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The 2012 Legislature recently completed its business and adjourned. Along with adopting a supplemental operating budget that brings the underlying 2011-13 state budget into balance and eliminates a projected budget deficit, state policymakers adopted a series of government "reforms" intended to help put state government on more stable financial ground in the future. Perhaps the most complicated reform is Engrossed Substitute Senate Bill 5940, reforming school employee health benefit purchasing.

Throughout the course of the session, WASA supported the concept of a consolidated system of K-12 health benefits, embodied in Senate Bill 6442. Unfortunately, ESSB 5940, the bill that was ultimately adopted in the early morning hours before the Legislature adjourned, was a politically driven, last minute compromise that barely resembled the original versions of the proposal we supported. Although it is not what we requested, ESSB 5940 has passed the Legislature and is expected to be signed into law by Governor Gregoire. Therefore, it is incumbent upon school district leaders to fully understand the implications and requirements of this new law. WASA is working with a number of the other education associations, as well as OSPI, the Health Care Authority, and the Office of the Insurance Commissioner, to ensure you have the necessary tools to implement the provisions of ESSB 5940.

Pages two and three summarize ESSB 5940, as it was passed by the Legislature. We encourage you to review this information to better understand this complex bill. In the coming weeks, more information will be provided as we and our partners continue to decipher this legislation. Additionally, this will be a topic of discussion at WASA's May Superintendent Workshop; and WASBO's Annual Conference in May will include breakout sessions on the subject. We will continue to disseminate information in additional venues as we are able.

Thank you for attention to this important matter. Please contact us if you have questions.

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**Engrossed Substitute Senate Bill 5940 – School Employee Health Benefit Purchasing Summary –as adopted by 2012 Legislature–**

During the 2012 Legislative Session, WASA supported the concept of a consolidated system of K-12 health benefits, originally embodied in Senate Bill 6442. Unfortunately, Engrossed Substitute Senate Bill 5940, the bill that was ultimately adopted in the early morning hours before the Legislature adjourned, was a last minute political compromise that barely resembled the original versions of the proposal we supported. This document summarizes the various elements of the final bill, including the requirements imposed on school districts.

There are two major themes within ESSB 5940: (1) better information and data (transparency); and (2) affordability, especially for those seeking family coverage (equity) and for the lowest-paid and part-time employees.

The bill retains current collective bargaining for benefits and the present district pooling arrangement together with proration; however, it places significant requirements on employee collective bargaining as it relates to health benefits:

- School district contracts must be held to responsible procurement or contracting standards.
- School districts must modify their benefits for employees to require every employee to pay a minimum premium for the medical benefit coverage, subject to collective bargaining, and ensure that employees selecting a richer benefit plan pay a higher premium.
- Requires that districts offer a high deductible health plan option with a health savings account (HSA) similar to that required for state employees.
- Requires that districts make progress toward employee premiums for full family coverage that are not more than three times the premiums for employees purchasing single coverage, unless a different target is developed in future reports.
- Requires that districts offer employees at least one comprehensive health benefit plan in which the employee share of the premium for a full-time employee does not exceed the share of premiums paid by state employees (approximately 15 percent).
- School districts are to make progress on promoting health care innovations, cost savings, and reduced administrative costs.

**Data Reporting Requirements:**

- School districts and their health benefit providers are required to annually submit specified financial and enrollment information on the district health benefit plans. Noncompliance with data reporting or inaction of districts to meet requirements is monitored by the Office of the Insurance Commissioner (OIC). The information is protected from public disclosure. If there is compliance failure for two reporting periods, the OSPI is required to limit the school district's authority to offer employee benefits to those offered through the state Health Care Authority (HCA). School district benefit providers that do no comply with the data reporting requirements are subject to enforcement actions of the OIC.

- Any individual or joint local government self-insured health and welfare benefits plan formed by a school district that does not comply with the data reporting requirements contained in the act, loses its authority to operate in this state. The Attorney General must take all necessary action to terminate the operation.

- Beginning December 1, 2013, the OIC must submit an annual report to the Legislature containing an analysis of information submitted by districts and carriers. The report must include information on detailed financial and performance data such as premium expenses, claims expenses, claim reserves, and administrative expenses including compensation paid to brokers. The OIC commissioner must consult with school district representatives regarding the district's ability to manage their benefit program.

- By June 1, 2015, the HCA must submit a report to the Governor, Legislature, and the Joint Legislative Audit and Review Committee (JLARC), with analysis of the OIC reports. The HCA must also review the advantages and disadvantages to the state, school districts, and school employees of various approaches to consolidated purchasing of school employee health benefits. The report must also include a proposed timeline for any recommended actions.

- By December 31, 2015, the Joint Legislative Audit and Review Committee (JLARC) must submit a report to the Legislature indicating the progress by school districts and their benefit providers in achieving a list of established goals and performance expectations. In the 2015–16 school year, JLARC must rank order the performance of districts, and then provide grants to the highest performing districts to enable them to reduce employee co-payments and deductibles, from a future $5 million legislative appropriation. If JLARC determines districts and their benefit providers have not made adequate progress on the established goals, JLARC must include recommendations for any action including whether school district benefits should be consolidated through various approaches including the School Employee Benefit Board, Public Employee Benefit Board or by consolidating classified employees or certificated employee as separate groups.