

SENATE BILL REPORT

SB 6475

As Reported by Senate Committee On:
Ways & Means, February 3, 2016

Title: An act relating to political subdivisions purchasing health coverage through the public employees' benefits board program.

Brief Description: Addressing political subdivisions purchasing health coverage through the public employees' benefits board program.

Sponsors: Senators Dansel, King, Takko and Frockt.

Brief History:

Committee Activity: Ways & Means: 1/25/16, 2/03/16 [DP].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Hill, Chair; Braun, Vice Chair; Dammeier, Vice Chair; Honeyford, Vice Chair, Capital Budget Chair; Keiser, Assistant Ranking Member on the Capital Budget; Ranker, Ranking Minority Member, Operating; Bailey, Becker, Billig, Brown, Conway, Darneille, Hasegawa, Hewitt, Nelson, O'Ban, Padden, Parlette, Pedersen, Rolfes, Schoesler and Warnick.

Staff: Sandy Stith (786-7710)

Background: The Health Care Authority (HCA) administers benefits plans, forms benefits contracts, develops participation rules, and through the Public Employees' Benefit Board (PEBB) approves schedules of rates and premiums for active employee and retired participants. The members of PEBB vote to approve contracts and benefits for the PEBB program.

The PEBB program primarily covers employees and retirees of state agencies and state higher education institutions, and the retirees of school districts and educational service districts. Active employees and pre-Medicare retirees participate in a single medical risk pool, so that the cost of claims, insurance, and risk are shared amongst all employers and employees that participate. Retirees eligible for Medicare participate in a separate risk pool; however, employer cost sharing is significantly different. Medicare absorbs the majority of medical expenses for this group, and other insurance costs are limited by a maximum per

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person retiree cost established in the state biennial operating budget. Currently, this explicit Medicare-eligible retiree subsidy is set at \$150 per Medicare-eligible participant per month.

Subject to the approval of HCA, PEBB may also cover employees of a county, municipality, or other political subdivision of the state, as well as employees of a tribal government, and the Washington Health Benefit Exchange. Currently, in addition to the approximately 109,000 employee subscribers that participate in PEBB from state agencies and higher education institutions, about 2600 school district employees and about 13,000 other local government employees participate in PEBB.

For a county or other non-state governmental entity to join the PEBB system, a contract must be negotiated with HCA and receive HCA approval; HCA has the sole right to reject the application to join PEBB.

Summary of Bill: Counties and political subdivisions with fewer than 5000 employees may join the PEBB health care program upon completion of an application to contract for coverage with HCA.

To account for an increased cost of benefits for the state and for state employees, HCA may develop a rate surcharge applicable to participating counties, municipalities, other political subdivisions, and tribal governments.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: PRO: This is a bill that we worked on last session. The House bill was the vehicle last year. We took the bill that was engrossed last year and took that as a starting point this year and will see if we can get it out this year. We see this bill as an issue of fairness. We believe that counties should have access to benefits just like other entities, like school districts. Particularly for small or rural counties, this gives them an option in the insurance market that they wouldn't otherwise have. We have gone out of our way to make sure there is no fiscal impact. We see this as a tool for counties to give better options and tools to their employees with a lower cost to the tax payer. This bill is about equity, options, and savings. Klickitat County had challenges in getting insurance for its employees because of its experience rating and was looking at 10-12 percent increases per year. This was considered "flat" for the insurance industry, but not for this county. Klickitat County had been turned down several times by PEBB, until last year when it was approved into PEBB. This admittance into PEBB has allowed Klickitat to balance its budget.

Persons Testifying: PRO: Brad Banks, Washington State Association of Counties; Dave Sauter, Klickitat County Commissioner

Persons Signed In To Testify But Not Testifying: No one.