

HOUSE BILL REPORT

SSB 5696

As Reported by House Committee On:
Appropriations

Title: An act relating to eligibility for participation in the public employees' benefits board for retired or disabled employees of counties, municipalities, and other political subdivisions.

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: Senate Committee on Ways & Means (originally sponsored by Senators Robinson and Hunt).

Brief History:

Committee Activity:

Appropriations: 3/16/23, 3/23/23 [DPA].

Brief Summary of Substitute Bill
(As Amended By Committee)

- Permits the retirees of local government employers that ceased participating in the Public Employees Benefits Board (PEBB) health benefits program for active employees to continue to purchase coverage in the program.
- Requires Medicare-eligible retirees from local government employers that have ceased participation in PEBB to purchase the coverage without the explicit subsidy provided in the state biennial operating budget.
- Requires new employers that join PEBB to agree that upon leaving the program, they will make a one-time payment for monthly subsidies for pre-Medicare retirees that are eligible to continue participation in PEBB.

HOUSE COMMITTEE ON APPROPRIATIONS

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

Majority Report: Do pass as amended. Signed by 31 members: Representatives Ormsby, Chair; Bergquist, Vice Chair; Gregerson, Vice Chair; Macri, Vice Chair; Stokesbary, Ranking Minority Member; Chambers, Assistant Ranking Minority Member; Corry, Assistant Ranking Minority Member; Berg, Chandler, Chopp, Connors, Couture, Davis, Dye, Fitzgibbon, Hansen, Harris, Lekanoff, Pollet, Riccelli, Rude, Ryu, Sandlin, Schmick, Senn, Simmons, Slatter, Springer, Steele, Stonier and Tharinger.

Staff: David Pringle (786-7310).

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 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.

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. Even without the employer contribution, 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 the 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 the HCA.

Summary of Amended Bill:

The retirees of local government employers that ceased participating in the 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.

Employers that join PEBB after the effective date of the act and subsequently cease participating in the PEBB program must make a one-time payment sufficient to cover the pre-Medicare subsidy costs for retirees eligible to participate in the program.

Amended Bill Compared to Substitute Bill:

The amended bill changed references to counties, municipalities, and other local governments to use the term "employer group" consistent with existing law.

The amended bill also added provisions requiring that employer groups that contract to participate in PEBB after the effective date of the act and subsequently withdraw from PEBB must make a one-time payment into the program. The amendment specified this payment is for the actuarial cost of monthly subsidies for pre-Medicare retirees that will continue to be eligible for PEBB retiree coverage under the terms of the bill.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Amended Bill: The bill contains an emergency clause and takes effect immediately.

Staff Summary of Public Testimony:

(In support) As a retiree from the Snohomish County Health District, I became aware that my health benefits were going to stop because the Health District was being merged into Snohomish County. This bill would enable continued access to the retiree health benefits coverage.

(Opposed) None.

(Other) This bill deals with a complex issue. Few members of the Employer Group program have left the PEBB program, but when they leave it can greatly impact retirees. There is a technical amendment to the bill that will clarify the amendment to the House companion bill. The amendment also only applies prospectively, and the HCA will be sure to understand that new employers understand the implications.

Persons Testifying: (In support) Jackie Tomlinson; and Nathan Kennedy.

(Other) David Iseminger, Washington State Health Care Authority.

Persons Signed In To Testify But Not Testifying: None.