

CERTIFICATION OF ENROLLMENT

**HOUSE BILL 1287**

Chapter 195, Laws of 2005

59th Legislature  
2005 Regular Session

HEALTH CARE AUTHORITY--DRUG BENEFIT--RETIRED EMPLOYEES

EFFECTIVE DATE: 7/1/05

Passed by the House March 7, 2005  
Yeas 93 Nays 0

FRANK CHOPP

**Speaker of the House of Representatives**

Passed by the Senate April 15, 2005  
Yeas 41 Nays 0

BRAD OWEN

**President of the Senate**

Approved April 26, 2005.

CHRISTINE GREGOIRE

**Governor of the State of Washington**

CERTIFICATE

I, Richard Nafziger, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **HOUSE BILL 1287** as passed by the House of Representatives and the Senate on the dates hereon set forth.

RICHARD NAFZIGER

**Chief Clerk**

FILED

April 26, 2005 - 2:26 p.m.

**Secretary of State  
State of Washington**

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HOUSE BILL 1287

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Passed Legislature - 2005 Regular Session

State of Washington                      59th Legislature                      2005 Regular Session

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

Read first time 01/20/2005. Referred to Committee on Appropriations.

1            AN ACT Relating to authorizing the health care authority to receive  
2 a federal employer subsidy for continuing to provide a pharmacy benefit  
3 to retirees; amending RCW 41.05.065 and 41.05.085; adding a new section  
4 to chapter 41.05 RCW; providing an effective date; and declaring an  
5 emergency.

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

7            **Sec. 1.** RCW 41.05.065 and 2003 c 158 s 2 are each amended to read  
8 as follows:

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

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

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

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

6 (c) Wellness incentives that focus on proven strategies, such as  
7 smoking cessation, injury and accident prevention, reduction of alcohol  
8 misuse, appropriate weight reduction, exercise, automobile and  
9 motorcycle safety, blood cholesterol reduction, and nutrition  
10 education;

11 (d) Utilization review procedures including, but not limited to a  
12 cost-efficient method for prior authorization of services, hospital  
13 inpatient length of stay review, requirements for use of outpatient  
14 surgeries and second opinions for surgeries, review of invoices or  
15 claims submitted by service providers, and performance audit of  
16 providers;

17 (e) Effective coordination of benefits;

18 (f) Minimum standards for insuring entities; and

19 (g) Minimum scope and content of public employee benefit plans to  
20 be offered to enrollees participating in the employee health benefit  
21 plans. To maintain the comprehensive nature of employee health care  
22 benefits, employee eligibility criteria related to the number of hours  
23 worked and the benefits provided to employees shall be substantially  
24 equivalent to the state employees' health benefits plan and eligibility  
25 criteria in effect on January 1, 1993. Nothing in this subsection  
26 (2)(g) shall prohibit changes or increases in employee point-of-service  
27 payments or employee premium payments for benefits.

28 (3) The board shall design benefits and determine the terms and  
29 conditions of employee and retired employee participation and coverage,  
30 including establishment of eligibility criteria. The same terms and  
31 conditions of participation and coverage, including eligibility  
32 criteria, shall apply to state employees and to school district  
33 employees and educational service district employees.

34 (4) The board may authorize premium contributions for an employee  
35 and the employee's dependents in a manner that encourages the use of  
36 cost-efficient managed health care systems. The board shall require  
37 participating school district and educational service district

1 employees to pay at least the same employee premiums by plan and family  
2 size as state employees pay.

3 (5) Employees shall choose participation in one of the health care  
4 benefit plans developed by the board and may be permitted to waive  
5 coverage under terms and conditions established by the board.

6 (6) The board shall review plans proposed by insuring entities that  
7 desire to offer property insurance and/or accident and casualty  
8 insurance to state employees through payroll deduction. The board may  
9 approve any such plan for payroll deduction by insuring entities  
10 holding a valid certificate of authority in the state of Washington and  
11 which the board determines to be in the best interests of employees and  
12 the state. The board shall promulgate rules setting forth criteria by  
13 which it shall evaluate the plans.

14 (7) Before January 1, 1998, the public employees' benefits board  
15 shall make available one or more fully insured long-term care insurance  
16 plans that comply with the requirements of chapter 48.84 RCW. Such  
17 programs shall be made available to eligible employees, retired  
18 employees, and retired school employees as well as eligible dependents  
19 which, for the purpose of this section, includes the parents of the  
20 employee or retiree and the parents of the spouse of the employee or  
21 retiree. Employees of local governments and employees of political  
22 subdivisions not otherwise enrolled in the public employees' benefits  
23 board sponsored medical programs may enroll under terms and conditions  
24 established by the administrator, if it does not jeopardize the  
25 financial viability of the public employees' benefits board's long-term  
26 care offering.

27 (a) Participation of eligible employees or retired employees and  
28 retired school employees in any long-term care insurance plan made  
29 available by the public employees' benefits board is voluntary and  
30 shall not be subject to binding arbitration under chapter 41.56 RCW.  
31 Participation is subject to reasonable underwriting guidelines and  
32 eligibility rules established by the public employees' benefits board  
33 and the health care authority.

34 (b) The employee, retired employee, and retired school employee are  
35 solely responsible for the payment of the premium rates developed by  
36 the health care authority. The health care authority is authorized to  
37 charge a reasonable administrative fee in addition to the premium  
38 charged by the long-term care insurer, which shall include the health

1 care authority's cost of administration, marketing, and consumer  
2 education materials prepared by the health care authority and the  
3 office of the insurance commissioner.

4 (c) To the extent administratively possible, the state shall  
5 establish an automatic payroll or pension deduction system for the  
6 payment of the long-term care insurance premiums.

7 (d) The public employees' benefits board and the health care  
8 authority shall establish a technical advisory committee to provide  
9 advice in the development of the benefit design and establishment of  
10 underwriting guidelines and eligibility rules. The committee shall  
11 also advise the board and authority on effective and cost-effective  
12 ways to market and distribute the long-term care product. The  
13 technical advisory committee shall be comprised, at a minimum, of  
14 representatives of the office of the insurance commissioner, providers  
15 of long-term care services, licensed insurance agents with expertise in  
16 long-term care insurance, employees, retired employees, retired school  
17 employees, and other interested parties determined to be appropriate by  
18 the board.

19 (e) The health care authority shall offer employees, retired  
20 employees, and retired school employees the option of purchasing long-  
21 term care insurance through licensed agents or brokers appointed by the  
22 long-term care insurer. The authority, in consultation with the public  
23 employees' benefits board, shall establish marketing procedures and may  
24 consider all premium components as a part of the contract negotiations  
25 with the long-term care insurer.

26 (f) In developing the long-term care insurance benefit designs, the  
27 public employees' benefits board shall include an alternative plan of  
28 care benefit, including adult day services, as approved by the office  
29 of the insurance commissioner.

30 (g) The health care authority, with the cooperation of the office  
31 of the insurance commissioner, shall develop a consumer education  
32 program for the eligible employees, retired employees, and retired  
33 school employees designed to provide education on the potential need  
34 for long-term care, methods of financing long-term care, and the  
35 availability of long-term care insurance products including the  
36 products offered by the board.

37 (h) By December 1998, the health care authority, in consultation  
38 with the public employees' benefits board, shall submit a report to the

1 appropriate committees of the legislature, including an analysis of the  
2 marketing and distribution of the long-term care insurance provided  
3 under this section.

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

6 The authority may participate as an employer-sponsored program  
7 established in section 1860D-22 of the medicare prescription drug,  
8 improvement, and modernization act of 2003, P.L. 108-173 et seq., to  
9 receive federal employer subsidy funds for continuing to provide  
10 retired employee health coverage, including a pharmacy benefit. The  
11 administrator, in consultation with the office of financial management,  
12 shall evaluate participation in the employer incentive program,  
13 including but not limited to any necessary program changes to meet the  
14 eligibility requirements that employer-sponsored retiree health  
15 coverage provide prescription drug coverage at least equal to the  
16 actuarial value of standard prescription drug coverage under medicare  
17 part D. Any employer subsidy moneys received from participation in the  
18 federal employer incentive program shall be deposited in the health  
19 services account established in RCW 43.72.900.

20 **Sec. 3.** RCW 41.05.085 and 1994 c 153 s 8 are each amended to read  
21 as follows:

22 (1) Beginning with the appropriations act for the ((1995-1997))  
23 2005-2007 biennium, the legislature shall establish as part of both the  
24 state employees' and the school and educational service district  
25 employees' insurance benefit allocation the portion of the allocation  
26 to be used to provide a prescription drug subsidy to reduce the health  
27 care insurance premiums charged to retired or disabled school district  
28 and educational service district employees, or retired state employees,  
29 who are eligible for parts A and B of medicare. The legislature may  
30 also establish a separate health care subsidy to reduce insurance  
31 premiums charged to individuals who select a medicare supplemental  
32 insurance policy option established in RCW 41.05.195.

33 (2) The amount of any premium reduction shall be established by the  
34 board((, but)). The amount established shall not result in a premium  
35 reduction of more than fifty percent, except as provided in subsection

1 (3) of this section. The board may also determine the amount of any  
2 subsidy to be available to spouses and dependents.

3 (3) The amount of the premium reduction in subsection (2) of this  
4 section may exceed fifty percent, if the administrator, in consultation  
5 with the office of financial management, determines that it is  
6 necessary in order to meet eligibility requirements to participate in  
7 the federal employer incentive program as provided in section 2 of this  
8 act.

9 NEW SECTION. **Sec. 4.** This act is necessary for the immediate  
10 preservation of the public peace, health, or safety, or support of the  
11 state government and its existing public institutions, and takes effect  
12 July 1, 2005.

Passed by the House March 7, 2005.

Passed by the Senate April 15, 2005.

Approved by the Governor April 26, 2005.

Filed in Office of Secretary of State April 26, 2005.