
HOUSE BILL 1870

State of Washington

58th Legislature

2003 Regular Session

By Representatives Pflug, Bailey, Benson, Priest, Anderson, Woods, Holmquist, Clements, Skinner, Chandler, Ericksen, Mielke and Shabro

Read first time 02/12/2003. Referred to Committee on Health Care.

1 AN ACT Relating to offering a new health care option through the
2 public employees' benefits board; amending RCW 41.05.065; adding a new
3 section to chapter 41.05 RCW; and creating a new section.

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

5 NEW SECTION. **Sec. 1.** The legislature finds that the cost of
6 providing health care coverage for state employees is rapidly
7 increasing not only for the state but also for state employees. Health
8 care costs are continuing to escalate, indicating that state employees
9 will be required to pay a larger portion of the cost of coverage. This
10 impacts lower income state employees disproportionately because income
11 is not a factor in determining the employees' contribution.

12 The legislature further finds that it is necessary to create lower
13 cost health care coverage options for state employees in order to ease
14 the financial burden of health care coverage and to bring stability to
15 the health care delivery system.

16 **Sec. 2.** RCW 41.05.065 and 2002 c 142 s 3 are each amended to read
17 as follows:

18 (1) The board shall study all matters connected with the provision

1 of health care coverage, life insurance, liability insurance,
2 accidental death and dismemberment insurance, and disability income
3 insurance or any of, or a combination of, the enumerated types of
4 insurance for employees and their dependents on the best basis possible
5 with relation both to the welfare of the employees and to the state.
6 However, liability insurance shall not be made available to dependents.

7 (2) The board shall develop employee benefit plans that include
8 comprehensive health care benefits for all employees, except as
9 provided in subsection (5) of this section. In developing (~~these~~)
10 plans under this section, the board shall consider the following
11 elements:

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

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

17 (c) Wellness incentives that focus on proven strategies, such as
18 smoking cessation, injury and accident prevention, reduction of alcohol
19 misuse, appropriate weight reduction, exercise, automobile and
20 motorcycle safety, blood cholesterol reduction, and nutrition
21 education;

22 (d) Utilization review procedures including, but not limited to a
23 cost-efficient method for prior authorization of services, hospital
24 inpatient length of stay review, requirements for use of outpatient
25 surgeries and second opinions for surgeries, review of invoices or
26 claims submitted by service providers, and performance audit of
27 providers;

28 (e) Effective coordination of benefits;

29 (f) Minimum standards for insuring entities; and

30 (g) Minimum scope and content of public employee benefit plans to
31 be offered to enrollees participating in the employee health benefit
32 plans. To maintain the comprehensive nature of employee health care
33 benefits, employee eligibility criteria related to the number of hours
34 worked and the benefits provided to employees shall be substantially
35 equivalent to the state employees' health benefits plan and eligibility
36 criteria in effect on January 1, 1993. Nothing in this subsection
37 (2)(g) shall prohibit changes or increases in employee point-of-service
38 payments or employee premium payments for benefits.

1 (3) The board shall design benefits and determine the terms and
2 conditions of employee participation and coverage, including
3 establishment of eligibility criteria. The same terms and conditions
4 of participation and coverage, including eligibility criteria, shall
5 apply to state employees and to school district employees and
6 educational service district employees.

7 (4) The board may authorize premium contributions for an employee
8 and the employee's dependents in a manner that encourages the use of
9 cost-efficient managed health care systems. The board shall require
10 participating school district and educational service district
11 employees to pay the same employee premiums by plan and family size as
12 state employees pay.

13 (5)(a) The board shall design and offer a plan of health care
14 coverage that has the following components:

15 (i) Services covered may be more limited in scope than those
16 contained in subsection (2) of this section;

17 (ii) A high deductible plan that is constructed in a manner so that
18 enrollees are responsible for meeting the deductible limit using a
19 health reimbursement account described in (b) of this subsection. The
20 employee may not be required to pay for clinical preventive services as
21 recommended by the United States public health service. Employee out-
22 of-pocket expenses required to be paid under the plan for cost sharing
23 and deductibles may not exceed two thousand dollars per person, or
24 three thousand dollars per family;

25 (iii) Payment methodologies for network providers may include but
26 are not limited to resource-based relative value fee schedules,
27 capitation payments, diagnostic-related group fee schedules, and other
28 similar strategies, including risk-sharing arrangements; and

29 (iv) Other appropriate care management and cost-containment
30 measures determined appropriate by the administrator, including but not
31 limited to care coordination, provider network limitations,
32 preadmission certification, wellness incentives, and utilization
33 review.

34 (b) State contributions and automatic payroll deductions for the
35 plan of health care coverage created under this subsection (5) must be
36 made into the Washington smart health account created in section 3 of
37 this act for the use of the employee in meeting the deductible limit,
38 but only services covered by their health carrier count toward the

1 annual deductible. Any balance remaining in the Washington smart
2 health account at the end of the fiscal year carries forward to
3 purchase future health care services.

4 (c) The board shall determine the feasibility of offering a debit
5 or a point-of-service payment system by which enrollees may pay for
6 health care costs.

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

10 ~~((+6+))~~ (7) The board shall review plans proposed by insuring
11 entities that desire to offer property insurance and/or accident and
12 casualty insurance to state employees through payroll deduction. The
13 board may approve any such plan for payroll deduction by insuring
14 entities holding a valid certificate of authority in the state of
15 Washington and which the board determines to be in the best interests
16 of employees and the state. The board shall promulgate rules setting
17 forth criteria by which it shall evaluate the plans.

18 ~~((+7+))~~ (8) Before January 1, 1998, the public employees' benefits
19 board shall make available one or more fully insured long-term care
20 insurance plans that comply with the requirements of chapter 48.84 RCW.
21 Such programs shall be made available to eligible employees, retired
22 employees, and retired school employees as well as eligible dependents
23 which, for the purpose of this section, includes the parents of the
24 employee or retiree and the parents of the spouse of the employee or
25 retiree. Employees of local governments and employees of political
26 subdivisions not otherwise enrolled in the public employees' benefits
27 board sponsored medical programs may enroll under terms and conditions
28 established by the administrator, if it does not jeopardize the
29 financial viability of the public employees' benefits board's long-term
30 care offering.

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

1 (b) The employee, retired employee, and retired school employee are
2 solely responsible for the payment of the premium rates developed by
3 the health care authority. The health care authority is authorized to
4 charge a reasonable administrative fee in addition to the premium
5 charged by the long-term care insurer, which shall include the health
6 care authority's cost of administration, marketing, and consumer
7 education materials prepared by the health care authority and the
8 office of the insurance commissioner.

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

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

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

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

35 (g) The health care authority, with the cooperation of the office
36 of the insurance commissioner, shall develop a consumer education
37 program for the eligible employees, retired employees, and retired
38 school employees designed to provide education on the potential need

1 for long-term care, methods of financing long-term care, and the
2 availability of long-term care insurance products including the
3 products offered by the board.

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

9 NEW SECTION. **Sec. 3.** A new section is added to chapter 41.05 RCW
10 to read as follows:

11 The Washington smart health account is created in the custody of
12 the state treasurer. All receipts from state contributions and
13 employees' automatic payroll deductions for the plan of health care
14 created in RCW 41.05.065(5) must be deposited into the account.
15 Expenditures from the account may be used only for the plan of health
16 care created in RCW 41.05.065(5). Only the authority or the
17 authority's designee may authorize expenditures from the account. The
18 account is subject to allotment procedures under chapter 43.88 RCW, but
19 an appropriation is not required for expenditures.

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