

CERTIFICATION OF ENROLLMENT

**ENGROSSED HOUSE BILL 1383**

Chapter 299, Laws of 2006

59th Legislature  
2006 Regular Session

PUBLIC EMPLOYEES' BENEFITS BOARD--HEALTH PLANS

EFFECTIVE DATE: 6/7/06

Passed by the House February 8, 2006  
Yeas 88 Nays 10

FRANK CHOPP

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**Speaker of the House of Representatives**

Passed by the Senate March 1, 2006  
Yeas 43 Nays 4

BRAD OWEN

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**President of the Senate**

Approved March 29, 2006.

CHRISTINE GREGOIRE

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**Governor of the State of Washington**

CERTIFICATE

I, Richard Nafziger, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **ENGROSSED HOUSE BILL 1383** as passed by the House of Representatives and the Senate on the dates hereon set forth.

RICHARD NAFZIGER

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**Chief Clerk**

FILED

March 29, 2006 - 3:34 p.m.

**Secretary of State  
State of Washington**

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**ENGROSSED HOUSE BILL 1383**

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Passed Legislature - 2006 Regular Session

**State of Washington                      59th Legislature                      2006 Regular Session**

**By** Representatives Condotta, Bailey, Newhouse, Curtis, Hinkle, Pearson, Kretz, Strow, Armstrong, Kristiansen, Talcott, Skinner and Holmquist

Read first time 01/21/2005. Referred to Committee on Health Care.

1            AN ACT Relating to the public employees' benefits board; amending  
2            RCW 41.05.006; and reenacting and amending RCW 41.05.065.

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

4            **Sec. 1.** RCW 41.05.006 and 1988 c 107 s 2 are each amended to read  
5            as follows:

6            (1) The legislature recognizes that (a) the state is a major  
7            purchaser of health care services, (b) the increasing costs of such  
8            health care services are posing and will continue to pose a great  
9            financial burden on the state, (c) it is the state's policy, consistent  
10           with the best interests of the state, to provide comprehensive health  
11           care as an employer, to state employees and officials and their  
12           dependents and to those who are dependent on the state for necessary  
13           medical care, and (d) it is imperative that the state begin to develop  
14           effective and efficient health care delivery systems and strategies for  
15           procuring health care services in order for the state to continue to  
16           purchase the most comprehensive health care possible.

17           (2) It is therefore the purpose of this chapter to establish the  
18           Washington state health care authority whose purpose shall be to (a)  
19           develop health care benefit programs((7)) that provide access to at

1 least one comprehensive benefit plan funded to the fullest extent  
2 possible by the employer, (~~that provide comprehensive health care~~)  
3 and a health savings account/high deductible health plan option as  
4 defined in section 1201 of the medicare prescription drug improvement  
5 and modernization act of 2003, as amended, for eligible state  
6 employees, officials, and their dependents, and (b) study all state-  
7 purchased health care, alternative health care delivery systems, and  
8 strategies for the procurement of health care services and make  
9 recommendations aimed at minimizing the financial burden which health  
10 care poses on the state, its employees, and its charges, while at the  
11 same time allowing the state to provide the most comprehensive health  
12 care options possible.

13 **Sec. 2.** RCW 41.05.065 and 2005 c 518 s 920 and 2005 c 195 s 1 are  
14 each reenacted and amended to read as follows:

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

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

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

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

30 (c) Wellness incentives that focus on proven strategies, such as  
31 smoking cessation, injury and accident prevention, reduction of alcohol  
32 misuse, appropriate weight reduction, exercise, automobile and  
33 motorcycle safety, blood cholesterol reduction, and nutrition  
34 education;

35 (d) Utilization review procedures including, but not limited to a  
36 cost-efficient method for prior authorization of services, hospital  
37 inpatient length of stay review, requirements for use of outpatient

1 surgeries and second opinions for surgeries, review of invoices or  
2 claims submitted by service providers, and performance audit of  
3 providers;

4 (e) Effective coordination of benefits;

5 (f) Minimum standards for insuring entities; and

6 (g) Minimum scope and content of public employee benefit plans to  
7 be offered to enrollees participating in the employee health benefit  
8 plans. To maintain the comprehensive nature of employee health care  
9 benefits, employee eligibility criteria related to the number of hours  
10 worked and the benefits provided to employees shall be substantially  
11 equivalent to the state employees' health benefits plan and eligibility  
12 criteria in effect on January 1, 1993. Nothing in this subsection  
13 (2)(g) shall prohibit changes or increases in employee point-of-service  
14 payments or employee premium payments for benefits or the  
15 administration of a high deductible health plan in conjunction with a  
16 health savings account.

17 (3) The board shall design benefits and determine the terms and  
18 conditions of employee and retired employee participation and coverage,  
19 including establishment of eligibility criteria. The same terms and  
20 conditions of participation and coverage, including eligibility  
21 criteria, shall apply to state employees and to school district  
22 employees and educational service district employees.

23 (4) The board may authorize premium contributions for an employee  
24 and the employee's dependents in a manner that encourages the use of  
25 cost-efficient managed health care systems. During the 2005-2007  
26 fiscal biennium, the board may only authorize premium contributions for  
27 an employee and the employee's dependents that are the same, regardless  
28 of an employee's status as represented or nonrepresented by a  
29 collective bargaining unit under the personnel system reform act of  
30 2002. The board shall require participating school district and  
31 educational service district employees to pay at least the same  
32 employee premiums by plan and family size as state employees pay.

33 (5) The board shall develop a health savings account option for  
34 employees that conform to section 223, Part VII of subchapter B of  
35 chapter 1 of the internal revenue code of 1986. The board shall comply  
36 with all applicable federal standards related to the establishment of  
37 health savings accounts.

1       (6) Notwithstanding any other provision of this chapter, the board  
2 shall develop a high deductible health plan to be offered in  
3 conjunction with a health savings account developed under subsection  
4 (5) of this section.

5       (7) Employees shall choose participation in one of the health care  
6 benefit plans developed by the board and may be permitted to waive  
7 coverage under terms and conditions established by the board.

8       (~~(6)~~) (8) The board shall review plans proposed by insuring  
9 entities that desire to offer property insurance and/or accident and  
10 casualty insurance to state employees through payroll deduction. The  
11 board may approve any such plan for payroll deduction by insuring  
12 entities holding a valid certificate of authority in the state of  
13 Washington and which the board determines to be in the best interests  
14 of employees and the state. The board shall promulgate rules setting  
15 forth criteria by which it shall evaluate the plans.

16       (~~(7)~~) (9) Before January 1, 1998, the public employees' benefits  
17 board shall make available one or more fully insured long-term care  
18 insurance plans that comply with the requirements of chapter 48.84 RCW.  
19 Such programs shall be made available to eligible employees, retired  
20 employees, and retired school employees as well as eligible dependents  
21 which, for the purpose of this section, includes the parents of the  
22 employee or retiree and the parents of the spouse of the employee or  
23 retiree. Employees of local governments and employees of political  
24 subdivisions not otherwise enrolled in the public employees' benefits  
25 board sponsored medical programs may enroll under terms and conditions  
26 established by the administrator, if it does not jeopardize the  
27 financial viability of the public employees' benefits board's long-term  
28 care offering.

29       (a) Participation of eligible employees or retired employees and  
30 retired school employees in any long-term care insurance plan made  
31 available by the public employees' benefits board is voluntary and  
32 shall not be subject to binding arbitration under chapter 41.56 RCW.  
33 Participation is subject to reasonable underwriting guidelines and  
34 eligibility rules established by the public employees' benefits board  
35 and the health care authority.

36       (b) The employee, retired employee, and retired school employee are  
37 solely responsible for the payment of the premium rates developed by  
38 the health care authority. The health care authority is authorized to

1 charge a reasonable administrative fee in addition to the premium  
2 charged by the long-term care insurer, which shall include the health  
3 care authority's cost of administration, marketing, and consumer  
4 education materials prepared by the health care authority and the  
5 office of the insurance commissioner.

6 (c) To the extent administratively possible, the state shall  
7 establish an automatic payroll or pension deduction system for the  
8 payment of the long-term care insurance premiums.

9 (d) The public employees' benefits board and the health care  
10 authority shall establish a technical advisory committee to provide  
11 advice in the development of the benefit design and establishment of  
12 underwriting guidelines and eligibility rules. The committee shall  
13 also advise the board and authority on effective and cost-effective  
14 ways to market and distribute the long-term care product. The  
15 technical advisory committee shall be comprised, at a minimum, of  
16 representatives of the office of the insurance commissioner, providers  
17 of long-term care services, licensed insurance agents with expertise in  
18 long-term care insurance, employees, retired employees, retired school  
19 employees, and other interested parties determined to be appropriate by  
20 the board.

21 (e) The health care authority shall offer employees, retired  
22 employees, and retired school employees the option of purchasing long-  
23 term care insurance through licensed agents or brokers appointed by the  
24 long-term care insurer. The authority, in consultation with the public  
25 employees' benefits board, shall establish marketing procedures and may  
26 consider all premium components as a part of the contract negotiations  
27 with the long-term care insurer.

28 (f) In developing the long-term care insurance benefit designs, the  
29 public employees' benefits board shall include an alternative plan of  
30 care benefit, including adult day services, as approved by the office  
31 of the insurance commissioner.

32 (g) The health care authority, with the cooperation of the office  
33 of the insurance commissioner, shall develop a consumer education  
34 program for the eligible employees, retired employees, and retired  
35 school employees designed to provide education on the potential need  
36 for long-term care, methods of financing long-term care, and the  
37 availability of long-term care insurance products including the  
38 products offered by the board.

1           (h) By December 1998, the health care authority, in consultation  
2 with the public employees' benefits board, shall submit a report to the  
3 appropriate committees of the legislature, including an analysis of the  
4 marketing and distribution of the long-term care insurance provided  
5 under this section.

Passed by the House February 8, 2006.

Passed by the Senate March 1, 2006.

Approved by the Governor March 29, 2006.

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