

purposes of this chapter: PROVIDED, HOWEVER, That no such addition or deletion shall be made without the concurrence of any existing authority involved. Such action shall only be taken after a public hearing held pursuant to the provisions of chapter 34.04 RCW.

Passed the Senate March 8, 1988.

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## CHAPTER 107

[Engrossed Substitute House Bill No. 2038]

### HEALTH CARE REFORM ACT—PURCHASED HEALTH CARE

AN ACT Relating to state-funded health care and state employees' insurance benefits; amending RCW 28A.58.420, 41.04.205, 41.05.050, 41.04.230, 41.40.380, 47.64.270, and 48.24.010; adding new sections to chapter 41.05 RCW; adding a new section to chapter 48.14 RCW; adding a new section to chapter 82.04 RCW; creating new sections; repealing RCW 41.05.005, 41.05.010, 41.05.025, 41.05.030, 41.05.040, 41.05.045, 41.05.060, 41.05.070, and 70.14.010; providing an effective date; making an appropriation; and declaring an emergency.

Be it enacted by the Legislature of the State of Washington:

NEW SECTION. Sec. 1. This chapter shall be known as the Washington state health care reform act of 1988.

NEW SECTION. Sec. 2. (1) The legislature recognizes that (a) the state is a major purchaser of health care services, (b) the increasing costs of such health care services are posing and will continue to pose a great financial burden on the state, (c) it is the state's policy, consistent with the best interests of the state, to provide comprehensive health care as an employer, to state employees and officials and their dependents and to those who are dependent on the state for necessary medical care, and (d) it is imperative that the state begin to develop effective and efficient health care delivery systems and strategies for procuring health care services in order for the state to continue to purchase the most comprehensive health care possible.

(2) It is therefore the purpose of this chapter to establish the Washington state health care authority whose purpose shall be to (a) develop health care benefit programs, funded to the fullest extent possible by the employer, that provide comprehensive health care for eligible state employees, officials, and their dependents, and (b) study all state-purchased health care, alternative health care delivery systems, and strategies for the procurement of health care services and make recommendations aimed at minimizing the financial burden which health care poses on the state, its employees, and its charges, while at the same time allowing the state to provide the most comprehensive health care possible.

NEW SECTION. Sec. 3. Unless the context clearly requires otherwise, the definitions in this section shall apply throughout this chapter.

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

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

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

(4) "Insuring entity" means an insurance carrier as defined in chapter 48.21 or 48.22 RCW, a health care service contractor as defined in chapter 48.44 RCW, or a health maintenance organization as defined in chapter 48.46 RCW.

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

(6) "Employee" includes all full-time and career seasonal employees of the state, whether or not covered by civil service; elected and appointed officials of the executive branch of government, including full-time members of boards, commissions, or committees; and includes any or all part-time and temporary employees under the terms and conditions established under this chapter by the authority; justices of the supreme court and judges of the court of appeals and the superior courts; and members of the state legislature or of the legislative authority of any county, city, or town who are elected to office after February 20, 1970. "Employee" also includes employees of a county, municipality, or other political subdivision of the state if the legislative authority of the county, municipality, or other political subdivision of the state transfers any of its insurance programs to an insurance program administered by the authority pursuant to RCW 41.04.205, and employees of a school district if the board of directors of the school district seeks and receives the approval of the authority to provide any of its insurance programs by contract with the authority as provided in RCW 28A.58.420.

(7) "Board" means the state employees' benefits board established under section 7 of this act.

**NEW SECTION.** Sec. 4. The Washington state health care authority is created within the executive branch. The authority shall have an administrator appointed by the governor, with the consent of the senate. The administrator shall serve at the pleasure of the governor. The administrator may employ up to seven staff members, who shall be exempt from chapter 41.06 RCW, and any additional staff members as are necessary to administer this chapter. The primary duties of the authority shall be to administer state employees' insurance benefits and to study state-purchased health care programs in order to maximize cost containment in these programs while

ensuring access to quality health care. The authority's duties include, but are not limited to, the following:

(1) To administer a health care benefit program for employees as specifically authorized in section 8 of this act;

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

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

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

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

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

(e) Development of data systems to obtain utilization data from state-purchased health care programs in order to identify cost centers, utilization patterns, provider and hospital practice patterns, and procedure costs;

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

(4) To provide information and technical and administrative assistance to the board.

**NEW SECTION.** Sec. 5. The following state agencies are directed to cooperate with the authority to establish appropriate health care information systems in their programs: The department of social and health services, the department of labor and industries, the basic health plan, the department of veterans affairs, the department of corrections, and the superintendent of public instruction.

The authority, in conjunction with these agencies, shall determine:

(1) Definitions of health care services;

(2) Health care data elements common to all agencies;

(3) Health care data elements unique to each agency; and

(4) A mechanism for program and budget review of health care data.

**NEW SECTION.** Sec. 6. (1) The authority shall submit to the legislature, no later than December 1, 1989, a report analyzing the provision of health care benefits to school employees including innovative local programs, and the potential benefits or cost savings resulting from integration of local school districts into benefit plans offered by the authority. The superintendent of public instruction shall assist the authority by collecting the necessary data from the school districts of the state.

(2) The authority shall review state-purchased health care programs and regulatory agencies, including medical services within the department of labor and industries, medical services within the department of veterans' affairs, the basic health plan, medical programs within the department of social and health services, any other state-purchased health care programs as deemed appropriate by the administrator, the hospital commission, the health planning and certificate of need sections of the department of social and health services, the board of health, the department of licensing, the state health care facilities authority, the state health care coordinating council, and the office of the insurance commissioner and submit to the legislature, no later than December 1, 1990, an initial report including, but not limited to:

- (a) A description of the respective roles of these programs and agencies regarding health care cost containment;
- (b) A plan to increase the combined efficiency of these programs and agencies to control costs and maintain or improve access to quality care;
- (c) Methods to encourage coordination between these programs and agencies and the authority;
- (d) An analysis of the real and potential impacts of cost shifting; and
- (e) Recommendations regarding structural changes in the state's current health care delivery system.

NEW SECTION. Sec. 7. (1) The state employees' benefits board is created within the authority. The function of the board is to design and approve insurance benefit plans for state employees.

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

- (a) Three representatives of state employees, one of whom shall represent an employee association certified as exclusive representative of at least one bargaining unit of classified employees and one of whom shall represent an employee union certified as exclusive representative of at least one bargaining unit of classified employees;
- (b) Three members with experience in health benefit management and cost containment; and
- (c) The administrator.

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

NEW SECTION. Sec. 8. (1) The board shall study all matters connected with the provision of health care coverage, life insurance, liability

insurance, accidental death and dismemberment insurance, and disability income insurance or any of, or a combination of, the enumerated types of insurance for employees and their dependents on the best basis possible with relation both to the welfare of the employees and to the state: PROVIDED, That liability insurance shall not be made available to dependents.

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

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

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

(c) Wellness incentives that focus on proven strategies, such as smoking cessation, exercise, and automobile and motorcycle safety;

(d) Utilization review procedures including, but not limited to prior authorization of services, hospital inpatient length of stay review, requirements for use of outpatient surgeries and second opinions for surgeries, review of invoices or claims submitted by service providers, and performance audit of providers; and

(e) Effective coordination of benefits.

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

(4) The board may authorize premium contributions for an employee and the employee's dependents. Such authorization shall require a vote of five members of the board for approval.

(5) Employees may choose participation in only one of the health care benefit plans developed by the board.

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

**NEW SECTION.** Sec. 9. (1) The administrator shall provide employee benefit plans designed by the board through a contract or contracts with insuring entities, through self-funding, self-insurance, or other methods of providing insurance coverage authorized by section 12 of this act.

(2) The administrator shall establish a contract bidding process that encourages competition among insuring entities, is timely to the state budgetary process, and sets conditions for awarding contracts to any insuring entity.

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

(4) The administrator shall centralize the enrollment files for all employee health plans and develop enrollment demographics on a plan-specific basis.

(5) The administrator shall establish methods for collecting, analyzing, and disseminating to covered individuals information on the cost and quality of services rendered by individual health care providers.

(6) All claims data shall be the property of the state. The administrator may require of any insuring entity that submits a bid to contract for coverage all information deemed necessary to fulfill the administrator's duties as set forth in this chapter.

(7) All contracts with insuring entities for the provision of health care benefits shall provide that the beneficiaries of such benefit plans may use on an equal participation basis the services of practitioners licensed pursuant to chapters 18.22, 18.25, 18.32, 18.53, 18.57, 18.71, 18.74, 18.83, and 18.88 RCW. However, nothing in this subsection may preclude the administrator from establishing appropriate utilization controls approved pursuant to section 8(2)(a)(i), (b), and (d) of this act.

(8) Beginning in January 1990, and each January thereafter, the administrator shall publish and distribute to each school district a description of health care benefit plans available through the authority and the estimated cost if school district employees were enrolled.

**NEW SECTION.** Sec. 10. (1) The state employees' insurance account is hereby established in the custody of the state treasurer, to be used by the administrator for the deposit of contributions, reserves, dividends, and refunds, and for payment of premiums for employee insurance benefit contracts. Moneys from the account shall be disbursed by the state treasurer by warrants on vouchers duly authorized by the administrator. Notwithstanding RCW 43.84.090, all earnings of investments of balances in the account shall be credited to the account.

(2) The state treasurer and the state investment board may invest moneys in the state employees' insurance account. All such investments shall be in accordance with RCW 43.84.080 or 43.84.150, whichever is applicable. The administrator shall determine whether the state treasurer or the state investment board or both shall invest moneys in the state employees' insurance account.

**NEW SECTION.** Sec. 11. The state health care authority administrative account is hereby created in the state treasury. Moneys in the account, including unanticipated revenues under RCW 43.79.270, may be spent only after appropriation by statute, and may be used only for operating expenses of the authority.

**NEW SECTION.** Sec. 12. (1) The authority may self-fund, self-insure, or enter into other methods of providing insurance coverage for insurance programs under its jurisdiction except property and casualty insurance. The authority shall contract for payment of claims or other administrative services for programs under its jurisdiction. If a program does not require the prepayment of reserves, the authority shall establish such reserves within a reasonable period of time for the payment of claims as are normally required for that type of insurance under an insured program. Reserves established by the authority shall be held in a separate trust fund by the state treasurer and shall be known as the state employees' insurance reserve fund. The state investment board shall act as the investor for the funds and, except as provided in RCW 43.33A.160, one hundred percent of all earnings from these investments shall accrue directly to the state employees' insurance reserve fund.

(2) Any savings realized as a result of a program created under this section shall not be used to increase benefits unless such use is authorized by statute.

(3) Any program created under this section shall be subject to the examination requirements of chapter 48.03 RCW as if the program were a domestic insurer. In conducting an examination, the commissioner shall determine the adequacy of the reserves established for the program.

(4) The authority shall keep full and adequate accounts and records of the assets, obligations, transactions, and affairs of any program created under this section.

(5) The authority shall file a quarterly statement of the financial condition, transactions, and affairs of any program created under this section in a form and manner prescribed by the insurance commissioner. The statement shall contain information as required by the commissioner for the type of insurance being offered under the program. A copy of the annual statement shall be filed with the speaker of the house of representatives and the president of the senate.

**NEW SECTION.** Sec. 13. Beginning on the effective date of this section, the state employees' insurance board may self-fund, self-insure, or enter into other methods of providing insurance coverage for insurance programs under its jurisdiction except property and casualty insurance according to the same terms and conditions as will apply to the authority under section 12 of this act.

**NEW SECTION.** Sec. 14. (1) The administrator shall appoint a health care policy technical advisory committee. Its function is to advise the authority on effective approaches to cost control, quality assurance, and access to health care.

(2) The committee shall be composed of persons who have a demonstrated interest and expertise in one or more of the following areas: Health

care purchasing; health care delivery; health administration; health care research and analysis; and ethics of health care. Board members shall include representatives of the following entities: Private health care purchasers; health care providers; insurance carriers; health care service contractors; health maintenance organizations; state agencies that purchase health care; the insurance commissioner; and health care consumers.

(3) The initial members of the committee shall be appointed for intervals of one to three years. Thereafter, all committee members shall serve a term of three years. Committee members shall receive no compensation, but shall be reimbursed for travel expenses as provided in RCW 43.03.050 and 43.03.060.

NEW SECTION. Sec. 15. The administrator may promulgate and adopt rules consistent with this chapter to carry out the purposes of this chapter. All rules shall be adopted in accordance with chapter 34.04 RCW.

Sec. 16. Section 28A.58.420, chapter 223, Laws of 1969 ex. sess. as last amended by section 8, chapter 277, Laws of 1985 and RCW 28A.58.420 are each amended to read as follows:

(1) The board of directors of any of the state's school districts may make available liability, life, health, health care, accident, disability and salary protection or insurance or any one of, or a combination of the enumerated types of insurance, or any other type of insurance or protection, for the members of the boards of directors, the students, and employees of the school district, and their dependents. Such coverage may be provided by contracts with private carriers, (~~self-insurance~~) with the state health care authority after July 1, 1990, pursuant to the approval of the authority administrator, or through self-insurance or self-funding pursuant to chapter 48.62 RCW, or in any other manner authorized by law.

(2) Whenever funds shall be available for these purposes the board of directors of the school district may contribute all or a part of the cost of such protection or insurance for the employees of their respective school districts and their dependents. The premiums on such liability insurance shall be borne by the school district. The premiums due on such protection or insurance shall be borne by the assenting school board member or student: PROVIDED, That the school district may contribute all or part of the costs, including the premiums, of life, health, health care, accident or disability insurance which shall be offered to all students participating in interschool activities on the behalf of or as representative of their school or school district. All contracts for insurance or protection written to take advantage of the provisions of this section shall provide that the beneficiaries of such contracts may utilize on an equal participation basis the services of those practitioners licensed pursuant to chapters 18.22, 18.25, 18.53, 18.57 and 18.71 RCW.

Sec. 17. Section 1, chapter 106, Laws of 1975-'76 2nd ex. sess. and RCW 41.04.205 are each amended to read as follows:

(1) Notwithstanding the provisions of RCW 41.04.180, the employees, with their dependents, of any county, municipality, or other political subdivision of this state shall be eligible to participate in any insurance program administered under chapter 41.05 RCW if the legislative authority of any such county, municipality, or other political subdivisions of this state determines a transfer to an insurance program administered under chapter 41.05 RCW should be made: PROVIDED, That this section shall have no application to ~~((school district personnel provided for in RCW 28A.58.420 and))~~ members of the law enforcement officers' and fire fighters' retirement system under chapter 41.26 RCW: PROVIDED FURTHER, That in the event of a special district employee transfer pursuant to this section, members of the governing authority shall be eligible to be included in such transfer if such members are authorized by law as of June 25, 1976 to participate in the insurance program being transferred from and subject to payment by such members of all costs of insurance for members: PROVIDED FURTHER, That contributions by any county, municipality, or other political subdivision to which coverage is extended after the effective date of this 1988 act shall not receive the benefit of any surplus funds attributable to premiums paid prior to the date upon which coverage is extended.

(2) When the legislative authority of a county, municipality, or other political subdivision determines to so transfer, the state ~~((employees' insurance board, as defined in RCW 41.05.010 as now or hereafter amended;))~~ health care authority shall:

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

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

(ii) the political subdivision involved obligate itself to make employer contributions in an amount at least equal to those provided by the state as employer; and

(b) Hold public hearings on the application for transfer; and

(c) Have the sole right to reject the application.

Approval of the application by the state ~~((employees' insurance board))~~ health care authority shall effect a transfer of the employees involved to the insurance or health care program applied for.

Sec. 18. Section 9, chapter 2, Laws of 1983 as last amended by section 4, chapter 122, Laws of 1987 and RCW 41.05.050 are each amended to read as follows:

(1) Every department, division, or separate agency of state government, and such county, municipal, or other political subdivisions as are covered by this chapter, shall provide contributions to insurance and health

care plans for its employees and their dependents, the content of such plans to be determined by the ~~((state employees' insurance board. Such))~~ authority. Contributions, ~~((which shall be))~~ paid by the county, the municipality, or other political subdivision for their employees, shall include an amount determined by the ~~((state employees' insurance board))~~ authority to pay ~~((the))~~ such administrative expenses of the ~~((board and the salaries and wages and expenses of the benefits supervisor and other necessary personnel. PROVIDED, That this administrative service charge for state employees shall not result in an employer contribution in excess of the amount authorized by the governor and the legislature as prescribed in RCW 41.05.050(2), and that the sum of an employee's insurance premiums and administrative service charge in excess of such employer contribution shall be paid by the employee))~~ authority as are necessary to administer the plans for employees of those groups. All such contributions will be paid into the state employees' health insurance ~~((principal))~~ account ~~((to be expended in accordance with RCW 41.05.030)).~~

(2) The contributions of any department, division, or separate agency of the state government, and such county, municipal, or other political subdivisions as are covered by this chapter, shall be set by the ~~((state employees' insurance board))~~ authority, subject to the approval of the governor for availability of funds as specifically appropriated by the legislature for that purpose~~((: PROVIDED, That provision for school district personnel shall not be made under this chapter. PROVIDED FURTHER, That))~~. However, insurance and health care contributions for ferry employees shall be governed by RCW 47.64.270.

(3) The ~~((trustee))~~ administrator with the assistance of the ~~((department of personnel))~~ state employees' benefits board shall survey private industry and public employers in the state of Washington to determine the average employer contribution for group insurance programs under the jurisdiction of the ~~((state employees' insurance board))~~ authority. Such survey shall be conducted during each even-numbered year but may be conducted more frequently. The survey shall be reported to the ~~((board))~~ authority for its use in setting the amount of the recommended employer contribution to the employee insurance benefit program covered by this chapter. The ~~((board))~~ authority shall transmit a recommendation for the amount of the employer contribution to the governor and the director of financial management for inclusion in the proposed budgets submitted to the legislature.

Sec. 19. Section 5, chapter 59, Laws of 1969 as last amended by section 1, chapter 271, Laws of 1985 and RCW 41.04.230 are each amended to read as follows:

Any official of the state authorized to disburse funds in payment of salaries and wages of public officers or employees is authorized, upon written request of the officer or employee, to deduct from the salaries or wages

of the officers or employees, the amount or amounts of subscription payments, premiums, contributions, or continuation thereof, for payment of the following:

(1) Credit union deductions: PROVIDED, That the credit union is organized solely for public employees: AND PROVIDED FURTHER, That twenty-five or more employees of a single state agency or a total of one hundred or more state employees of several agencies have authorized such a deduction for payment to the same credit union.

(2) Parking fee deductions: PROVIDED, That payment is made for parking facilities furnished by the agency or by the department of general administration.

(3) U.S. savings bond deductions: PROVIDED, That a person within the particular agency shall be appointed to act as trustee. The trustee will receive all contributions; purchase and deliver all bond certificates; and keep such records and furnish such bond or security as will render full accountability for all bond contributions.

(4) Board, lodging or uniform deductions when such board, lodging and uniforms are furnished by the state, or deductions for academic tuitions or fees or scholarship contributions payable to the employing institution.

(5) Dues and other fees deductions: PROVIDED, That the deduction is for payment of membership dues to any professional organization formed primarily for public employees or college and university professors: AND PROVIDED, FURTHER, That twenty-five or more employees of a single state agency, or a total of one hundred or more state employees of several agencies have authorized such a deduction for payment to the same professional organization.

(6) Labor or employee organization dues may be deducted in the event that a payroll deduction is not provided under a collective bargaining agreement under the provisions of RCW 41.06.150: PROVIDED, That twenty-five or more officers or employees of a single agency, or a total of one hundred or more officers or employees of several agencies have authorized such a deduction for payment to the same labor or employee organization: PROVIDED, FURTHER, That labor or employee organizations with five hundred or more members in state government may have payroll deduction for employee benefit programs.

(7) Voluntary deductions for political committees duly registered with the public disclosure commission and/or the federal election commission: PROVIDED, That twenty-five or more officers or employees of a single agency or a total of one hundred or more officers or employees of several agencies have authorized such a deduction for payment to the same political committee.

(8) Insurance contributions to the ~~((trustee of contracts))~~ authority for payment of premiums under contracts authorized by the state ~~((employees' insurance board))~~ health care authority.

Deductions from salaries and wages of public officers and employees other than those enumerated in this section or by other law, may be authorized by the director of financial management for purposes clearly related to state employment or goals and objectives of the agency and for plans authorized by the state (~~(employees' insurance board)~~) health care authority.

The authority to make deductions from the salaries and wages of public officers and employees as provided for in this section shall be in addition to such other authority as may be provided by law: PROVIDED, That the state or any department, division, or separate agency of the state shall not be liable to any insurance carrier or contractor for the failure to make or transmit any such deduction.

Sec. 20. Section 39, chapter 274, Laws of 1947 as last amended by section 24, chapter 326, Laws of 1987 and RCW 41.40.380 are each amended to read as follows:

(1) Subject to subsections (2) and (3) of this section, the right of a person to a pension, an annuity, or retirement allowance, any optional benefit, any other right accrued or accruing to any person under the provisions of this chapter, the various funds created by this chapter, and all moneys and investments and income thereof, are hereby exempt from any state, county, municipal, or other local tax, and shall not be subject to execution, garnishment, attachment, the operation of bankruptcy or insolvency laws, or other process of law whatsoever, and shall be unassignable.

(2) This section shall not be deemed to prohibit a beneficiary of a retirement allowance from authorizing deductions therefrom for payment of premiums due on any group insurance policy or plan issued for the benefit of a group comprised of public employees of the state of Washington or its political subdivisions and which has been approved for deduction in accordance with rules and regulations that may be promulgated by the state (~~(employees' insurance board)~~) health care authority and/or the department of retirement systems, and this section shall not be deemed to prohibit a beneficiary of a retirement allowance from authorizing deductions therefrom for payment of dues and other membership fees to any retirement association or organization the membership of which is composed of retired public employees, if a total of three hundred or more of such retired employees have authorized such deduction for payment to the same retirement association or organization.

(3) Subsection (1) of this section shall not prohibit the department of retirement systems from complying with (a) a wage assignment order for child support issued pursuant to chapter 26.18 RCW, (b) an order to withhold and deliver issued pursuant to chapter 74.20A RCW, (c) a mandatory benefits assignment order issued pursuant to chapter 41.50 RCW, or (d) any administrative or court order expressly authorized by federal law.

Sec. 21. Section 18, chapter 15, Laws of 1983 as amended by section 2, chapter 78, Laws of 1987 and RCW 47.64.270 are each amended to read as follows:

Absent a collective bargaining agreement to the contrary, the department of transportation shall provide contributions to insurance and health care plans for ferry system employees and dependents, as determined by the state (~~(employees' insurance board)~~) health care authority, under chapter 41.05 RCW. The ferry system management and employee organizations may collectively bargain for other insurance and health care plans, and employer contributions may exceed that of other state agencies as provided in RCW 41.05.050, subject to RCW 47.64.180. To the extent that ferry employees by bargaining unit have absorbed the required offset of wage increases by the amount that the employer's contribution for employees' and dependents' insurance and health care plans exceeds that of other state general government employees in the 1985-87 fiscal biennium, employees shall not be required to absorb a further offset except to the extent the differential between employer contributions for those employees and all other state general government employees increases during any subsequent fiscal biennium. If such differential increases in the 1987-89 fiscal biennium or the 1985-87 offset by bargaining unit is insufficient to meet the required deduction, the amount available for compensation shall be reduced by bargaining unit by the amount of such increase or the 1985-87 shortage in the required offset. Compensation shall include all wages and employee benefits.

Sec. 22. Section .24.01, chapter 79, Laws of 1947 as amended by section 11, chapter 147, Laws of 1973 1st ex. sess. and RCW 48.24.010 are each amended to read as follows:

(1) No contract of life insurance shall hereafter be delivered or issued for delivery in this state insuring the lives of more than one individual unless to one of the groups as provided for in this chapter, and unless in compliance with the other provisions of this chapter.

(2) Subsection (1) of this section shall not apply to contracts of life insurance

(a) insuring only individuals related by marriage, by blood, or by legal adoption; or

(b) insuring only individuals having a common interest through ownership of a business enterprise, or of a substantial legal interest or equity therein, and who are actively engaged in the management thereof; or

(c) insuring the lives of employees and retirees under contracts executed with the state (~~(employees insurance board)~~) health care authority under the provisions of chapter 41.05 RCW.

NEW SECTION. Sec. 23. The state employees' insurance board is hereby abolished and its powers, duties, and functions are hereby transferred to the state health care authority.

**NEW SECTION.** Sec. 24. All reports, documents, surveys, books, records, files, papers, or written material in the possession of the state employees' insurance board shall be delivered to the custody of the state health care authority. All cabinets, furniture, office equipment, motor vehicles, and other tangible property employed by the state employees' insurance board shall be made available to the state health care authority. All funds, credits, or other assets held by the state employees' insurance board shall be assigned to the state health care authority.

Any appropriations made to the state employees' insurance board shall, on the effective date of this section, be transferred and credited to the state health care authority.

Whenever any question arises as to the transfer of any personnel, funds, books, documents, records, papers, files, equipment, or other tangible property used or held in the exercise of the powers and the performance of the duties and functions transferred, the director of financial management shall make a determination as to the proper allocation and certify the same to the state agencies concerned.

**NEW SECTION.** Sec. 25. All employees of the department of personnel serving the state employees' insurance board are transferred to the jurisdiction of the state health care authority. All employees classified under chapter 41.06 RCW, the state civil service law, are assigned to the state health care authority without any loss of rights, subject to any action that may be appropriate thereafter in accordance with the laws and rules governing state civil service.

**NEW SECTION.** Sec. 26. All rules and all pending business before the state employees' insurance board shall be continued and acted upon by the state health care authority. All existing contracts and obligations shall remain in full force and shall be performed by the state health care authority.

**NEW SECTION.** Sec. 27. The transfer of the powers, duties, and functions of the state employees' insurance board and the personnel serving the state employees' insurance board shall not affect the validity of any act performed prior to the effective date of this section.

**NEW SECTION.** Sec. 28. If apportionments of budgeted funds are required because of the transfers directed by sections 24 through 27 of this act, the director of financial management shall certify the apportionments to the agencies affected, the state auditor, and the state treasurer. Each of these shall make the appropriate transfer and adjustments in funds and appropriation accounts and equipment records in accordance with the certification.

**NEW SECTION.** Sec. 29. Nothing contained in sections 23 through 28 of this act may be construed to alter any existing collective bargaining unit or the provisions of any existing collective bargaining agreement until

the agreement has expired or until the bargaining unit has been modified by action of the personnel board as provided by law.

**NEW SECTION.** Sec. 30. All moneys in the state employees' insurance principal account shall be deposited in the state employees' insurance account established pursuant to section 10 of this act and all moneys in the state employees' insurance administrative account shall be deposited in the state health care authority administrative account established pursuant to section 11 of this act, on the effective date of this section.

**NEW SECTION.** Sec. 31. From the effective date of this section until October 1, 1988, the director of financial management shall review and approve actions of the state employees' insurance board relating to contracts for state employee health insurance benefits.

**NEW SECTION.** Sec. 32. A new section is added to chapter 48.14 RCW to read as follows:

The taxes imposed in RCW 48.14.020 do not apply to premiums collected or received before July 1, 1990, for medical and dental coverage purchased under chapter 41.05 RCW.

**NEW SECTION.** Sec. 33. A new section is added to chapter 82.04 RCW to read as follows:

In computing tax, insurers as defined by RCW 48.01.050, may deduct from the measure of tax amounts paid out for claims incurred before July 1, 1990, for covered health services under medical and dental coverage purchased under chapter 41.05 RCW.

**NEW SECTION.** Sec. 34. Sections 1 through 5, 7 through 12, 14, and 15 of this act are each added to chapter 41.05 RCW.

**NEW SECTION.** Sec. 35. The following acts or parts of acts are each repealed:

(1) Section 1, chapter 136, Laws of 1977 ex. sess. and RCW 41.05-.005;

(2) Section 1, chapter 39, Laws of 1970 ex. sess., section 12, chapter 147, Laws of 1973 1st ex. sess., section 2, chapter 106, Laws of 1975-'76 2nd ex. sess., section 2, chapter 125, Laws of 1979, section 90, chapter 3, Laws of 1983 and RCW 41.05.010;

(3) Section 2, chapter 136, Laws of 1977 ex. sess., section 1, chapter 125, Laws of 1979, section 2, chapter 120, Laws of 1980, section 1, chapter 34, Laws of 1982 1st ex. sess., section 91, chapter 3, Laws of 1983, section 68, chapter 287, Laws of 1984 and RCW 41.05.025;

(4) Section 3, chapter 39, Laws of 1970 ex. sess., section 2, chapter 147, Laws of 1973 1st ex. sess., section 1, chapter 38, Laws of 1975 1st ex. sess., section 1, chapter 122, Laws of 1987 and RCW 41.05.030;

(5) Section 4, chapter 39, Laws of 1970 ex. sess., section 3, chapter 136, Laws of 1977 ex. sess., section 24, chapter 57, Laws of 1985, section

901, chapter 312, Laws of 1986, section 3, chapter 122, Laws of 1987 and RCW 41.05.040;

(6) Section 2, chapter 122, Laws of 1987 and RCW 41.05.045;

(7) Section 6, chapter 39, Laws of 1970 ex. sess. and RCW 41.05.060;

(8) Section 7, chapter 39, Laws of 1970 ex. sess., section 5, chapter 106, Laws of 1975-'76 2nd ex. sess., section 5, chapter 136, Laws of 1977 ex. sess. and RCW 41.05.070; and

(9) Section 6, chapter 303, Laws of 1986 and RCW 70.14.010.

**NEW SECTION.** Sec. 1. (1) The state health care authority shall be established and shall take such steps as are necessary to ensure that this act is fully implemented on October 1, 1988.

There is hereby appropriated for the biennium ending June 30, 1989, the sum of one million three hundred thousand dollars, or as much thereof as is necessary, to the office of the governor from the state employees' insurance administrative account, for the purposes of implementing this subsection.

(2) Subsection (1) of this section and sections 13, 31, 32, and 33 of this act are necessary for the immediate preservation of the public peace, health, and safety, the support of the state government and its existing public institutions, and shall take effect immediately.

(3) The remainder of this act shall take effect on October 1, 1988.

Passed the House March 10, 1988.

Passed the Senate March 10, 1988.

Approved by the Governor March 16, 1988.

Filed in Office of Secretary of State March 16, 1988.

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CHAPTER 108

[Substitute Senate Bill No. 6736]

QUILEUTE, CHEHALIS, AND SWINOMISH TRIBAL LANDS—RETROCESSION OF CRIMINAL JURISDICTION

AN ACT Relating to jurisdiction over tribal lands; amending RCW 37.12.100, 37.12.110, 37.12.120, and 37.12.140; and adding a new section to chapter 37.12 RCW.

Be it enacted by the Legislature of the State of Washington:

Sec. 1. Section 2, chapter 267, Laws of 1986 and RCW 37.12.100 are each amended to read as follows:

It is the intent of the legislature to authorize a procedure for the retrocession, to the Quileute Tribe, Chehalis Tribe, Swinomish Tribe, and the Colville Confederated Tribes of Washington and the United States, of criminal jurisdiction over Indians for acts occurring on tribal lands or allotted lands within the Quileute, Chehalis, Swinomish, or Colville Indian reservation and held in trust by the United States or subject to a restriction against alienation imposed by the United States.