SUBSTITUTE HOUSE BILL 1420

State of Washington 62nd Legislature 2011 Regular Session

By House Ways & Means (originally sponsored by Representatives Cody and Jinkins; by request of Health Care Authority)

READ FIRST TIME 02/16/11.

AN ACT Relating to public employee benefits law; amending RCW 41.05.009, 41.05.011, 41.05.065, 41.05.066, and 41.05.195; reenacting and amending RCW 41.05.080; and repealing RCW 41.05.095.

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

5 **Sec. 1.** RCW 41.05.009 and 2009 c 537 s 2 are each amended to read 6 as follows:

7 (1) The authority, or <u>an employing agency</u> at the authority's 8 direction, ((an employing agency)) shall initially determine and 9 periodically review whether an employee is eligible for benefits 10 pursuant to the criteria established under this chapter.

(2) An employing agency shall inform an employee in writing whether or not he or she is eligible for benefits when initially determined and upon any subsequent change, including notice of the employee's right to an appeal.

15 Sec. 2. RCW 41.05.011 and 2009 c 537 s 3 are each amended to read 16 as follows:

17 The definitions in this section apply throughout this chapter 18 unless the context clearly requires otherwise. 1

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

2 (2) "State purchased health care" or "health care" means medical 3 and health care, pharmaceuticals, and medical equipment purchased with 4 state and federal funds by the department of social and health 5 services, the department of health, the basic health plan, the state 6 health care authority, the department of labor and industries, the 7 department of corrections, the department of veterans affairs, and 8 local school districts.

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

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

13 (5) "Flexible benefit plan" means a benefit plan that allows 14 employees to choose the level of health care coverage provided and the 15 amount of employee contributions from among a range of choices offered 16 by the authority.

17 (6) "Employee" includes all employees of the state, whether or not covered by civil service; elected and appointed officials of the 18 19 executive branch of government, including full-time members of boards, commissions, or committees; justices of the supreme court and judges of 20 21 the court of appeals and the superior courts; and members of the state 22 legislature. Pursuant to contractual agreement with the authority, 23 "employee" may also include: (a) Employees of a county, municipality, 24 other political subdivision of the state and members of the or legislative authority of any county, city, or town who are elected to 25 26 office after February 20, 1970, if the legislative authority of the 27 county, municipality, or other political subdivision of the state seeks and receives the approval of the authority to provide any of its 28 29 insurance programs by contract with the authority, as provided in RCW 30 41.04.205 and 41.05.021(1)(g); (b) employees of employee organizations representing state civil service employees, at the option of each such 31 32 employee organization, and, effective October 1, 1995, employees of employee organizations currently pooled with employees of school 33 districts for the purpose of purchasing insurance benefits, at the 34 35 option of each such employee organization; (c) employees of a school 36 district if the authority agrees to provide any of the school 37 districts' insurance programs by contract with the authority as provided in RCW 28A.400.350; and (d) employees of a tribal government, 38

if the governing body of the tribal government seeks and receives the 1 2 approval of the authority to provide any of its insurance programs by contract with the authority, as provided in RCW 41.05.021(1) (f) and 3 4 (g). "Employee" does not include: Adult family ((homeowners)) home providers; unpaid volunteers; patients of state hospitals; inmates; 5 employees of the Washington state convention and trade center as 6 provided in RCW 41.05.110; students of institutions of higher education 7 8 as determined by their institution; and any others not expressly 9 defined as employees under this chapter or by the authority under this 10 chapter.

(7) "Seasonal employee" means an employee hired to work during a recurring, annual season with a duration of three months or more, and anticipated to return each season to perform similar work.

14 (8) "Faculty" means an academic employee of an institution of 15 higher education whose workload is not defined by work hours but whose 16 appointment, workload, and duties directly serve the institution's 17 academic mission, as determined under the authority of its enabling 18 statutes, its governing body, and any applicable collective bargaining 19 agreement.

20 (9) "Board" means the public employees' benefits board established 21 under RCW 41.05.055.

22 (10) "Retired or disabled school employee" means:

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

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

30 (c) Persons who separate from employment with a school district or 31 educational service district due to a total and permanent disability, 32 and are eligible to receive a deferred retirement allowance under 33 chapter 41.32, 41.35, or 41.40 RCW.

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

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

2 (13) "Participant" means an individual who fulfills the eligibility3 and enrollment requirements under the salary reduction plan.

4 (14) "Plan year" means the time period established by the 5 authority.

6 (15) "Separated employees" means persons who separate from 7 employment with an employer as defined in:

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

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

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

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

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

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(17) "Employer" means the state of Washington.

(18) "Employing agency" means a division, department, or separate agency of state government, including an institution of higher education; a county, municipality, school district, educational service district, or other political subdivision; and a tribal government covered by this chapter.

(19) "Tribal government" means an Indian tribal government as defined in section 3(32) of the employee retirement income security act of 1974, as amended, or an agency or instrumentality of the tribal government, that has government offices principally located in this state.

34 (20) "Dependent care assistance program" means a benefit plan 35 whereby state and public employees may pay for certain employment 36 related dependent care with pretax dollars as provided in the salary 37 reduction plan under this chapter pursuant to 26 U.S.C. Sec. 129 or 38 other sections of the internal revenue code.

1 (21) "Salary reduction plan" means a benefit plan whereby state and 2 public employees may agree to a reduction of salary on a pretax basis 3 to participate in the dependent care assistance program, medical 4 flexible spending arrangement, or premium payment plan offered pursuant 5 to 26 U.S.C. Sec. 125 or other sections of the internal revenue code.

6 (22) "Medical flexible spending arrangement" means a benefit plan 7 whereby state and public employees may reduce their salary before taxes 8 to pay for medical expenses not reimbursed by insurance as provided in 9 the salary reduction plan under this chapter pursuant to 26 U.S.C. Sec. 10 125 or other sections of the internal revenue code.

11 (23) "Employer group" means those employer organizations 12 representing state civil service employees, counties, municipalities, 13 political subdivisions, tribal governments, school districts, and 14 educational service districts purchasing insurance programs under 15 contractual agreement with the authority.

16 (24) "State registered domestic partners," "registered domestic 17 partners," or "domestic partners" means two adults who meet the 18 requirements for a valid state registered domestic partnership as 19 established by RCW 26.60.030 and who have been issued a certificate of 20 state registered domestic partnership by the secretary of state.

21 Sec. 3. RCW 41.05.065 and 2009 c 537 s 7 are each amended to read 22 as follows:

23 (1) The board shall study all matters connected with the provision health 24 of care coverage, life insurance, liability insurance, 25 accidental death and dismemberment insurance, and disability income insurance or any of, or a combination of, the enumerated types of 26 27 insurance for employees and their dependents on the best basis possible with relation both to the welfare of the employees and to the state. 28 29 However, liability insurance shall not be made available to dependents.

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

(a) Methods of maximizing cost containment while ensuring access toquality health care;

35 (b) Development of provider arrangements that encourage cost 36 containment and ensure access to quality care, including but not 37 limited to prepaid delivery systems and prospective payment methods;

1 (c) Wellness incentives that focus on proven strategies, such as 2 smoking cessation, injury and accident prevention, reduction of alcohol misuse, appropriate weight reduction, 3 exercise, automobile and reduction, 4 motorcycle blood cholesterol and nutrition safety, education; 5

6 (d) Utilization review procedures including, but not limited to a 7 cost-efficient method for prior authorization of services, hospital 8 inpatient length of stay review, requirements for use of outpatient 9 surgeries and second opinions for surgeries, review of invoices or 10 claims submitted by service providers, and performance audit of 11 providers;

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(e) Effective coordination of benefits; and

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(f) Minimum standards for insuring entities.

(3) To maintain the comprehensive nature of employee health care 14 15 benefits, benefits provided to employees shall be substantially equivalent to the state employees' health benefits plan in effect on 16 January 1, 1993. Nothing in this subsection shall prohibit changes or 17 18 increases in employee point-of-service payments or employee premium 19 payments for benefits or the administration of a high deductible health 20 plan in conjunction with a health savings account. The board may 21 establish employee eligibility criteria which are not substantially 22 equivalent to employee eligibility criteria in effect on January 1, 23 1993.

24 (4) Except if bargained for under chapter 41.80 RCW, the board shall design benefits and determine the terms and conditions of 25 26 employee and retired employee participation and coverage, including 27 establishment of eligibility criteria subject to the requirements of this chapter. Employer groups obtaining benefits through contractual 28 agreement with the authority for employees defined in RCW 41.05.011(6) 29 30 (a) through (d) may contractually agree with the authority to benefits eligibility criteria which differs from that determined by the board. 31 32 The eligibility criteria established by the board shall be no more restrictive than the following: 33

(a) Except as provided in (b) through (e) of this subsection, an
employee is eligible for benefits from the date of employment if the
employing agency anticipates he or she will work an average of at least
eighty hours per month and for at least eight hours in each month for

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1 more than six consecutive months. An employee determined ineligible
2 for benefits at the beginning of his or her employment shall become
3 eligible in the following circumstances:

4 (i) An employee who works an average of at least eighty hours per 5 month and for at least eight hours in each month and whose anticipated 6 duration of employment is revised from less than or equal to six 7 consecutive months to more than six consecutive months becomes eligible 8 when the revision is made.

9 (ii) An employee who works an average of at least eighty hours per 10 month over a period of six consecutive months and for at least eight 11 hours in each of those six consecutive months becomes eligible at the 12 first of the month following the six-month averaging period.

13 (b) A seasonal employee is eligible for benefits from the date of employment if the employing agency anticipates that he or she will work 14 an average of at least eighty hours per month and for at least eight 15 16 hours in each month of the season. A seasonal employee determined ineligible at the beginning of his or her employment who works an 17 average of at least ((half-time, as defined by the board,)) eighty 18 hours per month over a period of six consecutive months and at least 19 20 eight hours in each of those six consecutive months becomes eligible at 21 the first of the month following the six-month averaging period. Α 22 benefits-eligible seasonal employee who works a season of less than 23 nine months shall not be eligible for the employer contribution during 24 the off season, but may continue enrollment in benefits during the off season by self-paying for the benefits. A benefits-eligible seasonal 25 26 employee who works a season of nine months or more is eligible for the 27 employer contribution through the off season following each season 28 worked.

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(c) Faculty are eligible as follows:

30 (i) Faculty who the employing agency anticipates will work half-time or more for the entire instructional year or equivalent nine-31 month period are eligible for benefits from the date of employment. 32 33 Eligibility shall continue until the beginning of the first full month of the next instructional year, unless the employment relationship is 34 35 terminated, in which case eligibility shall cease the first month 36 following the notice of termination or the effective date of the 37 termination, whichever is later.

(ii) Faculty who the employing agency anticipates will not work for 1 2 the entire instructional year or equivalent nine-month period are eligible for benefits at the beginning of the second consecutive 3 quarter or semester of employment in which he or she is anticipated to 4 work, or has actually worked, half-time or more. Such an employee 5 shall continue to receive uninterrupted employer contributions for б benefits if the employee works at least half-time in a quarter or 7 8 semester. Faculty who the employing agency anticipates will not work for the entire instructional year or equivalent nine-month period, but 9 10 who actually work half-time or more throughout the entire instructional year, are eligible for summer or off-quarter or off-semester coverage. 11 12 Faculty who have met the criteria of this subsection (4)(c)(ii), who 13 work at least two quarters or two semesters of the academic year with an average academic year workload of half-time or more for three 14 quarters or two semesters of the academic year, and who have worked an 15 average of half-time or more in each of the two preceding academic 16 years shall continue to receive uninterrupted employer contributions 17 for benefits if he or she works at least half-time in a quarter or 18 19 semester or works two quarters or two semesters of the academic year with an average academic workload each academic year of half-time or 20 21 more for three quarters or two semesters. Eligibility under this 22 section ceases immediately if this criteria is not met.

23 (iii) Faculty may establish or maintain eligibility for benefits by 24 working for more than one institution of higher education. When faculty work for more than one institution of higher education, those 25 26 institutions shall prorate the employer contribution costs, or if 27 eligibility is reached through one institution, that institution will pay the full employer contribution. Faculty working for more than one 28 29 institution must alert his or her employers to his or her potential 30 eligibility in order to establish eligibility.

31 (iv) The employing agency must provide written notice to faculty 32 who are potentially eligible for benefits under this subsection (4)(c) 33 of their potential eligibility.

34 (v) To be eligible for maintenance of benefits through averaging 35 under (c)(ii) of this subsection, faculty must provide written 36 notification to his or her employing agency or agencies of his or her 37 potential eligibility.

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(vi) For the purposes of this subsection (4)(c):

(A) "Academic year" means summer, fall, winter, and spring quarters
 or summer, fall, and spring semesters;

<u>(B) "Half-time" means one-half of the full-time academic workload</u>
 <u>as determined by each institution, except that half-time for community</u>
 <u>and technical college faculty employees is governed by RCW 28B.50.489.</u>

6 (d) A legislator is eligible for benefits on the date his or her 7 term begins. All other elected and full-time appointed officials of 8 the legislative and executive branches of state government are eligible 9 for benefits on the date his or her term begins or they take the oath 10 of office, whichever occurs first.

(e) A justice of the supreme court and judges of the court of appeals and the superior courts become eligible for benefits on the date he or she takes the oath of office.

(f) Except as provided in (c)(i) and (ii) of this subsection, eligibility ceases for any employee the first of the month following termination of the employment relationship.

(g) In determining eligibility under this section, the employing agency may disregard training hours, standby hours, or temporary changes in work hours as determined by the authority under this section.

(h) Insurance coverage for all eligible employees begins on the first day of the month following the date when eligibility for benefits is established. If the date eligibility is established is the first working day of a month, insurance coverage begins on that date.

(i) Eligibility for an employee whose work circumstances are
described by more than one of the eligibility categories in (a) through
(e) of this subsection shall be determined solely by the criteria of
the category that most closely describes the employee's work
circumstances.

30 (j) Except for an employee eligible for benefits under (b) or (c)(ii) of this subsection, an employee who has established eligibility 31 32 for benefits under this section shall remain eligible for benefits each month in which he or she is in pay status for eight or more hours, if 33 (i) he or she remains in a benefits-eligible position and (ii) leave 34 35 from the benefits-eligible position is approved by the employing 36 A benefits-eligible seasonal employee is eligible for the agency. 37 employer contribution in any month of his or her season in which he or 38 she is in pay status eight or more hours during that month.

Eligibility ends if these conditions are not met, the employment relationship is terminated, or the employee voluntarily transfers to a noneligible position.

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(k) For the purposes of this subsection((÷

5 (i) "Academic year" means summer, fall, winter, and spring quarters
6 or semesters;

7 (ii) "Half-time" means one-half of the full-time academic workload 8 as determined by each institution, except that half-time for community 9 and technical college faculty employees shall have the same meaning as 10 "part-time" under RCW 28B.50.489;

11 (iii)) the board defines "benefits-eligible position." ((shall be 12 defined by the board.))

13 (5) The board may authorize premium contributions for an employee 14 and the employee's dependents in a manner that encourages the use of 15 cost-efficient managed health care systems.

16 (6) The board shall develop a health savings account option for 17 employees that conform to section 223, Part VII of subchapter B of 18 chapter 1 of the internal revenue code of 1986. The board shall comply 19 with all applicable federal standards related to the establishment of 20 health savings accounts.

(7) Notwithstanding any other provision of this chapter, the board shall develop a high deductible health plan to be offered in conjunction with a health savings account developed under subsection (6) of this section.

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

28 (9) The board shall review plans proposed by insuring entities that 29 desire to offer property insurance and/or accident and casualty insurance to state employees through payroll deduction. 30 The board may 31 approve any such plan for payroll deduction by insuring entities 32 holding a valid certificate of authority in the state of Washington and which the board determines to be in the best interests of employees and 33 34 the state. The board shall adopt rules setting forth criteria by which 35 it shall evaluate the plans.

(10) Before January 1, 1998, the public employees' benefits board
 shall make available one or more fully insured long-term care insurance
 plans that comply with the requirements of chapter 48.84 RCW. Such

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programs shall be made available to eligible employees, retired 1 2 employees, and retired school employees as well as eligible dependents which, for the purpose of this section, includes the parents of the 3 4 employee or retiree and the parents of the spouse of the employee or Employees of local governments, political subdivisions, and 5 retiree. tribal governments not otherwise enrolled in the public employees' 6 7 benefits board sponsored medical programs may enroll under terms and 8 conditions established by the administrator, if it does not jeopardize 9 the financial viability of the public employees' benefits board's long-10 term care offering.

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

(b) The employee, retired employee, and retired school employee are 18 19 solely responsible for the payment of the premium rates developed by the health care authority. The health care authority is authorized to 20 21 charge a reasonable administrative fee in addition to the premium charged by the long-term care insurer, which shall include the health 22 23 care authority's cost of administration, marketing, and consumer 24 education materials prepared by the health care authority and the office of the insurance commissioner. 25

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

29 (d) The public employees' benefits board and the health care 30 authority shall establish a technical advisory committee to provide advice in the development of the benefit design and establishment of 31 underwriting guidelines and eligibility rules. The committee shall 32 also advise the board and authority on effective and cost-effective 33 ways to market and distribute the long-term care product. 34 The 35 technical advisory committee shall be comprised, at a minimum, of 36 representatives of the office of the insurance commissioner, providers 37 of long-term care services, licensed insurance agents with expertise in

long-term care insurance, employees, retired employees, retired school employees, and other interested parties determined to be appropriate by the board.

4 (e) The health care authority shall offer employees, retired 5 employees, and retired school employees the option of purchasing long-6 term care insurance through licensed agents or brokers appointed by the 7 long-term care insurer. The authority, in consultation with the public 8 employees' benefits board, shall establish marketing procedures and may 9 consider all premium components as a part of the contract negotiations 10 with the long-term care insurer.

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

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

(11) The board may establish penalties to be imposed by the authority when the eligibility determinations of an employing agency fail to comply with the criteria under this chapter.

25 **Sec. 4.** RCW 41.05.066 and 2007 c 156 s 9 are each amended to read 26 as follows:

27 A certificate of domestic partnership issued ((to a couple of the same sex)) under the provisions of RCW 26.60.030 shall be recognized as 28 29 evidence of a qualified ((same sex)) domestic partnership fulfilling all necessary eligibility criteria for the partner of the employee to 30 31 receive benefits. Nothing in this section affects the requirements of ((same sex)) domestic partners to complete documentation related to 32 33 federal tax status that may currently be required by the board for 34 employees choosing to make premium payments on a pretax basis.

35 Sec. 5. RCW 41.05.080 and 2009 c 523 s 1 and 2009 c 522 s 9 are 36 each reenacted and amended to read as follows:

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(1) Under the qualifications, terms, conditions, and benefits set
 by the board:

3 (a) Retired or disabled state employees, retired or disabled school 4 employees, retired or disabled employees of county, municipal, or other 5 political subdivisions, or retired or disabled employees of tribal 6 governments covered by this chapter may continue their participation in 7 insurance plans and contracts after retirement or disablement;

8 (b) Separated employees may continue their participation in 9 insurance plans and contracts if participation is selected immediately 10 upon separation from employment;

(c) Surviving spouses, <u>state registered</u> domestic partners, and dependent children of emergency service personnel killed in the line of duty may participate in insurance plans and contracts.

14 (2) Rates charged surviving spouses and <u>state registered</u> domestic 15 partners of emergency service personnel killed in the line of duty, 16 retired or disabled employees, separated employees, spouses, or 17 dependent children who are not eligible for parts A and B of medicare 18 shall be based on the experience of the community rated risk pool 19 established under RCW 41.05.022.

20 (3) Rates charged to surviving spouses and state registered 21 domestic partners of emergency service personnel killed in the line of 22 duty, retired or disabled employees, separated employees, spouses, or 23 children who are eligible for parts A and B of medicare shall be calculated from a separate experience risk pool comprised only of 24 individuals eligible for parts A and B of medicare; however, the 25 26 premiums charged to medicare-eligible retirees and disabled employees 27 shall be reduced by the amount of the subsidy provided under RCW 28 41.05.085.

(4) Surviving spouses, state registered domestic partners, and 29 30 dependent children of emergency service personnel killed in the line of duty and retired or disabled and separated employees 31 shall be 32 responsible for payment of premium rates developed by the authority which shall include the cost to the authority of providing insurance 33 34 coverage including any amounts necessary for reserves and 35 administration in accordance with this chapter. These self pay rates 36 will be established based on a separate rate for the employee, the 37 spouse, and the children.

(5) The term "retired state employees" for the purpose of this
 section shall include but not be limited to members of the legislature
 whether voluntarily or involuntarily leaving state office.

4 **Sec. 6.** RCW 41.05.195 and 2009 c 523 s 2 are each amended to read 5 as follows:

Notwithstanding any other provisions of this chapter or rules or б 7 procedures adopted by the authority, the authority shall make available to retired or disabled employees who are enrolled in parts A and B of 8 medicare one or more medicare supplemental insurance policies that 9 10 conform to the requirements of chapter 48.66 RCW. The policies shall 11 be chosen in consultation with the public employees' benefits board. 12 These policies shall be made available to retired or disabled state employees; retired or disabled school district employees; retired 13 14 employees of county, municipal, or other political subdivisions or retired employees of tribal governments eligible for coverage available 15 16 under the authority; or surviving spouses or state registered domestic 17 partners of emergency service personnel killed in the line of duty.

18 <u>NEW SECTION.</u> Sec. 7. RCW 41.05.095 (Unmarried dependents under 19 the age of twenty-five) and 2010 c 94 s 11 and 2007 c 259 s 18 are each 20 repealed.

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