## HOUSE BILL 1354

State of Washington 69th Legislature 2025 Regular Session

By Representatives Caldier, Simmons, Volz, Nance, Rude, Couture, Marshall, Pollet, Griffey, Lekanoff, Ybarra, Bronoske, Orcutt, Low, Berry, Rule, Farivar, Doglio, and Barnard

Read first time 01/16/25. Referred to Committee on Appropriations.

- 1 AN ACT Relating to coverage of legislative session employees in
- 2 the insurance programs offered by the public employees' benefits
- 3 board; amending RCW 41.05.065; and reenacting and amending RCW
- 4 41.05.011.

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- 5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:
- 6 **Sec. 1.** RCW 41.05.011 and 2023 c 164 s 1, 2023 c 51 s 3, and 2023 c 13 s 2 are each reenacted and amended to read as follows:
- 8 The definitions in this section apply throughout this chapter 9 unless the context clearly requires otherwise.
- 10 (1) "Authority" means the Washington state health care authority.
- 11 (2) "Board" means the public employees' benefits board 12 established under RCW 41.05.055 and the school employees' benefits 13 board established under RCW 41.05.740.
  - (3) "Dependent care assistance program" means a benefit plan whereby employees and school employees may pay for certain employment related dependent care with pretax dollars as provided in the salary reduction plan under this chapter pursuant to 26 U.S.C. Sec. 129 or other sections of the internal revenue code.
  - (4) "Director" means the director of the authority.
- 20 (5) "Emergency service personnel killed in the line of duty" 21 means law enforcement officers and firefighters as defined in RCW

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41.26.030, members of the Washington state patrol retirement fund as defined in RCW 43.43.120, and reserve officers and firefighters as defined in RCW 41.24.010 who die as a result of injuries sustained in the course of employment as determined consistent with Title 51 RCW by the department of labor and industries.

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"Employee" for the public employees' benefits board program includes all employees of the state, whether or not covered by civil service; elected and appointed officials of the executive branch of government, including full-time members of boards, commissions, or committees; justices of the supreme court and judges of the court of appeals and the superior courts; and members of the state legislature. Pursuant to contractual agreement with the authority, "employee" may also include: (i) Employees of a county, municipality, or other political subdivision of the state and members of the legislative authority of any county, city, or town who are elected to office after February 20, 1970, if the authority of the county, municipality, or other political subdivision of the state submits application materials to the authority to provide any of its insurance programs by contract with the authority, as provided in RCW 41.04.205 and 41.05.021(1)(g); (ii) employees of employee organizations representing state civil service employees, at the option of each such employee organization; (iii) through December 31, 2019, employees of a school district if the authority agrees to provide any of the school districts' insurance programs by contract with the authority as provided in RCW 28A.400.350; (iv) employees of a tribal government, if the governing body of the tribal government seeks and receives the approval of the authority to provide any of its insurance programs by contract with the authority, as provided in RCW 41.05.021(1) (f) and (q); (v) employees of the Washington health benefit exchange if the governing board of the exchange established in RCW 43.71.020 seeks and receives approval of the authority to provide any of its insurance programs by contract with the authority, as provided in RCW 41.05.021(1) (g) and (n); and (vi) through December 31, 2019, employees of a charter school established under chapter 28A.710 RCW. "Employee" does not include: Adult family home providers; unpaid volunteers; patients of state hospitals; inmates; students of institutions of higher education as determined by their institution; and any others not expressly defined as employees under this chapter or by the authority under this chapter.

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1 (b) Effective January 1, 2020, "school employee" for the school employees' benefits board program includes:

- (i) All employees of school districts and charter schools established under chapter 28A.710 RCW;
  - (ii) Represented employees of educational service districts;
- (iii) Effective January 1, 2024, all employees of educational service districts; and
- (iv) Effective January 1, 2024, pursuant to contractual agreement with the authority, "school employee" may also include: (A) Employees of employee organizations representing school employees, at the option of each such employee organization; and (B) employees of a tribal school as defined in RCW 28A.715.010, if the governing body of the tribal school seeks and receives the approval of the authority to provide any of its insurance programs by contract with the authority, as provided in RCW 41.05.021(1) (f) and (g).
- (7) "Employee group" means employees of a similar employment type, such as administrative, represented classified, nonrepresented classified excluding such employees in educational service districts until December 31, 2023, confidential, represented certificated, or nonrepresented certificated excluding such employees in educational service districts until December 31, 2023, within a school employees' benefits board organization.
- 23 (8)(a) "Employer" for the public employees' benefits board 24 program means the state of Washington.
  - (b) "Employer" for the school employees' benefits board program means school districts and educational service districts and charter schools established under chapter 28A.710 RCW.
  - (9) (a) "Employer group" for the public employees' benefits board program means those counties, municipalities, political subdivisions, the Washington health benefit exchange, tribal governments, and employee organizations representing state civil service employees obtaining employee benefits through a contractual agreement with the authority to participate in benefit plans developed by the public employees' benefits board.
  - (b) "Employer group" for the school employees' benefits board program means an employee organization representing school employees and a tribal school as defined in RCW 28A.715.010, obtaining employee benefits through a contractual agreement with the authority to participate in benefit plans developed by the school employees' benefits board.

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(10)(a) "Employing agency" for the public employees' benefits board program means a division, department, or separate agency of state government, including an institution of higher education; a county, municipality, or other political subdivision; and a tribal government covered by this chapter.

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- (b) "Employing agency" for the school employees' benefits board program means school districts, educational service districts, and charter schools.
- (11) "Faculty" means an academic employee of an institution of higher education whose workload is not defined by work hours but whose appointment, workload, and duties directly serve the institution's academic mission, as determined under the authority of its enabling statutes, its governing body, and any applicable collective bargaining agreement.
- (12) "Flexible benefit plan" means a benefit plan that allows public employees to choose the level of health care coverage provided and the amount of employee or school employee contributions from among a range of choices offered by the authority.
- 19 (13) "Flexible spending arrangement" means a benefit plan whereby 20 public employees may reduce their salary before taxes to pay for 21 medical expenses not reimbursed by insurance as provided in the 22 salary reduction plan under this chapter pursuant to 26 U.S.C. Sec. 23 125 or other sections of the internal revenue code.
  - (14) "Insuring entity" means an insurer as defined in chapter 48.01 RCW, a health care service contractor as defined in chapter 48.44 RCW, or a health maintenance organization as defined in chapter 48.46 RCW.
    - (15) "Legislative session employee" means an employee that is hired to work by the Washington state legislature for the duration of the regular legislative session for that year, and whose employment may continue through any special legislative sessions.
- 32 <u>(16)</u> "Participant" means an individual who fulfills the 33 eligibility and enrollment requirements under the salary reduction 34 plan.
- 35  $((\frac{(16)}{(16)}))$  <u>(17)</u> "Plan year" means the time period established by 36 the authority.
- 37 ((<del>(17)</del>)) <u>(18)</u> "Premium payment plan" means a benefit plan whereby 38 public employees may pay their share of group health plan premiums 39 with pretax dollars as provided in the salary reduction plan under

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- this chapter pursuant to 26 U.S.C. Sec. 125 or other sections of the internal revenue code.
- (((18))) (19) "Public employee" has the same meaning as employee and school employee.
  - $((\frac{(19)}{(19)}))$  <u>(20)</u> "Retired or disabled school employee" means:

- (a) Persons who separated from employment with a school district or educational service district and are receiving a retirement allowance under chapter 41.32 or 41.40 RCW as of September 30, 1993;
- (b) Persons who separate from employment with a school district, educational service district, or charter school on or after October 1, 1993, and immediately upon separation receive a retirement allowance under chapter 41.32, 41.35, or 41.40 RCW;
- (c) Persons who separate from employment with a school district, educational service district, or charter school due to a total and permanent disability, and are eligible to receive a deferred retirement allowance under chapter 41.32, 41.35, or 41.40 RCW.
- $((\frac{(20)}{(20)}))$  "Salary" means a public employee's monthly salary 18 or wages.
  - ((<del>(21)</del>)) <u>(22)</u> "Salary reduction plan" means a benefit plan whereby public employees may agree to a reduction of salary on a pretax basis to participate in the dependent care assistance program, flexible spending arrangement, or premium payment plan offered pursuant to 26 U.S.C. Sec. 125 or other sections of the internal revenue code.
  - ((<del>(22)</del>)) <u>(23)</u> "School employees' benefits board organization" means a public school district or educational service district or charter school established under chapter 28A.710 RCW that is required to participate in benefit plans provided by the school employees' benefits board.
- $((\frac{(23)}{)})$  <u>(24)</u> "School year" means school year as defined in RCW 31 28A.150.203(11).
- $((\frac{(24)}{)})$  <u>(25)</u> "Seasonal employee" means a state employee hired to work during a recurring, annual season with a duration of three months or more, and anticipated to return each season to perform similar work.
- $((\frac{(25)}{)})$  (26) "Separated employees" means persons who separate 37 from employment with an employer as defined in:
- 38 (a)(i) RCW 41.32.010(17) on or after July 1, 1996; or
  - (ii) RCW 41.35.010 on or after September 1, 2000; or
- 40 (iii) RCW 41.40.010 on or after March 1, 2002;

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- and who are at least age fifty-five and have at least ten years of service under the teachers' retirement system plan 3 as defined in RCW 41.32.010(33), the Washington school employees' retirement system plan 3 as defined in RCW 41.35.010, or the public employees' retirement system plan 3 as defined in RCW 41.40.010; or
  - (b) For the purposes of RCW 41.05.080:

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- (i) RCW 41.32.010 on or after January 1, 2024; or
- (ii) RCW 41.35.010 on or after January 1, 2024; or
- 9 (iii) RCW 41.40.010 on or after January 1, 2024; and who are at least age 55 and have at least 20 years of service under the teachers' retirement system plan 2 as defined in RCW 41.32.010, the Washington school employees' retirement system plan 2 as defined in RCW 41.35.010, or the public employees' retirement system plan 2 as defined in RCW 41.40.010.
  - ((<del>(26)</del>)) (27) "State purchased health care" or "health care" means medical and behavioral health care, pharmaceuticals, and medical equipment purchased with state and federal funds by the department of social and health services, the department of health, the basic health plan, the state health care authority, the department of labor and industries, the department of corrections, the department of veterans affairs, and local school districts.
- $((\frac{(27)}{(27)}))$  (28) "Tribal government" means an Indian tribal government as defined in section 3(32) of the employee retirement income security act of 1974, as amended, or an agency or instrumentality of the tribal government, that has government offices principally located in this state.
- 27 **Sec. 2.** RCW 41.05.065 and 2018 c 260 s 12 are each amended to 28 read as follows:
  - (1) The public employees' benefits board shall study all matters connected with the provision of health care coverage, life insurance, liability insurance, accidental death and dismemberment insurance, and disability income insurance or any of, or a combination of, the enumerated types of insurance for employees and their dependents on the best basis possible with relation both to the welfare of the employees and to the state. However, liability insurance shall not be made available to dependents.
- 37 (2) The public employees' benefits board shall develop employee 38 benefit plans that include comprehensive health care benefits for

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employees. In developing these plans, the public employees' benefits board shall consider the following elements:

- (a) Methods of maximizing cost containment while ensuring access to quality health care;
- (b) Development of provider arrangements that encourage cost containment and ensure access to quality care, including but not limited to prepaid delivery systems and prospective payment methods;
- (c) Wellness incentives that focus on proven strategies, such as smoking cessation, injury and accident prevention, reduction of alcohol misuse, appropriate weight reduction, exercise, automobile and motorcycle safety, blood cholesterol reduction, and nutrition education;
- (d) Utilization review procedures including, but not limited to a cost-efficient method for prior authorization of services, hospital inpatient length of stay review, requirements for use of outpatient surgeries and second opinions for surgeries, review of invoices or claims submitted by service providers, and performance audit of providers;
  - (e) Effective coordination of benefits; and

- (f) Minimum standards for insuring entities.
- (3) To maintain the comprehensive nature of employee health care benefits, benefits provided to employees shall be substantially equivalent to the state employees' health benefit plan in effect on January 1, 1993. Nothing in this subsection shall prohibit changes or increases in employee point-of-service payments or employee premium payments for benefits or the administration of a high deductible health plan in conjunction with a health savings account. The public employees' benefits board may establish employee eligibility criteria which are not substantially equivalent to employee eligibility criteria in effect on January 1, 1993.
- (4) Except if bargained for under chapter 41.80 RCW, the public employees' benefits board shall design benefits and determine the terms and conditions of employee and retired or disabled school employee participation and coverage, including establishment of eligibility criteria subject to the requirements of this chapter. Employer groups obtaining benefits through contractual agreement with the authority for employees defined in RCW 41.05.011(6)(a) (i) through (vi) may contractually agree with the authority to benefits eligibility criteria which differs from that determined by the public employees' benefits board. The eligibility criteria established by

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the public employees' benefits board shall be no more restrictive than the following:

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- (a) Except as provided in (b) through (e) of this subsection, an employee is eligible for benefits from the date of employment if the employing agency anticipates he or she will work an average of at least eighty hours per month and for at least eight hours in each month for more than six consecutive months. An employee determined ineligible for benefits at the beginning of his or her employment shall become eligible in the following circumstances:
- (i) An employee who works an average of at least eighty hours per month and for at least eight hours in each month and whose anticipated duration of employment is revised from less than or equal to six consecutive months to more than six consecutive months becomes eligible when the revision is made.
- (ii) An employee who works an average of at least eighty hours per month over a period of six consecutive months and for at least eight hours in each of those six consecutive months becomes eligible at the first of the month following the six-month averaging period.
- (b) A seasonal employee is eligible for benefits from the date of employment if the employing agency anticipates that he or she will work an average of at least eighty hours per month and for at least eight hours in each month of the season. A seasonal employee determined ineligible at the beginning of his or her employment who works an average of at least eighty hours per month over a period of six consecutive months and at least eight hours in each of those six consecutive months becomes eligible at the first of the month following the six-month averaging period. A benefits-eligible seasonal employee who works a season of less than nine months shall not be eligible for the employer contribution during the off season, but may continue enrollment in benefits during the off season by self-paying for the benefits. A benefits-eligible seasonal employee who works a season of nine months or more is eligible for the employer contribution through the off season following each season worked.
  - (c) Faculty are eligible as follows:
- (i) Faculty who the employing agency anticipates will work half-time or more for the entire instructional year or equivalent ninemonth period are eligible for benefits from the date of employment. Eligibility shall continue until the beginning of the first full month of the next instructional year, unless the employment

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relationship is terminated, in which case eligibility shall cease the first month following the notice of termination or the effective date of the termination, whichever is later.

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- (ii) Faculty who the employing agency anticipates will not work for the entire instructional year or equivalent nine-month period are eligible for benefits at the beginning of the second consecutive quarter or semester of employment in which he or she is anticipated to work, or has actually worked, half-time or more. Such an employee shall continue to receive uninterrupted employer contributions for benefits if the employee works at least half-time in a quarter or semester. Faculty who the employing agency anticipates will not work for the entire instructional year or equivalent nine-month period, but who actually work half-time or more throughout the entire instructional year, are eligible for summer or off-quarter or offsemester coverage. Faculty who have met the criteria of this subsection (4)(c)(ii), who work at least two quarters or two semesters of the academic year with an average academic year workload of half-time or more for three quarters or two semesters of the academic year, and who have worked an average of half-time or more in each of the two preceding academic years shall continue to receive uninterrupted employer contributions for benefits if he or she works at least half-time in a quarter or semester or works two quarters or two semesters of the academic year with an average academic workload each academic year of half-time or more for three quarters or two semesters. Eligibility under this section ceases immediately if this criteria is not met.
- (iii) Faculty may establish or maintain eligibility for benefits by working for more than one institution of higher education. When faculty work for more than one institution of higher education, those institutions shall prorate the employer contribution costs, or if eligibility is reached through one institution, that institution will pay the full employer contribution. Faculty working for more than one institution must alert his or her employers to his or her potential eligibility in order to establish eligibility.
- (iv) The employing agency must provide written notice to faculty who are potentially eligible for benefits under this subsection (4)(c) of their potential eligibility.
- (v) To be eligible for maintenance of benefits through averaging under (c)(ii) of this subsection, faculty must provide written

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notification to his or her employing agency or agencies of his or her potential eligibility.

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

- (A) "Academic year" means summer, fall, winter, and spring quarters or summer, fall, and spring semesters;
- (B) "Half-time" means one-half of the full-time academic workload as determined by each institution; except that for community and technical college faculty, half-time academic workload is calculated according to RCW 28B.50.489.
- (d) (i) A legislator is eligible for benefits on the date his or her term begins. All other elected and full-time appointed officials of the legislative and executive branches of state government are eligible for benefits on the date his or her term begins or they take the oath of office, whichever occurs first.
- (ii) A legislative session employee is eligible on the date his or her employment for the legislative session begins and will receive uninterrupted employer contributions for benefits until the final day of the month in which the next regular legislative session begins.
- (e) A justice of the supreme court and judges of the court of appeals and the superior courts become eligible for benefits on the date he or she takes the oath of office.
- (f) Except as provided in (c)(i) and (ii) of this subsection, eligibility ceases for any employee the first of the month following termination of the employment relationship.
- (g) In determining eligibility under this section, the employing agency may disregard training hours, standby hours, or temporary changes in work hours as determined by the authority under this section.
- (h) Insurance coverage for all eligible employees begins on the first day of the month following the date when eligibility for benefits is established. If the date eligibility is established is the first working day of a month, insurance coverage begins on that date.
- (i) Eligibility for an employee whose work circumstances are described by more than one of the eligibility categories in (a) through (e) of this subsection shall be determined solely by the criteria of the category that most closely describes the employee's work circumstances.
- 39 (j) Except for an employee eligible for benefits under (b) or 40 (c)(ii) of this subsection, an employee who has established

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eligibility for benefits under this section shall remain eligible for benefits each month in which he or she is in pay status for eight or more hours, if (i) he or she remains in a benefits-eligible position and (ii) leave from the benefits-eligible position is approved by the employing agency. A benefits-eligible seasonal employee is eligible for the employer contribution in any month of his or her season in which he or she is in pay status eight or more hours during that month. Eligibility ends if these conditions are not met, employment relationship is terminated, or the employee voluntarily transfers to a noneligible position. 

(k) For the purposes of this subsection, the public employees' benefits board shall define "benefits-eligible position."

- (5) The public employees' benefits board may authorize premium contributions for an employee and the employee's dependents in a manner that encourages the use of cost-efficient managed health care systems.
- (6) (a) For any open enrollment period following August 24, 2011, the public employees' benefits board shall offer a health savings account option for employees that conforms to section 223, Part VII of subchapter B of chapter 1 of the internal revenue code of 1986. The public employees' benefits board shall comply with all applicable federal standards related to the establishment of health savings accounts.
- (b) By November 30, 2015, and each year thereafter, the authority shall submit a report to the relevant legislative policy and fiscal committees that includes the following:
- (i) Public employees' benefits board health plan cost and service utilization trends for the previous three years, in total and for each health plan offered to employees;
- (ii) For each health plan offered to employees, the number and percentage of employees and dependents enrolled in the plan, and the age and gender demographics of enrollees in each plan;
- (iii) Any impact of enrollment in alternatives to the most comprehensive plan, including the high deductible health plan with a health savings account, upon the cost of health benefits for those employees who have chosen to remain enrolled in the most comprehensive plan.
- (7) Notwithstanding any other provision of this chapter, for any open enrollment period following August 24, 2011, the public employees' benefits board shall offer a high deductible health plan

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in conjunction with a health savings account developed under subsection (6) of this section.

- (8) Employees shall choose participation in one of the health care benefit plans developed by the public employees' benefits board and may be permitted to waive coverage under terms and conditions established by the public employees' benefits board.
- (9) The public employees' benefits board shall review plans proposed by insuring entities that desire to offer property insurance and/or accident and casualty insurance to state employees through payroll deduction. The public employees' benefits board may approve any such plan for payroll deduction by insuring entities holding a valid certificate of authority in the state of Washington and which the public employees' benefits board determines to be in the best interests of employees and the state. The public employees' benefits board shall adopt rules setting forth criteria by which it shall evaluate the plans.
- (10) Before January 1, 1998, the public employees' benefits board shall make available one or more fully insured long-term care insurance plans that comply with the requirements of chapter 48.84 RCW. Such programs shall be made available to eligible employees, retired employees, and retired school employees as well as eligible dependents which, for the purpose of this section, includes the parents of the employee or retiree and the parents of the spouse of the employee or retiree. Employees of local governments, political subdivisions, and tribal governments not otherwise enrolled in the public employees' benefits board sponsored medical programs may enroll under terms and conditions established by the director, if it does not jeopardize the financial viability of the public employees' benefits board's long-term care offering.
- (a) Participation of eligible employees or retired employees and retired school employees in any long-term care insurance plan made available by the public employees' benefits board is voluntary and shall not be subject to binding arbitration under chapter 41.56 RCW. Participation is subject to reasonable underwriting guidelines and eligibility rules established by the public employees' benefits board and the health care authority.
- (b) The employee, retired employee, and retired school employee are solely responsible for the payment of the premium rates developed by the health care authority. The health care authority is authorized to charge a reasonable administrative fee in addition to the premium

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charged by the long-term care insurer, which shall include the health care authority's cost of administration, marketing, and consumer education materials prepared by the health care authority and the office of the insurance commissioner.

- (c) To the extent administratively possible, the state shall establish an automatic payroll or pension deduction system for the payment of the long-term care insurance premiums.
- (d) The public employees' benefits board and the health care authority shall establish a technical advisory committee to provide advice in the development of the benefit design and establishment of underwriting guidelines and eligibility rules. The committee shall also advise the public employees' benefits board and authority on effective and cost-effective ways to market and distribute the long-term care product. The technical advisory committee shall be comprised, at a minimum, of representatives of the office of the insurance commissioner, providers of long-term care services, licensed insurance agents with expertise in long-term care insurance, employees, retired employees, retired school employees, and other interested parties determined to be appropriate by the public employees' benefits board.
- (e) The health care authority shall offer employees, retired employees, and retired school employees the option of purchasing long-term care insurance through licensed agents or brokers appointed by the long-term care insurer. The authority, in consultation with the public employees' benefits board, shall establish marketing procedures and may consider all premium components as a part of the contract negotiations with the long-term care insurer.
- (f) In developing the long-term care insurance benefit designs, the public employees' benefits board shall include an alternative plan of care benefit, including adult day services, as approved by the office of the insurance commissioner.
- (g) The health care authority, with the cooperation of the office of the insurance commissioner, shall develop a consumer education program for the eligible employees, retired employees, and retired school employees designed to provide education on the potential need for long-term care, methods of financing long-term care, and the availability of long-term care insurance products including the products offered by the public employees' benefits board.
- (11) The public employees' benefits board may establish penalties to be imposed by the authority when the eligibility determinations of

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- 1 an employing agency fail to comply with the criteria under this
- 2 chapter.

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