

# HOUSE BILL REPORT

## HB 2536

---

---

**As Reported by House Committee On:**  
Appropriations

**Title:** An act relating to offering health care benefit plans to school district employees.

**Brief Description:** Offering health care benefit plans to school district employees.

**Sponsors:** Representatives Fromhold, Cox, Schual-Berke, Talcott, Conway, Doumit, Grant, Cody, Benson, McDermott, Delvin, Sullivan, Armstrong, Eickmeyer, Miloscia, Roach, Casada, Mielke, Morell, Boldt, Barlean, Chase, Rockefeller, Ogden, Lantz, Edwards, Simpson, Kessler, Haigh, Pearson, Dunn, Quall, Veloria, Kagi, McIntire, Wood, Santos and Linville.

**Brief History:**

**Committee Activity:**

Appropriations: 1/28/02, 2/7/02 [DPS].

### Brief Summary of Substitute Bill

The Health Care Authority (HCA) may charge a composite rate for participating school district employee as long as the family size of these employees does not adversely impact the HCA's insurance account. K-12 employees participating in HCA plans must pay the same employee premiums as state employees pay and meet the same eligibility requirements as state employees.

---

### HOUSE COMMITTEE ON APPROPRIATIONS

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 22 members: Representatives Sommers, Chair; Doumit, 1st Vice Chair; Fromhold, 2nd Vice Chair; Sehlin, Ranking Minority Member; Alexander, Buck, Clements, Cody, Cox, Grant, Kagi, Kenney, Kessler, Linville, Lisk, Mastin, McIntire, Pearson, Pflug, Ruderman, Schual-Berke and Talcott.

**Staff:** Denise Graham (786-7137).

**Background:**

**The Health Care Authority:** The Washington State Health Care Authority is the state agency that purchases insurance benefits for state employees and retirees, school district employees and retirees, and local government employees and retirees. School districts and other political subdivisions have the option of purchasing benefits through the HCA, and must have the approval of the HCA to do so.

**State Employee Benefits Funding:** Funding for state employee benefits is provided through an employer funding rate and employee premium contributions. Included in each state agency's base funding is a flat amount, called an employer funding rate, for each employee working half-time or more. The state agency must provide to the HCA that same flat amount for each employee working half-time or more. The employer funding rate for fiscal year 2002 is \$457.29 per month. In addition, the HCA charges state employees a premium that is based in part on family size and on the employees' choice of health plan. Both employee premiums and state agency contributions are deposited into the public employees' and retirees insurance account and are used to pay health and other insurance premiums for state employees, part of the HCA administrative costs, and benefit subsidies for state retirees purchasing health insurance through the HCA. The employer funding rate is also called a composite rate because it is the average rate necessary to fund state employee benefits (as well as the other expenses mentioned above) given the average family size of state employees enrolled in HCA plans. The average family size of state employees enrolled in HCA plans is 2.22.

**K-12 Employee Benefit Funding:** The state provides a flat amount for each full-time equivalent staff generated by the state funding formulas for school district employees. The amount provided in the current school year is \$455.27. (The difference between the employer funding rate for state employees and the state funding rate for K-12 employees is an amount for state employee life insurance benefits resulting from a law suit settlement.) Generally, as a result of local bargaining agreements, the benefit allocations to school districts are treated as belonging to individual employees to spend on fringe benefits. This means that the same amount is available to a full-time single teacher as is available to a full-time teacher with a spouse and children. Any amounts left over after an employee has purchased basic benefits goes into a pool and is divided among those employees who must pay out-of-pocket for fringe benefits.

**K-12 Employee Benefit Plans:** K-12 employee fringe benefits are bargained locally. This allows bargaining over the content of available plans as well as the level of employer funding. School districts can purchase health benefits from a variety of sources. Two hundred fifty school districts representing about half of all school district employees offer one or more health benefit plan through the plans available through the Washington Education Association. A few large school districts have their own health benefit trusts. About 25 school districts purchase health benefits through the HCA. There are 1,800 school district employees and 2,500 school district employee dependents in HCA medical plans. The average family size of school district employees enrolled in HCA plans is 2.39.

**HCA Charges for School District Employees:** For most school districts purchasing benefits through the HCA, the HCA charge is based on individual employees' choice of plan and family size. For each school district employee with insurance coverage through the HCA, the HCA charges the school district the amount that the HCA must pay the health plan in which the employee is enrolled, plus an administrative charge and a charge for the explicit K-12 retiree subsidy. There are five school districts that were purchasing benefits from the HCA before this rate structure was adopted. These five school districts pay the HCA a composite rate, that is, the same rate for all of their employees enrolled in an HCA plan.

---

**Summary of Substitute Bill:**

The HCA will charge a composite rate, plus the same employee premiums by plan and by family size as are paid by state employees, for all K-12 employees currently participating in HCA plans. The HCA will charge a composite rate, plus the same employee premiums by plan and by family size as are paid by state employees, for all new groups of K-12 employees applying to participate, only if the average family size of these groups does not adversely impact the HCA's insurance account. If the HCA determines that billing for new K-12 employee groups on a composite rate would adversely impact the insurance account, the HCA can offer enrollment under a tiered rate structure that reflects family size and plan chosen.

K-12 employees participating in HCA plans must pay the same employee premiums as state employees pay. K-12 employees participating in HCA plans will no longer have the option of purchasing medical only coverage. The same eligibility requirements will apply to participating K-12 employees as apply to state employees.

**Substitute Bill Compared to Original Bill:**

The original bill required the HCA to charge a composite rate for participating K-12 employees regardless of the family size of the participating groups. The substitute allows the HCA to monitor the impact of charging a composite rate, and to charge a tiered rate if the family size of new K-12 employee groups applying to participate would adversely impact the HCA's insurance account. The original bill deleted the HCA's ability to reject applications for enrollment from K-12 employee groups; the substitute bill does not. The original bill did not require participating K-12 employee groups to pay the same employee premiums or meet the same eligibility requirements as state employees; the substitute bill does. The original bill allowed K-12 employee groups to purchase medical-only packages; the substitute does not.

---

**Appropriation:** None.

**Fiscal Note:** Requested on January 21, 2002.

**Effective Date of Substitute Bill:** Ninety days after adjournment of session in which bill is passed.

**Testimony For:** Salary increases for K-12 employees have been wiped out by health care cost increases. Some workers are dropping coverage for their spouses and children because they can no longer afford this coverage. The current tiered rates charged by the Health Care Authority for K-12 employees make their plans less attractive. This bill will allow more K-12 employees to come into the state plans.

**Testimony Against:** None.

**Testified:** Representative Fromhold, prime sponsor; Terry Bergeson, Superintendent of Public Instruction; Mary Anne Lindeblad, Health Care Authority; David Warren, Service Employees International Union; Karen Davis, Washington Education Association; John Kvamme, Washington Association of School Administrators; and Doug Nelson, Public School Employees of Washington.