
ENGROSSED SECOND SUBSTITUTE HOUSE BILL 1566

State of Washington

54th Legislature

1995 Regular Session

By House Committee on Appropriations (originally sponsored by Representative Dyer; by request of Health Care Authority)

Read first time 03/24/95.

1 AN ACT Relating to implementation of health care authority
2 responsibilities; amending RCW 41.05.011, 41.05.022, 41.05.055,
3 41.05.065, 47.64.270, 41.05.021, 41.04.205, and 28A.400.350; reenacting
4 and amending RCW 41.05.075; adding a new section to chapter 28A.400
5 RCW; adding a new section to Title 28C RCW; adding a new section to
6 chapter 74.09 RCW; adding new sections to chapter 41.05 RCW; adding a
7 new section to chapter 28B.50 RCW; adding a new section to Title 43
8 RCW; repealing RCW 41.05.200, 41.05.210, 41.05.240, and 43.72.230;
9 providing an effective date; and declaring an emergency.

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

11 NEW SECTION. **Sec. 1.** A new section is added to chapter 28A.400
12 RCW to read as follows:

13 (1) In a manner prescribed by the state health care authority,
14 school districts and educational service districts shall remit to the
15 health care authority for deposit in the public employees' and
16 retirees' insurance account established in RCW 41.05.120 the amount
17 specified for remittance in the omnibus appropriations act.

18 (2) The remittance requirements specified in this section shall not
19 apply to employees of a school district or educational service district

1 who receive insurance benefits through contracts with the health care
2 authority.

3 **Sec. 2.** RCW 41.05.011 and 1994 c 153 s 2 are each amended to read
4 as follows:

5 Unless the context clearly requires otherwise, the definitions in
6 this section shall apply throughout this chapter.

7 (1) "Administrator" means the administrator of the authority.

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

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

16 (4) "Insuring entity" means an insurer as defined in chapter 48.01
17 RCW, a health care service contractor as defined in chapter 48.44 RCW,
18 or a health maintenance organization as defined in chapter 48.46 RCW.
19 On and after ~~((July 1, 1995))~~ January 1, 1996, "insuring entity" means
20 a ~~((certified health plan))~~ health carrier, as defined in ~~((RCW~~
21 43.72.010~~))~~ chapter 48.43 RCW.

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

26 (6) "Employee" includes all full-time and career seasonal employees
27 of the state, whether or not covered by civil service; elected and
28 appointed officials of the executive branch of government, including
29 full-time members of boards, commissions, or committees; and includes
30 any or all part-time and temporary employees under the terms and
31 conditions established under this chapter by the authority; justices of
32 the supreme court and judges of the court of appeals and the superior
33 courts; and members of the state legislature or of the legislative
34 authority of any county, city, or town who are elected to office after
35 February 20, 1970. "Employee" also includes ~~((:—(a) By October 1,~~
36 ~~1995, all employees of school districts and educational service~~
37 ~~districts. Between October 1, 1994, and September 30, 1995, "employee"~~
38 ~~includes employees of those school districts and educational service~~

1 ~~districts for whom the authority has undertaken the purchase of~~
2 ~~insurance benefits. The transition to insurance benefits purchasing by~~
3 ~~the authority may not disrupt existing insurance contracts between~~
4 ~~school district or educational service district employees and insurers.~~
5 ~~However, except to the extent provided in RCW 28A.400.200, any such~~
6 ~~contract that provides for health insurance benefits coverage after~~
7 ~~October 1, 1995, shall be void as of that date if the contract was~~
8 ~~entered into, renewed, or extended after July 1, 1993. Prior to~~
9 ~~October 1, 1994, "employee" includes employees of a school district if~~
10 ~~the board of directors of the school district seeks and receives the~~
11 ~~approval of the authority to provide any of its insurance programs by~~
12 ~~contract with the authority; (b)) employees of a county, municipality,~~
13 ~~or other political subdivision of the state if the legislative~~
14 ~~authority of the county, municipality, or other political subdivision~~
15 ~~of the state seeks and receives the approval of the authority to~~
16 ~~provide any of its insurance programs by contract with the authority,~~
17 ~~as provided in RCW 41.04.205((; (c) employees of employee organizations~~
18 ~~representing state civil service employees, at the option of each such~~
19 ~~employee organization, and, effective October 1, 1995, employees of~~
20 ~~employee organizations currently pooled with employees of school~~
21 ~~districts for the purpose of purchasing insurance benefits, at the~~
22 ~~option of each such employee organization)), and employees of a school~~
23 district if the board of directors of the school district seeks and
24 receives the approval of the authority to provide any of its insurance
25 programs by contract with the authority as provided in RCW 28A.400.350.

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

28 (8) "Retired or disabled school employee" means:

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

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

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

1 (9) "Benefits contribution plan" means a plan whereby state and
2 public employees may agree to a contribution to benefit costs which
3 will allow the employee to participate in benefits offered pursuant to
4 26 U.S.C. Sec. 125 or other sections of the internal revenue code.

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

6 (11) "Participant" means an individual who fulfills the eligibility
7 and enrollment requirements under the benefits contribution plan.

8 (12) "Plan year" means the time period established by the
9 authority.

10 **Sec. 3.** RCW 41.05.022 and 1994 c 153 s 3 are each amended to read
11 as follows:

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

14 (2)(a) On and after January 1, 1995, at least the following state-
15 purchased health services programs shall be merged into a single,
16 community-rated risk pool: Health benefits for employees of school
17 districts and educational service districts that voluntarily purchase
18 health benefits as provided in RCW 41.05.011; health benefits for state
19 employees; health benefits for eligible retired or disabled school
20 employees not eligible for parts A and B of medicare; and health
21 benefits for eligible state retirees not eligible for parts A and B of
22 medicare. ~~((Beginning July 1, 1995, the basic health plan shall be~~
23 ~~included in the risk pool. The administrator may develop mechanisms to~~
24 ~~ensure that the cost of comparable benefits packages does not vary~~
25 ~~widely across the risk pools before they are merged. At the earliest~~
26 ~~opportunity the governor shall seek necessary federal waivers and state~~
27 ~~legislation to place the medical and acute care components of the~~
28 ~~medical assistance program, the limited casualty program, and the~~
29 ~~medical care services program of the department of social and health~~
30 ~~services in this single risk pool. Long term care services that are~~
31 ~~provided under the medical assistance program shall not be placed in~~
32 ~~the single risk pool until such services have been added to the uniform~~
33 ~~benefits package. On or before January 1, 1997, the governor shall~~
34 ~~submit necessary legislation to place the purchasing of health benefits~~
35 ~~for persons incarcerated in institutions administered by the department~~
36 ~~of corrections into the single community-rated risk pool effective on~~
37 ~~and after July 1, 1997.))~~

1 (b) The voluntary purchase of health benefits by contract with the
2 authority for classified employees of school districts and educational
3 service districts shall not reduce or restrict the benefits obtained or
4 to be obtained pursuant to collective bargaining between the exclusive
5 bargaining representatives of the classified employees and the district
6 employer.

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

9 (a) Require that a public agency that provides subsidies for a
10 substantial portion of services now covered under the basic health plan
11 or a ~~((uniform))~~ standard benefits package ~~((as adopted by the~~
12 ~~Washington health services commission))~~ as provided in ~~((RCW~~
13 ~~43.72.130))~~ chapter 48.43 RCW, use uniform eligibility processes,
14 insofar as may be possible, and ensure that multiple eligibility
15 determinations are not required;

16 (b) Require that a health care provider or a health care facility
17 that receives funds from a public program provide care to state
18 residents receiving a state subsidy who may wish to receive care from
19 them consistent with the provisions of chapter 492, Laws of 1993 as
20 amended, and that a health maintenance organization, health care
21 service contractor, insurer, or ~~((certified health plan))~~ health
22 carrier that receives funds from a public program accept enrollment
23 from state residents receiving a state subsidy who may wish to enroll
24 with them under the provisions of chapter 492, Laws of 1993 as amended;

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

29 (d) Annually suggest changes in state and federal law and rules to
30 bring all publicly funded health programs in compliance with the goals
31 and intent of chapter 492, Laws of 1993 as amended;

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

35 (f) Ensure the control of benefit costs under managed competition
36 by adopting rules to prevent employers from entering into an agreement
37 with employees or employee organizations when the agreement would
38 result in increased utilization in public employees' benefits board
39 plans or reduce the expected savings of managed competition.

1 **Sec. 4.** RCW 41.05.055 and 1994 c 36 s 1 are each amended to read
2 as follows:

3 (1) The public employees' benefits board is created within the
4 authority. The function of the board is to design and approve
5 insurance benefit plans for state employees (~~and school district~~
6 ~~employees~~)).

7 (2) The board shall be composed of (~~nine~~) seven members appointed
8 by the governor as follows:

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

14 (b) (~~Two~~) One representative(~~s~~) of (~~school district employees,~~
15 ~~one of whom shall represent an association of school employees and one~~
16 ~~of whom is retired, and represents~~) an organized group of retired
17 school employees;

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

20 (d) The administrator.

21 (3) The governor shall appoint the initial members of the board to
22 staggered terms not to exceed four years. Members appointed thereafter
23 shall serve two-year terms. Members of the board shall be compensated
24 in accordance with RCW 43.03.250 and shall be reimbursed for their
25 travel expenses while on official business in accordance with RCW
26 43.03.050 and 43.03.060. The board shall prescribe rules for the
27 conduct of its business. The administrator shall serve as chair of the
28 board. Meetings of the board shall be at the call of the chair.

29 **Sec. 5.** RCW 41.05.065 and 1994 c 153 s 5 are each amended to read
30 as follows:

31 (1) The board shall study all matters connected with the provision
32 of health care coverage, life insurance, liability insurance,
33 accidental death and dismemberment insurance, and disability income
34 insurance or any of, or a combination of, the enumerated types of
35 insurance for employees and their dependents on the best basis possible
36 with relation both to the welfare of the employees and to the
37 state(~~(7)~~). However, liability insurance shall not be made available
38 to dependents.

1 (2) The (~~public employees' benefits~~) board shall develop employee
2 benefit plans that include comprehensive health care benefits for all
3 employees. In developing these plans, the board shall consider the
4 following elements:

5 (a) Methods of maximizing cost containment while ensuring access to
6 quality health care;

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

10 (c) Wellness incentives that focus on proven strategies, such as
11 smoking cessation, injury and accident prevention, reduction of alcohol
12 misuse, appropriate weight reduction, exercise, automobile and
13 motorcycle safety, blood cholesterol reduction, and nutrition
14 education;

15 (d) Utilization review procedures including, but not limited to a
16 cost-efficient method for prior authorization of services, hospital
17 inpatient length of stay review, requirements for use of outpatient
18 surgeries and second opinions for surgeries, review of invoices or
19 claims submitted by service providers, and performance audit of
20 providers;

21 (e) Effective coordination of benefits;

22 (f) Minimum standards for insuring entities; and

23 (g) Minimum scope and content of (~~standard~~) public employee
24 benefit plans to be offered to enrollees participating in the employee
25 health benefit plans. On and after (~~July 1, 1995~~) January 1, 1996,
26 the (~~uniform~~) standard benefits package shall constitute the minimum
27 level of health benefits offered to employees. To maintain the
28 comprehensive nature of employee health care benefits, employee
29 eligibility criteria related to the number of hours worked and the
30 benefits provided to employees shall not be (~~substantially~~
31 equivalent) decreased in comparison to the state employees' health
32 benefits plan and eligibility criteria in effect on January 1, 1993.
33 Nothing in this subsection (2)(g) shall prohibit employee point-of-
34 service payments or employee premium payments for benefits.

35 (3) The board shall design benefits and determine the terms and
36 conditions of employee participation and coverage, including
37 establishment of eligibility criteria.

38 (4) (~~The board shall attempt to achieve enrollment of all~~
39 ~~employees and retirees in managed health care systems by July 1994.~~)

1 The board may authorize premium contributions for an employee and
2 the employee's dependents in a manner that encourages the use of cost-
3 efficient managed health care systems.

4 (5) Employees shall choose participation in one of the health care
5 benefit plans developed by the board and may be permitted to waive
6 coverage under terms and conditions established by the board.

7 (6) The board shall review plans proposed by insurance carriers
8 that desire to offer property insurance and/or accident and casualty
9 insurance to state employees through payroll deduction. The board may
10 approve any such plan for payroll deduction by carriers holding a valid
11 certificate of authority in the state of Washington and which the board
12 determines to be in the best interests of employees and the state. The
13 board shall promulgate rules setting forth criteria by which it shall
14 evaluate the plans.

15 **Sec. 6.** RCW 41.05.075 and 1994 sp.s. c 9 s 724, 1994 c 309 s 3,
16 and 1994 c 153 s 6 are each reenacted and amended to read as follows:

17 (1) The administrator shall provide benefit plans designed by the
18 board through a contract or contracts with insuring entities, through
19 self-funding, self-insurance, or other methods of providing insurance
20 coverage authorized by RCW 41.05.140.

21 (2) The administrator shall establish a contract bidding process
22 that:

23 (a) Encourages competition among insuring entities;

24 (b) Maintains an equitable relationship between premiums charged
25 for similar benefits and between risk pools including premiums charged
26 for retired state and school district employees under the separate risk
27 pools established by RCW 41.05.022 and 41.05.080 such that insuring
28 entities may not avoid risk when establishing the premium rates for
29 retirees eligible for medicare;

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

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

32 (3) The administrator shall establish a requirement for review of
33 utilization and financial data from participating insuring entities on
34 a quarterly basis.

35 (4) The administrator shall centralize the enrollment files for all
36 employee and retired or disabled school employee health plans offered
37 under chapter 41.05 RCW and develop enrollment demographics on a plan-
38 specific basis.

1 (5) All claims data shall be the property of the state. The
2 administrator may require of any insuring entity that submits a bid to
3 contract for coverage all information deemed necessary including
4 subscriber or member demographic and claims data necessary for risk
5 assessment and adjustment calculations in order to fulfill the
6 administrator's duties as set forth in this chapter.

7 ~~(6) ((All contracts with insuring entities for the provision of
8 health care benefits shall provide that the beneficiaries of such
9 benefit plans may use on an equal participation basis the services of
10 practitioners licensed pursuant to chapters 18.22, 18.25, 18.32, 18.53,
11 18.57, 18.71, 18.74, 18.83, and 18.79 RCW, as it applies to registered
12 nurses and advanced registered nurse practitioners. However, nothing
13 in this subsection may preclude the administrator from establishing
14 appropriate utilization controls approved pursuant to RCW 41.05.065(2)
15 (a), (b), and (d).~~

16 ~~(7))~~ Beginning in January 1990, and each January thereafter until
17 January 1996, the administrator shall publish and distribute to each
18 school district a description of health care benefit plans available
19 through the authority and the estimated cost if school district
20 employees were enrolled.

21 **Sec. 7.** RCW 47.64.270 and 1993 c 492 s 224 are each amended to
22 read as follows:

23 Until December 31, 1996, absent a collective bargaining agreement
24 to the contrary, the department of transportation shall provide
25 contributions to insurance and health care plans for ferry system
26 employees and dependents, as determined by the state health care
27 authority, under chapter 41.05 RCW; and the ferry system management and
28 employee organizations may collectively bargain for other insurance and
29 health care plans, and employer contributions may exceed that of other
30 state agencies as provided in RCW 41.05.050, subject to RCW 47.64.180.
31 On January 1, 1997, ferry employees shall enroll ~~((in certified health
32 plans))~~ with health carriers under the provisions of chapter 492, Laws
33 of 1993 as amended. To the extent that ferry employees by bargaining
34 unit have absorbed the required offset of wage increases by the amount
35 that the employer's contribution for employees' and dependents'
36 insurance and health care plans exceeds that of other state general
37 government employees in the 1985-87 fiscal biennium, employees shall
38 not be required to absorb a further offset except to the extent the

1 differential between employer contributions for those employees and all
2 other state general government employees increases during any
3 subsequent fiscal biennium. If such differential increases in the
4 1987-89 fiscal biennium or the 1985-87 offset by bargaining unit is
5 insufficient to meet the required deduction, the amount available for
6 compensation shall be reduced by bargaining unit by the amount of such
7 increase or the 1985-87 shortage in the required offset. Compensation
8 shall include all wages and employee benefits.

9 **Sec. 8.** RCW 41.05.021 and 1994 c 309 s 1 are each amended to read
10 as follows:

11 (1) The Washington state health care authority is created within
12 the executive branch. The authority shall have an administrator
13 appointed by the governor, with the consent of the senate. The
14 administrator shall serve at the pleasure of the governor. The
15 administrator may employ up to seven staff members, who shall be exempt
16 from chapter 41.06 RCW, and any additional staff members as are
17 necessary to administer this chapter. The administrator may delegate
18 any power or duty vested in him or her by this chapter, including
19 authority to make final decisions and enter final orders in hearings
20 conducted under chapter 34.05 RCW. The primary duties of the authority
21 shall be to administer state employees' insurance benefits and retired
22 or disabled school employees' insurance benefits, study state-purchased
23 health care programs in order to maximize cost containment in these
24 programs while ensuring access to quality health care, and implement
25 state initiatives, joint purchasing strategies, and techniques for
26 efficient administration that have potential application to all state-
27 purchased health services. The authority's duties include, but are not
28 limited to, the following:

29 (a) To administer health care benefit programs for employees and
30 retired or disabled school employees as specifically authorized in RCW
31 41.05.065 and in accordance with the methods described in RCW
32 41.05.075, 41.05.140, and other provisions of this chapter;

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

37 (i) Creation of economic incentives for the persons for whom the
38 state purchases health care to appropriately utilize and purchase

1 health care services, including the development of flexible benefit
2 plans to offset increases in individual financial responsibility;

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

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

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

13 (v) Development of data systems to obtain utilization data from
14 state-purchased health care programs in order to identify cost centers,
15 utilization patterns, provider and hospital practice patterns, and
16 procedure costs, utilizing the information obtained pursuant to RCW
17 41.05.031;

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

19 (d) To provide information and technical and administrative
20 assistance to the board;

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

27 (f) To appoint a health care policy technical advisory committee as
28 required by RCW 41.05.150;

29 (g) To establish billing procedures and collect funds from school
30 districts and educational service districts under RCW 28A.400.400 in a
31 way that minimizes the administrative burden on districts; and

32 (h) To promulgate and adopt rules consistent with this chapter as
33 described in RCW 41.05.160.

34 (2) On and after ((July)) January 1, ((1995)) 1996, the public
35 employees' benefits board ((shall)) may implement strategies to promote
36 managed competition among employee health benefit plans ((in accordance
37 with the Washington health services commission schedule of employer
38 requirements)). Strategies may include but are not limited to:

39 (a) Standardizing the benefit package;

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

2 (c) Limiting the state's contribution to a percent of the lowest
3 priced qualified plan within a geographical area(~~(. If the state's~~
4 ~~contribution is less than one hundred percent of the lowest priced~~
5 ~~qualified bid, employee financial contributions shall be structured on~~
6 ~~a sliding scale basis related to household income))~~);

7 (d) Monitoring the impact of the approach under this subsection
8 with regards to: Efficiencies in health service delivery, cost shifts
9 to subscribers, access to and choice of managed care plans state-wide,
10 and quality of health services. The health care authority shall also
11 advise on the value of administering a benchmark employer-managed plan
12 to promote competition among managed care plans. The health care
13 authority shall report its findings and recommendations to the
14 legislature by January 1, 1997.

15 (3) The health care authority shall, no later than July 1, 1996,
16 submit to the appropriate committees of the legislature, proposed
17 methods whereby, through the use of a voucher-type process, state
18 employees may enroll with any health carrier to receive employee
19 benefits. Such methods shall include the employee option of
20 participating in a health care savings account, as set forth in Title
21 48 RCW.

22 (4) The joint committee on health systems oversight, if created by
23 law, shall study the necessity and desirability of the health care
24 authority continuing as a self-insuring entity and make recommendations
25 to the appropriate committees of the legislature by December 1, 1996.

26 **Sec. 9.** RCW 41.04.205 and 1993 c 386 s 3 are each amended to read
27 as follows:

28 (1) Notwithstanding the provisions of RCW 41.04.180, the employees,
29 with their dependents, of any county, municipality, or other political
30 subdivision of this state shall be eligible to participate in any
31 insurance or self-insurance program for employees administered under
32 chapter 41.05 RCW if the legislative authority of any such county,
33 municipality, or other political subdivisions of this state determines,
34 subject to collective bargaining under applicable statutes, a transfer
35 to an insurance or self-insurance program administered under chapter
36 41.05 RCW should be made. In the event of a special district employee
37 transfer pursuant to this section, members of the governing authority
38 shall be eligible to be included in such transfer if such members are

1 authorized by law as of June 25, 1976 to participate in the insurance
2 program being transferred from and subject to payment by such members
3 of all costs of insurance for members.

4 (2) When the legislative authority of a county, municipality, or
5 other political subdivision determines to so transfer, the state health
6 care authority shall:

7 (a) Establish the conditions ~~((under which the transfer may be
8 made, which shall include the requirements that:~~

9 ~~(i) All the eligible employees of the political subdivision
10 transfer as a unit, and~~

11 ~~(ii) The political subdivision involved obligate itself to make
12 employer contributions in an amount at least equal to those provided by
13 the state as employer)) for participation; and~~

14 (b) ~~((Hold public hearings on the application for transfer; and
15 (c))~~) Have the sole right to reject the application.

16 Approval of the application by the state health care authority
17 shall effect a transfer of the employees involved to the insurance,
18 self-insurance, or health care program applied for.

19 (3) Any application of this section to members of the law
20 enforcement officers' and fire fighters' retirement system under
21 chapter 41.26 RCW is subject to chapter 41.56 RCW.

22 (4) ~~((The requirements in subsection (2)(a) (i) and (ii) of this
23 section need not be applied to)) School districts may voluntarily
24 transfer, except that all eligible employees in a bargaining unit of a
25 school district may transfer only as a unit and all nonrepresented
26 employees in a district may transfer only as a unit.~~

27 NEW SECTION. Sec. 10. The following acts or parts of acts are
28 each repealed:

29 (1) RCW 41.05.200 and 1993 c 492 s 228;

30 (2) RCW 41.05.210 and 1993 c 492 s 229;

31 (3) RCW 41.05.240 and 1993 c 492 s 468; and

32 (4) RCW 43.72.230 and 1993 c 492 s 465.

33 NEW SECTION. Sec. 11. A new section is added to Title 28C RCW to
34 read as follows:

35 Employees of vocational technical institutes who were members of
36 the public employees' benefits trust and as a result of chapter 238,
37 Laws of 1991, were required to enroll in public employees' benefits

1 board-sponsored plans, may elect to reenroll in the trust by January 1,
2 1996, or the expiration of the current collective bargaining
3 agreements, whichever is later. Employees of a bargaining unit or
4 administrative or managerial employees otherwise not included in a
5 bargaining unit shall be required to transfer by group. Administrative
6 or managerial employees shall transfer in accordance with rules
7 established by the health care authority. If employee groups elect to
8 transfer, they are eligible to reenroll in the public employees'
9 benefits board-sponsored plans in January 2001, and every five years
10 thereafter.

11 NEW SECTION. **Sec. 12.** A new section is added to chapter 74.09 RCW
12 to read as follows:

13 The department of social and health services, in consultation with
14 the state health care authority and appropriate state agencies, shall
15 seek necessary federal waivers and state law changes to the medical
16 assistance program of the department to achieve greater coordination in
17 financing, purchasing, and delivering services to low-income residents
18 of Washington state, and to expand access to care for these low-income
19 residents.

20 NEW SECTION. **Sec. 13.** A new section is added to chapter 41.05 RCW
21 to read as follows:

22 (1) The state of Washington may enter into benefits contribution
23 plans with employees of the state pursuant to the internal revenue
24 code, 26 U.S.C. Sec. 125 for the purpose of making it possible for
25 employees of the state to select on a "before-tax basis" certain
26 taxable and nontaxable benefits pursuant to 26 U.S.C. Sec. 125. The
27 purpose of the benefits contribution plan established in this chapter
28 is to attract and retain individuals in governmental service by
29 permitting them to enter into agreements with the state to provide for
30 benefits pursuant to 26 U.S.C. Sec. 125 and other applicable sections
31 of the internal revenue code.

32 (2) Nothing in the benefits contribution plan constitutes an
33 employment agreement between the participant and the state, and nothing
34 contained in the participant's benefits contribution agreement, the
35 plan, or sections 14 through 20 of this act gives a participant any
36 right to be retained in state employment.

1 NEW SECTION. **Sec. 14.** A new section is added to chapter 41.05 RCW
2 to read as follows:

3 The authority shall have responsibility for the formulation and
4 adoption of a plan, policies, and procedures designed to guide, direct,
5 and administer the benefits contribution plan.

6 (1) A plan document describing the benefits contribution plan shall
7 be adopted and administered by the authority. The authority shall
8 represent the state in all matters concerning the administration of the
9 plan. The state, through the authority, may engage the services of a
10 professional consultant or administrator on a contractual basis to
11 serve as an agent to assist the authority or perform the administrative
12 functions necessary in carrying out the purposes of this act.

13 (2) The authority shall formulate and establish policies and
14 procedures for the administration of the benefits contribution plan
15 that are consistent with existing state law, the internal revenue code,
16 and the regulations adopted by the internal revenue service as they may
17 apply to the benefits offered to participants under the plan.

18 (3) The funds held by the state for the benefits contribution
19 program shall be deposited in the benefits contribution account in the
20 state treasury. Any interest in excess of the amount used to defray
21 the cost of administering the benefits contribution plan shall become
22 a part of the general fund. Unclaimed moneys remaining in the benefits
23 contribution account at the end of a plan year after all timely
24 submitted claims for that plan year have been processed shall become a
25 part of the benefits contribution administrative account. The
26 authority may assess each participant a fee for administering the
27 salary reduction plan. In addition to moneys for initial costs, moneys
28 may be appropriated from the general fund or benefits contribution
29 administrative account for any expense relating to the administration
30 of the benefits contribution plan.

31 (4) The benefits contribution administrative account is created in
32 the state treasury. The authority may periodically bill agencies for
33 employer savings experienced as the result of benefits contribution
34 program participation by employees. All receipts from the following
35 shall be deposited in the account: (a) Charges to agencies for all or
36 a portion of the estimated savings due to reductions in employer
37 contributions under the social security act; (b) charges for other
38 similar savings; (c) unclaimed moneys in the benefits contribution
39 account at the end of the plan year after all timely submitted claims

1 for that plan year have been processed; and (d) fees charged to
2 participants. Moneys in the account may be spent only after
3 appropriation. Expenditures from the account may be used only for any
4 expense related to the administration of the benefits contribution
5 plan.

6 (5) Every action taken by the authority in administering sections
7 13 through 19 of this act shall be presumed to be a fair and reasonable
8 exercise of the authority vested in or the duties imposed upon it. The
9 authority shall be presumed to have exercised reasonable care,
10 diligence, and prudence and to have acted impartially as to all persons
11 interested unless the contrary be proved by clear and convincing
12 affirmative evidence.

13 NEW SECTION. **Sec. 15.** A new section is added to chapter 41.05 RCW
14 to read as follows:

15 (1) Elected officials and all permanent employees of the state are
16 eligible to participate in the benefits contribution plan and
17 contribute amount(s) by agreement with the authority. The authority
18 may adopt rules to permit participation in the plan by temporary
19 employees of the state.

20 (2) Persons eligible under subsection (1) of this section may enter
21 into benefits contribution agreements with the state.

22 (3)(a) In the initial year of the benefits contribution plan, an
23 eligible person may become a participant after the adoption of the plan
24 and before its effective date by agreeing to have a portion of his or
25 her gross salary contributed and deposited into a health care and other
26 benefits account to be used for reimbursement of expenses covered by
27 the plan.

28 (b) After the initial year of the benefits contribution plan, an
29 eligible person may become a participant for a full plan year, with
30 annual benefit selection for each new plan year made before the
31 beginning of the plan year, as determined by the authority, or upon
32 becoming eligible.

33 (c) Once an eligible person elects to participate and the amount of
34 gross salary that he or she shall contribute and the benefit for which
35 the funds are to be used during the plan year is determined, the
36 agreement shall be irrevocable and may not be amended during the plan
37 year except as provided in (d) of this subsection. Prior to making an
38 election to participate in the benefit contribution plan, the eligible

1 person shall be informed in writing of all the benefits and
2 contributions that will occur as a result of such election.

3 (d) The authority shall provide in the benefits contribution plan
4 that a participant may enroll, terminate, or change his or her election
5 after the plan year has begun if there is a significant change in a
6 participant's status, as provided by 26 U.S.C. Sec. 125 and the
7 regulations adopted under that section and defined by the authority.

8 (4) The authority shall establish as part of the benefits
9 contribution plan the procedures for and effect of withdrawal from the
10 plan by reason of retirement, death, leave of absence, or termination
11 of employment. To the extent possible under federal law, the authority
12 shall protect participants from forfeiture of rights under the plan.

13 (5) Any contribution under the benefits contribution plan shall
14 continue to be included as regular compensation for the purpose of
15 computing the state retirement and pension benefits earned by the
16 employee.

17 NEW SECTION. **Sec. 16.** A new section is added to chapter 41.05 RCW
18 to read as follows:

19 The benefits contribution account is established in the state
20 treasury. All fees paid to reimburse participants or service providers
21 pursuant to the provisions of sections 13 through 19 of this act shall
22 be paid from the benefit contribution account.

23 NEW SECTION. **Sec. 17.** A new section is added to chapter 41.05 RCW
24 to read as follows:

25 (1) The authority shall keep or cause to be kept full and adequate
26 accounts and records of the assets, obligations, transactions, and
27 affairs of a salary reduction plan created under section 14 of this
28 act.

29 (2) The authority shall file an annual report of the financial
30 condition, transactions, and affairs of the salary reduction plan under
31 the authority's jurisdiction. A copy of the annual report shall be
32 filed with the speaker of the house of representatives, the president
33 of the senate, the governor, and the state auditor.

34 NEW SECTION. **Sec. 18.** A new section is added to chapter 41.05 RCW
35 to read as follows:

1 (1) The state may terminate the benefits contribution plan at the
2 end of the plan year or upon notification of federal action affecting
3 the status of the plan.

4 (2) The authority may amend the benefits contribution plan at any
5 time if the amendment does not affect the rights of the participants to
6 receive eligible reimbursement from the participants' benefits
7 contribution accounts.

8 NEW SECTION. **Sec. 19.** A new section is added to chapter 41.05 RCW
9 to read as follows:

10 The authority shall adopt rules necessary to implement sections 13
11 through 18 of this act.

12 NEW SECTION. **Sec. 20.** A new section is added to chapter 41.05 RCW
13 to read as follows:

14 Sections 13 through 19 of this act shall be construed to effectuate
15 the purposes of 26 U.S.C. Sec. 125 and other applicable sections of the
16 internal revenue code as required.

17 **Sec. 21.** RCW 28A.400.350 and 1993 c 492 s 226 are each amended to
18 read as follows:

19 (1) The board of directors of any of the state's school districts
20 may make available liability, life, health, health care, accident,
21 disability and salary protection or insurance or any one of, or a
22 combination of the enumerated types of insurance, or any other type of
23 insurance or protection, for the members of the boards of directors,
24 the students, and employees of the school district, and their
25 dependents. Such coverage may be provided by contracts with private
26 carriers, with the state health care authority after July 1, 1990,
27 pursuant to the approval of the authority administrator, or through
28 self-insurance or self-funding pursuant to chapter 48.62 RCW, or in any
29 other manner authorized by law. (~~Except for health benefits purchased
30 with nonstate funds as provided in RCW 28A.400.200, effective on and
31 after October 1, 1995, health care coverage, life insurance, liability
32 insurance, accidental death and dismemberment insurance, and disability
33 income insurance shall be provided only by contracts with the state
34 health care authority.~~)

35 (2) Whenever funds are available for these purposes the board of
36 directors of the school district may contribute all or a part of the

1 cost of such protection or insurance for the employees of their
2 respective school districts and their dependents. The premiums on such
3 liability insurance shall be borne by the school district.

4 After October 1, 1990, school districts may not contribute to any
5 employee protection or insurance other than liability insurance unless
6 the district's employee benefit plan conforms to RCW 28A.400.275 and
7 28A.400.280.

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

31 (4) All contracts for insurance or protection written to take
32 advantage of the provisions of this section shall provide that the
33 beneficiaries of such contracts may utilize on an equal participation
34 basis the services of those practitioners licensed pursuant to chapters
35 18.22, 18.25, 18.53, 18.57, and 18.71 RCW.

36 NEW SECTION. **Sec. 22.** A new section is added to chapter 28B.50
37 RCW to read as follows:

1 (1) In a manner prescribed by the state health care authority,
2 technical colleges who have employees enrolled in a benefits trust
3 shall remit to the health care authority for deposit in the public
4 employees' and retirees' insurance account established in RCW
5 41.05.120:

6 (a) For each full-time employee of the district, an amount equal to
7 four and seven-tenths percent multiplied by the insurance benefit
8 allocation rate in the appropriations act for each employee, for each
9 month of the school year;

10 (b) For each part-time employee of the college who, at the time of
11 the remittance, is employed in an eligible position as defined in RCW
12 41.32.010 or 41.40.010 and is eligible for employer fringe benefit
13 contributions for benefits prescribed by the public employees' benefits
14 board, an amount equal to four and seven-tenths percent multiplied by
15 the insurance benefit allocation rate in the appropriations act, for
16 each month of the year, prorated by the proportion of employer fringe
17 benefit contributions for a full-time employee that the part-time
18 employee receives.

19 (2) The remittance requirements of this section do not apply to
20 employees of a technical college who receive insurance benefits through
21 contracts with the health care authority.

22 (3) The legislature reserves the right to increase or decrease the
23 percent or amount required to be remitted in this section.

24 NEW SECTION. **Sec. 23.** A new section is added to Title 43 RCW to
25 read as follows:

26 For the purpose of accurately describing professional health
27 services purchased by the state, health-related state agencies may
28 develop fee schedules based on billing codes and service descriptions
29 published by the American medical association or the United States
30 federal health care financing administration, or develop agency unique
31 codes and service descriptions.

32 NEW SECTION. **Sec. 24.** This act is necessary for the immediate
33 preservation of the public peace, health, or safety, or support of the
34 state government and its existing public institutions, and shall take
35 effect July 1, 1995.

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