Washington State Health Care Authority

Report to the Legislature

Study on consolidating the PEBB and SEBB programs

Public Employees Benefits Board (PEBB) and School Employees Benefits Board (SEBB) Programs

Engrossed Substitute Senate Bill 5950; Section 212(8); Chapter 376; Laws of 2024

December 1, 2024

Washington State Health Care Authority

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Executive summary

Engrossed Substitute Senate Bill (ESSB) 5950 codified as Chapter 376; Laws of 2024; Section 212 (8); directs the Health Care Authority (HCA) to report on the statutory and program changes required to consolidate the Public Employees Benefits Board (PEBB) and School Employees Benefits Board (SEBB) Programs. The final report is due by December 1, 2024.

The following extract from ESSB 5450 provides the specific requirements of consolidation for the report:

> (8)(a)...(i) The public employees' benefits board and school employees' benefits board into a single governing board;
>
> (ii) The current risks pools described in RCW 41.05.022 (2) and (3);
>
> (iii) The existing eligibility provisions of the PEBB and SEBB programs; and
>
> (iv) Benefit offerings into more aligned plans.
>
> Additionally, ESSB 5450 requires that the report also take into consideration the following:
>
> (b)(i) Ways to engage with impacted participants to understand their priorities related to consolidation;
>
> (ii) Options that maintain benefit eligibility for current participants;
>
> (iii) Options for ensuring equity among participants in a consolidated program; and
>
> (iv) Data and findings from previous reports related to consolidating PEBB and SEBB plans.

Approach

This report builds on numerous reports that have been published since the 1980s about benefit purchasing consolidation. This current report incorporates many of the findings from the most recent **consolidation report from 2020.** Statutory changes needed to achieve the requirements specified in ESSB 5450 are identifed, and potential consolidated board structures are offered for the Legislature's consideration. Finally, this report evaluates the implications for and input from the various stakeholders who we have engaged as part of the report's requirements.

Background

HCA purchases and manages health care and other insurance benefits for more than 385,000 eligible public employees, retirees, continuation coverage members, and their dependents through the Public Employees Benefits Board (PEBB) Program. Additionally, employer groups[1] are eligible to contract with the PEBB Program to provide benefits to employees. Employers who access PEBB Program coverage include state agencies, institutions of higher education, and a variety of public agencies who contract with HCA for these benefits (e.g., counties, municipalities, tribal governments, and political subdivisions). The current PEBB Program structure dates back to the 1980s; prior, state and higher education employee benefits were provided through the Department of Personnel and the State Employee Insurance Board.

On June 30, 2017, Engrossed House Bill (EHB) 2242 created the School Employees Benefits Board (SEBB) Program to design insurance benefit plans for all school employees working for Washington State school districts, educational service districts (ESDs), and charter schools. Legislation passed in 2019, ESHB 2140, delayed implementing coverage for non-represented employees of ESDs until 2024.

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

As of May 2024, the PEBB Program provides medical benefits for around 147,000 employees and 141,000 dependents. Additionally, the PEBB Program provides medical benefits for around 116,000 retirees (from state and K-12 employment) and their dependents. The SEBB Program provides medical benefits for around 133,000 school employees and 147,000 dependents. Combined, the PEBB and SEBB Programs cover around 685,000 lives in medical benefits.

Some public employees choose to waive enrollment in medical benefits and only enroll themselves and their dependents in dental, while school employees may enroll in dental and/or vision. The PEBB Program has around 11,000 employees and dependents who are enrolled in dental benefits only, and the SEBB Program has approximately 59,000 employees and dependents who are enrolled in dental and vision benefits only.

This brings the total number of individuals enrolled in some PEBB or SEBB Program benefits to 755,000.

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

[1] "Employer Groups" as defined by RCW 41.05.011(6) include county, municipalities, or other political subdivisions of the state, organizations representing civil service employees, tribal governments, Washington Health Benefits Exchange, and up until 2019, school districts and charter schools.

Previous legislative reports on consolidation

Prior to 2024, school employee benefits were purchased and administered by more than 300 school districts, ESDs, or charter schools. This approach resulted in wide variance in benefit quality and costs for employee and dependent coverage across the state and within districts.

Noting this variability, the Washington Legislature has commissioned studies since the late 1980s about consolidating school employee benefits into a single program. In 1993, the Legislature passed laws to consolidate benefits for school employees into the PEBB Program. HCA began consolidation implementation for all K-12 employees and retirees, however, the following year the Legislature halted the consolidation efforts that had not yet been completed. This resulted in the PEBB Program providing coverage for K-12 retirees, while active school employees remained in coverage provided by individual school districts. However, school districts were allowed to voluntarily contract with the PEBB Program for employee benefits.

Since then, many studies have been conducted on benefit consolidation. The following summarizes recent legislation and reports.

- **In 2004, the Office of Financial Management (OFM),** evaluated the cost and benefits of encouraging school employee collective bargaining units to choose coverage under the PEBB Program. The report found that the PEBB plans offered greater access and more accurate benefits information, reduced administrative complexity, and offered lower cost plans than school employees' current plans. Although the PEBB Program offered some advantages when compared to the current system, OFM found that significant hurdles existed to making PEBB health plans more attractive to school employees than their current plans.

- **In 2011, the State Auditor's Office** analyzed the school employee health benefit system to determine the current cost and identify opportunities to reduce or contain future costs. This study was a voluntary survey of school districts. Out of 295 districts, 129 responded, representing 68 percent of full-time employees (FTEs) and 42 percent of school districts.
  The report identified a number of changes that would simplify and stabilize the school employee health benefit system. These changes included:
  - Streamlining the system by simplifying the pooling process.
  - Standardizing coverage for more affordable and higher quality medical benefits.
  - Restructuring the health benefit system into a consolidated self-funded system.

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

- **In 2012, Engrossed Substitute Senate Bill (ESSB) 5940** directed HCA, the Joint Legislative Audit and Report Committee, and the Office of the Insurance Commissioner to assess options for consolidating the school employee benefit system. The legislation laid out four goals by which to assess each option. The goals were to:
  1. Improve transparency of health benefit plan claims and financial data.
  2. Create greater affordability for full family coverage, and greater equity between premium costs for full family and employee-only coverage for the same benefit plan.

3. Promote health care innovations and cost savings while significantly reducing administrative costs.
4. Provide greater equity in state allocations for public employee and school employee health benefits.

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

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

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

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

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

- **In 2018, Engrossed Substitute Senate Bill (ESSB) 6241** refined and clarified EHB 2242. This legislation limited monthly health care premiums for full-family coverage to no more than three times the cost for an employee purchasing single coverage, and it clarified the number of hours (630 hours) to be eligible for benefits must be based on the school employee's anticipated work hours.

- **In 2019, Engrossed Substitute House Bill (ESHB) 2140** delayed mandatory participation in SEBB Program benefits for non-represented employees of educational service districts until January 1, 2024.

- **In 2020, Engrossed Substitute House Bill (ESHB) 1109** studied potential cost savings and efficiencies that could be generated by combining the PEBB and SEBB programs. It evaluated whether HCA could achieve operational efficiencies and identified the effects of program consolidation on employer and employee premium costs.

  In the 2020 report, the fiscal analysis of various consolidation scenarios revealed potential for minor or major financial impacts to the state, employers, and employees. For instance, consolidating the PEBB and SEBB risk pools into a single non-Medicare risk pool and aligning the method for calculating employer and employee contributions may result in larger financial impacts. Some of the scenarios could be implemented with or without formal program consolidation, and HCA continued exploring some of these initiatives independently.

  Administrative efficiencies could likely be gained by fully consolidating the PEBB and SEBB Programs, including eligibility; enrollment; plan offerings; communication; the PEB and SEB Boards; risk pools and tier ratios; rate development and premiums; and collective bargaining. However, in the short term there could be additional costs for the state and employers to operationalize these changes. With respect to staff, a fair amount of consolidation between the two Programs has already occurred and the launch of the SEBB Program did *not* include doubling existing staffing levels at HCA. Some efficiencies may be gained by further consolidating the Programs—specifically creating a single board and aligning plan offerings—however the marginal value of these changes is difficult to assess due to the newness of the SEBB Program and limited data available at the time of the study.

Consolidation of the PEBB and SEBB Programs

Consolidation of PEB and SEB Boards

Current Boards' structures

The current structures of the PEB and SEB Boards are established in RCW 41.05.055 and 41.05.740, respectively. Each Board initially consisted of nine members: seven voting and two non-voting. However, as of January 1, 2020, the PEB Board has seven voting members[2] and one non-voting member. Every member is appointed by the Governor to two-year terms. The Director of HCA (or their designee) serves as the chair of each Board. The statutory roles assigned to Board members are listed in Table 1.

Table 1: Current PEB and SEB Board structures

	Public Employees Benefits Board	School Employees Benefits Board
1	**Director of HCA (Chair)**	
2	Benefits management and cost containment	Health benefits policy and administration
3	Benefits management and cost containment	Health benefits policy and administration
4	Benefits management and cost containment	Health benefits policy and administration
5	Benefits management and cost containment (*non-voting*)	Health benefits policy and administration (association of school business officials)
6	State employees	Certificated[3] employees
7	State retirees	Certificated employees
8	School district retirees	Classified[4] employees
9		Classified employees

Boards' authority

The PEB and SEB Boards' authority is largely the same for the populations that they serve, with the specific duties found in RCW 41.05.065 and 41.05.740, respectively. At a high level, both Boards are tasked with developing employee benefit plans, setting the employee premiums for benefits, and determining criteria for eligibility and enrollment for participation benefit plans.

The PEB Board serves employees and their dependents from state agencies, higher education institutions, and PEBB employer groups,[5] while the SEB Board serves employees and their dependents from K-12

[2] RCW 41.05.055(b). Once the SEBB Program launched in 2020, the non-voting PEBB Board member representing school employees was removed.

[3] "Certificated employees" are defined by RCW 28A.150.203(3) as persons who hold certificates as authorized by rule of the Washington professional educator standards board.

[4] "Classified employees" are defined by RCW 28A.150.203(6) as persons who are employed as a paraeducator who does not hold a professional education certificate or is employed in a position that does not require such a certificate.

[5] "Employer groups" for the PEBB Program is defined by RCW 41.05.011(9)(a) and includes counties, municipalities, political subdivisions, the Washington health benefit exchange, tribal governments, and employee organizations representing state civil service employees.

school districts, educational service districts, charter schools, and SEBB employer groups.[6] Additionally, the PEB Board serves the state and K-12 retired or disabled employees and their dependents. Each Board has statutorily defined minimum eligibility requirements for their respective populations and can adopt, by resolution, terms and conditions in addition to the minimum eligibility requirements.

Aside from the differences in the populations served, there are statutory differences between each Board's respective authority as it pertains to what benefits shall or may be offered. The following chart lists the different types of benefits, and whether each board shall or may offer that benefit.

Table 2: PEB and SEB Board authority

Benefit	PEBB authority	SEBB authority
Health care (medical, dental, vision insurance)	RCW 41.05.065(1)	RCW 41.05.740(6)(a)
High deductible medical plan requirement	RCW 41.05.065(7)	--
Life, liability, AD&D, disability	RCW 41.05.065(1)	RCW 41.05.740(6)
Long-term care	RCW 41.05.065(10)	RCW 41.05.745(1)
Emergency transportation	--	RCW 41.05.745(1)
Identity protection	--	RCW 41.05.745(1)
Legal aid	--	RCW 41.05.745(1)
Noncommercial personal automobile insurance	RCW 41.05.065(9)	RCW 41.05.745(1)
Personal homeowner or rental insurance	RCW 41.05.065(9)	RCW 41.05.745(1)
Pet insurance	--	RCW 41.05.745(1)
Fixed payment (i.e. cancer, hospital, pregnancy)	--	RCW 41.05.745(1)
Travel Insurance	--	RCW 41.05.745(1)

Both the PEB and SEB Boards are authorized to provide health care coverage (including medical, dental, and vision), life, liability, accidental death and dismemberment (AD&D), and disability income insurance. The PEB Board is required to offer a high deductible health plan and long-term care plan[7] for the PEBB Program, while the SEB Board may offer a long-term care plan and is not required to offer a high

[6] "Employer groups" for the SEBB Program is defined by RCW 41.05.011(9)(b) and includes employee organizations representing school employees and tribal schools.

[7] While it is required to be offered, there have been no group long-term care insurance plans available to residents in the state of Washington since 2014, which is why the PEBB Program does not currently offer a group Long-term Care benefit.

deductible plan (though SEBB has had a high deductible plan in its portfolio since 2020). Additionally, the SEB Board is authorized, though not required, to offer numerous benefits (see Figure 1) for the SEBB Program which the PEB Board is not likewise authorized.

Additionally, the SEB Board has authority to offer voluntary employees' beneficiary association (VEBA) accounts, though there has been no effort to explore offering this benefit. The PEB Board does not have any authority to offer VEBA, but there is a VEBA benefit offered to state employees via collaborative work between the Office of Financial Management (OFM) and HCA. The authority to offer VEBA benefits could carry forward to a consolidated board, though there would need to be further work to determine how that could work with the existing structure of the VEBA benefit offered in the PEBB Program.

Under a single board, the benefit offerings would combine the current mandatory and optional benefits, maintaining the authority of both Boards.

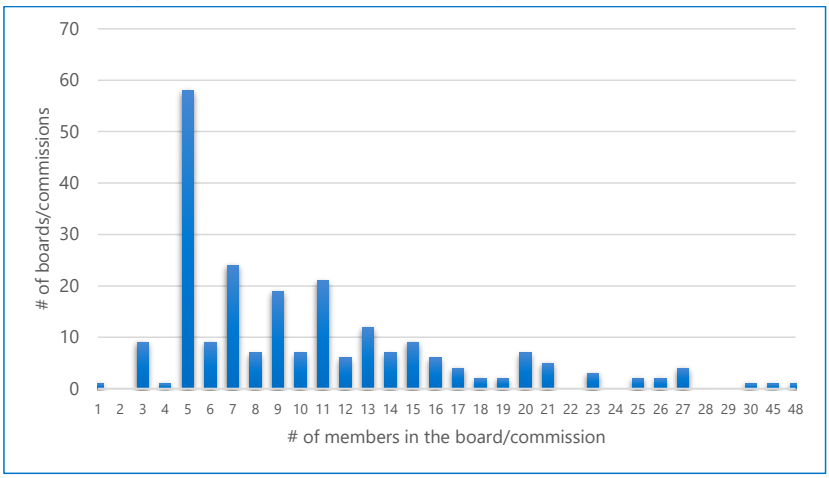
Potential board structures

There are two primary factors when contemplating the structure of a board: how many board members, and who each of the board members represent. In combining the two existing Boards into a single board with representative populations already identified (i.e. state employees, K-12 employees, and retirees), it is assumed that these are the same populations to be represented in the new board. It is also assumed that the number of board members representing populations would be equally balanced by board members that are experts in benefits management, policy, cost containment, and administration. This leaves for consideration the total number of board members and the number of board members representing each population.

Number of board members

There are currently around 230 boards and commissions to which Washington's Governor has appointing authority. These boards and commissions range in size from a single member to 48 members, though the majority of them have between five and 11 members. Additionally, the majority of boards maintain an odd number of boards for purposes of avoiding ties when there is a split vote amongst the voting members.

Figure 1: Washington boards and commissions by number of members



Board representatives

As listed above, the PEB and SEB Boards have two primary types of members: those who represent employees or retirees, and those who have expertise in benefits, administration, and costs. For both Boards, there is an equal number of Board representatives for the two primary types of members, along with the Board chair (HCA's Director or their designee).

In the SEBB employee population, the employees fall into two general categories specifically included in statute: certificated or classified. It is for this reason the SEB Board members represent either certificated or classified employees specifically. This is notable because there is no comparable differentiation for the PEB Board, where there is only a single Board representative for the entirety of the PEBB employee population.

The following table lists the total covered lives enrolled in medical benefits as of May 2024.

Table 3: Number of members in PEBB and SEBB Programs, May 2024

	Subscribers	Dependents	Total Members
PEBB	**128,883**	**158,787**	**287,670**
SEBB	**133,484**	**146,503**	**279,987**
Retirees	**82,603**	**33,059**	**115,662**
Total	**344,970**	**338,349**	**683,319**

The PEBB and SEBB employee populations are relatively comparable in size, with each comprising approximately 40 percent of the total population served by the programs. The retiree population makes up the rest of the population served, or roughly 20 percent.

Note: There is no double-counting in the above chart. PEBB and SEBB subscribers and dependents are limited to a single enrollment in either Program. Both the PEB and SEB Boards, and state statute, allow

only a single enrollment in PEBB or SEBB Program medical, dental, or vision benefits. This limit does not apply to retirees or their dependents, though Medicare rules do not allow for multiple coverages.

Potential board structure options

For the potential board structures for a consolidated board, HCA focused on three options (though there are many variations that could be considered):

- **Combined Representation**:
  - The PEB Board currently has seven members (plus one non-voting member), and the SEB Board has nine members. Since the HCA Director serves as the chair on both boards, combining the number of members would result in a 15-person board (including eliminating the current non-voting member position).
- **Equal Representation**:
  - State employees, K-12 employees, and retirees would each be represented by two board members. With the HCA Director serving as chair, and six benefits, policy, and cost containment board members, this results in a 13-person board.
- **Proportional Representation**:
  - State employees and K-12 employees are each represented by two board members, and retirees are represented by a sole board member. This correlates with the approximate 40 percent/40 percent/20percent split in the total population between state employees, K-12 employees, and retirees. With the HCA Director serving as chair, and five benefits, policy, and cost containment board members, this results in an 11-person board.
  - Note: The number of board members representing the three populations could be doubled, which would result in a 21-person board. This would maintain the current number of board members that are currently representing the K-12 employees and retirees, and would increase the number of board members representing state employees from one to four.

The following table illustrates each of these board structures.

Table 4: Proposed consolidated board structures

	Combined	Equal	Proportional
1	HCA Director	HCA Director	HCA Director
2	Benefits policy and cost containment	Benefits policy and cost containment	Benefits policy and cost containment
3	Benefits policy and cost containment	Benefits policy and cost containment	Benefits policy and cost containment
4	Benefits policy and cost containment	Benefits policy and cost containment	Benefits policy and cost containment
5	Benefits policy and cost containment	Benefits policy and cost containment	Benefits policy and cost containment

6	Benefits policy and cost containment	Benefits policy and cost containment	Benefits policy and cost containment
7	Benefits policy and cost containment	Benefits policy and cost containment	State employees
8	Benefits policy and cost containment	State employees	State employees
9	State employees	State employees	K-12 employees
10	Retirees (state)	K-12 employees	K-12 employees
11	Retirees (K-12)	K-12 employees	Retirees
12	K-12 employees (certificated)	Retirees	
13	K-12 employees (certificated)	Retirees	
14	K-12 employees (classified)		
15	K-12 employees (classified)		

HCA assumes that under any of the options that there would maintain equal representation on the board for benefits policy and cost containment members and representatives of the different populations of members. This would mirror the structure that currently exists for the PEB and SEB Boards.

Additional considerations

Legislation could specify the representation or expertise expected of each member. For example, the representatives of the employee or retiree populations could represent a subset of employees or retirees, namely representatives for K-12 classified and certificated employees, state employees, and both K-12 and state retirees.

The benefits policy- and cost-containment board members could include specific requirements such as: one representative of school business officials (which is a current requirement for the SEB Board); a representative of state agency HR professionals; a representative of higher education business officials; a representative with expertise in health equity or diversity, equity, inclusion, and belonging (DEIB); or a representative associated with the Department of Retirement Systems.

Alternatively, non-voting members could be added to any of the potential board structures. This additional expertise can be useful to the board, providing unique perspectives and insights that can help with board discussions. The current PEB Board has a non-voting benefits management and cost containment member, which serves to help provide additional insights to serve the board.

Aligned benefit offerings

Current benefit portfolios for active non-Medicare employees

The current benefits offered by the PEBB and SEBB Programs for the active employee and non-Medicare retiree populations are substantially similar. Both Boards offer a portfolio of benefits that include medical, dental, vision, life, accidental death and dismemberment (AD&D), and long-term disability (LTD) insurance plans. Additionally, both Programs offer subscribers the option of enrolling in tax-preferred accounts such as a dependent care assistance program (DCAP) or a flexible spending arrangement (FSA).

While the current portfolio of the PEBB and SEBB Programs are substantively aligned in terms of the types of benefits offered, there are two important differences in the authority that each Program has to offer benefits:

- The PEBB Program is required by statute (RCW 41.05.065(10)) to offer long-term care (LTC) as a benefit. However, there has been no *group* LTC plan available in Washington State since 2014, which has resulted in no group LTC benefit being offered by the PEBB Program. The SEBB Program is not required to provide a group LTC product, though it has the authority to offer it as an optional benefit (see below).
    - Note: In 2019, the Long-term Services and Supports (LTSS) Trust Act was enacted, which created the WA Cares Fund that provides long-term care benefits to employees in the state of Washington.
- The SEB Board has additional statutory authority (RCW 41.05.745) to offer to SEBB Program subscribers the following benefits on a self-paid, voluntary basis.[8] When the SEB Board has not yet acted to make any of these additional benefit offerings available in the central state SEBB Program, individual school districts are permitted to secure and offer these benefits to their employees. To date, the SEB Board has not authorized any of these optional benefits:
    - Emergency transportation
    - Identity protection
    - Legal aid
    - Long-term care insurance
    - Noncommercial personal automobile insurance
    - Personal homeowner's or renter's insurance
    - Pet insurance
    - Specified disease or illness-triggered fixed payment insurance, hospital confinement fixed payment insurance, or other fixed payment insurance offered as an independent, non-coordinated benefit regulated by the office of the insurance commissioner
    - Travel insurance
    - Voluntary employees' beneficiary association accounts

Commented [DI1]: We'll need to flag and keep an eye on this footnote. If, for some reason, the bill is already identified by Dec. 1st as NOT being ARL, then we should pull the footnote.

[8] As of the time of this report, HCA is working on agency request legislation for the 2025 legislative session that would extend the same authority to offer optional benefits for the PEB Board.

Medical benefits

For medical benefits, the PEBB and SEBB Programs offer a selection of carriers and plan options for members. Both programs offer different plan types, including health maintenance organizations (HMO), preferred provider organizations (PPO), and high-deductible health plan (HDHP)/consumer directed health plan (CDHP), and accountable care program (ACP) plans. Carriers and the plan types they provide are listed in the following table.

Table 5: PEBB and SEBB Program carriers and plan types

	Carrier	No. of Plans	Plan Type(s)
PEBB Program	Kaiser Northwest	2	HMO, CDHP
	Kaiser Washington	4	HMO, CHDP
	Uniform Medical Plan	4	PPO, CDHP, ACP
SEBB Program	Kaiser Northwest	3	HMO
	Kaiser Washington	4	HMO
	Kaiser WA Options	3	PPO
	Premera	3	HMO, PPO
	Uniform Medical Plan	4	PPO, CDHP, ACP

The employee premiums and other cost-sharing portions of the plans for each Program are comparable. The following table shows the overall range of different employee premiums and cost-sharing portions for the PEBB and SEBB Programs.

Table 6: PEBB and SEBB member cost-shares

	Employee Premium	Deductible	Out-of-Pocket Max	Coinsurance
PEBB Program (subscriber/full family)	$26/$72 to $331/$910	$125/$375 to $1,600/$3,200	$2,000/$4,000 to $5,100/$10,200	10% to 20%
SEBB Program (subscriber/full family)	$21/$63 to $237/$711	$125/$375 to $1,600/$3,200	$2,000/$4,000 to $5,000/$10,000	10% to 30%

In addition to the employee premium, some employees may be subject to the tobacco-use ($25/month) and/or spousal surcharge ($50/month).

Though the range is roughly the same for each Program, there is notable variability within each portfolio. For example, there are more plans on the higher range of deductibles in the SEBB Program portfolio compared to the PEBB Program portfolio. However, there are differences between the tier factors for PEBB and SEBB medical benefits. The term "tier factor" is related to the monthly premium amount a subscriber pays based on the type(s) and number of dependents enrolled.

The four tiers and tier factors for each program are listed in Table 7.

Table 7: Tier factors for PEBB and SEBB Programs

	Tier 1 Subscriber	Tier 2 Subscriber & spouse or state-registered domestic partner	Tier 3 Subscriber & child(ren)	Tier 4 Subscriber, spouse or state registered domestic partner, child(ren)
PEBB Program	1.00	2.00	1.75	2.75
SEBB Program	1.00	2.00	1.75	3.00

Although the descriptions of the tier categories are the same in both Programs, the tier factors are slightly different because the SEBB Program has a statutory requirement of no more than a three-to-one tier factor for full-family coverage (Tier 4) and single coverage (Tier 1) (RCW 41.05.740(6)(c)); no such requirement exists in the PEBB Program.

Dental and vision benefits

For the 2025 plan year[9], the PEBB and SEBB Programs' dental and vision benefits use the same carriers with each carrier offering one plan per program. While the majority of the plans offered between the programs for dental and vision are the same, there is one notable exception: the SEBB Program's Uniform Dental Plan (UDP) includes a waived deductible for children up to age 15; increased plan coverage for crowns and posterior teeth composite fillings; and an increased benefit for nonsurgical treatment of temporomandibular joint (TMJ). This difference is due to how the state chose to fulfill increased benefits funding that was bargained for by the SEBB Health Care Coalition during the 2022 bargaining cycle. The state chose to fulfill its collective bargaining obligations, in part, by increasing benefits coverage in UDP. Otherwise, the rest of the dental and all the vision plans offered are identical for both Programs. Dental and vision plan carriers and plan types are listed in Table 8.

Table 8: PEBB and SEBB dental and vision plan carriers

	Carrier	No. of Plans	Plan Type(s)
PEBB & SEBB Programs dental benefits	DeltaCare	1	HMO
	Uniform Dental Plan	1	PPO
	Willamette Dental	1	HMO
PEBB & SEBB Programs vision benefits	Davis Vision	1	PPO
	EyeMed (administered by MetLife)	1	PPO
	MetLife	1	PPO

[9] Prior to the 2025 plan year, the vision benefit for the PEBB Program was embedded in the medical benefit. The PEB Board voted on changing to a stand-alone benefit starting in 2025 as offerings to individuals in the PEBB non-Medicare risk pool.

For employees in either Program, there is no employee premium for either the dental or vision benefit, regardless of what tier of coverage the employee elects. Non-Medicare retirees that elect to enroll in dental or vision coverage have set premiums that are paid depending on the carrier/plan and tier of coverage elected.

Life, AD&D, and LTD benefits

The PEBB and SEBB Programs' life, AD&D, and LTD insurance benefits have both basic and supplemental coverages. The basic benefits are entirely employer-paid and are non-waivable benefits, while the supplemental coverages are paid by the employee and are optional benefits. MetLife is the carrier for both Programs' life and AD&D benefits, and The Standard is the carrier for both programs' LTD benefit. For life and AD&D, subscribers may enroll in supplemental coverage for themselves and for their dependents; supplemental LTD is only available for subscribers.

The life insurance benefit available in both programs is identical. However, there are a couple of minor differences between the programs when it comes to the LTD benefit:

- The basic (employer-paid) LTD benefit has a maximum monthly benefit of $240 for PEBB Program subscribers; the maximum benefit for SEBB Program subscribers is $400. This is due to a difference in the actuarial risk determined by The Standard for the PEBB and SEBB Programs employee populations.
- In SEBB[10], the supplemental premiums for LTD are tiered by age bands; in PEBB[11] the premiums are only differentiated between the specific retirement plan a subscriber is enrolled in.

Other benefits

In addition to the benefits listed above, the PEBB and SEBB Programs offer other benefits to employees in each Program. For both Programs, HCA maintains separate Salary Reduction Plans as authorized by IRS Code 125 (also known as a "cafeteria plan"), which allows for premiums to be paid with pre-tax monies. It also allows for employees to participate in tax-preferred accounts such as:

- Dependent Care Assistance Program (DCAP)
- Limited Purpose Flexible Spending Arrangement
- Flexible Spending Arrangement

These are optional benefits for employees to enroll in and put pre-tax money into, subject to the different rules and requirements as stated in the Salary Reduction Plans.

Additionally, the PEBB Program has offered group-discounted home and automobile insurance through Liberty Mutual since the late 1990s.

Consolidated benefit portfolio

Given the current alignment between the benefit portfolios between the PEBB and SEBB Programs, a consolidation of the portfolios would result in relatively few changes between the different portfolios. Existing contracts (and underlying procurements that resulted in these contracts) with carriers include

[10] https://www.hca.wa.gov/employee-retiree-benefits/school-employees/long-term-disability-insurance-premiums
[11] https://www.hca.wa.gov/employee-retiree-benefits/public-employees/long-term-disability-insurance-premiums

clauses that contemplate potential consolidation of the PEBB and SEBB Programs, and has contractual language that would allow for the existing contracts to be assumed and continued under a consolidated program. As such, no new procurements would be *required* to maintain existing benefits under a consolidated portfolio, though future procurements would benefit from the increased leverage of the consolidated populations.

Key assumptions of a consolidated benefits portfolio:

- The authority to offer benefits under a consolidated board would include medical, dental, vision, life, AD&D, and LTD as it currently exists.
- Unless a new procurement were held, the consolidated portfolio would offer medical plans from:
    - Kaiser Northwest
    - Kaiser Washington
    - Kaiser Washington Options
    - Premera
    - Uniform Medical Plan
- The tobacco-use and spousal surcharges would remain.
- The DeltaCare and Willamette dental plans would remain the same.
    - The differences between the current PEBB and SEBB Programs' Uniform Dental Plan benefit would be aligned such that the increased plan coverage of the SEBB Program's Uniform Dental Plan would be the plan for the consolidated portfolio.
- The vision plans offered by Davis Vision, EyeMed, and MetLife would remain the same.
- The life and AD&D basic and supplemental coverage would remain the same.
- The LTD basic coverage for current PEBB employees would be increased to $400 (to align with the SEBB Program offering).
- The additional authority that the SEB Board has to offer optional benefits would carry forward to the consolidated board.
- Tier factor alignment (as noted in the *Risk pool* section).

Note: The financial implications of a consolidated portfolio are discussed in greater detail in the section on the consolidation of the active/non-Medicare risk pools below.

Risk pool consolidation

Health insurance risk pools are large groups of individual entities (either individuals or employers) whose medical costs are combined to calculate premiums. The pooling of risk allows the costs of those at higher risk of high health care costs to be supported by those at lower risk. Large pools of similar risk exhibit stable and measurable characteristics that enable actuaries to estimate future costs with an acceptable degree of accuracy. This, in turn, enables actuaries to determine premium levels that will be stable over time, relative to overall trends.

Program demographics

An analysis of enrollment numbers and demographics comparing the PEBB and SEBB Programs shows many similarities and some distinct differences. The enrollment and demographic information shown in the tables below is accurate as of January 2024.

Table 9: Total subscriber/dependent by Program (non-Medicare)

	Enrolled		%		Enrolled
	Subscriber	Dependent	Subscriber	Dependent	Total
PEBB	149,320	141,219	51.4%	48.6%	**290,539**
SEBB	131,834	146,868	47.3%	52.7%	**278,702**
PEBB + SEBB	**281,154**	**288,087**	**49.4%**	**50.6%**	**569,241**

In January of 2024, approximately 53 percent of SEBB Program enrollees were dependents; this is compared to approximately 49 percent in the PEBB program. However, the PEBB Program has approximately 12,000 more total enrollees than the SEBB Program.

Table 10: Medical coverage account enrollment by tier (non-Medicare)

	PEBB		SEBB		All ERB	
Medical Tier	Enrolled	%	Enrolled	%	Enrolled	%
Subscriber	77,470	51.9%	62,475	47.4%	139,945	49.8%
Subscriber + Spouse	22,631	15.2%	16,927	12.8%	39,558	14.1%
Subscriber + Child(ren)	20,671	13.8%	24,767	18.8%	45,438	16.2%
Subscriber + Family	28,548	19.1%	27,665	21.0%	56,213	20.0%
Total	**149,320**	**100.0%**	**131,834**	**100.0%**	**281,154**	**100.0%**

The PEBB Program has a higher proportion of subscriber-only accounts (51.9 percent), while the SEBB Program has a higher proportion of accounts on the Subscriber and Child(ren) tier (18.8 percent). This dynamic is to be expected considering the age demographics noted in Table 11.

Table 11: Members enrolled in medical coverage by age band (non-Medicare)

	PEBB		SEBB		PEBB + SEBB	
Age Band	Enrolled	%	Enrolled	%	Enrolled	%
Under 18	57,969	20.0%	65,567	23.5%	123,536	21.7%
18-25	34,737	12.0%	41,318	14.8%	76,055	13.4%
26-45	90,099	31.0%	75,282	27.0%	165,381	29.1%
46-64	91,903	31.6%	86,442	31.0%	178,345	31.3%
65+	15,831	5.4%	10,093	3.6%	25,924	4.6%
Total	**290,539**	**100.0%**	**278,702**	**100.0%**	**569,241**	**100.0%**

A table displaying the number of enrollees by age band, by Program, is shown above. The SEBB program has a higher percentage of members in the Under 18 age band while the PEBB Program has more members in higher age bands (46-65+). This dynamic could be driven by the PEBB Non-Medicare risk pool's inclusion of non-Medicare early retirees.

Table 12: Members enrolled in medical coverage by gender

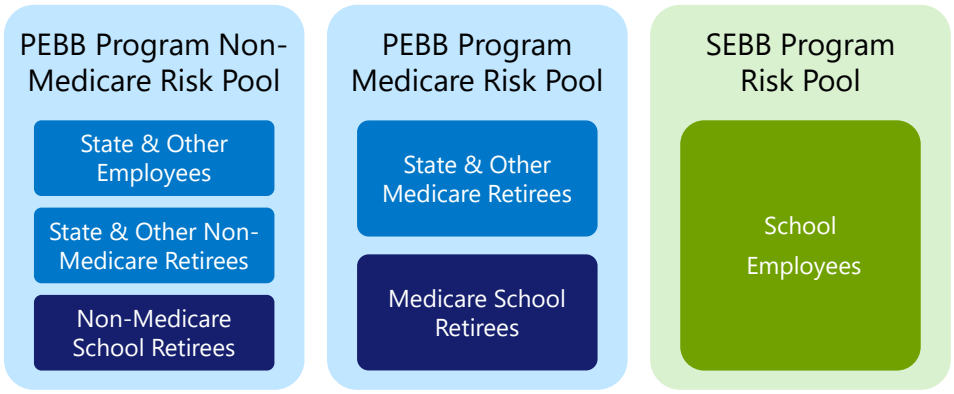
	Enrolled		%		Enrolled	%
ERB Program	Female	Male	Female	Male	Total	Total
PEBB	156,651	133,888	53.9%	46.1%	**290,539**	**100.0%**
SEBB	159,377	119,325	57.2%	42.8%	**278,702**	**100.0%**
All ERB	**316,028**	**253,213**	**55.5%**	**44.5%**	**569,241**	**100.0%**

In general, gender mix is fairly similar; both Programs exhibit higher proportions of females than males; the SEBB Program is approximately 57 percent female, while the PEBB program is approximately 54 percent female.

Risk pool structures

Currently, there are three statutorily authorized health insurance risk pools managed by HCA: the PEBB Program non-Medicare risk pool (RCW 41.05.022(2)), the PEBB Program Medicare risk pool (RCW 41.05.080(3)), and the SEBB Program risk pool (RCW 41.05.022(3). Each of the current risk pools merges statutorily defined populations and is illustrated below (for more information on these populations, see the *Eligibility* section below).

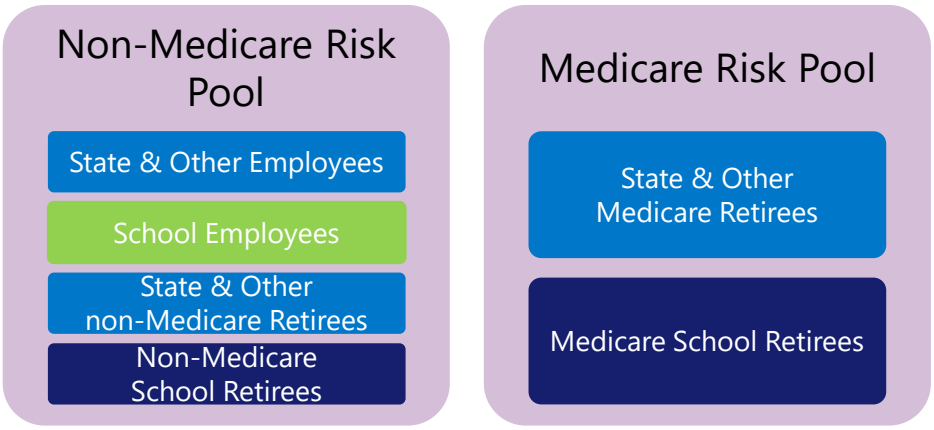
Figure 2: Current risk pool structures



The report requirements call for the consolidation of the "*current risks pools described in RCW 41.05.022 (2) and (3)*", which refers to the PEBB Program non-Medicare and SEBB Program risk pools. The PEBB Medicare risk pool would remain as it is currently defined by RCW 41.05.080(3), and would continue to be under the authority of the singular consolidated board described in the previous section of this report. As

such, under a consolidation of the PEBB and SEBB Programs, there would be two risk pools as illustrated in Figure 3.

Figure 3: Risk pools for consolidated program



Analysis of potential impacts

The impact of the consolidation of the PEBB Program non-Medicare and SEBB Program risk pools was previously analyzed in HCA's 2020 consolidation report[12], which noted that there was very limited expected impact to projected state spending.

This updated analysis of potential fiscal impact of consolidation was conducted by Milliman, one of HCA's contracted actuarial firms. Milliman has supported the PEBB Program for 18 years and the SEBB Program since inception.

Evaluation of Program differences

To develop a fiscal estimate for this report, Milliman first identified which aspects of the risk pools would have a meaningful impact. Three main differences between the PEBB and SEBB Programs were identified and assessed:

- Development of common plan offerings
- Development of tier rating factors
- Development of impacts to a consolidated risk pool

Development of common plan offerings

The PEBB and SEBB Programs offer a selection of carriers and plan options for members to choose from. Both Programs offer different plan types, including health maintenance organizations (HMO), preferred provider organizations (PPO), high-deductible health plan (HDHP)/consumer directed health plan (CDHP),

[12] https://app.leg.wa.gov/ReportsToTheLegislature/Home/GetPDF?fileName=HCA%20Report%20-%20Consolidation%20of%20PEBB%20and%20SEBB_c3019502-33e2-4a8a-80e1-31621ab90d5d.pdf

and accountable care program (ACP) plans. The first step in developing this fiscal analysis was development of assumptions around member plan enrollment. Under a consolidated risk pool structure, Milliman assumed that members will transition to a corresponding plan with common benefits. SEBB members who are enrolled in a plan unique to the current SEBB Program are assumed to remain in those same plans. It is assumed that no new carriers or plans would be introduced to the consolidated risk pool under this modeled scenario. Table 13 illustrates how the plans were grouped together for a consolidated scenario.

Table 13: Consolidated plan pairings

Current Program	Current Plan	Consolidated Plan
SEBB	UMP Achieve 1	UMP 1
PEBB	UMP Select	
SEBB	UMP Achieve 2	UMP 2
PEBB	UMP Classic	
SEBB	UMP HDHP	UMP 3
PEBB	UMP CDHP	
SEBB	UMP Plus	UMP 4
PEBB	UMP Plus	
SEBB	KPNW 1	KPNW 1
SEBB	KPNW 2	KPNW 2
SEBB	KPNW 3	KPNW 3
PEBB	KPNW Classic	
PEBB	KPNW CDHP	KPNW 4
SEBB	KPWA Core 1	KPWA 1
SEBB	KPWA Core 2	KPWA 2
SEBB	KPWA Core 3	KPWA 3
PEBB	KPWA Value	
PEBB	KPWA Classic	KPNW 4
PEBB	KPWA CDHP	KPWA 5
SEBB	KPWA SoundChoice	KPWA 6
PEBB	KPWA SoundChoice	
SEBB	KPWAO Summit PPO 1	KPWAO Summit PPO 1

SEBB	KPWAO Summit PPO 2	KPWAO Summit PPO 2
SEBB	KPWAO Summit PPO 3	KPWAO Summit PPO 3
SEBB	Premera High PPO	Premera High PPO
SEBB	Premera HMO	Premera HMO
SEBB	Premera Standard PPO	Premera Standard PPO

Development of tier rating factors

A "tier factor" is applied to the monthly premium for each plan based on the type of dependents enrolled with each subscriber (e.g. child(ren) or spouse/SRDP). The descriptions of the tier categories are the same in both the PEBB and SEBB Programs; however, the tier factors applied to premiums are slightly different, as demonstrated in the *Tier factors for PEBB and SEBB Programs* table on page 18.

While both Programs currently have the same tier factor for tiers 1-3, the PEBB and SEBB Programs have a different tier factor for tier 4. The SEBB Program has a statutory requirement that limits the tier 4 factor to no more than a three-to-one ratio to single coverage (tier 1) (RCW 41.05.740(6)(c)); no such requirement exists in the PEBB Program.

Two main principles were applied when evaluating the two risk pool tier structures and recommending a structure for the consolidated risk pool:

1. Align the tier factors with the per-subscriber costs as consistently as possible
2. Establish an "additive" structure where the different tier factors could be rationalized based on the number of adults and children on the tier.

To address the first principle, Milliman analyzed relative cost on a per subscriber per month (PSPM) basis for enrollees across all tiers. The study found that relative PSPM costs for tiers 1, 3 and 4 align closely with the current tier factors for the PEBB Program. The PEBB and SEBB modeled costs for tier 2 were more expensive than expected, resulting in a projected tier factor of 2.74 for the subscriber and spouse tier. The higher PSPM costs for tier 2 can be explained by underlying population factors and were quantified using risk normalization. When population factors are accounted for, relative costs for tier 2 aligns with proposed factor described in Table 14. Therefore, Milliman recommends the current tier factor for Tier 2 (2.00) is appropriate to apply under a consolidated scenario.

Table 14: Current PEBB and SEBB tier factors

	Tier 1 Subscriber	Tier 2 Subscriber & spouse/state-registered domestic partner	Tier 3 Subscriber & child(ren)	Tier 4 Subscriber, spouse/state-registered domestic partner & child(ren)
PEBB	1.0	2.0	1.75	2.75
SEBB	1.0	2.0	1.75	3.0

Consolidated	1.0	2.0	1.75	2.75

Because carriers generally target an overall revenue amount for their entire block of membership, this change is assumed to be revenue-neutral by design and it would not affect state spending. The primary impact of this aspect of consolidation would be to SEBB employee premiums which would generally increase for tiers 1-3 and decrease for tier 4; this will not result in an increase in state expenditures.[13] Table 15 illustrates the impact of adjusting tier factors, so the tier 4 factor is applied uniformly (2.75).

Table 15: Tier structure impact – SEBB UMP Achieve 2 (based on CY2025 rates)

	Tier 1 Subscriber	Tier 2 Subscriber & spouse/state-registered domestic partner	Tier 3 Subscriber & child(ren)	Tier 4 Subscriber, spouse/state-registered domestic partner & child(ren)
SEBB tier structure	$125	$250	$219	$375
Proposed tier structure	$129	$258	$226	$355
Difference	**+ $4**	**+ $8**	**+ $7**	**- $20**

Employer medical contribution scenarios

The Employer Medical Contribution (EMC) is the main driver of projected state cost for consolidation of these two risk pools. Based on the calculated EMC, a fixed employer contribution is applied to all premiums across all plan offerings. Therefore, regardless of the member's plan selection, impacts to state cost depend significantly on the projected EMC.

The EMC and associated employer cost is currently, and will continue to be, benchmarked off a single plan. Under both the PEBB and SEBB 2023-25 collective bargaining agreements, the EMC is set at 85 percent of the plan bid rate for the benchmark plan (UMP Classic in PEBB and UMP Achieve 2 in SEBB). Bid rates for the two current benchmark plans vary due to underlying differences in specific cost and risk scores for each plan; the two plans are rated separately under each Program. While nothing in this analysis assumes a change to the EMC methodology described in the collective bargaining agreements for PEBB or SEBB, we do assume that the EMC would be calculated using the new consolidated benchmark plan.

The resulting EMC under a consolidated scenario depends on assumptions regarding the members enrolled in the benchmark plan, their claims cost, and their underlying risk. As a starting point (described in the *Standard scenario* below), members from the two current benchmark plans were assumed to form

[13] Alternatively, if Tier 4 was set at 3.0 then the primary impact of this aspect of consolidation would be to PEBB employee premiums which would generally decrease for tiers 1-3 and increase for tier 4; this would still not result in an increase to state expenditures.

the population for the consolidated program benchmark plan, and the bid rate for this plan is based on the costs and risk scores of the combined population.

Two EMC scenarios were modeled to demonstrate the sensitivity of a resulting EMC; they do not capture the full range of potential impacts that could result from different plan selection scenarios.

1. **Standard scenario** – Based on CY2025 membership and bid rates for PEBB UMP Classic and SEBB Achieve 2. PEBB's UMP Classic has approximately three times the membership of SEBB's Achieve 2; therefore, most of the consolidated benchmark plan membership would come from UMP Classic.
2. **Alternative scenario** – Assumes members switch plans under a consolidated scenario and the mix between the UMP Classic and UMP Achieve 2 is consistent with the membership for the two Programs in CY2025. The resulting benchmark plan membership weights are close to equal between PEBB and SEBB. This scenario does not account for other potential factors that could impact the resulting EMC under an alternative scenario.

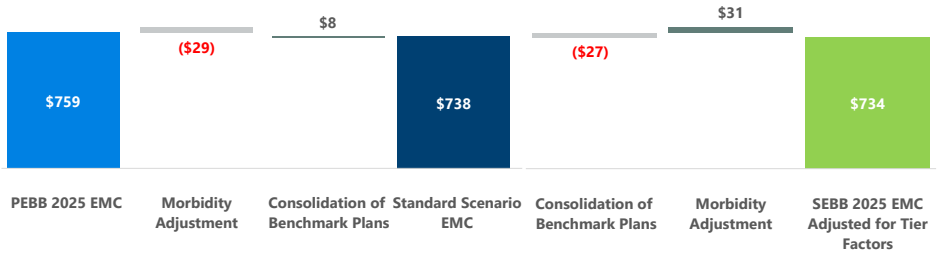
Following consolidation, the near-term membership could align with a Standard EMC enrollment pattern as members will likely stay in a plan they are familiar with. However, it is possible that enrollment aligns closer with the *Alternative scenario* if there are changes to default plan assignments or an active open enrollment that result in additional member switching.

To address each EMC scenario, Milliman applied two key quantitative steps:

Step 1 – Adjust for program specific morbidity: For both programs, rates and underlying claims costs were adjusted to reflect the morbidity level of a consolidated risk pool. Considering the different program specific morbidity levels, the morbidity assumption under a consolidated structure results in downward adjustments to the PEBB bid rates and EMC (-3.8 percent), and upward adjustments to the SEBB bid rates and EMC (+4.4 percent).

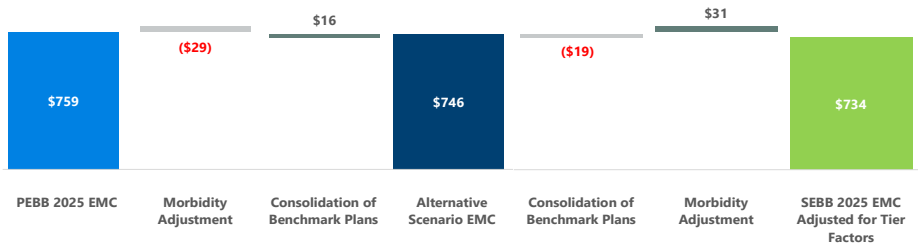
Step 2 – Consolidation of benchmark plans under each scenario: Milliman then consolidated the PEBB and SEBB benchmark plans for each corresponding EMC Scenario.

Figure 4: Standard consolidated EMC scenario



Under the *Standard scenario*, the proportion of PEBB members is higher than the proportion of SEBB members enrolled in the benchmark plan. This results in an EMC ($738) that is more heavily weighted toward PEBB UMP Classic population cost and morbidity attributes than the corresponding population attributes for SEBB UMP Achieve 2. There is an associated assumed decrease in state expenditure because the morbidity-adjusted costs for PEBB ($730 EMC) are lower than the morbidity-adjusted costs for SEBB ($765 EMC).

Figure 5: Alternative consolidated EMC



In the *Alternative Scenario*, benchmark plan membership is more equally distributed between PEBB and SEBB total members enrolled following assumed population switching following consolidation. Program attributes are weighted more consistently under this scenario. The resulting EMC is higher than that projected under the Standard Scenario ($746), but ultimately results in a near-zero impact to estimated annual EMC expenditure when compared to current spend (CY2025).

Table 16 shows an illustrative example of the modeled EMC rates under both scenarios.

Table 16: EMC outcomes

Program	2025 EMC adjusted for consolidated tier factors	Adjusted for morbidity	Consolidated risk pool standard enrollment scenario	Consolidated risk pool alternative enrollment scenario
PEBB	$759	$730	$738	$746
SEBB	$734	$765		

Impacts to total state expenditures and employee contributions

The total costs for both Programs are largely driven by underlying provider contract arrangements. For UMP, the carrier with the highest proportion of enrollment for both Programs, the same set of underlying unit price assumptions inform costs for both Programs. HCA does not have insights into the fully insured carrier provider contract arrangements and are working under the assumption that other carriers also apply contracting consistently across the two Programs. Given these assumptions, there are no significant savings expected to be driven by combining the PEBB and SEBB Programs' risk pools.

The total EMC expenditure approximates the total state spend for active employees in both the PEBB and SEBB risk pools. Table 17: Standard EMC and Table 18: Alternative EMC show total current and projected state (EMC) and employee (EE) premium expenditures for active employees under each consolidated scenario. Other membership types are expected to remain on a self-pay basis and would not impact estimated state expenditures (e.g. employer groups, COBRA, and non-Medicare retirees).

As noted above, membership in the near-term is anticipated to more closely align with the standard scenario of enrollment. Under this scenario, the PEBB EMC would decrease by approximately 2.8 percent ($51.6 million), and the SEBB EMC would increase by approximately 0.7 percent ($13.5 million), resulting in

an aggregate *decrease* in state expenditure (EMC) of 1.0 percent (or approximately $38 million) under a consolidated structure.

The change in employee (EE) premium contributions for PEBB and SEBB state active employees will vary for each plan. In the standard EMC scenario, PEBB EE contributions *decrease* by approximately 1 percent ($2.6 million) and SEBB EE contributions *increase* by 13 percent ($32.7 million), resulting in a total aggregate EE contribution *increase* of 5.5 percent (or approximately $30M) under a consolidated structure.

The combined grand total spend (employer plus employee) will decrease by approximately 0.2 percent (or almost $8 million) (Standard EMC scenario table below) under both EMC scenarios detailed above. While the grand total impact for each program in these two scenarios below is the same, the split between employer cost and employee cost differs in each.

Table 17: Standard EMC scenario

	Current 2025	Consolidated	Change $	Change %
PEBB EMC (State)	$1,866,201,993	$1,814,392,926	-$51,629,067	-2.8%
PEBB EE premiums	$292,366,359	$289,739,715	-$2,626,644	-0.9%
Subtotal	**$2,158,388,352**	**$2,104,132,641**	**-$54,255,711**	**-2.5%**
EBB EMC (state)	$1,902,028,230	$1,915,541,730	$13,513,500	0.7%
SEBB EE premiums	$254,536,471	$287,288,601	$32,752,130	12.9%
Subtotal	**$2,154,564,701**	**$2,202,830,331**	**$46,265,360**	**2.1%**
Grand total	**$4,314,953,053**	**$4,306,962,972**	**-$7,990,081**	**-0.2%**

Under the alternative EMC scenario, the resulting benchmark plan membership weights are close to equal between PEBB and SEBB. Under this scenario, the PEBB EMC would *decrease* by approximately 1.7 percent ($32 million), and the SEBB EMC would *increase* by approximately 1.8 percent ($34 million), resulting in an aggregate *increase* in state expenditure (EMC) of 0.1 percent (or approximately $2.3 million) under a consolidated structure.

Table 18: Alternative EMC Scenario

	Current 2025	Consolidated	Change $	Change %
PEBB EMC (State)	$1,866,201,993	$1,834,061,142	-$31,960,851	-1.7%
PEBB EE Premiums	$292,366,359	$270,071,499	-$22,294,860	-7.6%
Subtotal	**$2,158,388,352**	**$2,104,132,641**	**-$54,255,711**	**-2.5%**
EBB EMC (State)	$1,902,028,230	$1,936,306,410	$34,278,180	1.8%
SEBB EE Premiums	$254,536,471	$266,523,921	$11,987,450	4.7%
Subtotal	**$2,154,564,701**	**$2,202,830,331**	**$46,265,360**	**2.1%**

Grand Total	**$4,314,953,053**	**$4,306,962,972**	**-$7,990,081**	**-0.2%**

The change in employee (EE) premium contributions for PEBB and SEBB state active employees will vary for each plan. In aggregate, PEBB EE contributions are assumed to *decrease* by approximately 7.6 percent ($22 million) and SEBB EE contributions are expected to increase by 4.7 percent ($12 million), resulting in a total aggregate EE contribution *decrease* of 1.9 percent ($10 million) under a consolidated structure.

Other factors not considered in this analysis

- Area factors: The net impact to bid rates is expected to be zero.
- Impact of different waiver assumptions between programs.
- Financial impact to the non-active self-pay groups (e.g. employer groups, COBRA, and non-Medicare retirees). Contributions are paid on a self-pay basis and are based on the full bid rate for each member.

Eligibility

Current eligibility

The PEBB and SEBB Programs have differing eligibility requirements for the populations that each Program serves. The current eligibility framework starts with defining what groups of employers or individuals must or may participate in one of the programs, and then establishes specific eligibility for different types of employees.

The Legislature establishes statutory eligibility criteria, and then leaves it to each Board to determine the terms and conditions for participating in the benefits offered by each respective program. Consolidation of the eligibility criteria into the framework described below will ensure that all the current eligibility criteria for the employees and other eligible subscribers is maintained – with neither expanded nor contracted eligibility for current types of employees.

Eligibility for participating in either the PEBB or SEBB Program is available to specified employers and categories of individuals as defined by statute. Certain employers are required to participate, while other employers or individuals are permitted to participate, but not required to do so. Statute further establishes the eligibility criteria for the employees of those employers that are required to participate.

The employees of the following list of employers are required to participate in the PEBB or SEBB Program:

- PEBB Program Employers (RCW 41.05.011(6)(a)):
  - State of Washington executive branch agencies, boards, commissions, and committees
  - State of Washington public higher education institutions
  - State of Washington legislative branch
  - State of Washington judiciary branch
- SEBB Program Employers (RCW 41.05.011(6)(b):
  - Public K-12 school districts
  - Educational Service Districts
  - Charter Schools

For these employers, the Legislature has established specific eligibility requirements. For the PEBB Program, there are numerous criteria listed in RCW 41.05.065(4)(a)-(k), which establishes eligibility for

general state employees, seasonal state employees, faculty of higher education institutions, legislators, and judges, all of which have different requirements. For the SEBB Program, the eligibility criteria found in RCW 41.05.740(6), grants eligibility for all school employees who work at least 630 hours per school year.

The following individuals and employers (referred to as "employer groups") are permitted, but not required, to participate in the PEBB or SEBB Program.

- PEBB Program:
  - Employer Groups (RCW 41.05.011(9)(a)):
    - County, municipality, or other political subdivision of the state and members of the legislative authority of any county, city, or town
    - Employee organizations representing state civil service employees
    - Tribal government
    - Washington health benefit exchange
  - Individuals
    - Retired or disabled state employees
    - Retired or disabled school employees
    - Retired or disabled employees of employer groups
    - Separated employees (as defined by RCW 41.05.011(25))
    - Surviving dependents of state employees
    - Surviving dependents of emergency personnel killed in the line of duty
    - Formerly elected or appointed officials and legislators
    - School board members
    - Employer groups (as currently defined by RCW 41.05.011(6)(a) & (b)(iv))
    - Retired employees from formerly participating employer groups
- SEBB Program:
  - Employer Groups (RCW 41.05.011(9)(b):
    - Employee organizations representing school employees
    - Tribal schools
  - Individuals:
    - Members of school district's board of directors (RCW 41.05.743)

The employer groups are permitted to participate if they enter into a contract with the HCA, and individuals are permitted to participate subject to the eligibility established by statute.

Beyond the statutorily defined eligibility, each board sets the terms and conditions for participation in each respective program. These terms and conditions take the form of Board resolutions, which are then incorporated into the Program rules (found in WAC 182) and policies.

Consolidated eligibility framework

The following framework would ensure that the eligibility for all impacted populations is maintained under a consolidated program. Certain definitions would be adjusted to establish categorical populations so that current statutes and rules could be combined without changing any eligibility. Specifically, the consolidated program would have three categories: state employees, school employees, and other eligible subscribers.

- **State employees** would consist of:

    - All employees of the state (including higher education institutions)
    - Elected and appointed officials of the executive branch
    - Justices of the supreme court and judges of the court of appeals and superior courts
    - Members of the state Legislature
- **School employees** would consist of all employees of:
    - School districts
    - Educational service districts
    - Charter schools
- **Other eligible subscribers** would consist of:
    - Separated employees
    - Retired or disabled public and school employees
    - Surviving dependents of public and school employees
    - Surviving dependents of emergency personnel killed in the line of duty
    - Formerly elected or appointed officials and legislators
    - School board members
    - Employer groups
    - Retired employees from formerly participating employer groups

With these three categories, all existing eligibility statutes and rules would be consolidated into each respective category. Statutory eligibility would not change for any of the populations, and it is assumed that the new program's board would adopt the same terms and conditions for eligibility.

Equity considerations

Consolidation of the PEBB and SEBB Programs could greatly enhance the equity for the employees and retirees served by these programs. Primary considerations under consolidation are centered around health plan options, provider access, costs, and administration simplification for members. Additionally, there would be enhanced opportunities for leveraging purchasing to implement equity policies and practices.

Based on the assumption that it is likely that there would be more health plans and/or health carriers available to state and K-12 employees through a consolidated program, this would have positive impacts on access to care for all members. This would be especially beneficial in rural areas where some of the existing populations served by either PEBB or SEBB have a smaller number of providers available from which to seek care. The costs for the health plans would no longer differ between the programs, both for the employee premiums and cost-sharing components of each health plan.

In addition to the impacts on access, members would also benefit from a single program from an administrative standpoint. There are significant numbers of families that have eligibility in both programs (i.e. spouses where one spouse works for the state and the other spouse works for a school district). A single program removes the burden of having to sort through two different systems in order to determine what benefit plans work best for each eligible member of a family. Simplifying this process lowers the barrier for members being able to make decisions regarding their health care.

Consolidation could have broader implications for equity beyond direct impacts to members. By having a consolidated program, HCA would have the opportunity to better leverage with the health plan carriers to implement policies and practices focused on improving care, access, and affordability for members.

Stakeholder engagement

Engagement approach

A presentation on the requirements and proposed insights was created to engage with representatives of the impacted populations. Stakeholdering occurred between July 10 and August 16, starting with presentations for the PEB and SEB Boards, followed by a general information session on July 18 for stakeholders, and then seven group stakeholder meetings. The following groups and individuals were directly reached out to and invited to provide written feedback about their perspectives and priorities regarding consolidation:

- Legislative staff from the house and senate
- Union Organizations
    - American Federation of Teachers WA (AFTWA)
    - Association of Washington Superintendents and Principles (AWSP)
    - Local 609 IUOE
    - Public School Employees of WA (PSE)
    - SEIU 1199
    - SEUI 925
    - Teamsters 763
    - Washington Educators Association (WEA)
    - Washington Federation of State Employees (WFSE)
    - Washington State School Directors Association (WSSDA)
- School Districts/Education Service Districts
    - Bellevue School District
    - Central Kitsap Schools
    - Coupeville School District
    - Eatonville School District
    - ESD 112
    - ESD 113
    - Freeman School District
    - Mount Vernon School District
    - North Shore School District
    - Puget Sound ESD
    - Seattle Public Schools
    - Tacoma School District
    - Tonasket School District
    - Vancouver School District
    - Walla Walla Public Schools
    - Yelm School District
- State Agencies, Higher Education Institutions, other Public Employers
    - Adams County
    - Community Transit Authority
    - Department of Children, Youth, and Families
    - Department of Corrections

    - Department of Natural Resources
    - Department of Retirement Systems
    - Department of Social and Health Services
    - Department of Transportation
    - Office of Financial Management
    - University of Washington
    - WA State School for the Blind
    - Washington State University
- Retiree Associations
    - Retired Public Employees Council of Washington (RPEC)
    - Washington State School Retirees Association (WSSRA)
- Other
    - Healthcare for All (HCHF)
    - Healthcare is a Human Right (HCHR)
    - North Seattle Progressives
    - Protec17
    - Puget Sound Advocates for Retirement Action (PSARA)
    - Social Security Works
    - Washington State Alliance for Retired Americans (WSARA)

General feedback from stakeholders

Of the 16 responses received, the most prevalent topic pertained to the structure of the new board. Most comments expressed support for the "combined" or "equal" board structures, while also expressing concerns about the "proportional" board structure. The majority of concerns about the "proportional" board structure had to do with the reduction of retiree representatives from two to one.

Apart from the feedback on the board structure, other feedback included concerns about assuring adequate time, funding, and planning to affect the consolidation of the programs.

Appendix A: Milliman's Washington PEBB and SEBB Program Consolidation Analysis

View a PDF of Milliman's Washington PEBB and SEBB Program Consolidation Analysis.

Appendix B: Statutory changes necessary to achieve consolidation of PEBB and SEBB Programs

View a PDF of the **proposed statutory changes to Chapter 41.05 RCW**.