
SUBSTITUTE SENATE BILL 6442

State of Washington

62nd Legislature

2012 Regular Session

By Senate Ways & Means (originally sponsored by Senators Hobbs, Litzow, Keiser, Holmquist Newbry, Hatfield, Hewitt, Kastama, Schoesler, Tom, Fain, Hill, Zarelli, Hargrove, Kline, Murray, Shin, Sheldon, Fraser, Haugen, Morton, Honeyford, Benton, Carrell, Delvin, and King)

READ FIRST TIME 02/23/12.

1 AN ACT Relating to establishing a consolidating purchasing system
2 for public school employees; amending RCW 41.05.021, 41.05.022,
3 41.05.026, 41.05.050, 41.05.055, 41.05.075, 41.05.130, 41.05.140,
4 41.05.143, 41.05.670, 28A.400.270, 28A.400.275, 28A.400.280, and
5 28A.400.350; reenacting and amending RCW 41.05.011 and 41.05.120;
6 adding a new section to chapter 41.05 RCW; and creating new sections.

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

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

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

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

1 (3) There is a lack of transparency on how funds appropriated for
2 school employee benefits are used. The legislature is unable to
3 exercise appropriate oversight over the disposition of state funds due
4 to this lack of transparency; and

5 (4) Despite the past legislature's intent that school districts
6 pool state benefit allocations for the purpose of eliminating major
7 differences in out-of-pocket premium expenses for employees who do and
8 do not need coverage for dependents, the current program is
9 inconsistent with the stated intent and places an unfair burden on
10 school employees with dependents by requiring such employees to pay
11 nearly all of the premium costs for dependent coverage while imposing
12 little or no premium charges on employees purchasing employee-only
13 coverage.

14 NEW SECTION. **Sec. 2.** The legislature intends to establish a
15 consolidated system for purchasing insurance benefits for school
16 employees and their dependents that:

17 (1) Assures equitable access to quality and affordable health
18 benefits for all eligible employees and their eligible dependents by
19 reducing variation in premium expenses for employees who do and do not
20 need coverage for dependents;

21 (2) Improves transparency of financial data to assure prudent and
22 efficient use of taxpayers' funds;

23 (3) Assures cost-effectiveness through pooling of small groups,
24 leveraged purchasing, administrative simplification, and efficient
25 utilization of resources to minimize duplication and rework;

26 (4) Ensures accountability to the taxpayers through timely use of
27 a competitive bidding process, consistent with procurement requirements
28 for the state, for the purchase of benefit plans from the private
29 insurance market;

30 (5) Enables shared responsibility through state, school district,
31 and employee participation in purchasing system governance; and

32 (6) Retains local collective bargaining for benefits not otherwise
33 addressed through the school employees' benefits board which includes
34 representatives of school employee unions. Subjects for local
35 bargaining will be classification-specific definitions of how many
36 hours an employee must work to be eligible for plan participation and
37 proration of part-time employee contribution. Additional subjects for

1 negotiations are limited to employer and employee contributions to
2 voluntary employee benefit association accounts, health reimbursement
3 arrangements, short-term disability insurance, section 125
4 contributions, and cancer insurance.

5 NEW SECTION. **Sec. 3.** A new section is added to chapter 41.05 RCW
6 to read as follows:

7 (1) The school employees' benefits board is created within the
8 authority. The function of the board is to design and approve
9 insurance benefit plans for school employees.

10 (2) By October 30, 2012, the governor shall appoint the following
11 voting members to the board as follows:

12 (a) Two members from associations representing district level
13 administrators;

14 (b) Two members from an association representing school boards of
15 directors;

16 (c) Two members from an association representing certificated
17 employees;

18 (d) Two members from an association representing classified
19 employees;

20 (e) One member designated to represent employees as a collective
21 group that is not otherwise affiliated with an employee association or
22 nonrepresented employees;

23 (f) One member nominated by an association representing school
24 business officials;

25 (g) The director of the authority or his or her designee;

26 (h) One representative of the office of financial management; and

27 (i) One representative of the office of the superintendent of
28 public instruction, as a nonvoting member.

29 (3) Initial members of the board shall serve staggered terms not to
30 exceed four years. Members appointed thereafter shall serve two-year
31 terms.

32 (4) Members of the board must be compensated in accordance with RCW
33 43.03.250 and must be reimbursed for their travel expenses while on
34 official business in accordance with RCW 43.03.050 and 43.03.060.

35 (5) The board shall select one of its appointed voting members as
36 chair and another voting member as vice chair. The chair shall conduct

1 meetings of the board. The vice chair shall preside over meetings in
2 the absence of the chair.

3 (6) Beginning January 1, 2013, the board shall:

4 (a) Develop by-laws for the conduct of its business;

5 (b) Study all matters connected with the provision of health
6 benefit plan coverage for eligible employees and their dependents on
7 the best basis possible with regard to the welfare of the employees;

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

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

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

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

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

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

22 (vi) Effective coordination of benefits; and

23 (vii) Minimum standards for insuring entities;

24 (d) Use a competitive bidding process, consistent with procurement
25 requirements for the state, for the purchase of medical and vision
26 benefit plans from the private insurance market, and ensure an array of
27 plan choices with adequate provider networks for employees;

28 (e) Authorize plan premiums for an employee and the employee's
29 dependents in a manner that encourages the use of cost-efficient health
30 care systems, including establishing full-time employee premium
31 contributions for the benchmark plan such that the percentage of
32 marginal dependent premiums paid by the employee is no greater than
33 three times the percentage of premiums required for employee-only
34 coverage, and requiring that all employees contribute something for
35 medical coverage;

36 (f) Determine the terms and conditions of employee, dependent, and
37 retiree enrollment policies and scope of coverage. Establishment of
38 eligibility criteria is determined by each school district, subject to

1 the requirements established by the board and bargained at the
2 district. At a minimum, the criteria established by the board shall
3 address the following:

4 (i) The effective date of coverage following hire; and

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

10 (g) Determine the terms and conditions of purchasing system
11 participation, consistent with this act, including establishment of
12 criteria for employing agencies and individual employees;

13 (h) Allow exceptions to mandatory participation of a school
14 district in accordance with established terms and conditions for
15 defined periods, so long as the exempted district complies with board-
16 required reporting and premium participation levels for individual
17 employees and employees with dependents. A district may opt out of
18 participation if the district provides documentation to the board and
19 the board verifies that:

20 (i) The district self-insures a covered benefit;

21 (ii) The total district's premiums and employee premium share for
22 benefits plans provided or contracted for by the district are equal to
23 or less than the premiums and employee premium share for benefit plans
24 provided and administered by the school employees' benefits board;

25 (iii) The district provides adequate access to in-network
26 providers; and

27 (iv) The district demonstrates the capacity to provide the reports
28 established in RCW 28A.400.275;

29 (i) Establish penalties to be imposed when the employing agency
30 fails to comply with established participation criteria; and

31 (j) Participate with the authority in the preparation of
32 specifications and selection of carriers contracted for health and
33 dental benefit plan coverage of eligible employees in accordance with
34 the criteria set forth in rules. To the extent possible, the board
35 shall leverage efficient purchasing by coordinating with the public
36 employees' benefits board.

37 (7) In carrying out its duties under subsection (6)(c) through (j)
38 of this section, the goal of the board is to provide high quality

1 medical, vision, dental, and other benefit plans for eligible employees
2 and their eligible dependents at a cost affordable to the districts,
3 the employees, and the taxpayers of Washington.

4 (8) The board may establish standing committees and ad hoc work
5 groups to conduct research, engage stakeholders, and make
6 recommendations that support the work of the board.

7 (9) The board shall offer to employees for any open enrollment
8 period a high deductible health plan option with a health savings
9 account that conforms to section 223, Part VII of subchapter 1 of the
10 internal revenue code of 1986. The board shall comply with all
11 applicable federal standards related to the establishment of health
12 savings accounts.

13 (10) By November 30, 2017, the authority shall review the benefit
14 plans provided through the board, complete an analysis of the benefits
15 provided and the administration of the benefits plans, and determine
16 whether provisions in this act have resulted in cost savings to the
17 state. The authority shall submit a report to the relevant legislative
18 policy and fiscal committees summarizing the results of the review and
19 analysis.

20 **Sec. 4.** RCW 41.05.011 and 2011 1st sp.s. c 15 s 54 are each
21 reenacted and amended to read as follows:

22 The definitions in this section apply throughout this chapter
23 unless the context clearly requires otherwise.

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

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

27 (3) "Dependent care assistance program" means a benefit plan
28 whereby state and ((public)) state agency employees may pay for certain
29 employment related dependent care with pretax dollars as provided in
30 the salary reduction plan under this chapter pursuant to 26 U.S.C. Sec.
31 129 or other sections of the internal revenue code.

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

33 (5) "Emergency service personnel killed in the line of duty" means
34 law enforcement officers and firefighters as defined in RCW 41.26.030,
35 members of the Washington state patrol retirement fund as defined in
36 RCW 43.43.120, and reserve officers and firefighters as defined in RCW

1 41.24.010 who die as a result of injuries sustained in the course of
2 employment as determined consistent with Title 51 RCW by the department
3 of labor and industries.

4 (6) "Employee" includes all employees of the state, whether or not
5 covered by civil service; effective January 1, 2014, the employees of
6 a school district; elected and appointed officials of the executive
7 branch of government, including full-time members of boards,
8 commissions, or committees; justices of the supreme court and judges of
9 the court of appeals and the superior courts; and members of the state
10 legislature. Pursuant to contractual agreement with the authority,
11 "employee" may also include: (a) Employees of a county, municipality,
12 or other political subdivision of the state and members of the
13 legislative authority of any county, city, or town who are elected to
14 office after February 20, 1970, if the legislative authority of the
15 county, municipality, or other political subdivision of the state seeks
16 and receives the approval of the authority to provide any of its
17 insurance programs by contract with the authority, as provided in RCW
18 41.04.205 and 41.05.021(1)(g); (b) employees of employee organizations
19 representing state civil service employees, at the option of each such
20 employee organization(~~(, and, effective October 1, 1995, employees of~~
21 ~~employee organizations currently pooled with employees of school~~
22 ~~districts for the purpose of purchasing insurance benefits, at the~~
23 ~~option of each such employee organization))); (c) through December 31,
24 2013, employees of a school district if the authority agrees to provide
25 any of the school districts' insurance programs by contract with the
26 authority as provided in RCW 28A.400.350; and (d) employees of a tribal
27 government, if the governing body of the tribal government seeks and
28 receives the approval of the authority to provide any of its insurance
29 programs by contract with the authority, as provided in RCW
30 41.05.021(1) (f) and (g). "Employee" does not include: Adult family
31 homeowners; unpaid volunteers; patients of state hospitals; inmates;
32 employees of the Washington state convention and trade center as
33 provided in RCW 41.05.110; students of institutions of higher education
34 as determined by their institution; and any others not expressly
35 defined as employees under this chapter or by the authority under this
36 chapter.~~

37 (7) "Employee group" means employees of a similar employment type,

1 such as administrative, represented classified, nonrepresented
2 classified, confidential, represented certificated, or nonrepresented
3 certificated, within a school district.

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

5 ~~((+8))~~ (9) "Employing agency" means a division, department, or
6 separate agency of state government, including an institution of higher
7 education; a county, municipality, school district, educational service
8 district, or other political subdivision; and a tribal government
9 covered by this chapter.

10 ~~((+9))~~ (10) "Faculty" means an academic employee of an institution
11 of higher education whose workload is not defined by work hours but
12 whose appointment, workload, and duties directly serve the
13 institution's academic mission, as determined under the authority of
14 its enabling statutes, its governing body, and any applicable
15 collective bargaining agreement.

16 ~~((+10))~~ (11) "Flexible benefit plan" means a benefit plan that
17 allows employees to choose the level of health care coverage provided
18 and the amount of employee contributions from among a range of choices
19 offered by the authority.

20 ~~((+11))~~ (12) "Insuring entity" means an insurer as defined in
21 chapter 48.01 RCW, a health care service contractor as defined in
22 chapter 48.44 RCW, or a health maintenance organization as defined in
23 chapter 48.46 RCW.

24 ~~((+12))~~ (13) "Medical flexible spending arrangement" means a
25 benefit plan whereby state ~~((and public))~~ employees may reduce their
26 salary before taxes to pay for medical expenses not reimbursed by
27 insurance as provided in the salary reduction plan under this chapter
28 pursuant to 26 U.S.C. Sec. 125 or other sections of the internal
29 revenue code.

30 ~~((+13))~~ (14) "Participant" means an individual who fulfills the
31 eligibility and enrollment requirements under the salary reduction
32 plan.

33 ~~((+14))~~ (15) "Plan year" means the time period established by the
34 authority.

35 ~~((+15))~~ (16) "Premium payment plan" means a benefit plan whereby
36 state ~~((and public))~~ employees may pay their share of group health plan
37 premiums with pretax dollars as provided in the salary reduction plan

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

3 ~~((+16+))~~ (17) "Retired or disabled school employee" means:

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

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

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

15 ~~((+17+))~~ (18) "Salary" means a state employee's monthly salary or
16 wages.

17 ~~((+18+))~~ (19) "Salary reduction plan" means a benefit plan whereby
18 state ~~((and public))~~ employees may agree to a reduction of salary on a
19 pretax basis to participate in the dependent care assistance program,
20 medical flexible spending arrangement, or premium payment plan offered
21 pursuant to 26 U.S.C. Sec. 125 or other sections of the internal
22 revenue code.

23 ~~((+19+))~~ (20) "School employees' benefits board" means the board
24 established in section 3 of this act.

25 (21) "School employees' benefits board participating organization"
26 means a public school district or educational service district that
27 participates in benefit plans provided by the school employees'
28 benefits board.

29 (22) "Seasonal employee" means ~~((an))~~ a state employee hired to
30 work during a recurring, annual season with a duration of three months
31 or more, and anticipated to return each season to perform similar work.

32 ~~((+20+))~~ (23) "Separated employees" means persons who separate from
33 employment with an employer as defined in:

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

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

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

37 and who are at least age fifty-five and have at least ten years of
38 service under the teachers' retirement system plan 3 as defined in RCW

1 41.32.010(33), the Washington school employees' retirement system plan
2 3 as defined in RCW 41.35.010, or the public employees' retirement
3 system plan 3 as defined in RCW 41.40.010.

4 ((+21+)) (24) "State purchased health care" or "health care" means
5 medical and health care, pharmaceuticals, and medical equipment
6 purchased with state and federal funds by the department of social and
7 health services, the department of health, the basic health plan, the
8 state health care authority, the department of labor and industries,
9 the department of corrections, the department of veterans affairs, and
10 local school districts.

11 ((+22+)) (25) "Tribal government" means an Indian tribal government
12 as defined in section 3(32) of the employee retirement income security
13 act of 1974, as amended, or an agency or instrumentality of the tribal
14 government, that has government offices principally located in this
15 state.

16 **Sec. 5.** RCW 41.05.021 and 2011 1st sp.s. c 15 s 56 are each
17 amended to read as follows:

18 (1) The Washington state health care authority is created within
19 the executive branch. The authority shall have a director appointed by
20 the governor, with the consent of the senate. The director shall serve
21 at the pleasure of the governor. The director may employ a deputy
22 director, and such assistant directors and special assistants as may be
23 needed to administer the authority, who shall be exempt from chapter
24 41.06 RCW, and any additional staff members as are necessary to
25 administer this chapter. The director may delegate any power or duty
26 vested in him or her by law, including authority to make final
27 decisions and enter final orders in hearings conducted under chapter
28 34.05 RCW. The primary duties of the authority shall be to:
29 Administer state employees' insurance benefits and (~~retired or~~
30 ~~disabled~~) school employees' insurance benefits; administer the basic
31 health plan pursuant to chapter 70.47 RCW; administer the children's
32 health program pursuant to chapter 74.09 RCW; study state-purchased
33 health care programs in order to maximize cost containment in these
34 programs while ensuring access to quality health care; implement state
35 initiatives, joint purchasing strategies, and techniques for efficient
36 administration that have potential application to all state-purchased

1 health services; and administer grants that further the mission and
2 goals of the authority. The authority's duties include, but are not
3 limited to, the following:

4 (a) To administer health care benefit programs for employees and
5 (~~(retired or disabled)~~) school employees as specifically authorized in
6 RCW 41.05.065 and section 3 of this act and in accordance with the
7 methods described in RCW 41.05.075, 41.05.140, and other provisions of
8 this chapter;

9 (b) To analyze state-purchased health care programs and to explore
10 options for cost containment and delivery alternatives for those
11 programs that are consistent with the purposes of those programs,
12 including, but not limited to:

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

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

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

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

26 (v) Development of data systems to obtain utilization data from
27 state-purchased health care programs in order to identify cost centers,
28 utilization patterns, provider and hospital practice patterns, and
29 procedure costs, utilizing the information obtained pursuant to RCW
30 41.05.031; and

31 (vi) In collaboration with other state agencies that administer
32 state purchased health care programs, private health care purchasers,
33 health care facilities, providers, and carriers:

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

37 (I) Reward improvements in health outcomes for individuals with

1 chronic diseases, increased utilization of appropriate preventive
2 health services, and reductions in medical errors; and

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

7 (B) Through state health purchasing, reimbursement, or pilot
8 strategies, promote and increase the adoption of health information
9 technology systems, including electronic medical records, by hospitals
10 as defined in RCW 70.41.020(4), integrated delivery systems, and
11 providers that:

12 (I) Facilitate diagnosis or treatment;

13 (II) Reduce unnecessary duplication of medical tests;

14 (III) Promote efficient electronic physician order entry;

15 (IV) Increase access to health information for consumers and their
16 providers; and

17 (V) Improve health outcomes;

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

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

22 (d) To provide information and technical and administrative
23 assistance to the two boards;

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

30 (f) To review and approve or deny the application when the
31 governing body of a tribal government applies to transfer their
32 employees to an insurance or self-insurance program administered under
33 this chapter. In the event of an employee transfer pursuant to this
34 subsection (1)(f), members of the governing body are eligible to be
35 included in such a transfer if the members are authorized by the tribal
36 government to participate in the insurance program being transferred
37 from and subject to payment by the members of all costs of insurance
38 for the members. The authority shall: (i) Establish the conditions

1 for participation; (ii) have the sole right to reject the application;
2 and (iii) set the premium contribution for approved groups as outlined
3 in RCW 41.05.050. Approval of the application by the authority
4 transfers the employees and dependents involved to the insurance,
5 self-insurance, or health care program approved by the authority;

6 (g) To ensure the continued status of the employee insurance or
7 self-insurance programs administered under this chapter as a
8 governmental plan under section 3(32) of the employee retirement income
9 security act of 1974, as amended, the authority shall limit the
10 participation of employees of a county, municipal, school district,
11 educational service district, or other political subdivision, or a
12 tribal government, including providing for the participation of those
13 employees whose services are substantially all in the performance of
14 essential governmental functions, but not in the performance of
15 commercial activities;

16 (h) To establish billing procedures and collect administration
17 funds from school districts in a way that minimizes the administrative
18 burden on districts;

19 (i) Through December 31, 2013, to publish and distribute to
20 nonparticipating school districts and educational service districts by
21 October 1st of each year a description of health care benefit plans
22 available through the authority and the estimated cost if school
23 districts and educational service district employees were enrolled;

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

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

31 (l) To adopt rules consistent with this chapter as described in RCW
32 41.05.160 including, but not limited to:

33 (i) Setting forth the criteria established by the board under RCW
34 41.05.065 for determining whether an employee is eligible for benefits;

35 (ii) Establishing an appeal process in accordance with chapter
36 34.05 RCW by which an employee may appeal an eligibility determination;

37 (iii) Establishing a process to assure that the eligibility

1 determinations of an employing agency comply with the criteria under
2 this chapter, including the imposition of penalties as may be
3 authorized by the board;

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

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

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

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

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

1 (2) On and after January 1, 1996, the public employees' benefits
2 board and the school employees' benefits board upon establishment may
3 implement strategies to promote managed competition among employee
4 health benefit plans. Strategies may include but are not limited to:

5 (a) Standardizing the benefit package;

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

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

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

15 **Sec. 6.** RCW 41.05.022 and 1995 1st sp.s. c 6 s 3 are each amended
16 to read as follows:

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

19 (2) On and after January 1, 1995, at least the following state-
20 purchased health services programs shall be merged into a single,
21 community-rated risk pool: Health benefits for groups of employees of
22 school districts and educational service districts that voluntarily
23 purchase health benefits as provided in RCW 41.05.011 through December
24 1, 2013; health benefits for state employees; health benefits for
25 eligible retired or disabled school employees not eligible for parts A
26 and B of medicare; and health benefits for eligible state retirees not
27 eligible for parts A and B of medicare.

28 (3) Upon commencement of the consolidated purchasing program under
29 section 3 of this act, health benefits for groups of employees of
30 school districts and educational service districts shall be merged into
31 a single, community-rated risk pool separate and distinct from the pool
32 described in subsection (2) of this section.

33 (4) By December 15, 2012, the health care authority, in
34 consultation with the public employees' benefits board and the school
35 employees' benefits board, shall submit to the appropriate committees
36 of the legislature a complete analysis of the most appropriate risk
37 pool for the retired and disabled school employees, to include at a

1 minimum an analysis of the size of the nonmedicare and medicare retiree
2 enrollment pools, the impacts on cost for state and school district
3 retirees of moving retirees from one pool to another, the need for and
4 the amount of an ongoing retiree subsidy allocation from the active
5 school employees, and the timing and suggested approach for a
6 transition from one risk pool to another.

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

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

13 (b) Require that a health care provider or a health care facility
14 that receives funds from a public program provide care to state
15 residents receiving a state subsidy who may wish to receive care from
16 them, and that an insuring entity that receives funds from a public
17 program accept enrollment from state residents receiving a state
18 subsidy who may wish to enroll with them;

19 (c) Strive to integrate purchasing for all publicly sponsored
20 health services in order to maximize the cost control potential and
21 promote the most efficient methods of financing and coordinating
22 services;

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

26 (e) Ensure the control of benefit costs under managed competition
27 by adopting rules to prevent employers from entering into an agreement
28 with employees or employee organizations when the agreement would
29 result in increased utilization in public employees' benefits board
30 plans or reduce the expected savings of managed competition.

31 **Sec. 7.** RCW 41.05.026 and 2005 c 274 s 277 are each amended to
32 read as follows:

33 (1) When soliciting proposals for the purpose of awarding contracts
34 for goods or services, the ((administrator)) director shall, upon
35 written request by the bidder, exempt from public inspection and
36 copying such proprietary data, trade secrets, or other information

1 contained in the bidder's proposal that relate to the bidder's unique
2 methods of conducting business or of determining prices or premium
3 rates to be charged for services under terms of the proposal.

4 (2) When soliciting information for the development, acquisition,
5 or implementation of state purchased health care services, the
6 (~~administrator~~) director shall, upon written request by the
7 respondent, exempt from public inspection and copying such proprietary
8 data, trade secrets, or other information submitted by the respondent
9 that relate to the respondent's unique methods of conducting business,
10 data unique to the product or services of the respondent, or to
11 determining prices or rates to be charged for services.

12 (3) Actuarial formulas, statistics, cost and utilization data, or
13 other proprietary information submitted upon request of the
14 (~~administrator~~) director, board, school employees' benefits board, or
15 a technical review committee created to facilitate the development,
16 acquisition, or implementation of state purchased health care under
17 this chapter by a contracting insurer, health care service contractor,
18 health maintenance organization, vendor, or other health services
19 organization may be withheld at any time from public inspection when
20 necessary to preserve trade secrets or prevent unfair competition.

21 (4) The board, school employees' benefits board, or a technical
22 review committee created to facilitate the development, acquisition, or
23 implementation of state purchased health care under this chapter, may
24 hold an executive session in accordance with chapter 42.30 RCW during
25 any regular or special meeting to discuss information submitted in
26 accordance with subsections (1) through (3) of this section.

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

30 **Sec. 8.** RCW 41.05.050 and 2009 c 537 s 5 are each amended to read
31 as follows:

32 (1) Every: (a) Department, division, or separate agency of state
33 government; (b) county, municipal, school district, educational service
34 district, or other political subdivisions; and (c) tribal governments
35 as are covered by this chapter, shall provide contributions to
36 insurance and health care plans for its employees and their dependents,
37 the content of such plans to be determined by the authority.

1 Contributions, paid by the county, the municipality, other political
2 subdivision, or a tribal government for their employees, shall include
3 an amount determined by the authority to pay such administrative
4 expenses of the authority as are necessary to administer the plans for
5 employees of those groups, except as provided in subsection (4) of this
6 section.

7 (2) If the authority at any time determines that the participation
8 of a county, municipal, other political subdivision, or a tribal
9 government covered under this chapter adversely impacts insurance rates
10 for state employees, the authority shall implement limitations on the
11 participation of additional county, municipal, other political
12 subdivisions, or a tribal government.

13 (3) The contributions of any: (a) Department, division, or
14 separate agency of the state government; (b) county, municipal, or
15 other political subdivisions; and (c) any tribal government as are
16 covered by this chapter, shall be set by the authority, subject to the
17 approval of the governor for availability of funds as specifically
18 appropriated by the legislature for that purpose. Insurance and health
19 care contributions for ferry employees shall be governed by RCW
20 47.64.270.

21 (4)(a) Until the consolidated purchasing program under section 3 of
22 this act is established, the authority shall collect from each
23 participating school district and educational service district an
24 amount equal to the composite rate charged to state agencies, plus an
25 amount equal to the employee premiums by plan and family size as would
26 be charged to state employees, for groups of district employees
27 enrolled in authority plans. The authority may collect these amounts
28 in accordance with the district fiscal year, as described in RCW
29 28A.505.030.

30 (b) For all groups of district employees enrolling in authority
31 plans for the first time after September 1, 2003, until commencement of
32 the consolidated purchasing program under section 3 of this act the
33 authority shall collect from each participating school district an
34 amount equal to the composite rate charged to state agencies, plus an
35 amount equal to the employee premiums by plan and by family size as
36 would be charged to state employees, only if the authority determines
37 that this method of billing the districts will not result in a material
38 difference between revenues from districts and expenditures made by the

1 authority on behalf of districts and their employees. The authority
2 may collect these amounts in accordance with the district fiscal year,
3 as described in RCW 28A.505.030.

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

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

12 (e) Beginning January 1, 2014, or, if the board finds that date to
13 not be feasible, January 1, 2015, all school districts shall commence
14 participation in the school employees' benefits board program
15 established under section 3 of this act. All school districts and
16 educational service districts, and all district employee groups
17 participating in the public employees' benefits board plans before
18 January 1, 2014, shall thereafter participate in the school employees'
19 benefits board program administered by the authority, unless the
20 district opts out of participation consistent with section 3 of this
21 act.

22 (f) For the purposes of this subsection:

23 (i) "District" means school district and educational service
24 district; and

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

27 ~~((+f))~~ (g) Notwithstanding this subsection and RCW 41.05.065(4),
28 the authority may allow districts enrolled on a tiered rate structure
29 prior to September 1, 2002, and until January 1, 2014, to continue
30 participation based on the same rate structure and under the same
31 conditions and eligibility criteria.

32 (5) The authority shall transmit a recommendation for the amount of
33 the employer contribution to the governor and the director of financial
34 management for inclusion in the proposed budgets submitted to the
35 legislature.

36 **Sec. 9.** RCW 41.05.055 and 2009 c 537 s 6 are each amended to read
37 as follows:

1 (1) The public employees' benefits board is created within the
2 authority. The function of the board is to design and approve
3 insurance benefit plans for employees and to establish eligibility
4 criteria for participation in insurance benefit plans.

5 (2) The board shall be composed of nine members appointed by the
6 governor as follows:

7 (a) Two representatives of state employees, one of whom shall
8 represent an employee union certified as exclusive representative of at
9 least one bargaining unit of classified employees, and one of whom is
10 retired, is covered by a program under the jurisdiction of the board,
11 and represents an organized group of retired public employees;

12 (b) Through December 31, 2013, two representatives of school
13 district employees, one of whom shall represent an association of
14 school employees and one of whom is retired, and represents an
15 organized group of retired school employees. Thereafter, and only
16 while retired school employees are served by the board, only a retired
17 representative shall serve on the board;

18 (c) Four members with experience in health benefit management and
19 cost containment; and

20 (d) The ((~~administrator~~)) director.

21 (3) ((~~The member who represents an association of school employees~~
22 ~~and one member appointed pursuant to subsection (2)(c) of this section~~
23 ~~shall be nonvoting members until such time that there are no less than~~
24 ~~twelve thousand school district employee subscribers enrolled with the~~
25 ~~authority for health care coverage.~~

26 (+4)) The governor shall appoint the initial members of the board
27 to staggered terms not to exceed four years. Members appointed
28 thereafter shall serve two-year terms. Members of the board shall be
29 compensated in accordance with RCW 43.03.250 and shall be reimbursed
30 for their travel expenses while on official business in accordance with
31 RCW 43.03.050 and 43.03.060. The board shall prescribe rules for the
32 conduct of its business. The ((~~administrator~~)) director shall serve as
33 chair of the board. Meetings of the board shall be at the call of the
34 chair.

35 **Sec. 10.** RCW 41.05.075 and 2007 c 259 s 34 are each amended to
36 read as follows:

37 (1) The ((~~administrator~~)) director shall provide benefit plans

1 designed by the board and the school employees' benefits board through
2 a contract or contracts with insuring entities, through self-funding,
3 self-insurance, or other methods of providing insurance coverage
4 authorized by RCW 41.05.140.

5 (2) The (~~administrator~~) director shall establish a contract
6 bidding process that:

7 (a) Encourages competition among insuring entities;

8 (b) Maintains an equitable relationship between premiums charged
9 for similar benefits and between risk pools including premiums charged
10 for retired state and school district employees under the separate risk
11 pools established by RCW 41.05.022 and 41.05.080 such that insuring
12 entities may not avoid risk when establishing the premium rates for
13 retirees eligible for medicare;

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

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

16 (3)(a) School districts directly providing medical, vision, and
17 dental benefits plans and contracted insuring entities providing
18 medical, vision, and dental benefits plans to school districts on
19 December 31, 2011, shall provide the authority specified data by June
20 30, 2012, to support an initial benefits plans procurement. At a
21 minimum, the data must cover the period January 1, 2010, through
22 December 31, 2011, and include:

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

26 (ii) Aggregated subscriber and member demographic information,
27 including age band and gender, by insurance tier by month and by
28 benefit packages;

29 (iii) Monthly total by benefit package, including premiums paid,
30 inpatient facility claims paid, outpatient facility claims paid,
31 physician claims paid, pharmacy claims paid, capitation amounts paid,
32 and other claims paid;

33 (iv) A listing for calendar year 2011 of large claims defined as
34 annual amounts paid in excess of one hundred thousand dollars including
35 the amount paid, the member enrollment status, and the primary
36 diagnosis; and

37 (v) A listing of calendar year 2011 allowed claims by provider
38 entity.

1 Any data that may be confidential and contain personal health
2 information may be protected in accordance with a data-sharing
3 agreement.

4 (b) If a school district and their contracted entity fail to
5 provide the requested data, the authority shall notify the district and
6 the office of financial management and the office of financial
7 management may withhold state allotted funds from the district.

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

11 ((~~+4~~)) (5) The ((~~administrator~~)) director shall centralize the
12 enrollment files for all employee and retired or disabled school
13 employee health plans offered under chapter 41.05 RCW and develop
14 enrollment demographics on a plan-specific basis.

15 ((~~+5~~)) (6) All claims data shall be the property of the state.
16 The ((~~administrator~~)) director may require of any insuring entity that
17 submits a bid to contract for coverage all information deemed necessary
18 including:

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

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

25 ((~~+6~~)) (7) All contracts with insuring entities for the provision
26 of health care benefits shall provide that the beneficiaries of such
27 benefit plans may use on an equal participation basis the services of
28 practitioners licensed pursuant to chapters 18.22, 18.25, 18.32, 18.53,
29 18.57, 18.71, 18.74, 18.83, and 18.79 RCW, as it applies to registered
30 nurses and advanced registered nurse practitioners. However, nothing
31 in this subsection may preclude the ((~~administrator~~)) director from
32 establishing appropriate utilization controls approved pursuant to RCW
33 41.05.065(2) (a), (b), and (d).

34 ((~~+7~~)) (8) The ((~~administrator~~)) director shall, in collaboration
35 with other state agencies that administer state purchased health care
36 programs, private health care purchasers, health care facilities,
37 providers, and carriers:

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

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

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

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

16 (i) Facilitate diagnosis or treatment;

17 (ii) Reduce unnecessary duplication of medical tests;

18 (iii) Promote efficient electronic physician order entry;

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

21 (v) Improve health outcomes;

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

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

29 **Sec. 11.** RCW 41.05.120 and 2005 c 518 s 921 and 2005 c 143 s 3 are
30 each reenacted and amended to read as follows:

31 (1) The public employees' and retirees' insurance account is hereby
32 established in the custody of the state treasurer, to be used by the
33 ~~((administrator))~~ director for the deposit of contributions, the
34 remittance paid by school districts and educational service districts
35 under RCW 28A.400.410, reserves, dividends, and refunds, for payment of
36 premiums for employee and retiree insurance benefit contracts and
37 subsidy amounts provided under RCW 41.05.085, and transfers from the

1 (~~medical~~) flexible spending administrative account as authorized in
2 RCW 41.05.123. Moneys from the account shall be disbursed by the state
3 treasurer by warrants on vouchers duly authorized by the
4 (~~administrator~~) director. Moneys from the account may be transferred
5 to the medical flexible spending account to provide reserves and start-
6 up costs for the operation of the medical flexible spending account
7 program.

8 (2) The state treasurer and the state investment board may invest
9 moneys in the public employees' and retirees' insurance account. All
10 such investments shall be in accordance with RCW 43.84.080 or
11 43.84.150, whichever is applicable. The (~~administrator~~) director
12 shall determine whether the state treasurer or the state investment
13 board or both shall invest moneys in the public employees' insurance
14 account.

15 (3) During the 2005-07 fiscal biennium, the legislature may
16 transfer from the public employees' and retirees' insurance account
17 such amounts as reflect the excess fund balance of the fund.

18 (4) The school employees' insurance account is hereby established
19 in the custody of the state treasurer, to be used by the director for
20 the deposit of contributions, reserves, dividends, and refunds, for
21 payment of premiums for school employee insurance benefit contracts.
22 Moneys from the account shall be disbursed by the state treasurer by
23 warrants on vouchers duly authorized by the director. Moneys from the
24 account may be transferred to a medical flexible spending account to
25 provide reserves and start-up costs for the operation of a medical
26 flexible spending account program.

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

33 **Sec. 12.** RCW 41.05.130 and 1988 c 107 s 11 are each amended to
34 read as follows:

35 (1) The state health care authority administrative account is
36 hereby created in the state treasury. Moneys in the account, including

1 unanticipated revenues under RCW 43.79.270, may be spent only after
2 appropriation by statute, and may be used only for operating expenses
3 of the authority.

4 (2) The school employees' insurance administrative account is
5 hereby created in the state treasury. Moneys in the account may be
6 spent only after appropriation by statute, and may be used for
7 operating, contracting, and other administrative expenses of the
8 authority in administration of the school employees insurance program.

9 **Sec. 13.** RCW 41.05.140 and 2011 1st sp.s. c 15 s 59 are each
10 amended to read as follows:

11 (1) Except for property and casualty insurance, the authority may
12 self-fund, self-insure, or enter into other methods of providing
13 insurance coverage for insurance programs under its jurisdiction,
14 including the basic health plan as provided in chapter 70.47 RCW. The
15 authority shall contract for payment of claims or other administrative
16 services for programs under its jurisdiction. If a program does not
17 require the prepayment of reserves, the authority shall establish such
18 reserves within a reasonable period of time for the payment of claims
19 as are normally required for that type of insurance under an insured
20 program. The authority shall endeavor to reimburse basic health plan
21 health care providers under this section at rates similar to the
22 average reimbursement rates offered by the statewide benchmark plan
23 determined through the request for proposal process.

24 (2) Reserves established by the authority for employee and retiree
25 benefit programs shall be held in ((a)) separate trust funds by the
26 state treasurer and shall be known as the public employees' and
27 retirees' insurance reserve fund and the school employees' insurance
28 account. The state investment board shall act as the investor for the
29 funds and, except as provided in RCW 43.33A.160 and 43.84.160, one
30 hundred percent of all earnings from these investments shall accrue
31 directly to each of the public employees' and retirees' insurance
32 reserve fund and the school employees' insurance account.

33 (3) Any savings realized as a result of a program created for
34 employees and retirees under this section shall not be used to increase
35 benefits unless such use is authorized by statute.

36 (4) Reserves established by the authority to provide insurance
37 coverage for the basic health plan under chapter 70.47 RCW shall be

1 held in a separate trust account in the custody of the state treasurer
2 and shall be known as the basic health plan self-insurance reserve
3 account. The state investment board shall act as the investor for the
4 funds as set forth in RCW 43.33A.230 and, except as provided in RCW
5 43.33A.160 and 43.84.160, one hundred percent of all earnings from
6 these investments shall accrue directly to the basic health plan self-
7 insurance reserve account.

8 (5) Any program created under this section shall be subject to the
9 examination requirements of chapter 48.03 RCW as if the program were a
10 domestic insurer. In conducting an examination, the commissioner shall
11 determine the adequacy of the reserves established for the program.

12 (6) The authority shall keep full and adequate accounts and records
13 of the assets, obligations, transactions, and affairs of any program
14 created under this section.

15 (7) The authority shall file a quarterly statement of the financial
16 condition, transactions, and affairs of any program created under this
17 section in a form and manner prescribed by the insurance commissioner.
18 The statement shall contain information as required by the commissioner
19 for the type of insurance being offered under the program. A copy of
20 the annual statement shall be filed with the speaker of the house of
21 representatives and the president of the senate.

22 (8) The provisions of this section do not apply to the
23 administration of chapter 74.09 RCW.

24 **Sec. 14.** RCW 41.05.143 and 2007 c 507 s 1 are each amended to read
25 as follows:

26 (1) The uniform medical plan benefits administration account is
27 created in the custody of the state treasurer. Only the
28 (~~administrator~~) director or the (~~administrator's~~) director's
29 designee may authorize expenditures from the account. Moneys in the
30 account shall be used exclusively for contracted expenditures for
31 uniform medical plan claims administration, data analysis, utilization
32 management, preferred provider administration, and activities related
33 to benefits administration where the level of services provided
34 pursuant to a contract fluctuate as a direct result of changes in
35 uniform medical plan enrollment. Moneys in the account may also be
36 used for administrative activities required to respond to new and
37 unforeseen conditions that impact the uniform medical plan, but only

1 when the authority and the office of financial management jointly agree
2 that such activities must be initiated prior to the next legislative
3 session.

4 (2) Receipts from amounts due from or on behalf of uniform medical
5 plan enrollees for expenditures related to benefits administration,
6 including moneys disbursed from the public employees' and retirees'
7 insurance account, shall be deposited into the account. The account is
8 subject to allotment procedures under chapter 43.88 RCW, but no
9 appropriation is required for expenditures. All proposals for
10 allotment increases shall be provided to the house of representatives
11 appropriations committee and to the senate ways and means committee at
12 the same time as they are provided to the office of financial
13 management.

14 (3) The uniform dental plan benefits administration account is
15 created in the custody of the state treasurer. Only the
16 (~~administrator~~) director or the (~~administrator's~~) director's
17 designee may authorize expenditures from the account. Moneys in the
18 account shall be used exclusively for contracted expenditures related
19 to benefits administration for the uniform dental plan as established
20 under RCW 41.05.140. Receipts from amounts due from or on behalf of
21 uniform dental plan enrollees for expenditures related to benefits
22 administration, including moneys disbursed from the public employees'
23 and retirees' insurance account, shall be deposited into the account.
24 The account is subject to allotment procedures under chapter 43.88 RCW,
25 but no appropriation is required for expenditures.

26 (4) The public employees' benefits board medical benefits
27 administration account is created in the custody of the state
28 treasurer. Only the (~~administrator~~) director or the
29 (~~administrator's~~) director's designee may authorize expenditures from
30 the account. Moneys in the account shall be used exclusively for
31 contracted expenditures related to claims administration, data
32 analysis, utilization management, preferred provider administration,
33 and other activities related to benefits administration for self-
34 insured medical plans other than the uniform medical plan. Receipts
35 from amounts due from or on behalf of enrollees for expenditures
36 related to benefits administration, including moneys disbursed from the
37 public employees' and retirees' insurance account, shall be deposited

1 into the account. The account is subject to allotment procedures under
2 chapter 43.88 RCW, but an appropriation is not required for
3 expenditures.

4 (5) The school employees' benefits board medical benefits
5 administration account is created in the custody of the state
6 treasurer. Only the director or the director's designee may authorize
7 expenditures from the account. Moneys in the account shall be used
8 exclusively for contracted expenditures related to claims
9 administration, data analysis, utilization management, preferred
10 provider administration, and other activities related to benefits
11 administration for self-insured medical plans other than the uniform
12 medical plan. Receipts from amounts due from or on behalf of enrollees
13 for expenditures related to benefits administration, including moneys
14 disbursed from the school employees' insurance account, shall be
15 deposited into the account. The account is subject to allotment
16 procedures under chapter 43.88 RCW, but no appropriation is required
17 for expenditures.

18 (6) A self-insured dental plan benefits administration account is
19 created in the custody of the state treasurer. Only the director or
20 the director's designee may authorize expenditures from the account.
21 Moneys in the account shall be used exclusively for contracted
22 expenditures related to benefits administration for a self-insured
23 dental plan as established under RCW 41.05.140. Receipts from amounts
24 due from or on behalf of a self-insured dental plan enrollees for
25 expenditures related to benefits administration, including moneys
26 disbursed from the school employees' insurance account, shall be
27 deposited into the account. The account is subject to allotment
28 procedures under chapter 43.88 RCW, but no appropriation is required
29 for expenditures.

30 **Sec. 15.** RCW 41.05.670 and 2011 c 316 s 6 are each amended to read
31 as follows:

32 (1) Effective January 1, 2013, the authority must contract with all
33 of the public employees' benefits board managed care plans and the
34 self-insured plan or plans to include provider reimbursement methods
35 that incentivize chronic care management within health homes resulting
36 in reduced emergency department and inpatient use.

1 (2) Health home services contracted for under this section may be
2 prioritized to enrollees with complex, high cost, or multiple chronic
3 conditions.

4 (3) For the purposes of this section, "chronic care
5 management((~~7~~))" and "health home" have the same meaning as in RCW
6 74.09.010.

7 (4) Contracts with fully insured plans and with any third-party
8 administrator for the self-funded plan that include the items in
9 subsection (1) of this section must be funded within the resources
10 provided by employer funding rates provided for employee health
11 benefits in the omnibus appropriations act.

12 (5) Nothing in this section shall require contracted third-party
13 health plans administering the self-insured contract to expend
14 resources to implement items in subsection (1) of this section beyond
15 the resources provided by employer funding rates provided for employee
16 health benefits in the omnibus appropriations act or from other sources
17 in the absence of these provisions.

18 (6) The school employees' benefits board shall implement the
19 provisions of this section, consistent with the requirements in section
20 3 of this act.

21 **Sec. 16.** RCW 28A.400.270 and 1990 1st ex.s. c 11 s 4 are each
22 amended to read as follows:

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

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

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

36 (3) "Basic benefits" (~~are~~) may be determined through local

1 bargaining and are limited to medical, dental, vision, group term life,
2 and group long-term disability insurance coverage.

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

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

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

15 **Sec. 17.** RCW 28A.400.275 and 1990 1st ex.s. c 11 s 5 are each
16 amended to read as follows:

17 (1) Any contract for employee benefits executed after April 13,
18 1990, between a school district and a benefit provider or employee
19 bargaining unit is null and void unless it contains an agreement to
20 abide by state laws relating to school district employee benefits. The
21 term of the contract may not exceed one year.

22 (2) Through December 31, 2013, upon establishment of the school
23 employees' benefits board under section 3 of this act, school districts
24 shall annually submit to the Washington state health care authority
25 summary descriptions of all benefits offered under the district's
26 employee benefit plan. The districts shall also submit data to the
27 health care authority specifying the total number of employees and, for
28 each employee, types of coverage or benefits received including numbers
29 of covered dependents, the number of eligible dependents, the amount of
30 the district's contribution, additional premium costs paid by the
31 employee through payroll deductions, and the age and sex of the
32 employee and each dependent. The plan descriptions and the data shall
33 be submitted in a format and according to a schedule established by the
34 health care authority. After December 31, 2013, school districts shall
35 submit such data as required by the school employees' benefits board to
36 administer the consolidated purchasing of health services.

1 (3) Through December 31, 2013, upon establishment of the school
2 employees' benefits board under section 3 of this act, any benefit
3 provider offering a benefit plan by contract with a school district
4 under subsection (1) of this section shall agree to make available to
5 the school district the benefit plan descriptions and, where available,
6 the demographic information on plan subscribers that the district is
7 required to report to the Washington state health care authority under
8 this section. After December 31, 2013, a benefit provider shall submit
9 such data as required under contract by the school employees' benefits
10 board.

11 (4) ~~((This section shall not apply to benefit plans offered in the~~
12 ~~1989-90 school year))~~ Each school district shall, consistent with the
13 eligibility provisions of section 3 of this act:

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

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

21 (5) Those districts that opt out of the school employees' benefits
22 board consistent with provisions of section 3 of this act, must provide
23 the data requested by the school employees benefits board. If a school
24 district or contractor fails to comply with any reporting requirements
25 established by the board, the office of financial management may
26 withhold state allotted funds from the district.

27 (6) School districts may continue to use brokers for administrative
28 services, and districts that opt out of the school employees' benefits
29 board may continue to use brokers for the procurement of their benefits
30 as well as administrative services. All contract expenses paid to
31 brokers must be reported to the school employees' benefits board.

32 **Sec. 18.** RCW 28A.400.280 and 2011 c 269 s 1 are each amended to
33 read as follows:

34 (1) Except as provided in subsection (2) of this section, school
35 districts may provide employer fringe benefit contributions after
36 October 1, 1990, only for basic benefits. However, school districts

1 may continue payments under contracts with employees or benefit
2 providers in effect on April 13, 1990, until the contract expires.

3 (2) School districts may provide employer contributions after
4 October 1, 1990, for optional benefit plans, in addition to basic
5 benefits(~~(, only for employees included in pooling arrangements under~~
6 ~~this subsection)~~). Optional benefits may include direct agreements as
7 defined in chapter 48.150 RCW, (~~but~~) and may (~~not~~) include employee
8 beneficiary accounts that can be liquidated by the employee on
9 termination of employment. Optional benefit plans may be offered only
10 if:

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

14 (b) ~~Each full-time employee included in the pooling arrangement is~~
15 ~~offered basic benefits, including coverage for dependents, without a~~
16 ~~payroll deduction for premium charges;~~

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

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

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

30 **Sec. 19.** RCW 28A.400.350 and 2011 c 269 s 2 are each amended to
31 read as follows:

32 (1) The board of directors of any of the state's school districts
33 or educational service districts may make available medical, dental,
34 vision, liability, life, (~~health, health care,~~) accident, disability,
35 and salary protection or insurance, direct agreements as defined in
36 chapter 48.150 RCW, or any one of, or a combination of the types of
37 employee benefits enumerated in this subsection, or any other type of

1 insurance or protection, for the members of the boards of directors,
2 the students, and employees of the school district or educational
3 service district, and their dependents. Except as provided in
4 subsection (5) of this section, such coverage may be provided by
5 contracts with private carriers, with the state health care authority
6 (~~after July 1, 1990, pursuant to the approval of the authority~~
7 ~~administrator~~), or through self-insurance or self-funding pursuant to
8 chapter 48.62 RCW, or in any other manner authorized by law. Any
9 direct agreement must comply with RCW 48.150.050.

10 (2)(a) Whenever funds are available for these purposes the board of
11 directors of the school district or educational service district may
12 contribute all or a part of the cost of such protection or insurance
13 for the employees of their respective school districts or educational
14 service districts and their dependents. The premiums on such liability
15 insurance shall be borne by the school district or educational service
16 district.

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

21 (c) Upon implementation of the school employees' benefits board
22 program under section 3 of this act, school district contributions to
23 any employee insurance that is purchased through the health care
24 authority must conform to the requirements established by chapter 41.05
25 RCW and the school employees' benefits board. School district
26 bargaining may include the classification-specific definitions of how
27 many hours an employee must work to be eligible for plan participation
28 and proration of part-time employee contribution. Additional subjects
29 for negotiations are limited to employer and employee contributions to
30 voluntary employee benefit association accounts, health reimbursement
31 arrangements, short-term disability insurance, section 125
32 contributions, and cancer insurance.

33 (3) For school board members, educational service district board
34 members, and students, the premiums due on such protection or insurance
35 shall be borne by the assenting school board member, educational
36 service district board member, or student. The school district or
37 educational service district may contribute all or part of the costs,
38 including the premiums, of life, health, health care, accident or

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

22 (4) All contracts for insurance or protection written to take
23 advantage of the provisions of this section shall provide that the
24 beneficiaries of such contracts may utilize on an equal participation
25 basis the services of those practitioners licensed pursuant to chapters
26 18.22, 18.25, 18.53, 18.57, and 18.71 RCW.

27 (5) The authority to make available medical, dental, and vision
28 insurance to school employees under this section expires upon
29 establishment of the school employees' benefits board under section 3
30 of this act, unless the school employees' benefits board provides an
31 exception to the mandatory participation as established in section 3 of
32 this act. Any school district receiving an exception to participation
33 must continue reporting health care experience and financial data to
34 the health care authority.

35 NEW SECTION. Sec. 20. Other than the selection of insurance plans
36 and premium rates by the board, nothing in sections 3 through 19 of

1 this act may be construed to expand or contract collective bargaining
2 rights or collective bargaining obligations.

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