

HOUSE BILL REPORT

HB 2857

*As Reported By House Committee on:
Appropriations*

Title: An act relating to school retirees' health insurance coverage.

Brief Description: Providing for continued health care benefit coverage of retired and disabled school district employees and their dependents.

Sponsor(s): Representatives Hine, Locke, Spanel, Ferguson, Jones, Dorn, Paris, Kremen, G. Fisher, Brough, Pruitt, Rayburn, Prentice, Franklin, Ogden, Roland, Sheldon, Nelson, Bowman, Leonard, Belcher, Orr, Brekke, Bray, H. Myers, Rasmussen, Fraser, G. Cole, O'Brien, J. Kohl and Anderson.

Brief History:

Reported by House Committee on:
Appropriations, February 5, 1992, DPS.

**HOUSE COMMITTEE ON
APPROPRIATIONS**

Majority Report: *The substitute bill be substituted therefor and the substitute bill do pass.* Signed by 22 members: Representatives Locke, Chair; Spanel, Vice Chair; Morton, Assistant Ranking Minority Member; Bowman; Brekke; Carlson; Dorn; Ebersole; Ferguson; Fuhrman; Hine; May; Mielke; Nealey; Peery; Pruitt; Rust; D. Sommers; H. Sommers; Valle; Vance; and Wang.

Staff: Barbara McLain (786-7153).

Background: State employees who are retired or disabled may continue their participation in insurance plans offered by the State Employees' Benefits Board. The premium rates for these retirees are developed from an experience pool that includes active employees. This rating system results in a subsidy for retirees under age 65 of about 40 percent of the cost of their premiums.

There are no similar provisions in state law regarding school district employees' ability to continue participation in group insurance plans offered through their districts. Federal law under the Consolidated Omnibus Budget Reconciliation Act (COBRA) requires that

retirees be allowed to continue group coverage for medical, dental or vision insurance at no more than 102 percent of the group rate for a period of 18 months, or until the retiree becomes eligible for Medicare. This 102 percent premium cap results in a subsidy similar to that granted to state retirees.

In 1991, the Legislature passed SSB 5873 (chapter 254, Laws of 1991), which extended COBRA coverage for certain school district employees for a period of 30 months, rather than 18 months. The bill also directed the Health Care Authority to study the issue of insurance coverage for school district employees, but the study provision was vetoed by the governor. In addition, insurance companies and school districts have expressed concern that the law as currently written is difficult to interpret and administer.

Summary of Substitute Bill: Insurance policies created to provide benefits to school district employees and their dependents must allow retired or disabled employees to continue medical, dental, or vision coverage under the group policy until June 30, 1994, or until the employee becomes eligible for Medicare, whichever comes first. "Retired employee" is defined as someone who is eligible at the time of separation from service to begin receiving a state retirement allowance.

The terms of this continued coverage must conform to standards for continued coverage under the federal Consolidated Omnibus Budget Reconciliation Act (COBRA). This period of continued coverage runs concurrently with any period provided by the federal government under COBRA. The Superintendent of Public Instruction must adopt rules to implement the continued coverage.

A previous law allowing continued coverage for retired school district employees for up to 30 months is repealed, but the continued coverage to 1994 applies to the same employees as the previous law. That is, continued coverage to 1994 applies to: (1) school district employees who retired or lost insurance coverage due to disability after July 28, 1991; (2) employees who retired or lost coverage due to disability within the 18-month period ending on July 28, 1991; and (3) employees who retired or lost coverage due to disability prior to January 28, 1990, and who were covered by their district's insurance plan on January 1, 1991.

The Health Care Authority is directed to study alternatives for making appropriate health insurance coverage available to retired and disabled school

district employees and to develop estimated costs and funding mechanisms to provide such coverage, including alternatives for partial subsidization of costs by active employees or the state. The Health Care Authority's findings and recommendations are due January 15, 1993. The study provisions are null and void without funding in the budget.

Substitute Bill Compared to Original Bill: "Retired employee" is defined as someone who is eligible at the time of separation from service to begin receiving a state retirement allowance. The Superintendent of Public Instruction is required to adopt rules to implement the bill. Language is clarified so that the period of continued coverage is until June 30, 1994, or until the person becomes eligible for Medicare, whichever occurs first.

Fiscal Note: Requested January 31, 1992.

Effective Date of Substitute Bill: Ninety days after adjournment of session in which bill is passed.

Testimony For: One of the most pressing problems for K-12 employees is access to continued health insurance at a reasonable cost upon retirement. The current insurance picture for retired K-12 employees is confusing, stressful, and inequitable when compared to coverage guaranteed to state retirees. This bill provides a temporary extension of continued coverage and the study offers hope of a long-term solution.

Testimony Against: None.

Witnesses: Bob Waldo, Coalition of Retired Higher Education Employees; Lee Ozmun, Retired Teachers Association; Walter Ball, Washington Principals Association; Lynn McKinnon, Public School Employees Association; and Karen Davis, Washington Education Association.