
SUBSTITUTE SENATE BILL 5976

State of Washington

64th Legislature

2015 Regular Session

By Senate Ways & Means (originally sponsored by Senators Litzow, Keiser, Becker, Rivers, Hobbs, Hill, Hatfield, Fain, Baumgartner, McAuliffe, and Dammeier)

READ FIRST TIME 02/27/15.

1 AN ACT Relating to establishing a consolidated purchasing system
2 for public school employees; amending RCW 41.05.011, 41.05.021,
3 41.05.022, 41.05.026, 41.05.050, 41.05.055, 41.05.075, 41.05.130,
4 41.05.143, 41.05.670, 28A.400.270, 28A.400.275, 28A.400.280,
5 28A.400.350, 41.56.500, and 41.59.105; reenacting and amending RCW
6 41.05.120; adding a new section to chapter 41.05 RCW; and creating
7 new sections.

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

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

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

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

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

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

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

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

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

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

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

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

33 (6) Retains local collective bargaining for benefits not
34 otherwise addressed in statewide collective bargaining or through the
35 board which includes representatives of school employee unions.

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

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

5 (2) By September 30, 2015, the governor shall appoint the
6 following voting members to the board as follows:

7 (a) Two members from associations representing district level
8 administrators;

9 (b) Two members from an association representing school boards of
10 directors;

11 (c) Two members from an association representing certificated
12 employees;

13 (d) Two members from an association representing classified
14 employees;

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

18 (f) Two at-large active employees;

19 (g) Two members with expertise in employee health benefits policy
20 and administration, one of which is nominated by an association
21 representing school business officials and one at-large member with
22 expertise in health care policy;

23 (h) The director of the authority or his or her designee;

24 (i) One representative of the office of financial management; and

25 (j) One representative of the office of the superintendent of
26 public instruction.

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

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

33 (5) The board shall select one of its appointed voting members as
34 chair and another voting member as vice chair. The chair shall
35 conduct meetings of the board. The vice chair shall preside over
36 meetings in the absence of the chair.

37 (6) The board shall:

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

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

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

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

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

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

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

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

18 (vi) Effective coordination of benefits; and

19 (vii) Minimum standards for insuring entities;

20 (d) Authorize premium contributions for an employee and the
21 employee's dependents in a manner that encourages the use of cost-
22 efficient health care systems, including:

23 (i) Establishing full-time employee premium contributions for the
24 benchmark plan such that the percentage of marginal dependent
25 premiums paid by the employee is no greater than two and one-half
26 times the percentage of premiums required for employee-only coverage;
27 and

28 (ii) Allowing for proration of the employer contribution for
29 part-time employees;

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

34 (i) The effective date of coverage following hire;

35 (ii) An employee must work at least one-half of a full-time
36 equivalent position to qualify for coverage, except that, through
37 December 31, 2018, the board shall continue to cover part-time
38 employees working less than half-time who were covered prior to
39 January 1, 2014; and

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

6 (f) Determine the terms and conditions of purchasing system
7 participation, consistent with this act, including establishment of
8 criteria for employing agencies and individual employees;

9 (g) Establish penalties to be imposed when the employing agency
10 fails to comply with established participation criteria; and

11 (h) Participate with the authority in the preparation of
12 specifications and selection of carriers contracted for health and
13 dental benefit plan coverage of eligible employees in accordance with
14 the criteria set forth in rules. To the extent possible, the board
15 shall leverage efficient purchasing by coordinating with the public
16 employees' benefits board.

17 (7) In carrying out its duties under subsection (6)(c) through
18 (h) of this section, the goal of the board is to provide high quality
19 health, dental, and other benefit plans for eligible employees and
20 their eligible dependents at a cost affordable to the districts, the
21 employees, and the taxpayers of Washington.

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

25 (9) By November 30, 2020, the authority shall review the benefit
26 plans provided through the board, complete an analysis of the
27 benefits provided and the administration of the benefits plans, and
28 determine whether provisions in this act have resulted in cost
29 savings to the state. The authority shall submit a report to the
30 relevant legislative policy and fiscal committees summarizing the
31 results of the review and analysis.

32 **Sec. 4.** RCW 41.05.011 and 2013 c 2 s 306 are each amended to
33 read as follows:

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

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

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

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

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

7 (5) "Emergency service personnel killed in the line of duty"
8 means law enforcement officers and firefighters as defined in RCW
9 41.26.030, members of the Washington state patrol retirement fund as
10 defined in RCW 43.43.120, and reserve officers and firefighters as
11 defined in RCW 41.24.010 who die as a result of injuries sustained in
12 the course of employment as determined consistent with Title 51 RCW
13 by the department of labor and industries.

14 (6) "Employee" includes all employees of the state, whether or
15 not covered by civil service; effective January 1, 2017, the
16 employees of a school district; elected and appointed officials of
17 the executive branch of government, including full-time members of
18 boards, commissions, or committees; justices of the supreme court and
19 judges of the court of appeals and the superior courts; and members
20 of the state legislature. Pursuant to contractual agreement with the
21 authority, "employee" may also include: (a) Employees of a county,
22 municipality, or other political subdivision of the state and members
23 of the legislative authority of any county, city, or town who are
24 elected to office after February 20, 1970, if the legislative
25 authority of the county, municipality, or other political subdivision
26 of the state seeks and receives the approval of the authority to
27 provide any of its insurance programs by contract with the authority,
28 as provided in RCW 41.04.205 and 41.05.021(1)(g); (b) employees of
29 employee organizations representing state civil service employees, at
30 the option of each such employee organization(~~, and, effective~~
31 ~~October 1, 1995, employees of employee organizations currently pooled~~
32 ~~with employees of school districts for the purpose of purchasing~~
33 ~~insurance benefits, at the option of each such employee~~
34 ~~organization)); (c) through December 31, 2016, employees of a school
35 district if the authority agrees to provide any of the school
36 districts' insurance programs by contract with the authority as
37 provided in RCW 28A.400.350; (d) employees of a tribal government, if
38 the governing body of the tribal government seeks and receives the
39 approval of the authority to provide any of its insurance programs by
40 contract with the authority, as provided in RCW 41.05.021(1) (f) and~~

1 (g); (e) employees of the Washington health benefit exchange if the
2 governing board of the exchange established in RCW 43.71.020 seeks
3 and receives approval of the authority to provide any of its
4 insurance programs by contract with the authority, as provided in RCW
5 41.05.021(1) (g) and (n); and (f) employees of a charter school
6 established under chapter 28A.710 RCW. "Employee" does not include:
7 Adult family homeowners; unpaid volunteers; patients of state
8 hospitals; inmates; employees of the Washington state convention and
9 trade center as provided in RCW 41.05.110; students of institutions
10 of higher education as determined by their institution; and any
11 others not expressly defined as employees under this chapter or by
12 the authority under this chapter.

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

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

18 ((+8)) (9) "Employing agency" means a division, department, or
19 separate agency of state government, including an institution of
20 higher education; a county, municipality, school district,
21 educational service district, or other political subdivision; charter
22 school; and a tribal government covered by this chapter.

23 ((+9)) (10) "Faculty" means an academic employee of an
24 institution of higher education whose workload is not defined by work
25 hours but whose appointment, workload, and duties directly serve the
26 institution's academic mission, as determined under the authority of
27 its enabling statutes, its governing body, and any applicable
28 collective bargaining agreement.

29 ((+10)) (11) "Flexible benefit plan" means a benefit plan that
30 allows employees to choose the level of health care coverage provided
31 and the amount of employee contributions from among a range of
32 choices offered by the authority.

33 ((+11)) (12) "Insuring entity" means an insurer as defined in
34 chapter 48.01 RCW, a health care service contractor as defined in
35 chapter 48.44 RCW, or a health maintenance organization as defined in
36 chapter 48.46 RCW.

37 ((+12)) (13) "Medical flexible spending arrangement" means a
38 benefit plan whereby state ((and public)) employees may reduce their
39 salary before taxes to pay for medical expenses not reimbursed by
40 insurance as provided in the salary reduction plan under this chapter

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

3 ~~((13))~~ (14) "Participant" means an individual who fulfills the
4 eligibility and enrollment requirements under the salary reduction
5 plan.

6 ~~((14))~~ (15) "Plan year" means the time period established by
7 the authority.

8 ~~((15))~~ (16) "Premium payment plan" means a benefit plan whereby
9 state and public employees may pay their share of group health plan
10 premiums with pretax dollars as provided in the salary reduction plan
11 under this chapter pursuant to 26 U.S.C. Sec. 125 or other sections
12 of the internal revenue code.

13 ~~((16))~~ (17) "Retired or disabled school employee" means:

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

17 (b) Persons who separate from employment with a school district,
18 educational service district, or charter school on or after October
19 1, 1993, and immediately upon separation receive a retirement
20 allowance under chapter 41.32, 41.35, or 41.40 RCW;

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

25 ~~((17))~~ (18) "Salary" means a state employee's monthly salary or
26 wages.

27 ~~((18))~~ (19) "Salary reduction plan" means a benefit plan
28 whereby state and public employees may agree to a reduction of salary
29 on a pretax basis to participate in the dependent care assistance
30 program, medical flexible spending arrangement, or premium payment
31 plan offered pursuant to 26 U.S.C. Sec. 125 or other sections of the
32 internal revenue code.

33 ~~((19))~~ (20) "School employees' benefits board" means the board
34 established in section 3 of this act.

35 (21) "School employees' benefits board participating
36 organization" means a public school district or educational service
37 district that participates in benefit plans provided by the school
38 employees' benefits board.

39 (22) "Seasonal employee" means ~~((an))~~ a state employee hired to
40 work during a recurring, annual season with a duration of three

1 months or more, and anticipated to return each season to perform
2 similar work.

3 ~~((+20))~~ (23) "Separated employees" means persons who separate
4 from employment with an employer as defined in:

- 5 (a) RCW 41.32.010(17) on or after July 1, 1996; or
- 6 (b) RCW 41.35.010 on or after September 1, 2000; or
- 7 (c) RCW 41.40.010 on or after March 1, 2002;

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

13 ~~((+21))~~ (24) "State purchased health care" or "health care"
14 means medical and health care, pharmaceuticals, and medical equipment
15 purchased with state and federal funds by the department of social
16 and health services, the department of health, the basic health plan,
17 the state health care authority, the department of labor and
18 industries, the department of corrections, the department of veterans
19 affairs, and local school districts.

20 ~~((+22))~~ (25) "Tribal government" means an Indian tribal
21 government as defined in section 3(32) of the employee retirement
22 income security act of 1974, as amended, or an agency or
23 instrumentality of the tribal government, that has government offices
24 principally located in this state.

25 **Sec. 5.** RCW 41.05.021 and 2012 c 87 s 23 are each amended to
26 read as follows:

27 (1) The Washington state health care authority is created within
28 the executive branch. The authority shall have a director appointed
29 by the governor, with the consent of the senate. The director shall
30 serve at the pleasure of the governor. The director may employ a
31 deputy director, and such assistant directors and special assistants
32 as may be needed to administer the authority, who shall be exempt
33 from chapter 41.06 RCW, and any additional staff members as are
34 necessary to administer this chapter. The director may delegate any
35 power or duty vested in him or her by law, including authority to
36 make final decisions and enter final orders in hearings conducted
37 under chapter 34.05 RCW. The primary duties of the authority shall be
38 to: Administer state employees' insurance benefits and ~~((retired or
39 disabled))~~, subject to school employees' benefits board direction,

1 school employees' insurance benefits; administer the basic health
2 plan pursuant to chapter 70.47 RCW; administer the children's health
3 program pursuant to chapter 74.09 RCW; study state purchased health
4 care programs in order to maximize cost containment in these programs
5 while ensuring access to quality health care; implement state
6 initiatives, joint purchasing strategies, and techniques for
7 efficient administration that have potential application to all
8 state-purchased health services; and administer grants that further
9 the mission and goals of the authority. The authority's duties
10 include, but are not limited to, the following:

11 (a) To administer health care benefit programs for employees and
12 (~~retired or disabled~~), subject to school employees' benefits board
13 direction, school employees as specifically authorized in RCW
14 41.05.065 and section 3 of this act and in accordance with the
15 methods described in RCW 41.05.075, 41.05.140, and other provisions
16 of this chapter;

17 (b) To analyze state purchased health care programs and to
18 explore options for cost containment and delivery alternatives for
19 those programs that are consistent with the purposes of those
20 programs, including, but not limited to:

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

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

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

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

34 (v) Development of data systems to obtain utilization data from
35 state purchased health care programs in order to identify cost
36 centers, utilization patterns, provider and hospital practice
37 patterns, and procedure costs, utilizing the information obtained
38 pursuant to RCW 41.05.031; and

1 (vi) In collaboration with other state agencies that administer
2 state purchased health care programs, private health care purchasers,
3 health care facilities, providers, and carriers:

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

7 (I) Reward improvements in health outcomes for individuals with
8 chronic diseases, increased utilization of appropriate preventive
9 health services, and reductions in medical errors; and

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

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

19 (I) Facilitate diagnosis or treatment;

20 (II) Reduce unnecessary duplication of medical tests;

21 (III) Promote efficient electronic physician order entry;

22 (IV) Increase access to health information for consumers and
23 their providers; and

24 (V) Improve health outcomes;

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

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

30 (d) To provide information and technical and administrative
31 assistance to the board and the school employees' benefits board;

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

38 (f) To review and approve or deny the application when the
39 governing body of a tribal government applies to transfer their
40 employees to an insurance or self-insurance program administered

1 under this chapter. In the event of an employee transfer pursuant to
2 this subsection (1)(f), members of the governing body are eligible to
3 be included in such a transfer if the members are authorized by the
4 tribal government to participate in the insurance program being
5 transferred from and subject to payment by the members of all costs
6 of insurance for the members. The authority shall: (i) Establish the
7 conditions for participation; (ii) have the sole right to reject the
8 application; and (iii) set the premium contribution for approved
9 groups as outlined in RCW 41.05.050. Approval of the application by
10 the authority transfers the employees and dependents involved to the
11 insurance, self-insurance, or health care program approved by the
12 authority;

13 (g) To ensure the continued status of the employee insurance or
14 self-insurance programs administered under this chapter as a
15 governmental plan under section 3(32) of the employee retirement
16 income security act of 1974, as amended, the authority shall limit
17 the participation of employees of a county, municipal, school
18 district, educational service district, or other political
19 subdivision, the Washington health benefit exchange, or a tribal
20 government, including providing for the participation of those
21 employees whose services are substantially all in the performance of
22 essential governmental functions, but not in the performance of
23 commercial activities;

24 (h) To establish billing procedures and collect funds from school
25 districts in a way that minimizes the administrative burden on
26 districts;

27 (i) Through December 31, 2016, to publish and distribute to
28 nonparticipating school districts and educational service districts
29 by October 1st of each year a description of health care benefit
30 plans available through the authority and the estimated cost if
31 school districts and educational service district employees were
32 enrolled;

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

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

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

3 (i) Setting forth the criteria established by the board under RCW
4 41.05.065 and section 3 of this act for determining whether an
5 employee is eligible for benefits;

6 (ii) Establishing an appeal process in accordance with chapter
7 34.05 RCW by which an employee may appeal an eligibility
8 determination;

9 (iii) Establishing a process to assure that the eligibility
10 determinations of an employing agency comply with the criteria under
11 this chapter, including the imposition of penalties as may be
12 authorized by the board;

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

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

19 (iii) To enter into agreements with the department of social and
20 health services for administration of medical care services programs
21 under Titles XIX and XXI of the social security act. The agreements
22 shall establish the division of responsibilities between the
23 authority and the department with respect to mental health, chemical
24 dependency, and long-term care services, including services for
25 persons with developmental disabilities. The agreements shall be
26 revised as necessary, to comply with the final implementation plan
27 adopted under section 116, chapter 15, Laws of 2011 1st sp. sess.;

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

30 (v) To appoint such advisory committees or councils as may be
31 required by any federal statute or regulation as a condition to the
32 receipt of federal funds by the authority. The director may appoint
33 statewide committees or councils in the following subject areas: (A)
34 Health facilities; (B) children and youth services; (C) blind
35 services; (D) medical and health care; (E) drug abuse and alcoholism;
36 (F) rehabilitative services; and (G) such other subject matters as
37 are or come within the authority's responsibilities. The statewide
38 councils shall have representation from both major political parties
39 and shall have substantial consumer representation. Such committees
40 or councils shall be constituted as required by federal law or as the

1 director in his or her discretion may determine. The members of the
2 committees or councils shall hold office for three years except in
3 the case of a vacancy, in which event appointment shall be only for
4 the remainder of the unexpired term for which the vacancy occurs. No
5 member shall serve more than two consecutive terms. Members of such
6 state advisory committees or councils may be paid their travel
7 expenses in accordance with RCW 43.03.050 and 43.03.060 as now
8 existing or hereafter amended;

9 (n) To review and approve or deny the application from the
10 governing board of the Washington health benefit exchange to provide
11 state-sponsored insurance or self-insurance programs to employees of
12 the exchange. The authority shall (i) establish the conditions for
13 participation; (ii) have the sole right to reject an application; and
14 (iii) set the premium contribution for approved groups as outlined in
15 RCW 41.05.050.

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

20 (a) Standardizing the benefit package;

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

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

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

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

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

34 (2) On and after January 1, 1995, at least the following state-
35 purchased health services programs shall be merged into a single,
36 community-rated risk pool: Health benefits for groups of employees of
37 school districts and educational service districts that voluntarily
38 purchase health benefits as provided in RCW 41.05.011 through
39 December 31, 2016; health benefits for state employees; health

1 benefits for eligible retired or disabled school employees not
2 eligible for parts A and B of medicare; and health benefits for
3 eligible state retirees not eligible for parts A and B of medicare.

4 (3) On and after January 1, 2017, health benefits for groups of
5 employees of school districts and educational service districts shall
6 be merged into a single, community-rated risk pool separate and
7 distinct from the pool described in subsection (2) of this section.

8 (4) By December 15, 2015, the health care authority, in
9 consultation with the public employees' benefits board and the school
10 employees' benefits board, shall submit to the appropriate committees
11 of the legislature a complete analysis of the most appropriate risk
12 pool for the retired and disabled school employees, to include at a
13 minimum an analysis of the size of the nonmedicare and medicare
14 retiree enrollment pools, the impacts on cost for state and school
15 district retirees of moving retirees from one pool to another, the
16 need for and the amount of an ongoing retiree subsidy allocation from
17 the active school employees, and the timing and suggested approach
18 for a transition from one risk pool to another.

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

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

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

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

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

38 (e) Ensure the control of benefit costs under managed competition
39 by adopting rules to prevent employers from entering into an
40 agreement with employees or employee organizations when the agreement

1 would result in increased utilization in public employees' benefits
2 board plans or reduce the expected savings of managed competition.

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

5 (1) When soliciting proposals for the purpose of awarding
6 contracts for goods or services, the (~~administrator~~) director
7 shall, upon written request by the bidder, exempt from public
8 inspection and copying such proprietary data, trade secrets, or other
9 information contained in the bidder's proposal that relate to the
10 bidder's unique methods of conducting business or of determining
11 prices or premium rates to be charged for services under terms of the
12 proposal.

13 (2) When soliciting information for the development, acquisition,
14 or implementation of state purchased health care services, the
15 (~~administrator~~) director shall, upon written request by the
16 respondent, exempt from public inspection and copying such
17 proprietary data, trade secrets, or other information submitted by
18 the respondent that relate to the respondent's unique methods of
19 conducting business, data unique to the product or services of the
20 respondent, or to determining prices or rates to be charged for
21 services.

22 (3) Actuarial formulas, statistics, cost and utilization data, or
23 other proprietary information submitted upon request of the
24 (~~administrator~~) director, board, school employees' benefits board,
25 or a technical review committee created to facilitate the
26 development, acquisition, or implementation of state purchased health
27 care under this chapter by a contracting insurer, health care service
28 contractor, health maintenance organization, vendor, or other health
29 services organization may be withheld at any time from public
30 inspection when necessary to preserve trade secrets or prevent unfair
31 competition.

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

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

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

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

18 (2) If the authority at any time determines that the
19 participation of a county, municipal, other political subdivision, or
20 a tribal government covered under this chapter adversely impacts
21 insurance rates for state employees, the authority shall implement
22 limitations on the participation of additional county, municipal,
23 other political subdivisions, or a tribal government.

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

32 (4)(a) Until January 1, 2017, the authority shall collect from
33 each participating school district and educational service district
34 an amount equal to the composite rate charged to state agencies, plus
35 an amount equal to the employee premiums by plan and family size as
36 would be charged to state employees, for groups of district employees
37 enrolled in authority plans. The authority may collect these amounts
38 in accordance with the district fiscal year, as described in RCW
39 28A.505.030.

1 (b) For all groups of district employees enrolling in authority
2 plans for the first time after September 1, 2003, and until January
3 1, 2017, the authority shall collect from each participating school
4 district an amount equal to the composite rate charged to state
5 agencies, plus an amount equal to the employee premiums by plan and
6 by family size as would be charged to state employees, only if the
7 authority determines that this method of billing the districts will
8 not result in a material difference between revenues from districts
9 and expenditures made by the authority on behalf of districts and
10 their employees. The authority may collect these amounts in
11 accordance with the district fiscal year, as described in RCW
12 28A.505.030.

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

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

22 (e) Beginning January 1, 2017, all school districts shall
23 commence participation in the school employees' benefits board
24 program established under section 3 of this act. All school districts
25 and educational service districts, and all district employee groups
26 participating in the public employees' benefits board plans before
27 January 1, 2017, shall thereafter participate in the school
28 employees' benefits board program administered by the authority.

29 (f) For the purposes of this subsection:

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

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

34 (~~(f)~~) (g) Notwithstanding this subsection and RCW 41.05.065(4),
35 the authority may allow districts enrolled on a tiered rate structure
36 prior to September 1, 2002, and until January 1, 2017, to continue
37 participation based on the same rate structure and under the same
38 conditions and eligibility criteria.

39 (5) The authority shall transmit a recommendation for the amount
40 of the employer contribution to the governor and the director of

1 financial management for inclusion in the proposed budgets submitted
2 to the legislature.

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

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

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

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

16 (b) Through December 31, 2016, two representatives of school
17 district employees, one of whom shall represent an association of
18 school employees and one of whom is retired, and represents an
19 organized group of retired school employees. Thereafter, and only
20 while retired school employees are served by the board, only a
21 retired representative shall serve on the board;

22 (c) Four members with experience in health benefit management and
23 cost containment; and

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

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

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

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

3 (1) The (~~administrator~~) director shall provide benefit plans
4 designed by the board and the school employees' benefits board
5 through a contract or contracts with insuring entities, through self-
6 funding, self-insurance, or other methods of providing insurance
7 coverage authorized by RCW 41.05.140. The process of contracting for
8 plans offered by the school employees' benefits board is subject to
9 oversight and direction by the school employees' benefits board.

10 (2) The (~~administrator~~) director, subject to school employees'
11 benefits board direction for plans offered to school employees, shall
12 establish a contract bidding process that:

13 (a) Encourages competition among insuring entities;

14 (b) Maintains an equitable relationship between premiums charged
15 for similar benefits and between risk pools including premiums
16 charged for retired state and school district employees under the
17 separate risk pools established by RCW 41.05.022 and 41.05.080 such
18 that insuring entities may not avoid risk when establishing the
19 premium rates for retirees eligible for medicare;

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

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

23 (3) School districts directly providing medical and dental
24 benefits plans and contracted insuring entities providing medical and
25 dental benefits plans to school districts on December 31, 2014, shall
26 provide the school employees' benefits board and authority specified
27 data by April 1, 2016, to support an initial benefits plans
28 procurement. At a minimum, the data must cover the period January 1,
29 2012, through October 31, 2015, and include:

30 (a) A summary of the benefit packages offered to each group of
31 district employees, including covered benefits, point-of-service
32 cost-sharing, member count, and the group policy number;

33 (b) Aggregated subscriber and member demographic information,
34 including age band and gender, by insurance tier by month and by
35 benefit packages;

36 (c) Monthly total by benefit package, including premiums paid,
37 inpatient facility claims paid, outpatient facility claims paid,
38 physician claims paid, pharmacy claims paid, capitation amounts paid,
39 and other claims paid;

1 (d) A listing for calendar year 2014 of large claims defined as
2 annual amounts paid in excess of one hundred thousand dollars
3 including the amount paid, the member enrollment status, and the
4 primary diagnosis; and

5 (e) A listing of calendar year 2014 allowed claims by provider
6 entity.

7 Any data that may be confidential and contain personal health
8 information may be protected in accordance with a data-sharing
9 agreement.

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

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

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

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

25 (b) Subscriber or member demographic and claims data necessary to
26 implement performance measures or financial incentives related to
27 performance under subsection ((+7)) (8) of this section.

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

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

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

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

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

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

16 (i) Facilitate diagnosis or treatment;

17 (ii) Reduce unnecessary duplication of medical tests;

18 (iii) Promote efficient electronic physician order entry;

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

21 (v) Improve health outcomes;

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

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

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

31 (1) The public employees' and retirees' insurance account is
32 hereby established in the custody of the state treasurer, to be used
33 by the ~~((administrator))~~ director for the deposit of contributions,
34 the remittance paid by school districts and educational service
35 districts under RCW 28A.400.410, reserves, dividends, and refunds,
36 for payment of premiums for employee and retiree insurance benefit
37 contracts and subsidy amounts provided under RCW 41.05.085, and
38 transfers from the ~~((medical))~~ flexible spending administrative
39 account as authorized in RCW 41.05.123. Moneys from the account shall

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

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

14 (3) ((~~During the 2005-07 fiscal biennium, the legislature may~~
15 ~~transfer from the public employees' and retirees' insurance account~~
16 ~~such amounts as reflect the excess fund balance of the fund.~~)) The
17 school employees' insurance account is hereby established in the
18 custody of the state treasurer, to be used by the director for the
19 deposit of contributions, reserves, dividends, and refunds, for
20 payment of premiums for school employee insurance benefit contracts.
21 Moneys from the account shall be disbursed by the state treasurer by
22 warrants on vouchers duly authorized by the director. Moneys from the
23 account may be transferred to a medical flexible spending account to
24 provide reserves and start-up costs for the operation of a medical
25 flexible spending account program.

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

32 **Sec. 12.** RCW 41.05.130 and 2014 c 221 s 914 are each amended to
33 read as follows:

34 (1) The state health care authority administrative account is
35 hereby created in the state treasury. Moneys in the account,
36 including unanticipated revenues under RCW 43.79.270, may be spent
37 only after appropriation by statute, and may be used only for
38 operating expenses of the authority, and during the 2013-2015 fiscal

1 biennium, for health care related analysis provided to the
2 legislature by the office of the state actuary.

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

8 **Sec. 13.** RCW 41.05.143 and 2007 c 507 s 1 are each amended to
9 read as follows:

10 (1) The uniform medical plan benefits administration account is
11 created in the custody of the state treasurer. Only the
12 (~~administrator~~) director or the (~~administrator's~~) director's
13 designee may authorize expenditures from the account. Moneys in the
14 account shall be used exclusively for contracted expenditures for
15 uniform medical plan claims administration, data analysis,
16 utilization management, preferred provider administration, and
17 activities related to benefits administration where the level of
18 services provided pursuant to a contract fluctuate as a direct result
19 of changes in uniform medical plan enrollment. Moneys in the account
20 may also be used for administrative activities required to respond to
21 new and unforeseen conditions that impact the uniform medical plan,
22 but only when the authority and the office of financial management
23 jointly agree that such activities must be initiated prior to the
24 next legislative session.

25 (2) Receipts from amounts due from or on behalf of uniform
26 medical plan enrollees for expenditures related to benefits
27 administration, including moneys disbursed from the public employees'
28 and retirees' insurance account, shall be deposited into the account.
29 The account is subject to allotment procedures under chapter 43.88
30 RCW, but no appropriation is required for expenditures. All proposals
31 for allotment increases shall be provided to the house of
32 representatives appropriations committee and to the senate ways and
33 means committee at the same time as they are provided to the office
34 of financial management.

35 (3) The uniform dental plan benefits administration account is
36 created in the custody of the state treasurer. Only the
37 (~~administrator~~) director or the (~~administrator's~~) director's
38 designee may authorize expenditures from the account. Moneys in the
39 account shall be used exclusively for contracted expenditures related

1 to benefits administration for the uniform dental plan as established
2 under RCW 41.05.140. Receipts from amounts due from or on behalf of
3 uniform dental plan enrollees for expenditures related to benefits
4 administration, including moneys disbursed from the public employees'
5 and retirees' insurance account, shall be deposited into the account.
6 The account is subject to allotment procedures under chapter 43.88
7 RCW, but no appropriation is required for expenditures.

8 (4) The public employees' benefits board medical benefits
9 administration account is created in the custody of the state
10 treasurer. Only the ~~((administrator))~~ director or the
11 ~~((administrator's))~~ director's designee may authorize expenditures
12 from the account. Moneys in the account shall be used exclusively for
13 contracted expenditures related to claims administration, data
14 analysis, utilization management, preferred provider administration,
15 and other activities related to benefits administration for self-
16 insured medical plans other than the uniform medical plan. Receipts
17 from amounts due from or on behalf of enrollees for expenditures
18 related to benefits administration, including moneys disbursed from
19 the public employees' and retirees' insurance account, shall be
20 deposited into the account. The account is subject to allotment
21 procedures under chapter 43.88 RCW, but an appropriation is not
22 required for expenditures.

23 (5) The school employees' benefits board medical benefits
24 administration account is created in the custody of the state
25 treasurer. Only the director or the director's designee may authorize
26 expenditures from the account. Moneys in the account shall be used
27 exclusively for contracted expenditures related to claims
28 administration, data analysis, utilization management, preferred
29 provider administration, and other activities related to benefits
30 administration for self-insured medical plans other than the uniform
31 medical plan. Receipts from amounts due from or on behalf of
32 enrollees for expenditures related to benefits administration,
33 including moneys disbursed from the school employees' insurance
34 account, shall be deposited into the account. The account is subject
35 to allotment procedures under chapter 43.88 RCW, but no appropriation
36 is required for expenditures.

37 (6) A self-insured dental plan benefits administration account is
38 created in the custody of the state treasurer. Only the director or
39 the director's designee may authorize expenditures from the account.
40 Moneys in the account shall be used exclusively for contracted

1 expenditures related to benefits administration for a self-insured
2 dental plan as established under RCW 41.05.140. Receipts from amounts
3 due from or on behalf of a self-insured dental plan enrollees for
4 expenditures related to benefits administration, including moneys
5 disbursed from the school employees' insurance account, shall be
6 deposited into the account. The account is subject to allotment
7 procedures under chapter 43.88 RCW, but no appropriation is required
8 for expenditures.

9 **Sec. 14.** RCW 41.05.670 and 2011 c 316 s 6 are each amended to
10 read as follows:

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

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

19 (3) For the purposes of this section, "chronic care
20 management((τ))" and "health home" have the same meaning as in RCW
21 74.09.010.

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

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

33 (6) The school employees' benefits board, under section 3 of this
34 act, shall implement the provisions of this section, effective
35 January 1, 2017.

36 **Sec. 15.** RCW 28A.400.270 and 1990 1st ex.s. c 11 s 4 are each
37 amended to read as follows:

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

3 (1) "School district employee benefit plan" means the overall
4 plan used by the district for distributing fringe benefit subsidies
5 to employees, including the method of determining employee coverage
6 (~~and the amount of employer contributions, as well as the~~
7 ~~characteristics of benefit providers and the specific benefits or~~
8 ~~coverage offered)). It shall not include coverage offered to district
9 employees for which there is no contribution from public funds.~~

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

15 (3) "Basic benefits" (~~are determined through local bargaining~~
16 ~~and~~) are limited to medical, dental, vision, group term life, and
17 group long-term disability insurance coverage.

18 (4) "Benefit providers" include insurers, third party claims
19 administrators, direct providers of employee fringe benefits, health
20 maintenance organizations, health care service contractors, and the
21 Washington state health care authority or any plan offered by the
22 authority.

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

27 (6) "Group long-term disability insurance coverage" means long-
28 term disability insurance coverage provided for, at a minimum, all
29 full-time employees in a bargaining unit or all full-time
30 nonbargaining group employees.

31 **Sec. 16.** RCW 28A.400.275 and 2012 2nd sp.s. c 3 s 4 are each
32 amended to read as follows:

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

1 (2) Through December 31, 2015, school districts and their benefit
2 providers shall annually submit, by a date determined by the office
3 of the insurance commissioner, the following information and data for
4 the prior calendar year to the office of the insurance commissioner:

5 (a) Progress by the district and its benefit providers toward
6 greater affordability for full family coverage, health care cost
7 savings, and significantly reduced administrative costs;

8 (b) Compliance with the requirement to provide a high deductible
9 health plan option with a health savings account;

10 (c) An overall plan summary including the following:

11 (i) The financial plan structure and overall performance of each
12 health plan including:

13 (A) Total premium expenses;

14 (B) Total claims expenses;

15 (C) Claims reserves; and

16 (D) Plan administration expenses, including compensation paid to
17 brokers;

18 (ii) A description of the plan's use of innovative health plan
19 features designed to reduce health benefit premium growth and reduce
20 utilization of unnecessary health services including but not limited
21 to the use of enrollee health assessments or health coach services,
22 care management for high cost or high-risk enrollees, medical or
23 health home payment mechanisms, and plan features designed to create
24 incentives for improved personal health behaviors;

25 (iii) Data to provide an understanding of employee health benefit
26 plan coverage and costs, including: The total number of employees
27 and, for each employee, the employee's full-time equivalent status,
28 types of coverage or benefits received including numbers of covered
29 dependents, the number of eligible dependents, the amount of the
30 district's contribution to premium, additional premium costs paid by
31 the employee through payroll deductions, and the age and sex of the
32 employee and each dependent;

33 (iv) Data necessary for school districts to more effectively and
34 competitively manage and procure health insurance plans for
35 employees. The data must include, but not be limited to, the
36 following:

37 (A) A summary of the benefit packages offered to each group of
38 district employees, including covered benefits, employee deductibles,
39 coinsurance, and copayments, and the number of employees and their
40 dependents in each benefit package;

1 (B) Aggregated employee and dependent demographic information,
2 including age band and gender, by insurance tier and by benefit
3 package;

4 (C) Total claim payments by benefit package, including premiums
5 paid, inpatient facility claims paid, outpatient facility claims
6 paid, physician claims paid, pharmacy claims paid, capitation amounts
7 paid, and other claims paid;

8 (D) Total premiums paid by benefit package;

9 (E) A listing of large claims defined as annual amounts paid in
10 excess of one hundred thousand dollars including the amount paid, the
11 member enrollment status, and the primary diagnosis;

12 (F) After December 31, 2015, school districts shall submit such
13 data as required by the school employees' benefits board to
14 administer the consolidated purchasing of health services.

15 (3) (~~Annually~~) Through December 31, 2015, school districts and
16 their benefit providers shall jointly report to the office of the
17 insurance commissioner on their health insurance-related efforts and
18 achievements to:

19 (a) Significantly reduce administrative costs for school
20 districts;

21 (b) Improve customer service;

22 (c) Reduce differential plan premium rates between employee only
23 and family health benefit premiums;

24 (d) Protect access to coverage for part-time K-12 employees.

25 (4) The information and data shall be submitted in a format and
26 according to a schedule established by the office of the insurance
27 commissioner under RCW 48.02.210 to enable the commissioner to meet
28 the reporting obligations under that section.

29 (5) Through December 31, 2015, any benefit provider offering a
30 benefit plan by contract or agreement with a school district under
31 subsection (1) of this section shall make available to the school
32 district the benefit plan descriptions and, where available, the
33 demographic information on plan subscribers that the district and
34 benefit provider are required to report to the office of the
35 insurance commissioner under this section. After December 31, 2015, a
36 benefit provider shall submit such data to the school employees'
37 benefits board.

38 (~~(6) (This section shall not apply to benefit plans offered in~~
39 ~~the 1989-90 school year.)~~) Each school district shall:

1 (a) Carry out all actions required by the school employees'
2 benefits board and the health care authority under chapter 41.05 RCW
3 including, but not limited to, those necessary for the operation of
4 benefit plans, education of employees, claims administration, and
5 appeals process; and

6 (b) Report all data relating to employees eligible to participate
7 in benefits or plans administered by the school employees' benefits
8 board and the health care authority in a format designed and
9 communicated by the school employees' benefits board and the health
10 care authority.

11 **Sec. 17.** RCW 28A.400.280 and 2012 2nd sp.s. c 3 s 2 are each
12 amended to read as follows:

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

18 (2) School districts may provide employer contributions after
19 October 1, 1990, for optional benefit plans, in addition to basic
20 benefits(~~(, only for employees included in pooling arrangements under~~
21 ~~this subsection)).~~ Optional benefits may include direct agreements as
22 defined in chapter 48.150 RCW, (~~but~~) and may (~~not~~) include
23 employee beneficiary accounts that can be liquidated by the employee
24 on termination of employment. Optional benefit plans may be offered
25 only if:

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

29 ~~(b) Each full-time employee included in the pooling arrangement~~
30 ~~is offered basic benefits, including coverage for dependents;~~

31 ~~(c) Each employee included in the pooling arrangement who elects~~
32 ~~medical benefit coverage pays a minimum premium charge subject to~~
33 ~~collective bargaining under chapter 41.59 or 41.56 RCW;~~

34 ~~(d) The employee premiums are structured to ensure employees~~
35 ~~selecting richer benefit plans pay the higher premium;~~

36 ~~(e))~~ Each full-time employee (~~included in the pooling~~
37 ~~arrangement)), regardless of the number of dependents receiving basic
38 coverage, receives the same additional employer contribution for
39 other coverage or optional benefits; and~~

1 ~~((f))~~ (b) For part-time employees ~~((included in the pooling~~
2 ~~arrangement))~~, participation in optional benefit plans shall be
3 governed by the same eligibility criteria and/or proration of
4 employer contributions used for allocations for basic benefits.

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

11 **Sec. 18.** RCW 28A.400.350 and 2012 2nd sp.s. c 3 s 3 are each
12 amended to read as follows:

13 (1) The board of directors of any of the state's school districts
14 or educational service districts may make available medical, dental,
15 vision, liability, life, ~~((health, health care,))~~ accident,
16 disability, and salary protection or insurance, direct agreements as
17 defined in chapter 48.150 RCW, or any one of, or a combination of the
18 types of employee benefits enumerated in this subsection, or any
19 other type of insurance or protection, for the members of the boards
20 of directors, the students, and employees of the school district or
21 educational service district, and their dependents. Except as
22 provided in subsection (6) of this section, such coverage may be
23 provided by contracts or agreements with private carriers, with the
24 state health care authority ~~((after July 1, 1990, pursuant to the~~
25 ~~approval of the authority administrator))~~, or through self-insurance
26 or self-funding pursuant to chapter 48.62 RCW, or in any other manner
27 authorized by law. Any direct agreement must comply with RCW
28 48.150.050.

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

36 (b) After October 1, 1990, school districts may not contribute to
37 any employee protection or insurance other than liability insurance
38 unless the district's employee benefit plan conforms to RCW
39 28A.400.275 and 28A.400.280.

1 (c) After December 31, 2016, school district contributions to any
2 employee insurance that is purchased through the health care
3 authority must conform to the requirements established by chapter
4 41.05 RCW and the school employees' benefits board.

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

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

38 (5)(a) Until the creation of the school employees' benefits board
39 under section 3 of this act, school districts offering medical,
40 vision, and dental benefits shall:

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

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

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

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

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

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

33 ~~((9))~~ (e) Upon notification from the office of the insurance
34 commissioner of a school district's substantial noncompliance with
35 the data reporting requirements of RCW 28A.400.275, and the failure
36 is due to the action or inaction of the school district, and if the
37 noncompliance has occurred for two reporting periods, the
38 superintendent is authorized and required to limit the school
39 district's authority provided in subsection (1) of this section

1 regarding employee health benefits to the provision of health benefit
2 coverage provided by the state health care authority.

3 (6) The authority to make available medical, dental, and vision
4 insurance to school employees under this section expires December 31,
5 2016. Beginning January 1, 2017, school districts and educational
6 service districts shall make available medical, dental, and vision
7 insurance through plans offered by the health care authority and the
8 school employees' benefits board.

9 **Sec. 19.** RCW 41.56.500 and 2010 c 235 s 802 are each amended to
10 read as follows:

11 (1) All collective bargaining agreements entered into between a
12 school district employer and school district employees under this
13 chapter after June 10, 2010, as well as bargaining agreements
14 existing on June 10, 2010, but renewed or extended after June 10,
15 2010, shall be consistent with RCW 28A.657.050.

16 (2) All collective bargaining agreements entered into between a
17 school district employer and school district employees under this
18 chapter shall be consistent with RCW 28A.400.280 and 28A.400.350.

19 (3) Employee bargaining initiated after January 1, 2016, over the
20 dollar amount expended beginning January 1, 2017, on behalf of each
21 employee for health care benefits must be conducted between the
22 governor or governor's designee and one coalition of all the
23 exclusive bargaining representatives impacted by benefit purchasing
24 with the school employees' benefits board established in section 3 of
25 this act, consistent with RCW 28A.400.280 and 28A.400.350. The
26 coalition bargaining must follow the model initially established for
27 state employees in RCW 41.80.020. Any such provision agreed to by the
28 employer and the coalition must be included in all master collective
29 bargaining agreements negotiated by the parties.

30 (4) The governor shall submit a request for funds necessary to
31 implement the master collective bargaining agreement for the dollar
32 amount to be expended for school employee health benefits, or for
33 legislation necessary to implement the agreement. A request for funds
34 shall not be submitted to the legislature by the governor unless such
35 request:

36 (a) Has been submitted to the director of the office of financial
37 management by October 1st prior to the legislative session at which
38 the request is to be considered; and

1 (b) Has been certified by the director of the office of financial
2 management as being feasible financially for the state.

3 The legislature shall approve or reject the submission of the
4 request for funds as a whole. The legislature shall not consider a
5 request for funds to implement a master collective bargaining
6 agreement unless the request is transmitted to the legislature as
7 part of the governor's budget document submitted under RCW 43.88.030
8 and 43.88.060.

9 If the legislature rejects or fails to act on the submission,
10 either party may reopen all or part of the agreement. However, if the
11 director of the office of financial management does not certify a
12 request under this section as being feasible financially for the
13 state, the parties shall enter into collective bargaining solely for
14 the purpose of reaching a mutually agreed upon modification of the
15 agreement necessary to address the absence of those requested funds.
16 The legislature may act upon the health care benefit provisions of
17 the modified collective bargaining agreement if those provisions are
18 agreed upon and submitted to the office of financial management and
19 legislative budget committees before final legislative action on the
20 biennial or supplemental operating budget. If the legislature rejects
21 or fails to act on the submission, either party may reopen all or
22 part of the agreement.

23 **Sec. 20.** RCW 41.59.105 and 2010 c 235 s 803 are each amended to
24 read as follows:

25 (1) All collective bargaining agreements entered into between a
26 school district employer and school district employees under this
27 chapter after June 10, 2010, as well as bargaining agreements
28 existing on June 10, 2010, but renewed or extended after June 10,
29 2010, shall be consistent with RCW 28A.657.050.

30 (2) All collective bargaining agreements entered into between a
31 school district employer and school district employees under this
32 chapter shall be consistent with RCW 28A.400.280 and 28A.400.350.

33 (3) Employee bargaining initiated after January 1, 2016, over the
34 dollar amount expended beginning January 1, 2017, on behalf of each
35 employee for health care benefits must be conducted between the
36 governor or governor's designee and one coalition of all the
37 exclusive bargaining representatives impacted by benefit purchasing
38 with the school employees' benefits board established in section 3 of
39 this act, consistent with RCW 28A.400.280 and 28A.400.350. The

1 coalition bargaining must follow the model initially established for
2 state employees in RCW 41.80.020. Any such provision agreed to by the
3 employer and the coalition must be included in all master collective
4 bargaining agreements negotiated by the parties.

5 (4) The governor shall submit a request for funds necessary to
6 implement the master collective bargaining agreement for the dollar
7 amount to be expended for school employee health benefits, or for
8 legislation necessary to implement the agreement. A request for funds
9 shall not be submitted to the legislature by the governor unless such
10 request:

11 (a) Has been submitted to the director of the office of financial
12 management by October 1st prior to the legislative session at which
13 the request is to be considered; and

14 (b) Has been certified by the director of the office of financial
15 management as being feasible financially for the state.

16 The legislature shall approve or reject the submission of the
17 request for funds as a whole. The legislature shall not consider a
18 request for funds to implement a master collective bargaining
19 agreement unless the request is transmitted to the legislature as
20 part of the governor's budget document submitted under RCW 43.88.030
21 and 43.88.060.

22 If the legislature rejects or fails to act on the submission,
23 either party may reopen all or part of the agreement. However, if the
24 director of the office of financial management does not certify a
25 request under this section as being feasible financially for the
26 state, the parties shall enter into collective bargaining solely for
27 the purpose of reaching a mutually agreed upon modification of the
28 agreement necessary to address the absence of those requested funds.
29 The legislature may act upon the health care benefit provisions of
30 the modified collective bargaining agreement if those provisions are
31 agreed upon and submitted to the office of financial management and
32 legislative budget committees before final legislative action on the
33 biennial or supplemental operating budget. If the legislature rejects
34 or fails to act on the submission, either party may reopen all or
35 part of the agreement.

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