
SENATE BILL 6605

State of Washington

53rd Legislature

1994 Regular Session

By Senator Rinehart

Read first time 02/16/94. Referred to Committee on Ways & Means.

1 AN ACT Relating to health insurance for retired and disabled state
2 and school district employees; amending RCW 41.05.022, 41.05.075,
3 41.05.080, 41.05.120, and 28A.400.400; reenacting and amending RCW
4 41.05.011, 41.05.050, 41.05.065, and 41.05.140; adding a new section to
5 chapter 41.05 RCW; creating new sections; repealing RCW 41.05.250,
6 41.05.260, 41.05.270, and 28A.400.400; and providing effective dates.

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

8 NEW SECTION. **Sec. 1.** It is the intent of the legislature to
9 increase access to health insurance for retired and disabled state and
10 school district employees and to increase equity between state and
11 school employees and between state and school retirees.

12 **Sec. 2.** RCW 41.05.011 and 1993 c 492 s 214 and 1993 c 386 s 5 are
13 each reenacted and amended to read as follows:

14 Unless the context clearly requires otherwise, the definitions in
15 this section shall apply throughout this chapter.

16 (1) "Administrator" means the administrator of the authority.

17 (2) "State purchased health care" or "health care" means medical
18 and health care, pharmaceuticals, and medical equipment purchased with

1 state and federal funds by the department of social and health
2 services, the department of health, the basic health plan, the state
3 health care authority, the department of labor and industries, the
4 department of corrections, the department of veterans affairs, and
5 local school districts.

6 (3) "Authority" means the Washington state health care authority.

7 (4) "Insuring entity" means an insurer as defined in chapter 48.01
8 RCW, a health care service contractor as defined in chapter 48.44 RCW,
9 or a health maintenance organization as defined in chapter 48.46 RCW.
10 On and after July 1, 1995, "insuring entity" means a certified health
11 plan, as defined in RCW 43.72.010.

12 (5) "Flexible benefit plan" means a benefit plan that allows
13 employees to choose the level of health care coverage provided and the
14 amount of employee contributions from among a range of choices offered
15 by the authority.

16 (6) "Employee" includes all full-time and career seasonal employees
17 of the state, whether or not covered by civil service; elected and
18 appointed officials of the executive branch of government, including
19 full-time members of boards, commissions, or committees; and includes
20 any or all part-time and temporary employees under the terms and
21 conditions established under this chapter by the authority; justices of
22 the supreme court and judges of the court of appeals and the superior
23 courts; and members of the state legislature or of the legislative
24 authority of any county, city, or town who are elected to office after
25 February 20, 1970. "Employee" also includes: (a) By October 1, 1995,
26 all employees of school districts and educational service districts.
27 Between October 1, 1994, and September 30, 1995, "employee" includes
28 employees of those school districts and educational service districts
29 for whom the authority has undertaken the purchase of insurance
30 benefits. The transition to insurance benefits purchasing by the
31 authority may not disrupt existing insurance contracts between school
32 district or educational service district employees and insurers.
33 However, except to the extent provided in RCW 28A.400.200, any such
34 contract that provides for health insurance benefits coverage after
35 October 1, 1995, shall be void as of that date if the contract was
36 entered into, renewed, or extended after July 1, 1993. Prior to
37 October 1, 1994, "employee" includes employees of a school district if
38 the board of directors of the school district seeks and receives the
39 approval of the authority to provide any of its insurance programs by

1 contract with the authority; (b) employees of a county, municipality,
2 or other political subdivision of the state if the legislative
3 authority of the county, municipality, or other political subdivision
4 of the state seeks and receives the approval of the authority to
5 provide any of its insurance programs by contract with the authority,
6 as provided in RCW 41.04.205; (c) employees of employee organizations
7 representing state civil service employees, at the option of each such
8 employee organization, and, effective October 1, 1995, employees of
9 employee organizations currently pooled with employees of school
10 districts for the purpose of purchasing insurance benefits, at the
11 option of each such employee organization.

12 (7) "Board" means the public employees' benefits board established
13 under RCW 41.05.055.

14 (8) "Retired or disabled school employee" means:

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

18 (b) Persons who separate from employment with a school district or
19 educational service district on or after October 1, 1993, and
20 immediately upon separation receive a retirement allowance under
21 chapter 41.32 or 41.40 RCW;

22 (c) Persons who separate from employment with a school district or
23 educational service district (~~((on or after October 1, 1993,))~~) due to a
24 total and permanent disability, and are eligible to receive a deferred
25 retirement allowance under chapter 41.32 or 41.40 RCW.

26 **Sec. 3.** RCW 41.05.022 and 1993 c 492 s 227 are each amended to
27 read as follows:

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

30 (2) On and after (~~(July)~~) January 1, 1995, at least the following
31 state-purchased health services programs shall be merged into a single,
32 community-rated risk pool: (~~((The basic health plan;))~~) Health benefits
33 for employees of school districts and educational service districts;
34 ((and)) health benefits for state employees; health benefits for
35 eligible retired or disabled school employees not eligible for parts A
36 and B of medicare; and health benefits for eligible state retirees not
37 eligible for parts A and B of medicare. Beginning July 1, 1995, the
38 basic health plan shall be included in the risk pool. ((Until that

1 ~~date, in purchasing health services, the health care authority shall~~
2 ~~maintain separate risk pools for each of the programs in this~~
3 ~~subsection.))~~ The administrator may develop mechanisms to ensure that
4 the cost of comparable benefits packages does not vary widely across
5 the risk pools before they are merged. At the earliest opportunity the
6 governor shall seek necessary federal waivers and state legislation to
7 place the medical and acute care components of the medical assistance
8 program, the limited casualty program, and the medical care services
9 program of the department of social and health services in this single
10 risk pool. Long-term care services that are provided under the medical
11 assistance program shall not be placed in the single risk pool until
12 such services have been added to the uniform benefits package. On or
13 before January 1, 1997, the governor shall submit necessary legislation
14 to place the purchasing of health benefits for persons incarcerated in
15 institutions administered by the department of corrections into the
16 single community-rated risk pool effective on and after July 1, 1997.

17 (3) At a minimum, and regardless of other legislative enactments,
18 the state health services purchasing agent shall:

19 (a) Require that a public agency that provides subsidies for a
20 substantial portion of services now covered under the basic health plan
21 or a uniform benefits package as adopted by the Washington health
22 services commission as provided in RCW 43.72.130, use uniform
23 eligibility processes, insofar as may be possible, and ensure that
24 multiple eligibility determinations are not required;

25 (b) Require that a health care provider or a health care facility
26 that receives funds from a public program provide care to state
27 residents receiving a state subsidy who may wish to receive care from
28 them consistent with the provisions of chapter 492, Laws of 1993, and
29 that a health maintenance organization, health care service contractor,
30 insurer, or certified health plan that receives funds from a public
31 program accept enrollment from state residents receiving a state
32 subsidy who may wish to enroll with them under the provisions of
33 chapter 492, Laws of 1993;

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

1 (d) Annually suggest changes in state and federal law and rules to
2 bring all publicly funded health programs in compliance with the goals
3 and intent of chapter 492, Laws of 1993;

4 (e) Consult regularly with the governor, the legislature, and state
5 agency directors whose operations are affected by the implementation of
6 this section.

7 **Sec. 4.** RCW 41.05.050 and 1993 c 492 s 216 and 1993 c 386 s 7 are
8 each reenacted and amended to read as follows:

9 (1) Every department, division, or separate agency of state
10 government, and such county, municipal, school district, educational
11 service district, or other political subdivisions as are covered by
12 this chapter, shall provide contributions to insurance and health care
13 plans for its employees and their dependents, the content of such plans
14 to be determined by the authority. Contributions, paid by the county,
15 the municipality, school district, educational service district, or
16 other political subdivision for their employees, shall include an
17 amount determined by the authority to pay such administrative expenses
18 of the authority as are necessary to administer the plans for employees
19 of those groups. Until October 1, 1995, contributions to be paid by
20 school districts or educational service districts shall be adjusted by
21 the authority to reflect ((that retired school employees are covered
22 under RCW 41.05.250, and are not covered under RCW 41.05.080. All such
23 contributions will be paid into the public employees' health insurance
24 account)) the remittance provided under RCW 28A.400.400.

25 (2) The contributions of any department, division, or separate
26 agency of the state government, and such county, municipal, or other
27 political subdivisions as are covered by this chapter, shall be set by
28 the authority, subject to the approval of the governor for availability
29 of funds as specifically appropriated by the legislature for that
30 purpose. Insurance and health care contributions for ferry employees
31 shall be governed by RCW 47.64.270 until December 31, 1996. On and
32 after January 1, 1997, ferry employees shall enroll with certified
33 health plans under chapter 492, Laws of 1993.

34 (3) The administrator with the assistance of the public employees'
35 benefits board shall survey private industry and public employers in
36 the state of Washington to determine the average employer contribution
37 for group insurance programs under the jurisdiction of the authority.
38 Such survey shall be conducted during each even-numbered year but may

1 be conducted more frequently. The survey shall be reported to the
2 authority for its use in setting the amount of the recommended employer
3 contribution to the employee insurance benefit program covered by this
4 chapter. The authority shall transmit a recommendation for the amount
5 of the employer contribution to the governor and the director of
6 financial management for inclusion in the proposed budgets submitted to
7 the legislature.

8 **Sec. 5.** RCW 41.05.065 and 1993 c 492 s 218 and 1993 c 386 s 9 are
9 each reenacted and amended to read as follows:

10 (1) The board shall study all matters connected with the provision
11 of health care coverage, life insurance, liability insurance,
12 accidental death and dismemberment insurance, and disability income
13 insurance or any of, or a combination of, the enumerated types of
14 insurance for employees and their dependents on the best basis possible
15 with relation both to the welfare of the employees and to the state,
16 however liability insurance shall not be made available to dependents.

17 (2) The public employees' benefits board shall develop employee
18 benefit plans that include comprehensive health care benefits for all
19 employees. In developing these plans, the board shall consider the
20 following elements:

21 (a) Methods of maximizing cost containment while ensuring access to
22 quality health care;

23 (b) Development of provider arrangements that encourage cost
24 containment and ensure access to quality care, including but not
25 limited to prepaid delivery systems and prospective payment methods;

26 (c) Wellness incentives that focus on proven strategies, such as
27 smoking cessation, exercise, automobile and motorcycle safety, blood
28 cholesterol reduction, and nutrition education;

29 (d) Utilization review procedures including, but not limited to
30 prior authorization of services, hospital inpatient length of stay
31 review, requirements for use of outpatient surgeries and second
32 opinions for surgeries, review of invoices or claims submitted by
33 service providers, and performance audit of providers;

34 (e) Effective coordination of benefits;

35 (f) Minimum standards for insuring entities; and

36 (g) Minimum scope and content of standard benefit plans to be
37 offered to enrollees participating in the employee health benefit
38 plans. On and after July 1, 1995, the uniform benefits package shall

1 constitute the minimum level of health benefits offered to employees.
2 To maintain the comprehensive nature of employee health care benefits,
3 employee eligibility criteria related to the number of hours worked and
4 the benefits provided to employees shall be substantially equivalent to
5 the state employees' health benefits plan and eligibility criteria in
6 effect on January 1, 1993.

7 (3) The board shall design benefits and determine the terms and
8 conditions of employee participation and coverage, including
9 establishment of eligibility criteria.

10 (4) The board shall attempt to achieve enrollment of all employees
11 and retirees in managed health care systems by July 1994.

12 The board may authorize premium contributions for an employee and
13 the employee's dependents in a manner that encourages the use of cost-
14 efficient managed health care systems.

15 (5) Employees shall choose participation in one of the health care
16 benefit plans developed by the board.

17 (6) The board shall review plans proposed by insurance carriers
18 that desire to offer property insurance and/or accident and casualty
19 insurance to state employees through payroll deduction. The board may
20 approve any such plan for payroll deduction by carriers holding a valid
21 certificate of authority in the state of Washington and which the board
22 determines to be in the best interests of employees and the state. The
23 board shall promulgate rules setting forth criteria by which it shall
24 evaluate the plans.

25 ~~((7) The board shall develop benefit plans that provide health
26 care benefits for retired or disabled school employees and their
27 dependents, and shall establish terms and conditions of coverage under
28 the plans. The board shall make available separate and appropriate
29 plans that supplement medicare for retired or disabled school employees
30 who are eligible for federal medicare coverage. The board shall also
31 consider the elements referenced in subsection (2) of this section in
32 developing the plans.))~~

33 **Sec. 6.** RCW 41.05.075 and 1993 c 386 s 10 are each amended to read
34 as follows:

35 (1) The administrator shall provide benefit plans designed by the
36 board through a contract or contracts with insuring entities, through
37 self-funding, self-insurance, or other methods of providing insurance
38 coverage authorized by RCW 41.05.140.

1 (2) The administrator shall establish a contract bidding process
2 that:

3 (a) Encourages competition among insuring entities((~~7~~));

4 (b) Maintains an equitable relationship between premiums charged
5 for similar benefits and between risk pools including premiums charged
6 for retired state and school district employees under the separate risk
7 pools established by RCW 41.05.022 and 41.05.080 such that insuring
8 entities may not avoid risk when establishing the premium rates for
9 retirees eligible for medicare;

10 (c) Is timely to the state budgetary process((~~7~~)); and

11 (d) Sets conditions for awarding contracts to any insuring entity.

12 (3) The administrator shall establish a requirement for review of
13 utilization and financial data from participating insuring entities on
14 a quarterly basis.

15 (4) The administrator shall centralize the enrollment files for all
16 employee and retired or disabled school employee health plans offered
17 under chapter 41.05 RCW and develop enrollment demographics on a plan-
18 specific basis.

19 (5) The administrator shall establish methods for collecting,
20 analyzing, and disseminating to covered individuals information on the
21 cost and quality of services rendered by individual health care
22 providers.

23 (6) All claims data shall be the property of the state. The
24 administrator may require of any insuring entity that submits a bid to
25 contract for coverage all information deemed necessary including
26 subscriber or member demographic and claims data necessary for risk
27 assessment and adjustment calculations in order to fulfill the
28 administrator's duties as set forth in this chapter.

29 (7) All contracts with insuring entities for the provision of
30 health care benefits shall provide that the beneficiaries of such
31 benefit plans may use on an equal participation basis the services of
32 practitioners licensed pursuant to chapters 18.22, 18.25, 18.32, 18.53,
33 18.57, 18.71, 18.74, 18.83, and 18.88 RCW. However, nothing in this
34 subsection may preclude the administrator from establishing appropriate
35 utilization controls approved pursuant to RCW 41.05.065(2) (a)((~~i~~)),
36 (b), and (d).

37 (8) Beginning in January 1990, and each January thereafter until
38 January 1996, the administrator shall publish and distribute to each
39 school district a description of health care benefit plans available

1 through the authority and the estimated cost if school district
2 employees were enrolled.

3 **Sec. 7.** RCW 41.05.080 and 1993 c 386 s 11 are each amended to read
4 as follows:

5 Retired or disabled state employees, retired or disabled school
6 employees, or employees of county, municipal, or other political
7 subdivisions covered by this chapter who are retired(~~(, but not~~
8 ~~including retired or disabled school employees,~~) may continue their
9 participation in insurance plans and contracts after retirement or
10 disablement, under the qualifications, terms, conditions, and benefits
11 set by the board: PROVIDED, That the rates charged (~~(such retired or~~
12 ~~disabled employees for health care will be developed from the same~~
13 ~~experience pool as active employees)~~) retired or disabled employees,
14 spouses, or dependent children who are not eligible for parts A and B
15 of medicare shall be based on the experience of the community rated
16 risk pool established under RCW 41.05.022: PROVIDED FURTHER, That
17 rates charged to retired or disabled employees, spouses, or children
18 who are eligible for parts A and B of medicare shall be calculated from
19 a separate experience risk pool comprised only of individuals eligible
20 for parts A and B of medicare; however, the premiums charged to
21 medicare-eligible retirees and disabled employees shall be reduced by
22 the amount of the subsidy provided under section 8 of this act:
23 PROVIDED FURTHER, That (~~(such)~~) retired or disabled employees shall
24 (~~(bear the full cost of premiums required to provide such coverage)~~) be
25 responsible for payment of premium rates developed by the authority
26 which shall include the cost to the authority of providing insurance
27 coverage including any amounts necessary for reserves and
28 administration in accordance with this chapter: PROVIDED FURTHER, That
29 such self pay rates will be established based on a separate rate for
30 the employee, the spouse, and the children((: PROVIDED FURTHER, That
31 rates for a retired or disabled employee, spouse, or child who is
32 eligible for and who elects to apply for medicare will be actuarially
33 reduced to reflect the value of Part A and Part B of medicare)). The
34 term "retired state employees" for the purpose of this section shall
35 include but not be limited to members of the legislature whether
36 voluntarily or involuntarily leaving state office.

1 NEW SECTION. **Sec. 8.** A new section is added to chapter 41.05 RCW
2 to read as follows:

3 Beginning with the appropriations act for the 1995-1997 biennium,
4 the legislature shall establish as part of both the state employees'
5 and the school and educational service district employees' insurance
6 benefit allocation the portion of the allocation to be used to provide
7 a subsidy to reduce the health care insurance premiums charged to
8 retired or disabled school district and educational service district
9 employees, or retired state employees, who are eligible for parts A and
10 B of medicare. The amount of any premium reduction shall be
11 established by the board, but shall not result in a premium reduction
12 of more than fifty percent. The board may also determine the amount of
13 any subsidy to be available to spouses and dependents.

14 **Sec. 9.** RCW 41.05.120 and 1993 c 492 s 219 are each amended to
15 read as follows:

16 (1) The public employees' and retirees' insurance account is hereby
17 established in the custody of the state treasurer, to be used by the
18 administrator for the deposit of contributions, the remittance paid by
19 school districts and educational service districts under RCW
20 28A.400.400, reserves, dividends, and refunds, and for payment of
21 premiums for employee and retiree insurance benefit contracts and
22 subsidy amounts provided under section 8 of this act. Moneys from the
23 account shall be disbursed by the state treasurer by warrants on
24 vouchers duly authorized by the administrator.

25 (2) The state treasurer and the state investment board may invest
26 moneys in the public employees' and retirees' insurance account. All
27 such investments shall be in accordance with RCW 43.84.080 or
28 43.84.150, whichever is applicable. The administrator shall determine
29 whether the state treasurer or the state investment board or both shall
30 invest moneys in the public employees' insurance account.

31 **Sec. 10.** RCW 41.05.140 and 1993 c 492 s 220 and 1993 c 386 s 12
32 are each reenacted and amended to read as follows:

33 (1) The authority may self-fund, self-insure, or enter into other
34 methods of providing insurance coverage for insurance programs under
35 its jurisdiction except property and casualty insurance. The authority
36 shall contract for payment of claims or other administrative services
37 for programs under its jurisdiction. If a program does not require the

1 prepayment of reserves, the authority shall establish such reserves
2 within a reasonable period of time for the payment of claims as are
3 normally required for that type of insurance under an insured program.

4 (2) Reserves established by the authority for employee and retiree
5 benefit programs shall be held in a separate trust fund by the state
6 treasurer and shall be known as the public employees' and retirees'
7 insurance reserve fund. The state investment board shall act as the
8 investor for the funds and, except as provided in RCW 43.33A.160, one
9 hundred percent of all earnings from these investments shall accrue
10 directly to the public employees' and retirees' insurance reserve fund.

11 ~~((Reserves established by the authority for programs for~~
12 ~~retired or disabled school employees shall be held in a separate trust~~
13 ~~fund by the state treasurer and shall be known as the retired school~~
14 ~~employees' insurance reserve fund hereby created. The state investment~~
15 ~~board shall act as the investor for the funds and, except as provided~~
16 ~~in RCW 43.33A.160, one hundred percent of all earnings from these~~
17 ~~investments shall accrue directly to the retired school employees'~~
18 ~~insurance reserve fund.~~

19 ~~((4))~~ Any savings realized as a result of a program created for
20 employees and retirees under this section shall not be used to increase
21 benefits unless such use is authorized by statute.

22 ~~((+5))~~ (4) Any program created under this section shall be subject
23 to the examination requirements of chapter 48.03 RCW as if the program
24 were a domestic insurer. In conducting an examination, the
25 commissioner shall determine the adequacy of the reserves established
26 for the program.

27 ~~((+6))~~ (5) The authority shall keep full and adequate accounts and
28 records of the assets, obligations, transactions, and affairs of any
29 program created under this section.

30 ~~((+7))~~ (6) The authority shall file a quarterly statement of the
31 financial condition, transactions, and affairs of any program created
32 under this section in a form and manner prescribed by the insurance
33 commissioner. The statement shall contain information as required by
34 the commissioner for the type of insurance being offered under the
35 program. A copy of the annual statement shall be filed with the
36 speaker of the house of representatives and the president of the
37 senate.

1 **Sec. 11.** RCW 28A.400.400 and 1993 c 386 s 13 are each amended to
2 read as follows:

3 (1) In a manner prescribed by the state health care authority,
4 school districts and educational service districts shall remit to the
5 health care authority for deposit in the (~~retired school employees'~~
6 ~~subsidy account established in RCW 41.05.260~~) public employees' and
7 retirees' insurance account established in RCW 41.05.120:

8 (a) During the period beginning October 1, 1993, and ending
9 September 30, 1994:

10 (i) For each full-time employee of the district, ten dollars for
11 each month of the school year;

12 (ii) For each part-time employee of the district who, at the time
13 of the remittance, is employed in an eligible position as defined in
14 RCW 41.32.010 or 41.40.010 and is eligible for employer fringe benefit
15 contributions for basic benefits as defined in RCW 28A.400.270, ten
16 dollars for each month of the school year, prorated by the proportion
17 of employer fringe benefit contributions for a full-time employee that
18 the part-time employee receives;

19 (b) Beginning October 1, 1994:

20 (i) For each full-time employee of the district, an amount equal to
21 four and seven-tenths percent multiplied by the insurance benefit
22 allocation rate in the appropriations act for a certificated or
23 classified staff, for each month of the school year;

24 (ii) For each part-time employee of the district who, at the time
25 of the remittance, is employed in an eligible position as defined in
26 RCW 41.32.010 or 41.40.010 and is eligible for employer fringe benefit
27 contributions for basic benefits as defined in RCW 28A.400.270, an
28 amount equal to four and seven-tenths percent multiplied by the
29 insurance benefit allocation rate in the appropriations act for a
30 certificated or classified staff, for each month of the school year,
31 prorated by the proportion of employer fringe benefit contributions for
32 a full-time employee that the part-time employee receives.

33 (2) The legislature reserves the right to increase or decrease the
34 percent or amount required to be remitted in this section.

35 NEW SECTION. **Sec. 12.** For the January 1, 1995, through December
36 31, 1995, plan year, amounts remitted by school districts and
37 educational service districts under RCW 28A.400.400 may be used for the
38 subsidy provided under section 8 of this act. Amounts remitted under

1 RCW 28A.400.400 may also be used to reduce the increase in the premiums
2 for active employees which may result from the single community rated
3 risk pool under RCW 41.05.080. The reduction may be necessary before
4 the enrollment of all active school district and educational service
5 district employees under the health care authority plans as required
6 under RCW 28A.400.350. This section shall expire January 1, 1996.

7 NEW SECTION. **Sec. 13.** (1) On January 1, 1995, the state treasurer
8 shall transfer all moneys in the retired school employees' subsidy
9 account to the public employees' and retirees' insurance account.

10 (2) On January 1, 1995, the state treasurer shall transfer all
11 moneys in the retired school employees' insurance account to the public
12 employees' and retirees' insurance account.

13 (3) On January 1, 1995, the state treasurer shall transfer all
14 moneys in the retired school employees' insurance reserve fund to the
15 public employees' and retirees' reserve fund.

16 NEW SECTION. **Sec. 14.** The following acts or parts of acts are
17 each repealed:

18 (1) RCW 41.05.250 and 1993 c 386 s 14;

19 (2) RCW 41.05.260 and 1993 c 386 s 15; and

20 (3) RCW 41.05.270 and 1993 c 386 s 16.

21 NEW SECTION. **Sec. 15.** RCW 28A.400.400 and 1993 c 386 s 13 are
22 each repealed.

23 NEW SECTION. **Sec. 16.** This act shall take effect January 1, 1995,
24 except section 15 of this act, which takes effect October 1, 1995.

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