

ESSB 5940

Public School Employees' Insurance
Benefits

JoLynn Berge

Office of Superintendent of Public Instruction

Legislative Goals of ESSB 5940

- Improve transparency of health benefit plan claims and financial data.
- Create greater affordability and equity for full family health insurance coverage.
- Reduce administrative costs.
- Support parity of insurance premiums between state and K-12 employees.

Changes for Districts and Health Plan Providers

- Must offer plans with
 - high deductible and HSA
 - an 85/15 percent premium share
- Must make progress towards a ratio of 3:1 for family coverage
- Must submit financial and enrollment information on health benefit plans to OIC annually
- All contracts must be held to responsible contracting standards.

Changes for Employees

- Each employee must pay a minimum premium charge.
- Employee premiums are structured to ensure that employees who select richer benefit plans pay the higher premium.

Office of the Insurance Commissioner

- Report annually starting December 2013 a summary of district and benefit provider data.
- Take enforcement actions on benefit providers and third-party contractors not complying with data requirements.

Health Care Authority

● Submit a report by June 2015

- The appropriate target for affordable full family coverage.
- Pros/cons of a single consolidated school district employee health benefits purchasing plan.
- Pros/cons of consolidating K-12 health benefit purchasing through PEB's program.
- Possible separation of purchasing for certificated and classified employee groups.
- Analysis of implications, impacts, costs, timelines and other factors to be considered.

- Submit a report by December 2015
 - Report progress of districts and health plan providers in meeting legislative goals.
 - Determine the highest performing school districts and award grants.
 - If districts are not making adequate progress, recommend and develop implementing legislation for the 2016 session.

Existing Collective Bargaining Agreements:

What if a district's collective bargaining agreement doesn't expire this summer? Does the district have to implement ESSB 5940?

FAQs

Maybe. Many collective bargaining agreements contain “reopener clauses” that require the contract to be reopened and re-negotiated in the event there are changes to state law related to health benefits or other matters.

If a district is a party to an existing “closed” collective bargaining agreement that has no reopener clause allowing the contract to be reopened before the 2012-13 school year, the district must comply with ESSB 5940 when the contract is next opened.

Implementation of ESSB 5940 may be delayed when there is a conflict between ESSB 5940 and an existing provision of a collective bargaining agreement—for example, if the district’s existing collective bargaining agreement explicitly allows the bargaining unit to select the employees’ medical plans. Even then, the district may delay implementation of only those portions that conflict with the closed contract, and not the entire law. *(See webpage for full text of answer)*

Competitive bidding:

This act requires that all district employee benefit contracts or agreements be held to responsible contracting standards, including competitive bidding. What does this process look like (competitive bid or RFP)? Will there be any assistance provided to the school districts?

FAQs

All processes will be held to an open competitive process such as an RFP. This is similar to other purchased service contracts your school district would solicit such as food management services.

Typically, the contracts are awarded for one year with an annual renewal clause for up to four additional years, with renewals occurring as long as rate increases are within predefined parameters.

School districts should ensure they comply with RCW 28A.400.275 which limits school districts contracts for employee benefits to one year. The WASBO Purchasing Manual can provide guidance for purchased service contracts.

Measuring progress:

This act uses terms such as “significantly” and “make progress towards”. How will our progress be measured?

FAQs

- 3:1 Ratio: Progress towards the three to one ratio will be evaluated for all school districts through the reporting processes outlined in this act. School districts are encouraged to create a plan and a timeline for reaching the three to one ratio using their current ratio as a baseline.
- Administrative Costs: The bill does not define “significantly”. Consistent with the requirements of section 4 the OIC data reporting rules will require insurers to report health plan administrative expenses, including compensation paid to brokers, for each health plan - in addition to claims expenses and claims reserves. The bill provides no guidance regarding what school district health insurance related administrative costs need to be reported.

Premium Share and Tiers:

- ◉ What does premium share mean?
 - What is the state's employee premium share?
- ◉ Can you explain how the tiers relate to the 3:1 ratio?

FAQs

Premium share refers to medical benefit payroll deductions.

For benefit years 2012 and 2013, the employee/employer share has been established in the state's collective bargaining agreement. It is 15 percent employee/85 percent employer share (for the weighted average for all PEB plans all tiers within each plan). Each district will need to provide at least one plan option that meets the state's weighted average premium share.

For benefit year 2014-15 and beyond the premium share requirement in this section will be the state's weighted average premium share established pursuant to RCW 41.80 for state employees' for benefits in 2014 and beyond.

ESSB 5940 Simplified Model

Achieves a 3:1 ratio with a 85/15 premium share

This model is a simplified representation of the intent outlined in ESSB 5940, to make progress

| | TIERS | | | |
|-----------------------|------------|---------------------|-----------------------|-------------|
| | Subscriber | Subscriber + Spouse | Subscriber + Children | Full Family |
| Ratio at Each Tier | 1 | 2 | 2 | 3 |
| Total Premium Cost | \$500 | \$ 500 | \$ 1,000 | \$ 1,500 |
| Employer Contribution | 85% | \$ 425 | \$ 850 | \$ 1,275 |
| Employee Contribution | 15% | \$ 75 | \$ 150 | \$ 225 |

Note: This model is only intended to demonstrate the objectives of ESSB 5940. It is not intended to prescribe values to school district benefit plans.

More Questions?

Check out OSPI's ESSB 5940 webpage for more FAQs. Updates are made weekly.

<http://www.k12.wa.us/Finance/InsuranceBenefits5940.aspx>

If you have a question that is not addressed,
call or email:

JoLynn Berge

Jolynn.berge@k12.wa.us 360.725.6301