

# Consolidation of PEBB and SEBB programs

Engrossed Substitute House Bill 1109; Section 213(3); Chapter 415; Laws of 2019

November 15, 2020



# Consolidation of PEBB and SEBB programs



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# Executive summary

## Purpose

In Engrossed Substitute House Bill (ESHB) 1109 (2019) codified as C 415 L 19 PV Section 213 (3), the Legislature requires that the Health Care Authority (HCA) study the potential cost savings and improved efficiency that could be gained by consolidating the Public Employees Benefits Board (PEBB) and School Employees Benefits Board (SEBB) programs starting January 1, 2022. The final report is due by November 15, 2020.

The following extract from ESHB 1109 provides additional requirements for the study:

*“(3) The health care authority must study the potential cost savings and improved efficiency in providing insurance benefits to the employers and employees participating in the public employees' and school employees' benefits board systems that could be gained by consolidating the systems. The consolidation options studied must maintain separate risk pools for medicare-eligible and non-medicare eligible employees and retirees, assume a consolidation date of January 1, 2022, and incorporate the experiences gained by health care authority during the initial implementation and operation of the school employees' benefits board program. The study must be submitted to the committees of the house of representatives and the senate overseeing health care and the omnibus operating budget by November 15, 2020.”*

## Approach

This report explores models to determine cost savings and efficiencies that could be generated by combining the PEBB and SEBB programs. It evaluates whether HCA could achieve operational efficiencies and identifies the effects of consolidating the programs on employer premium costs (including the state funding rates for the two current programs) and employee premium costs. Finally, the report evaluates the implications for the various stakeholders of a combined program.

## Key findings and conclusions

The purpose of this report is to study the potential cost savings and administrative efficiencies to be gained in consolidating the SEBB and PEBB Programs.

Fiscal analysis of various consolidation scenarios revealed potential for minor or major financial impacts to the state, employers, and employees. Scenarios with small financial impact included:

- (1) Adding SEBB medical plans to the PEBB population.
- (2) Adjusting tier factors for the PEBB population to match those in the SEBB program.
- (3) Aligning vision benefit and contribution structure.

These changes can be implemented with or without formal program consolidation, and HCA is currently exploring some of these initiatives independently of this consolidation report.

On the other hand, consolidating the PEBB and SEBB risk pools into a single non-Medicare risk pool and aligning the method for calculating employer and employee contributions may result in larger financial impacts. The magnitude and direction of these impacts depends on how such changes would be implemented.



In the long-term, administrative efficiencies could likely be gained by fully consolidating the PEBB and SEBB Programs, including eligibility, enrollment, plan offerings, communications, the PEB and SEB Boards, risk pools and tier ratios, rate development and premiums, and collective bargaining. However, in the short term there could be additional costs for the state and employers to operationalize these changes. With respect to staff, a fair amount of consolidation between the two programs has already occurred. Some efficiencies may be gained by partially consolidating the programs—specifically creating a single board and aligning plan offerings—however the marginal value of these changes is difficult to assess. Furthermore, separate collective bargaining processes preserves risk for greater divergence between the programs over time.



# Background

HCA purchases and manages health care and other insurance benefits for more than 385,000 eligible public employees, retirees, continuation coverage members, and their dependents through the Public Employees Benefits Board (PEBB) Program. Employers who access PEBB Program coverage include state agencies, institutions of higher education, and a variety of public agencies who contract with HCA for these benefits (e.g., counties, municipalities, tribal governments, and political subdivisions). The PEBB Program in its current form dates back to the 1980s, and prior to the current agency form state employee and higher education employee benefits were provided through the Department of Personnel and the State Employee Insurance Board.

On June 30, 2017, Engrossed House Bill (EHB) 2242 created the School Employees Benefits Board (SEBB) Program to design insurance benefit plans for a program covering all school employees working for Washington State school districts, educational services districts (ESDs), and charter schools. Later legislation passed in 2019, ESHB 2140, delayed implementing coverage for non-represented employees of ESDs until 2024. Many of the non-represented ESD employees access insurance benefits through the PEBB Program currently.

The 2017 legislation established minimal eligibility criteria for participation in the SEBB Program. The School Employees Benefits (SEB) Board established additional eligibility criteria and designed and approved benefit offerings. The SEBB Program's first annual open enrollment was held from October 1, 2019 through November 15, 2019. Benefits began on January 1, 2020.

As of July 2020, the SEBB Program provides medical benefits for just over 127,000 enrolled school employees (not including waived subscribers) and their ~133,500 dependents (of which ~53,000 dependents are enrolled only in dental or vision coverage). The PEBB Program provides medical benefits for more than 212,000 employees and around 174,000 dependents. In sum, PEBB and SEBB program enrollment amounts to just under 650,000 covered lives in the two Programs' medical benefits.

The PEBB Program's purchasing authority covers over 400 separate employers including over 100 state agencies, all higher education institutions, and more than 250 local governmental entities who contract with HCA for access to PEBB Program benefits. The SEBB Program's purchasing authority includes over 300 SEBB organizations (school districts, charter schools, and educational service districts).

## Previous legislation and reports on consolidation

Prior to 2020, for decade's school employee benefits had been purchased and administered by each school district, ESD, or charter school. This decentralization created a wide variety of benefit quality and employee costs across the state. Noting this variability, the Washington Legislature has commissioned studies about consolidating school employee benefits into a single program since the late 1980s. In 1993, legislation passed to consolidate benefits for school employees into the PEBB

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Program. However, within a year, additional legislation passed that reversed most<sup>1</sup> of the consolidation work that had not yet been completed. Since then, many studies have been conducted on this subject.

The following is a summary of the more recent legislation and reports on the topic of school employee benefit consolidation. This summary illustrates the various efforts at data collection and analysis that have been done in the past and provides context for this current study.

- **In 2004, the Office of Financial Management, (OFM)** evaluated the cost and benefits of encouraging school employee collective bargaining units to choose coverage under the PEBB Program. The report found that the PEBB plans offered greater access and more accurate benefits information, reduced administrative complexity, and offered lower cost plans than school employees' current plans. Nevertheless, although the PEBB Program offered some advantages when compared to the current system, OFM found that significant hurdles existed to making PEBB health plans more attractive to school employees than their current plans.
- **In 2011, the State Auditor's Office** analyzed the school employee health benefit system to determine the current cost, and identify opportunities to reduce or contain future costs. This study was a voluntary survey of school districts. Out of 295 districts, 129 responded, representing 68 percent of full-time employees (FTEs), and 42 percent of school districts.

The report identified a number of changes that would simplify and stabilize the school employee health benefit system. These changes included:

- Streamlining the system by simplifying the pooling process
- Standardizing coverage levels for more affordable and higher quality medical benefits
- Restructuring the health benefit system into a consolidated self-funded system.

Associated cost savings for implementing these changes was estimated at \$180 million per biennium.

- **In 2012, Engrossed Substitute Senate Bill (ESSB) 5940 directed several state agencies** to assess options for consolidating the school employee benefit system. These agencies included the Health Care Authority, the Joint Legislative Audit and Report Committee, and the Office of the Insurance Commissioner. The legislation laid out four goals by which to assess each option. The goals were to:

1. Improve transparency of health benefit plan claims and financial data.

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<sup>1</sup> While consolidating school employee benefit purchasing was reversed in 1994, benefits for school employees when they retire remained consolidated under the PEBB Program.



2. Create greater affordability for full family coverage, and greater equity between premium costs for full family and employee-only coverage for the same benefit plan.
3. Promote health care innovations and cost savings while significantly reducing administrative costs.
4. Provide greater equity in state allocations for public employee and school employee health benefits.

The analysis reviewed years of data that school districts and their insurance carriers were required to submit to the Office of the Insurance Commissioner each year. The analysis then compared two options:

1. Consolidating school employee benefits under the existing PEBB Program.
2. Consolidating school employee benefits in a separate program, called the SEBB Program.

In evaluating the consolidation options, the report found that any consolidation model would be considered more equitable for school employees than the fragmented purchasing system that existed at the time. Consolidation would also allow greater alignment of innovation and cost-saving measures across both populations served.

Consolidation options 1 and 2 evaluated a single program with offerings to both public employees and school employees, but considered different risk pooling arrangements; option 1 described a single risk pool whereas option 2 separate risk pools within a single program. There were identified cost increases under either of these consolidation models. The *overall* cost increase under both options was the same; however, under option 2 the cost increase only impacted K-12 employers with no impact on the PEBB employers, whereas under option 1 the increase was split between the K-12 employers and PEBB employers. This is because the 2012 reports identified the K-12 population had a higher estimated risk profile than the PEBB population and, accordingly, the cost to insure this population was higher.

- **In 2017, Engrossed House Bill (EHB) 2242** established the SEBB Program and the SEB Board. It gave the Board the authority to design and approve insurance benefit plans and approve additional eligibility criteria. It also named the Health Care Authority as the state agency responsible for purchasing health services for school employees and, as of January 1, 2020, for providing benefits to eligible employees of SEBB organizations and their dependents. While this legislation created a distinct program and Board, the legislation directed the SEB Board to “leverage efficient purchasing by coordinating with” the PEB Board.





- **In 2018, Engrossed Substitute Senate Bill (ESSB) 6241** refined and clarified EHB 2242. This legislation unequivocally limited monthly health care premiums for full-family coverage to no more than three times the cost for an employee purchasing single coverage, and it clarified the number of hours (630 hours) to be eligible for benefits must be based on the school employee’s anticipated work hours.
- **In 2019, Engrossed Substitute House Bill (ESHB) 2140** delayed mandatory participation in SEBB Program benefits for non-represented employees of educational service districts until January 1, 2024.

## Analyzing consolidation in light of the SEBB program launch

The reports and legislation listed above provide useful analyses on how a set of consolidation options could help achieve the goals of greater transparency, equity, and affordability in health care. Now that the SEBB Program has been established, the Health Care Authority (HCA) has been directed to study the potential cost savings and improved efficiency to employers and employees in both the PEBB and SEBB programs that could be gained by consolidating the two programs beginning January 1, 2022. It is important to note that all retirees are exempt from this study because the combined purchasing of retiree benefits for both state and school employees has already been consolidated under the PEBB Program since 1993.

Unlike previous reports, which could only speculate on the number of subscribers and dependents who would be covered under the SEBB Program, we now know the number of enrollees, their demographics, and the plan costs. While it is still too early to draw conclusions from claims data, the information that we have gathered so far on the SEBB population can help inform possible cost impacts of consolidating the two programs.

### PEBB/SEBB consolidation report

In Engrossed Substitute House Bill (ESHB) 1109 (2019) codified as C 415 L 19 PV Section 213 (3), the Legislature required that the Health Care Authority (HCA) study the potential cost savings and improved efficiency to employers and employees in PEBB and SEBB programs that could be gained by consolidating the programs beginning January 1, 2022. The final report is due by November 15, 2020.

The following extract from ESHB 1109 provides more requirements for the study:

*“(3) The health care authority must study the potential cost savings and improved efficiency in providing insurance benefits to the employers and employees participating in the public employees’ and school employees’ benefits board systems that could be gained by consolidating the systems. The consolidation options studied must maintain*



*separate risk pools for Medicare-eligible and non-Medicare eligible employees and retirees, assume a consolidation date of January 1, 2022, and incorporate the experiences gained by health care authority during the initial implementation and operation of the school employees' benefits board program. The study must be submitted to the committees of the house of representatives and the senate overseeing health care and the omnibus operating budget by November 15, 2020."*

We used the following methods to analyze the potential cost savings and improved efficiency:

- (1) Compared the administrative processes for operating the two programs
  - (2) Reviewed the plan benefits, provider networks, geographic coverage, and limitations of both programs
  - (3) Used historical data from the PEBB Program and estimated SEBB Program experience using historical school employee data and PEBB Program data
  - (4) Requested input from stakeholders during the development of the models and report
  - (5) Determined the extent to which the programs could effectively be merged by January 1, 2022
  - (6) Identified a phased, multi-year approach for continued consolidation from 2023 through 2025
- Additionally, HCA engaged Milliman, an international actuarial and consulting firm, to assess the impacts of consolidating the PEBB and SEBB programs into a single entity. Milliman has supported the PEBB Program for 14 years and performed the initial financial modeling for the SEBB Program launch. Milliman's analysis of consolidation is included in Appendix A to this report.

## **Establishment of SEBB**

Initial appointments for the SEB Board occurred in September 2017 and the Board held its first meeting on October 23, 2017. The Board met twenty-four times through the end of 2019. In these meetings, the Board:

- Established dozens of SEBB Program eligibility, policies, and rules;
- Designed and approved the medical, dental, vision, life, accidental death and dismemberment (AD&D), and long-term disability (LTD) benefits that would be offered to SEBB members starting January 1, 2020. A summary of those plans can be found in Appendix B, and Appendix C contains a summary of the eligibility rules established to date; and
- Approved the tier structure for monthly school employee premium contributions and the employee monthly premiums used for the 2020 plan year

### **Demographics**

An examination of demographics between the PEBB and SEBB programs show similarities and some distinct differences. The SEBB Program has more medical plan offerings than the PEBB Program and includes an additional fully insured carrier. One example of the implications of the programmatic differences is that PEBB members in 18 counties have access only to Uniform Medical Plan (UMP) medical plans, Washington's self-insured option, whereas there are only three counties in which SEBB members only have access to UMP medical plans.

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The data in the following tables exclude all retirees and Continuation of Coverage enrollees. Subscribers who have waived enrollment are also excluded.<sup>2</sup> All data for the following tables is from July 2020.

In the tables below, “Subscriber” refers to the person eligible for PEBB or SEBB benefits (not a dependent). “Dependent” is any eligible person enrolled under a subscriber’s account. “Member” refers to all enrollees and includes both subscribers and dependents.

**Table 1: Subscriber/dependent by program**

July 2020						
ERB Program	Enrolled		%		Enrolled Total	% Total
	Subscriber	Dependent	Subscriber	Dependent		
PEBB	135,226	140,712	49.0%	51.0%	275,938	100.0%
SEBB	127,338	133,618	48.8%	51.2%	260,956	100.0%
All ERB	262,564	274,330	48.9%	51.1%	536,894	100.0%

Before the SEBB Program launched, there was a great deal of uncertainty about whether or not school employees would enroll dependents at a rate similar to public employees in the PEBB Program. This was an area of uncertainty because the historical K-12 structure of monthly premiums for family coverage varied significantly from district to district that resulted in not knowing the number of eligible dependents. Once SEBB limited the monthly premiums for family coverage to no more than three times the premium cost for subscriber only coverage, there was uncertainty as to the extent the school employee dependents would continue to be covered by alternatives to school employer sponsored health insurance. As it turns out, once the monthly employee premiums are standardized the percentage of enrolled dependents is very similar for the two populations. The member to subscriber ratio for PEBB is approximately 2.04 and for SEBB is approximately 2.05.

**Table 2: Members enrolled in medical coverage by age**

July 2020						
Age	PEBB		SEBB		All ERB	
	Enrolled	%	Enrolled	%	Enrolled	%
Under 18	60,261	21.8%	62,724	24.0%	122,985	22.9%
18-25	34,531	12.5%	36,426	14.0%	70,957	13.2%
26-45	82,070	29.7%	69,103	26.5%	151,173	28.2%
46-64	86,179	31.2%	83,866	32.1%	170,045	31.7%
65+	12,897	4.7%	8,837	3.4%	21,734	4.0%
Grand Total	275,938	100.0%	260,956	100.0%	536,894	100.0%

The PEBB and SEBB programs appear to have very similar age cohorts for all members, with the PEBB program having a slightly lower percentage of members under age 26 than the SEBB program (34.3 percent and 38 percent, respectively). In addition to having more subscribers enrolling children, SEBB has a greater number of enrolled children per subscriber than PEBB. In total, SEBB has enrolled relatively fewer adult spouses and relatively more dependent children.



**Table 3: Members enrolled in medical coverage by gender**

July 2020						
ERB Program	Enrolled		%		Enrolled Total	% Total
	Female	Male	Female	Male		
PEBB	147,636	128,302	53.5%	46.5%	275,938	100.0%
SEBB	151,636	109,320	58.1%	41.9%	260,956	100.0%
All ERB	299,272	237,622	55.7%	44.3%	536,894	100.0%

While there are clear differences between the two programs in the proportion of female and male subscribers, the two programs are more alike when you consider the entire member populations of both subscribers and dependents. In both programs, slightly more than half of all members are female.

**Table 4: Members enrolled in medical by tier**

July 2020						
Medical Tier Name	PEBB		SEBB		All ERB	
	Enrolled	%	Enrolled	%	Enrolled	%
Subscriber Only	65,295	48.3%	64,124	50.4%	129,419	49.3%
Subscriber & Spouse	21,180	15.7%	14,908	11.7%	36,088	13.7%
Subscriber & Child(ren)	20,002	14.8%	24,967	19.6%	44,969	17.1%
Full Family	28,749	21.3%	23,339	18.3%	52,088	19.8%
Grand Total	135,226	100.0%	127,338	100.0%	262,564	100.0%

A slightly higher percentage of SEBB subscribers (50.4 percent) enrolled in subscriber-only coverage than did PEBB subscribers (48.3 percent). Although SEBB subscribers enrolled their spouses and state-registered domestic partners at a slightly lower percentage (11.7 percent) than PEBB subscribers (15.7 percent), SEBB enrolled children at a higher rate —36.1 percent of PEBB subscribers enrolled children, and 37.9 percent of SEBB subscribers enrolled children. In addition to having more subscribers enrolling children, SEBB has a greater number of enrolled children per subscriber than PEBB. In total, SEBB has enrolled relatively fewer adult spouses and relatively more dependent children.

## Consolidation analysis results

### Fiscal impact of consolidation

The analysis of potential cost savings from consolidation of the two programs was conducted by Milliman, one of HCA’s contracted actuarial firms. Milliman has supported the PEBB Program for 14 years and performed the initial financial modeling for the SEBB Program launch.

Milliman evaluated several consolidation scenarios within both PEBB and SEBB financial planning models to determine which aspects of consolidation could have meaningful cost impacts. They considered five aspects between the PEBB and SEBB programs:

- (1) Adding SEBB medical plans to the PEBB population
- (2) Adjustment of tier factors for the PEBB population to match those in the SEBB program

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- (3) Aligning vision benefits and contribution structures
- (4) A consolidated Non-Medicare risk pool
- (5) Aligning the methodology for calculating Employer/Employee Contributions (State Index Rate in PEBB Program vs. Employer Medical Contribution in SEBB Program)

Milliman concluded that the first three aspects would likely have a relatively small financial impacts to the state, and noted that these changes could be accomplished with or without formally consolidating the two programs. In fact, HCA is currently exploring some of these initiatives with the Boards independently of this consolidation report, though there is no guarantee that two independent boards will consistently approve the same policy decisions over time. In summer 2020, the PEB Board took the first step to align medical plan offerings between the programs by adding a new self-insured medical plan option, called UMP Select, for the 2021 plan year. UMP Select is similar to SEBB's UMP Achieve 1 plan.

Forming a consolidated non-Medicare risk pool would require statutory changes to consolidate the existing standalone risk pool for SEBB and the existing PEBB non-Medicare risk pool, and the development of rates over the total population. Changing the method of calculating the employee/employee contributions would require changes to current collective bargaining agreements. Both of these options could have larger financial impacts to the state depending how they are implemented. Because these options require either legislative action or collective bargaining, the ability to implement them by January 1, 2022 is unlikely. We explore each of these options and the possible timing of their implementation below in detail.

### **1. Adding SEBB medical plans to the PEBB Program**

The SEBB Program currently offers more medical plans, including two additional carrier options, than the PEBB Program. The SEBB Program features several plans from Premera Blue Cross and Kaiser Permanente of Washington (KPWA) Options that are not offered in the PEBB program. We cannot assess the impact of adding new plan options from either carrier until the contribution strategy and enrollment forecasts are developed.

Also, the SEBB medical plans include a wider range of actuarial values<sup>3</sup> for medical plan options than the PEBB medical plans. In 2021, the actuarial value range for SEBB medical plans will be 80.59% to 91.62%, whereas the actuarial value range for the PEBB medical plans will be 83.71% to 89.54%. A lower actuarial value will shift more of the benefit costs to the employees; depending on the contribution strategy, the employer could potentially see savings through offering plans with lower actuarial value. A higher actuarial value will shift more of the benefit costs to the Program; depending on the contribution strategy, the employer could potentially see overall program cost increases through offering plans with higher actuarial values. (See Appendix D for a full table of 2021 Actuarial Values for the medical plans for both programs.)

For the launch of the SEBB Program in 2020, the SEB Board authorized self-insured UMP plans mirroring those offered in the PEBB Program, plus an additional UMP plan, UMP Achieve 1, with an actuarial value of about 82 percent. In June 2020, the PEB Board authorized a similar UMP plan

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<sup>3</sup> The percentage of total average costs for covered benefits that a plan will cover. For example, if a plan has an actuarial value of 70 percent, on average, the member is responsible for 30 percent of the costs of all covered benefits.



design, called UMP Select, with coverage beginning with plan year 2021. UMP Select is the PEBB equivalent of SEBB’s UMP Achieve 1. This plan addition will align UMP offerings between the PEBB and SEBB programs.<sup>4</sup>

Adding UMP Select to the PEBB Program, at a comparable price point to that of UMP Achieve 1 in the SEBB Program, could put downward pressure on the State Index Rate (SIR). Lowering the SIR could result in lower net expenses for the state, which could in turn result in higher employee premiums for some members in existing plans. The overall effect of adding UMP Select depends on enrollment and costs relative to the other plans in the weighted average state index calculation. We will not be able to assess enrollment in UMP Select until the plan launches in January 2021 and its impact will be factored into the plan year 2022 rate and premium setting process.

During the 2021 Board seasons, HCA plans to present information to the PEB Board about additional fully-insured carriers and plan options, which could be leveraged from contracts negotiated during the SEBB Program launch, for possible inclusion in PEBB Program medical plan offerings as early as the 2022 plan year. The financial impacts of these additional offerings cannot be assessed until the specific nature and breadth of additional plans is authorized by the PEB Board.

## 2. Adjustment of tier factors for PEBB population

The term “tier factor” or “tier ratio” is related to the monthly premium amount a subscriber pays based on the member makeup of that subscriber’s account — essentially, the factor applied to calculate the monthly premium based on the type and number of dependents enrolled. Although the descriptions of the tier categories are the same in both programs, the tier ratios are slightly different. The four tiers and tier ratios for each program are listed below:

Current PEBB and SEBB Tier Factors				
	Tier 1	Tier 2	Tier 3	Tier 4
	Subscriber	Subscriber & spouse/state-registered domestic partner	Subscriber & child(ren)	Subscriber, spouse/state-registered domestic partner & child(ren)
<b>PEBB</b>	1.00	2.00	1.75	2.75
<b>SEBB</b>	1.00	2.00	1.75	3.00

Note: In the PEBB program, subscribers enrolled in tier 2 or tier 4 also pay a \$10 spouse charge.

Milliman’s analysis of this consolidation aspect adjusts tier factors for the PEBB population so that the PEBB and SEBB tier ratios are assume to match the current SEBB ratio of 3.00 at the tier 4 level. Tier 4 accounts have an employee, spouse or state-registered domestic partner, and one or more children. The current SEBB tier ratio for these accounts is 3.00; the current PEBB tier ratio for these accounts is 2.75.

<sup>4</sup> Although UMP Achieve 1 and UMP Select are nearly identical, some small benefit differences exist, including chiropractic therapy treatment limits; and the physical therapy, speech therapy, occupational therapy, and neurodevelopmental therapy combined treatment limit. Also, the annual HSA employer contributions for UMP IRS-qualified high deductible health plans are different for the programs.





This adjustment also assumes removal of the additional \$10 charge from the PEBB tier 2 (employee and spouse or state-registered domestic partner) and PEBB tier 4. This \$10 spouse charge is currently used when calculating the employee premiums in the PEBB Program. Appendix E contains a description of how PEBB and SEBB premiums by tier are currently calculated.

Because carriers generally target an overall revenue amount for their block of membership, this change is assumed to be revenue-neutral by design, and it would not affect state spending. The primary impact of this aspect of consolidation would be to PEBB employee premiums. Premiums would decrease for PEBB enrollees in tier 1, tier 2, and tier 3 whereas premiums would increase for PEBB enrollees in tier 4. Table 5 below,<sup>5</sup> provided by Milliman and included in Appendix A, illustrates the impact of adjusting tier factors for the PEBB Program so that the PEBB and SEBB tier 4 ratios match. Information included in the table below assumes 2020 rates.

**Table 5: Tier Structure Impact - UMP Classic non-Medicare Employee Contributions**

<b>Tier Structure</b>	<b>Tier 1</b>	<b>Tier 2</b>	<b>Tier 3</b>	<b>Tier 4</b>
PEBB	\$104	\$218	\$182	\$296
SEBB	\$103	\$206	\$180	\$309
<b>Difference</b>	<b>(\$1)</b>	<b>(\$12)</b>	<b>(\$2)</b>	<b>\$13</b>

### 3. Aligning Vision Benefits

One key difference between the two programs is the structure of the vision benefits. In the PEBB Program, the vision benefits are “embedded” within the medical coverage. In the SEBB Program, vision benefits are carved out of the medical coverage and, instead, are separate plans with separate rates; SEBB members currently have three standalone vision plans from which to choose.

Milliman’s analyzed scenario carves vision benefits out of the PEBB Program medical coverage and moves vision to a standalone, employer-paid benefit like in the SEBB Program.<sup>6</sup> Milliman’s analysis suggests three main factors to consider in carving vision out of medical coverage in the PEBB Program:

1. Increase in subscriber enrollment – Creating a standalone vision benefit would result in the vision benefit becoming mandatory (due to more competitive rates related to guaranteed enrollment). This would result in an increase to the overall enrollment in the vision benefit because PEBB employees who currently waive medical coverage do not have vision benefits.
2. Increase in dependent enrollment – The standalone vision benefit would now provide a separate enrollment option for dependents. Dependents could enroll in the vision benefit independently of medical coverage at no additional cost to the subscriber.

<sup>5</sup> UMP Classic non-Medicare employee contributions listed in table 1 include the impact of applying the applicable tier structure, assuming 2020 rates. By applying SEBB’s tier structure to the PEBB program, we see the impact on employee contributions in PEBB.

<sup>6</sup> The current collective bargaining agreements applicable to the PEBB Program provide that a standalone vision plan would be fully employer paid.



3. Change in vision rates – Although this change could increase the state’s share of costs and the number of members covered, the SEBB Program stand-alone vision procurement results suggest that there is potential for lower premium rates from vision-specific vendors.

Tables 5 and 6<sup>7</sup> below illustrates the estimated potential enrollment and per adult unit per month (PAUPM) impacts of carving vision benefits out of PEBB Program medical coverage. As noted above, by carving vision out of medical coverage in the PEBB Program, there is an assumed increase in membership due to the vision benefit becoming mandatory. While membership increases, SEBB Program stand-alone vision rates suggest the potential for lower premium rates from vision specific vendors. Therefore, the potential cost impact of an increase in membership could be partially offset by the decrease in vision rates, resulting in minimal cost increase to the state and PEBB employers.

**Table 5: PEBB vision benefit impacts**

	Adult Units	Employer PAUPM	Employee PAUPM	Total PAUPM
PEBB vision embedded in medical coverage	194,847	\$6.81	\$1.28	\$8.09
PEBB stand-alone vision coverage	221,126	\$6.10	\$0.00	\$6.10

**Table 6: Impact of standalone vision coverage**

	Change in Adult Units	Employer PAUPM	Monthly Cost Impact	Annual Cost Impact
Impact of increase in membership	26,279	\$6.81	\$178,874	\$2,146,489
	Total Adult Units	Change in PAUPM	Monthly Cost Impact	Annual Cost Impact
Decrease in vision rate	221,126	-\$0.71	-\$157,109	-\$1,885,311
			<b>Total Annual Cost impact</b>	<b>\$261,178</b>

This analysis assumes aligning the PEBB and SEBB vision benefits by carving vision out of PEBB medical coverage. However, another way to align the programs is embedding vision within SEBB medical coverage.

In other words, rather than changing the PEBB Program to align with the SEBB Program (as Milliman assumes), the vision benefits in the SEBB Program could be changed to match the PEBB Program. This could have a small incremental increase to school employee premiums and a small incremental decrease to SEBB organization and state costs. The cost of vision coverage would be included in the calculation of the employer contribution for medical coverage, which historically has been the core of PEBB and SEBB health care benefits collective bargaining at the state level.

#### **4. A consolidated non-Medicare risk pool.**

This aspect of consolidation would combine the current PEBB Program non-Medicare risk pool with the SEBB Program active risk pool. <sup>8</sup> Risk-pooling arrangements are described in state law and would require legislative action to implement.

<sup>7</sup> This analysis utilized current procured SEBB Program standalone vision rates.

<sup>8</sup> As of January 1, 2022 the SEBB risk pool will become a Non-Medicare risk pool as future non-Medicare K-12 retirees will stay in this risk pool instead of joining the PEBB non-Medicare risk pool.





Based on a prior legislative report submitted in December of 2018 and funding received in the 2020 supplemental operating budget, the SEBB Program intends to include future non-Medicare early retirees in the SEBB risk pool beginning in January 2022. A key aspect of this analysis is the nature of the PEBB and SEBB programs' non-Medicare risk pools. The SEBB risk pool is currently comprised of only active employees; the PEBB non-Medicare risk pool includes active employees and early retirees. This shift in policy to include K-12 non-Medicare early retirees in the SEBB risk pool will align the SEBB active and PEBB non-Medicare risk pools from a cost perspective.

- **PEBB Program Impact:** Bid rates and state costs will decrease, since consolidation with the SEBB active population increases the relative proportion of the younger employee population, who are assumed to be healthier than early non-Medicare retirees. Employee premiums for PEBB employees would likely decrease.
- **SEBB Program Impact:** Bid rates, state costs, and employee premiums will likely increase. Consolidation of risk pools increases the relative proportion of the older early retiree population, which are assumed to be less healthy. However, as mentioned above, as of January 1, 2022 the SEBB risk pool will become a non-Medicare risk pool and future non-Medicare K-12 retirees will stay in this risk pool instead of joining the PEBB non-Medicare risk pool. Due to this change, the relative predicted increase to SEBB bid rates, state costs, and employee premiums would be reduced, but not completely eliminated.
- **Consolidation Impact:** There is expected to be a very limited impact to state spending under this scenario. The opposing effects on both programs should net each other out, or come close to it. Costs for both programs are primarily driven by the self-insured plans, which operate on the same set of provider contracts and third-party administrator for both programs. As a result, we do not expect additional contracting savings as a result of combining the two programs.

## **5. Aligning the methodology for calculation of Employee/Employer Contributions.**

A key aspect to effectively combining programs is negotiating a single methodology for calculating employer and employee premiums. Under the PEBB collective bargaining agreement, the employer pays the state index rate (SIR), which is 85 percent of the total weighted average of the projected health care premium for all plans in the portfolio. The SEBB program uses an employer medical contribution (EMC) methodology based on the UMP Achieve 2 bid rate; under the SEBB collective bargaining agreement the employer pays 85% of the UMP Achieve 2 bid rate. A consolidated collective bargaining effort would need to shift toward either the SIR methodology, the EMC methodology, or an entirely different methodology used for both programs.

Milliman's analysis of the shift to either of the two current methodologies is as follows:

- **Consolidated SIR Methodology** - If the consolidated collective bargaining effort involves a shift for the SEBB Program to the PEBB Program's state index rate methodology, assuming consistent plan selection, the estimated impact would be significant cost savings for the state and SEBB organizations. Employee contributions for SEBB members would increase, and there would be only a minor impact on the PEBB Program because the employer contribution is already relatively close to 85 percent of the UMP Classic bid rate (UMP Classic in the PEBB Program is very similar to UMP Achieve 2 in the SEBB Program). Under



separate programs, and based only on the results of 2020 open enrollment, the average school employee premium is less than the aggregate weighted average bid rate. This is due to employees choosing less expensive plans. Under the SIR methodology, this pattern of plan selection would lower the state's contribution.

- **Consolidated EMC methodology** - If the consolidated collective bargaining effort involves a shift for the PEBB Program to the SEBB Program's EMC methodology, the overall impact would be a small but material cost increase for the state and SEBB organizations, and lower employee premiums for PEBB members. While the enrollment mix in future plan years remains unknown, under a consolidated scenario, the primary consideration for the PEBB Program is on future cost impacts. Should employees shift to less expensive plans, the EMC would remain fixed, which would have no influence on the state's contribution. However, as described above, this pattern of selection under a SIR methodology would result in a lower cost to the state and SEBB organizations.

Aligning the employer contribution methodology would be the largest financial consequence of a full consolidation effort. The overall financial impact of these two scenarios is a shift in employee/employer contribution methodologies that is best approximated by estimated changes in the state's contribution. There are more than 244,000 adult units enrolled in medical coverage between the PEBB and SEBB programs. The estimated financial impact is approximately \$2.9 million per year for each \$1 change in per subscriber per month (PSPM) state contribution. Based on Table 2 below, provided by Milliman and found in Appendix A, a consolidated EMC methodology (SEBB EC Methodology) would result in an increase to the state contribution by approximately \$20 PSPM, when compared to the weighted average standalone scenario. This would result in an increase of approximately \$61 million per year in employer contributions, on average. In contrast, a consolidated SIR methodology (PEBB EC Methodology) would lower the state's contribution by \$25 PSPM, resulting in a decrease of \$70 million per year in employer contributions, on average.

**Table 7: CY2022 Estimated Average Bid Rate and Average Employee Contribution (PSPM - State and K12 actives only)**

Tier Structure	Bid Rate	Employer Contribution	Employee Contribution	Employee Contribution %	Annual Employer spend
PEBB - Standalone	\$1,204	\$1,027	\$178	14.8%	\$1,447
SEBB - Standalone	\$1,035	\$930	\$105	10.1%	\$1,414
<b>Weighted Average</b>	<b>\$1,118</b>	<b>\$978</b>	<b>\$141</b>	<b>12.6%</b>	<b>\$2,864</b>
PEBB Methodology - Consolidated	\$1,119	\$953	\$165	14.8%	\$2,794
SEBB Methodology - Consolidated	\$1,119	\$998	\$120	10.8%	\$2,925

### Additional consolidation considerations

A common misconception is the assumption that greater enrollment by combining the two programs will lead to overall lower program costs. As described above, different scenarios and characteristics between the programs influence the overall financial impacts of consolidation.

However, the PEBB and SEBB programs both use Regence BlueShield as the contracted third-party administrator for the self-insured Uniform Medical Plan (UMP) options. The same provider contracts for these plans, and therefore the same negotiated provider rates, already apply to both Programs. Combining the PEBB and SEBB populations enrolled in UMP plans will not result in a decrease in costs to Regence's contracted agreements with providers. However, based on the



different risk profiles, tier ratios, collective bargaining agreements, and overall program characteristics, different consolidation scenarios could result in differences in premiums and state costs.

## HCA administrative cost efficiencies

EHB 2242 established a separate program for the SEBB population, with a separate Board, and a separate funding source for benefits (though these benefits are similar to PEBB benefits). In developing the SEBB Program, the SEB Board was directed to “include comprehensive, evidence-based health care benefits for employees,” and to consider “methods of maximizing cost containment while ensuring access to quality health care.” In addition, the SEB Board was directed to “leverage efficient purchasing by coordinating with the public employees' benefits board.”

To promote efficiencies between the two programs, additional FTEs were funded beginning with the 2018 supplemental operating budget to support of SEBB Program implementation. The PEBB Program staff levels were not doubled in 2018, instead overall staffing levels were increased by approximately 50 percent due to the expectation that HCA would be able to leverage existing knowledge, expertise, and work product from the PEBB Program. These staff were immediately integrated into the existing Health Care Authority infrastructure rather than a redundant organizational structure to support only the SEBB Program. As a consequence, and with respect to staff, organizational consolidation between the two programs has already occurred. Nevertheless, several key program differences exist, and a few areas where resources were underestimated in 2017 now represent critical needs.

HCA has considered three consolidation scenarios to determine where there are additional operational cost savings or efficiencies from further consolidation of the two programs,



The first scenario, **Separate Programs**, is essentially the current state. In this scenario, there are many aspects of the two programs that are administered separately, but these similar processes run parallel to each other throughout the year. These parallel processes are usually being managed the same HCA staff; the differences in the processes must be closely monitored to prevent program risks. While consolidation would eliminate the differences and associated risks, the volume of work associated with them is *not* typically large enough to also support reducing staffing levels at the



same time. An overview of the largest areas with parallel program processes, and some of the challenges and risks associated with administering them separately, includes:

- Separate Boards making policy decisions. HCA staff devote many hours to preparing presentations and proposals for each Boards, although sometimes the information presented to the Boards are very similar. The Boards are not obligated to reach the same conclusion on similar issues and any variance between the Board's policies must then be carefully and diligently tracked, in perpetuity, throughout all of HCA's administrative work. The Board's primary policy-making roles concern benefit design, benefit offers, and eligibility policies.
- Separate and different benefit offers. There are dozens of variances between benefit offerings, ranging from entire carriers and plans being offered in one program but not the other to more nuanced details like the minimum weekly long-term disability payments. Each variance requires constant quality assurance review of all materials, implementing contract provisions, and during member issue resolution to ensure the correct benefit version is applied in the correct circumstance.
- Separate and unique risk pooling, procurement, and rate setting processes. With rate-setting for both programs occurring simultaneously, financial calculations must undergo additional quality assurance checks to ensure the correct calculation steps unique to one program are not omitted or inadvertently included in the other program's calculations. Contracted actuarial services are increased as each program must be analyzed separately.
- Separate accounting of the two program's expenditures. Each expenditure has to be reviewed individually to ensure the correct program is charge only its appropriate share of the expense. Each program has seven primary accounts, often with similar accounting codes when comparing the programs that must be checked and re-checked regularly.
- Separate rule-making for different chapters of the Washington Administrative Code. Monitoring and revising similar chapters of the WAC, which sometimes have identical components, can result in unintentional language variance creating legal risks for one or both programs.
- Separate enrollment processes and systems. There are very significant differences in the enrollment processes currently, with the PEBB Program being primarily paper-based and the SEBB Program being primarily electronic-based. Although more significant alignment of enrollment processes should be achieved by the end of 2021, after the launch of the complete PEBB Modernization project currently underway, there will be two parallel enrollment platforms to maintain and enhance.
- Separate communications for members. Due to the variation in the programs, custom communications for each program are necessary. Benefit and rule differences require extensive reviews and quality assurance checks to ensure all program differences are appropriately described for each program. There are also separate communications and trainings held for the benefits administrators of the two programs, with separate processes developed that are specific to the requirements of each program.
- Collective bargaining, a key factor affecting the SEBB and PEBB programs, is done through separate processes.



All of these differences provide fertile ground for divergent decision-making that would further separate the two programs over time. With ongoing programmatic divergence additional staffing needs may become more necessary to ensure differences are appropriately accounted for and maintained in all processes.

A **Partial Consolidation** scenario would combine some administrative process while maintaining others. A key aspect of partial consolidation would be establishing be one Board with authority over the two programs. A single Board structure would reduce the likelihood of more benefit and eligibility policy differences between the programs, which in turn would inflame the need for more program-specific (but nearly identical) communications to ensure differences are correctly described for each program's members. Having one Board would help ensure plan offerings, benefit design, tier ratios, and Board-enacted eligibility policies are consistent between the programs, which by extension allow better alignment of rule-making and reduce the need for some distinct program communications. For example, the programs could share the same certificates of coverage.

Under a partial consolidation, core eligibility requirements in statute and collective bargaining would remain separate, which would maintain key differences in each program's policies. Due to these key differences, administrative processes such as premium and employer/employee contribution calculations, risk pooling, accounting of expenditures, and many communications would remain distinct and continue requiring extensive quality assurance checks to ensure accurate information is conveyed to the correct member population.

In this scenario, separate enrollment processes would likely remain. However, development of a modernized online enrollment platform for the PEBB Program, similar to the SEBB Program online enrollment tool (SEBB My Account) is underway and scheduled for completion in 2021.

Under the **Full Consolidation** scenario, essentially all PEBB and SEBB processes would be the same. Separate risk pools would no longer exist; rather, one non-Medicare risk pool would include employees and early retirees (non-Medicare) of both programs. One Medicare risk pool would exist for eligible retirees (which has existed in the PEBB Program since 1993). By creating one non-Medicare risk pool, only one set of rate development processes would be required, yielding one set of premiums for a uniform collection of plan offerings and carriers. Administrative accounting processes would be streamlined because programmatic splitting of expenditures would be eliminated.

Under Full Consolidation, many communications could be eliminated since most populations, including employees of the state, higher education, and schools would have identical benefits and premiums. A single set of rules could be modified annually with a lower risk of language variance creating risks for the single program. There would be one enrollment process and a single online enrollment tool for all populations, and one Board would maintain authority over the entire program. Lastly, collective bargaining could be consolidated into a single process, which would yield aligned policies.

We have summarized these scenarios in the table on the next page.



	Separate Programs	Partial Consolidation	Full Consolidation
Board	Two separate Boards	Single Board with authority over both programs	Single Board, one program
Eligibility	Separate eligibility requirements for each program	Closer alignment in the threshold level of the initial benefit eligibility standards	Closer alignment in the threshold level of the initial benefit eligibility standards <sup>1</sup>
Plan Offerings	Some overlap but mostly separate	Complete alignment	Complete alignment
Risk pools and Tier Ratios	Separate PEBB and SEBB risk pools and tier ratios	Separate PEBB and SEBB risk pools, combined tier ratios	Combined PEBB and SEBB risk pools and tier ratios
Rate Development Process and Premiums	Separate	Separate	Aligned
Accounting Expenditures	Separate	Separate	Aligned
Rule-Making	Separate	Separate	Aligned
Enrollment processes	PEBB – paper driven SEBB – online tool	PEBB – online tool SEBB – online tool	Single online tool
Communication vehicles	Separate for each program	Some overlap	One set of communication vehicles
Collective Bargaining Agreement	Separate	Separate	Combined

<sup>1</sup>Given the very different structures of the PEBB and SEBB employment settings, having different initial benefit eligibility standards seems to be inherently required.

## Discussion

Eliminating the differences between the two programs should streamline a variety of administrative processes and reduce legal risks, but create nominal cost efficiencies. For example, HCA estimates that 2,500 hours per year of staff time is devoted to the support of one Board, a number which has doubled with the creation of the SEB Board. Combining the two boards would result in efficiencies in performing analyses, communicating with Board members, preparing for Board meetings, and documenting meetings. Managing one set of contracts, one set of

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communications, and one online enrollment process for all members would eliminate duplicative tasks over the longer term. However, unless the two programs consolidate into a single unit— with the same rules, policies, procedures, communications, etc. — it’s difficult to estimate the value of these efficiencies in relation to much of the administrative or operational work HCA performs to support the employers.

Nevertheless, over the short term, more resources may be required to combine some elements of the two programs. For example, redesigning various communications and training tools for employers. In the full consolidation scenario, costs may be borne by the employers and agencies in reworking their administrative processes. HCA heard many concerns from the SEBB organizations about the challenge of making additional operational changes to the program in the near future, particularly given the costs so recently invested to establish the SEBB Program.

Essentially, moving to full consolidation would be like implementing a new “third” program while continuing to manage the two existing programs. This would be a one-time effort, but it would be a significant workload because all current PEBB employers and SEBB organizations would be impacted by the changes.

## Consolidation timeline (or roadmap)

Although EHB 2242 established separate SEBB and PEBB programs, the statute encouraged the SEB Board and HCA to leverage existing resources infrastructure to take advantage of cost efficiencies between the two programs. To that end, the HCA has taken every opportunity to recommend that the SEB Board mirror the PEBB Program in benefits and policies whenever possible. In most cases, and where appropriate, the SEB Board has accepted those recommendations. As a result, the two programs shared many similarities when the SEBB Program launched on January 1, 2020.

In 2020, HCA began working with the PEB Board to harness the experience and work put into launching the SEBB Program to align additional aspects of the two programs. As a first step, the PEB Board authorized the additional UMP offering, UMP Select, starting in January 2021. This option aligns with the SEBB medical plan UMP Achieve 1. Additional discussions related to benefit design changes and medical plan offerings are planned for the 2021 PEB Board season. Additionally, HCA is currently modernizing PEBB My Account to allow employee more self-service online enrollment options, which will align enrollment procedures better with SEBB My Account.

Nevertheless, a significant number of differences remain. While some may be fairly easy to change, others will be more difficult to change and cannot be addressed only by the Board(s) or HCA. This report outlines a potential timeline below for further consolidation of key aspects of the program in 2021 and 2022, and what it would take to complete each alignment step. A more detailed timeline for a full consolidation is in Appendix F.



## Calendar Year 2021

- **Adding the “UMP Select” Medical Plan to the PEBB Program (implementation near completion)**

Both SEBB and PEBB programs offer the UMP self-insured plans administered by Regence BlueShield. For the SEBB Program, plan choices include UMP Achieve 1, UMP Achieve 2, two UMP Plus plans, and a high-deductible health plan with a health savings account (HSA).

The PEBB Program offers UMP Classic, the two UMP Plus plans, and a consumer-directed health plan with an HSA. Additionally, the PEB Board has authorized adding UMP Select. UMP Select is the equivalent to SEBB’s UMP Achieve 1 plan, and will be available for the 2021 plan year. This additional plan option will align the PEBB and SEBB program UMP offerings and provide additional choice for members.

- **Standardize SEBB Live/Work Options (implementation near completion)**

In plan year 2020, SEBB members had the opportunity to select a plan based on the county where they lived, or, in the case of members who were employed in a district that crossed county lines **or** bordered another state, the member sometimes had additional plan choices based on where they worked. With the exception of UMP Plus plans, which are only available in certain counties, UMP self-insured plans are available in every county in Washington State. Therefore, they are available to SEBB and PEBB members regardless of where they live or work.

In the PEBB Program, the fully insured carriers already allowed enrollment based on where a subscriber lives or works. For plan year 2021, all fully insured carriers under the SEBB Program have agreed to move to full live or work plan choice options for all school employees.

- **Modernize the PEBB My Account online enrollment tool (implementation already underway)**

The project to modernize PEBB My Account will enhance and simplify enrollment for many PEBB members. The application will have greater security and in compliance with the Office of the Chief Information Officer (OCIO). It will enable PEBB employees to enroll themselves and their dependents in benefits online. It will also provide employers a user-friendly interface to manage employees’ benefits and enrollment.

To accomplish this work, the solution will be modeled after the existing SEBB platform. The front-end solution will be based on the SEBB My Account application. An interface into Pay 1, HCA’s system of record, will provide the back-end functionality, including carrier notification, accounts receivable, and accounts payable.

## Calendar Year 2022

- **SEBB non-Medicare Risk Pool (implementation already underway)**

As of January 1, 2022, the SEBB risk pool will become a non-Medicare risk pool. Future non-Medicare SEBB retirees will stay in this risk pool instead of joining the PEBB non-Medicare





risk pool. The SEBB risk pool is currently comprised of only active employees; the PEBB non-Medicare risk pool includes both active employees and early retirees. This shift in policy to include non-Medicare early retirees in the SEBB risk pool will align the SEBB and PEBB active risk pools from a cost perspective.

- **Align Tiers**

Aligning the tier factors will require action by either the PEB Board or the Legislature. The impact of this alignment is included in the discussion of financial impacts provided above. Adjusting the PEBB program employee, spouse or state-registered domestic partner, and children tier factor (Tier 4) to the SEBB program ratio of 3.00, and removing the \$10 spouse charge for the calculation of bid rates, payment rates, and employee premiums is revenue-neutral by design, and would not affect state spending. The primary impact would be to employee premiums, which would decrease for the employee only, employee and spouse or state-registered domestic partner, and employee with children tiers. It would increase for the employee, spouse or state-registered domestic partner, and children tier. This alignment would also reduce several differences that require additional quality assurance reviews during rate development processes.

- **Dual Eligibility (implementation already underway)**

ESSB 6189, passed by the Legislature in 2020, addressed dual enrollment in the following way:

“Beginning with the 2022 plan year, individuals are limited to a single enrollment in medical, dental, and vision plans among school employees’ benefits board and public employees’ benefits board plans. However, individuals may be enrolled in both public employees’ benefits board and school employees’ benefits board plans as long as those enrollments are across different types of plans, such as medical, dental, and vision. The school employees’ benefits board and the public employees’ benefits board shall adopt policies to reflect this single enrollment requirement.”

This has been interpreted as granting individuals who are eligible for both programs the option to choose between SEBB and PEBB benefits, so long as those enrollments are across different types of plans. In other words, the school employee in the SEBB Program who is married to a public employee in the PEBB Program could choose a SEBB medical plan, a PEBB dental plan, a SEBB vision plan, and so on. While this a la carte approach provides members with the maximum number of benefit choices, it requires significant administrative costs, particularly with regard to the online enrollment tools. The complexity of programming in both SEBB My Account and PEBB My Account necessary to facilitate this level of choice is likely to require additional resources to implement in time for open enrollment in the fall of 2021.



During the 2021 session, HCA anticipates agency-request legislation to simplify implantation of the dual enrollment prohibition to allow a choice of enrollment between the programs, but require all benefit enrollments be from the same program.

- **PEBB and SEBB Accountable Care Plans**

The UMP Plus plans are offered to both PEBB and SEBB programs, although there are slight differences in the financial arrangements for the networks between the two populations. Both networks are expected to return to negotiations in late 2020 and early 2021 and negotiate the contract for 2022-2024. In the event negotiations fail, one or more of the UMP Plus networks may no longer be available to both PEBB and SEBB members.

- **Align Vision Benefit for PEBB and SEBB**

Depending on the results of a financial analysis, the two Boards may need to consider a proposal to align the vision benefits for the two programs. They could either carve out the vision benefit, as is done in the SEBB Program, or embed vision within the medical rates, as is done in the PEBB Program. Staff work and Board approval will be completed in 2021, with the benefit change set to begin as early as 2022 or 2023.

- **Long-Term Disability (LTD) Supplemental Alignment**

Both PEBB and SEBB programs offer a basic employer-paid LTD benefit. For PEBB members, the maximum monthly benefit of the basic plan is \$240. For SEBB members, the maximum monthly benefit is \$400. Both programs offer an employee-paid supplemental LTD plan, although the programs have different maximum monthly benefits and different waiting periods. The PEBB supplemental LTD premium is calculated based on the member's earnings and the waiting period they select, which can range from 90 days to 360 days. The SEBB supplemental LTD premium is calculated based on the member's age and earnings; and there is only one waiting period for SEBB, which is 90 days.

HCA has tried to increase the percentage of members of both programs who elect the supplemental benefit by promoting the plans and offering unique open enrollment periods where members could sign up without having to provide evidence of insurability. Even so, only 34 percent of PEBB members and 18 percent of SEBB members have enrolled in the supplemental benefits. HCA is developing a proposal to align the supplemental benefit structure, and move to an "opt-out" enrollment option, where members are automatically enrolled in the benefit with the option to opt out of the benefit. This will likely be proposed for approval by both Boards during the 2021 Board season. If approved, a new aligned LTD benefit design would go into effect in January 2022.

## Conclusion

The purpose of this report is to study the potential cost savings and efficiencies to be gained in consolidating the SEBB and PEBB programs.

We analyzed five consolidation aspects for potential financial impacts on premiums to the state and enrollees. These included:

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- (1) Adding SEBB medical plans to the PEBB population
- (2) Adjusting tier factors for the PEBB Program to match those in the SEBB Program
- (3) Aligning vision benefit and contribution structure
- (4) Creating a consolidated non-Medicare risk pool
- (5) Aligning the methods for calculating employer/employee contributions (State Index Rate in the PEBB Program versus Employer Medical Contribution in the SEBB Program)

The first three differences were found to have a relatively small financial impact to the state. These changes are possible to be implemented with or without a formal program consolidation. HCA is currently exploring some of these initiatives independently of any formal statutory consolidation direction.

Milliman's analysis provided insights into potential impacts of consolidation of risk pools and aligning employer medical contribution methodologies. Forming a consolidated non-Medicare risk pool would require statutory changes to consolidate the existing standalone risk pool for SEBB and the existing PEBB non-Medicare risk pool, and the development of rates over the total population. Consolidation under the PEBB Program collective bargaining results in employee and employer contributions calculated via a State Index Rate methodology could decrease the state contribution by approximately \$25 PSPM (a reduction of \$70 million per year), assuming similar plan selection patterns to what is currently observed in each program. Both of these options could have larger financial impacts to the state depending how they are implemented and require either legislative action or collective bargaining to implement.

A variety of administrative efficiencies could be gained by consolidating the Boards and aligning the plans between the two programs. Without such consolidation, there is fertile ground for divergent decision-making that would further separate the two programs over time. Ongoing programmatic divergence may necessitate additional staffing to ensure differences are appropriately accounted for and maintained in all administrative processes. Currently, many aspects of the two programs are administered separately, but similar processes run parallel to each other throughout the year. While consolidation would eliminate the differences and associated risks with maintaining differences, the volume of work associated with them is *not* typically large enough to also support reducing staffing levels at the same time. In the short term, there may be additional costs associated with combining some elements of the two programs.

This report has been completed with less than two quarters of claims experience from the newly launched SEBB Program. Many of the assumptions and modeling are based on experience with the PEBB Program and SEBB-specific bid rates. In addition, this analysis was completed during a global pandemic, which creates what can be best described as an atypical plan year in terms of health care utilization (among other things). Future reports may be able to delve more accurately into the difference in utilization between the two programs, if any, and shed greater insight into the value of consolidating further.



# Appendix A: Milliman analysis

Please click the following link to access the Milliman analysis -

<https://www.hca.wa.gov/assets/program/wa-consolidation-analysis-milliman.pdf>



# Appendix B: Summary of plans and program comparisons

## Key similarities and differences

While care was taken to consider the unique needs of the SEBB population and not just assume the plan offerings would be identical, significant effort did go into ensuring that SEBB could leverage the foundation that has been laid by the PEBB program over the years. To view the full details concerning the benefits offerings of the two programs, please click the following link - <https://www.hca.wa.gov/assets/program/pebb-sebb-consolidaton.pdf> . To summarize some of the key similarities and differences:

Key Similarities	Key Differences
<b>Both programs offer a variety of medical plan offerings including one or more fully-insured options.</b>	SEBB offers an additional fully-insured carrier (Premera).
<b>Both programs offer several self-insured plan options with AVs ranging from 83% to 90%, and both programs offer a high-deductible option with an HSA (although the HSA amounts differ).</b>	In 2020 SEBB offered a PPO plan within the self-insured portfolio with an AV of 83% and 88% [Achieve I and II]. In 2020 the PEBB Board agreed to offer a lower AV plan making the offerings very closely aligned.
<b>The dental plan options are virtually identical for the two programs.</b>	In PEBB the vision benefit is embedded within the rates of the medical plans. In SEBB vision is carved out of medical, and three carriers are offered.
<b>Life insurance benefits are identical for the two programs.</b>	The Basic and Long Term Disability benefits are slightly different, and discussions are underway with both Boards to align them using an opt-out approach for supplemental benefits.
<b>The Centers of Excellence programs, FSA and DCAP programs are aligned for both programs.</b>	Both programs offer the Diabetes Prevention programs, although one of the SEBB carriers does not offer it through Omada. This will likely be addressed in the 2022 plan year.
<b>Both programs offer the SmartHealth worksite wellness program with a \$125 incentive.</b>	The PEBB program also offers a \$25 gift card incentive through the SmartHealth program, which SEBB does not.



## Appendix C: PEBB and SEBB rules comparison

PEBB WAC	Title	SEBB WAC	Title	Key Differences Between the Two Programs
Chapters 182-08 and 182-30 WAC				
182-08-010	Declaration of purpose	182-30-010	Purpose	This section is partially aligned. PEBB includes retiree eligibility and SEBB includes RCW 41.05.740 (6).
182-08-015	Definitions	182-30-020	Definitions	<p>The following definitions are specific to the PEBB Program:</p> <ul style="list-style-type: none"> <li>• Affordable Care Act</li> <li>• Creditable coverage</li> <li>• Defer</li> <li>• Documents</li> <li>• Employer</li> <li>• Employer group</li> <li>• Employer group rate surcharge</li> <li>• Employer-paid coverage</li> <li>• Employing agency</li> <li>• Exchange</li> <li>• Exchange coverage</li> <li>• Faculty</li> <li>• Institutions of higher education</li> <li>• Large claims</li> <li>• Layoff</li> <li>• PEBB Benefits</li> <li>• PEBB insurance coverage</li> </ul>



PEBB WAC	Title	SEBB WAC	Title	Key Differences Between the Two Programs
				<ul style="list-style-type: none"> <li>• PEBB Program</li> <li>• Plan year</li> <li>• Ongoing large claim</li> <li>• Public employee</li> <li>• Qualified health plan</li> <li>• State agency</li> <li>• Tribal government</li> </ul> <p>The following definitions are specific to the SEBB Program:</p> <ul style="list-style-type: none"> <li>• Benefits administrator</li> <li>• School year</li> <li>• School employees benefits board organization or SEBB organization</li> <li>• SEBB</li> <li>• SEBB insurance coverage</li> <li>• SEBB program</li> <li>• Week</li> </ul> <p>The following definitions are different between the two programs:</p> <ul style="list-style-type: none"> <li>• The definition of “Board” differs between both Programs and references.</li> <li>• The definition of “Dependent” differs between PEBB and SEBB. PEBB has surviving spouses, state registered domestic partners, and dependent</li> </ul>



PEBB WAC	Title	SEBB WAC	Title	Key Differences Between the Two Programs
				<p>children of emergency service personnel who are killed in the line of duty.</p> <ul style="list-style-type: none"> <li>• PEBB’s definition of “Employee” differs from SEBB’s definition of “School employee” definition. It also includes government entities and tribal entities.</li> <li>• The definition of “Employer-based group health plan” differs between PEBB and SEBB. SEBB includes group vision and vision in the definition.</li> <li>• The definition of “Employer contribution” differs between PEBB and SEBB. PEBB includes employer group in the definition.</li> <li>• The definition of “Health plan” differs between PEBB and SEBB. SEBB includes vision in the definition.</li> <li>• PEBB’s definition of “Life insurance” includes retiree language.</li> <li>• PEBB and SEBB differs on the definition of “PEBB” where SEBB references the RCW and PEBB does not.</li> <li>• The definition of “Subscriber” differs between PEBB and SEBB. PEBB includes retiree, survivor, and employer group.</li> <li>• The definition of “Waive” differs between PEBB and SEBB. PEBB includes approved educational leave language when the employee obtains another employer-based group health plan.</li> </ul>
182-08-120	Employer contribution for the public employees benefits board (PEBB) benefits.	182-30-030	Employer contribution for school employees benefits board	<ul style="list-style-type: none"> <li>• SEBB has remittance requirements for school employees.</li> <li>• SEBB has a standalone vision insurance.</li> </ul>





PEBB WAC	Title	SEBB WAC	Title	Key Differences Between the Two Programs
			(SEBB) benefits.	<ul style="list-style-type: none"> <li>SEBB has a SEBB Program Administrative cost.</li> </ul>
182-08-180	Premium payments and premium refunds.	182-30-040	Premium payments and premium refunds.	<ul style="list-style-type: none"> <li>PEBB and SEBB differ in subsection (1)(a). PEBB has additional language regarding enrolling in PEBB retiree insurance coverage.</li> <li>WAC 182-08-180 after subsection (1)(c) includes a new exception regarding a notice for Medicare Advantage or a Medicare Advantage-Prescription Drug Plan (MA-PD) regarding their monthly premium is delinquent and their enrollment will be terminated prospective to the end of the month after the notice is sent.</li> </ul>
182-08-185	What are the requirements regarding premium surcharges?	182-30-050	What are the requirements regarding premium surcharges?	<ul style="list-style-type: none"> <li>WAC 182-08-185 (1)(a)(v) in PEBB has attestation language for retiree and (1)(a)(vi) has additional language for surviving spouse, state-registered domestic partner and dependent child if they have not previously attested which SEBB does not have.</li> <li>SEBB's notes section does not include Medicare exception.</li> <li>The exception before WAC 182-30-050 (2)(b) in SEBB omits Medicare language.</li> </ul>
182-08-187	How do employing agencies and contracted vendors correct enrollment errors and is there a limit on retroactive enrollment?	182-30-060	How do school employees benefits board (SEBB) organizations and contracted vendors correct enrollment errors?	<ul style="list-style-type: none"> <li>WAC 182-08-187(3)(a) in PEBB has an additional sentence regarding an enrollment error being identified the first day of the month, the enrollment correction is effective that day.</li> <li>WAC 182-08-187(3)(b) in PEBB has an additional sentence at the end regarding an employee that became newly eligible on the first working day of the month,</li> </ul>



PEBB WAC	Title	SEBB WAC	Title	Key Differences Between the Two Programs
				<p>basic life, AD&amp;D, and LTD insurance begins on that date.</p> <ul style="list-style-type: none"> <li>• WAC 182-08-187(3)(c)(ii) and (iii) is completely different from WAC 182-30-060(3)(c)(ii) and (iii) <ul style="list-style-type: none"> <li>- Subsection (3)(c)(ii) in PEBB is specific for employees not eligible for supplemental LTD during a period of leave.</li> <li>- Subsection (3)(c)(iii) in SEBB describes that there is no supplemental LTD continuation coverage during a period of approved leave. (if school employee has supplemental LTD prior to leave = supplemental LTD is reinstated without the need of EOI)</li> <li>- Subsection (3)(c)(iii) in PEBB list all supplemental insurance including supplemental LTD and states that if the employee was eligible to continue such coverage but does not while on leave they must submit an EOI and receive approval from the contracted vendor once they regain eligibility for the employer contribution.</li> </ul> </li> <li>• WAC 182-30-060(4)(b)(ii) in SEBB differs from PEBB. This subsection specifies after the 24 months of coverage is refunded by the contracted vendor, the SEBB Organization is responsible for additional months of premiums and the overall refunding</li> </ul>



PEBB WAC	Title	SEBB WAC	Title	Key Differences Between the Two Programs
				process to the school employee after the 24 months of coverage.
182-08-190	The employer contribution is set by the health care authority (HCA) and paid to the HCA for all eligible employees.	182-30-070	The employer contribution is set by the health care authority (HCA) and paid to the HCA for all eligible school employees.	<ul style="list-style-type: none"> <li>• There are no employer groups in SEBB.</li> <li>• WAC 182-30-070(1) has language regarding SEBB employees eligible under RCW 41.05.740 (6)(e) .</li> <li>• WAC 182-08-190(1) has language regarding ferry employees.</li> <li>• Subsections (4) through (7) in PEBB include: <ul style="list-style-type: none"> <li>- language regarding employer groups, terms regarding employer group contracts, and payment; and</li> <li>- WSP officer's disabled while in the line of duty.</li> </ul> </li> </ul>
182-08-191	Subscriber address requirements	182-30-075	Subscriber address requirements	This section is aligned.
182-08-196	What happens if my health plan becomes unavailable due to a change in contracted service area or eligibility for medicare?	182-30-085	What happens if my health plan becomes unavailable due to a change in contracted service area or eligibility for Medicare?	<ul style="list-style-type: none"> <li>• WAC 182-08-196 (2) in PEBB has an exception regarding the required forms for a new Medicare Advantage plan required to be turned in no later than 2 months after the previously selected health plan becoming unavailable.</li> <li>• WAC 182-08-196 (2)(e) in PEBB has language reinforcing if a subscriber enrolled in a high deductible health plan (HDHP) with an health saving account (HSA) that fails to elect a new health plan they will be defaulted.</li> </ul>
182-08-197	When must a newly eligible employee, or an employee who regains eligibility for	182-30-080	When must a newly eligible school employee, or a	<ul style="list-style-type: none"> <li>• WAC 182-30-080 (1)(b)(iii) in SEBB has a standalone vision plan.</li> </ul>



PEBB WAC	Title	SEBB WAC	Title	Key Differences Between the Two Programs
	the employer contribution, elect public employees benefits board (PEBB) benefits and complete required forms?		school employee who regains eligibility for the employer contribution, elect school employees benefits board (SEBB) benefits and complete required forms?	<ul style="list-style-type: none"> <li>WAC 182-30-080(3) in SEBB, benefits begin first day of the month following the school employee's return to work and there is no 8-hour pay status requirement like it is in PEBB.</li> <li>WAC 182-08-197 (3)(a)(i) in PEBB differs from SEBB regarding the language about the employee having a pay status of eight or more hours for reinstatement of supplemental life or AD&amp;D coverage.</li> <li>SEBB does not have language regarding supplemental LTD insurance that is indicated in WAC 182-08-197 (3)(a)(iii) in PEBB.</li> <li>In WAC 182-08-197 (3)(b) in PEBB, further breaks down into (i) and (ii) to include supplemental LTD insurance.</li> <li>In WAC 182-08-197 (3)(c) in PEBB, has language regarding regaining eligibility which SEBB does not have.</li> <li>Subsection (5) in both PEBB and SEBB have different language regarding transfers and moving between SEBB Orgs. However, the concept is roughly the same.</li> <li>SEBB has a WAC 182-30-080(6) about uninterrupted coverage from one year to the other.</li> </ul>
182-08-198	When may a subscriber change health plans?	182-30-090	When may a subscriber change health plans?	<ul style="list-style-type: none"> <li>WAC 182-08-198(2) in PEBB includes a completed disenrollment form that would apply to a Medicare eligible retiree enrolled in a Medicare Advantage plan and Medicare Advantage-</li> </ul>



PEBB WAC	Title	SEBB WAC	Title	Key Differences Between the Two Programs
				<p>prescription drug plan (MADP) which SEBB does not have.</p> <ul style="list-style-type: none"> <li>• WAC 182-08-198 (2) in PEBB, has an Exception that SEBB does not have regarding when a subscriber or their dependent enrolled in a Medicare Advantage plan or MADP, may disenroll during a special open enrollment period.</li> <li>• WAC 182-08-198 (2)(i) in PEBB, includes Medicare and MA-PD. Also, PEBB expanded subsection (2)(i) due to MA-PD. <ul style="list-style-type: none"> <li>- Subsection (2)(i)(i) pertains to a PEBB retiree or COBRA subscriber has 6 months from the date of their or their dependent’s enrollment in Medicare Part B to enroll in a PEBB Medicare supplement plan</li> <li>- Subsection (2)(i)(ii) pertains to a PEBB retiree or COBRA subscriber has 7 months to enroll in a Medicare Advantage plan or MA-PD that begins 3 months before they or their dependent first enrolled in both Medicare Part A and Part B and ends 3 months after the month of Medicare eligibility.</li> </ul> </li> <li>• WAC 182-30-090(2)(d) in SEBB, is an additional subsection regarding school employees that have a change in employment from a SEBB Org to a public school district that straddles county lines or in a county that borders Idaho or Oregon. Subsections (2)(d)(i) through (iii) breaks down three scenarios when a subscriber may change their election</li> </ul>



PEBB WAC	Title	SEBB WAC	Title	Key Differences Between the Two Programs
				<p>through the employment change based on location.</p> <ul style="list-style-type: none"> <li>WAC 182-30-090 (2)(i) in SEBB is about a subscriber or their dependent becomes eligible for state premium assistance subsidy for SEBB health plan coverage from Medicaid or CHIP.</li> </ul>
182-08-199	When may an employee enroll, or revoke an election and make a new election under the premium payment plan, medical flexible spending arrangement (FSA), or dependent care assistance program (DCAP)?	182-30-100	When may a school employee enroll or revoke an election and make a new election under the premium payment plan, medical flexible spending arrangement (FSA), or dependent care assistance program (DCAP)?	SEBB has a WAC 182-30-100(3)(a)(xvi) about a change in employment from a SEBB Organization to a public school district that are between county lines or in a county that borders Idaho or Oregon.
182-08-200	Which employing agency is responsible to pay the employer contribution for eligible employees changing agency employment or for faculty employed by more than one institution of higher education?	182-30-110	Which school employees benefits board (SEBB) organization is responsible to pay the employer contribution for eligible school employees	There is no faculty in SEBB.



PEBB WAC	Title	SEBB WAC	Title	Key Differences Between the Two Programs
			changing SEBB organizations?	
182-08-220	Advertising or promotion of public employees benefits board (PEBB) benefit plans.	182-30-120	Advertising or promotion of school employees benefits board (SEBB) benefit plans.	There are no retirees in SEBB to advertise about.
182-08-235	Employer group and board of directors for school districts and educational service districts application process.	Not in SEBB		No SEBB equivalent. SEBB does not have employer group's application process or board members of school districts and ESDs that are eligible for SEBB.
182-08-237	May a local government entity or tribal government entity applying for participation in public employees benefits board (PEBB) insurance coverage include their retirees?			No SEBB equivalent. SEBB does not have local government entities or tribal government participation.
182-08-240	How will the health care authority (HCA) decide to approve or deny a group application?			No SEBB equivalent. SEBB does not have employer groups.
182-08-245	Employer group and board members of school districts and educational service districts participation requirements.			No SEBB equivalent. SEBB does not have employer groups or board members of school districts and ESDs that are eligible for SEBB.
Not in PEBB			182-30-130	What are the requirements



PEBB WAC	Title	SEBB WAC	Title	Key Differences Between the Two Programs
			for a school employee benefits board (SEBB) organization engaging in locally negotiations regarding SEBB benefits eligibility criteria?	that PEBB does not have. An organization can locally negotiate different aspects of eligibility criteria for SEBB benefits.
		182-30-140	What is the process for school districts to offer optional benefits?	No PEBB equivalent. This is a SEBB specific rule regarding school districts offering optional benefits per section 3, chapter 231, Laws of 2020 (HB 2458).
Chapters 182-12 and 182-31 WAC				
182-12-108	Purpose.	182-31-010	Purpose.	These sections are partially aligned. SEBB includes the applicable reference to RCW 41.05.740 (6)
182-12-109	Definitions.	182-31-020	Definitions.	The following definitions are specific to the PEBB Program: <ul style="list-style-type: none"> <li>• Affordable Care Act</li> <li>• Benefits eligible position</li> <li>• Blind vendor</li> <li>• Creditable coverage</li> <li>• Defer</li> <li>• Employee</li> <li>• Employer</li> <li>• Employer-based group dental</li> </ul>





PEBB WAC	Title	SEBB WAC	Title	Key Differences Between the Two Programs
				<ul style="list-style-type: none"> <li>• Employer group</li> <li>• Employer-paid coverage</li> <li>• Employing agency</li> <li>• Exchange</li> <li>• Exchange coverage</li> <li>• Faculty</li> <li>• Federal retiree medical plan</li> <li>• Institutions of higher education</li> <li>• Pay status</li> <li>• PEBB benefits</li> <li>• PEBB insurance coverage</li> <li>• PEBB Program</li> <li>• Qualified health plan</li> <li>• Season</li> <li>• Seasonal employee</li> <li>• State agency</li> <li>• Tribal government</li> </ul> <p>The following definitions are specific to the SEBB Program:</p> <ul style="list-style-type: none"> <li>• School year</li> <li>• SEBB benefits</li> <li>• SEBB insurance coverage</li> <li>• SEBB Program</li> </ul>



PEBB WAC	Title	SEBB WAC	Title	Key Differences Between the Two Programs
				<ul style="list-style-type: none"> <li>• Week</li> </ul> <p>The following definitions are different between the two programs:</p> <ul style="list-style-type: none"> <li>• The definition of “Board” between the PEBB and SEBB Programs differs in the reference to the RCW for which the boards were established.</li> <li>• PEBB’s definition of “Dependent” has additional language excluding dependents of “surviving spouses, state registered domestic partners, and dependent children” of emergency service personnel who are killed in the line of duty since they are defined in WAC 182-12-250.</li> <li>• SEBB’s definition of “Employer-based group health plan” includes vision coverage.</li> <li>• PEBB’s definition of “Employer contribution” includes employer groups.</li> <li>• SEBB’s definition of “Health plan” includes vision coverage.</li> <li>• The definition of “Life insurance” between PEBB and SEBB differs as PEBB has language regarding retirees and retiree term life insurance.</li> </ul>



PEBB WAC	Title	SEBB WAC	Title	Key Differences Between the Two Programs
				<ul style="list-style-type: none"> <li>The definition of “School employee” is slightly different in PEBB, the definition excludes non-represented employees of educational service districts through December 31, 2023, except for the exclusive purpose of eligibility for PEBB retiree insurance coverage.</li> <li>PEBB’s definition of “Subscriber” includes a retiree or a survivor and includes employer groups in the determination of eligibility.</li> <li>PEBB’s definition of “Waive” includes language regarding educational leave.</li> </ul>
182-12-111	Which entities and individuals are eligible for public employees benefits board (PEBB) benefits?	Not in SEBB		No SEBB equivalent. SEBB does not include employer groups, Washington Health Benefit Exchange, eligible non-employees, or lists individuals and entities not eligible as employees.
182-12-113	What are the obligations of a state agency in the application of employee eligibility?	182-31-030	What are the obligations of a school employees benefits board (SEBB) organization in the application of school employee eligibility?	<ul style="list-style-type: none"> <li>PEBB WAC 182-12-113 (1)(a) regarding using methods provided by the PEBB Program to determine eligibility, includes an exception of, “unless otherwise approved in writing”.</li> <li>PEBB WAC 182-12-113 (1)(b) regarding eligibility determination reports, include an exception of, “or otherwise as approved in writing by the PEBB program”.</li> <li>PEBB WAC 182-12-113 (2)(b) , has language regarding providing written notice to faculty.</li> </ul>



PEBB WAC	Title	SEBB WAC	Title	Key Differences Between the Two Programs
				<ul style="list-style-type: none"> <li>• PEBB WAC 182-12-113 (2)(c) and SEBB WAC 182-30-030 (2)(b) have similar language and PEBB includes language about a description of any hours that are excluded in determining eligibility.</li> <li>• PEBB WAC 182-12-113 (2)(e), indicates state agencies must make eligibility determinations based on the criteria that closely describes the employee's work circumstances.</li> <li>• WAC 182-31-030 (1)(c) in SEBB includes support SEBB Program auditing of eligibility and enrollment.</li> </ul>
182-12-114	How do employees establish eligibility for public employees benefits board (PEBB) benefits?	182-31-040	How do school employees establish eligibility for the employer contribution toward school employees benefits board (SEBB) benefits and when do SEBB benefits begin?	Completely different from each other regarding eligibility for the employer contribution toward benefits and when benefits begin.
Not in PEBB		182-31-050	When does eligibility for the employer contribution for school employees benefits board (SEBB) benefits end?	No PEBB equivalent. SEBB benefits end at the end of a school year and eligibility is re-determined every school year whereas PEBB is ongoing.



PEBB WAC	Title	SEBB WAC	Title	Key Differences Between the Two Programs
182-12-116	Who is eligible to participate in the salary reduction plan?	182-31-060	Who is eligible to participate in the salary reduction plan?	The language between the two sections are completely different. PEBB has language regarding employer groups.
182-12-123	Is dual enrollment in the public employees benefits board (PEBB) prohibited?	182-31-070	Is dual enrollment in school employees benefits board (SEBB) prohibited?	<ul style="list-style-type: none"> <li>• Exception for dual enrollment in both subsections (3)(a) are partially aligned. Dual enrollment in PEBB is allowed for the first month only if the employee becomes enrolled on the first working day of the month. Dual enrollment in SEBB is allowed at the start of the school year for the first month only.</li> <li>• SEBB WAC 182-31-070 (5)(a) through (e) regarding requirements when eligible with more than one SEBB Organization differs from PEBB completely as PEBB only has requirements in (5)(a) through (c) regarding eligibility with more than one employing agency.</li> <li>• There is no exception after SEBB WAC 182-31-070 (5)(a) like there is in PEBB because the exception deals with faculty who stacks to maintain eligibility.</li> <li>• PEBB WAC 182-12-123 has a subsection (6) regarding retirees that SEBB does not have.</li> </ul>
182-12-128	When may an employee waive enrollment in public employees benefits board (PEBB) medical and when may they enroll in PEBB medical after having waived enrollment?	182-31-080	When may a school employee waive enrollment in school employees benefits board (SEBB) medical and when may	This section is aligned with the exception of additional language in PEBB WAC 182-12-128 regarding employer groups and the benefits required to enroll in if medical is waived.



PEBB WAC	Title	SEBB WAC	Title	Key Differences Between the Two Programs
			they enroll in SEBB medical after having waived enrollment?	
182-12-129	What happens when an employee moves from an eligible to an otherwise ineligible position or job due to a layoff?	Not in SEBB		No SEBB equivalent. SEBB eligibility is not strictly based on eligible position. PEBB addresses situations where an employee moves from an eligible position or job due to lay off, and how an employee may retain their eligibility for the employer contribution.
182-12-131	How do eligible employees maintain the employer contribution toward public employees benefits board (PEBB) benefits?			No SEBB equivalent. SEBB does not have a rule related to maintaining employer contribution.
182-12-133	What options for continuation coverage are available to employees and their dependents during certain types of leave or when employment ends due to a layoff?	182-31-100	What options for continuation coverage are available to school employees and their dependents during certain types of leave or when employment ends due to a layoff?	<ul style="list-style-type: none"> <li>• PEBB WAC 182-12-133 (1)(a) has language regarding educational or USERRA leave where the employee may continue basic or supplemental LTD insurance which SEBB does not have.</li> <li>• PEBB WAC 182-12-133 (1)(b), includes the additional leave type for employees who are on approved educational leave to continue coverage which is highlighted in (ii).</li> <li>• SEBB WAC 182-31-100 (1)(d), does not include premiums associated with continuing LTD and has vision as part of the insurance coverage that the employee may continue while on continuation coverage.</li> </ul>



PEBB WAC	Title	SEBB WAC	Title	Key Differences Between the Two Programs
182-12-136	May employees on approved educational leave waive continuation coverage?	Not in SEBB		No SEBB equivalent. SEBB does not have educational leave.
182-12-138	What options are available if an employee is approved for the federal Family and Medical Leave Act (FMLA) or the paid family and medical leave program?	182-31-110	What options are available if a school employee is approved for the federal Family and Medical Leave Act (FMLA) or the paid family and medical leave program?	This section is aligned.
182-12-141	If an employee reverts from an eligible position, what happens to their public employees benefits board (PEBB) insurance coverage?	Not in SEBB		No SEBB equivalent. SEBB has different eligibility standards and is not based on eligible position but rather on the individual.
182-12-142	What options for continuation coverage are available to faculty and seasonal employees who are between periods of eligibility?			No SEBB equivalent. SEBB does not have faculty or seasonal employees.
182-12-146	When is an enrollee eligible to continue public employee's benefits board (PEBB) benefits under Consolidated Omnibus Budget Reconciliation Act (COBRA)?	182-31-090	When is an enrollee eligible to continue school employees benefits board (SEBB) benefits under	<ul style="list-style-type: none"> <li>PEBB WAC 182-12-146 (2), indicates COBRA continuation is allowed for an employee or their dependent who lose eligibility for continuation coverage within other sections of chapter 182-12 WAC but, who have not used the</li> </ul>



PEBB WAC	Title	SEBB WAC	Title	Key Differences Between the Two Programs
			Consolidated Omnibus Budget Reconciliation Act (COBRA)?	<p>maximum number of months allowed under COBRA.</p> <ul style="list-style-type: none"> <li>• PEBB WAC 182-12-146 (3), allows COBRA continuation for retired employees of an employer groups that ceases participation in PEBB insurance coverage.</li> <li>• PEBB WAC 182-12-146(4), allows COBRA continuation for a retiree or their dependent who is no longer eligible under PEBB retiree rules.</li> <li>• PEBB WAC 182-12-146 (5), allows COBRA continuation for blind vendors who ceases to actively operate a facility.</li> <li>• PEBB WAC 182-12-146 (6), allows COBRA continuation coverage for board members.</li> </ul>
182-12-148	What options for continuation coverage are available to employees during their appeal of dismissal?	182-31-120	What options for continuation coverage are available to school employees during their appeal of a grievance?	<ul style="list-style-type: none"> <li>• Hearing of a dismissal for PEBB and hearing of a grievance for SEBB in both subsections (1).</li> <li>• PEBB includes the personnel resources board as an additional entity in subsection (1)(a).</li> <li>• SEBB WAC 182-31-120 (5)(a) will only refund the employees premiums and premium surcharges if the school employee retroactively pays their employee contribution amount for SEBB benefits.</li> <li>• SEBB WAC 182-31-120 (1)(b) does not include reinstatement supplemental LTD insurance.</li> </ul>





PEBB WAC	Title	SEBB WAC	Title	Key Differences Between the Two Programs
182-12-171	When is a retiring employee or retiring school employees eligible to enroll in public employees benefits board (PEBB) retiree insurance coverage?	Not in SEBB		No SEBB equivalent. No retirees in SEBB. Retiring school employees will follow WAC 182-12-171.
182-12-180	When is an elected and full-time appointed official of the legislative and executive branch of state government, or their survivor eligible to continue enrollment in public employees benefits board (PEBB) retiree insurance coverage?			No SEBB equivalent. SEBB does not have an elected official and executive branch of state government or their survivors.
182-12-200	May a retiring employee, a retiring school employee, or a retiree enrolled as a dependent in a health plan sponsored by public employees benefits board (PEBB), a Washington state educational service district, or school employees benefits board (SEBB) defer enrollment under PEBB retiree insurance coverage?			No SEBB equivalent. SEBB does not have retirees. Eligible retiring school employees deferring coverage are included in WAC 182-12-200.
182-12-205	May a retiree or a survivor defer enrollment or			No SEBB equivalent. SEBB does not have retirees or survivors. Eligible retiring school



PEBB WAC	Title	SEBB WAC	Title	Key Differences Between the Two Programs
	voluntarily terminate enrollment under public employees benefits board (PEBB) retiree insurance coverage?			employees deferring coverage are included in WAC 182-12-205.
182-12-207	When can a retiree or an eligible dependent's public employees benefits board (PEBB) insurance coverage be terminated by the health care authority (HCA)?			No SEBB equivalent. SEBB does not have retirees.
182-12-208	What are the requirements regarding enrollment in dental under public employees benefits board (PEBB) retiree insurance coverage?			No SEBB equivalent. SEBB does not have retiree insurance coverage.
182-12-209	Who is eligible for retiree term life insurance?			No SEBB equivalent. SEBB does not have retiree life insurance.
182-12-211	May an employee or a school employee who is determined to be retroactively eligible for disability retirement enroll or defer enrollment in public employees benefits board (PEBB) retiree insurance coverage?			No SEBB equivalent. SEBB does not have disability retirement insurance coverage. Eligible school employees are included in WAC 182-12-211.
182-12-250	Public employees benefits board (PEBB)			No SEBB equivalent. SEBB does not have survivors of emergency service personnel



PEBB WAC	Title	SEBB WAC	Title	Key Differences Between the Two Programs
	insurance coverage eligibility for survivors of emergency service personnel killed in the line of duty.			killed in the line of duty. School employees who are survivors will be pointed to PEBB retiree insurance coverage as indicated in WAC 182-31-130 (1) and 182-31-135.
182-12-260	Who are eligible dependents?	182-31-140	Who are eligible dependents?	<ul style="list-style-type: none"> <li>• The order in SEBB WAC 182-31-140 (3)(c) and (3)(d) are flipped from PEBB WAC.</li> <li>• The order in SEBB WAC 182-31-140(3)(f) and (3)(g) are flipped from the PEBB WAC.</li> <li>•</li> </ul>
182-12-262	When may subscribers enroll or remove eligible dependents?	182-31-150	When may subscribers enroll or remove eligible dependents?	<ul style="list-style-type: none"> <li>• PEBB WAC 182-12-262(1), includes an exception for retirees and survivors to be enrolled to enroll a dependent.</li> <li>• PEBB WAC 182-12-262 (2)(c), includes language about retirees and survivors when requesting to remove a dependent which SEBB does not have.</li> <li>• PEBB WAC 182-12-262 (3)(a) , has additional language regarding Medicare Advantage or MA-PD Plan per Federal requirement.</li> <li>• PEBB WAC 182-12-262(4)(a), has additional language regarding procedural requirements for supplemental dependent life insurance or AD&amp;D insurance.</li> <li>• PEBB WAC 182-12-262(4)(f) , has exception language regarding Medicare Advantage or MA-PD when requesting a change in enrollment.</li> </ul>



PEBB WAC	Title	SEBB WAC	Title	Key Differences Between the Two Programs
182-12-263	National Medical Support Notice (NMSN).	182-31-160	National Medical Support Notice (NMSN).	This section is mostly aligned. PEBB WAC 182-12-263 (1)(a) includes the additional population of retirees when speaking about form submission.
182-12-265	What options for continuing health plan enrollment are available to a surviving spouse, state registered domestic partner, or child, if an employee, a school employee, or a retiree dies?	Not in SEBB		No SEBB equivalent. SEBB does not have survivors. School employees who are survivors will be pointed to PEBB retiree insurance coverage as indicated in WAC 182-31-130 (1) and 182-31-135.
182-12-270	What options for continuation coverage are available to dependents who cease to meet the eligibility criteria as described in WAC 182-12-260?	182-31-130	What options for continuation coverage are available to dependents who cease to meet the eligibility criteria as described in WAC 182-31-140 or 182-30-130?	PEBB WAC 182-12-270 (1) is completely different than SEBB. SEBB WAC 182-31-130(1) points to PEBB WAC 182-12-265 for the dependents who are survivors.
Not in PEBB		182-31-135	Where may school employee survivors go for additional coverage options?	No PEBB equivalent. Survivors of deceased school employees go to PEBB which is pointed out in this section.
182-12-300	Public employees benefits board (PEBB) wellness incentive	182-31-190	School employees benefits board	<ul style="list-style-type: none"> <li>PEBB WAC 182-12-300(1), has exception language regarding PEBB subscribers who are enrolled in both</li> </ul>



PEBB WAC	Title	SEBB WAC	Title	Key Differences Between the Two Programs
	program eligibility and procedural requirements.		(SEBB) wellness incentive program eligibility and procedural requirements.	<p>Medicare Parts A and B and are in the Medicare risk pool as not being eligible to participate in the PEBB wellness incentive.</p> <ul style="list-style-type: none"> <li>• PEBB WAC 182-12-300(4) , has a separate incentive once per plan year regarding an Amazon gift card that SEBB does not have.</li> </ul>
Chapters 182-16 and 182-32 WAC				
Part I				
182-16-010	Purpose	182-32-010	Purpose	This section is aligned.
182-16-020	Definitions	182-32-020	Definitions	<p>The following definitions are specific to the PEBB Program:</p> <ul style="list-style-type: none"> <li>• Employer group</li> <li>• Employing agency</li> <li>• Institutions of higher education</li> <li>• Public employee</li> <li>• Service or serve</li> <li>• State agency</li> <li>• Tribal government</li> </ul> <p>The following definition is specific to the SEBB Program:</p> <ul style="list-style-type: none"> <li>• Disability insurance</li> <li>• School employees benefits board or SEBB organization</li> <li>• SEBB</li> <li>• SEBB benefits</li> </ul>



PEBB WAC	Title	SEBB WAC	Title	Key Differences Between the Two Programs
				<ul style="list-style-type: none"> <li>• SEBB insurance coverage</li> <li>• SEBB program</li> </ul> <p>The following definitions are different between the two programs:</p> <ul style="list-style-type: none"> <li>• The definition of “Board” between the PEBB and SEBB Programs differs in the reference to the RCW for which the boards were established.</li> <li>• PEBBs definition of “Dependent” includes language regarding surviving spouses, state registered domestic partners, and dependent children of emergency personnel who are killed in the line of duty.</li> <li>• PEBB has a definition of “Employee” which differs from SEBBs definition of “School employee” definition. It also includes government entities and tribal entities. PEBB includes non-represented employees of ESD’s through December 31, 2023. SEBB includes represented employees of ESD’s and all employees of ESD’s effective January 1, 2024.</li> <li>• PEBBs definition of “Life insurance” between PEBB and SEBB differs as PEBB has language regarding retirees and retiree term life insurance.</li> <li>• The definition of “PEBB program” and “SEBB program” slightly differs from each other as the PEBB Program includes retirees and survivors.</li> <li>• PEBBs definition of “Subscriber” includes retiree and survivor.</li> </ul>



PEBB WAC	Title	SEBB WAC	Title	Key Differences Between the Two Programs
182-16-055	Mailing address changes	182-32-055	Mailing address changes	This section is aligned.
182-16-058	Service or Serve	182-32-058	Service or Serve	This section is aligned.
182-16-064	Applicable rules and laws	182-32-064	Applicable rules and laws	This section is aligned.
182-16-066	Burden of proof, standard of proof, and presumptions	182-32-066	Burden of proof, standard of proof, and presumptions	This section is aligned.
182-16-120	Computation of time	182-32-120	Computation of time	This section is aligned.
182-16-130	Index of significant decisions	182-32-130	Index of significant decisions	This section is aligned.
<b>Part II</b>				
182-16-2000	Brief adjudicative proceedings	182-32-2000	Brief adjudicative proceedings	This section is aligned.
182-16-2005	Record-Brief adjudicative proceeding	182-32-2005	Record-Brief adjudicative proceeding	This section is aligned
182-16-2010	Appealing a decision regarding public employees benefits board (PEBB) eligibility, enrollment, premium payments, premium surcharges, a wellness incentive, or the administration of benefits.	182-32-2010	Appealing a decision regarding school employees benefits board (SEBB) eligibility, enrollment, premium payments, premium surcharges, a	<ul style="list-style-type: none"> <li>This section is partially aligned. There are 7 subsections in PEBB and 6 subsections in SEBB.</li> <li>Subsection (2) in PEBB includes the appeal process for a current or former employee of an employer group and includes an exception regarding where they are to appeal for decisions regarding life, LTD, eligibility to participate in PEBB wellness, or receiving the wellness incentive.</li> </ul>



PEBB WAC	Title	SEBB WAC	Title	Key Differences Between the Two Programs
			wellness incentive, or the administration of benefits.	<ul style="list-style-type: none"> <li>PEBB's subsection (5) differs from SEBB's subsection (4) as it includes "PEBB long-term care" as an additional insurance a PEBB enrollee can appeal if aggrieved by that decision.</li> </ul>
182-16-2020	Appealing a decision made by a state agency about eligibility, premium surcharge, or enrollment in benefits.	182-32-2020	Appealing a decision made by a school employees benefits board (SEBB) organization about eligibility, premium surcharge, or enrollment in benefits.	This section is aligned.
182-16-2030	Appealing a public employees benefits board (PEBB) program decision regarding eligibility, enrollment, premium payments, premium surcharges, a PEBB wellness incentive, or certain decisions made by an employer group.	182-32-2030	Appealing a school employees benefits board (SEBB) program decision regarding eligibility, enrollment, premium payments, premium surcharges, and a SEBB wellness incentive.	<ul style="list-style-type: none"> <li>Title difference including employer group in PEBB.</li> <li>SEBB does not have employer group language as indicated in WAC 182-16-2030(2).</li> </ul>
182-16-2040	How can a subscriber appeal a decision regarding the administration of	182-32-2040	How can a subscriber appeal a decision	This section is aligned.





PEBB WAC	Title	SEBB WAC	Title	Key Differences Between the Two Programs
	wellness incentive program requirements?		regarding the administration of wellness incentive program requirements?	
182-16-2050	How can an employee appeal a decision regarding the administration of benefits offered under the salary reduction plan?	182-32-2050	How can a school employee appeal a decision regarding the administration of benefits offered under the salary reduction plan?	This section is aligned.
182-16-2060	How can an entity or organization appeal a decision of the health care authority to deny an employer group application?	Not in SEBB		No SEBB equivalent as SEBB does not have employer groups
182-16-2070	What should a written request for administrative review and a request for brief adjudicative proceeding contain?	182-32-2070	What should a written request for administrative review and a request for brief adjudicative proceeding contain?	This section is aligned.
182-16-2080	Who can appeal or represent a party in a brief adjudicative proceeding?	182-32-2080	Who can appeal or represent a party in a brief adjudicative proceeding?	This section is aligned.



PEBB WAC	Title	SEBB WAC	Title	Key Differences Between the Two Programs
182-16-2085	Continuances.	182-32-2085	Continuances.	This section is aligned.
182-16-2090	Initial order.	182-32-2090	Initial order.	This section is aligned.
182-16-2100	How to request a review of an initial order resulting from a brief adjudicative proceeding.	182-32-2100	How to request a review of an initial order resulting from a brief adjudicative proceeding.	This section is aligned.
182-16-2105	Withdrawing the request for a brief adjudicative proceeding or review of an initial order.	182-32-2105	Withdrawing the request for a brief adjudicative proceeding or review of an initial order.	This section is aligned.
182-16-2110	Final order.	182-32-2110	Final order.	This section is aligned.
182-16-2120	Request for reconsideration.	182-32-2120	Request for reconsideration	This section is aligned.
182-16-2130	Judicial review of final order.	182-32-2130	Judicial review of final order.	This section is aligned.
182-16-2140	Presiding officer-Designation and authority.	182-32-2140	Presiding officer-Designation and authority.	This section is aligned.
182-16-2150	Review officer or officers-Designation and authority.	182-32-2150	Review officer or officers-Designation and authority.	This section is aligned.



PEBB WAC	Title	SEBB WAC	Title	Key Differences Between the Two Programs
182-16-2160	Conversion of a brief adjudicative proceeding to a formal administrative hearing.	182-32-2160	Conversion of a brief adjudicative proceeding to a formal administrative hearing.	This section is aligned.
<b>Part III</b>				
182-16-3000	Formal administrative hearings.	182-32-3000	Formal administrative hearings.	This section is aligned.
182-16-3005	Record-Formal administrative hearings.	182-32-3005	Record-Formal administrative hearings.	This section is aligned.
182-16-3010	Requirements to appear and represent a party in the formal administrative hearing process.	182-32-3010	Requirements to appear and represent a party in the formal administrative hearing process.	This section is aligned.
182-16-3015	Hearing officers-Assignment, motions of prejudice, and disqualification.	182-32-3015	Hearing officers-Assignment, motions of prejudice, and disqualification.	This section is aligned.
182-16-3030	Authority of the hearing officer.	182-32-3030	Authority of the hearing officer.	This section is aligned.
182-16-3080	Time requirements for service of notices made by the hearing officer.	182-32-3080	Time requirements for service of notices made	This section is aligned.



PEBB WAC	Title	SEBB WAC	Title	Key Differences Between the Two Programs
			by the hearing officer.	
182-16-3090	Formal administrative hearing location.	182-32-3090	Formal administrative hearing location.	This section is aligned.
182-16-3100	Rescheduling and continuances for formal administrative hearings.	182-32-3100	Rescheduling and continuances for formal administrative hearings.	This section is aligned.
182-16-3110	Prehearing conferences.	182-32-3110	Prehearing conferences.	This section is aligned.
182-16-3120	Dispositive motions.	182-32-3120	Dispositive motions.	This section is aligned.
182-16-3130	Subpoenas.	182-32-3130	Subpoenas.	This section is aligned.
182-16-3140	Orders of dismissal- Reinstating a formal administrative hearing after an order of dismissal.	182-32-3140	Orders of dismissal- Reinstating a formal administrative hearing after an order of dismissal.	This section is aligned.
182-16-3160	Withdrawing a formal administrative hearing.	182-32-3160	Withdrawing a formal administrative hearing.	This section is aligned.
182-16-3170	Final order deadline- Required information.	182-32-3170	Final order deadline- Required information.	This section is aligned.



PEBB WAC	Title	SEBB WAC	Title	Key Differences Between the Two Programs
182-16-3180	Request for reconsideration and response-Process.	182-32-3180	Request for reconsideration and response-Process.	This section is aligned.
182-16-3190	Decisions on requests for reconsideration.	182-32-3190	Decisions on requests for reconsideration	This section is aligned.
182-16-3200	Judicial review of final order.	182-32-3200	Judicial review of final order.	This section is aligned.



## Appendix D: Table of actuarial values<sup>9</sup> for plans for PEBB and SEBB programs

PEB Plan Name	2021 Actuarial Value
Kaiser NW - Classic	88.43%
Kaiser NW - Consumer Directed Health Plan	85.63%
Kaiser WA - Classic	88.35%
Kaiser WA - Consumer Directed Health Plan	88.93%
Kaiser WA - SoundChoice	89.33%
Kaiser WA - Value	84.61%
Uniform Medical Plan - Classic	88.57%
Uniform Medical Plan - Consumer Directed Health Plan	88.08%
Uniform Medical Plan - Plus	89.54%
Uniform Medical Plan - Select	83.71%

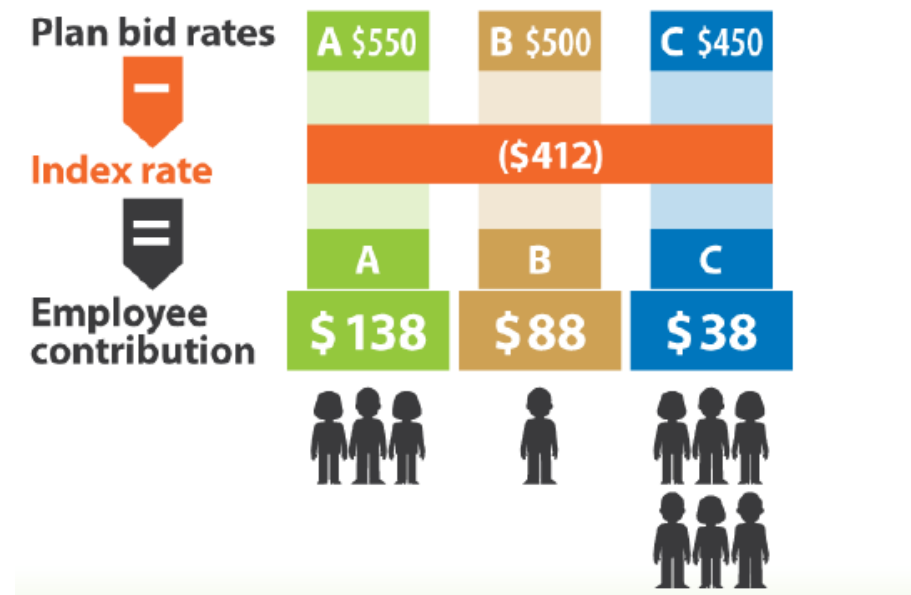
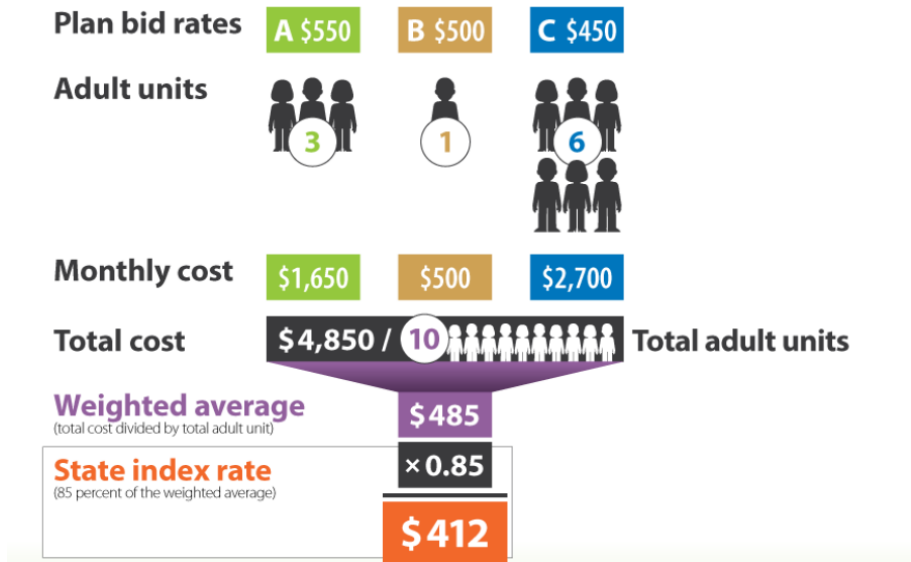
SEB Plan Name	2021 Actuarial Value
Kaiser WA - Core 1	83.62%
Kaiser WA - Core 2	86.40%
Kaiser WA - Core 3	90.05%
Kaiser WA - SoundChoice	91.62%
Kaiser WA Options - Access PPO 1	82.94%
Kaiser WA Options - Access PPO 2	85.82%
Kaiser WA Options - Access PPO 3	89.25%
Kasier NW 1	82.95%
Kasier NW 2	85.26%
Kasier NW 3	90.15%
Premera - High PPO	85.32%
Premera - Peak Care EPO	84.52%
Premera - Standard PPO	80.59%
Uniform Medical Plan - Achieve 1	83.71%
Uniform Medical Plan - Achieve 2	88.57%
Uniform Medical Plan - High Deductible Health Plan	84.86%
Uniform Medical Plan - Plus	90.51%

<sup>9</sup> Actuarial values were calculated using the 2021 Federal AV calculator tool. In health insurance the actuarial value is the estimated percentage of a typical policyholder's medical bills that an individual plan is expected to pay.



# Appendix E: PEBB and SEBB contribution sample calculations

Calculating the State Index Rate – Illustrative example



Calculating the SEBB Employer Medical Contribution – Illustrative example

**UMP Achieve 2 Bid Rate**



**EMC**



**Employee Contribution**



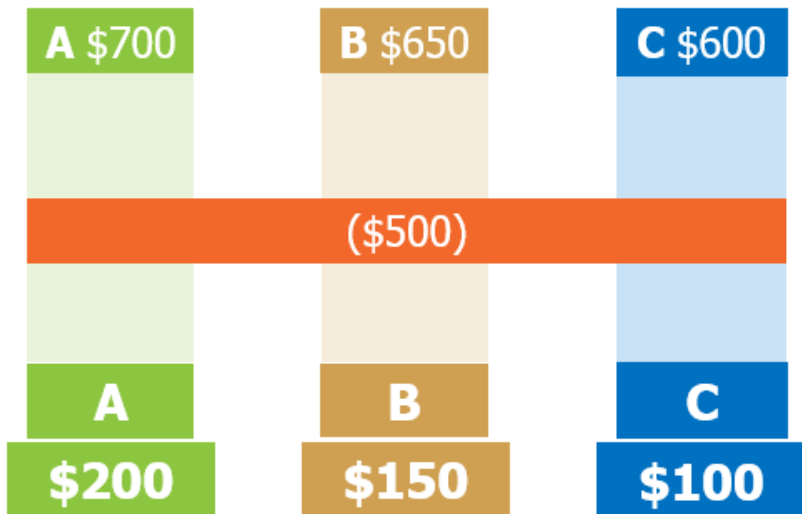
**Plan bid rates**



**EMC**



**Employee contribution**





## Appendix F: Detailed consolidation roadmap

This is a more detailed timeline than is given in the body of the report. To view, please click on the following link - <https://www.hca.wa.gov/assets/program/detailed-consolidation-roadmap.pdf>.



## Appendix G: Stakeholder feedback

Given the timing of the PEB and SEB Board seasons, it was not possible to share the results of the consolidation analysis with the Boards before finalizing this report. HCA did share the scope of the legislative request for the analysis with both Boards and received little to no feedback. A presentation was made to the SEBB Employers Group, which met on April 9, 2020. Participants expressed concern that the report would be completed before fully understanding the impact of the SEBB Program, and would result in additional changes to the program after just having gone through a difficult and time-consuming implementation. One participant expressed that the implementation of the SEBB Program has been very expensive for the SEBB organizations, and these expenses continue because implementation is still ongoing. Any changes in the program would result in additional expense.

