
SUBSTITUTE SENATE BILL 5726

State of Washington 65th Legislature 2017 Regular Session

By Senate Ways & Means (originally sponsored by Senators Hobbs, Rivers, Mullet, Takko, and Keiser)

READ FIRST TIME 02/24/17.

1 AN ACT Relating to public school employee benefits; amending RCW
2 28A.400.270, 28A.400.275, 28A.400.350, 41.05.021, 41.05.050,
3 41.05.075, 28A.400.280, 41.56.500, 41.59.105, 41.05.065, and
4 41.80.020; reenacting and amending RCW 41.05.011; adding a new
5 section to chapter 41.05 RCW; creating new sections; and repealing
6 RCW 48.02.210.

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

8 NEW SECTION. **Sec. 1.** (1) The legislature finds that:

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

12 (b) The purchase of such benefits is fragmented among two hundred
13 ninety-five local school districts and nine educational services
14 districts. Each district combines state funds received with local
15 levy moneys, federal funds, and other revenue sources to provide
16 insurance benefits either directly or through more than seven hundred
17 health plans offered by insurance carriers. This approach results in
18 expensive inefficiencies due to duplication of effort, fragmentation
19 of pools, and reduced market leverage for purchasing such benefits;

20 (c) There is a lack of transparency on how funds appropriated for
21 school employee benefits are used. The legislature is unable to

1 exercise appropriate oversight over the disposition of state funds
2 due to this lack of transparency; and

3 (d) Despite the past legislature's intent that school districts
4 pool state benefit allocations for the purpose of eliminating major
5 differences in out-of-pocket premium expenses for employees who do
6 and do not need coverage for dependents, current practices are
7 inconsistent with the stated intent. School districts and collective
8 bargaining agreements often place an unfair burden on employees with
9 dependents by requiring them to pay very large premium costs for
10 dependent coverage while imposing little or no premium charges on
11 employees purchasing employee-only coverage.

12 (2) Therefore, it is the intent of the legislature to provide
13 public school employees with equitable access to quality and
14 affordable health benefits through the Washington state health care
15 authority. It is further the intent of the legislature to ensure an
16 orderly transition for the impacted districts, employees, and the
17 health care authority by providing a transition period of up to three
18 years.

19 **Sec. 2.** RCW 28A.400.270 and 1990 1st ex.s. c 11 s 4 are each
20 amended to read as follows:

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

23 (1) "School district employee benefit plan" means the overall
24 plan used by the district for distributing fringe benefit subsidies
25 to employees, including the method of determining employee coverage
26 and the amount of employer contributions, as well as the
27 characteristics of benefit providers and the specific benefits or
28 coverage offered. It shall not include coverage offered to district
29 employees for which there is no contribution from public funds.

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

35 (3) "Basic benefits" are determined through local bargaining
36 until December 31, 2018, or a later date determined by the health
37 care authority but no later than December 1, 2021, and are limited to
38 medical, dental, vision, group term life, and group long-term
39 disability insurance coverage. Beginning January 1, 2019, or a later

1 date determined by the health care authority but no later than
2 December 1, 2021, basic benefits are determined by the public
3 employees' benefits board and administered by the health care
4 authority as described under RCW 28A.400.275.

5 (4) "Benefit providers" include insurers, third party claims
6 administrators, direct providers of employee fringe benefits, health
7 maintenance organizations, health care service contractors, and the
8 Washington state health care authority or any plan offered by the
9 authority.

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

14 (6) "Group long-term disability insurance coverage" means long-
15 term disability insurance coverage provided for, at a minimum, all
16 full-time employees in a bargaining unit or all full-time
17 nonbargaining group employees.

18 **Sec. 3.** RCW 28A.400.275 and 2012 2nd sp.s. c 3 s 4 are each
19 amended to read as follows:

20 (1) Any contract or agreement for employee benefits executed
21 after April 13, 1990, between a school district and a benefit
22 provider or employee bargaining unit is null and void unless it
23 contains an agreement to abide by state laws relating to school
24 district employee benefits. The term of the contract or agreement may
25 not exceed one year. Beginning January 1, 2019, or a later date
26 determined by the health care authority but no later than December 1,
27 2021, any contract for employee basic benefits between a school
28 district and a bargaining unit is null and void unless basic benefits
29 are provided through plans administered by the Washington state
30 health care authority.

31 ~~(2) ((School districts and their benefit providers shall annually~~
32 ~~submit, by a date determined by the office of the insurance~~
33 ~~commissioner, the following information and data for the prior~~
34 ~~calendar year to the office of the insurance commissioner:~~

35 ~~(a) Progress by the district and its benefit providers toward~~
36 ~~greater affordability for full family coverage, health care cost~~
37 ~~savings, and significantly reduced administrative costs;~~

38 ~~(b) Compliance with the requirement to provide a high deductible~~
39 ~~health plan option with a health savings account;~~

1 ~~(c) An overall plan summary including the following:~~
2 ~~(i) The financial plan structure and overall performance of each~~
3 ~~health plan including:~~
4 ~~(A) Total premium expenses;~~
5 ~~(B) Total claims expenses;~~
6 ~~(C) Claims reserves; and~~
7 ~~(D) Plan administration expenses, including compensation paid to~~
8 ~~brokers;~~
9 ~~(ii) A description of the plan's use of innovative health plan~~
10 ~~features designed to reduce health benefit premium growth and reduce~~
11 ~~utilization of unnecessary health services including but not limited~~
12 ~~to the use of enrollee health assessments or health coach services,~~
13 ~~care management for high cost or high risk enrollees, medical or~~
14 ~~health home payment mechanisms, and plan features designed to create~~
15 ~~incentives for improved personal health behaviors;~~
16 ~~(iii) Data to provide an understanding of employee health benefit~~
17 ~~plan coverage and costs, including: The total number of employees~~
18 ~~and, for each employee, the employee's full-time equivalent status,~~
19 ~~types of coverage or benefits received including numbers of covered~~
20 ~~dependents, the number of eligible dependents, the amount of the~~
21 ~~district's contribution to premium, additional premium costs paid by~~
22 ~~the employee through payroll deductions, and the age and sex of the~~
23 ~~employee and each dependent;~~
24 ~~(iv) Data necessary for school districts to more effectively and~~
25 ~~competitively manage and procure health insurance plans for~~
26 ~~employees. The data must include, but not be limited to, the~~
27 ~~following:~~
28 ~~(A) A summary of the benefit packages offered to each group of~~
29 ~~district employees, including covered benefits, employee deductibles,~~
30 ~~coinsurance, and copayments, and the number of employees and their~~
31 ~~dependents in each benefit package;~~
32 ~~(B) Aggregated employee and dependent demographic information,~~
33 ~~including age band and gender, by insurance tier and by benefit~~
34 ~~package;~~
35 ~~(C) Total claim payments by benefit package, including premiums~~
36 ~~paid, inpatient facility claims paid, outpatient facility claims~~
37 ~~paid, physician claims paid, pharmacy claims paid, capitation amounts~~
38 ~~paid, and other claims paid;~~
39 ~~(D) Total premiums paid by benefit package;~~

1 ~~(E) A listing of large claims defined as annual amounts paid in~~
2 ~~excess of one hundred thousand dollars including the amount paid, the~~
3 ~~member enrollment status, and the primary diagnosis.)) School~~
4 ~~districts shall submit to the Washington state health care authority~~
5 ~~all information deemed necessary by the health care authority for the~~
6 ~~administration of the employee benefit plans provided to school~~
7 ~~districts employees, including all information requested between the~~
8 ~~effective date of this section and December 31, 2018, requested for~~
9 ~~preparing for the enrollment of school district employees in benefit~~
10 ~~plans administered by the Washington state health care authority.~~

11 ~~(3) ((Annually, school districts and their benefit providers~~
12 ~~shall jointly report to the office of the insurance commissioner on~~
13 ~~their health insurance-related efforts and achievements to:~~

14 ~~(a) Significantly reduce administrative costs for school~~
15 ~~districts;~~

16 ~~(b) Improve customer service;~~

17 ~~(c) Reduce differential plan premium rates between employee only~~
18 ~~and family health benefit premiums;~~

19 ~~(d) Protect access to coverage for part-time K-12 employees.~~

20 ~~(4) The information and data shall be submitted in a format and~~
21 ~~according to a schedule established by the office of the insurance~~
22 ~~commissioner under RCW 48.02.210 to enable the commissioner to meet~~
23 ~~the reporting obligations under that section.~~

24 ~~(5) Any benefit provider offering a benefit plan by contract or~~
25 ~~agreement with a school district under subsection (1) of this section~~
26 ~~shall make available to the school district the benefit plan~~
27 ~~descriptions and, where available, the demographic information on~~
28 ~~plan subscribers that the district and benefit provider are required~~
29 ~~to report to the office of the insurance commissioner under this~~
30 ~~section.~~

31 ~~(6) This section shall not apply to benefit plans offered in the~~
32 ~~1989-90 school year.)) Each school district shall:~~

33 ~~(a) Carry out all actions required by the health care authority~~
34 ~~under chapter 41.05 RCW including, but not limited to, those~~
35 ~~necessary for the operation of benefit plans, education of employees,~~
36 ~~claims administration, and appeals process; and~~

37 ~~(b) Report all data relating to employees eligible to participate~~
38 ~~in benefits or plans administered by the health care authority in a~~
39 ~~format designed and communicated by the health care authority.~~

1 **Sec. 4.** RCW 28A.400.350 and 2012 2nd sp.s. c 3 s 3 are each
2 amended to read as follows:

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

19 (b) Beginning January 1, 2019, or a later date determined by the
20 health care authority but no later than December 1, 2021, a school
21 district or educational service district shall purchase basic
22 benefits as defined in RCW 28A.400.270 for employees and dependents
23 through the state health care authority.

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

31 After October 1, 1990, school districts may not contribute to any
32 employee protection or insurance other than liability insurance
33 unless the district's employee benefit plan conforms to RCW
34 28A.400.275 and 28A.400.280.

35 (3) For school board members, educational service district board
36 members, and students, the premiums due on such protection or
37 insurance shall be borne by the assenting school board member,
38 educational service district board member, or student. The school
39 district or educational service district may contribute all or part
40 of the costs, including the premiums, of life, health, health care,

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

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

28 (5) School districts offering medical, vision, and dental
29 benefits shall:

30 (a) Offer a high deductible health plan option with a health
31 savings account that conforms to section 223, part VII of subchapter
32 1 of the internal revenue code of 1986. School districts shall comply
33 with all applicable federal standards related to the establishment of
34 health savings accounts;

35 (b) Make progress toward employee premiums that are established
36 to ensure that full family coverage premiums are not more than three
37 times the premiums for employees purchasing single coverage for the
38 same coverage plan, unless a subsequent premium differential target
39 is defined as a result of the review and subsequent actions described
40 in RCW 41.05.655;

1 (c) Offer employees at least one health benefit plan that is not
2 a high deductible health plan offered in conjunction with a health
3 savings account in which the employee share of the premium cost for a
4 full-time employee, regardless of whether the employee chooses
5 employee-only coverage or coverage that includes dependents, does not
6 exceed the share of premium cost paid by state employees during the
7 state employee benefits year that started immediately prior to the
8 school year.

9 (6) All contracts or agreements for employee benefits must be
10 held to responsible contracting standards, meaning a fair, prudent,
11 and accountable competitive procedure for procuring services that
12 includes an open competitive process, except where an open process
13 would compromise cost-effective purchasing, with documentation
14 justifying the approach.

15 (7) School districts offering medical, vision, and dental
16 benefits shall also make progress on promoting health care
17 innovations and cost savings and significantly reduce administrative
18 costs.

19 (8) All contracts or agreements for insurance or protection
20 described in this section shall be in compliance with chapter 3, Laws
21 of 2012 2nd sp. sess.

22 (9) Upon notification from the office of the insurance
23 commissioner of a school district's substantial noncompliance with
24 the data reporting requirements of RCW 28A.400.275, and the failure
25 is due to the action or inaction of the school district, and if the
26 noncompliance has occurred for two reporting periods, the
27 superintendent is authorized and required to limit the school
28 district's authority provided in subsection (1) of this section
29 regarding employee health benefits to the provision of health benefit
30 coverage provided by the state health care authority.

31 **Sec. 5.** RCW 41.05.011 and 2016 c 241 s 136 and 2016 c 67 s 2 are
32 each reenacted and amended to read as follows:

33 The definitions in this section apply throughout this chapter
34 unless the context clearly requires otherwise.

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

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

38 (3) "Dependent care assistance program" means a benefit plan
39 whereby state and public employees may pay for certain employment

1 related dependent care with pretax dollars as provided in the salary
2 reduction plan under this chapter pursuant to 26 U.S.C. Sec. 129 or
3 other sections of the internal revenue code.

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

5 (5) "Emergency service personnel killed in the line of duty"
6 means law enforcement officers and firefighters as defined in RCW
7 41.26.030, members of the Washington state patrol retirement fund as
8 defined in RCW 43.43.120, and reserve officers and firefighters as
9 defined in RCW 41.24.010 who die as a result of injuries sustained in
10 the course of employment as determined consistent with Title 51 RCW
11 by the department of labor and industries.

12 (6) "Employee" includes all employees of the state, whether or
13 not covered by civil service; elected and appointed officials of the
14 executive branch of government, including full-time members of
15 boards, commissions, or committees; justices of the supreme court and
16 judges of the court of appeals and the superior courts; and members
17 of the state legislature. Pursuant to contractual agreement with the
18 authority, "employee" may also include: (a) Employees of a county,
19 municipality, or other political subdivision of the state and members
20 of the legislative authority of any county, city, or town who are
21 elected to office after February 20, 1970, if the legislative
22 authority of the county, municipality, or other political subdivision
23 of the state submits application materials to the authority to
24 provide any of its insurance programs by contract with the authority,
25 as provided in RCW 41.04.205 and 41.05.021(1)(g); (b) employees of
26 employee organizations representing state civil service employees, at
27 the option of each such employee organization, and, effective October
28 1, 1995, employees of employee organizations currently pooled with
29 employees of school districts for the purpose of purchasing insurance
30 benefits, at the option of each such employee organization; (c)
31 employees of a school district or educational service district,
32 except that prior to January 1, 2019, only if the authority agrees to
33 provide any of the school districts' insurance programs by contract
34 with the authority as provided in RCW 28A.400.350; (d) employees of a
35 tribal government, if the governing body of the tribal government
36 seeks and receives the approval of the authority to provide any of
37 its insurance programs by contract with the authority, as provided in
38 RCW 41.05.021(1) (f) and (g); (e) employees of the Washington health
39 benefit exchange if the governing board of the exchange established
40 in RCW 43.71.020 seeks and receives approval of the authority to

1 provide any of its insurance programs by contract with the authority,
2 as provided in RCW 41.05.021(1) (g) and (n); and (f) employees of a
3 charter school established under chapter 28A.710 RCW. "Employee" does
4 not include: Adult family home providers; unpaid volunteers; patients
5 of state hospitals; inmates; employees of the Washington state
6 convention and trade center as provided in RCW 41.05.110; students of
7 institutions of higher education as determined by their institution;
8 and any others not expressly defined as employees under this chapter
9 or by the authority under this chapter.

10 (7) "Employer" means the state of Washington.

11 (8) "Employer group" means those counties, municipalities,
12 political subdivisions, the Washington health benefit exchange,
13 tribal governments, school districts, and educational service
14 districts, and employee organizations representing state civil
15 service employees, obtaining employee benefits through a contractual
16 agreement with the authority.

17 (9) "Employing agency" means a division, department, or separate
18 agency of state government, including an institution of higher
19 education; a county, municipality, school district, educational
20 service district, or other political subdivision; charter school; and
21 a tribal government covered by this chapter.

22 (10) "Faculty" means an academic employee of an institution of
23 higher education whose workload is not defined by work hours but
24 whose appointment, workload, and duties directly serve the
25 institution's academic mission, as determined under the authority of
26 its enabling statutes, its governing body, and any applicable
27 collective bargaining agreement.

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

32 (12) "Insuring entity" means an insurer as defined in chapter
33 48.01 RCW, a health care service contractor as defined in chapter
34 48.44 RCW, or a health maintenance organization as defined in chapter
35 48.46 RCW.

36 (13) "Medical flexible spending arrangement" means a benefit plan
37 whereby state and public employees may reduce their salary before
38 taxes to pay for medical expenses not reimbursed by insurance as
39 provided in the salary reduction plan under this chapter pursuant to
40 26 U.S.C. Sec. 125 or other sections of the internal revenue code.

1 (14) "Participant" means an individual who fulfills the
2 eligibility and enrollment requirements under the salary reduction
3 plan.

4 (15) "Plan year" means the time period established by the
5 authority.

6 (16) "Premium payment plan" means a benefit plan whereby state
7 and public employees may pay their share of group health plan
8 premiums with pretax dollars as provided in the salary reduction plan
9 under this chapter pursuant to 26 U.S.C. Sec. 125 or other sections
10 of the internal revenue code.

11 (17) "Retired or disabled school employee" means:

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

15 (b) Persons who separate from employment with a school district,
16 educational service district, or charter school on or after October
17 1, 1993, and immediately upon separation receive a retirement
18 allowance under chapter 41.32, 41.35, or 41.40 RCW;

19 (c) Persons who separate from employment with a school district,
20 educational service district, or charter school due to a total and
21 permanent disability, and are eligible to receive a deferred
22 retirement allowance under chapter 41.32, 41.35, or 41.40 RCW.

23 (18) "Salary" means a state employee's monthly salary or wages.

24 (19) "Salary reduction plan" means a benefit plan whereby state
25 and public employees may agree to a reduction of salary on a pretax
26 basis to participate in the dependent care assistance program,
27 medical flexible spending arrangement, or premium payment plan
28 offered pursuant to 26 U.S.C. Sec. 125 or other sections of the
29 internal revenue code.

30 (20) "Seasonal employee" means an employee hired to work during a
31 recurring, annual season with a duration of three months or more, and
32 anticipated to return each season to perform similar work.

33 (21) "Separated employees" means persons who separate from
34 employment with an employer as defined in:

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

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

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

38 and who are at least age fifty-five and have at least ten years of
39 service under the teachers' retirement system plan 3 as defined in
40 RCW 41.32.010(33), the Washington school employees' retirement system

1 plan 3 as defined in RCW 41.35.010, or the public employees'
2 retirement system plan 3 as defined in RCW 41.40.010.

3 (22) "State purchased health care" or "health care" means medical
4 and health care, pharmaceuticals, and medical equipment purchased
5 with state and federal funds by the department of social and health
6 services, the department of health, the basic health plan, the state
7 health care authority, the department of labor and industries, the
8 department of corrections, the department of veterans affairs, and
9 local school districts.

10 (23) "Tribal government" means an Indian tribal government as
11 defined in section 3(32) of the employee retirement income security
12 act of 1974, as amended, or an agency or instrumentality of the
13 tribal government, that has government offices principally located in
14 this state.

15 **Sec. 6.** RCW 41.05.021 and 2012 c 87 s 23 are each amended to
16 read as follows:

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

1 (a) To administer health care benefit programs for state and
2 school district employees and retired or disabled state and school
3 employees as specifically authorized in RCW 41.05.065 and in
4 accordance with the methods described in RCW 41.05.075, 41.05.140,
5 and other provisions of this chapter;

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

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

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

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

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

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

28 (vi) In collaboration with other state agencies that administer
29 state purchased health care programs, private health care purchasers,
30 health care facilities, providers, and carriers:

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

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

37 (II) Increase, through appropriate incentives to insuring
38 entities, health care facilities, and providers, the adoption and use
39 of information technology that contributes to improved health
40 outcomes, 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
4 hospitals as defined in RCW 70.41.020(~~(+4)~~) (7), integrated delivery
5 systems, and 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
10 their 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
14 report and recommendations developed under chapter 261, Laws of 2005;

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

17 (d) To provide information and technical and administrative
18 assistance to the board;

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

25 (f) To review and approve or deny the application when the
26 governing body of a tribal government applies to transfer their
27 employees to an insurance or self-insurance program administered
28 under this chapter. In the event of an employee transfer pursuant to
29 this subsection (1)(f), members of the governing body are eligible to
30 be included in such a transfer if the members are authorized by the
31 tribal government to participate in the insurance program being
32 transferred from and subject to payment by the members of all costs
33 of insurance for the members. The authority shall: (i) Establish the
34 conditions for participation; (ii) have the sole right to reject the
35 application; and (iii) set the premium contribution for approved
36 groups as outlined in RCW 41.05.050. Approval of the application by
37 the authority transfers the employees and dependents involved to the
38 insurance, self-insurance, or health care program approved by the
39 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
4 income security act of 1974, as amended, the authority shall limit
5 the participation of employees of a county, municipal, school
6 district, educational service district, or other political
7 subdivision, the Washington health benefit exchange, or a tribal
8 government, including providing for the participation of those
9 employees whose services are substantially all in the performance of
10 essential governmental functions, but not in the performance of
11 commercial activities;

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

15 (i) Through December 31, 2018, to publish and distribute to
16 nonparticipating school districts and educational service districts
17 by October 1st of each year a description of health care benefit
18 plans available through the authority and the estimated cost if
19 school districts and educational service district employees were
20 enrolled;

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

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

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

30 (i) Setting forth the criteria established by the board under RCW
31 41.05.065 for determining whether an employee is eligible for
32 benefits;

33 (ii) Establishing an appeal process in accordance with chapter
34 34.05 RCW by which an employee may appeal an eligibility
35 determination;

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

1 (m)(i) To administer the medical services programs established
2 under chapter 74.09 RCW as the designated single state agency for
3 purposes of Title XIX of the federal social security act;

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

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

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

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

37 (n) To review and approve or deny the application from the
38 governing board of the Washington health benefit exchange to provide
39 state-sponsored insurance or self-insurance programs to employees of
40 the exchange. The authority shall (i) establish the conditions for

1 participation; (ii) have the sole right to reject an application; and
2 (iii) set the premium contribution for approved groups as outlined in
3 RCW 41.05.050.

4 (2) On and after January 1, 1996, the public employees' benefits
5 board may implement strategies to promote managed competition among
6 employee health benefit plans. Strategies may include but are not
7 limited to:

8 (a) Standardizing the benefit package;

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

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

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

18 **Sec. 7.** RCW 41.05.050 and 2016 c 67 s 3 are each amended to read
19 as follows:

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

32 (2) To account for increased cost of benefits for the state and
33 for state employees, the authority may develop a rate surcharge
34 applicable to participating counties, municipalities, other political
35 subdivisions, and tribal governments.

36 (3) The contributions of any: (a) Department, division, or
37 separate agency of the state government; (b) county, municipal, or
38 other political subdivisions; and (c) any tribal government as are
39 covered by this chapter, shall be set by the authority, subject to

1 the approval of the governor for availability of funds as
2 specifically appropriated by the legislature for that purpose.
3 Insurance and health care contributions for ferry employees shall be
4 governed by RCW 47.64.270.

5 (4)(a) Until December 31, 2018, or a later date determined by the
6 health care authority but no later than December 1, 2021, the
7 authority shall collect from each participating school district and
8 educational service district an amount equal to the composite rate
9 charged to state agencies, plus an amount equal to the employee
10 premiums by plan and family size as would be charged to state
11 employees, for groups of district employees enrolled in authority
12 plans. The authority may collect these amounts in accordance with the
13 district fiscal year, as described in RCW 28A.505.030.

14 (b) Until December 31, 2018, or a later date determined by the
15 health care authority but no later than December 1, 2021, for all
16 groups of district employees enrolling in authority plans for the
17 first time after September 1, 2003, the authority shall collect from
18 each participating school district an amount equal to the composite
19 rate charged to state agencies, plus an amount equal to the employee
20 premiums by plan and by family size as would be charged to state
21 employees, only if the authority determines that this method of
22 billing the districts will not result in a material difference
23 between revenues from districts and expenditures made by the
24 authority on behalf of districts and their employees. The authority
25 may collect these amounts in accordance with the district fiscal
26 year, as described in RCW 28A.505.030.

27 (c) Until December 31, 2018, or a later date determined by the
28 health care authority but no later than December 1, 2021, if the
29 authority determines at any time that the conditions in (b) of this
30 subsection cannot be met, the authority shall offer enrollment to
31 additional groups of district employees on a tiered rate structure
32 until such time as the authority determines there would be no
33 material difference between revenues and expenditures under a
34 composite rate structure for all district employees enrolled in
35 authority plans.

36 (d) Until December 31, 2018, or a later date determined by the
37 health care authority but no later than December 1, 2021, the
38 authority may charge districts a one-time set-up fee for employee
39 groups enrolling in authority plans for the first time.

40 (e) For the purposes of this subsection:

1 (i) "District" means school district and educational service
2 district; and

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

5 (f) Until December 31, 2018, or a later date determined by the
6 health care authority but no later than December 1, 2021,
7 notwithstanding this subsection and RCW 41.05.065(4), the authority
8 may allow districts enrolled on a tiered rate structure prior to
9 September 1, 2002, to continue participation based on the same rate
10 structure and under the same conditions and eligibility criteria.

11 (5) The authority shall transmit a recommendation for the amount
12 of the employer contribution to the governor and the director of
13 financial management for inclusion in the proposed budgets submitted
14 to the legislature.

15 **Sec. 8.** RCW 41.05.075 and 2007 c 259 s 34 are each amended to
16 read as follows:

17 (1) The (~~administrator~~) director shall provide benefit plans
18 designed by the board through a contract or contracts with insuring
19 entities, through self-funding, self-insurance, or other methods of
20 providing insurance coverage authorized by RCW 41.05.140.

21 (2) The (~~administrator~~) director shall establish a contract
22 bidding process that:

23 (a) Encourages competition among insuring entities;

24 (b) Maintains an equitable relationship between premiums charged
25 for similar benefits and between risk pools including premiums
26 charged for retired state and school district employees under the
27 separate risk pools established by RCW 41.05.022 and 41.05.080 such
28 that insuring entities may not avoid risk when establishing the
29 premium rates for retirees eligible for medicare;

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

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

33 (3)(a) School districts directly providing medical and dental
34 benefit plans and contracted insuring entities providing medical and
35 dental benefit plans to school districts on December 31, 2017, shall
36 provide the health care authority specified data by January 1, 2018,
37 to support an initial benefit plans procurement. At a minimum, the
38 data must cover the period January 1, 2014, through August 1, 2017,
39 and include:

1 (i) A summary of the benefit packages offered to each group of
2 district employees, including covered benefits, point-of-service
3 cost-sharing, member count, and the group policy number;

4 (ii) Aggregated subscriber and member demographic information,
5 including age band and gender, by insurance tier by month and by
6 benefit packages;

7 (iii) Monthly total by benefit package, including premiums paid,
8 inpatient facility claims paid, outpatient facility claims paid,
9 physician claims paid, pharmacy claims paid, capitation amounts paid,
10 and other claims paid;

11 (iv) A listing for calendar year 2017 of large claims defined as
12 annual amounts paid in excess of one hundred thousand dollars
13 including the amount paid, the member enrollment status, and the
14 primary diagnosis; and

15 (v) A listing of calendar year 2017 allowed claims by provider
16 entity.

17 (b) Any data that may be confidential and contain personal health
18 information may be protected in accordance with a data-sharing
19 agreement.

20 (4) The ((administrator)) director shall establish a requirement
21 for review of utilization and financial data from participating
22 insuring entities on a quarterly basis.

23 ((+4)) (5) The ((administrator)) director shall centralize the
24 enrollment files for all employee and retired or disabled school
25 employee health plans offered under chapter 41.05 RCW and develop
26 enrollment demographics on a plan-specific basis.

27 ((+5)) (6) All claims data shall be the property of the state.
28 The ((administrator)) director may require of any insuring entity
29 that submits a bid to contract for coverage all information deemed
30 necessary including:

31 (a) Subscriber or member demographic and claims data necessary
32 for risk assessment and adjustment calculations in order to fulfill
33 the ((administrator's)) director's duties as set forth in this
34 chapter; and

35 (b) Subscriber or member demographic and claims data necessary to
36 implement performance measures or financial incentives related to
37 performance under subsection ((+7)) (8) of this section.

38 ((+6)) (7) All contracts with insuring entities for the
39 provision of health care benefits shall provide that the
40 beneficiaries of such benefit plans may use on an equal participation

1 basis the services of practitioners licensed pursuant to chapters
2 18.22, 18.25, 18.32, 18.53, 18.57, 18.71, 18.74, 18.83, and 18.79
3 RCW, as it applies to registered nurses and advanced registered nurse
4 practitioners. However, nothing in this subsection may preclude the
5 (~~administrator~~) director from establishing appropriate utilization
6 controls approved pursuant to RCW 41.05.065(2) (a), (b), and (d).

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

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

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

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

21 (b) Through state health purchasing, reimbursement, or pilot
22 strategies, promote and increase the adoption of health information
23 technology systems, including electronic medical records, by
24 hospitals as defined in RCW 70.41.020(~~(4)~~) (7), integrated delivery
25 systems, and providers that:

26 (i) Facilitate diagnosis or treatment;

27 (ii) Reduce unnecessary duplication of medical tests;

28 (iii) Promote efficient electronic physician order entry;

29 (iv) Increase access to health information for consumers and
30 their providers; and

31 (v) Improve health outcomes;

32 (c) Coordinate a strategy for the adoption of health information
33 technology systems using the final health information technology
34 report and recommendations developed under chapter 261, Laws of 2005.

35 (~~(8)~~) (9) The (~~administrator~~) director may permit the
36 Washington state health insurance pool to contract to utilize any
37 network maintained by the authority or any network under contract
38 with the authority.

1 **Sec. 9.** RCW 28A.400.280 and 2012 2nd sp.s. c 3 s 2 are each
2 amended to read as follows:

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

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

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

19 ~~(b) Each full-time employee included in the pooling arrangement~~
20 ~~is offered basic benefits, including coverage for dependents;~~

21 ~~(c) Each employee included in the pooling arrangement who elects~~
22 ~~medical benefit coverage pays a minimum premium charge subject to~~
23 ~~collective bargaining under chapter 41.59 or 41.56 RCW;~~

24 ~~(d) The employee premiums are structured to ensure employees~~
25 ~~selecting richer benefit plans pay the higher premium;~~

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

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

34 (3) (~~(Savings accruing to school districts due to limitations on~~
35 ~~benefit options under this section shall be pooled and made available~~
36 ~~by the districts to reduce out-of-pocket premium expenses for~~
37 ~~employees needing basic coverage for dependents.)) School districts
38 are not intended to divert state basic benefit allocations for other
39 purposes.~~

1 (4) Beginning September 1, 2018, school districts and educational
2 service districts may provide optional vision, dental, group life,
3 and group long-term disability coverage in excess of what is provided
4 through the health care authority, if that coverage is consistent
5 with a collective bargaining agreement.

6 **Sec. 10.** RCW 41.56.500 and 2010 c 235 s 802 are each amended to
7 read as follows:

8 (1) All collective bargaining agreements entered into between a
9 school district employer and school district employees under this
10 chapter after June 10, 2010, as well as bargaining agreements
11 existing on June 10, 2010, but renewed or extended after June 10,
12 2010, shall be consistent with RCW 28A.657.050.

13 (2) All collective bargaining agreements entered into between a
14 school district employer and school district employees under this
15 chapter shall be consistent with RCW 28A.400.280 and 28A.400.350.

16 (3) Except as provided in RCW 28A.400.280(4), employee bargaining
17 may not include the dollar amount to be contributed for school
18 employee health benefits beginning January 1, 2019, on behalf of each
19 employee for health care benefits.

20 (4) The governor shall submit a request for funds for the dollar
21 amount to be expended for school employee health benefits that is the
22 same as the amount bargained under RCW 41.80.020.

23 **Sec. 11.** 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
28 existing on June 10, 2010, but renewed or extended after June 10,
29 2010, shall be 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 shall be consistent with RCW 28A.400.280 and 28A.400.350.

33 (3) Except as provided in RCW 28A.400.280(4), employee bargaining
34 may not include the dollar amount to be contributed beginning January
35 1, 2019, on behalf of each employee for health care benefits.

36 (4) The governor shall submit a request for funds for the dollar
37 amount to be expended for school employee health benefits that is the
38 same as the amount bargained under RCW 41.80.020.

1 NEW SECTION. **Sec. 12.** A new section is added to chapter 41.05
2 RCW to read as follows:

3 The health care authority shall adopt a phased in implementation
4 schedule for school districts and educational service districts
5 providing coverage to employees for the first time after the
6 effective date of this section that are later than the dates
7 established under RCW 28A.400.350, but no later than December 1,
8 2021. By January 1, 2022, school districts and educational service
9 districts must provide basic benefits from the health care authority.

10 **Sec. 13.** RCW 41.05.065 and 2015 c 116 s 3 are each amended to
11 read as follows:

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

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

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

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

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

33 (d) Utilization review procedures including, but not limited to a
34 cost-efficient method for prior authorization of services, hospital
35 inpatient length of stay review, requirements for use of outpatient
36 surgeries and second opinions for surgeries, review of invoices or
37 claims submitted by service providers, and performance audit of
38 providers;

39 (e) Effective coordination of benefits; and

1 (f) Minimum standards for insuring entities.

2 (3) To maintain the comprehensive nature of employee health care
3 benefits, benefits provided to employees shall be substantially
4 equivalent to the state employees' health benefits plan in effect on
5 January 1, 1993. Nothing in this subsection shall prohibit changes or
6 increases in employee point-of-service payments or employee premium
7 payments for benefits or the administration of a high deductible
8 health plan in conjunction with a health savings account. The board
9 may establish employee eligibility criteria which are not
10 substantially equivalent to employee eligibility criteria in effect
11 on January 1, 1993.

12 (4) Except if bargained for under chapter 41.80 RCW, the board
13 shall design benefits and determine the terms and conditions of
14 employee and retired employee participation and coverage, including
15 establishment of eligibility criteria subject to the requirements of
16 this chapter. Employer groups obtaining benefits through contractual
17 agreement with the authority for employees defined in RCW
18 41.05.011(6) (a) through (d) may contractually agree with the
19 authority to benefits eligibility criteria which differs from that
20 determined by the board. The eligibility criteria established by the
21 board shall be no more restrictive than the following:

22 (a) Except as provided in (b) through (e) of this subsection, an
23 employee is eligible for benefits from the date of employment if the
24 employing agency anticipates he or she will work an average of at
25 least eighty hours per month and for at least eight hours in each
26 month for more than six consecutive months. An employee determined
27 ineligible for benefits at the beginning of his or her employment
28 shall become eligible in the following circumstances:

29 (i) An employee who works an average of at least eighty hours per
30 month and for at least eight hours in each month and whose
31 anticipated duration of employment is revised from less than or equal
32 to six consecutive months to more than six consecutive months becomes
33 eligible when the revision is made.

34 (ii) An employee who works an average of at least eighty hours
35 per month over a period of six consecutive months and for at least
36 eight hours in each of those six consecutive months becomes eligible
37 at the first of the month following the six-month averaging period.

38 (b) A seasonal employee is eligible for benefits from the date of
39 employment if the employing agency anticipates that he or she will
40 work an average of at least eighty hours per month and for at least

1 eight hours in each month of the season. A seasonal employee
2 determined ineligible at the beginning of his or her employment who
3 works an average of at least eighty hours per month over a period of
4 six consecutive months and at least eight hours in each of those six
5 consecutive months becomes eligible at the first of the month
6 following the six-month averaging period. A benefits-eligible
7 seasonal employee who works a season of less than nine months shall
8 not be eligible for the employer contribution during the off season,
9 but may continue enrollment in benefits during the off season by
10 self-paying for the benefits. A benefits-eligible seasonal employee
11 who works a season of nine months or more is eligible for the
12 employer contribution through the off season following each season
13 worked.

14 (c) Faculty are eligible as follows:

15 (i) Faculty who the employing agency anticipates will work half-
16 time or more for the entire instructional year or equivalent nine-
17 month period are eligible for benefits from the date of employment.
18 Eligibility shall continue until the beginning of the first full
19 month of the next instructional year, unless the employment
20 relationship is terminated, in which case eligibility shall cease the
21 first month following the notice of termination or the effective date
22 of the termination, whichever is later.

23 (ii) Faculty who the employing agency anticipates will not work
24 for the entire instructional year or equivalent nine-month period are
25 eligible for benefits at the beginning of the second consecutive
26 quarter or semester of employment in which he or she is anticipated
27 to work, or has actually worked, half-time or more. Such an employee
28 shall continue to receive uninterrupted employer contributions for
29 benefits if the employee works at least half-time in a quarter or
30 semester. Faculty who the employing agency anticipates will not work
31 for the entire instructional year or equivalent nine-month period,
32 but who actually work half-time or more throughout the entire
33 instructional year, are eligible for summer or off-quarter or off-
34 semester coverage. Faculty who have met the criteria of this
35 subsection (4)(c)(ii), who work at least two quarters or two
36 semesters of the academic year with an average academic year workload
37 of half-time or more for three quarters or two semesters of the
38 academic year, and who have worked an average of half-time or more in
39 each of the two preceding academic years shall continue to receive
40 uninterrupted employer contributions for benefits if he or she works

1 at least half-time in a quarter or semester or works two quarters or
2 two semesters of the academic year with an average academic workload
3 each academic year of half-time or more for three quarters or two
4 semesters. Eligibility under this section ceases immediately if this
5 criteria is not met.

6 (iii) Faculty may establish or maintain eligibility for benefits
7 by working for more than one institution of higher education. When
8 faculty work for more than one institution of higher education, those
9 institutions shall prorate the employer contribution costs, or if
10 eligibility is reached through one institution, that institution will
11 pay the full employer contribution. Faculty working for more than one
12 institution must alert his or her employers to his or her potential
13 eligibility in order to establish eligibility.

14 (iv) The employing agency must provide written notice to faculty
15 who are potentially eligible for benefits under this subsection
16 (4)(c) of their potential eligibility.

17 (v) To be eligible for maintenance of benefits through averaging
18 under (c)(ii) of this subsection, faculty must provide written
19 notification to his or her employing agency or agencies of his or her
20 potential eligibility.

21 (vi) For the purposes of this subsection (4)(c):

22 (A) "Academic year" means summer, fall, winter, and spring
23 quarters or summer, fall, and spring semesters;

24 (B) "Half-time" means one-half of the full-time academic workload
25 as determined by each institution; except that for community and
26 technical college faculty, half-time academic workload is calculated
27 according to RCW 28B.50.489.

28 (d) A legislator is eligible for benefits on the date his or her
29 term begins. All other elected and full-time appointed officials of
30 the legislative and executive branches of state government are
31 eligible for benefits on the date his or her term begins or they take
32 the oath of office, whichever occurs first.

33 (e) A justice of the supreme court and judges of the court of
34 appeals and the superior courts become eligible for benefits on the
35 date he or she takes the oath of office.

36 (f) An employee of a school district or educational service
37 district is eligible for benefits if they are expected to work at
38 least six hundred thirty hours during a school year.

1 (g) Except as provided in (c)(i) and (ii) of this subsection,
2 eligibility ceases for any employee the first of the month following
3 termination of the employment relationship.

4 ~~((g))~~ (h) In determining eligibility under this section, the
5 employing agency may disregard training hours, standby hours, or
6 temporary changes in work hours as determined by the authority under
7 this section.

8 ~~((h))~~ (i) Insurance coverage for all eligible employees begins
9 on the first day of the month following the date when eligibility for
10 benefits is established. If the date eligibility is established is
11 the first working day of a month, insurance coverage begins on that
12 date.

13 ~~((i))~~ (j) Eligibility for an employee whose work circumstances
14 are described by more than one of the eligibility categories in (a)
15 through (e) of this subsection shall be determined solely by the
16 criteria of the category that most closely describes the employee's
17 work circumstances.

18 ~~((j))~~ (k) Except for an employee eligible for benefits under
19 (b) or (c)(ii) of this subsection, an employee who has established
20 eligibility for benefits under this section shall remain eligible for
21 benefits each month in which he or she is in pay status for eight or
22 more hours, if (i) he or she remains in a benefits-eligible position
23 and (ii) leave from the benefits-eligible position is approved by the
24 employing agency. A benefits-eligible seasonal employee is eligible
25 for the employer contribution in any month of his or her season in
26 which he or she is in pay status eight or more hours during that
27 month. Eligibility ends if these conditions are not met, the
28 employment relationship is terminated, or the employee voluntarily
29 transfers to a noneligible position.

30 ~~((k))~~ (l) For the purposes of this subsection, the board shall
31 define "benefits-eligible position."

32 (5) The board may authorize premium contributions for an employee
33 and the employee's dependents in a manner that encourages the use of
34 cost-efficient managed health care systems.

35 (6)(a) For any open enrollment period following August 24, 2011,
36 the board shall offer a health savings account option for employees
37 that conforms to section 223, Part VII of subchapter B of chapter 1
38 of the internal revenue code of 1986. The board shall comply with all
39 applicable federal standards related to the establishment of health
40 savings accounts.

1 (b) By November 30, 2015, and each year thereafter, the authority
2 shall submit a report to the relevant legislative policy and fiscal
3 committees that includes the following:

4 (i) Public employees' benefits board health plan cost and service
5 utilization trends for the previous three years, in total and for
6 each health plan offered to employees;

7 (ii) For each health plan offered to employees, the number and
8 percentage of employees and dependents enrolled in the plan, and the
9 age and gender demographics of enrollees in each plan;

10 (iii) Any impact of enrollment in alternatives to the most
11 comprehensive plan, including the high deductible health plan with a
12 health savings account, upon the cost of health benefits for those
13 employees who have chosen to remain enrolled in the most
14 comprehensive plan.

15 (7) Notwithstanding any other provision of this chapter, for any
16 open enrollment period following August 24, 2011, the board shall
17 offer a high deductible health plan in conjunction with a health
18 savings account developed under subsection (6) of this section.

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

22 (9) The board shall review plans proposed by insuring entities
23 that desire to offer property insurance and/or accident and casualty
24 insurance to state employees through payroll deduction. The board may
25 approve any such plan for payroll deduction by insuring entities
26 holding a valid certificate of authority in the state of Washington
27 and which the board determines to be in the best interests of
28 employees and the state. The board shall adopt rules setting forth
29 criteria by which it shall evaluate the plans.

30 (10) Before January 1, 1998, the public employees' benefits board
31 shall make available one or more fully insured long-term care
32 insurance plans that comply with the requirements of chapter 48.84
33 RCW. Such programs shall be made available to eligible employees,
34 retired employees, and retired school employees as well as eligible
35 dependents which, for the purpose of this section, includes the
36 parents of the employee or retiree and the parents of the spouse of
37 the employee or retiree. Employees of local governments, political
38 subdivisions, and tribal governments not otherwise enrolled in the
39 public employees' benefits board sponsored medical programs may
40 enroll under terms and conditions established by the administrator,

1 if it does not jeopardize the financial viability of the public
2 employees' benefits board's long-term care offering.

3 (a) Participation of eligible employees or retired employees and
4 retired school employees in any long-term care insurance plan made
5 available by the public employees' benefits board is voluntary and
6 shall not be subject to binding arbitration under chapter 41.56 RCW.
7 Participation is subject to reasonable underwriting guidelines and
8 eligibility rules established by the public employees' benefits board
9 and the health care authority.

10 (b) The employee, retired employee, and retired school employee
11 are solely responsible for the payment of the premium rates developed
12 by the health care authority. The health care authority is authorized
13 to charge a reasonable administrative fee in addition to the premium
14 charged by the long-term care insurer, which shall include the health
15 care authority's cost of administration, marketing, and consumer
16 education materials prepared by the health care authority and the
17 office of the insurance commissioner.

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

21 (d) The public employees' benefits board and the health care
22 authority shall establish a technical advisory committee to provide
23 advice in the development of the benefit design and establishment of
24 underwriting guidelines and eligibility rules. The committee shall
25 also advise the board and authority on effective and cost-effective
26 ways to market and distribute the long-term care product. The
27 technical advisory committee shall be comprised, at a minimum, of
28 representatives of the office of the insurance commissioner,
29 providers of long-term care services, licensed insurance agents with
30 expertise in long-term care insurance, employees, retired employees,
31 retired school employees, and other interested parties determined to
32 be appropriate by the board.

33 (e) The health care authority shall offer employees, retired
34 employees, and retired school employees the option of purchasing
35 long-term care insurance through licensed agents or brokers appointed
36 by the long-term care insurer. The authority, in consultation with
37 the public employees' benefits board, shall establish marketing
38 procedures and may consider all premium components as a part of the
39 contract negotiations with the long-term care insurer.

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

5 (g) The health care authority, with the cooperation of the office
6 of the insurance commissioner, shall develop a consumer education
7 program for the eligible employees, retired employees, and retired
8 school employees designed to provide education on the potential need
9 for long-term care, methods of financing long-term care, and the
10 availability of long-term care insurance products including the
11 products offered by the board.

12 (11) The board may establish penalties to be imposed by the
13 authority when the eligibility determinations of an employing agency
14 fail to comply with the criteria under this chapter.

15 **Sec. 14.** RCW 41.80.020 and 2015 3rd sp.s. c 1 s 318 are each
16 amended to read as follows:

17 (1) Except as otherwise provided in this chapter, the matters
18 subject to bargaining include wages, hours, and other terms and
19 conditions of employment, and the negotiation of any question arising
20 under a collective bargaining agreement.

21 (2) The employer is not required to bargain over matters
22 pertaining to:

23 (a) Health care benefits or other employee insurance benefits,
24 except as required in subsection (3) of this section;

25 (b) Any retirement system or retirement benefit; or

26 (c) Rules of the director of financial management, the director
27 of enterprise services, or the Washington personnel resources board
28 adopted under RCW 41.06.157.

29 (3) Matters subject to bargaining include the number of names to
30 be certified for vacancies, promotional preferences, and the dollar
31 amount expended on behalf of each employee for health care benefits.
32 However, except as provided otherwise in this subsection for
33 institutions of higher education, negotiations regarding the number
34 of names to be certified for vacancies, promotional preferences, and
35 the dollar amount expended on behalf of each employee for health care
36 benefits shall be conducted between the employer and one coalition of
37 all the exclusive bargaining representatives subject to this chapter
38 and bargaining units representing employees of school districts and
39 educational service districts. The exclusive bargaining

1 representatives for employees that are subject to chapter 47.64 RCW
2 shall bargain the dollar amount expended on behalf of each employee
3 for health care benefits with the employer as part of the coalition
4 under this subsection. Any such provision agreed to by the employer
5 and the coalition shall be included in all master collective
6 bargaining agreements negotiated by the parties. For institutions of
7 higher education, promotional preferences and the number of names to
8 be certified for vacancies shall be bargained under the provisions of
9 RCW 41.80.010(4). For agreements covering the 2013-2015 fiscal
10 biennium, any agreement between the employer and the coalition
11 regarding the dollar amount expended on behalf of each employee for
12 health care benefits is a separate agreement and shall not be
13 included in the master collective bargaining agreements negotiated by
14 the parties.

15 (4) The employer and the exclusive bargaining representative
16 shall not agree to any proposal that would prevent the implementation
17 of approved affirmative action plans or that would be inconsistent
18 with the comparable worth agreement that provided the basis for the
19 salary changes implemented beginning with the 1983-1985 biennium to
20 achieve comparable worth.

21 (5) The employer and the exclusive bargaining representative
22 shall not bargain over matters pertaining to management rights
23 established in RCW 41.80.040.

24 (6) Except as otherwise provided in this chapter, if a conflict
25 exists between an executive order, administrative rule, or agency
26 policy relating to wages, hours, and terms and conditions of
27 employment and a collective bargaining agreement negotiated under
28 this chapter, the collective bargaining agreement shall prevail. A
29 provision of a collective bargaining agreement that conflicts with
30 the terms of a statute is invalid and unenforceable.

31 (7) This section does not prohibit bargaining that affects
32 contracts authorized by RCW 41.06.142.

33 NEW SECTION. **Sec. 15.** RCW 48.02.210 (School district health
34 insurance benefits—Annual report) and 2012 2nd sp.s. c 3 s 5 are each
35 repealed.

36 NEW SECTION. **Sec. 16.** If specific funding for the purposes of
37 this act, referencing this act by bill or chapter number, is not

1 provided by June 30, 2017, in the omnibus appropriations act, this
2 act is null and void.

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