

SENATE BILL REPORT

SHB 2857

AS REPORTED BY COMMITTEE ON WAYS & MEANS, FEBRUARY 26, 1992

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

SPONSORS: House Committee on Appropriations (originally sponsored by 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)

HOUSE COMMITTEE ON APPROPRIATIONS

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended.

Signed by Senators McDonald, Chairman; Craswell, Vice Chairman; Amondson, Bailey, Bluechel, Cantu, Gaspard, Hayner, M. Kreidler, Metcalf, Murray, Newhouse, Owen, Rinehart, Saling, Talmadge, West, and Wojahn.

Staff: Denise Graham (786-7715)

Hearing Dates: February 25, 1992; February 26, 1992

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.

SUMMARY:

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.

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 contingent on funding in the budget.

Appropriation: none

Revenue: none

Fiscal Note: available

SUMMARY OF PROPOSED SENATE AMENDMENTS:

Group health insurance policies for retired school district employees may not require that premiums be paid by deduction from a retiree's retirement allowance if the payment exceeds the retirement allowance. When the premium exceeds a retirement allowance, the premium may be paid directly.

TESTIMONY FOR:

The study is needed to determine the demographic characteristics of the population of retired school district employees so that costs of alternative methods of providing health care coverage can be determined. The COBRA provisions in the bill help those who retired after 1991, and the study is needed to help determine what should be done for those who retired before that date.

TESTIMONY AGAINST: None

TESTIFIED: PRO: Lee Ozmun, WA State Retired Teachers' Assn.; David Westberg, Joint Council of Stationary Engineers; Bob Waldo, Retired Employees Health Insurance Advisory Committee; Karen Davis, WA Education Assn.; Walter Ball, Assn. of WA School Principals