

SENATE BILL REPORT

HB 1287

As Reported By Senate Committee On:
Ways & Means, March 30, 2005

Title: An act relating to authorizing the health care authority to receive a federal employer subsidy for continuing to provide a pharmacy benefit to retirees.

Brief Description: Authorizing the health care authority to receive a federal employer subsidy for continuing to provide a pharmacy benefit to retirees.

Sponsors: Representatives Cody, Morrell, Schual-Berke and Moeller; by request of Office of Financial Management.

Brief History: Passed House: 3/07/05, 93-0.

Committee Activity: Ways & Means: 3/23/05, 3/30/05 [DP].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Prentice, Chair; Doumit, Vice Chair; Fraser, Vice Chair; Zarelli, Ranking Minority Member; Brandland, Fairley, Hewitt, Kohl-Welles, Parlette, Pflug, Pridemore, Rasmussen, Regala, Roach, Rockefeller, Schoesler and Thibaudeau.

Staff: Erik Sund (786-7454)

Background: Medicare is the federally funded and administered program providing health insurance primarily to those 65 and older. Enrollees who wish to do so may purchase a policy in the commercial market to supplement the benefits provided under Medicare. Although such policies are regulated by the Office of the Insurance Commissioner under state statute, those statutes must be consistent with the requirements of federal law.

The federal Medicare Prescription Drug Improvement Act of 2003 created a new prescription drug coverage program that begins January 1, 2006. The "Voluntary Prescription Drug Benefit Program" under a new Medicare Part D offers a benefit that individuals may purchase, but also offers employers who offer retiree prescription drug coverage an incentive to maintain that coverage after the Medicare Part D benefit becomes available, rather than shifting the coverage to Medicare.

The federal incentives are in the form of a special federal subsidy offered in the form of rebates for each retiree that remains covered, currently estimated at \$52 per retiree per month during 2006, and \$60 per retiree per month during 2007. An employer is only eligible for the subsidy if the prescription drug benefits provided to retired employees through their plan are equal to, or greater than, the level of benefits provided by Medicare Part D coverage.

The state Health Care Authority (HCA), through the Public Employee Benefits Board (PEBB), offers retired or disabled employees at least two Medicare supplemental insurance

policies, one of which is required to include a pharmacy benefit, and also offers comprehensive retiree health insurance policies that do not act as Medicare supplemental plans. The Legislature provides a subsidy for Medicare-eligible retirees that enroll in PEBB plans. The subsidy is limited to an amount no greater than 50 percent of the total premium that health care providers charge PEBB for enrolling retirees in health care insurance plans.

Summary of Bill: The HCA is authorized to participate in Medicare Part D to receive the federal subsidy for continuing to provide retirees health coverage that includes a pharmacy benefit. The premium reduction provided by the Legislature through the Medicare-eligible subsidy may exceed 50 percent of the total health care insurance premium if the HCA, in consultation with the Office of Financial Management, determines that it is necessary to meet the eligibility requirements of the Medicare Part D employer subsidy.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: The bill contains an emergency clause and takes effect on July 1, 2005.

Testimony For: This bill would allow the Health Care Authority to apply for the federal subsidy for retiree prescription drug coverage and to make the necessary changes to qualify for the subsidy. The state should apply for this subsidy and continue to offer drug benefits to retired employees, although it is hoped that the subsidy will be used to benefit retirees as well.

Testimony Against: None.

Who Testified: PRO: Richard Onizuka, Washington Health Care Authority; Connie Robins, Washington Health Care Authority. OTHER: Leslie Main, Washington State School Retirees' Association; Cassandra de la Rosa, Retired Public Employees' Council.