

January 2001

Purchasing State Employee Health Benefits: An Overview and Options for Change

EXECUTIVE SUMMARY

Health care costs are expected to account for a disproportionate share of growth in the state budget during the upcoming 2001–03 biennium. In response to this trend, Washington State’s fiscal year 2001 supplemental budget directed the Washington State Institute for Public Policy to “analyze strategies for containing state health care expenditures.”¹ As one part of that analysis, this report examines the process used by the Public Employee Benefits Board (PEBB) to purchase state employee health benefits.

Key Findings

- ❑ Growth in PEBB premiums appears to exceed that of some, but not all, other health care purchasers, implying that potential exists to reduce costs.
- ❑ Adopting policies which encourage lower premium growth may result in greater numbers of enrollees needing to change health plans.
- ❑ Three options having the potential to improve decision-making and reduce costs are identified:
 - Requiring the bidding process to occur before the state budget is passed;
 - Limiting the number of accepted bids in a geographic area based on cost (that is, premium amount); and
 - Requesting annual and multi-year bids.
- ❑ Any proposed changes to the procurement process should consider *impacts on health care access* and the *potential for unintended consequences*, such as higher costs if employees switch from managed care to fee-for-service health plans.

Document No. 01-01-3401

¹ Section 607(6), EHB 2487