

HOUSE BILL REPORT

HB 2651

As Passed House:

February 19, 2008

Title: An act relating to modifying requirements for participation in public employees' benefits board programs by K-12 school districts and educational service districts.

Brief Description: Modifying requirements for participation in public employees' benefits board programs by K-12 school districts and educational service districts.

Sponsors: By Representatives Fromhold, Morrell, Chase, McIntire and Kenney; by request of Health Care Authority.

Brief History:

Committee Activity:

Appropriations: 1/23/08, 1/30/08 [DP].

Floor Activity:

Passed House: 2/19/08, 95-0.

Brief Summary of Bill

- Permits the Health Care Authority to collect the composite rate charged to school districts for benefit plans on a school district fiscal year basis.
- Removes the requirement that terms of participation, including eligibility, and employee premiums charged to school district employees be at least the same as those for state employees.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: Do pass. Signed by 32 members: Representatives Sommers, Chair; Dunshee, Vice Chair; Alexander, Ranking Minority Member; Bailey, Assistant Ranking Minority Member; Haler, Assistant Ranking Minority Member; Chandler, Cody, Conway, Darneille, Ericks, Fromhold, Grant, Green, Haigh, Hinkle, Hunt, Hunter, Kagi, Kenney, Kessler, Linville, McDonald, McIntire, Morrell, Pettigrew, Priest, Ross, Schmick, Schual-Berke, Seaquist, Sullivan and Walsh.

Staff: David Pringle (786-7310).

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Background:

The Washington State Health Care Authority (HCA) is the state agency that purchases insurance benefits for state employees and retirees, school district employees and retirees, and local government employees and retirees. School districts and other political subdivisions have the option of purchasing benefits through the HCA, and must have the approval of the HCA to do so.

State Employee Benefits Funding: Funding for state employee benefits is provided through an employer funding rate and employee premium contributions. Included in each state agency's base funding is a flat amount, called an employer funding rate, for each employee working half-time or more. The state agency must provide the HCA that same flat amount for each employee working half-time or more. The employer funding rate for Fiscal Year 2008 is \$707 per month. In addition, the HCA charges state employees a premium that is based in part on family size and on the employees' choice of health plan. Both employee premiums and state agency contributions are deposited into the public employees' and retirees insurance account and are used to pay health and other insurance premiums for state employees, part of the HCA administrative costs, and benefit subsidies for state retirees purchasing health insurance through the HCA.

K-12 Employee Benefit Funding: The state provides a flat amount for each full-time equivalent staff generated by the state funding formulas for school district employees. The amount provided in the current school year is \$707, the same as the state agency employer funding rate.

K-12 Employee Benefit Plans: The K-12 employee fringe benefits are bargained locally. This allows bargaining over the content of available plans as well as the level of employer funding. School districts can purchase health benefits from a variety of sources. Two hundred fifty school districts representing about half of all school district employees offer one or more health benefit plan through the plans available through the Washington Education Association. A few large school districts have their own health benefit trusts. About 25 school districts purchase health benefits through the HCA. There are about 4,000 school district employees and dependents in HCA medical plans.

HCA Charges for School District Employees: The HCA charges school districts that participate in the HCA health plans a composite rate that is equal to the state agency employer funding rate, plus an amount equal to the employee premiums by plan and by family size as are paid by state employees, for all new groups of K-12 employees applying to participate. The HCA will charge this amount only if the funds provided are sufficient to meet the benefit costs of the covered individuals. If the HCA determines that billing for new K-12 employee groups on a composite rate would adversely impact the insurance account, the HCA can offer enrollment under a tiered rate structure that reflects family size and plan chosen.

The state agency funding rate is a monthly rate determined for each fiscal year of the biennium which runs from July 1 through June 30, while the state funding rate for school district

employees is a monthly rate determined for each school district fiscal year which runs from September 1 through August 31.

The K-12 employees participating in the HCA plans must pay the same employee premiums as state employees pay, and meet the same eligibility requirements, such as working half-time or more as state employees.

Summary of Bill:

The HCA may collect the composite rate from school districts on a school district fiscal year, rather than on a state fiscal year basis. The requirement that participating school districts have the same terms and conditions of employee participation as state agencies, including eligibility, is removed. The requirement that the HCA require participating school district employees to pay at least the same employee premiums as state employees is also removed.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect July 1, 2008, except for sections 2 and 4, which because of the expiration of the underlying laws, takes effect January 1, 2009.

Staff Summary of Public Testimony:

(In support) There are several pluses and one minus from this bill. Matching the school fiscal year is a good idea, and having the PEBB determine plan offerings is also good. The flexibility of the bill, recognizing the difference between the work arrangements in K-12 and state agencies is good too. But there are concerns that some of the existing PEBB-participating districts may be pressured to pay a larger portion of the total cost of the benefits under the bill than they do now. Bargaining over health care benefits remains a very difficult task for school districts. The intent of the bill is to begin a discussion and remove a number of statutory obstacles to greater K-12 participation in the PEBB program. Many of the employees that are interested in joining PEBB are classified school employees.

(Opposed) None.

Persons Testifying: John Kvamme, Washington Association of School Administrators and Association of Washington School Principals; and Dennis Martin, Health Care Authority.

Persons Signed In To Testify But Not Testifying: None.