

SSB 6442 - S AMD 273
By Senator Hobbs

1 Strike everything after the enacting clause and insert the
2 following:

3 "NEW SECTION. **Sec. 1.** The legislature finds that:

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

7 (2) The purchase of such benefits is fragmented among two hundred
8 ninety-five local school districts and nine educational services
9 districts. Each district combines state funds received with local levy
10 moneys, federal funds, and other revenue sources to provide insurance
11 benefits either directly or through contracts and provider agreements
12 with benefit plan carriers or associations. This approach results in
13 inefficiencies due to duplication of effort, fragmentation of pools,
14 and reduced market leverage for purchasing such benefits;

15 (3) There is a lack of transparency on how funds appropriated for
16 school employee benefits are used, preventing the legislature from
17 effectively exercising appropriate oversight over the disposition of
18 state funds; and

19 (4) Despite the past legislature's intent that school districts
20 pool state benefit allocations for the purpose of eliminating major
21 differences in out-of-pocket premium expenses for employees who do and
22 do not need coverage for dependents, the current program is
23 inconsistent with the stated intent and places an unfair burden on
24 school employees with dependents by requiring such employees to pay
25 nearly all of the premium costs for dependent coverage while imposing
26 little or no premium charges on employees purchasing employee-only
27 coverage.

28 NEW SECTION. **Sec. 2.** The legislature intends to establish a

1 consolidated system for purchasing insurance benefits for school
2 employees and their dependents that:

3 (1) Assures equitable access to quality and affordable health
4 benefits for all eligible employees and their eligible dependents by
5 reducing variation in premium expenses for employees who do and do not
6 need coverage for dependents;

7 (2) Improves transparency of financial data to assure prudent and
8 efficient use of taxpayers' funds;

9 (3) Assures cost-effectiveness through pooling of small groups,
10 leveraged purchasing, administrative simplification, and efficient
11 utilization of resources to minimize duplication and rework;

12 (4) Ensures accountability to the taxpayers through timely use of
13 a competitive bidding process, consistent with procurement requirements
14 for the state, for the purchase of benefit plans from the private
15 insurance market;

16 (5) Enables shared responsibility through state, school district,
17 and employee participation in purchasing system governance; and

18 (6) Retains local collective bargaining for benefits not otherwise
19 addressed through the school employees' benefits board which includes
20 representatives of school employee unions. Subjects for local
21 bargaining will be how many hours an employee must work to be eligible
22 for plan participation and proration of part-time employee
23 contribution. Additional subjects for negotiations are limited to
24 contributions to voluntary employee benefit association accounts,
25 short-term disability insurance, life insurance, internal revenue
26 service section 125 contributions, and cancer insurance.

27 The legislature further intends to reinvest any state savings from
28 the consolidated system into state public education programs, including
29 K-12 health benefits.

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

32 (1) The school employees' benefits board is created within the
33 authority. The function of the school employees' benefits board is to
34 design and approve insurance benefit plans for school employees.

35 (2) By October 30, 2012, the governor shall appoint the following
36 voting members to the school employees' benefits board as follows:

- 1 (a) Two members from associations representing district level
2 administrators;
- 3 (b) Two members from an association representing school boards of
4 directors;
- 5 (c) Two members from an association representing certificated
6 employees;
- 7 (d) Two members from an association representing classified
8 employees;
- 9 (e) One member designated to represent employees as a collective
10 group that is not otherwise affiliated with an employee association or
11 nonrepresented employees;
- 12 (f) One member nominated by an association representing school
13 business officials;
- 14 (g) The director of the authority or his or her designee;
- 15 (h) One representative of the office of financial management; and
- 16 (i) One representative of the office of the superintendent of
17 public instruction, as a nonvoting member.
- 18 (3) Initial members of the school employees' benefits board shall
19 serve staggered terms not to exceed four years. Members appointed
20 thereafter shall serve four-year terms.
- 21 (4) Members of the school employees' benefits board must be
22 compensated in accordance with RCW 43.03.250 and must be reimbursed for
23 their travel expenses while on official business in accordance with RCW
24 43.03.050 and 43.03.060.
- 25 (5) The school employees' benefits board shall select one of its
26 appointed voting members as chair and another voting member as vice
27 chair. The chair shall conduct meetings of the school employees'
28 benefits board. The vice chair shall preside over meetings in the
29 absence of the chair.
- 30 (6) Beginning January 1, 2013, the school employees' benefits board
31 shall:
- 32 (a) Develop by-laws for the conduct of its business;
- 33 (b) Study matters connected with the provision of health benefit
34 plan coverage for eligible employees and their dependents on the best
35 basis possible with regard to the welfare of the employees;
- 36 (c) Develop employee benefit plans that include comprehensive,
37 evidence-based health care benefits for employees. In developing these

1 plans, the school employees' benefits board shall consider the
2 following:

3 (i) Methods of maximizing cost containment while ensuring access to
4 quality health care;

5 (ii) Development of provider arrangements that encourage cost
6 containment and ensure access to quality care, including, but not
7 limited to, prepaid delivery systems and prospective payment methods;

8 (iii) Wellness, preventive care, chronic disease management, and
9 other incentives that focus on proven strategies;

10 (iv) Utilization review procedures to support cost-effective
11 benefits delivery;

12 (v) Ways to leverage efficient purchasing by coordinating with the
13 public employees' benefits board;

14 (vi) Effective coordination of benefits; and

15 (vii) Minimum standards for insuring entities;

16 (d) Use a competitive bidding process, consistent with procurement
17 requirements for the state, for the purchase of health benefit plans,
18 as defined in RCW 41.05.011, from the private insurance market, and
19 ensure an array of plan choices with adequate provider networks for
20 employees;

21 (e) Authorize plan premiums for an employee and the employee's
22 dependents in a manner that encourages the use of cost-efficient health
23 care systems, including establishing full-time employee premium
24 contributions for the benchmark plan, as defined in RCW 41.05.011, such
25 that the percentage of marginal dependent premiums paid by the employee
26 is no greater than three times the percentage of premiums required for
27 employee-only coverage, and requiring that all employees contribute
28 some amount towards medical coverage for the benchmark plans chosen by
29 the school employees' benefits board;

30 (f) Establish the annual employer health premium contribution rate
31 for any eligible full-time equivalent employee as the insurance benefit
32 allocation rate specified in the omnibus appropriations act. The
33 initial annual rate for premiums shall be charged as of January 1,
34 2014, or, if the school employees' benefits board finds that date not
35 to be feasible, January 1, 2015;

36 (g) Determine the terms and conditions of employee, dependent, and
37 retiree enrollment policies and scope of coverage. Establishment of
38 eligibility criteria is determined by each school district, subject to

1 the requirements bargained at the district. At a minimum, the criteria
2 established by the school employees' benefits board shall address the
3 following:

4 (i) The effective date of coverage following hire; and

5 (ii) Coverage for dependents, including criteria for legal spouses;
6 children up to age twenty-six; children of any age with disabilities,
7 mental illness, or intellectual or other developmental disabilities;
8 and state registered domestic partners, as defined in RCW 26.60.020,
9 and others authorized by the legislature;

10 (h) Determine the terms and conditions of purchasing system
11 participation for employing agencies, consistent with this act;

12 (i) Allow exceptions to mandatory participation of a school
13 district in accordance with established terms and conditions for
14 defined periods, so long as the exempted district complies with school
15 employees' benefits board-required reporting, as described in RCW
16 28A.400.275, and premium participation levels for individual employees
17 and employees with dependents, as described in this section. A
18 district may opt out of participation if the district provides
19 documentation to the school employees' benefits board and the school
20 employees' benefits board verifies that:

21 (i) The district administers medical benefits as a public trust,
22 sponsored by the district on behalf of the district employees, that is
23 in existence as of July 1, 2012, and is consistent with chapter 48.62
24 RCW;

25 (ii) The district self-insures the provision of medical benefits;

26 (iii) The district maintains a risk pool of at least two thousand
27 employees;

28 (iv) The district's total premiums and employee premium share for
29 benefits plans provided or contracted for by the district are equal to
30 or less than the premiums and employee premium share for benefit plans
31 provided and administered by the school employees' benefits board;

32 (v) The district provides adequate access to in-network providers;
33 and

34 (vi) The district demonstrates the capacity to provide the reports
35 established in RCW 28A.400.275 and 41.05.075;

36 (j) Establish penalties to be imposed when the employing agency
37 fails to comply with established participation criteria or the
38 data-sharing requirements specified in RCW 28A.400.275; and

1 (k) Participate with the authority in the preparation of
2 specifications and selection of carriers contracted for health benefit
3 plan coverage, as defined in RCW 41.05.011, of eligible employees in
4 accordance with the criteria set forth in rules. To the extent
5 possible, the school employees' benefits board shall leverage efficient
6 purchasing by coordinating with the public employees' benefits board.

7 (7) In carrying out its duties under subsection (6)(c) through (k)
8 of this section, the goal of the school employees' benefits board is to
9 provide high quality medical, vision, dental, and other benefit plans
10 for eligible employees and their eligible dependents at a cost
11 affordable to the districts, the employees, and the taxpayers of
12 Washington.

13 (8) The school employees' benefits board may establish standing
14 committees and ad hoc work groups to conduct research, engage
15 stakeholders, and make recommendations that support the work of the
16 school employees' benefits board.

17 (9) The school employees' benefits board shall offer to employees
18 for any open enrollment period a high deductible health plan option
19 with a health savings account that conforms to section 223, Part VII of
20 subchapter 1 of the internal revenue code of 1986. The school
21 employees' benefits board shall comply with all applicable federal
22 standards related to the establishment of health savings accounts.

23 (10) By November 30, 2017, the authority shall review the benefit
24 plans provided through the school employees' benefits board, complete
25 an analysis of the benefits provided and the administration of the
26 benefits plans, and determine whether provisions in this act have
27 resulted in cost savings to the state. The authority shall submit a
28 report to the relevant legislative policy and fiscal committees
29 summarizing the results of the review and analysis.

30 (11) Other than the design of benefit plans, selection of insurance
31 plan carriers, determining premium rates and employer contribution
32 shares by the board, nothing in sections 3 through 19 of this act may
33 be construed to expand or contract collective bargaining rights or
34 collective bargaining obligations.

35 **Sec. 4.** RCW 41.05.011 and 2011 1st sp.s. c 15 s 54 are each
36 reenacted and amended to read as follows:

1 The definitions in this section apply throughout this chapter
2 unless the context clearly requires otherwise.

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

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

6 (3) "Dependent care assistance program" means a benefit plan
7 whereby state and (~~public~~) state agency employees may pay for certain
8 employment related dependent care with pretax dollars as provided in
9 the salary reduction plan under this chapter pursuant to 26 U.S.C. Sec.
10 129 or other sections of the internal revenue code.

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

12 (5) "Emergency service personnel killed in the line of duty" means
13 law enforcement officers and firefighters as defined in RCW 41.26.030,
14 members of the Washington state patrol retirement fund as defined in
15 RCW 43.43.120, and reserve officers and firefighters as defined in RCW
16 41.24.010 who die as a result of injuries sustained in the course of
17 employment as determined consistent with Title 51 RCW by the department
18 of labor and industries.

19 (6) "Employee" includes all employees of the state, whether or not
20 covered by civil service; effective January 1, 2014, or if the school
21 employees' benefits board finds that date to not be feasible, January
22 1, 2015, the employees of a school district; elected and appointed
23 officials of the executive branch of government, including full-time
24 members of boards, commissions, or committees; justices of the supreme
25 court and judges of the court of appeals and the superior courts; and
26 members of the state legislature. Pursuant to contractual agreement
27 with the authority, "employee" may also include: (a) Employees of a
28 county, municipality, or other political subdivision of the state and
29 members of the legislative authority of any county, city, or town who
30 are elected to office after February 20, 1970, if the legislative
31 authority of the county, municipality, or other political subdivision
32 of the state seeks and receives the approval of the authority to
33 provide any of its insurance programs by contract with the authority,
34 as provided in RCW 41.04.205 and 41.05.021(1)(g); (b) employees of
35 employee organizations representing state civil service employees, at
36 the option of each such employee organization(~~(, and, effective October~~
37 ~~1, 1995, employees of employee organizations currently pooled with~~
38 ~~employees of school districts for the purpose of purchasing insurance~~

1 ~~benefits, at the option of each such employee organization));~~ (c)
2 through December 31, 2013, or if the school employees' benefits board
3 finds that date to not be feasible, December 31, 2014, employees of a
4 school district if the authority agrees to provide any of the school
5 districts' insurance programs by contract with the authority as
6 provided in RCW 28A.400.350; and (d) employees of a tribal government,
7 if the governing body of the tribal government seeks and receives the
8 approval of the authority to provide any of its insurance programs by
9 contract with the authority, as provided in RCW 41.05.021(1) (f) and
10 (g). "Employee" does not include: Adult family homeowners; unpaid
11 volunteers; patients of state hospitals; inmates; employees of the
12 Washington state convention and trade center as provided in RCW
13 41.05.110; students of institutions of higher education as determined
14 by their institution; and any others not expressly defined as employees
15 under this chapter or by the authority under this chapter.

16 (7) "Employee group" means employees of a similar employment type,
17 such as administrative, represented classified, nonrepresented
18 classified, confidential, represented certificated, or nonrepresented
19 certificated, within a school district.

20 (8) "Employer" means the state of Washington.

21 ~~((+8))~~ (9) "Employing agency" means a division, department, or
22 separate agency of state government, including an institution of higher
23 education; a county, municipality, school district, educational service
24 district, or other political subdivision; and a tribal government
25 covered by this chapter.

26 ~~((+9))~~ (10) "Faculty" means an academic employee of an institution
27 of higher education whose workload is not defined by work hours but
28 whose appointment, workload, and duties directly serve the
29 institution's academic mission, as determined under the authority of
30 its enabling statutes, its governing body, and any applicable
31 collective bargaining agreement.

32 ~~((+10))~~ (11) "Flexible benefit plan" means a benefit plan that
33 allows employees to choose the level of health care coverage provided
34 and the amount of employee contributions from among a range of choices
35 offered by the authority.

36 ~~((+11))~~ (12) "Health benefit plan" means medical, vision, dental,
37 and other benefits included in those packages.

1 (13) "Insuring entity" means an insurer as defined in chapter 48.01
2 RCW, a health care service contractor as defined in chapter 48.44 RCW,
3 or a health maintenance organization as defined in chapter 48.46 RCW.

4 ~~((+12+))~~ (14) "Medical flexible spending arrangement" means a
5 benefit plan whereby state ~~((and public))~~ employees may reduce their
6 salary before taxes to pay for medical expenses not reimbursed by
7 insurance as provided in the salary reduction plan under this chapter
8 pursuant to 26 U.S.C. Sec. 125 or other sections of the internal
9 revenue code.

10 ~~((+13+))~~ (15) "Participant" means an individual who fulfills the
11 eligibility and enrollment requirements under the salary reduction
12 plan.

13 ~~((+14+))~~ (16) "Plan year" means the time period established by the
14 authority.

15 ~~((+15+))~~ (17) "Premium payment plan" means a benefit plan whereby
16 state ~~((and public))~~ employees may pay their share of group health plan
17 premiums with pretax dollars as provided in the salary reduction plan
18 under this chapter pursuant to 26 U.S.C. Sec. 125 or other sections of
19 the internal revenue code.

20 ~~((+16+))~~ (18) "Retired or disabled school employee" means:

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

24 (b) Persons who separate from employment with a school district or
25 educational service district on or after October 1, 1993, and
26 immediately upon separation receive a retirement allowance under
27 chapter 41.32, 41.35, or 41.40 RCW;

28 (c) Persons who separate from employment with a school district or
29 educational service district due to a total and permanent disability,
30 and are eligible to receive a deferred retirement allowance under
31 chapter 41.32, 41.35, or 41.40 RCW.

32 ~~((+17+))~~ (19) "Salary" means a state employee's monthly salary or
33 wages.

34 ~~((+18+))~~ (20) "Salary reduction plan" means a benefit plan whereby
35 state ~~((and public))~~ employees may agree to a reduction of salary on a
36 pretax basis to participate in the dependent care assistance program,
37 medical flexible spending arrangement, or premium payment plan offered

1 pursuant to 26 U.S.C. Sec. 125 or other sections of the internal
2 revenue code.

3 ~~((+19+))~~ (21) "School employees' benefits board" means the board
4 established in section 3 of this act.

5 (22) "School employees' benefits board benchmark plan" means a
6 single medical plan with a fixed employer premium contribution amount
7 that is used for all plans in the medical benefit plan portfolio and a
8 defined relative value from which the relative value of other medical
9 plans are set to provide a range of more rich and less rich plan
10 designs. The benchmark plan fixed employer premium contribution amount
11 and relative value may be adjusted on an annual basis to be compatible
12 with the school employees' benefits board budget.

13 (23) "School employees' benefits board participating organization"
14 means a public school district or educational service district that
15 participates in benefit plans provided by the school employees'
16 benefits board.

17 (24) "Seasonal employee" means ~~((an))~~ a state employee hired to
18 work during a recurring, annual season with a duration of three months
19 or more, and anticipated to return each season to perform similar work.

20 ~~((+20+))~~ (25) "Separated employees" means persons who separate from
21 employment with an employer as defined in:

- 22 (a) RCW 41.32.010(17) on or after July 1, 1996; or
23 (b) RCW 41.35.010 on or after September 1, 2000; or
24 (c) RCW 41.40.010 on or after March 1, 2002;

25 and who are at least age fifty-five and have at least ten years of
26 service under the teachers' retirement system plan 3 as defined in RCW
27 41.32.010(33), the Washington school employees' retirement system plan
28 3 as defined in RCW 41.35.010, or the public employees' retirement
29 system plan 3 as defined in RCW 41.40.010.

30 ~~((+21+))~~ (26) "State purchased health care" or "health care" means
31 medical and health care, pharmaceuticals, and medical equipment
32 purchased with state and federal funds by the department of social and
33 health services, the department of health, the basic health plan, the
34 state health care authority, the department of labor and industries,
35 the department of corrections, the department of veterans affairs, and
36 local school districts.

37 ~~((+22+))~~ (27) "Tribal government" means an Indian tribal government
38 as defined in section 3(32) of the employee retirement income security

1 act of 1974, as amended, or an agency or instrumentality of the tribal
2 government, that has government offices principally located in this
3 state.

4 **Sec. 5.** RCW 41.05.021 and 2011 1st sp.s. c 15 s 56 are each
5 amended to read as follows:

6 (1) The Washington state health care authority is created within
7 the executive branch. The authority shall have a director appointed by
8 the governor, with the consent of the senate. The director shall serve
9 at the pleasure of the governor. The director may employ a deputy
10 director, and such assistant directors and special assistants as may be
11 needed to administer the authority, who shall be exempt from chapter
12 41.06 RCW, and any additional staff members as are necessary to
13 administer this chapter. The director may delegate any power or duty
14 vested in him or her by law, including authority to make final
15 decisions and enter final orders in hearings conducted under chapter
16 34.05 RCW. The primary duties of the authority shall be to:
17 Administer state employees' insurance benefits and (~~retired or~~
18 ~~disabled~~) school employees' insurance benefits; administer the basic
19 health plan pursuant to chapter 70.47 RCW; administer the children's
20 health program pursuant to chapter 74.09 RCW; study state-purchased
21 health care programs in order to maximize cost containment in these
22 programs while ensuring access to quality health care; implement state
23 initiatives, joint purchasing strategies, and techniques for efficient
24 administration that have potential application to all state-purchased
25 health services; and administer grants that further the mission and
26 goals of the authority. The authority's duties include, but are not
27 limited to, the following:

28 (a) To administer health care benefit programs for employees and
29 (~~retired or disabled~~) school employees as specifically authorized in
30 RCW 41.05.065 and section 3 of this act and in accordance with the
31 methods described in RCW 41.05.075, 41.05.140, and other provisions of
32 this chapter;

33 (b) To analyze state-purchased health care programs and to explore
34 options for cost containment and delivery alternatives for those
35 programs that are consistent with the purposes of those programs,
36 including, but not limited to:

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

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

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

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

14 (v) Development of data systems to obtain utilization data from
15 state-purchased health care programs in order to identify cost centers,
16 utilization patterns, provider and hospital practice patterns, and
17 procedure costs, utilizing the information obtained pursuant to RCW
18 41.05.031; and

19 (vi) In collaboration with other state agencies that administer
20 state purchased health care programs, private health care purchasers,
21 health care facilities, providers, and carriers:

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

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

28 (II) Increase, through appropriate incentives to insuring entities,
29 health care facilities, and providers, the adoption and use of
30 information technology that contributes to improved health outcomes,
31 better coordination of care, and decreased medical errors;

32 (B) Through state health purchasing, reimbursement, or pilot
33 strategies, promote and increase the adoption of health information
34 technology systems, including electronic medical records, by hospitals
35 as defined in RCW 70.41.020(4), integrated delivery systems, and
36 providers that:

37 (I) Facilitate diagnosis or treatment;

38 (II) Reduce unnecessary duplication of medical tests;

1 (III) Promote efficient electronic physician order entry;

2 (IV) Increase access to health information for consumers and their
3 providers; and

4 (V) Improve health outcomes;

5 (C) Coordinate a strategy for the adoption of health information
6 technology systems using the final health information technology report
7 and recommendations developed under chapter 261, Laws of 2005;

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

9 (d) To provide information and technical and administrative
10 assistance to the two boards;

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

17 (f) To review and approve or deny the application when the
18 governing body of a tribal government applies to transfer their
19 employees to an insurance or self-insurance program administered under
20 this chapter. In the event of an employee transfer pursuant to this
21 subsection (1)(f), members of the governing body are eligible to be
22 included in such a transfer if the members are authorized by the tribal
23 government to participate in the insurance program being transferred
24 from and subject to payment by the members of all costs of insurance
25 for the members. The authority shall: (i) Establish the conditions
26 for participation; (ii) have the sole right to reject the application;
27 and (iii) set the premium contribution for approved groups as outlined
28 in RCW 41.05.050. Approval of the application by the authority
29 transfers the employees and dependents involved to the insurance,
30 self-insurance, or health care program approved by the authority;

31 (g) To ensure the continued status of the employee insurance or
32 self-insurance programs administered under this chapter as a
33 governmental plan under section 3(32) of the employee retirement income
34 security act of 1974, as amended, the authority shall limit the
35 participation of employees of a county, municipal, school district,
36 educational service district, or other political subdivision, or a
37 tribal government, including providing for the participation of those

1 employees whose services are substantially all in the performance of
2 essential governmental functions, but not in the performance of
3 commercial activities;

4 (h) To establish billing procedures and collect administration
5 funds from school districts in a way that minimizes the administrative
6 burden on districts;

7 (i) Through December 31, 2013, or if the public employees' benefits
8 board and the school employees' benefits board find that date to not be
9 feasible, December 31, 2014, to publish and distribute to
10 nonparticipating school districts and educational service districts by
11 October 1st of each year a description of health care benefit plans
12 available through the authority and the estimated cost if school
13 districts and educational service district employees were enrolled;

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

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

21 (l) To adopt rules consistent with this chapter as described in RCW
22 41.05.160 including, but not limited to:

23 (i) Setting forth the criteria established by the board under RCW
24 41.05.065 for determining whether an employee is eligible for benefits;

25 (ii) Establishing an appeal process in accordance with chapter
26 34.05 RCW by which an employee may appeal an eligibility determination;

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

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

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

37 (iii) To enter into agreements with the department of social and
38 health services for administration of medical care services programs

1 under Titles XIX and XXI of the social security act. The agreements
2 shall establish the division of responsibilities between the authority
3 and the department with respect to mental health, chemical dependency,
4 and long-term care services, including services for persons with
5 developmental disabilities. The agreements shall be revised as
6 necessary, to comply with the final implementation plan adopted under
7 section 116, chapter 15, Laws of 2011 1st sp. sess.;

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

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

27 (2) On and after January 1, 1996, the public employees' benefits
28 board and the school employees' benefits board upon establishment may
29 implement strategies to promote managed competition among employee
30 health benefit plans. Strategies may include but are not limited to:

31 (a) Standardizing the benefit package;

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

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

35 (d) Monitoring the impact of the approach under this subsection
36 with regards to: Efficiencies in health service delivery, cost shifts
37 to subscribers, access to and choice of managed care plans statewide,

1 and quality of health services. The health care authority shall also
2 advise on the value of administering a benchmark employer-managed plan
3 to promote competition among managed care plans.

4 **Sec. 6.** RCW 41.05.022 and 1995 1st sp.s. c 6 s 3 are each amended
5 to read as follows:

6 (1) The health care authority is hereby designated as the single
7 state agent for purchasing health services.

8 (2) On and after January 1, 1995, at least the following state-
9 purchased health services programs shall be merged into a single,
10 community-rated risk pool: Health benefits for groups of employees of
11 school districts and educational service districts that voluntarily
12 purchase health benefits as provided in RCW 41.05.011 prior to
13 commencement of the school employees' benefits board program under
14 section 3 of this act; health benefits for state employees; health
15 benefits for eligible retired or disabled school employees not eligible
16 for parts A and B of medicare; and health benefits for eligible state
17 retirees not eligible for parts A and B of medicare.

18 (3) Upon commencement of the consolidated purchasing program under
19 section 3 of this act, health benefits for groups of employees of
20 school districts and educational service districts shall be merged into
21 a single, community-rated risk pool separate and distinct from the pool
22 described in subsection (2) of this section.

23 (4) By September 1, 2013, the health care authority, in
24 consultation with the public employees' benefits board and the school
25 employees' benefits board, shall submit to the appropriate committees
26 of the legislature a complete analysis of the most appropriate risk
27 pool for the retired and disabled school employees, to include at a
28 minimum an analysis of the size of the nonmedicare and medicare retiree
29 enrollment pools, the impacts on cost for state and school district
30 retirees of moving retirees from one pool to another, the need for and
31 the amount of an ongoing retiree subsidy allocation from the active
32 school employees, and the timing and suggested approach for a
33 transition from one risk pool to another.

34 (5) At a minimum, and regardless of other legislative enactments,
35 the state health services purchasing agent shall:

36 (a) Require that a public agency that provides subsidies for a

1 substantial portion of services now covered under the basic health plan
2 use uniform eligibility processes, insofar as may be possible, and
3 ensure that multiple eligibility determinations are not required;

4 (b) Require that a health care provider or a health care facility
5 that receives funds from a public program provide care to state
6 residents receiving a state subsidy who may wish to receive care from
7 them, and that an insuring entity that receives funds from a public
8 program accept enrollment from state residents receiving a state
9 subsidy who may wish to enroll with them;

10 (c) Strive to integrate purchasing for all publicly sponsored
11 health services in order to maximize the cost control potential and
12 promote the most efficient methods of financing and coordinating
13 services;

14 (d) Consult regularly with the governor, the legislature, and state
15 agency directors whose operations are affected by the implementation of
16 this section; and

17 (e) Ensure the control of benefit costs under managed competition
18 by adopting rules to prevent employers from entering into an agreement
19 with employees or employee organizations when the agreement would
20 result in increased utilization in public employees' benefits board
21 plans or reduce the expected savings of managed competition.

22 **Sec. 7.** RCW 41.05.026 and 2005 c 274 s 277 are each amended to
23 read as follows:

24 (1) When soliciting proposals for the purpose of awarding contracts
25 for goods or services, the ((administrator)) director shall, upon
26 written request by the bidder, exempt from public inspection and
27 copying such proprietary data, trade secrets, or other information
28 contained in the bidder's proposal that relate to the bidder's unique
29 methods of conducting business or of determining prices or premium
30 rates to be charged for services under terms of the proposal.

31 (2) When soliciting information for the development, acquisition,
32 ((or)) implementation, or evaluation of state purchased health care
33 services, the ((administrator)) director shall, upon written request by
34 the respondent, exempt from public inspection and copying such
35 proprietary data, trade secrets, or other information submitted by the
36 respondent that relate to the respondent's unique methods of conducting
37 business, data unique to the product or services of the respondent,

1 (~~(or)~~) data related to determining prices or rates to be charged for
2 services, or employee or member data protected by federal or state
3 privacy laws.

4 (3) Actuarial formulas, statistics, cost and utilization data, or
5 other proprietary information submitted upon request of the
6 (~~(administrator)~~) director, board, school employees' benefits board, or
7 a technical review committee created to facilitate the development,
8 acquisition, or implementation of state purchased health care under
9 this chapter by a contracting insurer, health care service contractor,
10 health maintenance organization, vendor, or other health services
11 organization may be withheld at any time from public inspection when
12 necessary to preserve trade secrets or prevent unfair competition.

13 (4) The board, school employees' benefits board, or a technical
14 review committee created to facilitate the development, acquisition, or
15 implementation of state purchased health care under this chapter, may
16 hold an executive session in accordance with chapter 42.30 RCW during
17 any regular or special meeting to discuss information submitted in
18 accordance with subsections (1) through (3) of this section.

19 (5) A person who challenges a request for or designation of
20 information as exempt under this section is entitled to seek judicial
21 review pursuant to chapter 42.56 RCW.

22 **Sec. 8.** RCW 41.05.050 and 2009 c 537 s 5 are each amended to read
23 as follows:

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

36 (2) If the authority at any time determines that the participation
37 of a county, municipal, other political subdivision, or a tribal

1 government covered under this chapter adversely impacts insurance rates
2 for state employees, the authority shall implement limitations on the
3 participation of additional county, municipal, other political
4 subdivisions, or a tribal government.

5 (3) The contributions of any: (a) Department, division, or
6 separate agency of the state government; (b) county, municipal, or
7 other political subdivisions; and (c) any tribal government as are
8 covered by this chapter, shall be set by the authority, subject to the
9 approval of the governor for availability of funds as specifically
10 appropriated by the legislature for that purpose. Insurance and health
11 care contributions for ferry employees shall be governed by RCW
12 47.64.270.

13 (4)(a) Until the consolidated purchasing program under section 3 of
14 this act is established, the authority shall collect from each
15 participating school district and educational service district an
16 amount equal to the composite rate charged to state agencies, plus an
17 amount equal to the employee premiums by plan and family size as would
18 be charged to state employees, for groups of district employees
19 enrolled in authority plans. The authority may collect these amounts
20 in accordance with the district fiscal year, as described in RCW
21 28A.505.030.

22 (b) For all groups of district employees enrolling in authority
23 plans for the first time after September 1, 2003, until commencement of
24 the consolidated purchasing program under section 3 of this act the
25 authority shall collect from each participating school district an
26 amount equal to the composite rate charged to state agencies, plus an
27 amount equal to the employee premiums by plan and by family size as
28 would be charged to state employees, only if the authority determines
29 that this method of billing the districts will not result in a material
30 difference between revenues from districts and expenditures made by the
31 authority on behalf of districts and their employees. The authority
32 may collect these amounts in accordance with the district fiscal year,
33 as described in RCW 28A.505.030.

34 (c) If the authority determines at any time that the conditions in
35 (b) of this subsection cannot be met, the authority shall offer
36 enrollment to additional groups of district employees on a tiered rate
37 structure until such time as the authority determines there would be no

1 material difference between revenues and expenditures under a composite
2 rate structure for all district employees enrolled in authority plans.

3 (d) The authority may charge districts a one-time set-up fee for
4 employee groups enrolling in authority plans for the first time.

5 (e) Beginning January 1, 2014, or, if the school employees'
6 benefits board finds that date to not be feasible, January 1, 2015, all
7 school districts shall commence participation in the school employees'
8 benefits board program established under section 3 of this act, unless
9 they qualify for an exception provided in section 3 of this act. All
10 school districts and educational service districts, and all district
11 employee groups participating in the public employees' benefits board
12 plans before January 1, 2014, or if the school employees' benefits
13 board finds that date not to be feasible, January 1, 2015, shall
14 thereafter participate in the school employees' benefits board program
15 administered by the authority, unless the district opts out of
16 participation consistent with section 3 of this act.

17 (f) For the purposes of this subsection:

18 (i) "District" means school district and educational service
19 district; and

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

22 ((+f)) (g) Notwithstanding this subsection and RCW 41.05.065(4),
23 the authority may allow districts enrolled on a tiered rate structure
24 prior to September 1, 2002, and until January 1, 2014, to continue
25 participation based on the same rate structure and under the same
26 conditions and eligibility criteria.

27 (5) The authority shall transmit a recommendation for the amount of
28 the employer contribution to the governor and the director of financial
29 management for inclusion in the proposed budgets submitted to the
30 legislature.

31 **Sec. 9.** RCW 41.05.055 and 2009 c 537 s 6 are each amended to read
32 as follows:

33 (1) The public employees' benefits board is created within the
34 authority. The function of the board is to design and approve
35 insurance benefit plans for employees and to establish eligibility
36 criteria for participation in insurance benefit plans.

1 (2) The board shall be composed of nine members appointed by the
2 governor as follows:

3 (a) Two representatives of state employees, one of whom shall
4 represent an employee union certified as exclusive representative of at
5 least one bargaining unit of classified employees, and one of whom is
6 retired, is covered by a program under the jurisdiction of the board,
7 and represents an organized group of retired public employees;

8 (b) Through December 31, 2013, or if the school employees' benefits
9 board finds that date to not be feasible, December 31, 2014, two
10 representatives of school district employees, one of whom shall
11 represent an association of school employees and one of whom is
12 retired, and represents an organized group of retired school employees.
13 Thereafter, and only while retired school employees are served by the
14 board, only a retired representative shall serve on the board;

15 (c) Four members with experience in health benefit management and
16 cost containment; and

17 (d) The ((~~administrator~~)) director.

18 ~~(3) ((The member who represents an association of school employees~~
19 ~~and one member appointed pursuant to subsection (2)(c) of this section~~
20 ~~shall be nonvoting members until such time that there are no less than~~
21 ~~twelve thousand school district employee subscribers enrolled with the~~
22 ~~authority for health care coverage.~~

23 ~~(4))~~ The governor shall appoint the initial members of the board
24 to staggered terms not to exceed four years. Members appointed
25 thereafter shall serve two-year terms. Members of the board shall be
26 compensated in accordance with RCW 43.03.250 and shall be reimbursed
27 for their travel expenses while on official business in accordance with
28 RCW 43.03.050 and 43.03.060. The board shall prescribe rules for the
29 conduct of its business. The ((~~administrator~~)) director shall serve as
30 chair of the board. Meetings of the board shall be at the call of the
31 chair.

32 **Sec. 10.** RCW 41.05.075 and 2007 c 259 s 34 are each amended to
33 read as follows:

34 (1) The ((~~administrator~~)) director shall provide benefit plans
35 designed by the board and the school employees' benefits board through
36 a contract or contracts with insuring entities, through self-funding,

1 self-insurance, or other methods of providing insurance coverage
2 authorized by RCW 41.05.140.

3 (2) The (~~administrator~~) director shall establish a contract
4 bidding process that:

5 (a) Encourages competition among insuring entities;

6 (b) Maintains an equitable relationship between premiums charged
7 for similar benefits and between risk pools including premiums charged
8 for retired state and school district employees under the separate risk
9 pools established by RCW 41.05.022 and 41.05.080 such that insuring
10 entities may not avoid risk when establishing the premium rates for
11 retirees eligible for medicare;

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

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

14 (3)(a) School districts directly providing health benefit plans, as
15 defined in RCW 41.05.011, or their contracted insuring entities
16 providing health benefit plans to school districts on December 31,
17 2011, shall provide the authority the following specified data on the
18 following dates to support an initial benefits plans procurement and
19 rate setting:

20 (i) Data shall be provided by June 30, 2012, and if the school
21 employees' benefits board finds an implementation date of January 1,
22 2015, to be feasible, additional data by June 30, 2013;

23 (ii) The data must cover the period January 1, 2010, through
24 December 31, 2011, and if the school employees' benefits board finds it
25 to be necessary, the additional period of January 1, 2011, through
26 December 31, 2012, and include:

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

30 (B) Aggregated subscriber and member demographic information,
31 including age band and gender, by insurance tier by month and by
32 benefit packages;

33 (C) Monthly total by benefit package, including premiums paid,
34 inpatient facility claims paid, outpatient facility claims paid,
35 physician claims paid, pharmacy claims paid, capitation amounts paid,
36 and other claims paid;

37 (D) A listing for each applicable calendar year the large claims

1 defined as annual amounts paid in excess of one hundred thousand
2 dollars including the amount paid, the member enrollment status, and
3 the primary diagnosis; and

4 (E) A listing for each applicable calendar year the allowed claims
5 by provider entity.

6 Any data that may be confidential and contain personal health
7 information may be protected in accordance with a data-sharing
8 agreement.

9 (b) If a school district or their insuring entity fail to provide
10 the requested data by the June 30th deadline, the authority shall
11 notify the district, the office of financial management, and the office
12 of the superintendent of public instruction. If a school district or
13 contractor fails to comply with any reporting requirements established
14 by the board, the school employees' benefits board shall mandate
15 participation in its consolidated purchasing program as of January 1st
16 of the initial year of implementation. A noncompliant carrier shall be
17 excluded from bidding on the school employees' benefits board
18 consolidated purchasing system.

19 (4) The ((~~administrator~~)) director shall establish a requirement
20 for review of utilization and financial data from participating
21 insuring entities, third-party administrators, brokers, and all
22 entities providing benefits-related services 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 third-party administrator, or other entity providing benefits-related
30 services that submits a bid to contract for coverage all information
31 deemed necessary including:

32 (a) Subscriber or member demographic and claims data necessary for
33 risk assessment and adjustment calculations in order to fulfill the
34 ((~~administrator's~~)) director's duties as set forth in this 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)) (9) of this section.

1 ~~((+6+))~~ (7) A participating school district or a school district
2 granted an exception to participation under section 3 of this act is
3 responsible to ensure required data is maintained in a uniform format
4 prescribed by the director and provided to the authority whether the
5 district provides benefits on a self-insured or a fully insured basis.

6 (8) All contracts with insuring entities for the provision of
7 health care benefits shall provide that the beneficiaries of such
8 benefit plans may use on an equal participation basis the services of
9 practitioners licensed pursuant to chapters 18.22, 18.25, 18.32, 18.53,
10 18.57, 18.71, 18.74, 18.83, and 18.79 RCW, as it applies to registered
11 nurses and advanced registered nurse practitioners. However, nothing
12 in this subsection may preclude the ~~((administrator))~~ director from
13 establishing appropriate utilization controls approved pursuant to RCW
14 41.05.065(2) (a), (b), and (d).

15 ~~((+7+))~~ (9) The ~~((administrator))~~ director shall, in collaboration
16 with other state agencies that administer state purchased health care
17 programs, private health care purchasers, health care facilities,
18 providers, and carriers:

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

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

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

29 (b) Through state health purchasing, reimbursement, or pilot
30 strategies, promote and increase the adoption of health information
31 technology systems, including electronic medical records, by hospitals
32 as defined in RCW 70.41.020(4), integrated delivery systems, and
33 providers that:

34 (i) Facilitate diagnosis or treatment;

35 (ii) Reduce unnecessary duplication of medical tests;

36 (iii) Promote efficient electronic physician order entry;

37 (iv) Increase access to health information for consumers and their
38 providers; and

1 (v) Improve health outcomes;

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

5 ~~((+8))~~ (10) The ~~((administrator))~~ director may permit the
6 Washington state health insurance pool to contract to utilize any
7 network maintained by the authority or any network under contract with
8 the authority.

9 **Sec. 11.** RCW 41.05.120 and 2005 c 518 s 921 and 2005 c 143 s 3 are
10 each reenacted and amended to read as follows:

11 (1) The public employees' and retirees' insurance account is hereby
12 established in the custody of the state treasurer, to be used by the
13 ~~((administrator))~~ director for the deposit of contributions, the
14 remittance paid by school districts and educational service districts
15 under RCW 28A.400.410, reserves, dividends, and refunds, for payment of
16 premiums for employee and retiree insurance benefit contracts and
17 subsidy amounts provided under RCW 41.05.085, and transfers from the
18 ~~((medical))~~ flexible spending administrative account as authorized in
19 RCW 41.05.123. Moneys from the account shall be disbursed by the state
20 treasurer by warrants on vouchers duly authorized by the
21 ~~((administrator))~~ director. Moneys from the account may be transferred
22 to the medical flexible spending account to provide reserves and start-
23 up costs for the operation of the medical flexible spending account
24 program.

25 (2) The state treasurer and the state investment board may invest
26 moneys in the public employees' and retirees' insurance account. All
27 such investments shall be in accordance with RCW 43.84.080 or
28 43.84.150, whichever is applicable. The ~~((administrator))~~ director
29 shall determine whether the state treasurer or the state investment
30 board or both shall invest moneys in the public employees' insurance
31 account.

32 (3) During the 2005-07 fiscal biennium, the legislature may
33 transfer from the public employees' and retirees' insurance account
34 such amounts as reflect the excess fund balance of the fund.

35 (4) The school employees' insurance account is hereby established
36 in the custody of the state treasurer, to be used by the director for
37 the deposit of contributions, reserves, dividends, and refunds, for

1 payment of premiums for school employee insurance benefit contracts.
2 Moneys from the account shall be disbursed by the state treasurer by
3 warrants on vouchers duly authorized by the director. Moneys from the
4 account may be transferred to a medical flexible spending account to
5 provide reserves and start-up costs for the operation of a medical
6 flexible spending account program.

7 (5) The state treasurer and the state investment board may invest
8 moneys in the school employees' insurance account. These investments
9 must be in accordance with RCW 43.84.080 or 43.84.150, whichever is
10 applicable. The director shall determine whether the state treasurer
11 or the state investment board or both shall invest moneys in the school
12 employees' insurance account.

13 **Sec. 12.** RCW 41.05.130 and 1988 c 107 s 11 are each amended to
14 read as follows:

15 (1) The state health care authority administrative account is
16 hereby created in the state treasury. Moneys in the account, including
17 unanticipated revenues under RCW 43.79.270, may be spent only after
18 appropriation by statute, and may be used only for operating expenses
19 of the authority.

20 (2) The school employees' insurance administrative account is
21 hereby created in the state treasury. Moneys in the account may be
22 spent only after appropriation by statute, and may be used for
23 operating, contracting, and other administrative expenses of the
24 authority in administration of the school employees insurance program.

25 **Sec. 13.** RCW 41.05.140 and 2011 1st sp.s. c 15 s 59 are each
26 amended to read as follows:

27 (1) Except for property and casualty insurance, the authority may
28 self-fund, self-insure, or enter into other methods of providing
29 insurance coverage for insurance programs under its jurisdiction,
30 including the basic health plan as provided in chapter 70.47 RCW. The
31 authority shall contract for payment of claims or other administrative
32 services for programs under its jurisdiction. If a program does not
33 require the prepayment of reserves, the authority shall establish such
34 reserves within a reasonable period of time for the payment of claims
35 as are normally required for that type of insurance under an insured
36 program. The authority shall endeavor to reimburse basic health plan

1 health care providers under this section at rates similar to the
2 average reimbursement rates offered by the statewide benchmark plan
3 determined through the request for proposal process.

4 (2) Reserves established by the authority for employee and retiree
5 benefit programs shall be held in ((a)) separate trust funds by the
6 state treasurer and shall be known as the public employees' and
7 retirees' insurance reserve fund and the school employees' insurance
8 account. The state investment board shall act as the investor for the
9 funds and, except as provided in RCW 43.33A.160 and 43.84.160, one
10 hundred percent of all earnings from these investments shall accrue
11 directly to each of the public employees' and retirees' insurance
12 reserve fund and the school employees' insurance account.

13 (3) Any savings realized as a result of a program created for
14 employees and retirees under this section shall not be used to increase
15 benefits unless such use is authorized by statute.

16 (4) Reserves established by the authority to provide insurance
17 coverage for the basic health plan under chapter 70.47 RCW shall be
18 held in a separate trust account in the custody of the state treasurer
19 and shall be known as the basic health plan self-insurance reserve
20 account. The state investment board shall act as the investor for the
21 funds as set forth in RCW 43.33A.230 and, except as provided in RCW
22 43.33A.160 and 43.84.160, one hundred percent of all earnings from
23 these investments shall accrue directly to the basic health plan self-
24 insurance reserve account.

25 (5) Any program created under this section shall be subject to the
26 examination requirements of chapter 48.03 RCW as if the program were a
27 domestic insurer. In conducting an examination, the commissioner shall
28 determine the adequacy of the reserves established for the program.

29 (6) The authority shall keep full and adequate accounts and records
30 of the assets, obligations, transactions, and affairs of any program
31 created under this section.

32 (7) The authority shall file a quarterly statement of the financial
33 condition, transactions, and affairs of any program created under this
34 section in a form and manner prescribed by the insurance commissioner.
35 The statement shall contain information as required by the commissioner
36 for the type of insurance being offered under the program. A copy of
37 the annual statement shall be filed with the speaker of the house of
38 representatives and the president of the senate.

1 (8) The provisions of this section do not apply to the
2 administration of chapter 74.09 RCW.

3 **Sec. 14.** RCW 41.05.143 and 2007 c 507 s 1 are each amended to read
4 as follows:

5 (1) The uniform medical plan benefits administration account is
6 created in the custody of the state treasurer. Only the
7 (~~administrator~~) director or the (~~administrator's~~) director's
8 designee may authorize expenditures from the account. Moneys in the
9 account shall be used exclusively for contracted expenditures for
10 uniform medical plan claims administration, data analysis, utilization
11 management, preferred provider administration, and activities related
12 to benefits administration where the level of services provided
13 pursuant to a contract fluctuate as a direct result of changes in
14 uniform medical plan enrollment. Moneys in the account may also be
15 used for administrative activities required to respond to new and
16 unforeseen conditions that impact the uniform medical plan, but only
17 when the authority and the office of financial management jointly agree
18 that such activities must be initiated prior to the next legislative
19 session.

20 (2) Receipts from amounts due from or on behalf of uniform medical
21 plan enrollees for expenditures related to benefits administration,
22 including moneys disbursed from the public employees' and retirees'
23 insurance account, shall be deposited into the account. The account is
24 subject to allotment procedures under chapter 43.88 RCW, but no
25 appropriation is required for expenditures. All proposals for
26 allotment increases shall be provided to the house of representatives
27 appropriations committee and to the senate ways and means committee at
28 the same time as they are provided to the office of financial
29 management.

30 (3) The uniform dental plan benefits administration account is
31 created in the custody of the state treasurer. Only the
32 (~~administrator~~) director or the (~~administrator's~~) director's
33 designee may authorize expenditures from the account. Moneys in the
34 account shall be used exclusively for contracted expenditures related
35 to benefits administration for the uniform dental plan as established
36 under RCW 41.05.140. Receipts from amounts due from or on behalf of
37 uniform dental plan enrollees for expenditures related to benefits

1 administration, including moneys disbursed from the public employees'
2 and retirees' insurance account, shall be deposited into the account.
3 The account is subject to allotment procedures under chapter 43.88 RCW,
4 but no appropriation is required for expenditures.

5 (4) The public employees' benefits board medical benefits
6 administration account is created in the custody of the state
7 treasurer. Only the (~~administrator~~) director or the
8 (~~administrator's~~) director's designee may authorize expenditures from
9 the account. Moneys in the account shall be used exclusively for
10 contracted expenditures related to claims administration, data
11 analysis, utilization management, preferred provider administration,
12 and other activities related to benefits administration for self-
13 insured medical plans other than the uniform medical plan. Receipts
14 from amounts due from or on behalf of enrollees for expenditures
15 related to benefits administration, including moneys disbursed from the
16 public employees' and retirees' insurance account, shall be deposited
17 into the account. The account is subject to allotment procedures under
18 chapter 43.88 RCW, but an appropriation is not required for
19 expenditures.

20 (5) The school employees' benefits board medical benefits
21 administration account is created in the custody of the state
22 treasurer. Only the director or the director's designee may authorize
23 expenditures from the account. Moneys in the account shall be used
24 exclusively for contracted expenditures related to claims
25 administration, data analysis, utilization management, preferred
26 provider administration, and other activities related to benefits
27 administration for self-insured medical plans other than the uniform
28 medical plan. Receipts from amounts due from or on behalf of enrollees
29 for expenditures related to benefits administration, including moneys
30 disbursed from the school employees' insurance account, shall be
31 deposited into the account. The account is subject to allotment
32 procedures under chapter 43.88 RCW, but no appropriation is required
33 for expenditures.

34 (6) A self-insured dental plan benefits administration account is
35 created in the custody of the state treasurer. Only the director or
36 the director's designee may authorize expenditures from the account.
37 Moneys in the account shall be used exclusively for contracted
38 expenditures related to benefits administration for a self-insured

1 dental plan as established under RCW 41.05.140. Receipts from amounts
2 due from or on behalf of a self-insured dental plan enrollees for
3 expenditures related to benefits administration, including moneys
4 disbursed from the school employees' insurance account, shall be
5 deposited into the account. The account is subject to allotment
6 procedures under chapter 43.88 RCW, but no appropriation is required
7 for expenditures.

8 **Sec. 15.** RCW 41.05.670 and 2011 c 316 s 6 are each amended to read
9 as follows:

10 (1) Effective January 1, 2013, the authority must contract with all
11 of the public employees' benefits board managed care plans and the
12 self-insured plan or plans to include provider reimbursement methods
13 that incentivize chronic care management within health homes resulting
14 in reduced emergency department and inpatient use.

15 (2) Health home services contracted for under this section may be
16 prioritized to enrollees with complex, high cost, or multiple chronic
17 conditions.

18 (3) For the purposes of this section, "chronic care
19 management((τ))" and "health home" have the same meaning as in RCW
20 74.09.010.

21 (4) Contracts with fully insured plans and with any third-party
22 administrator for the self-funded plan that include the items in
23 subsection (1) of this section must be funded within the resources
24 provided by employer funding rates provided for employee health
25 benefits in the omnibus appropriations act.

26 (5) Nothing in this section shall require contracted third-party
27 health plans administering the self-insured contract to expend
28 resources to implement items in subsection (1) of this section beyond
29 the resources provided by employer funding rates provided for employee
30 health benefits in the omnibus appropriations act or from other sources
31 in the absence of these provisions.

32 (6) The school employees' benefits board shall implement the
33 provisions of this section, consistent with the requirements in section
34 3 of this act.

35 **Sec. 16.** RCW 28A.400.270 and 1990 1st ex.s. c 11 s 4 are each
36 amended to read as follows:

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

3 (1) "School district employee benefit plan" means the overall plan
4 used by the district for distributing fringe benefit subsidies to
5 employees, including the method of determining employee coverage (~~and~~
6 ~~the amount of employer contributions, as well as the characteristics of~~
7 ~~benefit providers and the specific benefits or coverage offered)). It~~
8 shall not include coverage offered to district employees for which
9 there is no contribution from public funds.

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

14 (3) "Basic benefits" (~~are~~) may be determined through local
15 bargaining and are limited to medical, dental, vision, group term life,
16 and group long-term disability insurance coverage, consistent with
17 section 3 of this act.

18 (4) "Benefit providers" include insurers, third party claims
19 administrators, direct providers of employee fringe benefits, health
20 maintenance organizations, health care service contractors, and the
21 Washington state health care authority or any plan offered by the
22 authority.

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

26 (6) "Group long-term disability insurance coverage" means long-term
27 disability insurance coverage provided for, at a minimum, all full-time
28 employees in a bargaining unit or all full-time nonbargaining group
29 employees.

30 **Sec. 17.** RCW 28A.400.275 and 1990 1st ex.s. c 11 s 5 are each
31 amended to read as follows:

32 (1) Any contract for employee benefits executed after April 13,
33 1990, between a school district and a benefit provider or employee
34 bargaining unit is null and void unless it contains an agreement to
35 abide by state laws relating to school district employee benefits. The
36 term of the contract may not exceed one year.

1 (2) Districts are prohibited from entering into any agreement or
2 contract for insurance benefits for employees that would prevent the
3 sharing of data necessary to comply with RCW 41.05.075 and this
4 section.

5 (3) Through December 31, 2013, upon establishment of the school
6 employees' benefits board under section 3 of this act, school districts
7 shall annually submit to the Washington state health care authority
8 summary descriptions of all benefits offered under the district's
9 employee benefit plan. The districts shall also submit data to the
10 health care authority specifying the total number of employees and, for
11 each employee, types of coverage or benefits received including numbers
12 of covered dependents, the number of eligible dependents, the amount of
13 the district's contribution, additional premium costs paid by the
14 employee through payroll deductions, and the age and sex of the
15 employee and each dependent. The plan descriptions and the data shall
16 be submitted in a format and according to a schedule established by the
17 health care authority. After December 31, 2013, school districts shall
18 submit such data as required by the school employees' benefits board to
19 administer the consolidated purchasing of health services.

20 (~~(+3)~~) (4) Through December 31, 2013, or upon establishment of the
21 school employees' benefits board under section 3 of this act, any
22 benefit provider offering a benefit plan by contract with a school
23 district under subsection (1) of this section shall agree to make
24 available to the school district the benefit plan descriptions and,
25 where available, the demographic information on plan subscribers that
26 the district is required to report to the Washington state health care
27 authority under this section. After December 31, 2013, a benefit
28 provider shall submit such data as required under contract by the
29 school employees' benefits board.

30 (~~(+4) This section shall not apply to benefit plans offered in the~~
31 ~~1989-90 school year~~) (5) Each school district shall, consistent with
32 the eligibility provisions of section 3 of this act:

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

37 (b) Report all data relating to employees eligible to participate

1 in benefits or plans administered by the health care authority in a
2 format designed and communicated by the health care authority.

3 (6) Those districts that opt out of the school employees' benefits
4 board consistent with provisions of section 3 of this act, must provide
5 the data requested by the school employees' benefits board, either
6 directly or through their contracted insuring entities providing
7 medical, vision, and dental benefits. Data shall be submitted in
8 accordance with the terms of the granted exception from mandatory
9 participation. If a school district or contractor fails to comply with
10 any reporting requirements established by the board, the school
11 employees' benefits board will mandate participation in its
12 consolidated purchasing program as of January 1st of the following
13 year. A noncompliant carrier may be excluded from bidding on the
14 school employees' benefits board consolidated purchasing system during
15 subsequent competitive procurements.

16 (7) School districts may continue to use brokers for administrative
17 services, and districts that opt out of the school employees' benefits
18 board may continue to use brokers for the procurement of their benefits
19 as well as administrative services. All contract expenses paid to
20 brokers must be reported to the school employees' benefits board.

21 **Sec. 18.** RCW 28A.400.280 and 2011 c 269 s 1 are each amended to
22 read as follows:

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

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

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

1 (b) Each full-time employee included in the pooling arrangement is
2 offered basic benefits, including coverage for dependents, without a
3 payroll deduction for premium charges;

4 (c) Each full-time employee included in the pooling arrangement,
5 regardless of the number of dependents receiving basic coverage,
6 receives the same additional employer contribution for other coverage
7 or optional benefits; and

8 (d) For part-time employees included in the pooling arrangement,
9 participation in optional benefit plans shall be governed by the same
10 eligibility criteria and/or proration of employer contributions used
11 for allocations for basic benefits.

12 (3) Savings accruing to school districts due to limitations on
13 benefit options under this section shall be pooled and made available
14 by the districts to reduce out-of-pocket premium expenses for employees
15 needing basic coverage for dependents. School districts are not
16 intended to divert state benefit allocations for other purposes.

17 (4) Upon establishment of the school employees' benefits board in
18 section 3 of this act, participating school districts may continue
19 using pooling arrangements for optional benefits not provided by the
20 school employees' benefits board.

21 **Sec. 19.** RCW 28A.400.350 and 2011 c 269 s 2 are each amended to
22 read as follows:

23 (1) The board of directors of any of the state's school districts
24 or educational service districts may make available medical, dental,
25 vision, liability, life, (~~(health, health care,~~) accident, disability,
26 and salary protection or insurance, direct agreements as defined in
27 chapter 48.150 RCW, or any one of, or a combination of the types of
28 employee benefits enumerated in this subsection, or any other type of
29 insurance or protection, for the members of the boards of directors,
30 the students, and employees of the school district or educational
31 service district, and their dependents. Except as provided in
32 subsection (5) of this section, such coverage may be provided by
33 contracts with private carriers, with the state health care authority
34 (~~(after July 1, 1990, pursuant to the approval of the authority~~
35 administrator)), or through self-insurance or self-funding pursuant to
36 chapter 48.62 RCW, or in any other manner authorized by law. Any
37 direct agreement must comply with RCW 48.150.050.

1 (2)(a) Whenever funds are available for these purposes the board of
2 directors of the school district or educational service district may
3 contribute all or a part of the cost of such protection or insurance
4 for the employees of their respective school districts or educational
5 service districts and their dependents. The premiums on such liability
6 insurance shall be borne by the school district or educational service
7 district.

8 (b) After October 1, 1990, school districts may not contribute to
9 any employee protection or insurance other than liability insurance
10 unless the district's employee benefit plan conforms to RCW 28A.400.275
11 and 28A.400.280.

12 (c) Upon implementation of the school employees' benefits board
13 program under section 3 of this act, school district contributions to
14 any employee insurance that is purchased through the health care
15 authority must conform to the requirements established by chapter 41.05
16 RCW and the school employees' benefits board. School district
17 bargaining may include how many hours an employee must work to be
18 eligible for plan participation and proration of part-time employee
19 contribution. Additional subjects for negotiations are limited to
20 contributions to voluntary employee benefit association accounts,
21 short-term disability insurance, life insurance, internal revenue
22 service section 125 contributions, and cancer insurance.

23 (3) For school board members, educational service district board
24 members, and students, the premiums due on such protection or insurance
25 shall be borne by the assenting school board member, educational
26 service district board member, or student. The school district or
27 educational service district may contribute all or part of the costs,
28 including the premiums, of life, health, health care, accident or
29 disability insurance which shall be offered to all students
30 participating in interschool activities on the behalf of or as
31 representative of their school, school district, or educational service
32 district. The school district board of directors and the educational
33 service district board may require any student participating in
34 extracurricular interschool activities to, as a condition of
35 participation, document evidence of insurance or purchase insurance
36 that will provide adequate coverage, as determined by the school
37 district board of directors or the educational service district board,
38 for medical expenses incurred as a result of injury sustained while

1 participating in the extracurricular activity. In establishing such a
2 requirement, the district shall adopt regulations for waiving or
3 reducing the premiums of such coverage as may be offered through the
4 school district or educational service district to students
5 participating in extracurricular activities, for those students whose
6 families, by reason of their low income, would have difficulty paying
7 the entire amount of such insurance premiums. The district board shall
8 adopt regulations for waiving or reducing the insurance coverage
9 requirements for low-income students in order to assure such students
10 are not prohibited from participating in extracurricular interschool
11 activities.

12 (4) All contracts for insurance or protection written to take
13 advantage of the provisions of this section shall provide that the
14 beneficiaries of such contracts may utilize on an equal participation
15 basis the services of those practitioners licensed pursuant to chapters
16 18.22, 18.25, 18.53, 18.57, and 18.71 RCW.

17 (5) The authority to make available medical, dental, and vision
18 insurance to school employees under this section expires upon
19 establishment of the school employees' benefits board under section 3
20 of this act, unless the school employees' benefits board provides an
21 exception to the mandatory participation as established in section 3 of
22 this act. Any school district receiving an exception to participation
23 must continue reporting health care experience and financial data to
24 the health care authority.

25 (6) Districts are prohibited from entering into any agreement or
26 contract for insurance benefits for employees that would prevent
27 sharing of data necessary to comply with RCW 41.05.075 and
28 28A.400.275."

SSB 6442 - S AMD
By Senator Hobbs

29 On page 1, line 2 of the title, after "employees;" strike the
30 remainder of the title and insert "amending RCW 41.05.021, 41.05.022,

1 41.05.026, 41.05.050, 41.05.055, 41.05.075, 41.05.130, 41.05.140,
2 41.05.143, 41.05.670, 28A.400.270, 28A.400.275, 28A.400.280, and
3 28A.400.350; reenacting and amending RCW 41.05.011 and 41.05.120;
4 adding a new section to chapter 41.05 RCW; and creating new sections."

EFFECT: (1) Intent sections modified, including changes to the list of bargained areas (eligibility including prorating remains bargained and other listed benefits not provided by SEBB);

(2) Technical corrections, inserting full name of School Employees' Benefit Board throughout to avoid conflict with Board definition in statute, capturing references throughout for a potential delay in the start date for the SEBB;

(3) Inserts definitions for health benefits (medical, vision, dental) and benchmark plan;

(4) The employer health premium contribution rate for a full-time employee is determined by the insurance benefit allocation rate in the appropriations act;

(5) The criteria to opt out of the SEBB is broadened: Districts that have a benefit trust before July 1, 2012, or self-insure medical benefits, or have 2,000 employees may opt out if they agree to the data requirements, meet the equivalent premium contributions established for SEBB, and provide an adequate network of providers;

(6) Delays the report from the HCA with recommendations on the school retirees, to September 1, 2013;

(7) Clarifications on data reporting requirements and potential date changes, and allow for mandatory participation in SEBB if data is not reported and banning a noncompliant carrier from bidding on the SEBB plans, and districts are prohibited from entering a contract that prevents sharing data;

(8) Restores underlying K-12 statutory language on optional benefits and pooling, after SEBB is established allows pooling for optional benefits not provided by SEBB.

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