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HOUSE BILL 2177

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State of Washington                      61st Legislature                      2009 Regular Session

By Representatives Wallace, Quall, and Chase

Read first time 02/11/09. Referred to Committee on Ways & Means.

1            AN ACT Relating to requiring school districts or educational  
2 service districts to purchase employee health insurance coverage  
3 through the state health care authority; and amending RCW 28A.400.350,  
4 41.05.011, 41.05.022, and 41.05.050.

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

6            **Sec. 1.** RCW 28A.400.350 and 2001 c 266 s 2 are each amended to  
7 read as follows:

8            (1)(a) The board of directors of any of the state's school  
9 districts or educational service districts may make available  
10 liability, life, health, health care, accident, disability and salary  
11 protection or insurance or any one of, or a combination of the  
12 enumerated types of insurance, or any other type of insurance or  
13 protection, for the members of the boards of directors, the students,  
14 and employees of the school district or educational service district,  
15 and their dependents. Except as provided in (b) of this subsection,  
16 such coverage may be provided by contracts with private carriers, with  
17 the state health care authority after July 1, 1990, pursuant to the  
18 approval of the authority administrator, or through self-insurance or

1 self-funding pursuant to chapter 48.62 RCW, or in any other manner  
2 authorized by law.

3 (b) After January 1, 2010, a school district or educational service  
4 district shall purchase employee health insurance coverage through the  
5 state health care authority, except that the coverage may be purchased  
6 through other parties if required by any collective bargaining  
7 agreement signed before the effective date of this section. Upon the  
8 expiration of such a collective bargaining agreement, the school  
9 district or educational service district shall purchase coverage  
10 through the state health care authority.

11 (2) Whenever funds are available for these purposes the board of  
12 directors of the school district or educational service district may  
13 contribute all or a part of the cost of such protection or insurance  
14 for the employees of their respective school districts or educational  
15 service districts and their dependents. The premiums on such liability  
16 insurance shall be borne by the school district or educational service  
17 district.

18 After October 1, 1990, school districts may not contribute to any  
19 employee protection or insurance other than liability insurance unless  
20 the district's employee benefit plan conforms to RCW 28A.400.275 and  
21 28A.400.280.

22 (3) For school board members, educational service district board  
23 members, and students, the premiums due on such protection or insurance  
24 shall be borne by the assenting school board member, educational  
25 service district board member, or student. The school district or  
26 educational service district may contribute all or part of the costs,  
27 including the premiums, of life, health, health care, accident or  
28 disability insurance which shall be offered to all students  
29 participating in interschool activities on the behalf of or as  
30 representative of their school, school district, or educational service  
31 district. The school district board of directors and the educational  
32 service district board may require any student participating in  
33 extracurricular interschool activities to, as a condition of  
34 participation, document evidence of insurance or purchase insurance  
35 that will provide adequate coverage, as determined by the school  
36 district board of directors or the educational service district board,  
37 for medical expenses incurred as a result of injury sustained while  
38 participating in the extracurricular activity. In establishing such a

1 requirement, the district shall adopt regulations for waiving or  
2 reducing the premiums of such coverage as may be offered through the  
3 school district or educational service district to students  
4 participating in extracurricular activities, for those students whose  
5 families, by reason of their low income, would have difficulty paying  
6 the entire amount of such insurance premiums. The district board shall  
7 adopt regulations for waiving or reducing the insurance coverage  
8 requirements for low-income students in order to assure such students  
9 are not prohibited from participating in extracurricular interschool  
10 activities.

11 (4) All contracts for insurance or protection written to take  
12 advantage of the provisions of this section shall provide that the  
13 beneficiaries of such contracts may utilize on an equal participation  
14 basis the services of those practitioners licensed pursuant to chapters  
15 18.22, 18.25, 18.53, 18.57, and 18.71 RCW.

16 **Sec. 2.** RCW 41.05.011 and 2008 c 229 s 2 are each amended to read  
17 as follows:

18 The definitions in this section apply throughout this chapter  
19 unless the context clearly requires otherwise.

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

21 (2) "State purchased health care" or "health care" means medical  
22 and health care, pharmaceuticals, and medical equipment purchased with  
23 state and federal funds by the department of social and health  
24 services, the department of health, the basic health plan, the state  
25 health care authority, the department of labor and industries, the  
26 department of corrections, the department of veterans affairs, and  
27 local school districts.

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

29 (4) "Insuring entity" means an insurer as defined in chapter 48.01  
30 RCW, a health care service contractor as defined in chapter 48.44 RCW,  
31 or a health maintenance organization as defined in chapter 48.46 RCW.

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

36 (6) "Employee" includes all full-time and career seasonal employees  
37 of the state, whether or not covered by civil service; elected and

1 appointed officials of the executive branch of government, including  
2 full-time members of boards, commissions, or committees; and includes  
3 any or all part-time and temporary employees under the terms and  
4 conditions established under this chapter by the authority; justices of  
5 the supreme court and judges of the court of appeals and the superior  
6 courts; and members of the state legislature or of the legislative  
7 authority of any county, city, or town who are elected to office after  
8 February 20, 1970. "Employee" also includes: (a) Employees of a  
9 county, municipality, or other political subdivision of the state if  
10 the legislative authority of the county, municipality, or other  
11 political subdivision of the state seeks and receives the approval of  
12 the authority to provide any of its insurance programs by contract with  
13 the authority, as provided in RCW 41.04.205 and 41.05.021(1)(g); (b)  
14 employees of employee organizations representing state civil service  
15 employees, at the option of each such employee organization, and,  
16 effective October 1, 1995, employees of employee organizations  
17 currently pooled with employees of school districts for the purpose of  
18 purchasing insurance benefits, at the option of each such employee  
19 organization; (c) employees of a school district (~~if the authority~~  
20 ~~agrees to provide any of the school districts' insurance programs by~~  
21 ~~contract with the authority as provided in RCW 28A.400.350)) or  
22 educational service district, except for employees belonging to an  
23 employee group enrolled in health insurance coverage not provided by  
24 the state health care authority under RCW 28A.400.350(1)(b); and (d)  
25 employees of a tribal government, if the governing body of the tribal  
26 government seeks and receives the approval of the authority to provide  
27 any of its insurance programs by contract with the authority, as  
28 provided in RCW 41.05.021(1) (f) and (g).~~

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

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

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

35 (b) Persons who separate from employment with a school district or  
36 educational service district on or after October 1, 1993, and  
37 immediately upon separation receive a retirement allowance under  
38 chapter 41.32, 41.35, or 41.40 RCW;

1 (c) Persons who separate from employment with a school district or  
2 educational service district due to a total and permanent disability,  
3 and are eligible to receive a deferred retirement allowance under  
4 chapter 41.32, 41.35, or 41.40 RCW.

5 (9) "Premium payment plan" means a benefit plan whereby state and  
6 public employees may pay their share of group health plan premiums with  
7 pretax dollars as provided in the salary reduction plan under this  
8 chapter pursuant to 26 U.S.C. Sec. 125 or other sections of the  
9 internal revenue code.

10 (10) "Salary" means a state employee's monthly salary or wages.

11 (11) "Participant" means an individual who fulfills the eligibility  
12 and enrollment requirements under the salary reduction plan.

13 (12) "Plan year" means the time period established by the  
14 authority.

15 (13) "Separated employees" means persons who separate from  
16 employment with an employer as defined in:

17 (a) RCW 41.32.010(11) on or after July 1, 1996; or

18 (b) RCW 41.35.010 on or after September 1, 2000; or

19 (c) RCW 41.40.010 on or after March 1, 2002;

20 and who are at least age fifty-five and have at least ten years of  
21 service under the teachers' retirement system plan 3 as defined in RCW  
22 41.32.010(40), the Washington school employees' retirement system plan  
23 3 as defined in RCW 41.35.010, or the public employees' retirement  
24 system plan 3 as defined in RCW 41.40.010.

25 (14) "Emergency service personnel killed in the line of duty" means  
26 law enforcement officers and firefighters as defined in RCW 41.26.030,  
27 members of the Washington state patrol retirement fund as defined in  
28 RCW 43.43.120, and reserve officers and firefighters as defined in RCW  
29 41.24.010 who die as a result of injuries sustained in the course of  
30 employment as determined consistent with Title 51 RCW by the department  
31 of labor and industries.

32 (15) "Employer" means the state of Washington.

33 (16) "Employing agency" means a division, department, or separate  
34 agency of state government; a county, municipality, school district,  
35 educational service district, or other political subdivision; and a  
36 tribal government covered by this chapter.

37 (17) "Tribal government" means an Indian tribal government as  
38 defined in section 3(32) of the employee retirement income security act

1 of 1974, as amended, or an agency or instrumentality of the tribal  
2 government, that has government offices principally located in this  
3 state.

4 (18) "Dependent care assistance program" means a benefit plan  
5 whereby state and public employees may pay for certain employment  
6 related dependent care with pretax dollars as provided in the salary  
7 reduction plan under this chapter pursuant to 26 U.S.C. Sec. 129 or  
8 other sections of the internal revenue code.

9 (19) "Salary reduction plan" means a benefit plan whereby state and  
10 public employees may agree to a reduction of salary on a pretax basis  
11 to participate in the dependent care assistance program, medical  
12 flexible spending arrangement, or premium payment plan offered pursuant  
13 to 26 U.S.C. Sec. 125 or other sections of the internal revenue code.

14 (20) "Medical flexible spending arrangement" means a benefit plan  
15 whereby state and public employees may reduce their salary before taxes  
16 to pay for medical expenses not reimbursed by insurance as provided in  
17 the salary reduction plan under this chapter pursuant to 26 U.S.C. Sec.  
18 125 or other sections of the internal revenue code.

19 **Sec. 3.** RCW 41.05.022 and 1995 1st sp.s. c 6 s 3 are each amended  
20 to read as follows:

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

23 (2) On and after January 1, 1995, at least the following state-  
24 purchased health services programs shall be merged into a single,  
25 community-rated risk pool: Health benefits for groups of employees of  
26 school districts and educational service districts that (~~voluntarily~~)  
27 purchase health benefits as provided in RCW (~~41.05.011~~)  
28 28A.400.350(1)(b); health benefits for state employees; health benefits  
29 for eligible retired or disabled school employees not eligible for  
30 parts A and B of medicare; and health benefits for eligible state  
31 retirees not eligible for parts A and B of medicare.

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

34 (a) Require that a public agency that provides subsidies for a  
35 substantial portion of services now covered under the basic health plan  
36 use uniform eligibility processes, insofar as may be possible, and  
37 ensure that multiple eligibility determinations are not required;

1 (b) Require that a health care provider or a health care facility  
2 that receives funds from a public program provide care to state  
3 residents receiving a state subsidy who may wish to receive care from  
4 them, and that an insuring entity that receives funds from a public  
5 program accept enrollment from state residents receiving a state  
6 subsidy who may wish to enroll with them;

7 (c) Strive to integrate purchasing for all publicly sponsored  
8 health services in order to maximize the cost control potential and  
9 promote the most efficient methods of financing and coordinating  
10 services;

11 (d) Consult regularly with the governor, the legislature, and state  
12 agency directors whose operations are affected by the implementation of  
13 this section; and

14 (e) Ensure the control of benefit costs under managed competition  
15 by adopting rules to prevent employers from entering into an agreement  
16 with employees or employee organizations when the agreement would  
17 result in increased utilization in public employees' benefits board  
18 plans or reduce the expected savings of managed competition.

19 **Sec. 4.** RCW 41.05.050 and 2007 c 114 s 4 are each amended to read  
20 as follows:

21 (1) Every: (a) Department, division, or separate agency of state  
22 government; (b) county, municipal, school district, educational service  
23 district, or other political subdivisions; and (c) tribal governments  
24 as are covered by this chapter, shall provide contributions to  
25 insurance and health care plans for its employees and their dependents,  
26 the content of such plans to be determined by the authority.  
27 Contributions, paid by the county, the municipality, other political  
28 subdivision, or a tribal government for their employees, shall include  
29 an amount determined by the authority to pay such administrative  
30 expenses of the authority as are necessary to administer the plans for  
31 employees of those groups, except as provided in subsection (4) of this  
32 section.

33 (2) If the authority at any time determines that the participation  
34 of a county, municipal, other political subdivision, or a tribal  
35 government covered under this chapter adversely impacts insurance rates  
36 for state employees, the authority shall implement limitations on the

1 participation of additional county, municipal, other political  
2 subdivisions, or a tribal government.

3 (3) The contributions of any: (a) Department, division, or  
4 separate agency of the state government; (b) county, municipal, or  
5 other political subdivisions; and (c) any tribal government as are  
6 covered by this chapter, shall be set by the authority, subject to the  
7 approval of the governor for availability of funds as specifically  
8 appropriated by the legislature for that purpose. Insurance and health  
9 care contributions for ferry employees shall be governed by RCW  
10 47.64.270.

11 (4)(a) Beginning September 1, 2003, the authority shall collect  
12 from each participating school district and educational service  
13 district an amount equal to the composite rate charged to state  
14 agencies, plus an amount equal to the employee premiums by plan and  
15 family size as would be charged to state employees(~~(, for groups of~~  
16 ~~district employees enrolled in authority plans as of January 1, 2003.~~  
17 ~~However, during the 2005-07 fiscal biennium, the authority shall~~  
18 ~~collect from each participating school district and educational service~~  
19 ~~district an amount equal to the insurance benefit allocations provided~~  
20 ~~in section 504, chapter 518, Laws of 2005, plus any additional funding~~  
21 ~~provided by the legislature for school employee health benefits, plus~~  
22 ~~an amount equal to the employee premiums by plan and family size as~~  
23 ~~would be charged to state employees, for groups of district employees~~  
24 ~~enrolled in authority plans as of July 1, 2005.~~

25 ~~(b) For all groups of district employees enrolling in authority~~  
26 ~~plans for the first time after September 1, 2003, the authority shall~~  
27 ~~collect from each participating school district an amount equal to the~~  
28 ~~composite rate charged to state agencies, plus an amount equal to the~~  
29 ~~employee premiums by plan and by family size as would be charged to~~  
30 ~~state employees, only if the authority determines that this method of~~  
31 ~~billing the districts will not result in a material difference between~~  
32 ~~revenues from districts and expenditures made by the authority on~~  
33 ~~behalf of districts and their employees.~~

34 ~~(c) If the authority determines at any time that the conditions in~~  
35 ~~(b) of this subsection cannot be met, the authority shall offer~~  
36 ~~enrollment to additional groups of district employees on a tiered rate~~  
37 ~~structure until such time as the authority determines there would be no~~



1 ~~material difference between revenues and expenditures under a composite~~  
2 ~~rate structure for all district employees enrolled in authority plans.~~

3 ~~(d) The authority may charge districts a one-time set-up fee for~~  
4 ~~employee groups enrolling in authority plans for the first time)).~~ The  
5 authority may collect these amounts in accordance with the district  
6 fiscal year.

7 ~~((e))~~ (b) For the purposes of this subsection(~~(+~~  
8 ~~(i))~~), "district" means school district and educational service  
9 district(~~(+and~~

10 ~~(ii) "Tiered rates" means the amounts the authority must pay to~~  
11 ~~insuring entities by plan and by family size.~~

12 ~~(f) Notwithstanding this subsection and RCW 41.05.065(3), the~~  
13 ~~authority may allow districts enrolled on a tiered rate structure prior~~  
14 ~~to September 1, 2002, to continue participation based on the same rate~~  
15 ~~structure and under the same conditions and eligibility criteria)).~~

16 (5) The authority shall transmit a recommendation for the amount of  
17 the employer contribution to the governor and the director of financial  
18 management for inclusion in the proposed budgets submitted to the  
19 legislature.

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