
SENATE BILL 5726

State of Washington 65th Legislature 2017 Regular Session

By Senators Hobbs, Rivers, Mullet, Takko, Palumbo, and Keiser

1 AN ACT Relating to public school employee benefits; amending RCW
2 28A.400.270, 28A.400.275, 28A.400.350, 41.05.021, 41.05.050,
3 41.05.075, 28A.400.280, 41.56.500, 41.59.105, 41.05.065, and
4 41.80.020; reenacting and amending RCW 41.05.011; adding a new
5 section to chapter 41.05 RCW; creating a new section; and repealing
6 RCW 48.02.210.

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

8 NEW SECTION. **Sec. 1.** (1) The legislature finds that:

9 (a) Each year, nearly one billion dollars in public funds are
10 spent on the purchase of employee insurance benefits for more than
11 two hundred thousand public school employees and their dependents;

12 (b) The purchase of such benefits is fragmented among two hundred
13 ninety-five local school districts and nine educational services
14 districts. Each district combines state funds received with local
15 levy moneys, federal funds, and other revenue sources to provide
16 insurance benefits either directly or through more than seven hundred
17 health plans offered by insurance carriers. This approach results in
18 expensive inefficiencies due to duplication of effort, fragmentation
19 of pools, and reduced market leverage for purchasing such benefits;

20 (c) There is a lack of transparency on how funds appropriated for
21 school employee benefits are used. The legislature is unable to

1 exercise appropriate oversight over the disposition of state funds
2 due to this lack of transparency; and

3 (d) Despite the past legislature's intent that school districts
4 pool state benefit allocations for the purpose of eliminating major
5 differences in out-of-pocket premium expenses for employees who do
6 and do not need coverage for dependents, current practices are
7 inconsistent with the stated intent. School districts and collective
8 bargaining agreements often place an unfair burden on employees with
9 dependents by requiring them to pay very large premium costs for
10 dependent coverage while imposing little or no premium charges on
11 employees purchasing employee-only coverage.

12 (2) Therefore, it is the intent of the legislature to provide
13 public school employees with equitable access to quality and
14 affordable health benefits through the Washington state health care
15 authority. It is further the intent of the legislature to ensure an
16 orderly transition for the impacted districts, employees, and the
17 health care authority by providing a transition period of up to three
18 years.

19 **Sec. 2.** RCW 28A.400.270 and 1990 1st ex.s. c 11 s 4 are each
20 amended to read as follows:

21 Unless the context clearly requires otherwise, the definitions in
22 this section apply throughout RCW 28A.400.275 and 28A.400.280.

23 (1) "School district employee benefit plan" means the overall
24 plan used by the district for distributing fringe benefit subsidies
25 to employees, including the method of determining employee coverage
26 and the amount of employer contributions, as well as the
27 characteristics of benefit providers and the specific benefits or
28 coverage offered. It shall not include coverage offered to district
29 employees for which there is no contribution from public funds.

30 (2) "Fringe benefit" does not include liability coverage, old-age
31 survivors' insurance, workers' compensation, unemployment
32 compensation, retirement benefits under the Washington state
33 retirement system, or payment for unused leave for illness or injury
34 under RCW 28A.400.210.

35 (3) "Basic benefits" are determined through local bargaining
36 until December 31, 2018, and are limited to medical, dental, vision,
37 group term life, and group long-term disability insurance coverage.
38 Beginning January 1, 2019, basic benefits are determined by the

1 public employees' benefits board and administered by the health care
2 authority as described under RCW 28A.400.275.

3 (4) "Benefit providers" include insurers, third party claims
4 administrators, direct providers of employee fringe benefits, health
5 maintenance organizations, health care service contractors, and the
6 Washington state health care authority or any plan offered by the
7 authority.

8 (5) "Group term life insurance coverage" means term life
9 insurance coverage provided for, at a minimum, all full-time
10 employees in a bargaining unit or all full-time nonbargaining group
11 employees.

12 (6) "Group long-term disability insurance coverage" means long-
13 term disability insurance coverage provided for, at a minimum, all
14 full-time employees in a bargaining unit or all full-time
15 nonbargaining group employees.

16 **Sec. 3.** RCW 28A.400.275 and 2012 2nd sp.s. c 3 s 4 are each
17 amended to read as follows:

18 (1) Any contract or agreement for employee benefits executed
19 after April 13, 1990, between a school district and a benefit
20 provider or employee bargaining unit is null and void unless it
21 contains an agreement to abide by state laws relating to school
22 district employee benefits. The term of the contract or agreement may
23 not exceed one year. Beginning January 1, 2019, any contract for
24 employee basic benefits between a school district and a bargaining
25 unit is null and void unless basic benefits are provided through
26 plans administered by the Washington state health care authority.

27 ~~(2) ((School districts and their benefit providers shall annually~~
28 ~~submit, by a date determined by the office of the insurance~~
29 ~~commissioner, the following information and data for the prior~~
30 ~~calendar year to the office of the insurance commissioner:~~

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

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

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

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

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

1 ~~(B) Total claims expenses;~~
2 ~~(C) Claims reserves; and~~
3 ~~(D) Plan administration expenses, including compensation paid to~~
4 ~~brokers;~~
5 ~~(ii) A description of the plan's use of innovative health plan~~
6 ~~features designed to reduce health benefit premium growth and reduce~~
7 ~~utilization of unnecessary health services including but not limited~~
8 ~~to the use of enrollee health assessments or health coach services,~~
9 ~~care management for high cost or high-risk enrollees, medical or~~
10 ~~health home payment mechanisms, and plan features designed to create~~
11 ~~incentives for improved personal health behaviors;~~
12 ~~(iii) Data to provide an understanding of employee health benefit~~
13 ~~plan coverage and costs, including: The total number of employees~~
14 ~~and, for each employee, the employee's full-time equivalent status,~~
15 ~~types of coverage or benefits received including numbers of covered~~
16 ~~dependents, the number of eligible dependents, the amount of the~~
17 ~~district's contribution to premium, additional premium costs paid by~~
18 ~~the employee through payroll deductions, and the age and sex of the~~
19 ~~employee and each dependent;~~
20 ~~(iv) Data necessary for school districts to more effectively and~~
21 ~~competitively manage and procure health insurance plans for~~
22 ~~employees. The data must include, but not be limited to, the~~
23 ~~following:~~
24 ~~(A) A summary of the benefit packages offered to each group of~~
25 ~~district employees, including covered benefits, employee deductibles,~~
26 ~~coinsurance, and copayments, and the number of employees and their~~
27 ~~dependents in each benefit package;~~
28 ~~(B) Aggregated employee and dependent demographic information,~~
29 ~~including age band and gender, by insurance tier and by benefit~~
30 ~~package;~~
31 ~~(C) Total claim payments by benefit package, including premiums~~
32 ~~paid, inpatient facility claims paid, outpatient facility claims~~
33 ~~paid, physician claims paid, pharmacy claims paid, capitation amounts~~
34 ~~paid, and other claims paid;~~
35 ~~(D) Total premiums paid by benefit package;~~
36 ~~(E) A listing of large claims defined as annual amounts paid in~~
37 ~~excess of one hundred thousand dollars including the amount paid, the~~
38 ~~member enrollment status, and the primary diagnosis.)) School~~
39 ~~districts shall submit to the Washington state health care authority~~
40 ~~all information deemed necessary by the health care authority for the~~

1 administration of the employee benefit plans provided to school
2 districts employees, including all information requested between the
3 effective date of this section and December 31, 2018, requested for
4 preparing for the enrollment of school district employees in benefit
5 plans administered by the Washington state health care authority.

6 ~~(3) ((Annually, school districts and their benefit providers~~
7 ~~shall jointly report to the office of the insurance commissioner on~~
8 ~~their health insurance related efforts and achievements to:~~

9 ~~(a) Significantly reduce administrative costs for school~~
10 ~~districts;~~

11 ~~(b) Improve customer service;~~

12 ~~(c) Reduce differential plan premium rates between employee only~~
13 ~~and family health benefit premiums;~~

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

15 ~~(4) The information and data shall be submitted in a format and~~
16 ~~according to a schedule established by the office of the insurance~~
17 ~~commissioner under RCW 48.02.210 to enable the commissioner to meet~~
18 ~~the reporting obligations under that section.~~

19 ~~(5) Any benefit provider offering a benefit plan by contract or~~
20 ~~agreement with a school district under subsection (1) of this section~~
21 ~~shall make available to the school district the benefit plan~~
22 ~~descriptions and, where available, the demographic information on~~
23 ~~plan subscribers that the district and benefit provider are required~~
24 ~~to report to the office of the insurance commissioner under this~~
25 ~~section.~~

26 ~~(6) This section shall not apply to benefit plans offered in the~~
27 ~~1989-90 school year.)) Each school district shall:~~

28 (a) Carry out all actions required by the health care authority
29 under chapter 41.05 RCW including, but not limited to, those
30 necessary for the operation of benefit plans, education of employees,
31 claims administration, and appeals process; and

32 (b) Report all data relating to employees eligible to participate
33 in benefits or plans administered by the health care authority in a
34 format designed and communicated by the health care authority.

35 **Sec. 4.** RCW 28A.400.350 and 2012 2nd sp.s. c 3 s 3 are each
36 amended to read as follows:

37 (1)(a) The board of directors of any of the state's school
38 districts or educational service districts may make available
39 medical, dental, vision, liability, life, ((health, health care,))

1 accident, disability, and salary protection or insurance, direct
2 agreements as defined in chapter 48.150 RCW, or any one of, or a
3 combination of the types of employee benefits enumerated in this
4 subsection, or any other type of insurance or protection, for the
5 members of the boards of directors, the students, and employees of
6 the school district or educational service district, and their
7 dependents. Except as provided in (b) of this subsection, such
8 coverage may be provided by contracts or agreements with private
9 carriers, with the state health care authority after July 1, 1990,
10 pursuant to the approval of the authority administrator, or through
11 self-insurance or self-funding pursuant to chapter 48.62 RCW, or in
12 any other manner authorized by law. Any direct agreement must comply
13 with RCW 48.150.050.

14 (b) Beginning January 1, 2019, a school district or educational
15 service district shall purchase basic benefits as defined in RCW
16 28A.400.270 for employees and dependents through the state health
17 care authority.

18 (2) Whenever funds are available for these purposes the board of
19 directors of the school district or educational service district may
20 contribute all or a part of the cost of such protection or insurance
21 for the employees of their respective school districts or educational
22 service districts and their dependents. The premiums on such
23 liability insurance shall be borne by the school district or
24 educational service district.

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

29 (3) For school board members, educational service district board
30 members, and students, the premiums due on such protection or
31 insurance shall be borne by the assenting school board member,
32 educational service district board member, or student. The school
33 district or educational service district may contribute all or part
34 of the costs, including the premiums, of life, health, health care,
35 accident or disability insurance which shall be offered to all
36 students participating in interschool activities on the behalf of or
37 as representative of their school, school district, or educational
38 service district. The school district board of directors and the
39 educational service district board may require any student
40 participating in extracurricular interschool activities to, as a

1 condition of participation, document evidence of insurance or
2 purchase insurance that will provide adequate coverage, as determined
3 by the school district board of directors or the educational service
4 district board, for medical expenses incurred as a result of injury
5 sustained while participating in the extracurricular activity. In
6 establishing such a requirement, the district shall adopt regulations
7 for waiving or reducing the premiums of such coverage as may be
8 offered through the school district or educational service district
9 to students participating in extracurricular activities, for those
10 students whose families, by reason of their low income, would have
11 difficulty paying the entire amount of such insurance premiums. The
12 district board shall adopt regulations for waiving or reducing the
13 insurance coverage requirements for low-income students in order to
14 assure such students are not prohibited from participating in
15 extracurricular interschool activities.

16 (4) All contracts or agreements for insurance or protection
17 written to take advantage of the provisions of this section shall
18 provide that the beneficiaries of such contracts may utilize on an
19 equal participation basis the services of those practitioners
20 licensed pursuant to chapters 18.22, 18.25, 18.53, 18.57, and 18.71
21 RCW.

22 (5) School districts offering medical, vision, and dental
23 benefits shall:

24 (a) Offer a high deductible health plan option with a health
25 savings account that conforms to section 223, part VII of subchapter
26 1 of the internal revenue code of 1986. School districts shall comply
27 with all applicable federal standards related to the establishment of
28 health savings accounts;

29 (b) Make progress toward employee premiums that are established
30 to ensure that full family coverage premiums are not more than three
31 times the premiums for employees purchasing single coverage for the
32 same coverage plan, unless a subsequent premium differential target
33 is defined as a result of the review and subsequent actions described
34 in RCW 41.05.655;

35 (c) Offer employees at least one health benefit plan that is not
36 a high deductible health plan offered in conjunction with a health
37 savings account in which the employee share of the premium cost for a
38 full-time employee, regardless of whether the employee chooses
39 employee-only coverage or coverage that includes dependents, does not
40 exceed the share of premium cost paid by state employees during the

1 state employee benefits year that started immediately prior to the
2 school year.

3 (6) All contracts or agreements for employee benefits must be
4 held to responsible contracting standards, meaning a fair, prudent,
5 and accountable competitive procedure for procuring services that
6 includes an open competitive process, except where an open process
7 would compromise cost-effective purchasing, with documentation
8 justifying the approach.

9 (7) School districts offering medical, vision, and dental
10 benefits shall also make progress on promoting health care
11 innovations and cost savings and significantly reduce administrative
12 costs.

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

16 (9) Upon notification from the office of the insurance
17 commissioner of a school district's substantial noncompliance with
18 the data reporting requirements of RCW 28A.400.275, and the failure
19 is due to the action or inaction of the school district, and if the
20 noncompliance has occurred for two reporting periods, the
21 superintendent is authorized and required to limit the school
22 district's authority provided in subsection (1) of this section
23 regarding employee health benefits to the provision of health benefit
24 coverage provided by the state health care authority.

25 **Sec. 5.** RCW 41.05.011 and 2016 c 241 s 136 and 2016 c 67 s 2 are
26 each reenacted and amended to read as follows:

27 The definitions in this section apply throughout this chapter
28 unless the context clearly requires otherwise.

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

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

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

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

38 (5) "Emergency service personnel killed in the line of duty"
39 means law enforcement officers and firefighters as defined in RCW

1 41.26.030, members of the Washington state patrol retirement fund as
2 defined in RCW 43.43.120, and reserve officers and firefighters as
3 defined in RCW 41.24.010 who die as a result of injuries sustained in
4 the course of employment as determined consistent with Title 51 RCW
5 by the department of labor and industries.

6 (6) "Employee" includes all employees of the state, whether or
7 not covered by civil service; elected and appointed officials of the
8 executive branch of government, including full-time members of
9 boards, commissions, or committees; justices of the supreme court and
10 judges of the court of appeals and the superior courts; and members
11 of the state legislature. Pursuant to contractual agreement with the
12 authority, "employee" may also include: (a) Employees of a county,
13 municipality, or other political subdivision of the state and members
14 of the legislative authority of any county, city, or town who are
15 elected to office after February 20, 1970, if the legislative
16 authority of the county, municipality, or other political subdivision
17 of the state submits application materials to the authority to
18 provide any of its insurance programs by contract with the authority,
19 as provided in RCW 41.04.205 and 41.05.021(1)(g); (b) employees of
20 employee organizations representing state civil service employees, at
21 the option of each such employee organization, and, effective October
22 1, 1995, employees of employee organizations currently pooled with
23 employees of school districts for the purpose of purchasing insurance
24 benefits, at the option of each such employee organization; (c)
25 employees of a school district or educational service district,
26 except that prior to January 1, 2019, only if the authority agrees to
27 provide any of the school districts' insurance programs by contract
28 with the authority as provided in RCW 28A.400.350; (d) employees of a
29 tribal government, if the governing body of the tribal government
30 seeks and receives the approval of the authority to provide any of
31 its insurance programs by contract with the authority, as provided in
32 RCW 41.05.021(1) (f) and (g); (e) employees of the Washington health
33 benefit exchange if the governing board of the exchange established
34 in RCW 43.71.020 seeks and receives approval of the authority to
35 provide any of its insurance programs by contract with the authority,
36 as provided in RCW 41.05.021(1) (g) and (n); and (f) employees of a
37 charter school established under chapter 28A.710 RCW. "Employee" does
38 not include: Adult family home providers; unpaid volunteers; patients
39 of state hospitals; inmates; employees of the Washington state
40 convention and trade center as provided in RCW 41.05.110; students of

1 institutions of higher education as determined by their institution;
2 and any others not expressly defined as employees under this chapter
3 or by the authority under this chapter.

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

5 (8) "Employer group" means those counties, municipalities,
6 political subdivisions, the Washington health benefit exchange,
7 tribal governments, school districts, and educational service
8 districts, and employee organizations representing state civil
9 service employees, obtaining employee benefits through a contractual
10 agreement with the authority.

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

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

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

26 (12) "Insuring entity" means an insurer as defined in chapter
27 48.01 RCW, a health care service contractor as defined in chapter
28 48.44 RCW, or a health maintenance organization as defined in chapter
29 48.46 RCW.

30 (13) "Medical flexible spending arrangement" means a benefit plan
31 whereby state and public employees may reduce their salary before
32 taxes to pay for medical expenses not reimbursed by insurance as
33 provided in the salary reduction plan under this chapter pursuant to
34 26 U.S.C. Sec. 125 or other sections of the internal revenue code.

35 (14) "Participant" means an individual who fulfills the
36 eligibility and enrollment requirements under the salary reduction
37 plan.

38 (15) "Plan year" means the time period established by the
39 authority.

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

6 (17) "Retired or disabled school employee" means:

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

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

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

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

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

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

28 (21) "Separated employees" means persons who separate from
29 employment with an employer as defined in:

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

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

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

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

38 (22) "State purchased health care" or "health care" means medical
39 and health care, pharmaceuticals, and medical equipment purchased
40 with state and federal funds by the department of social and health

1 services, the department of health, the basic health plan, the state
2 health care authority, the department of labor and industries, the
3 department of corrections, the department of veterans affairs, and
4 local school districts.

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

10 **Sec. 6.** RCW 41.05.021 and 2012 c 87 s 23 are each amended to
11 read as follows:

12 (1) The Washington state health care authority is created within
13 the executive branch. The authority shall have a director appointed
14 by the governor, with the consent of the senate. The director shall
15 serve at the pleasure of the governor. The director may employ a
16 deputy director, and such assistant directors and special assistants
17 as may be needed to administer the authority, who shall be exempt
18 from chapter 41.06 RCW, and any additional staff members as are
19 necessary to administer this chapter. The director may delegate any
20 power or duty vested in him or her by law, including authority to
21 make final decisions and enter final orders in hearings conducted
22 under chapter 34.05 RCW. The primary duties of the authority shall be
23 to: Administer state and school district employees' insurance
24 benefits and retired or disabled (~~school~~) employees' insurance
25 benefits; administer the basic health plan pursuant to chapter 70.47
26 RCW; administer the children's health program pursuant to chapter
27 74.09 RCW; study state purchased health care programs in order to
28 maximize cost containment in these programs while ensuring access to
29 quality health care; implement state initiatives, joint purchasing
30 strategies, and techniques for efficient administration that have
31 potential application to all state-purchased health services; and
32 administer grants that further the mission and goals of the
33 authority. The authority's duties include, but are not limited to,
34 the following:

35 (a) To administer health care benefit programs for state and
36 school district employees and retired or disabled state and school
37 employees as specifically authorized in RCW 41.05.065 and in
38 accordance with the methods described in RCW 41.05.075, 41.05.140,
39 and other provisions of this chapter;

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

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

9 (ii) Utilization of provider arrangements that encourage cost
10 containment, including but not limited to prepaid delivery systems,
11 utilization review, and prospective payment methods, and that ensure
12 access to quality care, including assuring reasonable access to local
13 providers, especially for employees residing in rural areas;

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

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

18 (v) Development of data systems to obtain utilization data from
19 state purchased health care programs in order to identify cost
20 centers, utilization patterns, provider and hospital practice
21 patterns, and procedure costs, utilizing the information obtained
22 pursuant to RCW 41.05.031; and

23 (vi) In collaboration with other state agencies that administer
24 state purchased health care programs, private health care purchasers,
25 health care facilities, providers, and carriers:

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

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

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

36 (B) Through state health purchasing, reimbursement, or pilot
37 strategies, promote and increase the adoption of health information
38 technology systems, including electronic medical records, by
39 hospitals as defined in RCW 70.41.020(~~(+4)~~) (7), integrated delivery
40 systems, and providers that:

1 (I) Facilitate diagnosis or treatment;
2 (II) Reduce unnecessary duplication of medical tests;
3 (III) Promote efficient electronic physician order entry;
4 (IV) Increase access to health information for consumers and
5 their providers; and
6 (V) Improve health outcomes;
7 (C) Coordinate a strategy for the adoption of health information
8 technology systems using the final health information technology
9 report and recommendations developed under chapter 261, Laws of 2005;
10 (c) To analyze areas of public and private health care
11 interaction;
12 (d) To provide information and technical and administrative
13 assistance to the board;
14 (e) To review and approve or deny applications from counties,
15 municipalities, and other political subdivisions of the state to
16 provide state-sponsored insurance or self-insurance programs to their
17 employees in accordance with the provisions of RCW 41.04.205 and (g)
18 of this subsection, setting the premium contribution for approved
19 groups as outlined in RCW 41.05.050;
20 (f) To review and approve or deny the application when the
21 governing body of a tribal government applies to transfer their
22 employees to an insurance or self-insurance program administered
23 under this chapter. In the event of an employee transfer pursuant to
24 this subsection (1)(f), members of the governing body are eligible to
25 be included in such a transfer if the members are authorized by the
26 tribal government to participate in the insurance program being
27 transferred from and subject to payment by the members of all costs
28 of insurance for the members. The authority shall: (i) Establish the
29 conditions for participation; (ii) have the sole right to reject the
30 application; and (iii) set the premium contribution for approved
31 groups as outlined in RCW 41.05.050. Approval of the application by
32 the authority transfers the employees and dependents involved to the
33 insurance, self-insurance, or health care program approved by the
34 authority;
35 (g) To ensure the continued status of the employee insurance or
36 self-insurance programs administered under this chapter as a
37 governmental plan under section 3(32) of the employee retirement
38 income security act of 1974, as amended, the authority shall limit
39 the participation of employees of a county, municipal, school
40 district, educational service district, or other political

1 subdivision, the Washington health benefit exchange, or a tribal
2 government, including providing for the participation of those
3 employees whose services are substantially all in the performance of
4 essential governmental functions, but not in the performance of
5 commercial activities;

6 (h) To establish billing procedures and collect funds from school
7 districts in a way that minimizes the administrative burden on
8 districts;

9 (i) Through December 31, 2018, to publish and distribute to
10 nonparticipating school districts and educational service districts
11 by October 1st of each year a description of health care benefit
12 plans available through the authority and the estimated cost if
13 school districts and educational service district employees were
14 enrolled;

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

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

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

24 (i) Setting forth the criteria established by the board under RCW
25 41.05.065 for determining whether an employee is eligible for
26 benefits;

27 (ii) Establishing an appeal process in accordance with chapter
28 34.05 RCW by which an employee may appeal an eligibility
29 determination;

30 (iii) Establishing a process to assure that the eligibility
31 determinations of an employing agency comply with the criteria under
32 this chapter, including the imposition of penalties as may be
33 authorized by the board;

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

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

1 (iii) To enter into agreements with the department of social and
2 health services for administration of medical care services programs
3 under Titles XIX and XXI of the social security act. The agreements
4 shall establish the division of responsibilities between the
5 authority and the department with respect to mental health, chemical
6 dependency, and long-term care services, including services for
7 persons with developmental disabilities. The agreements shall be
8 revised as necessary, to comply with the final implementation plan
9 adopted under section 116, chapter 15, Laws of 2011 1st sp. sess.;

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

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

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

38 (2) On and after January 1, 1996, the public employees' benefits
39 board may implement strategies to promote managed competition among

1 employee health benefit plans. Strategies may include but are not
2 limited to:

- 3 (a) Standardizing the benefit package;
- 4 (b) Soliciting competitive bids for the benefit package;
- 5 (c) Limiting the state's contribution to a percent of the lowest
6 priced qualified plan within a geographical area;
- 7 (d) Monitoring the impact of the approach under this subsection
8 with regards to: Efficiencies in health service delivery, cost shifts
9 to subscribers, access to and choice of managed care plans statewide,
10 and quality of health services. The health care authority shall also
11 advise on the value of administering a benchmark employer-managed
12 plan to promote competition among managed care plans.

13 **Sec. 7.** RCW 41.05.050 and 2016 c 67 s 3 are each amended to read
14 as follows:

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

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

31 (3) The contributions of any: (a) Department, division, or
32 separate agency of the state government; (b) county, municipal, or
33 other political subdivisions; and (c) any tribal government as are
34 covered by this chapter, shall be set by the authority, subject to
35 the approval of the governor for availability of funds as
36 specifically appropriated by the legislature for that purpose.
37 Insurance and health care contributions for ferry employees shall be
38 governed by RCW 47.64.270.

1 (4)(a) Until December 31, 2018, the authority shall collect from
2 each participating school district and educational service district
3 an amount equal to the composite rate charged to state agencies, plus
4 an amount equal to the employee premiums by plan and family size as
5 would be charged to state employees, for groups of district employees
6 enrolled in authority plans. The authority may collect these amounts
7 in accordance with the district fiscal year, as described in RCW
8 28A.505.030.

9 (b) Until December 31, 2018, for all groups of district employees
10 enrolling in authority plans for the first time after September 1,
11 2003, the authority shall collect from each participating school
12 district an amount equal to the composite rate charged to state
13 agencies, plus an amount equal to the employee premiums by plan and
14 by family size as would be charged to state employees, only if the
15 authority determines that this method of billing the districts will
16 not result in a material difference between revenues from districts
17 and expenditures made by the authority on behalf of districts and
18 their employees. The authority may collect these amounts in
19 accordance with the district fiscal year, as described in RCW
20 28A.505.030.

21 (c) Until December 31, 2018, if the authority determines at any
22 time that the conditions in (b) of this subsection cannot be met, the
23 authority shall offer enrollment to additional groups of district
24 employees on a tiered rate structure until such time as the authority
25 determines there would be no material difference between revenues and
26 expenditures under a composite rate structure for all district
27 employees enrolled in authority plans.

28 (d) Until December 31, 2018, the authority may charge districts a
29 one-time set-up fee for employee groups enrolling in authority plans
30 for the first time.

31 (e) For the purposes of this subsection:

32 (i) "District" means school district and educational service
33 district; and

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

36 (f) Until December 31, 2018, notwithstanding this subsection and
37 RCW 41.05.065(4), the authority may allow districts enrolled on a
38 tiered rate structure prior to September 1, 2002, to continue
39 participation based on the same rate structure and under the same
40 conditions and eligibility criteria.

1 (5) The authority shall transmit a recommendation for the amount
2 of the employer contribution to the governor and the director of
3 financial management for inclusion in the proposed budgets submitted
4 to the legislature.

5 **Sec. 8.** RCW 41.05.075 and 2007 c 259 s 34 are each amended to
6 read as follows:

7 (1) The (~~administrator~~) director shall provide benefit plans
8 designed by the board through a contract or contracts with insuring
9 entities, through self-funding, self-insurance, or other methods of
10 providing insurance coverage authorized by RCW 41.05.140.

11 (2) The (~~administrator~~) director shall establish a contract
12 bidding process that:

13 (a) Encourages competition among insuring entities;

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

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

21 (d) Sets conditions for awarding contracts to any insuring
22 entity.

23 (3)(a) School districts directly providing medical and dental
24 benefit plans and contracted insuring entities providing medical and
25 dental benefit plans to school districts on December 31, 2017, shall
26 provide the health care authority specified data by July 1, 2017, to
27 support an initial benefit plans procurement. At a minimum, the data
28 must cover the period January 1, 2014, through May 31, 2018, and
29 include:

30 (i) A summary of the benefit packages offered to each group of
31 district employees, including covered benefits, point-of-service
32 cost-sharing, member count, and the group policy number;

33 (ii) Aggregated subscriber and member demographic information,
34 including age band and gender, by insurance tier by month and by
35 benefit packages;

36 (iii) Monthly total by benefit package, including premiums paid,
37 inpatient facility claims paid, outpatient facility claims paid,
38 physician claims paid, pharmacy claims paid, capitation amounts paid,
39 and other claims paid;

1 (iv) A listing for calendar year 2017 of large claims defined as
2 annual amounts paid in excess of one hundred thousand dollars
3 including the amount paid, the member enrollment status, and the
4 primary diagnosis; and

5 (v) A listing of calendar year 2017 allowed claims by provider
6 entity.

7 (b) Any data that may be confidential and contain personal health
8 information may be protected in accordance with a data-sharing
9 agreement.

10 (4) The ((~~administrator~~)) director shall establish a requirement
11 for review of utilization and financial data from participating
12 insuring entities on a quarterly basis.

13 ((~~+4~~)) (5) The ((~~administrator~~)) director shall centralize the
14 enrollment files for all employee and retired or disabled school
15 employee health plans offered under chapter 41.05 RCW and develop
16 enrollment demographics on a plan-specific basis.

17 ((~~+5~~)) (6) All claims data shall be the property of the state.
18 The ((~~administrator~~)) director may require of any insuring entity
19 that submits a bid to contract for coverage all information deemed
20 necessary including:

21 (a) Subscriber or member demographic and claims data necessary
22 for risk assessment and adjustment calculations in order to fulfill
23 the ((~~administrator's~~)) director's duties as set forth in this
24 chapter; and

25 (b) Subscriber or member demographic and claims data necessary to
26 implement performance measures or financial incentives related to
27 performance under subsection ((~~+7~~)) (8) of this section.

28 ((~~+6~~)) (7) All contracts with insuring entities for the
29 provision of health care benefits shall provide that the
30 beneficiaries of such benefit plans may use on an equal participation
31 basis the services of practitioners licensed pursuant to chapters
32 18.22, 18.25, 18.32, 18.53, 18.57, 18.71, 18.74, 18.83, and 18.79
33 RCW, as it applies to registered nurses and advanced registered nurse
34 practitioners. However, nothing in this subsection may preclude the
35 ((~~administrator~~)) director from establishing appropriate utilization
36 controls approved pursuant to RCW 41.05.065(2) (a), (b), and (d).

37 ((~~+7~~)) (8) The ((~~administrator~~)) director shall, in
38 collaboration with other state agencies that administer state
39 purchased health care programs, private health care purchasers,
40 health care facilities, providers, and carriers:

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

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

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

11 (b) Through state health purchasing, reimbursement, or pilot
12 strategies, promote and increase the adoption of health information
13 technology systems, including electronic medical records, by
14 hospitals as defined in RCW 70.41.020(~~((+4))~~) (7), integrated delivery
15 systems, and providers that:

16 (i) Facilitate diagnosis or treatment;

17 (ii) Reduce unnecessary duplication of medical tests;

18 (iii) Promote efficient electronic physician order entry;

19 (iv) Increase access to health information for consumers and
20 their providers; and

21 (v) Improve health outcomes;

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

25 (~~((+8))~~) (9) The (~~(administrator)~~) director may permit the
26 Washington state health insurance pool to contract to utilize any
27 network maintained by the authority or any network under contract
28 with the authority.

29 **Sec. 9.** RCW 28A.400.280 and 2012 2nd sp.s. c 3 s 2 are each
30 amended to read as follows:

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

36 (2) School districts may provide employer contributions after
37 October 1, 1990, for optional benefit plans, in addition to basic
38 benefits(~~(, only for employees included in pooling arrangements under~~
39 ~~this subsection)~~). Optional benefits may include direct agreements as

1 defined in chapter 48.150 RCW, but may not include employee
2 beneficiary accounts that can be liquidated by the employee on
3 termination of employment. Optional benefit plans may be offered only
4 if:

5 ~~(a) ((The school district pools benefit allocations among
6 employees using a pooling arrangement that includes at least one
7 employee bargaining unit and/or all nonbargaining group employees;~~

8 ~~(b) Each full-time employee included in the pooling arrangement
9 is offered basic benefits, including coverage for dependents;~~

10 ~~(c) Each employee included in the pooling arrangement who elects
11 medical benefit coverage pays a minimum premium charge subject to
12 collective bargaining under chapter 41.59 or 41.56 RCW;~~

13 ~~(d) The employee premiums are structured to ensure employees
14 selecting richer benefit plans pay the higher premium;~~

15 ~~(e))~~ Each full-time employee ~~((included in the pooling
16 arrangement)),~~ regardless of the number of dependents receiving basic
17 coverage, receives the same additional employer contribution for
18 other coverage or optional benefits; and

19 ~~((f))~~ (b) For part-time employees ~~((included in the pooling
20 arrangement)),~~ participation in optional benefit plans shall be
21 governed by the same eligibility criteria and/or proration of
22 employer contributions used for allocations for basic benefits.

23 ~~(3) ((Savings accruing to school districts due to limitations on
24 benefit options under this section shall be pooled and made available
25 by the districts to reduce out-of-pocket premium expenses for
26 employees needing basic coverage for dependents.))~~ School districts
27 are not intended to divert state basic benefit allocations for other
28 purposes.

29 (4) Beginning September 1, 2018, school districts and educational
30 service districts may provide optional vision, dental, group life,
31 and group long-term disability coverage in excess of what is provided
32 through the health care authority, if that coverage is consistent
33 with a collective bargaining agreement.

34 **Sec. 10.** RCW 41.56.500 and 2010 c 235 s 802 are each amended to
35 read as follows:

36 (1) All collective bargaining agreements entered into between a
37 school district employer and school district employees under this
38 chapter after June 10, 2010, as well as bargaining agreements

1 existing on June 10, 2010, but renewed or extended after June 10,
2 2010, shall be consistent with RCW 28A.657.050.

3 (2) All collective bargaining agreements entered into between a
4 school district employer and school district employees under this
5 chapter shall be consistent with RCW 28A.400.280 and 28A.400.350.

6 (3) Except as provided in RCW 28A.400.280(4), employee bargaining
7 may not include the dollar amount to be contributed for school
8 employee health benefits beginning January 1, 2019, on behalf of each
9 employee for health care benefits.

10 (4) The governor shall submit a request for funds for the dollar
11 amount to be expended for school employee health benefits that is the
12 same as the amount bargained under RCW 41.80.020.

13 **Sec. 11.** RCW 41.59.105 and 2010 c 235 s 803 are each amended to
14 read as follows:

15 (1) All collective bargaining agreements entered into between a
16 school district employer and school district employees under this
17 chapter after June 10, 2010, as well as bargaining agreements
18 existing on June 10, 2010, but renewed or extended after June 10,
19 2010, shall be consistent with RCW 28A.657.050.

20 (2) All collective bargaining agreements entered into between a
21 school district employer and school district employees under this
22 chapter shall be consistent with RCW 28A.400.280 and 28A.400.350.

23 (3) Except as provided in RCW 28A.400.280(4), employee bargaining
24 may not include the dollar amount to be contributed beginning January
25 1, 2019, on behalf of each employee for health care benefits.

26 (4) The governor shall submit a request for funds for the dollar
27 amount to be expended for school employee health benefits that is the
28 same as the amount bargained under RCW 41.80.020.

29 NEW SECTION. **Sec. 12.** A new section is added to chapter 41.05
30 RCW to read as follows:

31 The health care authority shall adopt a phased in implementation
32 schedule for school districts and educational service districts
33 providing coverage to employees for the first time after the
34 effective date of this section that are later than the dates
35 established under RCW 28A.400.350, but no later than December 1,
36 2021. By January 1, 2022, school districts and educational service
37 districts must provide basic benefits from the health care authority.

1 **Sec. 13.** RCW 41.05.065 and 2015 c 116 s 3 are each amended to
2 read as follows:

3 (1) The board shall study all matters connected with the
4 provision of health care coverage, life insurance, liability
5 insurance, accidental death and dismemberment insurance, and
6 disability income insurance or any of, or a combination of, the
7 enumerated types of insurance for employees and their dependents on
8 the best basis possible with relation both to the welfare of the
9 employees and to the state. However, liability insurance shall not be
10 made available to dependents.

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

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

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

19 (c) Wellness incentives that focus on proven strategies, such as
20 smoking cessation, injury and accident prevention, reduction of
21 alcohol misuse, appropriate weight reduction, exercise, automobile
22 and motorcycle safety, blood cholesterol reduction, and nutrition
23 education;

24 (d) Utilization review procedures including, but not limited to a
25 cost-efficient method for prior authorization of services, hospital
26 inpatient length of stay review, requirements for use of outpatient
27 surgeries and second opinions for surgeries, review of invoices or
28 claims submitted by service providers, and performance audit of
29 providers;

30 (e) Effective coordination of benefits; and

31 (f) Minimum standards for insuring entities.

32 (3) To maintain the comprehensive nature of employee health care
33 benefits, benefits provided to employees shall be substantially
34 equivalent to the state employees' health (~~benefits~~) benefit plan
35 in effect on January 1, 1993. Nothing in this subsection shall
36 prohibit changes or increases in employee point-of-service payments
37 or employee premium payments for benefits or the administration of a
38 high deductible health plan in conjunction with a health savings
39 account. The board may establish employee eligibility criteria which

1 are not substantially equivalent to employee eligibility criteria in
2 effect on January 1, 1993.

3 (4) Except if bargained for under chapter 41.80 RCW, the board
4 shall design benefits and determine the terms and conditions of
5 employee and retired employee participation and coverage, including
6 establishment of eligibility criteria subject to the requirements of
7 this chapter. Employer groups obtaining benefits through contractual
8 agreement with the authority for employees defined in RCW
9 41.05.011(6) (a) through (d) may contractually agree with the
10 authority to benefits eligibility criteria which differs from that
11 determined by the board. The eligibility criteria established by the
12 board shall be no more restrictive than the following:

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

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

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

29 (b) A seasonal employee is eligible for benefits from the date of
30 employment if the employing agency anticipates that he or she will
31 work an average of at least eighty hours per month and for at least
32 eight hours in each month of the season. A seasonal employee
33 determined ineligible at the beginning of his or her employment who
34 works an average of at least eighty hours per month over a period of
35 six consecutive months and at least eight hours in each of those six
36 consecutive months becomes eligible at the first of the month
37 following the six-month averaging period. A benefits-eligible
38 seasonal employee who works a season of less than nine months shall
39 not be eligible for the employer contribution during the off season,
40 but may continue enrollment in benefits during the off season by

1 self-paying for the benefits. A benefits-eligible seasonal employee
2 who works a season of nine months or more is eligible for the
3 employer contribution through the off season following each season
4 worked.

5 (c) Faculty are eligible as follows:

6 (i) Faculty who the employing agency anticipates will work half-
7 time or more for the entire instructional year or equivalent nine-
8 month period are eligible for benefits from the date of employment.
9 Eligibility shall continue until the beginning of the first full
10 month of the next instructional year, unless the employment
11 relationship is terminated, in which case eligibility shall cease the
12 first month following the notice of termination or the effective date
13 of the termination, whichever is later.

14 (ii) Faculty who the employing agency anticipates will not work
15 for the entire instructional year or equivalent nine-month period are
16 eligible for benefits at the beginning of the second consecutive
17 quarter or semester of employment in which he or she is anticipated
18 to work, or has actually worked, half-time or more. Such an employee
19 shall continue to receive uninterrupted employer contributions for
20 benefits if the employee works at least half-time in a quarter or
21 semester. Faculty who the employing agency anticipates will not work
22 for the entire instructional year or equivalent nine-month period,
23 but who actually work half-time or more throughout the entire
24 instructional year, are eligible for summer or off-quarter or off-
25 semester coverage. Faculty who have met the criteria of this
26 subsection (4)(c)(ii), who work at least two quarters or two
27 semesters of the academic year with an average academic year workload
28 of half-time or more for three quarters or two semesters of the
29 academic year, and who have worked an average of half-time or more in
30 each of the two preceding academic years shall continue to receive
31 uninterrupted employer contributions for benefits if he or she works
32 at least half-time in a quarter or semester or works two quarters or
33 two semesters of the academic year with an average academic workload
34 each academic year of half-time or more for three quarters or two
35 semesters. Eligibility under this section ceases immediately if this
36 criteria is not met.

37 (iii) Faculty may establish or maintain eligibility for benefits
38 by working for more than one institution of higher education. When
39 faculty work for more than one institution of higher education, those
40 institutions shall prorate the employer contribution costs, or if

1 eligibility is reached through one institution, that institution will
2 pay the full employer contribution. Faculty working for more than one
3 institution must alert his or her employers to his or her potential
4 eligibility in order to establish eligibility.

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

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

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

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

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

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

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

27 (f) An employee of a school district or educational service
28 district is eligible for benefits if they are expected to work at
29 least six hundred thirty hours during a school year.

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

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

37 ~~((h))~~ (i) Insurance coverage for all eligible employees begins
38 on the first day of the month following the date when eligibility for
39 benefits is established. If the date eligibility is established is

1 the first working day of a month, insurance coverage begins on that
2 date.

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

8 ~~((j))~~ (k) Except for an employee eligible for benefits under
9 (b) or (c)(ii) of this subsection, an employee who has established
10 eligibility for benefits under this section shall remain eligible for
11 benefits each month in which he or she is in pay status for eight or
12 more hours, if (i) he or she remains in a benefits-eligible position
13 and (ii) leave from the benefits-eligible position is approved by the
14 employing agency. A benefits-eligible seasonal employee is eligible
15 for the employer contribution in any month of his or her season in
16 which he or she is in pay status eight or more hours during that
17 month. Eligibility ends if these conditions are not met, the
18 employment relationship is terminated, or the employee voluntarily
19 transfers to a noneligible position.

20 ~~((k))~~ (l) For the purposes of this subsection, the board shall
21 define "benefits-eligible position."

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

25 (6)(a) For any open enrollment period following August 24, 2011,
26 the board shall offer a health savings account option for employees
27 that conforms to section 223, Part VII of subchapter B of chapter 1
28 of the internal revenue code of 1986. The board shall comply with all
29 applicable federal standards related to the establishment of health
30 savings accounts.

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

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

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

1 (iii) Any impact of enrollment in alternatives to the most
2 comprehensive plan, including the high deductible health plan with a
3 health savings account, upon the cost of health benefits for those
4 employees who have chosen to remain enrolled in the most
5 comprehensive plan.

6 (7) Notwithstanding any other provision of this chapter, for any
7 open enrollment period following August 24, 2011, the board shall
8 offer a high deductible health plan in conjunction with a health
9 savings account developed under subsection (6) of this section.

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

13 (9) The board shall review plans proposed by insuring entities
14 that desire to offer property insurance and/or accident and casualty
15 insurance to state employees through payroll deduction. The board may
16 approve any such plan for payroll deduction by insuring entities
17 holding a valid certificate of authority in the state of Washington
18 and which the board determines to be in the best interests of
19 employees and the state. The board shall adopt rules setting forth
20 criteria by which it shall evaluate the plans.

21 (10) Before January 1, 1998, the public employees' benefits board
22 shall make available one or more fully insured long-term care
23 insurance plans that comply with the requirements of chapter 48.84
24 RCW. Such programs shall be made available to eligible employees,
25 retired employees, and retired school employees as well as eligible
26 dependents which, for the purpose of this section, includes the
27 parents of the employee or retiree and the parents of the spouse of
28 the employee or retiree. Employees of local governments, political
29 subdivisions, and tribal governments not otherwise enrolled in the
30 public employees' benefits board sponsored medical programs may
31 enroll under terms and conditions established by the administrator,
32 if it does not jeopardize the financial viability of the public
33 employees' benefits board's long-term care offering.

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

1 (b) The employee, retired employee, and retired school employee
2 are solely responsible for the payment of the premium rates developed
3 by the health care authority. The health care authority is authorized
4 to charge a reasonable administrative fee in addition to the premium
5 charged by the long-term care insurer, which shall include the health
6 care authority's cost of administration, marketing, and consumer
7 education materials prepared by the health care authority and the
8 office of the insurance commissioner.

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

12 (d) The public employees' benefits board and the health care
13 authority shall establish a technical advisory committee to provide
14 advice in the development of the benefit design and establishment of
15 underwriting guidelines and eligibility rules. The committee shall
16 also advise the board and authority on effective and cost-effective
17 ways to market and distribute the long-term care product. The
18 technical advisory committee shall be comprised, at a minimum, of
19 representatives of the office of the insurance commissioner,
20 providers of long-term care services, licensed insurance agents with
21 expertise in long-term care insurance, employees, retired employees,
22 retired school employees, and other interested parties determined to
23 be appropriate by the board.

24 (e) The health care authority shall offer employees, retired
25 employees, and retired school employees the option of purchasing
26 long-term care insurance through licensed agents or brokers appointed
27 by the long-term care insurer. The authority, in consultation with
28 the public employees' benefits board, shall establish marketing
29 procedures and may consider all premium components as a part of the
30 contract negotiations with the long-term care insurer.

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

35 (g) The health care authority, with the cooperation of the office
36 of the insurance commissioner, shall develop a consumer education
37 program for the eligible employees, retired employees, and retired
38 school employees designed to provide education on the potential need
39 for long-term care, methods of financing long-term care, and the

1 availability of long-term care insurance products including the
2 products offered by the board.

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

6 **Sec. 14.** RCW 41.80.020 and 2015 3rd sp.s. c 1 s 318 are each
7 amended to read as follows:

8 (1) Except as otherwise provided in this chapter, the matters
9 subject to bargaining include wages, hours, and other terms and
10 conditions of employment, and the negotiation of any question arising
11 under a collective bargaining agreement.

12 (2) The employer is not required to bargain over matters
13 pertaining to:

14 (a) Health care benefits or other employee insurance benefits,
15 except as required in subsection (3) of this section;

16 (b) Any retirement system or retirement benefit; or

17 (c) Rules of the director of financial management, the director
18 of enterprise services, or the Washington personnel resources board
19 adopted under RCW 41.06.157.

20 (3) Matters subject to bargaining include the number of names to
21 be certified for vacancies, promotional preferences, and the dollar
22 amount expended on behalf of each employee for health care benefits.
23 However, except as provided otherwise in this subsection for
24 institutions of higher education, negotiations regarding the number
25 of names to be certified for vacancies, promotional preferences, and
26 the dollar amount expended on behalf of each employee for health care
27 benefits shall be conducted between the employer and one coalition of
28 all the exclusive bargaining representatives subject to this chapter
29 and bargaining units representing employees of school districts and
30 educational service districts. The exclusive bargaining
31 representatives for employees that are subject to chapter 47.64 RCW
32 shall bargain the dollar amount expended on behalf of each employee
33 for health care benefits with the employer as part of the coalition
34 under this subsection. Any such provision agreed to by the employer
35 and the coalition shall be included in all master collective
36 bargaining agreements negotiated by the parties. For institutions of
37 higher education, promotional preferences and the number of names to
38 be certified for vacancies shall be bargained under the provisions of
39 RCW 41.80.010(4). For agreements covering the 2013-2015 fiscal

1 biennium, any agreement between the employer and the coalition
2 regarding the dollar amount expended on behalf of each employee for
3 health care benefits is a separate agreement and shall not be
4 included in the master collective bargaining agreements negotiated by
5 the parties.

6 (4) The employer and the exclusive bargaining representative
7 shall not agree to any proposal that would prevent the implementation
8 of approved affirmative action plans or that would be inconsistent
9 with the comparable worth agreement that provided the basis for the
10 salary changes implemented beginning with the 1983-1985 biennium to
11 achieve comparable worth.

12 (5) The employer and the exclusive bargaining representative
13 shall not bargain over matters pertaining to management rights
14 established in RCW 41.80.040.

15 (6) Except as otherwise provided in this chapter, if a conflict
16 exists between an executive order, administrative rule, or agency
17 policy relating to wages, hours, and terms and conditions of
18 employment and a collective bargaining agreement negotiated under
19 this chapter, the collective bargaining agreement shall prevail. A
20 provision of a collective bargaining agreement that conflicts with
21 the terms of a statute is invalid and unenforceable.

22 (7) This section does not prohibit bargaining that affects
23 contracts authorized by RCW 41.06.142.

24 NEW SECTION. **Sec. 15.** RCW 48.02.210 (School district health
25 insurance benefits—Annual report) and 2012 2nd sp.s. c 3 s 5 are each
26 repealed.

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