
HOUSE BILL 2657

State of Washington

65th Legislature

2018 Regular Session

By Representatives Stonier, Bergquist, Ortiz-Self, Haler, Reeves, Pollet, Kilduff, Dolan, Doglio, Stanford, Appleton, Valdez, Wylie, Macri, Johnson, and Santos

Read first time 01/11/18. Referred to Committee on Appropriations.

1 AN ACT Relating to the school employees' benefits program;
2 amending RCW 41.05.740, 41.05.011, 41.05.022, 41.05.050, 28A.400.280,
3 and 28A.400.350; adding a new section to chapter 41.05 RCW; and
4 creating a new section.

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

6 NEW SECTION. **Sec. 1.** (1) The legislature created the school
7 employees' benefits program during the 2017 legislative session to
8 address concerns about the high costs of health care for those who
9 insure families and those who work part-time in schools. To ensure
10 that the school employees' benefits program delivers on the promise
11 to make health benefits more affordable for school employees and
12 their families, the legislature must provide ample funding for those
13 benefits. The implementation of the school employees' benefits
14 program is contingent upon the legislature providing funding on par
15 with the resources made available for state employee benefits and
16 recognizing the higher costs of providing eligibility for all who
17 work six hundred thirty hours or more per year.

18 (2) School districts are independent local governments that
19 provide basic education services to students while also responding to
20 local community interests for enhancements beyond the state's
21 definition of basic education. In implementing the school employees'

1 benefits program, the state should also recognize the local
2 discretion of school boards if those boards opt to use local
3 enhancement funding to expand eligibility or to offer optional
4 benefits beyond those offered by the school employees' benefits
5 board. In addition, if school districts can offer similar basic
6 benefit packages for similar costs to employees, those districts
7 should be allowed to remain independent of the school employees'
8 benefits system.

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

11 (1) School districts, educational service districts, and charter
12 schools are not required to participate in the school employees'
13 benefits program until the following conditions are met:

14 (a) The monthly insurance benefit allocated to school districts
15 in the biennial omnibus operating budget is funded at a rate that is
16 no less than the monthly employer funding rate that is provided to
17 state agencies for state employee benefits; and

18 (b) The state funded staffing assumptions for K-12 benefit
19 allocations to districts in the biennial omnibus operating budget are
20 adjusted to ensure that a full monthly benefit is allocated for the
21 proportion of staff, by staffing category, that work six hundred
22 thirty hours or more.

23 (2) When meeting the standard for parity between the employer
24 funding rate for state agencies and the K-12 benefit rate allocation
25 in subsection (1) of this section, the legislature shall not achieve
26 this equivalent funding by reducing the actuarial value of the health
27 benefit plans offered in the public employees' benefits program below
28 the value of those plans in the 2017-2019 biennium.

29 **Sec. 3.** RCW 41.05.740 and 2017 3rd sp.s. c 13 s 801 are each
30 amended to read as follows:

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

35 (2) By September 30, 2017, the governor shall appoint the
36 following voting members to the board as follows:

37 (a) (~~Two~~) Three members from associations representing
38 certificated employees;

1 (b) (~~Two~~) Three members from associations representing
2 classified employees;

3 (c) Four members with expertise in employee health benefits
4 policy and administration, one of which is nominated by an
5 association representing school business officials; and

6 (d) The director of the authority or his or her designee.

7 (3) Initial members of the board shall serve staggered terms not
8 to exceed four years. Members appointed thereafter shall serve two-
9 year terms.

10 (4) Compensation and reimbursement policies related to school
11 employees' benefits board member service are as follows:

12 (a) Members of the board must be compensated in accordance with
13 RCW 43.03.250 and must be reimbursed for their travel expenses while
14 on official business in accordance with RCW 43.03.050 and 43.03.060;
15 and

16 (b) While school employees' benefits board members are carrying
17 out their powers and duties under this chapter, the service of any
18 certificated or classified employee may result in a need for a
19 substitute in schools during that school employees' benefits board
20 member's service. Payment for such a substitute shall be made by the
21 authority from funds appropriated by the legislature for the school
22 employees' benefits board program. When such substitute cost is paid
23 to the employing school district by the authority, no deduction shall
24 be made from the salary of the certificated or classified employee.
25 In addition, school districts shall not require school employees'
26 benefits board members to use personal leave when carrying out their
27 powers and duties under this chapter.

28 (5) The director of the authority or his or her designee shall be
29 the chair and another member shall be selected by the board as vice
30 chair. The chair shall conduct meetings of the board. The vice chair
31 shall preside over meetings in the absence of the chair. The board
32 shall develop bylaws for the conduct of its business.

33 (6) The board shall:

34 (a) Study all matters connected with the provision of health care
35 coverage, life insurance, liability insurance, accidental death and
36 dismemberment, and disability insurance, or any of, or combination
37 of, the enumerated types of insurance for eligible employees and
38 their dependents on the best basis possible with relation both to the
39 welfare of the employees and the state. However, liability insurance
40 should not be made available to dependents;

1 (b) Develop employee benefit plans that include comprehensive,
2 evidence-based health care benefits for employees. In developing
3 these plans, the board shall consider the following elements:

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

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

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

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

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

15 (vi) Effective coordination of benefits; and

16 (vii) Minimum standards for insuring entities;

17 (c) Authorize premium contributions for an employee and the
18 employee's dependents in a manner that encourages the use of cost-
19 efficient health care systems. For participating employees, the
20 required employee share of the cost for family coverage under a plan
21 may not exceed three times the required employee share of the cost
22 for employee-only coverage;

23 (d) Determine the terms and conditions of employee and dependent
24 eligibility criteria, enrollment policies, and scope of coverage. At
25 a minimum, the eligibility criteria established by the board shall
26 address the following:

27 (i) The effective date of coverage following hire;

28 (ii) ~~((An))~~ The benefits eligibility criteria, but the school
29 employees' benefits board's criteria shall be no more restrictive
30 than requiring that a school employee must be in a position that is
31 anticipated to work at least six hundred thirty hours per year to
32 ((qualify for coverage; and)) be benefits eligible;

33 (iii) The ability for school districts to locally negotiate a
34 lower eligibility criteria for those who work less than six hundred
35 thirty hours in a year. A local district that elects to set a lower
36 threshold of hours for benefit eligibility than the school employees'
37 benefits board shall do so as an enrichment to the state's definition
38 of basic education; and

39 (iv) Coverage for dependents, including criteria for legal
40 spouses; children up to age twenty-six; children of any age with

1 disabilities, mental illness, or intellectual or other developmental
2 disabilities; and state registered domestic partners, as defined in
3 RCW 26.60.020, and others authorized by the legislature;

4 (e) Determine the terms and conditions of purchasing system
5 participation, consistent with chapter 13, Laws of 2017 3rd sp.
6 sess., including establishment of criteria for employing districts
7 and individual employees;

8 (f) Establish penalties to be imposed when the employing district
9 fails to comply with established participation criteria; and

10 (g) Participate with the authority in the preparation of
11 specifications and selection of carriers contracted for employee
12 benefit plan coverage of eligible employees in accordance with the
13 criteria set forth in rules. To the extent possible, the board shall
14 leverage efficient purchasing by coordinating with the public
15 employees' benefits board.

16 (7) By November 30, 2021, the authority shall review the benefit
17 plans provided through the school employees' benefits board, complete
18 an analysis of the benefits provided and the administration of the
19 benefits plans, and determine whether provisions in chapter 13, Laws
20 of 2017 3rd sp. sess. have resulted in cost savings to the state. The
21 authority shall submit a report to the relevant legislative policy
22 and fiscal committees summarizing the results of the review and
23 analysis.

24 **Sec. 4.** RCW 41.05.011 and 2017 3rd sp.s. c 13 s 802 are each
25 amended to read as follows:

26 The definitions in this section apply throughout this chapter
27 unless the context clearly requires otherwise.

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

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

31 (3) "Dependent care assistance program" means a benefit plan
32 whereby ((state)) employees may pay for certain employment related
33 dependent care with pretax dollars as provided in the salary
34 reduction plan under this chapter pursuant to 26 U.S.C. Sec. 129 or
35 other sections of the internal revenue code.

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

37 (5) "Emergency service personnel killed in the line of duty"
38 means law enforcement officers and firefighters as defined in RCW
39 41.26.030, members of the Washington state patrol retirement fund as

1 defined in RCW 43.43.120, and reserve officers and firefighters as
2 defined in RCW 41.24.010 who die as a result of injuries sustained in
3 the course of employment as determined consistent with Title 51 RCW
4 by the department of labor and industries.

5 (6)(a) "Employee" for the public employees' benefits board
6 program includes all employees of the state, whether or not covered
7 by civil service; elected and appointed officials of the executive
8 branch of government, including full-time members of boards,
9 commissions, or committees; justices of the supreme court and judges
10 of the court of appeals and the superior courts; and members of the
11 state legislature. Pursuant to contractual agreement with the
12 authority, "employee" may also include: (i) Employees of a county,
13 municipality, or other political subdivision of the state and members
14 of the legislative authority of any county, city, or town who are
15 elected to office after February 20, 1970, if the legislative
16 authority of the county, municipality, or other political subdivision
17 of the state submits application materials to the authority to
18 provide any of its insurance programs by contract with the authority,
19 as provided in RCW 41.04.205 and 41.05.021(1)(g); (ii) employees of
20 employee organizations representing state civil service employees, at
21 the option of each such employee organization; (iii) through December
22 31, 2019, employees of a school district if the authority agrees to
23 provide any of the school districts' insurance programs by contract
24 with the authority as provided in RCW 28A.400.350; (iv) employees of
25 a tribal government, if the governing body of the tribal government
26 seeks and receives the approval of the authority to provide any of
27 its insurance programs by contract with the authority, as provided in
28 RCW 41.05.021(1) (f) and (g); (v) employees of the Washington health
29 benefit exchange if the governing board of the exchange established
30 in RCW 43.71.020 seeks and receives approval of the authority to
31 provide any of its insurance programs by contract with the authority,
32 as provided in RCW 41.05.021(1) (g) and (n); and (vi) through
33 December 31, 2019, employees of a charter school established under
34 chapter 28A.710 RCW. "Employee" does not include: Adult family home
35 providers; unpaid volunteers; patients of state hospitals; inmates;
36 employees of the Washington state convention and trade center as
37 provided in RCW 41.05.110; students of institutions of higher
38 education as determined by their institution; and any others not
39 expressly defined as employees under this chapter or by the authority
40 under this chapter.

1 (b) ((Effective)) Beginning January 1, 2020, subject to section 2
2 of this act, "employee" for the school employees' benefits board
3 program includes all employees of school districts, educational
4 service districts, and charter schools established under chapter
5 28A.710 RCW, unless those employees are employed in a district that
6 is exempted from the school employees' benefits board program under
7 RCW 41.05.050(4)(d).

8 (7) "Employee group" means employees of a similar employment
9 type, such as administrative, represented classified, nonrepresented
10 classified, confidential, represented certificated, or nonrepresented
11 certificated, within a school district.

12 (8)(a) "Employer" for the public employees' benefits board
13 program means the state of Washington.

14 (b) "Employer" for the school employees' benefits board program
15 means school districts and educational service districts and charter
16 schools established under chapter 28A.710 RCW, unless the district is
17 exempted from the school employees' benefits board program under RCW
18 41.05.050(4)(d).

19 (9) "Employer group" means those counties, municipalities,
20 political subdivisions, the Washington health benefit exchange,
21 tribal governments, school districts, and educational service
22 districts, and employee organizations representing state civil
23 service employees, obtaining employee benefits through a contractual
24 agreement with the authority.

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

30 (b) "Employing agency" for the school employees' benefits board
31 program means school districts and educational service districts.

32 (11) "Faculty" means an academic employee of an institution of
33 higher education whose workload is not defined by work hours but
34 whose appointment, workload, and duties directly serve the
35 institution's academic mission, as determined under the authority of
36 its enabling statutes, its governing body, and any applicable
37 collective bargaining agreement.

38 (12) "Flexible benefit plan" means a benefit plan that allows
39 employees to choose the level of health care coverage provided and

1 the amount of employee contributions from among a range of choices
2 offered by the authority.

3 (13) "Insuring entity" means an insurer as defined in chapter
4 48.01 RCW, a health care service contractor as defined in chapter
5 48.44 RCW, or a health maintenance organization as defined in chapter
6 48.46 RCW.

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

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

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

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

22 (18) "Retired or disabled school employee" means:

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

26 (b) Persons who separate from employment with a school district,
27 educational service district, or charter school on or after October
28 1, 1993, and immediately upon separation receive a retirement
29 allowance under chapter 41.32, 41.35, or 41.40 RCW;

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

34 (19) "Salary" means a state employee's monthly salary or wages.

35 (20) "Salary reduction plan" means a benefit plan whereby state
36 and public employees may agree to a reduction of salary on a pretax
37 basis to participate in the dependent care assistance program,
38 medical flexible spending arrangement, or premium payment plan
39 offered pursuant to 26 U.S.C. Sec. 125 or other sections of the
40 internal revenue code.

1 (21) "School employees' benefits board" means the board
2 established in RCW 41.05.740.

3 (22) "School employees' benefits board participating
4 organization" means a public school district or educational service
5 district or charter school established under chapter 28A.710 RCW that
6 participates in benefit plans provided by the school employees'
7 benefits board.

8 (23) "Seasonal employee" means a state employee hired to work
9 during a recurring, annual season with a duration of three months or
10 more, and anticipated to return each season to perform similar work.

11 (24) "Separated employees" means persons who separate from
12 employment with an employer as defined in:

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

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

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

16 and who are at least age fifty-five and have at least ten years of
17 service under the teachers' retirement system plan 3 as defined in
18 RCW 41.32.010(33), the Washington school employees' retirement system
19 plan 3 as defined in RCW 41.35.010, or the public employees'
20 retirement system plan 3 as defined in RCW 41.40.010.

21 (25) "State purchased health care" or "health care" means medical
22 and health care, pharmaceuticals, and medical equipment purchased
23 with state and federal funds by the department of social and health
24 services, the department of health, the basic health plan, the state
25 health care authority, the department of labor and industries, the
26 department of corrections, the department of veterans affairs, and
27 local school districts.

28 (26) "Tribal government" means an Indian tribal government as
29 defined in section 3(32) of the employee retirement income security
30 act of 1974, as amended, or an agency or instrumentality of the
31 tribal government, that has government offices principally located in
32 this state.

33 **Sec. 5.** RCW 41.05.022 and 2017 3rd sp.s. c 13 s 804 are each
34 amended to read as follows:

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

37 (2) On and after January 1, 1995, at least the following state-
38 purchased health services programs shall be merged into a single,
39 community-rated risk pool: Health benefits for groups of employees of

1 school districts and educational service districts that voluntarily
2 purchase health benefits as provided in RCW 41.05.011 through
3 December 31, 2019; health benefits for state employees; health
4 benefits for eligible retired or disabled school employees not
5 eligible for parts A and B of medicare; and health benefits for
6 eligible state retirees not eligible for parts A and B of medicare.

7 (3) On and after January 1, 2020, subject to section 2 of this
8 act, health benefits for groups of employees of school districts and
9 educational service districts shall be merged into a single,
10 community-rated risk pool separate and distinct from the pool
11 described in subsection (2) of this section.

12 (4) By December 15, 2018, the health care authority, in
13 consultation with the public employees' benefits board and the school
14 employees' benefits board, shall submit to the appropriate committees
15 of the legislature a complete analysis of the most appropriate risk
16 pool for the retired and disabled school employees, to include at a
17 minimum an analysis of the size of the nonmedicare and medicare
18 retiree enrollment pools, the impacts on cost for state and school
19 district retirees of moving retirees from one pool to another, the
20 need for and the amount of an ongoing retiree subsidy allocation from
21 the active school employees, and the timing and suggested approach
22 for a transition from one risk pool to another.

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

25 (a) Require that a public agency that provides subsidies for a
26 substantial portion of services now covered under the basic health
27 plan use uniform eligibility processes, insofar as may be possible,
28 and ensure that multiple eligibility determinations are not required;

29 (b) Require that a health care provider or a health care facility
30 that receives funds from a public program provide care to state
31 residents receiving a state subsidy who may wish to receive care from
32 them, and that an insuring entity that receives funds from a public
33 program accept enrollment from state residents receiving a state
34 subsidy who may wish to enroll with them;

35 (c) Strive to integrate purchasing for all publicly sponsored
36 health services in order to maximize the cost control potential and
37 promote the most efficient methods of financing and coordinating
38 services;

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

4 (e) Ensure the control of benefit costs under managed competition
5 by adopting rules to prevent employers from entering into an
6 agreement with employees or employee organizations when the agreement
7 would result in increased utilization in public employees' benefits
8 board or school (~~employee[s-]~~) employees' benefits board plans or
9 reduce the expected savings of managed competition.

10 **Sec. 6.** RCW 41.05.050 and 2017 3rd sp.s. c 13 s 806 are each
11 amended to read as follows:

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

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

28 (3) The contributions of any: (a) Department, division, or
29 separate agency of the state government; (b) county, municipal, or
30 other political subdivisions; (c) any tribal government as are
31 covered by this chapter; and (d) school districts and educational
32 service districts, shall be set by the authority, subject to the
33 approval of the governor for availability of funds as specifically
34 appropriated by the legislature for that purpose. Insurance and
35 health care contributions for ferry employees shall be governed by
36 RCW 47.64.270.

37 (4)(a) Until January 1, 2020 or when the conditions of section 2
38 of this act are met, the authority shall collect from each
39 participating school district and educational service district an

1 amount equal to the composite rate charged to state agencies, plus an
2 amount equal to the employee premiums by plan and family size as
3 would be charged to state employees, for groups of district employees
4 enrolled in authority plans. The authority may collect these amounts
5 in accordance with the district fiscal year, as described in RCW
6 28A.505.030.

7 (b) For all groups of district employees enrolling in authority
8 plans for the first time after September 1, 2003, and until January
9 1, 2020 or when the conditions of section 2 of this act are met, the
10 authority shall collect from each participating school district an
11 amount equal to the composite rate charged to state agencies, plus an
12 amount equal to the employee premiums by plan and by family size as
13 would be charged to state employees, only if the authority determines
14 that this method of billing the districts will not result in a
15 material difference between revenues from districts and expenditures
16 made by the authority on behalf of districts and their employees. The
17 authority may collect these amounts in accordance with the district
18 fiscal year, as described in RCW 28A.505.030.

19 (c) If the authority determines at any time that the conditions
20 in (b) of this subsection cannot be met, the authority shall offer
21 enrollment to additional groups of district employees on a tiered
22 rate structure until such time as the authority determines there
23 would be no material difference between revenues and expenditures
24 under a composite rate structure for all district employees enrolled
25 in authority plans.

26 (d) Beginning January 1, 2020, subject to section 2 of this act,
27 all school districts and educational service districts shall commence
28 participation in the school employees' benefits board program
29 established under RCW 41.05.740. However, if a school district offers
30 benefits through an employee benefit trust and if the benefits
31 offered through that program meet the minimum requirements in this
32 subsection, those districts may offer basic and optional benefits
33 through that employee benefit trust. Any employee benefit trust must
34 provide, at a minimum, basic benefit plans with generally equivalent
35 actuarial value as those offered by the school employees' benefits
36 board and must do so at a generally equivalent cost for individual
37 employees and for employees with family coverage. For purposes of
38 this subsection, "generally equivalent" is defined as within ten
39 percent. In any year in which a school district trust does not meet
40 the minimum requirements of this subsection, the district must bring

1 its benefit program into compliance with the minimum requirements by
2 the beginning of the next school year or transition to the school
3 employees' benefits board if such compliance is not met for the
4 second consecutive year. All school districts and educational service
5 districts, and all district employee groups participating in the
6 public employees' benefits board plans before January 1, 2020, shall
7 thereafter participate in the school employees' benefits board
8 program administered by the authority.

9 (e) For the purposes of this subsection:

10 (i) "District" means school district and educational service
11 district; and

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

14 (f) Notwithstanding this subsection and RCW 41.05.065(4), the
15 authority may allow districts enrolled on a tiered rate structure
16 prior to September 1, 2002, and until January 1, 2020, to continue
17 participation based on the same rate structure and under the same
18 conditions and eligibility criteria.

19 (5) The authority shall transmit a recommendation for the amount
20 of the employer contributions to the governor and the director of
21 financial management for inclusion in the proposed budgets submitted
22 to the legislature.

23 **Sec. 7.** RCW 28A.400.280 and 2017 3rd sp.s. c 13 s 815 are each
24 amended to read as follows:

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

30 (2) School districts may provide employer contributions after
31 October 1, 1990, (~~and until December 31, 2019,~~) for optional
32 benefit plans, in addition to basic benefits. Optional benefits may
33 include direct agreements as defined in chapter 48.150 RCW, and may
34 include employee beneficiary accounts that can be liquidated by the
35 employee on termination of employment. Optional benefit plans may be
36 offered only if:

37 (a) Each full-time employee, regardless of the number of
38 dependents receiving basic coverage, receives the same additional
39 employer contribution for other coverage or optional benefits; and

1 (b) For part-time employees, participation in optional benefit
2 plans shall be governed by the same eligibility criteria and/or
3 proration of employer contributions used for allocations for basic
4 benefits.

5 (3) School districts are not intended to divert state basic
6 benefit allocations for other purposes(~~(, and)~~). Beginning January 1,
7 2020, ((no basic or optional benefits may be provided by employer
8 contributions if they are not provided by)) subject to section 2 of
9 this act, school districts must offer basic benefits through the
10 school employees' benefits board administered by the health care
11 authority, and consistent with RCW 41.56.500(2) unless the school
12 district is exempted from that requirement because it offers an
13 employee benefit trust that meets the minimum requirements of RCW
14 41.05.050(4)(d).

15 (4) Beginning January 1, 2020, subject to section 2 of this act,
16 unless a school district provides benefits through an employee
17 benefit trust under RCW 41.05.050(4)(d), school districts must use
18 the school employees' benefits board optional benefits if offering
19 categories of optional benefits to employees which are part of the
20 school employees' benefits board offerings. If the school employees'
21 benefits board does not have an equivalent category of optional
22 benefits, an employer may offer those optional benefits outside of
23 the school employees' benefits board. Optional benefits are
24 considered an enhancement to the state's definition of basic
25 education.

26 **Sec. 8.** RCW 28A.400.350 and 2017 3rd sp.s. c 13 s 816 are each
27 amended to read as follows:

28 (1) The board of directors of any of the state's school districts
29 or educational service districts may make available medical, dental,
30 vision, liability, life, accident, disability, and salary protection
31 or insurance, direct agreements as defined in chapter 48.150 RCW, or
32 any one of, or a combination of the types of employee benefits
33 enumerated in this subsection, or any other type of insurance or
34 protection, for the members of the boards of directors, the students,
35 and employees of the school district or educational service district,
36 and their dependents. Except as provided in subsection (6) of this
37 section, such coverage may be provided by contracts or agreements
38 with private carriers, with the state health care authority, or
39 through self-insurance or self-funding pursuant to chapter 48.62 RCW,

1 or in any other manner authorized by law. Any direct agreement must
2 comply with RCW 48.150.050.

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

10 (b) After October 1, 1990, school districts may not contribute to
11 any employee protection or insurance other than liability insurance
12 unless the district's employee benefit plan conforms to RCW
13 28A.400.275 and 28A.400.280.

14 (c) After December 31, 2019, school district contributions to any
15 employee insurance that is purchased through the health care
16 authority must conform to the requirements established by chapter
17 41.05 RCW and the school employees' benefits board.

18 (3) For school board members, educational service district board
19 members, and students, the premiums due on such protection or
20 insurance shall be borne by the assenting school board member,
21 educational service district board member, or student. The school
22 district or educational service district may contribute all or part
23 of the costs, including the premiums, of life, health, health care,
24 accident or disability insurance which shall be offered to all
25 students participating in interschool activities on the behalf of or
26 as representative of their school, school district, or educational
27 service district. The school district board of directors and the
28 educational service district board may require any student
29 participating in extracurricular interschool activities to, as a
30 condition of participation, document evidence of insurance or
31 purchase insurance that will provide adequate coverage, as determined
32 by the school district board of directors or the educational service
33 district board, for medical expenses incurred as a result of injury
34 sustained while participating in the extracurricular activity. In
35 establishing such a requirement, the district shall adopt regulations
36 for waiving or reducing the premiums of such coverage as may be
37 offered through the school district or educational service district
38 to students participating in extracurricular activities, for those
39 students whose families, by reason of their low income, would have
40 difficulty paying the entire amount of such insurance premiums. The

1 district board shall adopt regulations for waiving or reducing the
2 insurance coverage requirements for low-income students in order to
3 assure such students are not prohibited from participating in
4 extracurricular interschool activities.

5 (4) All contracts or agreements for insurance or protection
6 written to take advantage of the provisions of this section shall
7 provide that the beneficiaries of such contracts may utilize on an
8 equal participation basis the services of those practitioners
9 licensed pursuant to chapters 18.22, 18.25, 18.53, 18.57, and 18.71
10 RCW.

11 (5)(a) Until the creation of the school employees' benefits board
12 under RCW 41.05.740, school districts offering medical, vision, and
13 dental benefits shall:

14 (i) Offer a high deductible health plan option with a health
15 savings account that conforms to section 223, part VII of subchapter
16 1 of the internal revenue code of 1986. School districts shall comply
17 with all applicable federal standards related to the establishment of
18 health savings accounts;

19 (ii) Make progress toward employee premiums that are established
20 to ensure that full family coverage premiums are not more than three
21 times the premiums for employees purchasing single coverage for the
22 same coverage plan, unless a subsequent premium differential target
23 is defined as a result of the review and subsequent actions described
24 in RCW 41.05.655;

25 (iii) Offer employees at least one health benefit plan that is
26 not a high deductible health plan offered in conjunction with a
27 health savings account in which the employee share of the premium
28 cost for a full-time employee, regardless of whether the employee
29 chooses employee-only coverage or coverage that includes dependents,
30 does not exceed the share of premium cost paid by state employees
31 during the state employee benefits year that started immediately
32 prior to the school year.

33 (b) All contracts or agreements for employee benefits must be
34 held to responsible contracting standards, meaning a fair, prudent,
35 and accountable competitive procedure for procuring services that
36 includes an open competitive process, except where an open process
37 would compromise cost-effective purchasing, with documentation
38 justifying the approach.

39 (c) School districts offering medical, vision, and dental
40 benefits shall also make progress on promoting health care

1 innovations and cost savings and significantly reduce administrative
2 costs.

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

6 (e) Upon notification from the office of the insurance
7 commissioner of a school district's substantial noncompliance with
8 the data reporting requirements of RCW 28A.400.275, and the failure
9 is due to the action or inaction of the school district, and if the
10 noncompliance has occurred for two reporting periods, the
11 superintendent is authorized and required to limit the school
12 district's authority provided in subsection (1) of this section
13 regarding employee health benefits to the provision of health benefit
14 coverage provided by the state health care authority.

15 (6) (~~The authority to make available basic and optional benefits~~
16 ~~to school employees under this section expires December 31, 2019.~~)
17 Beginning January 1, 2020, subject to section 2 of this act, school
18 districts and educational service districts shall make available
19 basic and optional benefits through plans offered by the health care
20 authority and the school employees' benefits board. However, school
21 districts that offer generally equivalent plans, subject to the
22 minimum requirements of RCW 41.05.050(4)(d), may continue to offer
23 basic and optional benefits through an employee benefit trust. In
24 addition, school districts may make available optional benefits that
25 are not offered by the school employees' benefits board.

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