: (a) Department, division, or separate agency of state  
26 government; (b) county, municipal, school district, educational service  
27 district, or other political subdivisions; and (c) tribal governments  
28 as are covered by this chapter, shall provide contributions to  
29 insurance and health care plans for its employees and their dependents,  
30 the content of such plans to be determined by the authority.  
31 Contributions, paid by the county, the municipality, other political  
32 subdivision, or a tribal government for their employees, shall include  
33 an amount determined by the authority to pay such administrative  
34 expenses of the authority as are necessary to administer the plans for  
35 employees of those groups, except as provided in subsection (4) of this  
36 section.

1 (2) If the authority at any time determines that the participation  
2 of a county, municipal, other political subdivision, or a tribal  
3 government covered under this chapter adversely impacts insurance rates  
4 for state employees, the authority shall implement limitations on the  
5 participation of additional county, municipal, other political  
6 subdivisions, or a tribal government.

7 (3) The contributions of any: (a) Department, division, or  
8 separate agency of the state government; (b) county, municipal, or  
9 other political subdivisions; and (c) any tribal government as are  
10 covered by this chapter, shall be set by the authority, subject to the  
11 approval of the governor for availability of funds as specifically  
12 appropriated by the legislature for that purpose. Insurance and health  
13 care contributions for ferry employees shall be governed by RCW  
14 47.64.270.

15 (4)(a) Until January 1, 2014, the authority shall collect from each  
16 participating school district and educational service district an  
17 amount equal to the composite rate charged to state agencies, plus an  
18 amount equal to the employee premiums by plan and family size as would  
19 be charged to state employees, for groups of district employees  
20 enrolled in authority plans. The authority may collect these amounts  
21 in accordance with the district fiscal year, as described in RCW  
22 28A.505.030.

23 (b) For all groups of district employees enrolling in authority  
24 plans for the first time after September 1, 2003, and until January 1,  
25 2014, the authority shall collect from each participating school  
26 district an amount equal to the composite rate charged to state  
27 agencies, plus an amount equal to the employee premiums by plan and by  
28 family size as would be charged to state employees, only if the  
29 authority determines that this method of billing the districts will not  
30 result in a material difference between revenues from districts and  
31 expenditures made by the authority on behalf of districts and their  
32 employees. The authority may collect these amounts in accordance with  
33 the district fiscal year, as described in RCW 28A.505.030.

34 (c) If the authority determines at any time that the conditions in  
35 (b) of this subsection cannot be met, the authority shall offer  
36 enrollment to additional groups of district employees on a tiered rate  
37 structure until such time as the authority determines there would be no

1 material difference between revenues and expenditures under a composite  
2 rate structure for all district employees enrolled in authority plans.

3 (d) The authority may charge districts a one-time set-up fee for  
4 employee groups enrolling in authority plans for the first time.

5 (e) Beginning January 1, 2014, all school districts shall commence  
6 participation in the school employees' benefits board program  
7 established under section 3 of this act. All school districts and  
8 educational service districts, and all district employee groups  
9 participating in the public employees' benefits board plans before  
10 January 1, 2014, shall thereafter participate in the school employees'  
11 benefits board program administered by the authority.

12 (f) For the purposes of this subsection:

13 (i) "District" means school district and educational service  
14 district; and

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

17 (~~(f)~~) (g) Notwithstanding this subsection and RCW 41.05.065(4),  
18 the authority may allow districts enrolled on a tiered rate structure  
19 prior to September 1, 2002, and until January 1, 2014, to continue  
20 participation based on the same rate structure and under the same  
21 conditions and eligibility criteria.

22 (5) The authority shall transmit a recommendation for the amount of  
23 the employer contribution to the governor and the director of financial  
24 management for inclusion in the proposed budgets submitted to the  
25 legislature.

26 **Sec. 9.** RCW 41.05.055 and 2009 c 537 s 6 are each amended to read  
27 as follows:

28 (1) The public employees' benefits board is created within the  
29 authority. The function of the board is to design and approve  
30 insurance benefit plans for employees and to establish eligibility  
31 criteria for participation in insurance benefit plans.

32 (2) The board shall be composed of nine members appointed by the  
33 governor as follows:

34 (a) Two representatives of state employees, one of whom shall  
35 represent an employee union certified as exclusive representative of at  
36 least one bargaining unit of classified employees, and one of whom is

1 retired, is covered by a program under the jurisdiction of the board,  
2 and represents an organized group of retired public employees;

3 (b) Through December 31, 2013, two representatives of school  
4 district employees, one of whom shall represent an association of  
5 school employees and one of whom is retired, and represents an  
6 organized group of retired school employees. Thereafter, and only  
7 while retired school employees are served by the board, only a retired  
8 representative shall serve on the board;

9 (c) Four members with experience in health benefit management and  
10 cost containment; and

11 (d) The ((~~administrator~~)) director.

12 ~~(3) ((The member who represents an association of school employees~~  
13 ~~and one member appointed pursuant to subsection (2)(c) of this section~~  
14 ~~shall be nonvoting members until such time that there are no less than~~  
15 ~~twelve thousand school district employee subscribers enrolled with the~~  
16 ~~authority for health care coverage.~~

17 ~~(4))~~ The governor shall appoint the initial members of the board  
18 to staggered terms not to exceed four years. Members appointed  
19 thereafter shall serve two-year terms. Members of the board shall be  
20 compensated in accordance with RCW 43.03.250 and shall be reimbursed  
21 for their travel expenses while on official business in accordance with  
22 RCW 43.03.050 and 43.03.060. The board shall prescribe rules for the  
23 conduct of its business. The ((~~administrator~~)) director shall serve as  
24 chair of the board. Meetings of the board shall be at the call of the  
25 chair.

26 **Sec. 10.** RCW 41.05.075 and 2007 c 259 s 34 are each amended to  
27 read as follows:

28 (1) The ((~~administrator~~)) director shall provide benefit plans  
29 designed by the board and the school employees' benefits board through  
30 a contract or contracts with insuring entities, through self-funding,  
31 self-insurance, or other methods of providing insurance coverage  
32 authorized by RCW 41.05.140.

33 (2) The ((~~administrator~~)) director shall establish a contract  
34 bidding process that:

35 (a) Encourages competition among insuring entities;

36 (b) Maintains an equitable relationship between premiums charged  
37 for similar benefits and between risk pools including premiums charged

1 for retired state and school district employees under the separate risk  
2 pools established by RCW 41.05.022 and 41.05.080 such that insuring  
3 entities may not avoid risk when establishing the premium rates for  
4 retirees eligible for medicare;

5 (c) Is timely to the state budgetary process; and

6 (d) Sets conditions for awarding contracts to any insuring entity.

7 (3) School districts directly providing medical and dental benefits  
8 plans and contracted insuring entities providing medical and dental  
9 benefits plans to school districts on December 31, 2011, shall provide  
10 the authority specified data by June 30, 2012, to support an initial  
11 benefits plans procurement. At a minimum, the data must cover the  
12 period January 1, 2010, through December 31, 2011, and include:

13 (a) A summary of the benefit packages offered to each group of  
14 district employees, including covered benefits, point-of-service cost-  
15 sharing, member count, and the group policy number;

16 (b) Aggregated subscriber and member demographic information,  
17 including age band and gender, by insurance tier by month and by  
18 benefit packages;

19 (c) Monthly total by benefit package, including premiums paid,  
20 inpatient facility claims paid, outpatient facility claims paid,  
21 physician claims paid, pharmacy claims paid, capitation amounts paid,  
22 and other claims paid;

23 (d) A listing for calendar year 2011 of large claims defined as  
24 annual amounts paid in excess of one hundred thousand dollars including  
25 the amount paid, the member enrollment status, and the primary  
26 diagnosis; and

27 (e) A listing of calendar year 2011 allowed claims by provider  
28 entity.

29 Any data that may be confidential and contain personal health  
30 information may be protected in accordance with a data-sharing  
31 agreement.

32 (4) The ((~~administrator~~)) director shall establish a requirement  
33 for review of utilization and financial data from participating  
34 insuring entities on a quarterly basis.

35 ((+4)) (5) The ((~~administrator~~)) director shall centralize the  
36 enrollment files for all employee and retired or disabled school  
37 employee health plans offered under chapter 41.05 RCW and develop  
38 enrollment demographics on a plan-specific basis.

1        ~~((+5))~~ (6) All claims data shall be the property of the state.  
2 The ~~((administrator))~~ director may require of any insuring entity that  
3 submits a bid to contract for coverage all information deemed necessary  
4 including:

5        (a) Subscriber or member demographic and claims data necessary for  
6 risk assessment and adjustment calculations in order to fulfill the  
7 ~~((administrator's))~~ director's duties as set forth in this chapter; and  
8        (b) Subscriber or member demographic and claims data necessary to  
9 implement performance measures or financial incentives related to  
10 performance under subsection ~~((+7))~~ (8) of this section.

11        ~~((+6))~~ (7) All contracts with insuring entities for the provision  
12 of health care benefits shall provide that the beneficiaries of such  
13 benefit plans may use on an equal participation basis the services of  
14 practitioners licensed pursuant to chapters 18.22, 18.25, 18.32, 18.53,  
15 18.57, 18.71, 18.74, 18.83, and 18.79 RCW, as it applies to registered  
16 nurses and advanced registered nurse practitioners. However, nothing  
17 in this subsection may preclude the ~~((administrator))~~ director from  
18 establishing appropriate utilization controls approved pursuant to RCW  
19 41.05.065(2) (a), (b), and (d).

20        ~~((+7))~~ (8) The ~~((administrator))~~ director shall, in collaboration  
21 with other state agencies that administer state purchased health care  
22 programs, private health care purchasers, health care facilities,  
23 providers, and carriers:

24        (a) Use evidence-based medicine principles to develop common  
25 performance measures and implement financial incentives in contracts  
26 with insuring entities, health care facilities, and providers that:

27        (i) Reward improvements in health outcomes for individuals with  
28 chronic diseases, increased utilization of appropriate preventive  
29 health services, and reductions in medical errors; and

30        (ii) Increase, through appropriate incentives to insuring entities,  
31 health care facilities, and providers, the adoption and use of  
32 information technology that contributes to improved health outcomes,  
33 better coordination of care, and decreased medical errors;

34        (b) Through state health purchasing, reimbursement, or pilot  
35 strategies, promote and increase the adoption of health information  
36 technology systems, including electronic medical records, by hospitals  
37 as defined in RCW 70.41.020(4), integrated delivery systems, and  
38 providers that:

- 1 (i) Facilitate diagnosis or treatment;
- 2 (ii) Reduce unnecessary duplication of medical tests;
- 3 (iii) Promote efficient electronic physician order entry;
- 4 (iv) Increase access to health information for consumers and their
- 5 providers; and
- 6 (v) Improve health outcomes;
- 7 (c) Coordinate a strategy for the adoption of health information
- 8 technology systems using the final health information technology report
- 9 and recommendations developed under chapter 261, Laws of 2005.

10 ~~((+8))~~ (9) The ~~((administrator))~~ director may permit the  
11 Washington state health insurance pool to contract to utilize any  
12 network maintained by the authority or any network under contract with  
13 the authority.

14 **Sec. 11.** RCW 41.05.120 and 2005 c 518 s 921 and 2005 c 143 s 3 are  
15 each reenacted and amended to read as follows:

16 (1) The public employees' and retirees' insurance account is hereby  
17 established in the custody of the state treasurer, to be used by the  
18 ~~((administrator))~~ director for the deposit of contributions, the  
19 remittance paid by school districts and educational service districts  
20 under RCW 28A.400.410, reserves, dividends, and refunds, for payment of  
21 premiums for employee and retiree insurance benefit contracts and  
22 subsidy amounts provided under RCW 41.05.085, and transfers from the  
23 ~~((medical))~~ flexible spending administrative account as authorized in  
24 RCW 41.05.123. Moneys from the account shall be disbursed by the state  
25 treasurer by warrants on vouchers duly authorized by the  
26 ~~((administrator))~~ director. Moneys from the account may be transferred  
27 to the medical flexible spending account to provide reserves and start-  
28 up costs for the operation of the medical flexible spending account  
29 program.

30 (2) The state treasurer and the state investment board may invest  
31 moneys in the public employees' and retirees' insurance account. All  
32 such investments shall be in accordance with RCW 43.84.080 or  
33 43.84.150, whichever is applicable. The ~~((administrator))~~ director  
34 shall determine whether the state treasurer or the state investment  
35 board or both shall invest moneys in the public employees' insurance  
36 account.

1 (3) During the 2005-07 fiscal biennium, the legislature may  
2 transfer from the public employees' and retirees' insurance account  
3 such amounts as reflect the excess fund balance of the fund.

4 (4) The school employees' insurance account is hereby established  
5 in the custody of the state treasurer, to be used by the director for  
6 the deposit of contributions, reserves, dividends, and refunds, for  
7 payment of premiums for school employee insurance benefit contracts.  
8 Moneys from the account shall be disbursed by the state treasurer by  
9 warrants on vouchers duly authorized by the director. Moneys from the  
10 account may be transferred to a medical flexible spending account to  
11 provide reserves and start-up costs for the operation of a medical  
12 flexible spending account program.

13 (5) The state treasurer and the state investment board may invest  
14 moneys in the school employees' insurance account. These investments  
15 must be in accordance with RCW 43.84.080 or 43.84.150, whichever is  
16 applicable. The director shall determine whether the state treasurer  
17 or the state investment board or both shall invest moneys in the school  
18 employees' insurance account.

19 **Sec. 12.** RCW 41.05.130 and 1988 c 107 s 11 are each amended to  
20 read as follows:

21 (1) The state health care authority administrative account is  
22 hereby created in the state treasury. Moneys in the account, including  
23 unanticipated revenues under RCW 43.79.270, may be spent only after  
24 appropriation by statute, and may be used only for operating expenses  
25 of the authority.

26 (2) The school employees' insurance administrative account is  
27 hereby created in the state treasury. Moneys in the account may be  
28 used for operating, contracting, and other administrative expenses of  
29 the authority in administration of the school employees insurance  
30 program.

31 **Sec. 13.** RCW 41.05.140 and 2011 1st sp.s. c 15 s 59 are each  
32 amended to read as follows:

33 (1) Except for property and casualty insurance, the authority may  
34 self-fund, self-insure, or enter into other methods of providing  
35 insurance coverage for insurance programs under its jurisdiction,  
36 including the basic health plan as provided in chapter 70.47 RCW. The



1 authority shall contract for payment of claims or other administrative  
2 services for programs under its jurisdiction. If a program does not  
3 require the prepayment of reserves, the authority shall establish such  
4 reserves within a reasonable period of time for the payment of claims  
5 as are normally required for that type of insurance under an insured  
6 program. The authority shall endeavor to reimburse basic health plan  
7 health care providers under this section at rates similar to the  
8 average reimbursement rates offered by the statewide benchmark plan  
9 determined through the request for proposal process.

10 (2) Reserves established by the authority for employee and retiree  
11 benefit programs shall be held in ((a)) separate trust funds by the  
12 state treasurer and shall be known as the public employees' and  
13 retirees' insurance reserve fund and the school employees' insurance  
14 reserve fund. The state investment board shall act as the investor for  
15 the funds and, except as provided in RCW 43.33A.160 and 43.84.160, one  
16 hundred percent of all earnings from these investments shall accrue  
17 directly to each of the public employees' and retirees' insurance  
18 reserve fund and the school employees' insurance reserve fund.

19 (3) Any savings realized as a result of a program created for  
20 employees and retirees under this section shall not be used to increase  
21 benefits unless such use is authorized by statute.

22 (4) Reserves established by the authority to provide insurance  
23 coverage for the basic health plan under chapter 70.47 RCW shall be  
24 held in a separate trust account in the custody of the state treasurer  
25 and shall be known as the basic health plan self-insurance reserve  
26 account. The state investment board shall act as the investor for the  
27 funds as set forth in RCW 43.33A.230 and, except as provided in RCW  
28 43.33A.160 and 43.84.160, one hundred percent of all earnings from  
29 these investments shall accrue directly to the basic health plan self-  
30 insurance reserve account.

31 (5) Any program created under this section shall be subject to the  
32 examination requirements of chapter 48.03 RCW as if the program were a  
33 domestic insurer. In conducting an examination, the commissioner shall  
34 determine the adequacy of the reserves established for the program.

35 (6) The authority shall keep full and adequate accounts and records  
36 of the assets, obligations, transactions, and affairs of any program  
37 created under this section.

1 (7) The authority shall file a quarterly statement of the financial  
2 condition, transactions, and affairs of any program created under this  
3 section in a form and manner prescribed by the insurance commissioner.  
4 The statement shall contain information as required by the commissioner  
5 for the type of insurance being offered under the program. A copy of  
6 the annual statement shall be filed with the speaker of the house of  
7 representatives and the president of the senate.

8 (8) The provisions of this section do not apply to the  
9 administration of chapter 74.09 RCW.

10 **Sec. 14.** RCW 41.05.143 and 2007 c 507 s 1 are each amended to read  
11 as follows:

12 (1) The uniform medical plan benefits administration account is  
13 created in the custody of the state treasurer. Only the  
14 (~~administrator~~) director or the (~~administrators~~) director's  
15 designee may authorize expenditures from the account. Moneys in the  
16 account shall be used exclusively for contracted expenditures for  
17 uniform medical plan claims administration, data analysis, utilization  
18 management, preferred provider administration, and activities related  
19 to benefits administration where the level of services provided  
20 pursuant to a contract fluctuate as a direct result of changes in  
21 uniform medical plan enrollment. Moneys in the account may also be  
22 used for administrative activities required to respond to new and  
23 unforeseen conditions that impact the uniform medical plan, but only  
24 when the authority and the office of financial management jointly agree  
25 that such activities must be initiated prior to the next legislative  
26 session.

27 (2) Receipts from amounts due from or on behalf of uniform medical  
28 plan enrollees for expenditures related to benefits administration,  
29 including moneys disbursed from the public employees' and retirees'  
30 insurance account, shall be deposited into the account. The account is  
31 subject to allotment procedures under chapter 43.88 RCW, but no  
32 appropriation is required for expenditures. All proposals for  
33 allotment increases shall be provided to the house of representatives  
34 appropriations committee and to the senate ways and means committee at  
35 the same time as they are provided to the office of financial  
36 management.

1 (3) The uniform dental plan benefits administration account is  
2 created in the custody of the state treasurer. Only the  
3 (~~administrator~~) director or the (~~administrator's~~) director's  
4 designee may authorize expenditures from the account. Moneys in the  
5 account shall be used exclusively for contracted expenditures related  
6 to benefits administration for the uniform dental plan as established  
7 under RCW 41.05.140. Receipts from amounts due from or on behalf of  
8 uniform dental plan enrollees for expenditures related to benefits  
9 administration, including moneys disbursed from the public employees'  
10 and retirees' insurance account, shall be deposited into the account.  
11 The account is subject to allotment procedures under chapter 43.88 RCW,  
12 but no appropriation is required for expenditures.

13 (4) The public employees' benefits board medical benefits  
14 administration account is created in the custody of the state  
15 treasurer. Only the (~~administrator~~) director or the  
16 (~~administrator's~~) director's designee may authorize expenditures from  
17 the account. Moneys in the account shall be used exclusively for  
18 contracted expenditures related to claims administration, data  
19 analysis, utilization management, preferred provider administration,  
20 and other activities related to benefits administration for self-  
21 insured medical plans other than the uniform medical plan. Receipts  
22 from amounts due from or on behalf of enrollees for expenditures  
23 related to benefits administration, including moneys disbursed from the  
24 public employees' and retirees' insurance account, shall be deposited  
25 into the account. The account is subject to allotment procedures under  
26 chapter 43.88 RCW, but an appropriation is not required for  
27 expenditures.

28 (5) The school employees' benefits board medical benefits  
29 administration account is created in the custody of the state  
30 treasurer. Only the director or the director's designee may authorize  
31 expenditures from the account. Moneys in the account shall be used  
32 exclusively for contracted expenditures related to claims  
33 administration, data analysis, utilization management, preferred  
34 provider administration, and other activities related to benefits  
35 administration for self-insured medical plans other than the uniform  
36 medical plan. Receipts from amounts due from or on behalf of enrollees  
37 for expenditures related to benefits administration, including moneys  
38 disbursed from the school employees' insurance account, shall be

1 deposited into the account. The account is subject to allotment  
2 procedures under chapter 43.88 RCW, but no appropriation is required  
3 for expenditures.

4 (6) A self-insured dental plan benefits administration account is  
5 created in the custody of the state treasurer. Only the director or  
6 the director's designee may authorize expenditures from the account.  
7 Moneys in the account shall be used exclusively for contracted  
8 expenditures related to benefits administration for a self-insured  
9 dental plan as established under RCW 41.05.140. Receipts from amounts  
10 due from or on behalf of a self-insured dental plan enrollees for  
11 expenditures related to benefits administration, including moneys  
12 disbursed from the school employees' insurance account, shall be  
13 deposited into the account. The account is subject to allotment  
14 procedures under chapter 43.88 RCW, but no appropriation is required  
15 for expenditures.

16 **Sec. 15.** RCW 41.05.670 and 2011 c 316 s 6 are each amended to read  
17 as follows:

18 (1) Effective January 1, 2013, the authority must contract with all  
19 of the public employees benefits board managed care plans and the self-  
20 insured plan or plans to include provider reimbursement methods that  
21 incentivize chronic care management within health homes resulting in  
22 reduced emergency department and inpatient use.

23 (2) Health home services contracted for under this section may be  
24 prioritized to enrollees with complex, high cost, or multiple chronic  
25 conditions.

26 (3) For the purposes of this section, "chronic care  
27 management((7))" and "health home" have the same meaning as in RCW  
28 74.09.010.

29 (4) Contracts with fully insured plans and with any third-party  
30 administrator for the self-funded plan that include the items in  
31 subsection (1) of this section must be funded within the resources  
32 provided by employer funding rates provided for employee health  
33 benefits in the omnibus appropriations act.

34 (5) Nothing in this section shall require contracted third-party  
35 health plans administering the self-insured contract to expend  
36 resources to implement items in subsection (1) of this section beyond

1 the resources provided by employer funding rates provided for employee  
2 health benefits in the omnibus appropriations act or from other sources  
3 in the absence of these provisions.

4 (6) The school employees' benefits board, under section 3 of this  
5 act, shall implement the provisions of this section, effective January  
6 1, 2014.

7 **Sec. 16.** RCW 28A.400.270 and 1990 1st ex.s. c 11 s 4 are each  
8 amended to read as follows:

9 Unless the context clearly requires otherwise, the definitions in  
10 this section apply throughout RCW 28A.400.275 and 28A.400.280.

11 (1) "School district employee benefit plan" means the overall plan  
12 used by the district for distributing fringe benefit subsidies to  
13 employees, including the method of determining employee coverage (~~and~~  
14 ~~the amount of employer contributions, as well as the characteristics of~~  
15 ~~benefit providers and the specific benefits or coverage offered)). It~~  
16 shall not include coverage offered to district employees for which  
17 there is no contribution from public funds.

18 (2) "Fringe benefit" does not include liability coverage, old-age  
19 survivors' insurance, workers' compensation, unemployment compensation,  
20 retirement benefits under the Washington state retirement system, or  
21 payment for unused leave for illness or injury under RCW 28A.400.210.

22 (3) "Basic benefits" (~~are determined through local bargaining~~  
23 ~~and~~) are limited to medical, dental, vision, group term life, and  
24 group long-term disability insurance coverage.

25 (4) "Benefit providers" include insurers, third party claims  
26 administrators, direct providers of employee fringe benefits, health  
27 maintenance organizations, health care service contractors, and the  
28 Washington state health care authority or any plan offered by the  
29 authority.

30 (5) "Group term life insurance coverage" means term life insurance  
31 coverage provided for, at a minimum, all full-time employees in a  
32 bargaining unit or all full-time nonbargaining group employees.

33 (6) "Group long-term disability insurance coverage" means long-term  
34 disability insurance coverage provided for, at a minimum, all full-time  
35 employees in a bargaining unit or all full-time nonbargaining group  
36 employees.

1       **Sec. 17.** RCW 28A.400.275 and 1990 1st ex.s. c 11 s 5 are each  
2 amended to read as follows:

3       (1) Any contract for employee benefits executed after April 13,  
4 1990, between a school district and a benefit provider or employee  
5 bargaining unit is null and void unless it contains an agreement to  
6 abide by state laws relating to school district employee benefits. The  
7 term of the contract may not exceed one year.

8       (2) Through December 31, 2013, upon establishment of the school  
9 employees' benefits board under section 3 of this act, school districts  
10 shall annually submit to the Washington state health care authority  
11 summary descriptions of all benefits offered under the district's  
12 employee benefit plan. The districts shall also submit data to the  
13 health care authority specifying the total number of employees and, for  
14 each employee, types of coverage or benefits received including numbers  
15 of covered dependents, the number of eligible dependents, the amount of  
16 the district's contribution, additional premium costs paid by the  
17 employee through payroll deductions, and the age and sex of the  
18 employee and each dependent. The plan descriptions and the data shall  
19 be submitted in a format and according to a schedule established by the  
20 health care authority. After December 31, 2013, school districts shall  
21 submit such data as required by the school employees' benefits board to  
22 administer the consolidated purchasing of health services.

23       (3) Through December 31, 2013, upon establishment of the school  
24 employees' benefit board under section 3 of this act, any benefit  
25 provider offering a benefit plan by contract with a school district  
26 under subsection (1) of this section shall agree to make available to  
27 the school district the benefit plan descriptions and, where available,  
28 the demographic information on plan subscribers that the district is  
29 required to report to the Washington state health care authority under  
30 this section. After December 31, 2013, a benefit provider shall submit  
31 such data as required under contract by the school employees' benefits  
32 board.

33       (4) ~~((This section shall not apply to benefit plans offered in the~~  
34 ~~1989-90 school year))~~ Each school district shall:

35       (a) Consistent with the eligibility provisions of section 3 of this  
36 act;

37       (b) Carry out all actions required by the health care authority

1 under chapter 41.05 RCW including, but not limited to, those necessary  
2 for the operation of benefit plans, education of employees, claims  
3 administration, and appeals process; and

4 (c) Report all data relating to employees eligible to participate  
5 in benefits or plans administered by the health care authority in a  
6 format designed and communicated by the health care authority.

7 **Sec. 18.** RCW 28A.400.280 and 2011 c 269 s 1 are each amended to  
8 read as follows:

9 (1) Except as provided in subsection (2) of this section, school  
10 districts may provide employer fringe benefit contributions after  
11 October 1, 1990, only for basic benefits. However, school districts  
12 may continue payments under contracts with employees or benefit  
13 providers in effect on April 13, 1990, until the contract expires.

14 (2) School districts may provide employer contributions after  
15 October 1, 1990, for optional benefit plans, in addition to basic  
16 benefits(~~(, only for employees included in pooling arrangements under~~  
17 ~~this subsection)~~). Optional benefits may include direct agreements as  
18 defined in chapter 48.150 RCW, (~~but~~) and may (~~not~~) include employee  
19 beneficiary accounts that can be liquidated by the employee on  
20 termination of employment. Optional benefit plans may be offered only  
21 if:

22 (a) (~~The school district pools benefit allocations among employees~~  
23 ~~using a pooling arrangement that includes at least one employee~~  
24 ~~bargaining unit and/or all nonbargaining group employees;~~

25 (b) ~~Each full-time employee included in the pooling arrangement is~~  
26 ~~offered basic benefits, including coverage for dependents, without a~~  
27 ~~payroll deduction for premium charges;~~

28 (c) Each full-time employee (~~included in the pooling~~  
29 ~~arrangement~~), regardless of the number of dependents receiving basic  
30 coverage, receives the same additional employer contribution for other  
31 coverage or optional benefits; and

32 (d) (b) For part-time employees (~~included in the pooling~~  
33 ~~arrangement~~), participation in optional benefit plans shall be  
34 governed by the same eligibility criteria and/or proration of employer  
35 contributions used for allocations for basic benefits.

36 (3) (~~Savings accruing to school districts due to limitations on~~  
37 ~~benefit options under this section shall be pooled and made available~~

1 ~~by the districts to reduce out-of-pocket premium expenses for employees~~  
2 ~~needing basic coverage for dependents.))~~ School districts are not  
3 intended to divert state basic benefit allocations for other purposes.

4 **Sec. 19.** RCW 28A.400.350 and 2011 c 269 s 2 are each amended to  
5 read as follows:

6 (1) The board of directors of any of the state's school districts  
7 or educational service districts may make available medical, dental,  
8 vision, liability, life, (~~health, health care,~~) accident, disability,  
9 and salary protection or insurance, direct agreements as defined in  
10 chapter 48.150 RCW, or any one of, or a combination of the types of  
11 employee benefits enumerated in this subsection, or any other type of  
12 insurance or protection, for the members of the boards of directors,  
13 the students, and employees of the school district or educational  
14 service district, and their dependents. Except as provided in  
15 subsection (5) of this section, such coverage may be provided by  
16 contracts with private carriers, with the state health care authority  
17 (~~after July 1, 1990, pursuant to the approval of the authority~~  
18 ~~administrator)), or through self-insurance or self-funding pursuant to  
19 chapter 48.62 RCW, or in any other manner authorized by law. Any  
20 direct agreement must comply with RCW 48.150.050.~~

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

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

32 (c) After December 31, 2013, school district contributions to any  
33 employee insurance that is purchased through the health care authority  
34 must conform to the requirements established by chapter 41.05 RCW and  
35 the school employees' benefits board.

36 (3) For school board members, educational service district board  
37 members, and students, the premiums due on such protection or insurance



1 shall be borne by the assenting school board member, educational  
2 service district board member, or student. The school district or  
3 educational service district may contribute all or part of the costs,  
4 including the premiums, of life, health, health care, accident or  
5 disability insurance which shall be offered to all students  
6 participating in interschool activities on the behalf of or as  
7 representative of their school, school district, or educational service  
8 district. The school district board of directors and the educational  
9 service district board may require any student participating in  
10 extracurricular interschool activities to, as a condition of  
11 participation, document evidence of insurance or purchase insurance  
12 that will provide adequate coverage, as determined by the school  
13 district board of directors or the educational service district board,  
14 for medical expenses incurred as a result of injury sustained while  
15 participating in the extracurricular activity. In establishing such a  
16 requirement, the district shall adopt regulations for waiving or  
17 reducing the premiums of such coverage as may be offered through the  
18 school district or educational service district to students  
19 participating in extracurricular activities, for those students whose  
20 families, by reason of their low income, would have difficulty paying  
21 the entire amount of such insurance premiums. The district board shall  
22 adopt regulations for waiving or reducing the insurance coverage  
23 requirements for low-income students in order to assure such students  
24 are not prohibited from participating in extracurricular interschool  
25 activities.

26 (4) All contracts for insurance or protection written to take  
27 advantage of the provisions of this section shall provide that the  
28 beneficiaries of such contracts may utilize on an equal participation  
29 basis the services of those practitioners licensed pursuant to chapters  
30 18.22, 18.25, 18.53, 18.57, and 18.71 RCW.

31 (5) The authority to make available medical, dental, and vision  
32 insurance to school employees under this section expires December 31,  
33 2013, upon establishment of the school employees' benefits board under  
34 section 3 of this act, unless the school employees benefits board  
35 provides an exception to the mandatory participation as established in  
36 section 3 of this act. Any school district receiving an exception to  
37 participation must continue reporting health care experience and  
38 financial data to the health care authority.

1       **Sec. 20.** RCW 41.56.500 and 2010 c 235 s 802 are each amended to  
2 read as follows:

3       (1) All collective bargaining agreements entered into between a  
4 school district employer and school district employees under this  
5 chapter after June 10, 2010, as well as bargaining agreements existing  
6 on June 10, 2010, but renewed or extended after June 10, 2010, shall be  
7 consistent with RCW 28A.657.050.

8       (2) All collective bargaining agreements entered into between a  
9 school district employer and school district employees under this  
10 chapter after January 1, 2013, shall be consistent with RCW 28A.400.280  
11 and 28A.400.350.

12       (3) Employee bargaining initiated after January 1, 2013, over the  
13 dollar amount expended on behalf of each employee for health care  
14 benefits must be conducted between the school employees' benefits board  
15 established in section 3 of this act and one coalition of all the  
16 exclusive bargaining representatives impacted by benefit purchasing  
17 with the school employees' benefits board established in section 3 of  
18 this act, consistent with RCW 28A.400.280 and 28A.400.350. The  
19 coalition bargaining must follow the model initially established for  
20 state employees in RCW 41.80.020. Any such provision agreed to by the  
21 employer and the coalition must be included in all master collective  
22 bargaining agreements negotiated by the parties.

23       **Sec. 21.** RCW 41.59.105 and 2010 c 235 s 803 are each amended to  
24 read as follows:

25       (1) All collective bargaining agreements entered into between a  
26 school district employer and school district employees under this  
27 chapter after June 10, 2010, as well as bargaining agreements existing  
28 on June 10, 2010, but renewed or extended after June 10, 2010, shall be  
29 consistent with RCW 28A.657.050.

30       (2) All collective bargaining agreements entered into between a  
31 school district employer and school district employees under this  
32 chapter after January 1, 2013, shall be consistent with RCW 28A.400.280  
33 and 28A.400.350.

34       (3) Employee bargaining initiated after January 1, 2013, over the  
35 dollar amount expended on behalf of each employee for health care  
36 benefits must be conducted between the school employees' benefits board  
37 established in section 3 of this act and one coalition of all the

1 exclusive bargaining representatives impacted by benefit purchasing  
2 with the school employees' benefits board established in section 3 of  
3 this act, consistent with RCW 28A.400.280 and 28A.400.350. The  
4 coalition bargaining must follow the model initially established for  
5 state employees in RCW 41.80.020. Any such provision agreed to by the  
6 employer and the coalition must be included in all master collective  
7 bargaining agreements negotiated by the parties.

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