# FINAL BILL REPORT
# SHB 1804

**C 312 L 23**
Synopsis as Enacted

**Brief Description:** Concerning eligibility for participation in the public employees' benefits board for retired or disabled employees of counties, municipalities, and other political subdivisions.

**Sponsors:** House Committee on Appropriations (originally sponsored by Representative Steele).

**House Committee on Appropriations**
**Senate Committee on Ways & Means**

**Background:**

The Health Care Authority (HCA) administers benefits plans, forms benefits contracts, develops participation rules, and, through the Public Employees Benefits Board (PEBB), approves schedules of rates and premiums for state and participating local government employees, and for the retirees of state, kindergarten through twelfth grade (K-12) schools, and participating local government employers.

While participation in PEBB benefits programs is mandatory for state agencies, it is optional for counties, municipalities, other political subdivisions, and tribes. The non-state employers participate in PEBB through the Employer Group program. Employer Group participants must apply to the HCA to participate in the PEBB program and pay a surcharge to account for any increased cost of benefits for the state and state employees that would otherwise occur from local employer participation in the program.

Employees of local government employers that participate in PEBB may continue participation in retirement providing that they individually meet PEBB eligibility requirements, and their former employer continues to participate in the PEBB program. If the non-state employer ceases participating in the PEBB program for active employees, retiree eligibility ceases as well.

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The state provides two forms of subsidy for retirees that choose to participate in retired employee health benefits.  First, the state permits retirees that are not eligible for Medicare, typically those that have not reached age 65, the opportunity to purchase benefits from the same risk pool as active employees.  As a pre-65 retiree is older than the average state employee, and premiums are not adjusted by age, this allows those retirees to purchase benefits at a substantially reduced rate.  This employee pool–participation subsidy is approximately $450 per retiree per month in 2023.  This subsidy is often referred to as the "implicit subsidy."

Second, a health insurance subsidy is provided in PEBB to Medicare-eligible retirees.  This explicit subsidy is set in the state biennial operating budget and currently provides these retirees with a subsidy that is the lesser of half the retiree premium, or $183 per month.  As Medicare pays for the majority of health benefit costs for these retirees, retiree premiums are much less than for non-Medicare retirees, even though the state subsidies are lower. This subsidy is often referred to as the "explicit subsidy."

Retiree subsidies in PEBB are paid for by employers as part of the funding rate charged by HCA for each PEBB-eligible employee.  The system is funded on a pay-as-you-go basis, so the retiree portion of the funding rate paid by employers supports the cost of providing retiree subsidies at effectively the same time the funding rate is paid by employers to HCA.

**Summary:**

The retirees of local government employers that ceased participating in the Public Employees Benefits Board (PEBB) health benefits program for active employees are permitted to continue to purchase retiree coverage from the PEBB program.

Medicare-eligible retirees from local government employers which have ceased participation must purchase the coverage without the explicit subsidy provided in the state biennial operating budget.

Counties, municipalities, or other political subdivisions that join PEBB after the effective date of the act and later cease participating in the PEBB program must pay the Health Care Authority (HCA) a one-time lump sum that is actuarially equivalent to the value of continuing retiree subsidies for that employer's former employees not yet eligible for Medicare that are participating in the risk pool with active employees.  These lump-sum payments are not refundable if an employer re-joins the PEBB program.  Retirees whose participation in PEBB retiree benefits contracts ended on or before January 1, 2023, due to the withdrawal of a former employer from the PEBB program may return to PEBB by notifying the HCA in writing by December 31, 2023.

**Votes on Final Passage:**

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| House | 97 | 0 |

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| Senate | 49 | 0 | (Senate amended) |
| House | 96 | 0 | (House concurred) |

**Effective:** May 4, 2023