

SENATE BILL REPORT

SB 6649

As of February 7, 2008

Title: An act relating to health care coverage for retired or disabled school employees and state employees.

Brief Description: Regulating health care coverage for retired or disabled school employees or state employees.

Sponsors: Senators Keiser, Fraser, McAuliffe, Shin, Kohl-Welles and Rasmussen; by request of Select Committee on Pension Policy.

Brief History:

Committee Activity: Ways & Means: 2/05/08.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Erik Sund (786-7454)

Background: The state Health Care Authority (HCA), through the Public Employee Benefits Board (PEBB), provides medical benefits for retired employees of the state and participating local governments. PEBB coverage is also available to retired employees of the state, school districts, and those local governments that purchase active employee benefits through the PEBB.

Members of most state retirement plans may choose to retain employee health insurance coverage when they separate from service only if they also retire at that time and begin to collect their pension benefits at that time. Members of Plan 3 of the Public Employees' Retirement System (PERS), the Teachers' Retirement System (TRS), and the School Employees' Retirement System (SERS) may elect to retain their state employee health insurance upon separation from state employment, regardless of whether they choose to retire from their plan and collect benefits at that time. In order to be eligible for continued coverage, a separated member of Plan 3 must have at least 10 years of service and be at least 55 years of age. Employees choosing to continue coverage as retirees are responsible for paying the full cost of their insurance premiums unless they are eligible for Medicare, in which case they qualify for a subsidy provided by the Legislature.

Since 2001 retirees or separated employees eligible for retiree coverage have been allowed to defer PEBB coverage until a later date if they retain continuous enrollment in a comprehensive employer-sponsored medical insurance program as either an employee or dependent of an employee. Retirees may also qualify for deferred enrollment in PEBB coverage if they are enrolled directly or as a dependent in medical coverage provided by a

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federal retiree plan. To defer PEBB coverage, an employee must apply to the HCA for deferral within 60 days of becoming eligible for retiree coverage.

Summary of Bill: Retired and disabled school and state employees who were receiving a retirement allowance as of January 1, 2001, and who did not elect to continue or defer insurance coverage through PEBB have an opportunity to enroll in PEBB plans during a period beginning on January 1, 2010, and the end of the open enrollment window for the 2011 plan year. The open enrollment window, which is the period during which eligible employees may switch plans or end waiver of coverage for, is currently held during the November prior to each plan year.

Enrollment in PEBB coverage under the provisions of this legislation is subject to an enrollment cap equal to 25 percent of eligible Medicare retirees, as specified in the state operating budget. Applicants will be enrolled on a first-come, first-served basis up to the 25 percent limit.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: The bill takes effect on January 1, 2010.

Staff Summary of Public Testimony: PRO: Under current law, employees that didn't immediately choose to continue PEBB insurance coverage after retiring do not qualify for state retiree health benefits no matter how many years they gave to public service. This bill would give a second chance at health insurance coverage to those retired public servants that have fallen through the cracks.

Persons Testifying: PRO: Robert Ehrenheim, Leslie Main, Washington State School Retirees' Association; Randy Parr, Washington Education Association.