
ENGROSSED SUBSTITUTE HOUSE BILL 1740

State of Washington 64th Legislature 2015 Regular Session
By House Appropriations (originally sponsored by Representatives
Appleton and Ryu)

READ FIRST TIME 02/27/15.

1 AN ACT Relating to political subdivisions purchasing health
2 coverage through the public employees' benefits board program; and
3 amending RCW 41.04.205, 41.05.011, and 41.05.050.

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

5 **Sec. 1.** RCW 41.04.205 and 1995 1st sp.s. c 6 s 8 are each
6 amended to read as follows:

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

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

4 (a) Establish the conditions for participation; and

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

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

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

14 (4) School districts may voluntarily transfer, except that all
15 eligible employees in a bargaining unit of a school district may
16 transfer only as a unit and all nonrepresented employees in a
17 district may transfer only as a unit.

18 **Sec. 2.** RCW 41.05.011 and 2013 c 2 s 306 are each amended to
19 read as follows:

20 The definitions in this section apply throughout this chapter
21 unless the context clearly requires otherwise.

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

23 (2) "Board" means the public employees' benefits board
24 established under RCW 41.05.055.

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

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

31 (5) "Emergency service personnel killed in the line of duty"
32 means law enforcement officers and firefighters as defined in RCW
33 41.26.030, members of the Washington state patrol retirement fund as
34 defined in RCW 43.43.120, and reserve officers and firefighters as
35 defined in RCW 41.24.010 who die as a result of injuries sustained in
36 the course of employment as determined consistent with Title 51 RCW
37 by the department of labor and industries.

38 (6) "Employee" includes all employees of the state, whether or
39 not covered by civil service; elected and appointed officials of the

1 executive branch of government, including full-time members of
2 boards, commissions, or committees; justices of the supreme court and
3 judges of the court of appeals and the superior courts; and members
4 of the state legislature. Pursuant to contractual agreement with the
5 authority, "employee" may also include: (a) Employees of a county,
6 municipality, or other political subdivision of the state and members
7 of the legislative authority of any county, city, or town who are
8 elected to office after February 20, 1970, if the legislative
9 authority of the county, municipality, or other political subdivision
10 of the state (~~seeks and receives the approval of~~) submits
11 application materials to the authority to provide any of its
12 insurance programs by contract with the authority, as provided in RCW
13 41.04.205 and 41.05.021(1)(g); (b) employees of employee
14 organizations representing state civil service employees, at the
15 option of each such employee organization, and, effective October 1,
16 1995, employees of employee organizations currently pooled with
17 employees of school districts for the purpose of purchasing insurance
18 benefits, at the option of each such employee organization; (c)
19 employees of a school district if the authority agrees to provide any
20 of the school districts' insurance programs by contract with the
21 authority as provided in RCW 28A.400.350; (d) employees of a tribal
22 government, if the governing body of the tribal government seeks and
23 receives the approval of the authority to provide any of its
24 insurance programs by contract with the authority, as provided in RCW
25 41.05.021(1) (f) and (g); (e) employees of the Washington health
26 benefit exchange if the governing board of the exchange established
27 in RCW 43.71.020 seeks and receives approval of the authority to
28 provide any of its insurance programs by contract with the authority,
29 as provided in RCW 41.05.021(1) (g) and (n); and (f) employees of a
30 charter school established under chapter 28A.710 RCW. "Employee" does
31 not include: Adult family homeowners; unpaid volunteers; patients of
32 state hospitals; inmates; employees of the Washington state
33 convention and trade center as provided in RCW 41.05.110; students of
34 institutions of higher education as determined by their institution;
35 and any others not expressly defined as employees under this chapter
36 or by the authority under this chapter.

37 (7) "Employer" means the state of Washington.

38 (8) "Employing agency" means a division, department, or separate
39 agency of state government, including an institution of higher
40 education; a county, municipality, school district, educational

1 service district, or other political subdivision; charter school; and
2 a tribal government covered by this chapter.

3 (9) "Faculty" means an academic employee of an institution of
4 higher education whose workload is not defined by work hours but
5 whose appointment, workload, and duties directly serve the
6 institution's academic mission, as determined under the authority of
7 its enabling statutes, its governing body, and any applicable
8 collective bargaining agreement.

9 (10) "Flexible benefit plan" means a benefit plan that allows
10 employees to choose the level of health care coverage provided and
11 the amount of employee contributions from among a range of choices
12 offered by the authority.

13 (11) "Insuring entity" means an insurer as defined in chapter
14 48.01 RCW, a health care service contractor as defined in chapter
15 48.44 RCW, or a health maintenance organization as defined in chapter
16 48.46 RCW.

17 (12) "Medical flexible spending arrangement" means a benefit plan
18 whereby state and public employees may reduce their salary before
19 taxes to pay for medical expenses not reimbursed by insurance as
20 provided in the salary reduction plan under this chapter pursuant to
21 26 U.S.C. Sec. 125 or other sections of the internal revenue code.

22 (13) "Participant" means an individual who fulfills the
23 eligibility and enrollment requirements under the salary reduction
24 plan.

25 (14) "Plan year" means the time period established by the
26 authority.

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

32 (16) "Retired or disabled school employee" means:

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

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

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

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

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

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

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

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

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

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

20 and who are at least age fifty-five and have at least ten years of
21 service under the teachers' retirement system plan 3 as defined in
22 RCW 41.32.010(33), the Washington school employees' retirement system
23 plan 3 as defined in RCW 41.35.010, or the public employees'
24 retirement system plan 3 as defined in RCW 41.40.010.

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

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

37 **Sec. 3.** RCW 41.05.050 and 2009 c 537 s 5 are each amended to
38 read as follows:

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

13 (2) If the authority at any time determines that the
14 participation of a county, municipal, other political subdivision, or
15 a tribal government covered under this chapter adversely impacts
16 insurance rates for state employees, the authority (~~shall implement~~
17 ~~limitations on the participation of additional~~) may develop an
18 employer-specific charge for each county, municipal, other political
19 subdivision(~~s~~), or ((a)) tribal government that offsets a
20 significant increase in insurance rates for state employees that
21 could be caused by the participation of that employer.

22 (3) The contributions of any: (a) Department, division, or
23 separate agency of the state government; (b) county, municipal, or
24 other political subdivisions; and (c) any tribal government as are
25 covered by this chapter, shall be set by the authority, subject to
26 the approval of the governor for availability of funds as
27 specifically appropriated by the legislature for that purpose.
28 Insurance and health care contributions for ferry employees shall be
29 governed by RCW 47.64.270.

30 (4)(a) The authority shall collect from each participating school
31 district and educational service district an amount equal to the
32 composite rate charged to state agencies, plus an amount equal to the
33 employee premiums by plan and family size as would be charged to
34 state employees, for groups of district employees enrolled in
35 authority plans. The authority may collect these amounts in
36 accordance with the district fiscal year, as described in RCW
37 28A.505.030.

38 (b) For all groups of district employees enrolling in authority
39 plans for the first time after September 1, 2003, the authority shall
40 collect from each participating school district an amount equal to

1 the composite rate charged to state agencies, plus an amount equal to
2 the employee premiums by plan and by family size as would be charged
3 to state employees, only if the authority determines that this method
4 of billing the districts will not result in a material difference
5 between revenues from districts and expenditures made by the
6 authority on behalf of districts and their employees. The authority
7 may collect these amounts in accordance with the district fiscal
8 year, as described in RCW 28A.505.030.

9 (c) If the authority determines at any time that the conditions
10 in (b) of this subsection cannot be met, the authority shall offer
11 enrollment to additional groups of district employees on a tiered
12 rate structure until such time as the authority determines there
13 would be no material difference between revenues and expenditures
14 under a composite rate structure for all district employees enrolled
15 in authority plans.

16 (d) The authority may charge districts a one-time set-up fee for
17 employee groups enrolling in authority plans for the first time.

18 (e) For the purposes of this subsection:

19 (i) "District" means school district and educational service
20 district; and

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

23 (f) Notwithstanding this subsection and RCW 41.05.065(4), the
24 authority may allow districts enrolled on a tiered rate structure
25 prior to September 1, 2002, to continue participation based on the
26 same rate structure and under the same conditions and eligibility
27 criteria.

28 (5) The authority shall transmit a recommendation for the amount
29 of the employer contribution to the governor and the director of
30 financial management for inclusion in the proposed budgets submitted
31 to the legislature.

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