

# HOUSE BILL REPORT

## HB 1287

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### As Passed House:

March 7, 2005

**Title:** An act relating to authorizing the health care authority to receive a federal employer subsidy for continuing to provide a pharmacy benefit to retirees.

**Brief Description:** Authorizing the health care authority to receive a federal employer subsidy for continuing to provide a pharmacy benefit to retirees.

**Sponsors:** By Representatives Cody, Morrell, Schual-Berke and Moeller; by request of Office of Financial Management.

### Brief History:

#### Committee Activity:

Appropriations: 2/3/05, 2/16/05 [DP].

#### Floor Activity:

Passed House: 3/7/05, 93-0.

### Brief Summary of Bill

- Permits the Health Care Authority to participate in the federal Medicare Prescription Drug Modernization Act of 2003's "Medicare Part D" federal employer subsidy program.
- Allows the Legislature to establish a separate health care subsidy to reduce insurance premiums for retirees who select a medicare supplemental insurance policy that may, if necessary to meet the requirements of the Medicare Part D, exceed the 50 percent cap on retiree premium reduction.

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## HOUSE COMMITTEE ON APPROPRIATIONS

**Majority Report:** Do pass. Signed by 28 members: Representatives Sommers, Chair; Fromhold, Vice Chair; Alexander, Ranking Minority Member; Anderson, Assistant Ranking Minority Member; McDonald, Assistant Ranking Minority Member; Bailey, Buri, Clements, Cody, Conway, Darneille, Dunshee, Grant, Haigh, Hinkle, Hunter, Kagi, Kenney, Kessler, Linville, McDermott, McIntire, Miloscia, Pearson, Priest, Schual-Berke, Talcott and Walsh.

**Staff:** David Pringle (786-7310).

### Background:

Medicare is the federally funded and administered program providing health insurance primarily to those 65 and older. Enrollees who wish to do so may purchase a policy in the commercial market to supplement the benefits provided under Medicare. Although such policies are regulated by the Office of the Insurance Commissioner under state statute, those statutes must be consistent with the requirements of federal law.

The federal Medicare Prescription Drug Improvement Act of 2003 created a new prescription drug coverage program that begins January 1, 2006. The "Voluntary Prescription Drug Benefit Program" under a new Medicare Part D offers a benefit that individuals may purchase, but also offers employers who offer retiree prescription drug coverage an incentive to maintain that coverage after the Medicare Part D benefit becomes available, rather than shifting the coverage to Medicare.

The federal incentives are in the form of a special federal subsidy offered in the form of rebates for each retiree that remains covered, currently estimated at \$52 per retiree per month during 2006, and \$60 per retiree per month during 2007. An employer is only eligible for the subsidy if the prescription drug benefits provided to retired employees through their plan are equal to, or greater than, the level of benefits provided by Medicare Part D coverage.

The state Health Care Authority (HCA), through the Public Employee Benefits Board (PEBB), offers retired or disabled employees at least two Medicare supplemental insurance policies, one of which is required to include a pharmacy benefit, and also offers comprehensive retiree health insurance policies that do not act as Medicare supplemental plans. The Legislature provides a subsidy for Medicare-eligible retirees that enroll in PEBB plans. The subsidy is limited to an amount no greater than 50 percent of the total premium that health care providers charge PEBB for enrolling retirees in health care insurance plans.

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**Summary of Bill:**

The HCA is authorized to participate in Medicare Part D to receive the federal subsidy for continuing to provide retirees health coverage that includes a pharmacy benefit. The premium reduction provided by the Legislature through the Medicare-eligible subsidy may exceed 50 percent of the total health care insurance premium if the HCA, in consultation with the Office of Financial Management, determines that it is necessary to meet the eligibility requirements of the Medicare Part D employer subsidy.

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**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill contains an emergency clause and takes effect July 1, 2005.

**Testimony For:** This is about encouraging employers to maintain their coverage. Statutory changes are necessary to allow us to apply for this employer subsidy. We will continue to provide the same benefits to retirees that we provide now.

**Testimony Against:** None.

**Persons Testifying:** Pete Cutler, Health Care Authority.

**Persons Signed In To Testify But Not Testifying:** None.