

CERTIFICATION OF ENROLLMENT
ENGROSSED SUBSTITUTE SENATE BILL 6241

Chapter 260, Laws of 2018

65th Legislature
2018 Regular Session

SCHOOL EMPLOYEES' BENEFITS BOARD

EFFECTIVE DATE: June 7, 2018—Except for sections 14, 22, 23, 31, and 32, which become effective March 23, 2018.

Passed by the Senate February 14, 2018
Yeas 41 Nays 7

CYRUS HABIB

President of the Senate

Passed by the House March 7, 2018
Yeas 50 Nays 48

FRANK CHOPP

Speaker of the House of Representatives

Approved March 23, 2018 9:32 AM

JAY INSLEE

Governor of the State of Washington

CERTIFICATE

I, Brad Hendrickson, Secretary of the Senate of the State of Washington, do hereby certify that the attached is **ENGROSSED SUBSTITUTE SENATE BILL 6241** as passed by Senate and the House of Representatives on the dates hereon set forth.

BRAD HENDRICKSON

Secretary

FILED

March 26, 2018

**Secretary of State
State of Washington**

ENGROSSED SUBSTITUTE SENATE BILL 6241

Passed Legislature - 2018 Regular Session

State of Washington

65th Legislature

2018 Regular Session

By Senate Ways & Means (originally sponsored by Senators Hobbs, Fain, Mullet, and Keiser; by request of Health Care Authority)

READ FIRST TIME 02/01/18.

1 AN ACT Relating to the January 1, 2020, implementation of the
2 school employees' benefits board program; amending RCW 41.05.740,
3 41.05.006, 41.05.009, 41.05.011, 41.05.021, 41.05.022, 41.05.023,
4 41.05.026, 41.05.050, 41.05.055, 41.05.065, 41.05.066, 41.05.075,
5 41.05.080, 41.05.085, 41.05.140, 41.05.225, 41.05.300, 41.05.320,
6 41.04.205, 28A.400.350, 41.05.120, 41.05.123, 41.05.143, 43.79A.040,
7 28A.400.280, and 41.05.700; reenacting and amending RCW 28A.400.275
8 and 42.56.400; adding new sections to chapter 41.05 RCW; adding a new
9 section to chapter 28A.710 RCW; adding a new section to chapter
10 28A.400 RCW; creating a new section; and declaring an emergency.

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

12 **Sec. 1.** RCW 41.05.740 and 2017 3rd sp.s. c 13 s 801 are each
13 amended to read as follows:

14 (1) The school employees' benefits board is created within the
15 authority. The function of the school employees' benefits board is to
16 design and approve insurance benefit plans for school employees and
17 to establish eligibility criteria for participation in insurance
18 benefit plans.

19 (2) By September 30, 2017, the governor shall appoint the
20 following voting members to the school employees' benefits board as
21 follows:

1 (a) Two members from associations representing certificated
2 employees;

3 (b) Two members from associations representing classified
4 employees;

5 (c) Four members with expertise in employee health benefits
6 policy and administration, one of which is nominated by an
7 association representing school business officials; and

8 (d) The director of the authority or his or her designee.

9 (3) Initial members of the school employees' benefits board shall
10 serve staggered terms not to exceed four years. Members appointed
11 thereafter shall serve two-year terms.

12 (4) Compensation and reimbursement related to school employees'
13 benefits board member service are as follows:

14 (a) Members of the school employees' benefits board must be
15 compensated in accordance with RCW 43.03.250 and must be reimbursed
16 for their travel expenses while on official business in accordance
17 with RCW 43.03.050 and 43.03.060.

18 (b) While school employees' benefits board members are carrying
19 out their powers and duties under chapter 41.05 RCW, if the service
20 of any certificated or classified employee results in a need for a
21 school employees' benefits board organization to employ a substitute
22 for such certificated or classified employee during such service,
23 payment for such a substitute may be made by the authority from funds
24 appropriated by the legislature for the school employees' benefits
25 board program. If such substitute is paid by the authority, no
26 deduction shall be made from the salary of the certificated or
27 classified employee. In no event shall a school employees' benefits
28 board organization deduct from the salary of a certificated or
29 classified employee serving on the school employees' benefits board
30 more than the amount paid the substitute employed by the school
31 employees' benefits board organization.

32 (5) The director of the authority or his or her designee shall be
33 the chair and another member shall be selected by the school
34 employees' benefits board as vice chair. The chair shall conduct
35 meetings of the school employees' benefits board. The vice chair
36 shall preside over meetings in the absence of the chair. The school
37 employees' benefits board shall develop bylaws for the conduct of its
38 business.

39 (6) The school employees' benefits board shall:

1 (a) Study all matters connected with the provision of health care
2 coverage, life insurance, liability insurance, accidental death and
3 dismemberment, and disability insurance, or any of, or combination
4 of, the enumerated types of insurance for eligible school employees
5 and their dependents on the best basis possible with relation both to
6 the welfare of the school employees and the state. However, liability
7 insurance should not be made available to dependents;

8 (b) Develop school employee benefit plans that include
9 comprehensive, evidence-based health care benefits for school
10 employees. In developing these plans, the school employees' benefits
11 board shall consider the following elements:

12 (i) Methods of maximizing cost containment while ensuring access
13 to quality health care;

14 (ii) Development of provider arrangements that encourage cost
15 containment and ensure access to quality care including, but not
16 limited to, prepaid delivery systems and prospective payment methods;

17 (iii) Wellness, preventive care, chronic disease management, and
18 other incentives that focus on proven strategies;

19 (iv) Utilization review procedures to support cost-effective
20 benefits delivery;

21 (v) Ways to leverage efficient purchasing by coordinating with
22 the public employees' benefits board;

23 (vi) Effective coordination of benefits; and

24 (vii) Minimum standards for insuring entities;

25 (c) Authorize premium contributions for ~~((an))~~ a school employee
26 and the employee's dependents in a manner that encourages the use of
27 cost-efficient health care systems. For participating school
28 employees, the required school employee share of the cost for family
29 coverage ~~((under a plan))~~ premiums may not exceed ~~((the required~~
30 ~~employee share of the cost for employee only coverage))~~ three times
31 the premiums for a school employee purchasing single coverage for the
32 same coverage plan;

33 (d) Determine the terms and conditions of school employee and
34 dependent eligibility criteria, enrollment policies, and scope of
35 coverage. At a minimum, the eligibility criteria established by the
36 school employees' benefits board shall address the following:

37 (i) The effective date of coverage following hire;

38 (ii) ~~((An))~~ The benefits eligibility criteria, but the school
39 employees' benefits board's criteria shall be no more restrictive
40 than requiring that a school employee ~~((must))~~ be anticipated to work

1 at least six hundred thirty hours per school year (~~to qualify for~~
2 ~~coverage~~) to be benefits eligible; and

3 (iii) Coverage for dependents, including criteria for legal
4 spouses; children up to age twenty-six; children of any age with
5 disabilities, mental illness, or intellectual or other developmental
6 disabilities; and state registered domestic partners, as defined in
7 RCW 26.60.020, and others authorized by the legislature;

8 (~~Determine the terms and conditions of purchasing system~~
9 ~~participation, consistent with chapter 13, Laws of 2017 3rd sp.~~
10 ~~sess., including establishment of criteria for employing districts~~
11 ~~and individual employees;~~) Establish terms and conditions for a
12 school employees' benefits board organization to have the ability to
13 locally negotiate eligibility criteria for a school employee who is
14 anticipated to work less than six hundred thirty hours in a school
15 year. A school employees' benefits board organization that elects to
16 use a lower threshold of hours for benefits eligibility must use
17 benefits authorized by the school employees' benefits board and shall
18 do so as an enrichment to the state's definition of basic education;

19 (f) Establish penalties to be imposed when (~~the employing~~
20 ~~district~~) a school employees' benefits board organization fails to
21 comply with established participation criteria; and

22 (g) Participate with the authority in the preparation of
23 specifications and selection of carriers contracted for school
24 employee benefit plan coverage of eligible school employees in
25 accordance with the criteria set forth in rules. To the extent
26 possible, the school employees' benefits board shall leverage
27 efficient purchasing by coordinating with the public employees'
28 benefits board.

29 (7) School employees shall choose participation in one of the
30 health care benefit plans developed by the school employees' benefits
31 board. Individual school employees eligible for benefits under
32 subsection (6)(d) of this section may be permitted to waive coverage
33 under terms and conditions established by the school employees'
34 benefits board.

35 (8) By November 30, 2021, the authority shall review the benefit
36 plans provided through the school employees' benefits board, complete
37 an analysis of the benefits provided and the administration of the
38 benefits plans, and determine whether provisions in chapter 13, Laws
39 of 2017 3rd sp. sess. have resulted in cost savings to the state. The
40 authority shall submit a report to the relevant legislative policy

1 and fiscal committees summarizing the results of the review and
2 analysis.

3 **Sec. 2.** RCW 41.05.006 and 2006 c 299 s 1 are each amended to
4 read as follows:

5 (1) The legislature recognizes that (a) the state is a major
6 purchaser of health care services, (b) the increasing costs of such
7 health care services are posing and will continue to pose a great
8 financial burden on the state, (c) it is the state's policy,
9 consistent with the best interests of the state, to provide
10 comprehensive health care as an employer, to ~~((state))~~ employees and
11 school employees ~~((and))~~, officials ~~((and))~~, their dependents, and to
12 those who are dependent on the state for necessary medical care, and
13 (d) it is imperative that the state begin to develop effective and
14 efficient health care delivery systems and strategies for procuring
15 health care services in order for the state to continue to purchase
16 the most comprehensive health care possible.

17 (2) It is therefore the purpose of this chapter to establish the
18 Washington state health care authority whose purpose shall be to (a)
19 develop health care benefit programs that provide access to at least
20 one comprehensive benefit plan funded to the fullest extent possible
21 by the employer, and a health savings account/high deductible health
22 plan option as defined in section 1201 of the medicare prescription
23 drug improvement and modernization act of 2003, as amended, for
24 eligible ~~((state))~~ employees and school employees, officials, and
25 their dependents, and (b) study all state purchased health care,
26 alternative health care delivery systems, and strategies for the
27 procurement of health care services and make recommendations aimed at
28 minimizing the financial burden which health care poses on the state,
29 ~~((its))~~ employees and school employees, and its charges, while at the
30 same time allowing the state to provide the most comprehensive health
31 care options possible.

32 **Sec. 3.** RCW 41.05.009 and 2015 c 116 s 1 are each amended to
33 read as follows:

34 (1) The authority, or an employing agency at the authority's
35 direction, shall initially determine and periodically review whether
36 an employee or a school employee is eligible for benefits pursuant to
37 the criteria established under this chapter.

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

5 **Sec. 4.** RCW 41.05.011 and 2017 3rd sp.s. c 13 s 802 are each
6 amended to read as follows:

7 The definitions in this section apply throughout this chapter
8 unless the context clearly requires otherwise.

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

10 (2) "Board" means the public employees' benefits board
11 established under RCW 41.05.055 and the school employees' benefits
12 board established under RCW 41.05.740.

13 (3) "Dependent care assistance program" means a benefit plan
14 whereby ((state)) employees and school employees may pay for certain
15 employment related dependent care with pretax dollars as provided in
16 the salary reduction plan under this chapter pursuant to 26 U.S.C.
17 Sec. 129 or other sections of the internal revenue code.

18 (4) "Director" means the director of the authority.

19 (5) "Emergency service personnel killed in the line of duty"
20 means law enforcement officers and firefighters as defined in RCW
21 41.26.030, members of the Washington state patrol retirement fund as
22 defined in RCW 43.43.120, and reserve officers and firefighters as
23 defined in RCW 41.24.010 who die as a result of injuries sustained in
24 the course of employment as determined consistent with Title 51 RCW
25 by the department of labor and industries.

26 (6)(a) "Employee" for the public employees' benefits board
27 program includes all employees of the state, whether or not covered
28 by civil service; elected and appointed officials of the executive
29 branch of government, including full-time members of boards,
30 commissions, or committees; justices of the supreme court and judges
31 of the court of appeals and the superior courts; and members of the
32 state legislature. Pursuant to contractual agreement with the
33 authority, "employee" may also include: (i) Employees of a county,
34 municipality, or other political subdivision of the state and members
35 of the legislative authority of any county, city, or town who are
36 elected to office after February 20, 1970, if the legislative
37 authority of the county, municipality, or other political subdivision
38 of the state submits application materials to the authority to
39 provide any of its insurance programs by contract with the authority,

1 as provided in RCW 41.04.205 and 41.05.021(1)(g); (ii) employees of
2 employee organizations representing state civil service employees, at
3 the option of each such employee organization; (iii) through December
4 31, 2019, employees of a school district if the authority agrees to
5 provide any of the school districts' insurance programs by contract
6 with the authority as provided in RCW 28A.400.350; (iv) employees of
7 a tribal government, if the governing body of the tribal government
8 seeks and receives the approval of the authority to provide any of
9 its insurance programs by contract with the authority, as provided in
10 RCW 41.05.021(1) (f) and (g); (v) employees of the Washington health
11 benefit exchange if the governing board of the exchange established
12 in RCW 43.71.020 seeks and receives approval of the authority to
13 provide any of its insurance programs by contract with the authority,
14 as provided in RCW 41.05.021(1) (g) and (n); and (vi) through
15 December 31, 2019, employees of a charter school established under
16 chapter 28A.710 RCW. "Employee" does not include: Adult family home
17 providers; unpaid volunteers; patients of state hospitals; inmates;
18 employees of the Washington state convention and trade center as
19 provided in RCW 41.05.110; students of institutions of higher
20 education as determined by their institution; and any others not
21 expressly defined as employees under this chapter or by the authority
22 under this chapter.

23 (b) Effective January 1, 2020, "school employee" for the school
24 employees' benefits board program includes all employees of school
25 districts, educational service districts, and charter schools
26 established under chapter 28A.710 RCW.

27 (7) "Employee group" means employees of a similar employment
28 type, such as administrative, represented classified, nonrepresented
29 classified, confidential, represented certificated, or nonrepresented
30 certificated, within a school (~~(district)~~) employees' benefits board
31 organization.

32 (8)(a) "Employer" for the public employees' benefits board
33 program means the state of Washington.

34 (b) "Employer" for the school employees' benefits board program
35 means school districts and educational service districts and charter
36 schools established under chapter 28A.710 RCW.

37 (9) "Employer group" means those counties, municipalities,
38 political subdivisions, the Washington health benefit exchange,
39 tribal governments, (~~(school districts, and educational service~~
40 ~~districts, and)~~) employee organizations representing state civil

1 service employees, and through December 31, 2019, school districts,
2 educational service districts, and charter schools obtaining employee
3 benefits through a contractual agreement with the authority to
4 participate in benefit plans developed by the public employees'
5 benefits board.

6 (10)(a) "Employing agency" for the public employees' benefits
7 board program means a division, department, or separate agency of
8 state government, including an institution of higher education; a
9 county, municipality, or other political subdivision; (~~charter~~
10 ~~school~~;) and a tribal government covered by this chapter.

11 (b) "Employing agency" for the school employees' benefits board
12 program means school districts (~~and~~), educational service
13 districts, and charter schools.

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

20 (12) "Flexible benefit plan" means a benefit plan that allows
21 employees and school employees to choose the level of health care
22 coverage provided and the amount of employee or school employee
23 contributions from among a range of choices offered by the authority.

24 (13) "Insuring entity" means an insurer as defined in chapter
25 48.01 RCW, a health care service contractor as defined in chapter
26 48.44 RCW, or a health maintenance organization as defined in chapter
27 48.46 RCW.

28 (14) "Medical flexible spending arrangement" means a benefit plan
29 whereby state and school employees may reduce their salary before
30 taxes to pay for medical expenses not reimbursed by insurance as
31 provided in the salary reduction plan under this chapter pursuant to
32 26 U.S.C. Sec. 125 or other sections of the internal revenue code.

33 (15) "Participant" means an individual who fulfills the
34 eligibility and enrollment requirements under the salary reduction
35 plan.

36 (16) "Plan year" means the time period established by the
37 authority.

38 (17) "Premium payment plan" means a benefit plan whereby (~~state~~
39 ~~and~~) public employees may pay their share of group health plan
40 premiums with pretax dollars as provided in the salary reduction plan

1 under this chapter pursuant to 26 U.S.C. Sec. 125 or other sections
2 of the internal revenue code.

3 (18) "Public employee" has the same meaning as employee and
4 school employee.

5 (19) "Retired or disabled school employee" means:

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

9 (b) Persons who separate from employment with a school district,
10 educational service district, or charter school on or after October
11 1, 1993, and immediately upon separation receive a retirement
12 allowance under chapter 41.32, 41.35, or 41.40 RCW;

13 (c) Persons who separate from employment with a school district,
14 educational service district, or charter school due to a total and
15 permanent disability, and are eligible to receive a deferred
16 retirement allowance under chapter 41.32, 41.35, or 41.40 RCW.

17 ~~((+19))~~ (20) "Salary" means a state or school employee's monthly
18 salary or wages.

19 ~~((+20))~~ (21) "Salary reduction plan" means a benefit plan
20 whereby ~~((state and))~~ public employees may agree to a reduction of
21 salary on a pretax basis to participate in the dependent care
22 assistance program, medical flexible spending arrangement, or premium
23 payment plan offered pursuant to 26 U.S.C. Sec. 125 or other sections
24 of the internal revenue code.

25 ~~((+21) "School employees' benefits board" means the board~~
26 ~~established in RCW 41.05.740.)~~

27 (22) "School employees' benefits board ~~((participating))~~
28 organization" means a public school district or educational service
29 district or charter school established under chapter 28A.710 RCW that
30 ~~((participates))~~ is required to participate in benefit plans provided
31 by the school employees' benefits board.

32 (23) "School year" means school year as defined in RCW
33 28A.150.203(11).

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

37 ~~((+24))~~ (25) "Separated employees" means persons who separate
38 from employment with an employer as defined in:

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

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

1 (c) RCW 41.40.010 on or after March 1, 2002;
2 and who are at least age fifty-five and have at least ten years of
3 service under the teachers' retirement system plan 3 as defined in
4 RCW 41.32.010(33), the Washington school employees' retirement system
5 plan 3 as defined in RCW 41.35.010, or the public employees'
6 retirement system plan 3 as defined in RCW 41.40.010.

7 ~~((+25+))~~ (26) "State purchased health care" or "health care"
8 means medical and health care, pharmaceuticals, and medical equipment
9 purchased with state and federal funds by the department of social
10 and health services, the department of health, the basic health plan,
11 the state health care authority, the department of labor and
12 industries, the department of corrections, the department of veterans
13 affairs, and local school districts.

14 ~~((+26+))~~ (27) "Tribal government" means an Indian tribal
15 government as defined in section 3(32) of the employee retirement
16 income security act of 1974, as amended, or an agency or
17 instrumentality of the tribal government, that has government offices
18 principally located in this state.

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

21 It is the intent of the legislature that the word "board" be read
22 to mean both the school employees' benefits board and the public
23 employees' benefits board throughout this chapter. The use of "board"
24 should be liberally construed to mean both boards, to the extent not
25 in conflict with state or federal law. In no case shall either board
26 be limited from exercising its individual authority as authorized
27 within this chapter.

28 **Sec. 6.** RCW 41.05.021 and 2017 3rd sp.s. c 13 s 803 are each
29 amended to read as follows:

30 (1) The Washington state health care authority is created within
31 the executive branch. The authority shall have a director appointed
32 by the governor, with the consent of the senate. The director shall
33 serve at the pleasure of the governor. The director may employ a
34 deputy director, and such assistant directors and special assistants
35 as may be needed to administer the authority, who shall be exempt
36 from chapter 41.06 RCW, and any additional staff members as are
37 necessary to administer this chapter. The director may delegate any
38 power or duty vested in him or her by law, including authority to

1 make final decisions and enter final orders in hearings conducted
2 under chapter 34.05 RCW. The primary duties of the authority shall be
3 to: Administer insurance benefits for ((state)) employees, retired or
4 disabled state and school employees, and (~~subject to school~~
5 ~~employees' benefits board direction,~~) school employees; administer
6 the basic health plan pursuant to chapter 70.47 RCW; administer the
7 children's health program pursuant to chapter 74.09 RCW; study state
8 purchased health care programs in order to maximize cost containment
9 in these programs while ensuring access to quality health care;
10 implement state initiatives, joint purchasing strategies, and
11 techniques for efficient administration that have potential
12 application to all state-purchased health services; and administer
13 grants that further the mission and goals of the authority. The
14 authority's duties include, but are not limited to, the following:

15 (a) To administer health care benefit programs for ((state))
16 employees, retired or disabled state and school employees, and
17 (~~subject to school employees' benefits board direction,~~) school
18 employees as specifically authorized in RCW 41.05.065 and 41.05.740
19 and in accordance with the methods described in RCW 41.05.075,
20 41.05.140, and other provisions of this chapter;

21 (b) To analyze state purchased health care programs and to
22 explore options for cost containment and delivery alternatives for
23 those programs that are consistent with the purposes of those
24 programs, including, but not limited to:

25 (i) Creation of economic incentives for the persons for whom the
26 state purchases health care to appropriately utilize and purchase
27 health care services, including the development of flexible benefit
28 plans to offset increases in individual financial responsibility;

29 (ii) Utilization of provider arrangements that encourage cost
30 containment, including but not limited to prepaid delivery systems,
31 utilization review, and prospective payment methods, and that ensure
32 access to quality care, including assuring reasonable access to local
33 providers, especially for employees and school employees residing in
34 rural areas;

35 (iii) Coordination of state agency efforts to purchase drugs
36 effectively as provided in RCW 70.14.050;

37 (iv) Development of recommendations and methods for purchasing
38 medical equipment and supporting services on a volume discount basis;

39 (v) Development of data systems to obtain utilization data from
40 state purchased health care programs in order to identify cost

1 centers, utilization patterns, provider and hospital practice
2 patterns, and procedure costs, utilizing the information obtained
3 pursuant to RCW 41.05.031; and

4 (vi) In collaboration with other state agencies that administer
5 state purchased health care programs, private health care purchasers,
6 health care facilities, providers, and carriers:

7 (A) Use evidence-based medicine principles to develop common
8 performance measures and implement financial incentives in contracts
9 with insuring entities, health care facilities, and providers that:

10 (I) Reward improvements in health outcomes for individuals with
11 chronic diseases, increased utilization of appropriate preventive
12 health services, and reductions in medical errors; and

13 (II) Increase, through appropriate incentives to insuring
14 entities, health care facilities, and providers, the adoption and use
15 of information technology that contributes to improved health
16 outcomes, better coordination of care, and decreased medical errors;

17 (B) Through state health purchasing, reimbursement, or pilot
18 strategies, promote and increase the adoption of health information
19 technology systems, including electronic medical records, by
20 hospitals as defined in RCW 70.41.020, integrated delivery systems,
21 and providers that:

22 (I) Facilitate diagnosis or treatment;

23 (II) Reduce unnecessary duplication of medical tests;

24 (III) Promote efficient electronic physician order entry;

25 (IV) Increase access to health information for consumers and
26 their providers; and

27 (V) Improve health outcomes;

28 (C) Coordinate a strategy for the adoption of health information
29 technology systems using the final health information technology
30 report and recommendations developed under chapter 261, Laws of 2005;

31 (c) To analyze areas of public and private health care
32 interaction;

33 (d) To provide information and technical and administrative
34 assistance to the board (~~and the school employees' benefits board~~);

35 (e) To review and approve or deny applications from counties,
36 municipalities, and other political subdivisions of the state to
37 provide state-sponsored insurance or self-insurance programs to their
38 employees in accordance with the provisions of RCW 41.04.205 and (g)
39 of this subsection, setting the premium contribution for approved
40 groups as outlined in RCW 41.05.050;

1 (f) To review and approve or deny the application when the
2 governing body of a tribal government applies to transfer their
3 employees to an insurance or self-insurance program administered
4 ~~((under this chapter))~~ by the public employees' benefits board. In
5 the event of an employee transfer pursuant to this subsection (1)(f),
6 members of the governing body are eligible to be included in such a
7 transfer if the members are authorized by the tribal government to
8 participate in the insurance program being transferred from and
9 subject to payment by the members of all costs of insurance for the
10 members. The authority shall: (i) Establish the conditions for
11 participation; (ii) have the sole right to reject the application;
12 and (iii) set the premium contribution for approved groups as
13 outlined in RCW 41.05.050. Approval of the application by the
14 authority transfers the employees and dependents involved to the
15 insurance, self-insurance, or health care program ~~((approved by the
16 authority))~~ administered by the public employees' benefits board;

17 (g) To ensure the continued status of the employee insurance or
18 self-insurance programs administered under this chapter as a
19 governmental plan under section 3(32) of the employee retirement
20 income security act of 1974, as amended, the authority shall limit
21 the participation of employees of a county, municipal, school
22 district, educational service district, or other political
23 subdivision, the Washington health benefit exchange, or a tribal
24 government, including providing for the participation of those
25 employees whose services are substantially all in the performance of
26 essential governmental functions, but not in the performance of
27 commercial activities. Charter schools established under chapter
28 28A.710 RCW are employers and are school employees' benefits board
29 organizations unless:

30 (i) The authority receives guidance from the internal revenue
31 service or the United States department of labor that participation
32 jeopardizes the status of plans offered under this chapter as
33 governmental plans under the federal employees' retirement income
34 security act or the internal revenue code; or

35 (ii) The charter schools are not in compliance with regulations
36 issued by the internal revenue service and the United States treasury
37 department pertaining to section 414(d) of the federal internal
38 revenue code;

1 (h) To establish billing procedures and collect funds from school
2 (~~districts~~) employees' benefits board organizations in a way that
3 minimizes the administrative burden on districts;

4 (i) Through December 31, 2019, to publish and distribute to
5 nonparticipating school districts and educational service districts
6 by October 1st of each year a description of health care benefit
7 plans available through the authority and the estimated cost if
8 school districts and educational service district employees were
9 enrolled;

10 (j) To apply for, receive, and accept grants, gifts, and other
11 payments, including property and service, from any governmental or
12 other public or private entity or person, and make arrangements as to
13 the use of these receipts to implement initiatives and strategies
14 developed under this section;

15 (k) To issue, distribute, and administer grants that further the
16 mission and goals of the authority;

17 (l) To adopt rules consistent with this chapter as described in
18 RCW 41.05.160 including, but not limited to:

19 (i) Setting forth the criteria established by the public
20 employees' benefits board under RCW 41.05.065, and by the school
21 employees' benefits board under RCW 41.05.740, for determining
22 whether an employee or school employee is eligible for benefits;

23 (ii) Establishing an appeal process in accordance with chapter
24 34.05 RCW by which an employee or school employee may appeal an
25 eligibility determination;

26 (iii) Establishing a process to assure that the eligibility
27 determinations of an employing agency comply with the criteria under
28 this chapter, including the imposition of penalties as may be
29 authorized by the board (~~or the school employees' benefits board~~);

30 (m)(i) To administer the medical services programs established
31 under chapter 74.09 RCW as the designated single state agency for
32 purposes of Title XIX of the federal social security act;

33 (ii) To administer the state children's health insurance program
34 under chapter 74.09 RCW for purposes of Title XXI of the federal
35 social security act;

36 (iii) To enter into agreements with the department of social and
37 health services for administration of medical care services programs
38 under Titles XIX and XXI of the social security act. The agreements
39 shall establish the division of responsibilities between the
40 authority and the department with respect to mental health, chemical

1 dependency, and long-term care services, including services for
2 persons with developmental disabilities. The agreements shall be
3 revised as necessary, to comply with the final implementation plan
4 adopted under section 116, chapter 15, Laws of 2011 1st sp. sess.;

5 (iv) To adopt rules to carry out the purposes of chapter 74.09
6 RCW;

7 (v) To appoint such advisory committees or councils as may be
8 required by any federal statute or regulation as a condition to the
9 receipt of federal funds by the authority. The director may appoint
10 statewide committees or councils in the following subject areas: (A)
11 Health facilities; (B) children and youth services; (C) blind
12 services; (D) medical and health care; (E) drug abuse and alcoholism;
13 (F) rehabilitative services; and (G) such other subject matters as
14 are or come within the authority's responsibilities. The statewide
15 councils shall have representation from both major political parties
16 and shall have substantial consumer representation. Such committees
17 or councils shall be constituted as required by federal law or as the
18 director in his or her discretion may determine. The members of the
19 committees or councils shall hold office for three years except in
20 the case of a vacancy, in which event appointment shall be only for
21 the remainder of the unexpired term for which the vacancy occurs. No
22 member shall serve more than two consecutive terms. Members of such
23 state advisory committees or councils may be paid their travel
24 expenses in accordance with RCW 43.03.050 and 43.03.060 as now
25 existing or hereafter amended;

26 (n) To review and approve or deny the application from the
27 governing board of the Washington health benefit exchange to provide
28 public employees' benefits board state-sponsored insurance or self-
29 insurance programs to employees of the exchange. The authority shall
30 (i) establish the conditions for participation; (ii) have the sole
31 right to reject an application; and (iii) set the premium
32 contribution for approved groups as outlined in RCW 41.05.050.

33 (2) On and after January 1, 1996, the public employees' benefits
34 board and the school employees' benefits board beginning October 1,
35 2017, may implement strategies to promote managed competition among
36 employee and school employee health benefit plans. Strategies may
37 include but are not limited to:

38 (a) Standardizing the benefit package;

39 (b) Soliciting competitive bids for the benefit package;

1 (c) Limiting the state's contribution to a percent of the lowest
2 priced qualified plan within a geographical area;

3 (d) Monitoring the impact of the approach under this subsection
4 with regards to: Efficiencies in health service delivery, cost shifts
5 to subscribers, access to and choice of managed care plans statewide,
6 and quality of health services. The health care authority shall also
7 advise on the value of administering a benchmark employer-managed
8 plan to promote competition among managed care plans.

9 **Sec. 7.** RCW 41.05.022 and 2017 3rd sp.s. c 13 s 804 are each
10 amended to read as follows:

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

13 (2) On and after January 1, 1995, at least the following state-
14 purchased health services programs shall be merged into a single,
15 community-rated risk pool: Health benefits for groups of employees of
16 school districts and educational service districts that voluntarily
17 purchase health benefits as provided in RCW 41.05.011 through
18 December 31, 2019; health benefits for ((state)) employees; health
19 benefits for eligible retired or disabled school employees not
20 eligible for parts A and B of medicare; and health benefits for
21 eligible state retirees not eligible for parts A and B of medicare.

22 (3) On and after January 1, 2020, health benefits for groups of
23 school employees of ((~~school districts and educational service~~
24 ~~districts~~)) school employees' benefits board organizations shall be
25 merged into a single, community-rated risk pool separate and distinct
26 from the pool described in subsection (2) of this section.

27 (4) By December 15, 2018, the health care authority, in
28 consultation with the ((~~public employees' benefits board and the~~
29 ~~school employees' benefits~~)) board, shall submit to the appropriate
30 committees of the legislature a complete analysis of the most
31 appropriate risk pool for the retired and disabled school employees,
32 to include at a minimum an analysis of the size of the nonmedicare
33 and medicare retiree enrollment pools, the impacts on cost for state
34 and school district retirees of moving retirees from one pool to
35 another, the need for and the amount of an ongoing retiree subsidy
36 allocation from the active school employees, and the timing and
37 suggested approach for a transition from one risk pool to another.

38 (5) At a minimum, and regardless of other legislative enactments,
39 the state health services purchasing agent shall:

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

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

11 (c) Strive to integrate purchasing for all publicly sponsored
12 health services in order to maximize the cost control potential and
13 promote the most efficient methods of financing and coordinating
14 services;

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

18 (e) Ensure the control of benefit costs under managed competition
19 by adopting rules to prevent (~~employers~~) an employing agency from
20 entering into an agreement with employees or employee organizations
21 when the agreement would result in increased utilization in (~~public
22 employees' benefits board or school employee[s'] benefits~~) board
23 plans or reduce the expected savings of managed competition.

24 **Sec. 8.** RCW 41.05.023 and 2007 c 259 s 6 are each amended to
25 read as follows:

26 (1) The health care authority, in collaboration with the
27 department of health, shall design and implement a chronic care
28 management program for (~~state~~) employees and school employees
29 enrolled in the state's self-insured uniform medical plan. Programs
30 must be evidence based, facilitating the use of information
31 technology to improve quality of care and must improve coordination
32 of primary, acute, and long-term care for those enrollees with
33 multiple chronic conditions. The authority shall consider expansion
34 of existing medical home and chronic care management programs. The
35 authority shall use best practices in identifying those employees and
36 school employees best served under a chronic care management model
37 using predictive modeling through claims or other health risk
38 information.

39 (2) For purposes of this section:

1 (a) "Medical home" means a site of care that provides
2 comprehensive preventive and coordinated care centered on the patient
3 needs and assures high-quality, accessible, and efficient care.

4 (b) "Chronic care management" means the authority's program that
5 provides care management and coordination activities for health plan
6 enrollees determined to be at risk for high medical costs. "Chronic
7 care management" provides education and training and/or coordination
8 that assist program participants in improving self-management skills
9 to improve health outcomes and reduce medical costs by educating
10 clients to better utilize services.

11 **Sec. 9.** RCW 41.05.026 and 2017 3rd sp.s. c 13 s 805 are each
12 amended to read as follows:

13 (1) When soliciting proposals for the purpose of awarding
14 contracts for goods or services, the director shall, upon written
15 request by the bidder, exempt from public inspection and copying such
16 proprietary data, trade secrets, or other information contained in
17 the bidder's proposal that relate to the bidder's unique methods of
18 conducting business or of determining prices or premium rates to be
19 charged for services under terms of the proposal.

20 (2) When soliciting information for the development, acquisition,
21 or implementation of state purchased health care services, the
22 director shall, upon written request by the respondent, exempt from
23 public inspection and copying such proprietary data, trade secrets,
24 or other information submitted by the respondent that relate to the
25 respondent's unique methods of conducting business, data unique to
26 the product or services of the respondent, or to determining prices
27 or rates to be charged for services.

28 (3) Actuarial formulas, statistics, cost and utilization data, or
29 other proprietary information submitted upon request of the director,
30 board, (~~(school employees' benefits board,~~) or a technical review
31 committee created to facilitate the development, acquisition, or
32 implementation of state purchased health care under this chapter by a
33 contracting insurer, health care service contractor, health
34 maintenance organization, vendor, or other health services
35 organization may be withheld at any time from public inspection when
36 necessary to preserve trade secrets or prevent unfair competition.

37 (4) The board(~~(, school employees' benefits board,~~) or a
38 technical review committee created to facilitate the development,
39 acquisition, or implementation of state purchased health care under

1 this chapter, may hold an executive session in accordance with
2 chapter 42.30 RCW during any regular or special meeting to discuss
3 information submitted in accordance with subsections (1) through (3)
4 of this section.

5 (5) A person who challenges a request for or designation of
6 information as exempt under this section is entitled to seek judicial
7 review pursuant to chapter 42.56 RCW.

8 **Sec. 10.** RCW 41.05.050 and 2017 3rd sp.s. c 13 s 806 are each
9 amended to read as follows:

10 (1) Every: (a) Department, division, or separate agency of state
11 government; (b) county, municipal, school district, educational
12 service district, or other political subdivisions; and (c) tribal
13 governments as are covered by this chapter, shall provide
14 contributions to insurance and health care plans for its employees
15 and their dependents, the content of such plans to be determined by
16 the authority. Contributions, paid by the county, the municipality,
17 other political subdivision, or a tribal government for their
18 employees, shall include an amount determined by the authority to pay
19 such administrative expenses of the authority as are necessary to
20 administer the plans for employees of those groups, except as
21 provided in subsection (4) of this section.

22 (2) To account for increased cost of benefits for the state and
23 for state employees, the authority may develop a rate surcharge
24 applicable to participating counties, municipalities, other political
25 subdivisions, and tribal governments.

26 (3) The contributions of any: (a) Department, division, or
27 separate agency of the state government; (b) county, municipal, or
28 other political subdivisions; (c) any tribal government as are
29 covered by this chapter; and (d) school districts ~~((and))~~,
30 educational service districts, and charter schools, shall be set by
31 the authority, subject to the approval of the governor for
32 availability of funds as specifically appropriated by the legislature
33 for that purpose. Insurance and health care contributions for ferry
34 employees shall be governed by RCW 47.64.270.

35 (4)(a) Until January 1, 2020, the authority shall collect from
36 each participating school district and educational service district
37 an amount equal to the composite rate charged to state agencies, plus
38 an amount equal to the employee premiums by plan and family size as
39 would be charged to ~~((state))~~ employees, for groups of school

1 district and educational service district employees enrolled in
2 authority plans. The authority may collect these amounts in
3 accordance with the school district or educational service district
4 fiscal year, as described in RCW 28A.505.030.

5 (b) For all groups of school district or educational service
6 district employees enrolling in authority plans for the first time
7 after September 1, 2003, and until January 1, 2020, the authority
8 shall collect from each participating school district or educational
9 service district an amount equal to the composite rate charged to
10 state agencies, plus an amount equal to the employee premiums by plan
11 and by family size as would be charged to ((state)) employees, only
12 if the authority determines that this method of billing the school
13 districts and educational service districts will not result in a
14 material difference between revenues from school districts and
15 educational service districts and expenditures made by the authority
16 on behalf of school districts and educational service districts and
17 their employees. The authority may collect these amounts in
18 accordance with the school district or educational service district
19 fiscal year, as described in RCW 28A.505.030.

20 (c) Until January 1, 2020, if the authority determines at any
21 time that the conditions in (b) of this subsection cannot be met, the
22 authority shall offer enrollment to additional groups of ((district))
23 school and educational service district employees on a tiered rate
24 structure until such time as the authority determines there would be
25 no material difference between revenues and expenditures under a
26 composite rate structure for all ((district)) school and educational
27 service district employees enrolled in authority plans.

28 (d) Beginning January 1, 2020, all school districts ((and)),
29 educational service districts, and charter schools shall commence
30 participation in the school employees' benefits board program
31 established under RCW 41.05.740. All school districts ((and)),
32 educational service districts, charter schools, and all school
33 district employee groups participating in the public employees'
34 benefits board plans before January 1, 2020, shall thereafter
35 participate in the school employees' benefits board program
36 administered by the authority. All school districts, educational
37 service districts, and charter schools shall provide contributions to
38 the authority for insurance and health care plans for school
39 employees and their dependents. These contributions must be provided
40 to the authority for all eligible school employees eligible for

1 benefits under RCW 41.05.740(6)(d), including school employees who
2 have waived their coverage; contributions to the authority are not
3 required for individuals eligible for benefits under RCW
4 41.05.740(6)(e) who waive their coverage.

5 (e) For the purposes of this subsection(~~(+~~

6 ~~(i) "District" means school district and educational service~~
7 ~~district; and~~

8 ~~(ii))~~, "tiered rates" means the amounts the authority must pay
9 to insuring entities by plan and by family size.

10 (f) Notwithstanding this subsection and RCW 41.05.065(4), the
11 authority may allow school districts and educational service
12 districts enrolled on a tiered rate structure prior to September 1,
13 2002, and until January 1, 2020, to continue participation based on
14 the same rate structure and under the same conditions and eligibility
15 criteria.

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

20 **Sec. 11.** RCW 41.05.055 and 2017 3rd sp.s. c 13 s 807 are each
21 amended to read as follows:

22 (1) The public employees' benefits board is created within the
23 authority. The function of the public employees' benefits board is to
24 design and approve insurance benefit plans for employees and to
25 establish eligibility criteria for participation in insurance benefit
26 plans.

27 (2) The public employees' benefits board shall be composed of
28 nine members through December 31, 2019, and of eight members
29 thereafter, appointed by the governor as follows:

30 (a) Two representatives of state employees, one of whom shall
31 represent an employee union certified as exclusive representative of
32 at least one bargaining unit of classified employees, and one of whom
33 is retired, is covered by a program under the jurisdiction of the
34 public employees' benefits board, and represents an organized group
35 of retired public employees;

36 (b) Through December 31, 2019, two representatives of school
37 district employees, one of whom shall represent an association of
38 school employees as a nonvoting member, and one of whom is retired,
39 and represents an organized group of retired school employees.

1 Thereafter, and only while retired school employees are served by the
2 public employees' benefits board, only the retired representative
3 shall serve on the public employees' benefits board;

4 (c) Four members with experience in health benefit management and
5 cost containment, one of whom shall be a nonvoting member; and

6 (d) The director.

7 (3) The governor shall appoint the initial members of the public
8 employees' benefits board to staggered terms not to exceed four
9 years. Members appointed thereafter shall serve two-year terms.
10 Members of the public employees' benefits board shall be compensated
11 in accordance with RCW 43.03.250 and shall be reimbursed for their
12 travel expenses while on official business in accordance with RCW
13 43.03.050 and 43.03.060. The public employees' benefits board shall
14 prescribe rules for the conduct of its business. The director shall
15 serve as chair of the public employees' benefits board. Meetings of
16 the public employees' benefits board shall be at the call of the
17 chair.

18 **Sec. 12.** RCW 41.05.065 and 2015 c 116 s 3 are each amended to
19 read as follows:

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

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

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

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

37 (c) Wellness incentives that focus on proven strategies, such as
38 smoking cessation, injury and accident prevention, reduction of
39 alcohol misuse, appropriate weight reduction, exercise, automobile

1 and motorcycle safety, blood cholesterol reduction, and nutrition
2 education;

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

9 (e) Effective coordination of benefits; and

10 (f) Minimum standards for insuring entities.

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

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

33 (a) Except as provided in (b) through (e) of this subsection, an
34 employee is eligible for benefits from the date of employment if the
35 employing agency anticipates he or she will work an average of at
36 least eighty hours per month and for at least eight hours in each
37 month for more than six consecutive months. An employee determined
38 ineligible for benefits at the beginning of his or her employment
39 shall become eligible in the following circumstances:

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

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

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

26 (c) Faculty are eligible as follows:

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

35 (ii) Faculty who the employing agency anticipates will not work
36 for the entire instructional year or equivalent nine-month period are
37 eligible for benefits at the beginning of the second consecutive
38 quarter or semester of employment in which he or she is anticipated
39 to work, or has actually worked, half-time or more. Such an employee
40 shall continue to receive uninterrupted employer contributions for

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

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

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

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

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

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

36 (B) "Half-time" means one-half of the full-time academic workload
37 as determined by each institution; except that for community and
38 technical college faculty, half-time academic workload is calculated
39 according to RCW 28B.50.489.

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

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

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

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

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

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

26 (j) Except for an employee eligible for benefits under (b) or
27 (c)(ii) of this subsection, an employee who has established
28 eligibility for benefits under this section shall remain eligible for
29 benefits each month in which he or she is in pay status for eight or
30 more hours, if (i) he or she remains in a benefits-eligible position
31 and (ii) leave from the benefits-eligible position is approved by the
32 employing agency. A benefits-eligible seasonal employee is eligible
33 for the employer contribution in any month of his or her season in
34 which he or she is in pay status eight or more hours during that
35 month. Eligibility ends if these conditions are not met, the
36 employment relationship is terminated, or the employee voluntarily
37 transfers to a noneligible position.

38 (k) For the purposes of this subsection, the public employees'
39 benefits board shall define "benefits-eligible position."

1 (5) The public employees' benefits board may authorize premium
2 contributions for an employee and the employee's dependents in a
3 manner that encourages the use of cost-efficient managed health care
4 systems.

5 (6)(a) For any open enrollment period following August 24, 2011,
6 the public employees' benefits board shall offer a health savings
7 account option for employees that conforms to section 223, Part VII
8 of subchapter B of chapter 1 of the internal revenue code of 1986.
9 The public employees' benefits board shall comply with all applicable
10 federal standards related to the establishment of health savings
11 accounts.

12 (b) By November 30, 2015, and each year thereafter, the authority
13 shall submit a report to the relevant legislative policy and fiscal
14 committees that includes the following:

15 (i) Public employees' benefits board health plan cost and service
16 utilization trends for the previous three years, in total and for
17 each health plan offered to employees;

18 (ii) For each health plan offered to employees, the number and
19 percentage of employees and dependents enrolled in the plan, and the
20 age and gender demographics of enrollees in each plan;

21 (iii) Any impact of enrollment in alternatives to the most
22 comprehensive plan, including the high deductible health plan with a
23 health savings account, upon the cost of health benefits for those
24 employees who have chosen to remain enrolled in the most
25 comprehensive plan.

26 (7) Notwithstanding any other provision of this chapter, for any
27 open enrollment period following August 24, 2011, the public
28 employees' benefits board shall offer a high deductible health plan
29 in conjunction with a health savings account developed under
30 subsection (6) of this section.

31 (8) Employees shall choose participation in one of the health
32 care benefit plans developed by the public employees' benefits board
33 and may be permitted to waive coverage under terms and conditions
34 established by the public employees' benefits board.

35 (9) The public employees' benefits board shall review plans
36 proposed by insuring entities that desire to offer property insurance
37 and/or accident and casualty insurance to state employees through
38 payroll deduction. The public employees' benefits board may approve
39 any such plan for payroll deduction by insuring entities holding a
40 valid certificate of authority in the state of Washington and which

1 the public employees' benefits board determines to be in the best
2 interests of employees and the state. The public employees' benefits
3 board shall adopt rules setting forth criteria by which it shall
4 evaluate the plans.

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

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

26 (b) The employee, retired employee, and retired school employee
27 are solely responsible for the payment of the premium rates developed
28 by the health care authority. The health care authority is authorized
29 to charge a reasonable administrative fee in addition to the premium
30 charged by the long-term care insurer, which shall include the health
31 care authority's cost of administration, marketing, and consumer
32 education materials prepared by the health care authority and the
33 office of the insurance commissioner.

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

37 (d) The public employees' benefits board and the health care
38 authority shall establish a technical advisory committee to provide
39 advice in the development of the benefit design and establishment of
40 underwriting guidelines and eligibility rules. The committee shall

1 also advise the public employees' benefits board and authority on
2 effective and cost-effective ways to market and distribute the long-
3 term care product. The technical advisory committee shall be
4 comprised, at a minimum, of representatives of the office of the
5 insurance commissioner, providers of long-term care services,
6 licensed insurance agents with expertise in long-term care insurance,
7 employees, retired employees, retired school employees, and other
8 interested parties determined to be appropriate by the public
9 employees' benefits board.

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

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

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

28 (11) The public employees' benefits board may establish penalties
29 to be imposed by the authority when the eligibility determinations of
30 an employing agency fail to comply with the criteria under this
31 chapter.

32 **Sec. 13.** RCW 41.05.066 and 2015 c 116 s 4 are each amended to
33 read as follows:

34 A certificate of domestic partnership qualified under the
35 provisions of RCW 26.60.030 shall be recognized as evidence of a
36 qualified domestic partnership fulfilling all necessary eligibility
37 criteria for the partner of the employee or school employee to
38 receive benefits. Nothing in this section affects the requirements of
39 domestic partners to complete documentation related to federal tax

1 status that may currently be required by the board for employees or
2 school employees choosing to make premium payments on a pretax basis.

3 **Sec. 14.** RCW 41.05.075 and 2017 3rd sp.s. c 13 s 808 are each
4 amended to read as follows:

5 (1) The director shall provide benefit plans designed by the
6 board (~~((and the school employees' benefits board))~~) through a contract
7 or contracts with insuring entities, through self-funding, self-
8 insurance, or other methods of providing insurance coverage
9 authorized by RCW 41.05.140. The process of contracting for plans
10 offered by the school employees' benefits board is subject to
11 (~~(oversight))~~ insight and direction by the school employees' benefits
12 board.

13 (2) The director(~~(, subject to school employees' benefits board~~
14 ~~direction for plans offered to school employees,)~~) shall establish a
15 contract bidding process that:

16 (a) Encourages competition among insuring entities;

17 (b) Maintains an equitable relationship between premiums charged
18 for similar benefits and between risk pools including premiums
19 charged for retired state and school district employees under the
20 separate risk pools established by RCW 41.05.022 and 41.05.080 such
21 that insuring entities may not avoid risk when establishing the
22 premium rates for retirees eligible for medicare;

23 (c) Is timely to the state budgetary process; and

24 (d) Sets conditions for awarding contracts to any insuring
25 entity.

26 (3) (~~((School districts directly providing medical and dental~~
27 ~~benefits plans and contracted insuring entities providing medical and~~
28 ~~dental benefits plans to school districts on December 31, 2017,))~~) The
29 entities described in RCW 28A.400.275(2) shall provide the school
30 employees' benefits board and authority specified data by (~~((January~~
31 ~~1, 2019))~~) April 1, 2018, in a format to be determined by the
32 authority, to support an initial benefits plans procurement. At a
33 minimum, the data must cover the period January 1, 2014, through
34 (~~((August 1, 2018))~~) December 31, 2017, and include:

35 (a) A summary of the benefit packages offered to each group of
36 (~~((district))~~) school employees, including covered benefits, point-of-
37 service cost-sharing, member count, and the group policy number;

1 (b) Aggregated subscriber and member demographic information,
2 including age band and gender, by insurance tier by month and by
3 benefit packages;

4 (c) Monthly total by benefit package, including premiums paid,
5 inpatient facility claims paid, outpatient facility claims paid,
6 physician claims paid, pharmacy claims paid, capitation amounts paid,
7 and other claims paid;

8 (d) A listing for calendar years 2014 through 2017 of large
9 claims defined as annual amounts paid in excess of one hundred
10 thousand dollars including the amount paid, the member enrollment
11 status, and the primary diagnosis; ~~((and))~~

12 (e) A listing of calendar year ~~((2018))~~ 2017 allowed claims by
13 provider entity; and

14 (f) All data needed for design, procurement, rate setting, and
15 administration of all school employees' benefits board benefits.

16 Any data that may be confidential and contain personal health
17 information may be protected in accordance with a data-sharing
18 agreement.

19 (4) The director shall establish a requirement for review of
20 utilization and financial data from participating insuring entities
21 on a quarterly basis.

22 (5) The director shall centralize the enrollment files for all
23 employee, school employee, and retired or disabled school employee
24 health plans offered under chapter 41.05 RCW and develop enrollment
25 demographics on a plan-specific basis.

26 (6) All claims data shall be the property of the state. The
27 director may require of any insuring entity that submits a bid to
28 contract for coverage all information deemed necessary including:

29 (a) Subscriber or member demographic and claims data necessary
30 for risk assessment and adjustment calculations in order to fulfill
31 the director's duties as set forth in this chapter; and

32 (b) Subscriber or member demographic and claims data necessary to
33 implement performance measures or financial incentives related to
34 performance under subsection (8) of this section.

35 (7) All contracts with insuring entities for the provision of
36 health care benefits shall provide that the beneficiaries of such
37 benefit plans may use on an equal participation basis the services of
38 practitioners licensed pursuant to chapters 18.22, 18.25, 18.32,
39 18.53, 18.57, 18.71, 18.74, 18.83, and 18.79 RCW, as it applies to
40 registered nurses and advanced registered nurse practitioners.

1 However, nothing in this subsection may preclude the director from
2 establishing appropriate utilization controls approved pursuant to
3 RCW 41.05.065(2) (a), (b), and (d).

4 (8) The director shall, in collaboration with other state
5 agencies that administer state purchased health care programs,
6 private health care purchasers, health care facilities, providers,
7 and carriers:

8 (a) Use evidence-based medicine principles to develop common
9 performance measures and implement financial incentives in contracts
10 with insuring entities, health care facilities, and providers that:

11 (i) Reward improvements in health outcomes for individuals with
12 chronic diseases, increased utilization of appropriate preventive
13 health services, and reductions in medical errors; and

14 (ii) Increase, through appropriate incentives to insuring
15 entities, health care facilities, and providers, the adoption and use
16 of information technology that contributes to improved health
17 outcomes, better coordination of care, and decreased medical errors;

18 (b) Through state health purchasing, reimbursement, or pilot
19 strategies, promote and increase the adoption of health information
20 technology systems, including electronic medical records, by
21 hospitals as defined in RCW 70.41.020, integrated delivery systems,
22 and providers that:

23 (i) Facilitate diagnosis or treatment;

24 (ii) Reduce unnecessary duplication of medical tests;

25 (iii) Promote efficient electronic physician order entry;

26 (iv) Increase access to health information for consumers and
27 their providers; and

28 (v) Improve health outcomes;

29 (c) Coordinate a strategy for the adoption of health information
30 technology systems using the final health information technology
31 report and recommendations developed under chapter 261, Laws of 2005.

32 (9) The director may permit the Washington state health insurance
33 pool to contract to utilize any network maintained by the authority
34 or any network under contract with the authority.

35 **Sec. 15.** RCW 41.05.080 and 2015 c 116 s 5 are each amended to
36 read as follows:

37 (1) Under the qualifications, terms, conditions, and benefits set
38 by the public employees' benefits board:

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

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

10 (c) Surviving spouses, surviving state registered domestic
11 partners, and dependent children of emergency service personnel
12 killed in the line of duty may participate in insurance plans and
13 contracts.

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

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

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

39 (5) The term "retired state employees" for the purpose of this
40 section shall include but not be limited to members of the

1 legislature whether voluntarily or involuntarily leaving state
2 office.

3 **Sec. 16.** RCW 41.05.085 and 2005 c 195 s 3 are each amended to
4 read as follows:

5 (1) Beginning with the appropriations act for the 2005-2007
6 biennium, the legislature shall establish as part of both the state
7 employees' and the school and educational service district employees'
8 insurance benefit allocation the portion of the allocation to be used
9 to provide a prescription drug subsidy to reduce the health care
10 insurance premiums charged to retired or disabled school district and
11 educational service district employees, or retired state employees,
12 who are eligible for parts A and B of medicare. The legislature may
13 also establish a separate health care subsidy to reduce insurance
14 premiums charged to individuals who select a medicare supplemental
15 insurance policy option established in RCW 41.05.195.

16 (2) The amount of any premium reduction shall be established by
17 the public employees' benefits board. The amount established shall
18 not result in a premium reduction of more than fifty percent, except
19 as provided in subsection (3) of this section. The public employees'
20 benefits board may also determine the amount of any subsidy to be
21 available to spouses and dependents.

22 (3) The amount of the premium reduction in subsection (2) of this
23 section may exceed fifty percent, if the (~~administrator~~) director,
24 in consultation with the office of financial management, determines
25 that it is necessary in order to meet eligibility requirements to
26 participate in the federal employer incentive program as provided in
27 RCW 41.05.068.

28 **Sec. 17.** RCW 41.05.140 and 2013 c 251 s 10 are each amended to
29 read as follows:

30 (1) Except for property and casualty insurance, the authority may
31 self-fund, self-insure, or enter into other methods of providing
32 insurance coverage for insurance programs under its jurisdiction,
33 including the basic health plan as provided in chapter 70.47 RCW. The
34 authority shall contract for payment of claims or other
35 administrative services for programs under its jurisdiction. If a
36 program does not require the prepayment of reserves, the authority
37 shall establish such reserves within a reasonable period of time for
38 the payment of claims as are normally required for that type of

1 insurance under an insured program. The authority shall endeavor to
2 reimburse basic health plan health care providers under this section
3 at rates similar to the average reimbursement rates offered by the
4 statewide benchmark plan determined through the request for proposal
5 process.

6 (2) Reserves established by the authority for employee and
7 retiree benefit programs shall be held in a separate account in the
8 custody of the state treasurer and shall be known as the public
9 employees' and retirees' insurance reserve fund. The state treasurer
10 may invest the moneys in the reserve fund pursuant to RCW 43.79A.040.

11 (3) Reserves established by the authority for school employee
12 benefit programs shall be held in a separate account in the custody
13 of the state treasurer and shall be known as the school employees'
14 benefits board insurance reserve fund. The state treasurer may invest
15 the moneys in the reserve fund pursuant to RCW 43.79A.040.

16 (4) Any savings realized as a result of a program created for
17 employees or school employees and retirees under this section shall
18 not be used to increase benefits unless such use is authorized by
19 statute.

20 ((+4)) (5) Any program created under this section shall be
21 subject to the examination requirements of chapter 48.03 RCW as if
22 the program were a domestic insurer. In conducting an examination,
23 the commissioner shall determine the adequacy of the reserves
24 established for the program.

25 ((+5)) (6) The authority shall keep full and adequate accounts
26 and records of the assets, obligations, transactions, and affairs of
27 any program created under this section.

28 ((+6)) (7) The authority shall file a quarterly statement of the
29 financial condition, transactions, and affairs of any program created
30 under this section in a form and manner prescribed by the insurance
31 commissioner. The statement shall contain information as required by
32 the commissioner for the type of insurance being offered under the
33 program. A copy of the annual statement shall be filed with the
34 speaker of the house of representatives and the president of the
35 senate.

36 ((+7)) (8) The provisions of this section do not apply to the
37 administration of chapter 74.09 RCW.

38 **Sec. 18.** RCW 41.05.225 and 2002 c 71 s 1 are each amended to
39 read as follows:

1 (1) The public employees' benefits board shall offer a plan of
2 health insurance to blind licensees who are actively operating
3 facilities and participating in the business enterprises program
4 established in RCW 74.18.200 through 74.18.230, and maintained by the
5 department of services for the blind. The plan of health insurance
6 benefits must be the same or substantially similar to the plan of
7 health insurance benefits offered to state employees under this
8 chapter. Enrollment will be at the option of each individual licensee
9 or vendor, under rules established by the public employees' benefits
10 board.

11 (2) All costs incurred by the state or the public employees'
12 benefits board for providing health insurance coverage to active
13 blind vendors, excluding family participation, under subsection (1)
14 of this section may be paid for from net proceeds from vending
15 machine operations in public buildings under RCW 74.18.230.

16 (3) Money from the business enterprises program under the federal
17 Randolph-Sheppard Act may not be used for family participation in the
18 health insurance benefits provided under this section. Family
19 insurance benefits are the sole responsibility of the individual
20 blind vendors.

21 **Sec. 19.** RCW 41.05.300 and 2008 c 229 s 3 are each amended to
22 read as follows:

23 (1) The state of Washington may enter into salary reduction
24 agreements with employees and school employees (~~(of the state)~~)
25 pursuant to the internal revenue code, for the purpose of making it
26 possible for employees and school employees (~~(of the state)~~) to
27 select on a "before-tax basis" certain taxable and nontaxable
28 benefits. The purpose of the salary reduction plan established in
29 this chapter is to attract and retain individuals in governmental
30 service by permitting them to enter into agreements with the state to
31 provide for benefits pursuant to 26 U.S.C. Sec. 125, 26 U.S.C. Sec.
32 129, and other applicable sections of the internal revenue code.

33 (2) Nothing in the salary reduction plan constitutes an
34 employment agreement between the participant and the state, and
35 nothing contained in the participant's salary reduction agreement,
36 the plan, this section, or RCW 41.05.123, 41.05.310 through
37 41.05.360, and 41.05.295 gives a participant any right to be retained
38 in state employment.

1 **Sec. 20.** RCW 41.05.320 and 2008 c 229 s 5 are each amended to
2 read as follows:

3 (1) Elected officials and permanent employees and school
4 employees (~~(of the state)~~) are eligible to participate in the salary
5 reduction plan and reduce their salary by agreement with the
6 authority. The authority may adopt rules to: (a) Limit the
7 participation of employing agencies and their employees in the plan;
8 and (b) permit participation in the plan by temporary employees and
9 school employees (~~(of the state)~~).

10 (2) Persons eligible under subsection (1) of this section may
11 enter into salary reduction agreements with the state.

12 (3)(a) An eligible person may become a participant of the salary
13 reduction plan for a full plan year with annual benefit plan
14 selection for each new plan year made before the beginning of the
15 plan year, as determined by the authority, or upon becoming eligible.

16 (b) Once an eligible person elects to participate in the salary
17 reduction plan and determines the amount his or her gross salary
18 shall be reduced and the benefit plan for which the funds are to be
19 used during the plan year, the agreement shall be irrevocable and may
20 not be amended during the plan year except as provided in (c) of this
21 subsection. Prior to making an election to participate in the salary
22 reduction plan, the eligible person shall be informed in writing of
23 all the benefits and reductions that will occur as a result of such
24 election.

25 (c) The authority shall provide in the salary reduction plan that
26 a participant may enroll, terminate, or change his or her election
27 after the plan year has begun if there is a significant change in a
28 participant's status, as provided by 26 U.S.C. Sec. 125 and the
29 regulations adopted under that section and defined by the authority.

30 (4) The authority shall establish as part of the salary reduction
31 plan the procedures for and effect of withdrawal from the plan by
32 reason of retirement, death, leave of absence, or termination of
33 employment. To the extent possible under federal law, the authority
34 shall protect participants from forfeiture of rights under the plan.

35 (5) Any reduction of salary under the salary reduction plan shall
36 not reduce the reportable compensation for the purpose of computing
37 the state retirement and pension benefits earned by the employee or
38 school employee pursuant to chapters 41.26, 41.32, 41.35, 41.37,
39 41.40, and 43.43 RCW.

1 **Sec. 21.** RCW 41.04.205 and 2016 c 67 s 1 are each amended to
2 read as follows:

3 (1) Notwithstanding the provisions of RCW 41.04.180, the
4 employees, with their dependents, of any county, municipality, or
5 other political subdivision of this state shall be eligible to
6 participate in any insurance or self-insurance program for employees
7 administered under chapter 41.05 RCW if the legislative authority of
8 any such county, municipality, or other political subdivisions of
9 this state determines, subject to collective bargaining under
10 applicable statutes, a transfer to an insurance or self-insurance
11 program administered under chapter 41.05 RCW should be made. In the
12 event of a special district employee transfer pursuant to this
13 section, members of the governing authority shall be eligible to be
14 included in such transfer if such members are authorized by law as of
15 June 25, 1976 to participate in the insurance program being
16 transferred from and subject to payment by such members of all costs
17 of insurance for members.

18 (2) When the legislative authority of a county, municipality, or
19 other political subdivision determines to so transfer, the state
20 health care authority shall:

21 (a) Establish the conditions for participation; and

22 (b) Have the sole right to reject the application, except a group
23 application from a county or other political subdivision of the state
24 with fewer than five thousand employees must be approved.

25 Approval of the application by the state health care authority
26 shall effect a transfer of the employees involved to the insurance,
27 self-insurance, or health care program applied for.

28 (3) Any application of this section to members of the law
29 enforcement officers' and firefighters' retirement system under
30 chapter 41.26 RCW is subject to chapter 41.56 RCW.

31 (4) Until December 31, 2019, school districts may voluntarily
32 transfer to the public employees' benefits board, except that all
33 eligible employees in a bargaining unit of a school district may
34 transfer only as a unit and all nonrepresented employees in a
35 district may transfer only as a unit.

36 **Sec. 22.** RCW 28A.400.275 and 2017 3rd sp.s. c 13 s 814 and 2017
37 3rd sp.s. c 7 s 1 are each reenacted and amended to read as follows:

38 (1) Any contract or agreement for employee benefits executed
39 after April 13, 1990, between a school district or educational

1 service district and a benefit provider or employee bargaining unit
2 is null and void unless it contains an agreement to abide by state
3 laws relating to school district and educational service district
4 employee benefits. The term of the contract or agreement may not
5 exceed one year, except that the final contract or agreement entered
6 into for the 2018-19 school year must exceed one year only by the
7 months necessary to ensure employee benefits are maintained through
8 December 31, 2019.

9 ~~(2) ((Through December 31, 2019, school districts and their~~
10 ~~benefit providers shall annually submit, by a date determined by the~~
11 ~~office of the insurance commissioner, the following information and~~
12 ~~data for the prior calendar year to the office of the insurance~~
13 ~~commissioner:~~

14 ~~(a) Progress by the district and its benefit providers toward~~
15 ~~greater affordability for full family coverage, health care cost~~
16 ~~savings, and significantly reduced administrative costs;~~

17 ~~(b) Compliance with the requirement to provide a high deductible~~
18 ~~health plan option with a health savings account;~~

19 ~~(c) An overall plan summary including the following:~~

20 ~~(i) The financial plan structure and overall performance of each~~
21 ~~health plan including:~~

22 ~~(A) Total premium expenses;~~

23 ~~(B) Total claims expenses;~~

24 ~~(C) Claims reserves; and~~

25 ~~(D) Plan administration expenses, including compensation paid to~~
26 ~~brokers;~~

27 ~~(ii) A description of the plan's use of innovative health plan~~
28 ~~features designed to reduce health benefit premium growth and reduce~~
29 ~~utilization of unnecessary health services including but not limited~~
30 ~~to the use of enrollee health assessments or health coach services,~~
31 ~~care management for high cost or high risk enrollees, medical or~~
32 ~~health home payment mechanisms, and plan features designed to create~~
33 ~~incentives for improved personal health behaviors;~~

34 ~~(iii) Data to provide an understanding of employee health benefit~~
35 ~~plan coverage and costs, including: The total number of employees~~
36 ~~and, for each employee, the employee's full-time equivalent status,~~
37 ~~types of coverage or benefits received including numbers of covered~~
38 ~~dependents, the number of eligible dependents, the amount of the~~
39 ~~district's contribution to premium, additional premium costs paid by~~

1 the employee through payroll deductions, and the age and sex of the
2 employee and each dependent;

3 (iv) Data necessary for school districts to more effectively and
4 competitively manage and procure health insurance plans for
5 employees. The data must include, but not be limited to, the
6 following:

7 (A) A summary of the benefit packages offered to each group of
8 district employees, including covered benefits, employee deductibles,
9 coinsurance, and copayments, and the number of employees and their
10 dependents in each benefit package;

11 (B) Aggregated employee and dependent demographic information,
12 including age band and gender, by insurance tier and by benefit
13 package;

14 (C) Total claim payments by benefit package, including premiums
15 paid, inpatient facility claims paid, outpatient facility claims
16 paid, physician claims paid, pharmacy claims paid, capitation amounts
17 paid, and other claims paid;

18 (D) Total premiums paid by benefit package;

19 (E) A listing of large claims defined as annual amounts paid in
20 excess of one hundred thousand dollars including the amount paid, the
21 member enrollment status, and the primary diagnosis;

22 (F) After December 31, 2018, school districts shall submit such
23 data as required by the school employees' benefits board to
24 administer the consolidated purchasing of health services.

25 (3) Through December 31, 2018, school districts and their benefit
26 providers shall jointly report to the office of the insurance
27 commissioner on their health insurance related efforts and
28 achievements to:

29 (a) Significantly reduce administrative costs for school
30 districts;

31 (b) Improve customer service;

32 (c) Reduce differential plan premium rates between employee only
33 and family health benefit premiums;

34 (d) Protect access to coverage for part-time K-12 employees.

35 (4) The information and data shall be submitted in a format and
36 according to a schedule established by the office of the insurance
37 commissioner under RCW 48.02.210 to enable the commissioner to meet
38 the reporting obligations under that section.

1 ~~(5) Through December 31, 2018,)~~ School districts, educational
2 service districts, and their benefit providers shall submit data to
3 the health care authority in accordance with RCW 41.05.075(3).

4 (3) Any benefit provider offering a benefit plan by contract or
5 agreement with a school district or educational service district
6 under subsection (1) of this section shall make available to the
7 school district or educational service district the benefit plan
8 descriptions and, where available, the demographic information on
9 plan subscribers that the school district, educational service
10 district, and benefit provider are required to report to the ((office
11 of the insurance commissioner)) health care authority under this
12 section. ((After December 31, 2018, a benefit provider shall submit
13 such data to the school employees' benefits board.

14 ~~(6))~~ (4) Each school district and educational service district
15 shall:

16 (a) Carry out all actions required by the school employees'
17 benefits board and the health care authority under chapter 41.05 RCW
18 including, but not limited to, those necessary for the operation of
19 benefit plans, education of employees, claims administration, and
20 appeals process; and

21 (b) Report all data relating to employees eligible to participate
22 in benefits or plans administered by the school employees' benefits
23 board and the health care authority in a format designed and
24 communicated by the school employees' benefits board and the health
25 care authority.

26 **Sec. 23.** RCW 28A.400.350 and 2017 3rd sp.s. c 13 s 816 are each
27 amended to read as follows:

28 (1) The board of directors of any of the state's school districts
29 or educational service districts may make available medical, dental,
30 vision, liability, life, accident, disability, and salary protection
31 or insurance, direct agreements as defined in chapter 48.150 RCW, or
32 any one of, or a combination of the types of employee benefits
33 enumerated in this subsection, or any other type of insurance or
34 protection, for the members of the boards of directors, the students,
35 and employees of the school district or educational service district,
36 and their dependents. Except as provided in subsection (6) of this
37 section, such coverage may be provided by contracts or agreements
38 with private carriers, with the state health care authority, or
39 through self-insurance or self-funding pursuant to chapter 48.62 RCW,

1 or in any other manner authorized by law. Any direct agreement must
2 comply with RCW 48.150.050.

3 (2)(a) Whenever funds are available for these purposes the board
4 of directors of the school district or educational service district
5 may contribute all or a part of the cost of such protection or
6 insurance for the employees of their respective school districts or
7 educational service districts and their dependents. The premiums on
8 such liability insurance shall be borne by the school district or
9 educational service district.

10 (b) After October 1, 1990, school districts may not contribute to
11 any employee protection or insurance other than liability insurance
12 unless the district's employee benefit plan conforms to RCW
13 28A.400.275 and 28A.400.280.

14 (c) After December 31, 2019, school district contributions to any
15 employee insurance that is purchased through the health care
16 authority must conform to the requirements established by chapter
17 41.05 RCW and the school employees' benefits board.

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

1 district board shall adopt regulations for waiving or reducing the
2 insurance coverage requirements for low-income students in order to
3 assure such students are not prohibited from participating in
4 extracurricular interschool activities.

5 (4) All contracts or agreements for insurance or protection
6 written to take advantage of the provisions of this section shall
7 provide that the beneficiaries of such contracts may utilize on an
8 equal participation basis the services of those practitioners
9 licensed pursuant to chapters 18.22, 18.25, 18.53, 18.57, and 18.71
10 RCW.

11 (5)(a) Until the creation of the school employees' benefits board
12 under RCW 41.05.740, school districts offering medical, vision, and
13 dental benefits shall:

14 (i) Offer a high deductible health plan option with a health
15 savings account that conforms to section 223, part VII of subchapter
16 1 of the internal revenue code of 1986. School districts shall comply
17 with all applicable federal standards related to the establishment of
18 health savings accounts;

19 (ii) Make progress toward employee premiums that are established
20 to ensure that full family coverage premiums are not more than three
21 times the premiums for employees purchasing single coverage for the
22 same coverage plan, unless a subsequent premium differential target
23 is defined as a result of the review and subsequent actions described
24 in RCW 41.05.655;

25 (iii) Offer employees at least one health benefit plan that is
26 not a high deductible health plan offered in conjunction with a
27 health savings account in which the employee share of the premium
28 cost for a full-time employee, regardless of whether the employee
29 chooses employee-only coverage or coverage that includes dependents,
30 does not exceed the share of premium cost paid by state employees
31 during the state employee benefits year that started immediately
32 prior to the school year.

33 (b) All contracts or agreements for employee benefits must be
34 held to responsible contracting standards, meaning a fair, prudent,
35 and accountable competitive procedure for procuring services that
36 includes an open competitive process, except where an open process
37 would compromise cost-effective purchasing, with documentation
38 justifying the approach.

39 (c) School districts offering medical, vision, and dental
40 benefits shall also make progress on promoting health care

1 innovations and cost savings and significantly reduce administrative
2 costs.

3 (d) All contracts or agreements for insurance or protection
4 described in this section shall be in compliance with chapter 3, Laws
5 of 2012 2nd sp. sess.

6 ~~((e) Upon notification from the office of the insurance
7 commissioner of a school district's substantial noncompliance with
8 the data reporting requirements of RCW 28A.400.275, and the failure
9 is due to the action or inaction of the school district, and if the
10 noncompliance has occurred for two reporting periods, the
11 superintendent is authorized and required to limit the school
12 district's authority provided in subsection (1) of this section
13 regarding employee health benefits to the provision of health benefit
14 coverage provided by the state health care authority.))~~

15 (6) The authority to make available basic and optional benefits
16 to school employees under this section expires December 31, 2019.
17 Beginning January 1, 2020, school districts and educational service
18 districts shall make available basic and optional benefits through
19 plans offered by the health care authority and the school employees'
20 benefits board.

21 NEW SECTION. **Sec. 24.** A new section is added to chapter 28A.710
22 RCW to read as follows:

23 (1) A function of the school employees' benefits board
24 established under RCW 41.05.740 is to design and approve insurance
25 benefit plans and to establish eligibility criteria for participation
26 in insurance benefit plans by January 1, 2020. In order for the
27 school employees' benefits board to develop these benefit plans,
28 charter school employees' information must be provided to the school
29 employees' benefits board and the health care authority.

30 (2) Charter schools and their benefit providers must submit data
31 to the health care authority in accordance with RCW 41.05.075(3).

32 (3) Any benefit provider offering a benefit plan by contract or
33 agreement with a charter school must make available to the charter
34 school the benefit plan descriptions and, where available, the
35 demographic information on plan subscribers that the charter school
36 and benefit providers are required to report to the health care
37 authority under this section.

38 (4) Each charter school must:

1 (a) Carry out all actions required by the school employees'
2 benefits board and the health care authority under chapter 41.05 RCW
3 including, but not limited to, those actions necessary for the
4 operation of benefit plans, education of employees, claims
5 administration, and appeals process; and

6 (b) Report all data relating to employees eligible to participate
7 in benefits or plans administered by the school employees' benefits
8 board and the health care authority in a format designed and
9 communicated by the school employees' benefits board and the health
10 care authority.

11 **Sec. 25.** RCW 41.05.120 and 2017 3rd sp.s. c 13 s 809 are each
12 amended to read as follows:

13 (1) The public employees' and retirees' insurance account is
14 hereby established in the custody of the state treasurer, to be used
15 by the director for the deposit of contributions, the remittance paid
16 by school districts and educational service districts under RCW
17 28A.400.410, reserves, dividends, and refunds, for payment of
18 premiums and claims for employee and retiree insurance benefit
19 contracts and subsidy amounts provided under RCW 41.05.085, and
20 transfers from the flexible spending administrative account as
21 authorized in RCW 41.05.123. Moneys from the account shall be
22 disbursed by the state treasurer by warrants on vouchers duly
23 authorized by the director. Moneys from the account may be
24 transferred to the flexible spending administrative account to
25 provide reserves and start-up costs for the operation of the flexible
26 spending administrative account program.

27 (2) The state treasurer and the state investment board may invest
28 moneys in the public employees' and retirees' insurance account. All
29 such investments shall be in accordance with RCW 43.84.080 or
30 43.84.150, whichever is applicable. The director shall determine
31 whether the state treasurer or the state investment board or both
32 shall invest moneys in the public employees' and retirees' insurance
33 account.

34 (3) The school employees' insurance account is hereby established
35 in the custody of the state treasurer, to be used by the director for
36 the deposit of contributions, reserves, dividends, and refunds, for
37 payment of premiums and claims for school employee insurance benefit
38 contracts, and for transfers from the school employees' benefits
39 board flexible spending and dependent care administrative account as

1 authorized in this subsection. Moneys from the account shall be
2 disbursed by the state treasurer by warrants on vouchers duly
3 authorized by the director. Moneys from the account may be
4 transferred to the school employees' benefits board flexible spending
5 and dependent care administrative account to provide reserves and
6 start-up costs for the operation of the school employees' benefits
7 board flexible spending arrangement and dependent care assistance
8 program.

9 (4) The state treasurer and the state investment board may invest
10 moneys in the school employees' insurance account. These investments
11 must be in accordance with RCW 43.84.080 or 43.84.150, whichever is
12 applicable. The director shall determine whether the state treasurer
13 or the state investment board or both shall invest moneys in the
14 school employees' insurance account.

15 **Sec. 26.** RCW 41.05.123 and 2008 c 229 s 6 are each amended to
16 read as follows:

17 (1) For the public employees' benefits board program, the
18 flexible spending administrative account is created in the custody of
19 the state treasurer.

20 (a) All receipts from the following must be deposited in the
21 account:

22 ~~((a))~~ (i) Revenues from employing agencies for costs associated
23 with operating the medical flexible spending arrangement program and
24 the dependent care assistance program provided through the salary
25 reduction plan authorized under this chapter; and

26 ~~((b) funds transferred from the dependent care administrative~~
27 ~~account; and~~

28 ~~(e))~~ (ii) Unclaimed moneys at the end of the plan year after all
29 timely submitted claims for that plan year have been processed.
30 Expenditures from the account may be used only for administrative and
31 other expenses related to operating the medical flexible spending
32 arrangement program and the dependent care assistance program
33 provided through the salary reduction plan authorized under this
34 chapter. Only the ~~((administrator))~~ director or the
35 ~~((administrator's))~~ director's designee may authorize expenditures
36 from the account. The account is subject to allotment procedures
37 under chapter 43.88 RCW, but an appropriation is not required for
38 expenditures.

1 ~~((2))~~ (b) The salary reduction account is ~~((established in the~~
2 ~~state treasury))~~ created in the custody of the state treasurer.
3 Employee salary reductions paid to reimburse participants or service
4 providers for benefits provided by the medical flexible spending
5 arrangement program and the dependent care assistance program
6 provided through the salary reduction plan authorized under this
7 chapter shall be paid from the salary reduction account. The funds
8 held by the state to pay for benefits provided by the medical
9 flexible spending arrangement program and the dependent care
10 assistance program provided through the salary reduction plan
11 authorized under this chapter shall be deposited in the salary
12 reduction account. Unclaimed moneys remaining in the salary reduction
13 account at the end of a plan year after all timely submitted claims
14 for that plan year have been processed shall become a part of the
15 flexible spending administrative account. Only the ~~((administrator))~~
16 director or the ~~((administrator's))~~ director's designee may authorize
17 expenditures from the account. The account is not subject to
18 allotment procedures under chapter 43.88 RCW and an appropriation is
19 not required for expenditures.

20 ~~((3))~~ (c) Program claims reserves and money necessary for
21 start-up costs transferred from the public employees' and retirees'
22 insurance account established in RCW 41.05.120 may be deposited in
23 the flexible spending administrative account. Moneys in excess of the
24 amount necessary for administrative and operating expenses of the
25 medical flexible spending arrangement program may be transferred to
26 the public employees' and retirees' insurance account.

27 ~~((4))~~ (d) The authority may periodically bill employing
28 agencies for costs associated with operating the medical flexible
29 spending arrangement program and the dependent care assistance
30 program provided through the salary reduction plan authorized under
31 this chapter.

32 (2) For the school employees' benefits board program, the school
33 employees' benefits board flexible spending and dependent care
34 administrative account is created in the custody of the state
35 treasurer.

36 (a) All receipts from the following must be deposited in the
37 account:

38 (i) Revenues from school employees' benefits board organizations
39 for costs associated with operating the school employees' benefits
40 board medical flexible spending arrangement program and the school

1 employees' benefits board dependent care assistance program provided
2 through the salary reduction plan authorized under this chapter; and

3 (ii) Unclaimed moneys at the end of the plan year after all
4 timely submitted claims for that plan year have been processed.
5 Expenditures from the account may be used only for administrative and
6 other expenses related to operating the school employees' benefits
7 board medical flexible spending arrangement program and the school
8 employees' benefits board dependent care assistance program provided
9 through the salary reduction plan authorized under this chapter. Only
10 the director or the director's designee may authorize expenditures
11 from the account. The account is subject to allotment procedures
12 under chapter 43.88 RCW, but an appropriation is not required for
13 expenditures.

14 (b) The school employees' benefits board salary reduction account
15 is created in the custody of the state treasurer. School employee
16 salary reductions paid to reimburse participants or service providers
17 for benefits provided by the school employees' benefits board medical
18 flexible spending arrangement program and the school employees'
19 benefits board dependent care assistance program provided through the
20 salary reduction plan authorized under this chapter shall be paid
21 from the school employees' benefits board salary reduction account.
22 The funds held by the state to pay for benefits provided by the
23 school employees' benefits board medical flexible spending
24 arrangement program and the school employees' benefits board
25 dependent care assistance program provided through the salary
26 reduction plan authorized under this chapter shall be deposited in
27 the school employees' benefits board salary reduction account.
28 Unclaimed moneys remaining in the school employees' benefits board
29 salary reduction account at the end of a plan year after all timely
30 submitted claims for that plan year have been processed shall become
31 a part of the school employees' benefits board flexible spending and
32 dependent care administrative account. Only the director or the
33 director's designee may authorize expenditures from the account. The
34 account is not subject to allotment procedures under chapter 43.88
35 RCW and an appropriation is not required for expenditures.

36 (c) Program claims reserves and money necessary for start-up
37 costs transferred from the school employees' insurance account
38 established in RCW 41.05.120 may be deposited in the school
39 employees' benefits board flexible spending and dependent care
40 administrative account. Moneys in excess of the amount necessary for

1 administrative and operating expenses of the school employees'
2 benefits board medical flexible spending arrangement and the school
3 employees' benefits board dependent care assistance program may be
4 transferred to the school employees' insurance account.

5 (d) The authority may periodically bill school employees'
6 benefits board organizations for costs associated with operating the
7 school employees' benefits board medical flexible spending
8 arrangement program and the school employees' benefits board
9 dependent care assistance program provided through the salary
10 reduction plan authorized under this chapter.

11 **Sec. 27.** RCW 41.05.143 and 2017 3rd sp.s. c 13 s 811 are each
12 amended to read as follows:

13 (1) The uniform medical plan benefits administration account is
14 created in the custody of the state treasurer. Only the director or
15 the director's designee may authorize expenditures from the account.
16 Moneys in the account shall be used exclusively for contracted
17 expenditures for uniform medical plan claims administration, data
18 analysis, utilization management, preferred provider administration,
19 and activities related to benefits administration where the level of
20 services provided pursuant to a contract fluctuate as a direct result
21 of changes in uniform medical plan enrollment. Moneys in the account
22 may also be used for administrative activities required to respond to
23 new and unforeseen conditions that impact the uniform medical plan,
24 but only when the authority and the office of financial management
25 jointly agree that such activities must be initiated prior to the
26 next legislative session.

27 (2) Receipts from amounts due from or on behalf of uniform
28 medical plan enrollees for expenditures related to benefits
29 administration, including moneys disbursed from the public employees'
30 and retirees' insurance account, shall be deposited into the account.
31 The account is subject to allotment procedures under chapter 43.88
32 RCW, but no appropriation is required for expenditures. All proposals
33 for allotment increases shall be provided to the house of
34 representatives appropriations committee and to the senate ways and
35 means committee at the same time as they are provided to the office
36 of financial management.

37 (3) The uniform dental plan benefits administration account is
38 created in the custody of the state treasurer. Only the director or
39 the director's designee may authorize expenditures from the account.

1 Moneys in the account shall be used exclusively for contracted
2 expenditures related to benefits administration for the uniform
3 dental plan as established under RCW 41.05.140. Receipts from amounts
4 due from or on behalf of uniform dental plan enrollees for
5 expenditures related to benefits administration, including moneys
6 disbursed from the public employees' and retirees' insurance account,
7 shall be deposited into the account. The account is subject to
8 allotment procedures under chapter 43.88 RCW, but no appropriation is
9 required for expenditures.

10 (4) The public employees' benefits board medical benefits
11 administration account is created in the custody of the state
12 treasurer. Only the director or the director's designee may authorize
13 expenditures from the account. Moneys in the account shall be used
14 exclusively for contracted expenditures related to claims
15 administration, data analysis, utilization management, preferred
16 provider administration, and other activities related to benefits
17 administration for self-insured medical plans (~~other than the~~
18 ~~uniform medical plan~~). Receipts from amounts due from or on behalf
19 of enrollees for expenditures related to benefits administration,
20 including moneys disbursed from the public employees' and retirees'
21 insurance account, shall be deposited into the account. The account
22 is subject to allotment procedures under chapter 43.88 RCW, but an
23 appropriation is not required for expenditures.

24 (5) The school employees' benefits board medical benefits
25 (~~administration~~) administrative account is created in the custody
26 of the state treasurer. Only the director or the director's designee
27 may authorize expenditures from the account. Moneys in the account
28 shall be used exclusively for school employees' benefits board
29 contracted expenditures related to claims administration, data
30 analysis, utilization management, preferred provider administration,
31 and other activities related to benefits administration for self-
32 insured medical plans (~~other than the uniform medical plan~~).
33 Receipts from amounts due from or on behalf of enrollees for
34 expenditures related to benefits administration, including moneys
35 disbursed from the school employees' insurance account, shall be
36 deposited into the account. The account is subject to allotment
37 procedures under chapter 43.88 RCW, but no appropriation is required
38 for expenditures.

39 (6) The school employees' benefits board dental benefits
40 administration account is created in the custody of the state

1 treasurer. Only the director or the director's designee may authorize
2 expenditures from the account. Moneys in the account shall be used
3 exclusively for school employees' benefits board contracted
4 expenditures related to benefits administration for the self-insured
5 dental plan as established under RCW 41.05.140. Receipts from amounts
6 due from or on behalf of the self-insured dental plan enrollees for
7 expenditures related to benefits administration, including moneys
8 disbursed from the school employees' insurance account, shall be
9 deposited into the account. The account is subject to allotment
10 procedures under chapter 43.88 RCW, but no appropriation is required
11 for expenditures.

12 **Sec. 28.** RCW 43.79A.040 and 2017 3rd sp.s. c 5 s 89 are each
13 amended to read as follows:

14 (1) Money in the treasurer's trust fund may be deposited,
15 invested, and reinvested by the state treasurer in accordance with
16 RCW 43.84.080 in the same manner and to the same extent as if the
17 money were in the state treasury, and may be commingled with moneys
18 in the state treasury for cash management and cash balance purposes.

19 (2) All income received from investment of the treasurer's trust
20 fund must be set aside in an account in the treasury trust fund to be
21 known as the investment income account.

22 (3) The investment income account may be utilized for the payment
23 of purchased banking services on behalf of treasurer's trust funds
24 including, but not limited to, depository, safekeeping, and
25 disbursement functions for the state treasurer or affected state
26 agencies. The investment income account is subject in all respects to
27 chapter 43.88 RCW, but no appropriation is required for payments to
28 financial institutions. Payments must occur prior to distribution of
29 earnings set forth in subsection (4) of this section.

30 (4)(a) Monthly, the state treasurer must distribute the earnings
31 credited to the investment income account to the state general fund
32 except under (b), (c), and (d) of this subsection.

33 (b) The following accounts and funds must receive their
34 proportionate share of earnings based upon each account's or fund's
35 average daily balance for the period: The 24/7 sobriety account, the
36 Washington promise scholarship account, the Gina Grant Bull memorial
37 legislative page scholarship account, the Washington advanced college
38 tuition payment program account, the Washington college savings
39 program account, the accessible communities account, the Washington

1 achieving a better life experience program account, the community and
2 technical college innovation account, the agricultural local fund,
3 the American Indian scholarship endowment fund, the foster care
4 scholarship endowment fund, the foster care endowed scholarship trust
5 fund, the contract harvesting revolving account, the Washington state
6 combined fund drive account, the commemorative works account, the
7 county enhanced 911 excise tax account, the toll collection account,
8 the developmental disabilities endowment trust fund, the energy
9 account, the fair fund, the family and medical leave insurance
10 account, the food animal veterinarian conditional scholarship
11 account, the forest health revolving account, the fruit and vegetable
12 inspection account, the future teachers conditional scholarship
13 account, the game farm alternative account, the GET ready for math
14 and science scholarship account, the Washington global health
15 technologies and product development account, the grain inspection
16 revolving fund, the industrial insurance rainy day fund, the juvenile
17 accountability incentive account, the law enforcement officers' and
18 firefighters' plan 2 expense fund, the local tourism promotion
19 account, the low-income home rehabilitation revolving loan program
20 account, the multiagency permitting team account, the northeast
21 Washington wolf-livestock management account, the pilotage account,
22 the produce railcar pool account, the regional transportation
23 investment district account, the rural rehabilitation account, the
24 Washington sexual assault kit account, the stadium and exhibition
25 center account, the youth athletic facility account, the self-
26 insurance revolving fund, the children's trust fund, the Washington
27 horse racing commission Washington bred owners' bonus fund and
28 breeder awards account, the Washington horse racing commission class
29 C purse fund account, the individual development account program
30 account, the Washington horse racing commission operating account,
31 the life sciences discovery fund, the Washington state heritage
32 center account, the reduced cigarette ignition propensity account,
33 the center for childhood deafness and hearing loss account, the
34 school for the blind account, the Millersylvania park trust fund, the
35 public employees' and retirees' insurance reserve fund, the school
36 employees' benefits board insurance reserve fund, public employees'
37 and retirees' insurance account, school employees' insurance account,
38 and the radiation perpetual maintenance fund.

39 (c) The following accounts and funds must receive eighty percent
40 of their proportionate share of earnings based upon each account's or

1 fund's average daily balance for the period: The advanced right-of-
2 way revolving fund, the advanced environmental mitigation revolving
3 account, the federal narcotics asset forfeitures account, the high
4 occupancy vehicle account, the local rail service assistance account,
5 and the miscellaneous transportation programs account.

6 (d) Any state agency that has independent authority over accounts
7 or funds not statutorily required to be held in the custody of the
8 state treasurer that deposits funds into a fund or account in the
9 custody of the state treasurer pursuant to an agreement with the
10 office of the state treasurer shall receive its proportionate share
11 of earnings based upon each account's or fund's average daily balance
12 for the period.

13 (5) In conformance with Article II, section 37 of the state
14 Constitution, no trust accounts or funds shall be allocated earnings
15 without the specific affirmative directive of this section.

16 **Sec. 29.** RCW 28A.400.280 and 2017 3rd sp.s. c 13 s 815 are each
17 amended to read as follows:

18 (1) Except as provided in subsection (2) of this section, school
19 districts may provide employer fringe benefit contributions after
20 October 1, 1990, only for basic benefits. However, school districts
21 may continue payments under contracts with employees or benefit
22 providers in effect on April 13, 1990, until the contract expires.

23 (2) School districts may provide employer contributions after
24 October 1, 1990, (~~and until December 31, 2019,~~) for optional
25 benefit plans, in addition to basic benefits. Beginning January 1,
26 2020, school district optional benefits must be outside the school
27 employees' benefits board's authority in RCW 41.05.740(6). Beginning
28 December 1, 2019, and each December 1st thereafter, school district
29 optional benefits must be reported to the school employees' benefits
30 board and health care authority. The school employees' benefits board
31 shall review the optional benefits offered by districts and: (a)
32 Determine if the optional benefits conflict with school employees'
33 benefits board's plans offering authority and, if not, (b) evaluate
34 whether to seek additional benefit offerings authority from the
35 legislature. Optional benefits may include direct agreements as
36 defined in chapter 48.150 RCW, and may include employee beneficiary
37 accounts that can be liquidated by the employee on termination of
38 employment. Optional benefit plans may be offered only if:

1 (a) Each full-time employee, regardless of the number of
2 dependents receiving basic coverage, receives the same additional
3 employer contribution for other coverage or optional benefits; and

4 (b) For part-time employees, participation in optional benefit
5 plans shall be governed by the same eligibility criteria and/or
6 proration of employer contributions used for allocations for basic
7 benefits.

8 (3) School districts are not intended to divert state basic
9 benefit allocations for other purposes(~~(, and)~~). Beginning January 1,
10 2020, ((no basic or optional benefits may be provided by employer
11 contributions if they are not provided)) school districts must offer
12 all benefits offered by the school employees' benefits board
13 administered by the health care authority, and consistent with RCW
14 41.56.500(2).

15 (4) Any optional benefits offered by a school district under
16 subsection (2) of this section are considered an enhancement to the
17 state's definition of basic education.

18 **Sec. 30.** RCW 41.05.700 and 2017 c 219 s 2 are each amended to
19 read as follows:

20 (1) A health plan offered to employees, school employees, and
21 their covered dependents under this chapter issued or renewed on or
22 after January 1, 2017, shall reimburse a provider for a health care
23 service provided to a covered person through telemedicine or store
24 and forward technology if:

25 (a) The plan provides coverage of the health care service when
26 provided in person by the provider;

27 (b) The health care service is medically necessary;

28 (c) The health care service is a service recognized as an
29 essential health benefit under section 1302(b) of the federal patient
30 protection and affordable care act in effect on January 1, 2015; and

31 (d) The health care service is determined to be safely and
32 effectively provided through telemedicine or store and forward
33 technology according to generally accepted health care practices and
34 standards, and the technology used to provide the health care service
35 meets the standards required by state and federal laws governing the
36 privacy and security of protected health information.

37 (2)(a) If the service is provided through store and forward
38 technology there must be an associated office visit between the
39 covered person and the referring health care provider. Nothing in

1 this section prohibits the use of telemedicine for the associated
2 office visit.

3 (b) For purposes of this section, reimbursement of store and
4 forward technology is available only for those covered services
5 specified in the negotiated agreement between the health plan and
6 health care provider.

7 (3) An originating site for a telemedicine health care service
8 subject to subsection (1) of this section includes a:

9 (a) Hospital;

10 (b) Rural health clinic;

11 (c) Federally qualified health center;

12 (d) Physician's or other health care provider's office;

13 (e) Community mental health center;

14 (f) Skilled nursing facility;

15 (g) Home or any location determined by the individual receiving
16 the service; or

17 (h) Renal dialysis center, except an independent renal dialysis
18 center.

19 (4) Except for subsection (3)(g) of this section, any originating
20 site under subsection (3) of this section may charge a facility fee
21 for infrastructure and preparation of the patient. Reimbursement must
22 be subject to a negotiated agreement between the originating site and
23 the health plan. A distant site or any other site not identified in
24 subsection (3) of this section may not charge a facility fee.

25 (5) The plan may not distinguish between originating sites that
26 are rural and urban in providing the coverage required in subsection
27 (1) of this section.

28 (6) The plan may subject coverage of a telemedicine or store and
29 forward technology health service under subsection (1) of this
30 section to all terms and conditions of the plan including, but not
31 limited to, utilization review, prior authorization, deductible,
32 copayment, or coinsurance requirements that are applicable to
33 coverage of a comparable health care service provided in person.

34 (7) This section does not require the plan to reimburse:

35 (a) An originating site for professional fees;

36 (b) A provider for a health care service that is not a covered
37 benefit under the plan; or

38 (c) An originating site or health care provider when the site or
39 provider is not a contracted provider under the plan.

40 (8) For purposes of this section:

1 (a) "Distant site" means the site at which a physician or other
2 licensed provider, delivering a professional service, is physically
3 located at the time the service is provided through telemedicine;

4 (b) "Health care service" has the same meaning as in RCW
5 48.43.005;

6 (c) "Hospital" means a facility licensed under chapter 70.41,
7 71.12, or 72.23 RCW;

8 (d) "Originating site" means the physical location of a patient
9 receiving health care services through telemedicine;

10 (e) "Provider" has the same meaning as in RCW 48.43.005;

11 (f) "Store and forward technology" means use of an asynchronous
12 transmission of a covered person's medical information from an
13 originating site to the health care provider at a distant site which
14 results in medical diagnosis and management of the covered person,
15 and does not include the use of audio-only telephone, facsimile, or
16 email; and

17 (g) "Telemedicine" means the delivery of health care services
18 through the use of interactive audio and video technology, permitting
19 real-time communication between the patient at the originating site
20 and the provider, for the purpose of diagnosis, consultation, or
21 treatment. For purposes of this section only, "telemedicine" does not
22 include the use of audio-only telephone, facsimile, or email.

23 NEW SECTION. **Sec. 31.** A new section is added to chapter 41.05
24 RCW to read as follows:

25 (1) All health care and financial related data as required by
26 section 4, chapter 3, Laws of 2012 2nd sp. sess. that was sent by
27 school districts and their benefits providers to the office of the
28 insurance commissioner for plan years ending in 2012 through 2016 for
29 the purposes of studying health benefits provided to school employees
30 must be provided to the authority by March 15, 2018.

31 (2) All claims data, including health care and financial related
32 data received by the authority under subsection (1) of this section,
33 is the property of the state and is exempt from disclosure and not
34 subject to chapter 42.56 RCW.

35 **Sec. 32.** RCW 42.56.400 and 2017 3rd sp.s. c 30 s 2 and 2017 c
36 193 s 2 are each reenacted and amended to read as follows:

37 The following information relating to insurance and financial
38 institutions is exempt from disclosure under this chapter:

1 (1) Records maintained by the board of industrial insurance
2 appeals that are related to appeals of crime victims' compensation
3 claims filed with the board under RCW 7.68.110;

4 (2) Information obtained and exempted or withheld from public
5 inspection by the health care authority under RCW 41.05.026, whether
6 retained by the authority, transferred to another state purchased
7 health care program by the authority, or transferred by the authority
8 to a technical review committee created to facilitate the
9 development, acquisition, or implementation of state purchased health
10 care under chapter 41.05 RCW;

11 (3) The names and individual identification data of either all
12 owners or all insureds, or both, received by the insurance
13 commissioner under chapter 48.102 RCW;

14 (4) Information provided under RCW 48.30A.045 through 48.30A.060;

15 (5) Information provided under RCW 48.05.510 through 48.05.535,
16 48.43.200 through 48.43.225, 48.44.530 through 48.44.555, and
17 48.46.600 through 48.46.625;

18 (6) Examination reports and information obtained by the
19 department of financial institutions from banks under RCW 30A.04.075,
20 from savings banks under RCW 32.04.220, from savings and loan
21 associations under RCW 33.04.110, from credit unions under RCW
22 31.12.565, from check cashers and sellers under RCW 31.45.030(3), and
23 from securities brokers and investment advisers under RCW 21.20.100,
24 all of which is confidential and privileged information;

25 (7) Information provided to the insurance commissioner under RCW
26 48.110.040(3);

27 (8) Documents, materials, or information obtained by the
28 insurance commissioner under RCW 48.02.065, all of which are
29 confidential and privileged;

30 (9) Documents, materials, or information obtained by the
31 insurance commissioner under RCW 48.31B.015(2) (l) and (m),
32 48.31B.025, 48.31B.030, and 48.31B.035, all of which are confidential
33 and privileged;

34 (10) Data filed under RCW 48.140.020, 48.140.030, 48.140.050, and
35 7.70.140 that, alone or in combination with any other data, may
36 reveal the identity of a claimant, health care provider, health care
37 facility, insuring entity, or self-insurer involved in a particular
38 claim or a collection of claims. For the purposes of this subsection:

39 (a) "Claimant" has the same meaning as in RCW 48.140.010(2).

1 (b) "Health care facility" has the same meaning as in RCW
2 48.140.010(6).

3 (c) "Health care provider" has the same meaning as in RCW
4 48.140.010(7).

5 (d) "Insuring entity" has the same meaning as in RCW
6 48.140.010(8).

7 (e) "Self-insurer" has the same meaning as in RCW 48.140.010(11);

8 (11) Documents, materials, or information obtained by the
9 insurance commissioner under RCW 48.135.060;

10 (12) Documents, materials, or information obtained by the
11 insurance commissioner under RCW 48.37.060;

12 (13) Confidential and privileged documents obtained or produced
13 by the insurance commissioner and identified in RCW 48.37.080;

14 (14) Documents, materials, or information obtained by the
15 insurance commissioner under RCW 48.37.140;

16 (15) Documents, materials, or information obtained by the
17 insurance commissioner under RCW 48.17.595;

18 (16) Documents, materials, or information obtained by the
19 insurance commissioner under RCW 48.102.051(1) and 48.102.140 (3) and
20 (7)(a)(ii);

21 (17) Documents, materials, or information obtained by the
22 insurance commissioner in the commissioner's capacity as receiver
23 under RCW 48.31.025 and 48.99.017, which are records under the
24 jurisdiction and control of the receivership court. The commissioner
25 is not required to search for, log, produce, or otherwise comply with
26 the public records act for any records that the commissioner obtains
27 under chapters 48.31 and 48.99 RCW in the commissioner's capacity as
28 a receiver, except as directed by the receivership court;

29 (18) Documents, materials, or information obtained by the
30 insurance commissioner under RCW 48.13.151;

31 (19) Data, information, and documents provided by a carrier
32 pursuant to section 1, chapter 172, Laws of 2010;

33 (20) Information in a filing of usage-based insurance about the
34 usage-based component of the rate pursuant to RCW 48.19.040(5)(b);

35 (21) Data, information, and documents, other than those described
36 in RCW 48.02.210(2) as it existed prior to repeal by section 2,
37 chapter 7, Laws of 2017 3rd sp.s., that are submitted to the office
38 of the insurance commissioner by an entity providing health care
39 coverage pursuant to RCW 28A.400.275 as it existed on January 1,

1 2017, and 48.02.210 as it existed prior to repeal by section 2,
2 chapter 7, Laws of 2017 3rd sp.s.;

3 (22) Data, information, and documents obtained by the insurance
4 commissioner under RCW 48.29.017;

5 (23) Information not subject to public inspection or public
6 disclosure under RCW 48.43.730(5);

7 (24) Documents, materials, or information obtained by the
8 insurance commissioner under chapter 48.05A RCW;

9 (25) Documents, materials, or information obtained by the
10 insurance commissioner under RCW 48.74.025, 48.74.028, 48.74.100(6),
11 48.74.110(2) (b) and (c), and 48.74.120 to the extent such documents,
12 materials, or information independently qualify for exemption from
13 disclosure as documents, materials, or information in possession of
14 the commissioner pursuant to a financial conduct examination and
15 exempt from disclosure under RCW 48.02.065; (~~and~~))

16 (26) Nonpublic personal health information obtained by, disclosed
17 to, or in the custody of the insurance commissioner, as provided in
18 RCW 48.02.068; (~~and~~))

19 (27) Data, information, and documents obtained by the insurance
20 commissioner under RCW 48.02.230; and

21 (28) All claims data, including health care and financial related
22 data received under section 31 of this act, received and held by the
23 health care authority.

24 NEW SECTION. Sec. 33. A new section is added to chapter 28A.400
25 RCW to read as follows:

26 The monthly insurance benefit allocated to school districts for
27 state-funded staffing assumptions in the 2019-2021 biennial omnibus
28 appropriations act must be funded at a rate that is no less than the
29 per employee per month funding rate provided to state agencies for
30 state employee benefits.

31 NEW SECTION. Sec. 34. The legislature intends to review the
32 state-funded staffing assumptions for K-12 benefit allocations to
33 districts for the 2019-2021 biennial omnibus appropriations act and
34 consider assumptions related to the monthly benefit allocated for the
35 proportion of staff, that are anticipated to work six hundred thirty
36 hours or more.

1 NEW SECTION. **Sec. 35.** Sections 14, 22, 23, 31, and 32 of this
2 act are necessary for the immediate preservation of the public peace,
3 health, or safety, or support of the state government and its
4 existing public institutions, and take effect immediately.

Passed by the Senate February 14, 2018.

Passed by the House March 7, 2018.

Approved by the Governor March 23, 2018.

Filed in Office of Secretary of State March 26, 2018.

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