CERTIFICATION OF ENROLLMENT

SENATE BILL 6605

Chapter 153, Laws of 1994

53rd Legislature
1994 Regular Session

HEALTH INSURANCE--RETIRED AND DISABLED STATE
AND SCHOOL DISTRICT EMPLOYEES

EFFECTIVE DATE: 1/1/95 - Except Section 15 which takes effect on
10/1/95

Passed by the Senate March 1, 1994
YEAS 40 NAYS 6

JOEL PRITCHARD
President of the Senate

Passed by the House March 3, 1994
YEAS 94 NAYS 0

BRIAN EBERSOLE
Speaker of the
House of Representatives

MARTY BROWN
Secretary

I, Marty Brown, Secretary of the
Senate of the State of Washington,
do hereby certify that the attached
is SENATE BILL 6605 as passed by the
Senate and the House of
Representatives on the dates hereon
set forth.

Approved March 28, 1994

MIKE LOWRY
Governor of the State of Washington

Secretary of State
State of Washington

March 28, 1994 - 11:59 a.m.
SENATE BILL 6605

Passed Legislature - 1994 Regular Session

State of Washington 53rd Legislature 1994 Regular Session

By Senator Rinehart

Read first time 02/16/94. Referred to Committee on Ways & Means.

AN ACT Relating to health insurance for retired and disabled state and school district employees; amending RCW 41.05.022, 41.05.075, 41.05.080, 41.05.120, and 28A.400.400; reenacting and amending RCW 41.05.011, 41.05.050, 41.05.065, and 41.05.140; adding a new section to chapter 41.05 RCW; creating new sections; repealing RCW 41.05.250, 41.05.260, 41.05.270, and 28A.400.400; and providing effective dates.

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

NEW SECTION. Sec. 1. It is the intent of the legislature to increase access to health insurance for retired and disabled state and school district employees and to increase equity between state and school employees and between state and school retirees.

Sec. 2. RCW 41.05.011 and 1993 c 492 s 214 and 1993 c 386 s 5 are each reenacted and amended to read as follows:

Unless the context clearly requires otherwise, the definitions in this section shall apply throughout this chapter.

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.

On and after July 1, 1995, "insuring entity" means a certified health plan, as defined in RCW 43.72.010.

(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 full-time and career seasonal 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; and includes any or all part-time and temporary employees under the terms and conditions established under this chapter by the authority; justices of the supreme court and judges of the court of appeals and the superior courts; and members of the state legislature or of the legislative authority of any county, city, or town who are elected to office after February 20, 1970. "Employee" also includes: (a) By October 1, 1995, all employees of school districts and educational service districts. Between October 1, 1994, and September 30, 1995, "employee" includes employees of those school districts and educational service districts for whom the authority has undertaken the purchase of insurance benefits. The transition to insurance benefits purchasing by the authority may not disrupt existing insurance contracts between school district or educational service district employees and insurers. However, except to the extent provided in RCW 28A.400.200, any such contract that provides for health insurance benefits coverage after October 1, 1995, shall be void as of that date if the contract was entered into, renewed, or extended after July 1, 1993. Prior to October 1, 1994, "employee" includes employees of a school district if the board of directors of the school district seeks and receives the approval of the authority to provide any of its insurance programs by
contract with the authority; (b) employees of a county, municipality, or other political subdivision of the state if the legislative authority of the county, municipality, or other political subdivision of the state seeks and receives the approval of the authority to provide any of its insurance programs by contract with the authority, as provided in RCW 41.04.205; (c) employees of employee organizations representing state civil service employees, at the option of each such employee organization, and, effective October 1, 1995, employees of employee organizations currently pooled with employees of school districts for the purpose of purchasing insurance benefits, at the option of each such employee organization.

(7) "Board" means the public employees’ benefits board established under RCW 41.05.055.

(8) "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 or 41.40 RCW;
(c) Persons who separate from employment with a school district or educational service district ((on or after October 1, 1993,)) due to a total and permanent disability, and are eligible to receive a deferred retirement allowance under chapter 41.32 or 41.40 RCW.

Sec. 3. RCW 41.05.022 and 1993 c 492 s 227 are each amended to read as follows:
(1) The health care authority is hereby designated as the single state agent for purchasing health services.
(2) On and after ((July)) January 1, 1995, at least the following state-purchased health services programs shall be merged into a single, community-rated risk pool: ((The basic health plan;)) Health benefits for employees of school districts and educational service districts; ((and)) health benefits for state employees; health benefits for eligible retired or disabled school employees not eligible for parts A and B of medicare; and health benefits for eligible state retirees not eligible for parts A and B of medicare. Beginning July 1, 1995, the basic health plan shall be included in the risk pool. ((Until that
date, in purchasing health services, the health care authority shall maintain separate risk pools for each of the programs in this subsection.) The administrator may develop mechanisms to ensure that the cost of comparable benefits packages does not vary widely across the risk pools before they are merged. At the earliest opportunity the governor shall seek necessary federal waivers and state legislation to place the medical and acute care components of the medical assistance program, the limited casualty program, and the medical care services program of the department of social and health services in this single risk pool. Long-term care services that are provided under the medical assistance program shall not be placed in the single risk pool until such services have been added to the uniform benefits package. On or before January 1, 1997, the governor shall submit necessary legislation to place the purchasing of health benefits for persons incarcerated in institutions administered by the department of corrections into the single community-rated risk pool effective on and after July 1, 1997.

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

(a) Require that a public agency that provides subsidies for a substantial portion of services now covered under the basic health plan or a uniform benefits package as adopted by the Washington health services commission as provided in RCW 43.72.130, use uniform eligibility processes, insofar as may be possible, and ensure that multiple eligibility determinations are not required;

(b) Require that a health care provider or a health care facility that receives funds from a public program provide care to state residents receiving a state subsidy who may wish to receive care from them consistent with the provisions of chapter 492, Laws of 1993, and that a health maintenance organization, health care service contractor, insurer, or certified health plan that receives funds from a public program accept enrollment from state residents receiving a state subsidy who may wish to enroll with them under the provisions of chapter 492, Laws of 1993;

(c) Strive to integrate purchasing for all publicly sponsored health services in order to maximize the cost control potential and promote the most efficient methods of financing and coordinating services;
(d) Annually suggest changes in state and federal law and rules to bring all publicly funded health programs in compliance with the goals and intent of chapter 492, Laws of 1993;

(e) Consult regularly with the governor, the legislature, and state agency directors whose operations are affected by the implementation of this section.

Sec. 4. RCW 41.05.050 and 1993 c 492 s 216 and 1993 c 386 s 7 are each reenacted and amended to read as follows:

(1) Every department, division, or separate agency of state government, and such county, municipal, school district, educational service district, or other political subdivisions as are covered by this chapter, shall provide contributions to insurance and health care plans for its employees and their dependents, the content of such plans to be determined by the authority. Contributions, paid by the county, the municipality, school district, educational service district, or other political subdivision 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. Until October 1, 1995, contributions to be paid by school districts or educational service districts shall be adjusted by the authority to reflect ((that retired school employees are covered under RCW 41.05.250, and are not covered under RCW 41.05.080. All such contributions will be paid into the public employees’ health insurance account)) the remittance provided under RCW 28A.400.400.

(2) The contributions of any department, division, or separate agency of the state government, and such county, municipal, or other political subdivisions 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 until December 31, 1996. On and after January 1, 1997, ferry employees shall enroll with certified health plans under chapter 492, Laws of 1993.

(3) The administrator with the assistance of the public employees’ benefits board shall survey private industry and public employers in the state of Washington to determine the average employer contribution for group insurance programs under the jurisdiction of the authority. Such survey shall be conducted during each even-numbered year but may
be conducted more frequently. The survey shall be reported to the authority for its use in setting the amount of the recommended employer contribution to the employee insurance benefit program covered by this chapter. 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.

Sec. 5. RCW 41.05.065 and 1993 c 492 s 218 and 1993 c 386 s 9 are each reenacted and amended to read as follows:

(1) The board shall study all matters connected with the provision of health care coverage, life insurance, liability insurance, accidental death and dismemberment insurance, and disability income insurance or any of, or a combination of, the enumerated types of insurance for employees and their dependents on the best basis possible with relation both to the welfare of the employees and to the state, however liability insurance shall not be made available to dependents.

(2) The public employees’ benefits board shall develop employee benefit plans that include comprehensive health care benefits for all employees. In developing these plans, the board shall consider the following elements:

(a) Methods of maximizing cost containment while ensuring access to quality health care;

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

(c) Wellness incentives that focus on proven strategies, such as smoking cessation, exercise, automobile and motorcycle safety, blood cholesterol reduction, and nutrition education;

(d) Utilization review procedures including, but not limited to prior authorization of services, hospital inpatient length of stay review, requirements for use of outpatient surgeries and second opinions for surgeries, review of invoices or claims submitted by service providers, and performance audit of providers;

(e) Effective coordination of benefits;

(f) Minimum standards for insuring entities; and

(g) Minimum scope and content of standard benefit plans to be offered to enrollees participating in the employee health benefit plans. On and after July 1, 1995, the uniform benefits package shall
constitute the minimum level of health benefits offered to employees.
To maintain the comprehensive nature of employee health care benefits,
employee eligibility criteria related to the number of hours worked and
the benefits provided to employees shall be substantially equivalent to
the state employees’ health benefits plan and eligibility criteria in
effect on January 1, 1993.

(3) The board shall design benefits and determine the terms and
conditions of employee participation and coverage, including
establishment of eligibility criteria.

(4) The board shall attempt to achieve enrollment of all employees
and retirees in managed health care systems by July 1994.
The board may authorize premium contributions for an employee and
the employee’s dependents in a manner that encourages the use of cost-
efficient managed health care systems.

(5) Employees shall choose participation in one of the health care
benefit plans developed by the board.

(6) The board shall review plans proposed by insurance carriers
that desire to offer property insurance and/or accident and casualty
insurance to state employees through payroll deduction. The board may
approve any such plan for payroll deduction by carriers holding a valid
certificate of authority in the state of Washington and which the board
determines to be in the best interests of employees and the state. The
board shall promulgate rules setting forth criteria by which it shall
evaluate the plans.

(7) The board shall develop benefit plans that provide health
care benefits for retired or disabled school employees and their
dependents, and shall establish terms and conditions of coverage under
the plans. The board shall make available separate and appropriate
plans that supplement medicare for retired or disabled school employees
who are eligible for federal medicare coverage. The board shall also
consider the elements referenced in subsection (2) of this section in
developing the plans.))

Sec. 6. RCW 41.05.075 and 1993 c 386 s 10 are each amended to read
as follows:

(1) The administrator shall provide benefit plans designed by the
board through a contract or contracts with insuring entities, through
self-funding, self-insurance, or other methods of providing insurance
coverage authorized by RCW 41.05.140.
(2) The administrator shall establish a contract bidding process that:
   (a) Encourages competition among insuring entities;
   (b) Maintains an equitable relationship between premiums charged for similar benefits and between risk pools including premiums charged for retired state and school district employees under the separate risk pools established by RCW 41.05.022 and 41.05.080 such that insuring entities may not avoid risk when establishing the premium rates for retirees eligible for medicare;
   (c) Is timely to the state budgetary process; and
   (d) Sets conditions for awarding contracts to any insuring entity.

(3) The administrator shall establish a requirement for review of utilization and financial data from participating insuring entities on a quarterly basis.

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

(5) The administrator shall establish methods for collecting, analyzing, and disseminating to covered individuals information on the cost and quality of services rendered by individual health care providers.

(6) All claims data shall be the property of the state. The administrator may require of any insuring entity that submits a bid to contract for coverage all information deemed necessary including subscriber or member demographic and claims data necessary for risk assessment and adjustment calculations in order to fulfill the administrator’s duties as set forth in this chapter.

(7) All contracts with insuring entities for the provision of health care benefits shall provide that the beneficiaries of such benefit plans may use on an equal participation basis the services of practitioners licensed pursuant to chapters 18.22, 18.25, 18.32, 18.53, 18.57, 18.71, 18.74, 18.83, and 18.88 RCW. However, nothing in this subsection may preclude the administrator from establishing appropriate utilization controls approved pursuant to RCW 41.05.065(2) (a), (b), and (d).

(8) Beginning in January 1990, and each January thereafter until January 1996, the administrator shall publish and distribute to each school district a description of health care benefit plans available...
through the authority and the estimated cost if school district employees were enrolled.

Sec. 7. RCW 41.05.080 and 1993 c 386 s 11 are each amended to read as follows:

Retired or disabled state employees, retired or disabled school employees, or employees of county, municipal, or other political subdivisions covered by this chapter who are retired((, but not including retired or disabled school employees)) may continue their participation in insurance plans and contracts after retirement or disablement, under the qualifications, terms, conditions, and benefits set by the board: PROVIDED, That the rates charged ((such retired or disabled employees for health care will be developed from the same experience pool as active employees)) retired or disabled employees, spouses, or dependent children who are not eligible for parts A and B of medicare shall be based on the experience of the community rated risk pool established under RCW 41.05.022: PROVIDED FURTHER, That rates charged to retired or disabled employees, spouses, or children who are eligible for parts A and B of medicare shall be calculated from a separate experience risk pool comprised only of individuals eligible for parts A and B of medicare; however, the premiums charged to medicare-eligible retirees and disabled employees shall be reduced by the amount of the subsidy provided under section 8 of this act: PROVIDED FURTHER, That ((such)) retired or disabled employees shall ((bear the full cost of premiums required to provide such coverage)) be responsible for payment of premium rates developed by the authority which shall include the cost to the authority of providing insurance coverage including any amounts necessary for reserves and administration in accordance with this chapter: PROVIDED FURTHER, That such self pay rates will be established based on a separate rate for the employee, the spouse, and the children((: PROVIDED FURTHER, That:

rates for a retired or disabled employee, spouse, or child who is eligible for and who elects to apply for medicare will be actuarially reduced to reflect the value of Part A and Part B of medicare)). The term "retired state employees" for the purpose of this section shall include but not be limited to members of the legislature whether voluntarily or involuntarily leaving state office.
NEW SECTION. Sec. 8. A new section is added to chapter 41.05 RCW to read as follows:

Beginning with the appropriations act for the 1995-1997 biennium, the legislature shall establish as part of both the state employees' and the school and educational service district employees' insurance benefit allocation the portion of the allocation to be used to provide a subsidy to reduce the health care insurance premiums charged to retired or disabled school district and educational service district employees, or retired state employees, who are eligible for parts A and B of medicare. The amount of any premium reduction shall be established by the board, but shall not result in a premium reduction of more than fifty percent. The board may also determine the amount of any subsidy to be available to spouses and dependents.

Sec. 9. RCW 41.05.120 and 1993 c 492 s 219 are each amended to read as follows:

(1) The public employees' and retirees' insurance account is hereby established in the custody of the state treasurer, to be used by the administrator for the deposit of contributions, the remittance paid by school districts and educational service districts under RCW 28A.400.400, reserves, dividends, and refunds, and for payment of premiums for employee and retiree insurance benefit contracts and subsidy amounts provided under section 8 of this act. Moneys from the account shall be disbursed by the state treasurer by warrants on vouchers duly authorized by the administrator.

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

Sec. 10. RCW 41.05.140 and 1993 c 492 s 220 and 1993 c 386 s 12 are each reenacted and amended to read as follows:

(1) The authority may self-fund, self-insure, or enter into other methods of providing insurance coverage for insurance programs under its jurisdiction except property and casualty insurance. The authority shall contract for payment of claims or other administrative services for programs under its jurisdiction. If a program does not require the
prepayment of reserves, the authority shall establish such reserves within a reasonable period of time for the payment of claims as are normally required for that type of insurance under an insured program.

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

(3) ((Reserves established by the authority for programs for retired or disabled school employees shall be held in a separate trust fund by the state treasurer and shall be known as the retired school employees’ insurance reserve fund hereby created. The state investment board shall act as the investor for the funds and, except as provided in RCW 43.33A.160, one hundred percent of all earnings from these investments shall accrue directly to the retired school employees’ insurance reserve fund.)) Any savings realized as a result of a program created for employees and retirees under this section shall not be used to increase benefits unless such use is authorized by statute.

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

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

(6) The authority shall file a quarterly statement of the financial condition, transactions, and affairs of any program created under this section in a form and manner prescribed by the insurance commissioner. The statement shall contain information as required by the commissioner for the type of insurance being offered under the program. A copy of the annual statement shall be filed with the speaker of the house of representatives and the president of the senate.
Sec. 11. RCW 28A.400.400 and 1993 c 386 s 13 are each amended to read as follows:

(1) In a manner prescribed by the state health care authority, school districts and educational service districts shall remit to the health care authority for deposit in the public employees’ and retirees’ insurance account established in RCW 41.05.120:

(a) During the period beginning October 1, 1993, and ending September 30, 1994:

(i) For each full-time employee of the district, ten dollars for each month of the school year;

(ii) For each part-time employee of the district who, at the time of the remittance, is employed in an eligible position as defined in RCW 41.32.010 or 41.40.010 and is eligible for employer fringe benefit contributions for basic benefits as defined in RCW 28A.400.270, ten dollars for each month of the school year, prorated by the proportion of employer fringe benefit contributions for a full-time employee that the part-time employee receives;

(b) Beginning October 1, 1994:

(i) For each full-time employee of the district, an amount equal to four and seven-tenths percent multiplied by the insurance benefit allocation rate in the appropriations act for a certificated or classified staff, for each month of the school year;

(ii) For each part-time employee of the district who, at the time of the remittance, is employed in an eligible position as defined in RCW 41.32.010 or 41.40.010 and is eligible for employer fringe benefit contributions for basic benefits as defined in RCW 28A.400.270, an amount equal to four and seven-tenths percent multiplied by the insurance benefit allocation rate in the appropriations act for a certificated or classified staff, for each month of the school year, prorated by the proportion of employer fringe benefit contributions for a full-time employee that the part-time employee receives.

(2) The legislature reserves the right to increase or decrease the percent or amount required to be remitted in this section.

NEW SECTION. Sec. 12. For the January 1, 1995, through December 31, 1995, plan year, amounts remitted by school districts and educational service districts under RCW 28A.400.400 may be used for the subsidy provided under section 8 of this act. Amounts remitted under
RCW 28A.400.400 may also be used to reduce the increase in the premiums for active employees which may result from the single community rated risk pool under RCW 41.05.080. The reduction may be necessary before the enrollment of all active school district and educational service district employees under the health care authority plans as required under RCW 28A.400.350. This section shall expire January 1, 1996.

NEW SECTION. Sec. 13. (1) On January 1, 1995, the state treasurer shall transfer all moneys in the retired school employees’ subsidy account to the public employees’ and retirees’ insurance account.
(2) On January 1, 1995, the state treasurer shall transfer all moneys in the retired school employees’ insurance account to the public employees’ and retirees’ insurance account.
(3) On January 1, 1995, the state treasurer shall transfer all moneys in the retired school employees’ insurance reserve fund to the public employees’ and retirees’ reserve fund.

NEW SECTION. Sec. 14. The following acts or parts of acts are each repealed:
(1) RCW 41.05.250 and 1993 c 386 s 14;
(2) RCW 41.05.260 and 1993 c 386 s 15; and
(3) RCW 41.05.270 and 1993 c 386 s 16.

NEW SECTION. Sec. 15. RCW 28A.400.400 and 1993 c 386 s 13 are each repealed.

NEW SECTION. Sec. 16. This act shall take effect January 1, 1995, except section 15 of this act, which takes effect October 1, 1995.
Passed the Senate March 1, 1994.
Approved by the Governor March 28, 1994.
Filed in Office of Secretary of State March 28, 1994.