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**HOUSE BILL 2657**

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**State of Washington 65th Legislature 2018 Regular Session**

**By** Representatives Stonier, Bergquist, Ortiz-Self, Haler, Reeves, Pollet, Kilduff, Dolan, Doglio, Stanford, Appleton, Valdez, Wylie, Macri, Johnson, and Santos

AN ACT Relating to the school employees' benefits program; amending RCW 41.05.740, 41.05.011, 41.05.022, 41.05.050, 28A.400.280, and 28A.400.350; adding a new section to chapter 41.05 RCW; and creating a new section.

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

NEW SECTION. **Sec.**  (1) The legislature created the school employees' benefits program during the 2017 legislative session to address concerns about the high costs of health care for those who insure families and those who work part-time in schools. To ensure that the school employees' benefits program delivers on the promise to make health benefits more affordable for school employees and their families, the legislature must provide ample funding for those benefits. The implementation of the school employees' benefits program is contingent upon the legislature providing funding on par with the resources made available for state employee benefits and recognizing the higher costs of providing eligibility for all who work six hundred thirty hours or more per year.

(2) School districts are independent local governments that provide basic education services to students while also responding to local community interests for enhancements beyond the state's definition of basic education. In implementing the school employees' benefits program, the state should also recognize the local discretion of school boards if those boards opt to use local enhancement funding to expand eligibility or to offer optional benefits beyond those offered by the school employees' benefits board. In addition, if school districts can offer similar basic benefit packages for similar costs to employees, those districts should be allowed to remain independent of the school employees' benefits system.

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

(1) School districts, educational service districts, and charter schools are not required to participate in the school employees' benefits program until the following conditions are met:

(a) The monthly insurance benefit allocated to school districts in the biennial omnibus operating budget is funded at a rate that is no less than the monthly employer funding rate that is provided to state agencies for state employee benefits; and

(b) The state funded staffing assumptions for K-12 benefit allocations to districts in the biennial omnibus operating budget are adjusted to ensure that a full monthly benefit is allocated for the proportion of staff, by staffing category, that work six hundred thirty hours or more.

(2) When meeting the standard for parity between the employer funding rate for state agencies and the K-12 benefit rate allocation in subsection (1) of this section, the legislature shall not achieve this equivalent funding by reducing the actuarial value of the health benefit plans offered in the public employees' benefits program below the value of those plans in the 2017-2019 biennium.

**Sec.**  RCW 41.05.740 and 2017 3rd sp.s. c 13 s 801 are each amended to read as follows:

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

(2) By September 30, 2017, the governor shall appoint the following voting members to the board as follows:

(a) ((~~Two~~)) Three members from associations representing certificated employees;

(b) ((~~Two~~)) Three members from associations representing classified employees;

(c) Four members with expertise in employee health benefits policy and administration, one of which is nominated by an association representing school business officials; and

(d) The director of the authority or his or her designee.

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

(4) Compensation and reimbursement policies related to school employees' benefits board member service are as follows:

(a) Members of the board must be compensated in accordance with RCW 43.03.250 and must be reimbursed for their travel expenses while on official business in accordance with RCW 43.03.050 and 43.03.060; and

(b) While school employees' benefits board members are carrying out their powers and duties under this chapter, the service of any certificated or classified employee may result in a need for a substitute in schools during that school employees' benefits board member's service. Payment for such a substitute shall be made by the authority from funds appropriated by the legislature for the school employees' benefits board program. When such substitute cost is paid to the employing school district by the authority, no deduction shall be made from the salary of the certificated or classified employee. In addition, school districts shall not require school employees' benefits board members to use personal leave when carrying out their powers and duties under this chapter.

(5) The director of the authority or his or her designee shall be the chair and another member shall be selected by the board as vice chair. The chair shall conduct meetings of the board. The vice chair shall preside over meetings in the absence of the chair. The board shall develop bylaws for the conduct of its business.

(6) The board shall:

(a) Study all matters connected with the provision of health care coverage, life insurance, liability insurance, accidental death and dismemberment, and disability insurance, or any of, or combination of, the enumerated types of insurance for eligible employees and their dependents on the best basis possible with relation both to the welfare of the employees and the state. However, liability insurance should not be made available to dependents;

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

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

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

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

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

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

(vi) Effective coordination of benefits; and

(vii) Minimum standards for insuring entities;

(c) Authorize premium contributions for an employee and the employee's dependents in a manner that encourages the use of cost-efficient health care systems. For participating employees, the required employee share of the cost for family coverage under a plan may not exceed three times the required employee share of the cost for employee-only coverage;

(d) Determine the terms and conditions of employee and dependent eligibility criteria, enrollment policies, and scope of coverage. At a minimum, the eligibility criteria established by the board shall address the following:

(i) The effective date of coverage following hire;

(ii) ((~~An~~)) The benefits eligibility criteria, but the school employees' benefits board's criteria shall be no more restrictive than requiring that a school employee must be in a position that is anticipated to work at least six hundred thirty hours per year to ((~~qualify for coverage; and~~)) be benefits eligible;

(iii) The ability for school districts to locally negotiate a lower eligibility criteria for those who work less than six hundred thirty hours in a year. A local district that elects to set a lower threshold of hours for benefit eligibility than the school employees' benefits board shall do so as an enrichment to the state's definition of basic education; and

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

(e) Determine the terms and conditions of purchasing system participation, consistent with chapter 13, Laws of 2017 3rd sp. sess., including establishment of criteria for employing districts and individual employees;

(f) Establish penalties to be imposed when the employing district fails to comply with established participation criteria; and

(g) Participate with the authority in the preparation of specifications and selection of carriers contracted for employee benefit plan coverage of eligible employees in accordance with the criteria set forth in rules. To the extent possible, the board shall leverage efficient purchasing by coordinating with the public employees' benefits board.

(7) By November 30, 2021, the authority shall review the benefit plans provided through the school employees' benefits board, complete an analysis of the benefits provided and the administration of the benefits plans, and determine whether provisions in chapter 13, Laws of 2017 3rd sp. sess. have resulted in cost savings to the state. The authority shall submit a report to the relevant legislative policy and fiscal committees summarizing the results of the review and analysis.

**Sec.**  RCW 41.05.011 and 2017 3rd sp.s. c 13 s 802 are each amended to read as follows:

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

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

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

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

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

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

(6)(a) "Employee" for the public employees' benefits board program includes all employees of the state, whether or not covered by civil service; elected and appointed officials of the executive branch of government, including full-time members of boards, commissions, or committees; justices of the supreme court and judges of the court of appeals and the superior courts; and members of the state legislature. Pursuant to contractual agreement with the authority, "employee" may also include: (i) Employees of a county, municipality, or other political subdivision of the state and members of the legislative authority of any county, city, or town who are elected to office after February 20, 1970, if the legislative authority of the county, municipality, or other political subdivision of the state submits application materials to the authority to provide any of its insurance programs by contract with the authority, as provided in RCW 41.04.205 and 41.05.021(1)(g); (ii) employees of employee organizations representing state civil service employees, at the option of each such employee organization; (iii) through December 31, 2019, employees of a school district if the authority agrees to provide any of the school districts' insurance programs by contract with the authority as provided in RCW 28A.400.350; (iv) employees of a tribal government, if the governing body of the tribal government seeks and receives the approval of the authority to provide any of its insurance programs by contract with the authority, as provided in RCW 41.05.021(1) (f) and (g); (v) employees of the Washington health benefit exchange if the governing board of the exchange established in RCW 43.71.020 seeks and receives approval of the authority to provide any of its insurance programs by contract with the authority, as provided in RCW 41.05.021(1) (g) and (n); and (vi) through December 31, 2019, employees of a charter school established under chapter 28A.710 RCW. "Employee" does not include: Adult family home providers; unpaid volunteers; patients of state hospitals; inmates; employees of the Washington state convention and trade center as provided in RCW 41.05.110; students of institutions of higher education as determined by their institution; and any others not expressly defined as employees under this chapter or by the authority under this chapter.

(b) ((~~Effective~~)) Beginning January 1, 2020, subject to section 2 of this act, "employee" for the school employees' benefits board program includes all employees of school districts, educational service districts, and charter schools established under chapter 28A.710 RCW, unless those employees are employed in a district that is exempted from the school employees' benefits board program under RCW 41.05.050(4)(d).

(7) "Employee group" means employees of a similar employment type, such as administrative, represented classified, nonrepresented classified, confidential, represented certificated, or nonrepresented certificated, within a school district.

(8)(a) "Employer" for the public employees' benefits board program means the state of Washington.

(b) "Employer" for the school employees' benefits board program means school districts and educational service districts and charter schools established under chapter 28A.710 RCW, unless the district is exempted from the school employees' benefits board program under RCW 41.05.050(4)(d).

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

(10)(a) "Employing agency" for the public employees' benefits board program means a division, department, or separate agency of state government, including an institution of higher education; a county, municipality, or other political subdivision; charter school; and a tribal government covered by this chapter.

(b) "Employing agency" for the school employees' benefits board program means school districts and educational service districts.

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

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

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

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

(15) "Participant" means an individual who fulfills the eligibility and enrollment requirements under the salary reduction plan.

(16) "Plan year" means the time period established by the authority.

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

(18) "Retired or disabled school employee" means:

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

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

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

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

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

(21) "School employees' benefits board" means the board established in RCW 41.05.740.

(22) "School employees' benefits board participating organization" means a public school district or educational service district or charter school established under chapter 28A.710 RCW that participates in benefit plans provided by the school employees' benefits board.

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

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

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

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

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

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

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

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

**Sec.**  RCW 41.05.022 and 2017 3rd sp.s. c 13 s 804 are each amended to read as follows:

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

(2) On and after January 1, 1995, at least the following state-purchased health services programs shall be merged into a single, community-rated risk pool: Health benefits for groups of employees of school districts and educational service districts that voluntarily purchase health benefits as provided in RCW 41.05.011 through December 31, 2019; health benefits for state employees; health benefits for eligible retired or disabled school employees not eligible for parts A and B of medicare; and health benefits for eligible state retirees not eligible for parts A and B of medicare.

(3) On and after January 1, 2020, subject to section 2 of this act, health benefits for groups of employees of school districts and educational service districts shall be merged into a single, community-rated risk pool separate and distinct from the pool described in subsection (2) of this section.

(4) By December 15, 2018, the health care authority, in consultation with the public employees' benefits board and the school employees' benefits board, shall submit to the appropriate committees of the legislature a complete analysis of the most appropriate risk pool for the retired and disabled school employees, to include at a minimum an analysis of the size of the nonmedicare and medicare retiree enrollment pools, the impacts on cost for state and school district retirees of moving retirees from one pool to another, the need for and the amount of an ongoing retiree subsidy allocation from the active school employees, and the timing and suggested approach for a transition from one risk pool to another.

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

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

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

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

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

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

**Sec.**  RCW 41.05.050 and 2017 3rd sp.s. c 13 s 806 are each amended to read as follows:

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

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

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

(4)(a) Until January 1, 2020 or when the conditions of section 2 of this act are met, the authority shall collect from each participating school district and educational service district an amount equal to the composite rate charged to state agencies, plus an amount equal to the employee premiums by plan and family size as would be charged to state employees, for groups of district employees enrolled in authority plans. The authority may collect these amounts in accordance with the district fiscal year, as described in RCW 28A.505.030.

(b) For all groups of district employees enrolling in authority plans for the first time after September 1, 2003, and until January 1, 2020 or when the conditions of section 2 of this act are met, the authority shall collect from each participating school district an amount equal to the composite rate charged to state agencies, plus an amount equal to the employee premiums by plan and by family size as would be charged to state employees, only if the authority determines that this method of billing the districts will not result in a material difference between revenues from districts and expenditures made by the authority on behalf of districts and their employees. The authority may collect these amounts in accordance with the district fiscal year, as described in RCW 28A.505.030.

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

(d) Beginning January 1, 2020, subject to section 2 of this act, all school districts and educational service districts shall commence participation in the school employees' benefits board program established under RCW 41.05.740. However, if a school district offers benefits through an employee benefit trust and if the benefits offered through that program meet the minimum requirements in this subsection, those districts may offer basic and optional benefits through that employee benefit trust. Any employee benefit trust must provide, at a minimum, basic benefit plans with generally equivalent actuarial value as those offered by the school employees' benefits board and must do so at a generally equivalent cost for individual employees and for employees with family coverage. For purposes of this subsection, "generally equivalent" is defined as within ten percent. In any year in which a school district trust does not meet the minimum requirements of this subsection, the district must bring its benefit program into compliance with the minimum requirements by the beginning of the next school year or transition to the school employees' benefits board if such compliance is not met for the second consecutive year. All school districts and educational service districts, and all district employee groups participating in the public employees' benefits board plans before January 1, 2020, shall thereafter participate in the school employees' benefits board program administered by the authority.

(e) For the purposes of this subsection:

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

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

(f) Notwithstanding this subsection and RCW 41.05.065(4), the authority may allow districts enrolled on a tiered rate structure prior to September 1, 2002, and until January 1, 2020, to continue participation based on the same rate structure and under the same conditions and eligibility criteria.

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

**Sec.**  RCW 28A.400.280 and 2017 3rd sp.s. c 13 s 815 are each amended to read as follows:

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

(2) School districts may provide employer contributions after October 1, 1990, ((~~and until December 31, 2019,~~)) for optional benefit plans, in addition to basic benefits. Optional benefits may include direct agreements as defined in chapter 48.150 RCW, and may include employee beneficiary accounts that can be liquidated by the employee on termination of employment. Optional benefit plans may be offered only if:

(a) Each full-time employee, regardless of the number of dependents receiving basic coverage, receives the same additional employer contribution for other coverage or optional benefits; and

(b) For part-time employees, participation in optional benefit plans shall be governed by the same eligibility criteria and/or proration of employer contributions used for allocations for basic benefits.

(3) School districts are not intended to divert state basic benefit allocations for other purposes((~~, and~~)). Beginning January 1, 2020, ((~~no basic or optional benefits may be provided by employer contributions if they are not provided by~~)) subject to section 2 of this act, school districts must offer basic benefits through the school employees' benefits board administered by the health care authority, and consistent with RCW 41.56.500(2) unless the school district is exempted from that requirement because it offers an employee benefit trust that meets the minimum requirements of RCW 41.05.050(4)(d).

(4) Beginning January 1, 2020, subject to section 2 of this act, unless a school district provides benefits through an employee benefit trust under RCW 41.05.050(4)(d), school districts must use the school employees' benefits board optional benefits if offering categories of optional benefits to employees which are part of the school employees' benefits board offerings. If the school employees' benefits board does not have an equivalent category of optional benefits, an employer may offer those optional benefits outside of the school employees' benefits board. Optional benefits are considered an enhancement to the state's definition of basic education.

**Sec.**  RCW 28A.400.350 and 2017 3rd sp.s. c 13 s 816 are each amended to read as follows:

(1) The board of directors of any of the state's school districts or educational service districts may make available medical, dental, vision, liability, life, accident, disability, and salary protection or insurance, direct agreements as defined in chapter 48.150 RCW, or any one of, or a combination of the types of employee benefits enumerated in this subsection, or any other type of insurance or protection, for the members of the boards of directors, the students, and employees of the school district or educational service district, and their dependents. Except as provided in subsection (6) of this section, such coverage may be provided by contracts or agreements with private carriers, with the state health care authority, or through self-insurance or self-funding pursuant to chapter 48.62 RCW, or in any other manner authorized by law. Any direct agreement must comply with RCW 48.150.050.

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

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

(c) After December 31, 2019, school district contributions to any employee insurance that is purchased through the health care authority must conform to the requirements established by chapter 41.05 RCW and the school employees' benefits board.

(3) For school board members, educational service district board members, and students, the premiums due on such protection or insurance shall be borne by the assenting school board member, educational service district board member, or student. The school district or educational service district may contribute all or part of the costs, including the premiums, of life, health, health care, accident or disability insurance which shall be offered to all students participating in interschool activities on the behalf of or as representative of their school, school district, or educational service district. The school district board of directors and the educational service district board may require any student participating in extracurricular interschool activities to, as a condition of participation, document evidence of insurance or purchase insurance that will provide adequate coverage, as determined by the school district board of directors or the educational service district board, for medical expenses incurred as a result of injury sustained while participating in the extracurricular activity. In establishing such a requirement, the district shall adopt regulations for waiving or reducing the premiums of such coverage as may be offered through the school district or educational service district to students participating in extracurricular activities, for those students whose families, by reason of their low income, would have difficulty paying the entire amount of such insurance premiums. The district board shall adopt regulations for waiving or reducing the insurance coverage requirements for low-income students in order to assure such students are not prohibited from participating in extracurricular interschool activities.

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

(5)(a) Until the creation of the school employees' benefits board under RCW 41.05.740, school districts offering medical, vision, and dental benefits shall:

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

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

(iii) Offer employees at least one health benefit plan that is not a high deductible health plan offered in conjunction with a health savings account in which the employee share of the premium cost for a full-time employee, regardless of whether the employee chooses employee-only coverage or coverage that includes dependents, does not exceed the share of premium cost paid by state employees during the state employee benefits year that started immediately prior to the school year.

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

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

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

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

(6) ((~~The authority to make available basic and optional benefits to school employees under this section expires December 31, 2019.~~)) Beginning January 1, 2020, subject to section 2 of this act, school districts and educational service districts shall make available basic and optional benefits through plans offered by the health care authority and the school employees' benefits board. However, school districts that offer generally equivalent plans, subject to the minimum requirements of RCW 41.05.050(4)(d), may continue to offer basic and optional benefits through an employee benefit trust. In addition, school districts may make available optional benefits that are not offered by the school employees' benefits board.

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