

# HOUSE BILL REPORT

## HB 2458

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### As Passed Legislature

**Title:** An act relating to optional benefits offered by school districts.

**Brief Description:** Concerning optional benefits offered by school districts.

**Sponsors:** Representatives Stonier, Sells, Dolan, Schmick, Boehnke, Bergquist, Vick, Pollet and Wylie.

#### **Brief History:**

##### **Committee Activity:**

Education: 1/20/20, 2/4/20 [DP].

##### **Floor Activity:**

Passed House: 2/17/20, 97-0.

Senate Amended.

Passed Senate: 3/6/20, 47-1.

House Concurred.

Passed House: 3/10/20, 91-6.

Passed Legislature.

#### **Brief Summary of Bill**

- Prohibits school districts from offering optional benefits to employees that compete with basic or optional benefits offered through the School Employees' Benefits Board (SEBB) or under the authority of the Health Care Authority (HCA).
- Delineates optional benefits that school districts may offer if they are not offered by the SEBB, and authorizes the SEBB to study and, subject to the availability of funding, offer the same delineated benefits as employee-paid, voluntary benefits to school employees.
- Requires school districts and applicable carriers to work with the HCA to modify, remove, or discontinue any district-based benefit offerings that are determined by the HCA to be in competition with benefits offered by the HCA or the SEBB.

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### HOUSE COMMITTEE ON EDUCATION

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

**Majority Report:** Do pass. Signed by 17 members: Representatives Santos, Chair; Dolan, Vice Chair; Paul, Vice Chair; Steele, Ranking Minority Member; McCaslin, Assistant Ranking Minority Member; Volz, Assistant Ranking Minority Member; Bergquist, Calder, Callan, Corry, Harris, Ortiz-Self, Rude, Stonier, Thai, Valdez and Ybarra.

**Staff:** Ethan Moreno (786-7386).

**Background:**

School Employees' Benefits Board/Offerings and Participation.

The School Employees' Benefits Board (SEBB) of the Washington State Health Care Authority (HCA) designs and approves insurance benefit plans for school employees and establishes criteria for participation in insurance benefit plans. Among other duties, the SEBB:

- develops school employee benefit plans that include comprehensive, evidence-based health care benefits for school employees;
- authorizes premium contributions for a school employee and the employee's dependents in a manner that encourages the use of cost-efficient health care systems; and
- determines the terms and conditions of school employee and dependent eligibility criteria, enrollment policies, and scope of coverage.

School districts must offer all benefits offered by the SEBB. School employees must choose participation in one of the health care benefit plans developed by the SEBB. Individual school employees eligible for benefits may be permitted to waive coverage under terms and conditions established by the SEBB.

Optional Benefits Provided by School Districts.

School districts may provide employer contributions for optional benefit plans and basic benefits. School districts may provide optional benefits to employees, but those offered benefits must be outside the SEBB's authority.

Optional benefits provided by school districts may include direct agreements, a defined term meaning written agreements between qualifying practices and patients, and may include employee beneficiary accounts that can be liquidated by the employee upon termination of employment. Optional benefit plans may be offered by a district only if:

- each full-time employee, regardless of the number of dependents receiving basic coverage, receives the same additional employer contribution for other coverage or optional benefits; and
- for part-time employees, participation in optional benefit plans must be governed by the same eligibility criteria and/or proration of employer contributions used for allocations for basic benefits.

Any optional benefits offered by a school district are considered an enhancement to the state's statutory definition of basic education.

Annually on December 1, school district optional benefits must be reported to the SEBB and the HCA. The SEBB must review the optional benefits offered by districts and determine if

those benefits conflict with the SEBB's plans offering authority. If the SEBB determines that there is no conflict, the SEBB must evaluate whether to seek additional benefit offerings authority from the Legislature.

### **Summary of Bill:**

Provisions governing the optional benefits that school districts may offer to employees are modified. Optional benefits offered by a school district may not compete with any form of the basic or optional benefits offered through the SEBB or under specific authority of the HCA.

The SEBB is expressly authorized to study, and subject to the availability of funding, offer the following employee-paid, voluntary benefits:

- emergency transportation;
- identity protection;
- legal aid;
- long-term care insurance;
- noncommercial personal automobile insurance;
- personal homeowner's or renter's insurance;
- pet insurance;
- specified disease or illness-triggered fixed payment insurance, hospital confinement fixed payment insurance, or other fixed payment insurance offered as an independent, non-coordinated benefit regulated by the Office of the Insurance Commissioner;
- travel insurance; and
- voluntary employees' beneficiary association accounts.

Subject to specified requirements, school districts are authorized to offer any of the benefits delineated above to school employees as employee-paid voluntary benefits, provided they are not offered by the SEBB. Additionally, specified disease or illness-triggered fixed payment insurance, hospital confinement fixed payment insurance, or other fixed payment insurance offered by the HCA as an independent, non-coordinated benefit is not considered a health plan under specified insurance provisions.

Provisions directing the SEBB to review the optional benefits offered by districts for the purpose of determining if conflicts exist with the SEBB's plans offering authority, including directives applying if no conflict exists, are repealed. Instead, the HCA, in consultation with the SEBB, is directed review the optional benefits reported by school districts to determine if the benefits are in competition with benefits offered by the HCA or the SEBB.

If a school district benefit offering is determined to be in competition with the benefits offered by the HCA or the SEBB, the HCA must inform the school district of the conflict and work with the school district and the applicable carrier to either modify and remove competing components of the district-based benefit, or end the district-based offering. School districts have a corresponding duty to work with the HCA and the applicable carrier to modify or discontinue competing benefit offerings. However, if a carrier is in the process of modifying benefits, including seeking any required regulatory approval, a school district may continue to offer the original benefit.

**Appropriation:** None.

**Fiscal Note:** Available.

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

**Staff Summary of Public Testimony:**

(In support) The Legislature is in the process of establishing and implementing the SEBB. As the Legislature learns more about these efforts, there will be opportunities for improvements. This bill will allow school districts that want to offer optional benefits outside of what the SEBB offers to do so.

Providers have been offering voluntary employees' benefits since 1984, and the benefits options have been adopted by more than 290 school districts. The program is not broken and needs to continue to operate as it has for more than 30 years. The clarifications in this bill will allow the program to operate without interruption.

This bill relates to optional benefits for school district employees that provide financial benefits, but do not pay medical costs. The optional benefit programs are deducted through payroll and are easily administered. The SEBB legislation from last year should be clarified.

In 2017 when the SEBB was created, the state wanted all school districts to be in the SEBB and to offer benefits exclusively through the SEBB. The challenge of today is that the SEBB does not offer certain plans, such as home and automobile insurance, that are offered by the Public Employees benefits Board. Agency interpretations regarding the SEBB have changed, and a legislative fix is required. This bill clarifies that if the SEBB doesn't offer the benefits, districts can continue to offer benefits that they have historically offered.

The authority of school districts to offer optional employee-paid benefits should be preserved, and this bill offers clarity and limited flexibility that is needed for those practices to continue. Optional benefits are very important for school district employees, including for cancer care related benefits.

The employee-paid, optional offerings of districts should be allowed to continue. Some stakeholders were shocked by interpretations of the HCA and the SEBB that would make it difficult for school employee policy holders to renew their benefit plans. This bill offers appropriate clarity so that districts can continue offering those benefits.

(Opposed) None.

(Other) The SEBB is putting a lot of pressure on the local levy capacity of school districts. The bill includes ambiguity regarding employer-paid optional benefits. Employee-paid benefits are fine, but districts should be able to charge a small administrative fee and it should be clear that districts do not have benefit-related liability. The bill should be amended to limit districts' exposure to optional benefits paid by the employer.

**Persons Testifying:** (In support) Representative Stonier, prime sponsor; Mel Sorensen, American Fidelity, America's Health Insurance Plans, and American Council of Life Insurers; Barry Koonce, American Fidelity; Charles Isaacs and John Fulbright, Voluntary Employees' Beneficiary Association Trust; Julie Salvi, Washington Education Association; Rick Chisa, Public School Employees of Washington; and Tim Boyd, American Family Life Assurance Company.

(Other) Brian Sims, Washington State School Directors Association.

**Persons Signed In To Testify But Not Testifying:** None.