Education Appropriations Committee

2SSB 5491

Brief Description: Requiring school districts or educational service districts to purchase employee health insurance coverage through the state health care authority.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Brandland, Zarelli and Becker).

Brief Summary of Second Substitute Bill

- Directs the Health Care Authority (HCA) to convene a work group to investigate opportunities to reduce the cost of school employee health benefits.
- Requires the work group to consider centralized purchasing by the HCA.
- Requires the findings of the work group to be reported to the fiscal committees by December 15, 2009, and proposed legislation to implement the findings to be submitted by January 1, 2010.

Hearing Date:

Staff: David Pringle (786-7310)

Background:

The state Health Care Authority (HCA), through the Public Employee Benefits Board (PEBB), provides medical benefits for about 300,000 employees, retirees and dependents of the state, and participating school districts, local governments, and tribal governments. The PEBB coverage is also available to retired employees of the state, school districts, and those local governments that purchase active employee benefits through the HCA. The Legislature provides a subsidy for Medicare-eligible retirees that enroll in PEBB plans.

The PEBB has nine members appointed by the Governor representing state agencies, state employees, school employees, state retirees, and school retirees. The PEBB sets eligibility requirements, approves premium contributions for eligible employees (these may vary for

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employees of K-12 school districts and certain employer groups), and approves benefits of all participating health insurance plans.

School districts and educational service districts have the option of purchasing insurance benefits for their employees from the Health Care Authority (HCA), and in 2008, about 2,000 K-12 employees participated in HCA-administered plans.

Prior to 2002, the HCA charged participating districts under a tiered rate structure, which is based on family size and plan choice. In 2002 the Legislature passed Substitute House Bill 2536, which directed the HCA to charge participating districts the same composite rate that state agencies are charged. In addition, Substitute House Bill 2536 required that participating district employees meet the same eligibility criteria and pay the same co-premiums as state employees. Under eligibility criteria established by the PEBB, employees working half-time or more are eligible for full benefits coverage in HCA plans. The intent of the bill was to make it more attractive for school districts and their employees to purchase insurance benefits through the HCA. The 2003 Legislature passed Substitute Senate Bill 5236, requiring that school district and educational service district employees participating in HCA plans pay at least the same employee premiums as state employees pay. The total amount collected from a participating district must be the same as the composite rate collected by the HCA from state agencies, plus an amount equal to the employee premiums charged to state employees. The portion of the total paid by the district and the portion paid by district employees are determined at the local level.

The state provides the state funding rate to state agencies to distribute the cost of the state employee health benefit system evenly over the number of state employees that are projected to work half-time or more in each agency. As state employees must work half-time or more to be eligible, the funding rate distribution formula includes no funding for state employees expected to work less than half-time. The state allocates a similar school district employee health benefit funding rate based on state-funded formula-driven full-time equivalent (FTE) staff. The amount of the school funding rate is commonly passed through as an allocation to each school district employee through bargaining agreements. In addition, some school districts have in some instances bargained local funds that are added to the state allocation.
At the district level, the actual distribution of the health benefit allocation is determined through collective bargaining.

There are no state mandated maximum or minimum amounts that a district must spend per employee or FTE. In many districts, the amount provided for health benefits is pro-rated based on the amount of time an employee works; in some instances employees may be eligible for benefits beginning at 10 percent of full time employment. In other districts, employees working at least half-time are provided the same benefit as a full-time employee.

For the 2008 calendar year, individual employee premiums for participation in the health, dental, vision, and other basic benefits included in PEBB plans range from $20 per month to $112 per month. Full family premiums for the PEBB package of benefits for 2008 range from $79 per month to $318 per month. School district employee contributions vary by district, and often by bargaining unit within districts. In general, non-PEBB school district employees that are single and work full time pay less for health and related insurance benefits than PEBB-participating ones, and those choosing family coverage pay more.

Summary of Bill:

The HCA is directed to convene a work group to investigate opportunities to reduce the cost of providing health benefits for school employees. The HCA must invite representatives of school districts, educational service districts, labor organizations representing school employees, health carriers, the Legislature, and other entities as deemed appropriate to participate in the work group. The options considered by the work group must include the centralized purchase of health benefits for school employees by the HCA.

No later than December 15, 2009, the HCA must report the findings of the work group to the Governor and the fiscal committees of the Legislature. By January 1, 2010, the HCA must also submit proposed legislation to implement such findings of the work group as the administrator of the HCA may deem appropriate.

Appropriation: None.

Fiscal Note: Preliminary fiscal note available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.