

---

**SUBSTITUTE HOUSE BILL 1577**

---

**State of Washington****53rd Legislature****1993 Regular Session**

**By** House Committee on Health Care (originally sponsored by Representatives Dellwo, Dyer, L. Johnson, Miller, Scott, Eide, R. Meyers, Campbell, Wood, Thibaudeau, Ballasiotes, Cothorn, Wineberry, Conway, R. Johnson, Ogden, Mastin, Appelwick, Morris, Brown, Flemming, G. Cole, Heavey, Jones, Karahalios, Wang, Kessler, Voloria, Rust, Jacobsen, Basich, Dunshee, Quall, Pruitt, Linville, H. Myers, Romero, Johanson, Wolfe, G. Fisher, R. Fisher, King, Holm, Shin, Valle, Riley, Springer, Chappell, Dorn, Sommers, Peery, J. Kohl, Locke, Bray, Lemmon, Brough, Leonard and Anderson)

Read first time 03/03/93.

1 AN ACT Relating to health care; amending RCW 70.47.010, 70.47.020,  
2 70.47.030, 70.47.040, 70.47.060, 70.47.080, 41.05.011, 41.05.021,  
3 41.05.050, 41.05.055, 41.05.065, 41.05.120, 41.05.140, 70.170.100,  
4 70.170.110, 28B.125.010, 28B.115.080, 70.185.030, 43.70.460, 43.70.470,  
5 48.30.300, 48.44.260, 48.46.380, 18.72.400, 43.70.320, 18.130.190,  
6 70.41.200, 70.41.230, 5.60.070, 4.22.070, 48.44.095, 82.26.020,  
7 82.24.020, 82.08.150, 66.08.180, 66.24.210, 66.24.290, 82.02.030,  
8 42.17.2401, and 43.20.050; reenacting and amending RCW 28A.400.200,  
9 48.21.200, and 48.46.080; adding a new section to chapter 70.47 RCW;  
10 adding a new section to Title 43 RCW; adding new sections to chapter  
11 41.05 RCW; adding new sections to chapter 70.170 RCW; adding a new  
12 section to chapter 70.41 RCW; adding a new section to Title 48 RCW;  
13 adding new sections to chapter 43.70 RCW; adding a new section to  
14 chapter 48.18 RCW; adding new sections to chapter 48.20 RCW; adding new  
15 sections to chapter 48.21 RCW; adding new sections to chapter 48.44  
16 RCW; adding new sections to chapter 48.46 RCW; adding a new section to  
17 chapter 18.130 RCW; adding a new section to chapter 48.22 RCW; adding  
18 a new section to chapter 48.05 RCW; adding new sections to chapter 7.70  
19 RCW; adding new sections to chapter 48.14 RCW; adding a new section to  
20 chapter 82.04 RCW; adding a new chapter to Title 43 RCW; creating new  
21 sections; repealing RCW 48.46.160, 48.46.905, and 48.44.410;

1 prescribing penalties; providing effective dates; and declaring an  
2 emergency.

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

1

TABLE OF CONTENTS

2 PART I. FINDINGS, GOALS, AND INTENT . . . . . 4

3 PART II. BASIC HEALTH PLAN . . . . . 6

4 PART III. STATE-PURCHASED HEALTH SERVICES . . . . . 20

5 PART IV. DATA COLLECTION AND ADMINISTRATIVE REFORM . . . . . 34

6 PART V. HEALTH PROFESSIONAL SHORTAGES . . . . . 41

7 PART VI. HEALTH SERVICES COMMISSION--CERTIFIED HEALTH PLANS . . . 52

8 PART VII. HEALTH INSURANCE PROVISIONS . . . . . 77

9 PART VIII. PRACTICE GUIDELINES . . . . . 87

10 PART IX. HEALTH CARE LIABILITY REFORM . . . . . 88

11 PART X. PUBLIC HEALTH SERVICES IMPROVEMENT PLAN . . . . . 103

12 PART XI. STUDIES AND ADMINISTRATIVE DIRECTIVES . . . . . 105

13 PART XII. HEALTH SERVICES ACCOUNT AND REVENUES . . . . . 108

14 PART XIII. MISCELLANEOUS . . . . . 120

1

**PART I. FINDINGS, GOALS, AND INTENT**

2        NEW SECTION.    **Sec. 101.** FINDINGS. The legislature finds that our  
3 health and financial security are jeopardized by our ever increasing  
4 demand for medical care and by current medical insurance and medical  
5 system practices. Current medical system practices encourage public  
6 demand for unneeded, ineffective, and sometimes dangerous medical  
7 treatments. These practices often result in unaffordable cost  
8 increases that far exceed ordinary inflation for essential care.  
9 Current total medical and health care expenditure rates should be  
10 sufficient to provide access to essential health and medical care  
11 interventions to all within a reformed, efficient system.

12        The legislature finds that too many of our state's residents are  
13 without medical insurance, that each year many individuals and families  
14 are forced into poverty because of serious illness, and that many must  
15 leave gainful employment to be eligible for publicly funded medical  
16 services. Additionally, thousands of citizens are at risk of losing  
17 adequate medical insurance, have had insurance canceled recently, or  
18 cannot afford to renew existing coverage.

19        The legislature finds that businesses find it difficult to pay for  
20 medical insurance and remain competitive in a global economy, and that  
21 individuals, the poor, and small businesses bear an inequitable medical  
22 insurance burden.

23        The legislature finds that persons of color have significantly high  
24 rates of mortality, poor health outcomes, and substantially lower  
25 numbers and percentages of persons covered by health insurance than  
26 general population. It is intended that chapter ..., Laws of 1993  
27 (this act) shall make provisions to address the special health care  
28 needs of these ethnic populations in order to improve their health  
29 status.

30        The legislature finds that uncontrolled demand and expenditures for  
31 medical care are eroding the ability of families, businesses,  
32 communities, and governments to invest in other enterprises that  
33 promote health, maintain independence, and ensure continued economic  
34 welfare. Housing, nutrition, education, and the environment are all  
35 diminished as we invest ever increasing shares of wealth in medical  
36 treatments.

1       The legislature finds that while immediate steps must be taken, a  
2 long-term plan of reform is also needed.

3       NEW SECTION.   **Sec. 102.**   LEGISLATIVE INTENT AND GOALS.   (1) The  
4 legislature intends that state government policy stabilize health  
5 services costs, assure access to essential services for all residents,  
6 actively address the health care needs of persons of color, improve the  
7 public's health, and reduce unwarranted health services costs to  
8 preserve the viability of nonmedical care businesses.

9       (2) The legislature intends that:

10       (a) Total health services costs be stabilized and kept within rates  
11 of increase similar to the rates of general economic inflation within  
12 a publicly regulated, private marketplace that preserves personal  
13 choice;

14       (b) State residents be enrolled in the certified health plan of  
15 their choice that meets state standards regarding affordability,  
16 accessibility, cost-effectiveness, and comprehensiveness;

17       (c) State residents be able to choose health services from the full  
18 range of health care providers, as defined in section 602(12) of this  
19 act, in a manner consistent with good health service management,  
20 quality assurance, and cost effectiveness;

21       (d) Individuals and businesses have the option to purchase any  
22 health or medical services they may choose in addition to those  
23 contained in the benefits package determined by the state to be  
24 essential;

25       (e) All state residents, businesses, employees, and government  
26 participate in payment for health services, with total costs to  
27 individuals on a sliding scale based on income to encourage efficient  
28 and appropriate utilization of services and to protect individuals from  
29 impoverishment because of health care costs;

30       (f) These goals be accomplished within a reformed system using  
31 private service providers and facilities in a way that allows consumers  
32 to choose among competing plans operating within budget limits and  
33 other regulations that promote the public good; and

34       (g) That a policy of facilitating communication and networking in  
35 the delivery, purchase, and provision of health services among the  
36 federal, state, local, and tribal governments be encouraged and  
37 accomplished by chapter . . . , Laws of 1993 (this act).

1 (3) Accordingly, the legislature intends that chapter . . . , Laws  
2 of 1993 (this act) provide both early implementation measures and a  
3 process for overall reform of the health services system.

4 **PART II. BASIC HEALTH PLAN**

5 NEW SECTION. **Sec. 201.** A new section is added to chapter 70.47  
6 RCW to read as follows:

7 The powers, duties, and functions of the Washington basic health  
8 plan are hereby transferred to the Washington state health care  
9 authority. All references to the administrator of the Washington basic  
10 health plan in the Revised Code of Washington shall be construed to  
11 mean the administrator of the Washington state health care authority.

12 NEW SECTION. **Sec. 202.** All reports, documents, surveys, books,  
13 records, files, papers, or written material in the possession of the  
14 Washington basic health plan shall be delivered to the custody of the  
15 Washington state health care authority. All cabinets, furniture,  
16 office equipment, motor vehicles, and other tangible property used by  
17 the Washington basic health plan shall be made available to the  
18 Washington state health care authority. All funds, credits, or other  
19 assets held by the Washington basic health plan shall be assigned to  
20 the Washington state health care authority.

21 Any appropriations made to the Washington basic health plan shall,  
22 on the effective date of this section, be transferred and credited to  
23 the Washington state health care authority. At no time may those funds  
24 in the basic health plan trust account, any funds appropriated for the  
25 subsidy of any enrollees, or any premium payments or other sums made or  
26 received on behalf of any enrollees in the basic health plan be  
27 commingled with any appropriated funds designated or intended for the  
28 purposes of providing health care coverage to any state or other public  
29 employees.

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

1        NEW SECTION.    **Sec. 203.**    All employees of the Washington basic  
2 health plan are transferred to the jurisdiction of the Washington state  
3 health care authority. All employees classified under chapter 41.06  
4 RCW, the state civil service law, are assigned to the Washington state  
5 health care authority to perform their usual duties upon the same terms  
6 as formerly, without any loss of rights, subject to any action that may  
7 be appropriate thereafter in accordance with the laws and rules  
8 governing state civil service.

9        NEW SECTION.    **Sec. 204.**    All rules and all pending business before  
10 the Washington basic health plan shall be continued and acted upon by  
11 the Washington state health care authority. All existing contracts and  
12 obligations shall remain in full force and shall be performed by the  
13 Washington state health care authority.

14        NEW SECTION.    **Sec. 205.**    The transfer of the powers, duties,  
15 functions, and personnel of the Washington basic health plan shall not  
16 affect the validity of any act performed prior to the effective date of  
17 this section.

18        NEW SECTION.    **Sec. 206.**    If apportionments of budgeted funds are  
19 required because of the transfers directed by sections 201 through 205  
20 of this act, the director of financial management shall certify the  
21 apportionments to the agencies affected, the state auditor, and the  
22 state treasurer. Each of these shall make the appropriate transfer and  
23 adjustments in funds and appropriation accounts and equipment records  
24 in accordance with the certification.

25        NEW SECTION.    **Sec. 207.**    Nothing contained in sections 201 through  
26 206 of this act may be construed to alter any existing collective  
27 bargaining unit or the provisions of any existing collective bargaining  
28 agreement until the agreement has expired or until the bargaining unit  
29 has been modified by action of the personnel board as provided by law.

30        **Sec. 208.**    RCW 70.47.010 and 1987 1st ex.s. c 5 s 3 are each  
31 amended to read as follows:

32        (1) The legislature finds that:

1 (a) A significant percentage of the population of this state does  
2 not have reasonably available insurance or other coverage of the costs  
3 of necessary basic health care services;

4 (b) This lack of basic health care coverage is detrimental to the  
5 health of the individuals lacking coverage and to the public welfare,  
6 and results in substantial expenditures for emergency and remedial  
7 health care, often at the expense of health care providers, health care  
8 facilities, and all purchasers of health care, including the state; and

9 (c) The use of managed health care systems has significant  
10 potential to reduce the growth of health care costs incurred by the  
11 people of this state generally, and by low-income pregnant women (~~who~~  
12 ~~are an especially vulnerable population, along with their children~~),  
13 and at-risk children and adolescents who need greater access to managed  
14 health care.

15 (2) The purpose of this chapter is to provide or make more readily  
16 available necessary basic health care services in an appropriate  
17 setting to working persons and others who lack coverage, at a cost to  
18 these persons that does not create barriers to the utilization of  
19 necessary health care services. To that end, this chapter establishes  
20 a program to be made available to those residents (~~under sixty-five~~  
21 ~~years of age~~) not (~~otherwise~~) eligible for medicare (~~with gross~~  
22 ~~family income at or below two hundred percent of the federal poverty~~  
23 ~~guidelines~~) who share in a portion of the cost or who pay the full  
24 cost of receiving basic health care services from a managed health care  
25 system.

26 (3) It is not the intent of this chapter to provide health care  
27 services for those persons who are presently covered through private  
28 employer-based health plans, nor to replace employer-based health  
29 plans. However, the legislature recognizes that cost-effective and  
30 affordable health plans may not always be available to small business  
31 employers. Further, it is the intent of the legislature to expand,  
32 wherever possible, the availability of private health care coverage and  
33 to discourage the decline of employer-based coverage.

34 (4) (~~The program authorized under this chapter is strictly limited~~  
35 ~~in respect to the total number of individuals who may be allowed to~~  
36 ~~participate and the specific areas within the state where it may be~~  
37 ~~established. All such restrictions or limitations shall remain in full~~  
38 ~~force and effect until quantifiable evidence based upon the actual~~  
39 ~~operation of the program, including detailed cost benefit analysis, has~~

1 ~~been presented to the legislature and the legislature, by specific act~~  
2 ~~at that time, may then modify such limitations.))~~

3 (a) It is the purpose of this chapter to acknowledge the initial  
4 success of this program that has (i) assisted thousands of families in  
5 their search for affordable health care; (ii) demonstrated that low-  
6 income, uninsured families are willing to pay for their own health care  
7 coverage to the extent of their ability to pay; and (iii) proved that  
8 local health care providers are willing to enter into a public-private  
9 partnership as a managed care system.

10 (b) As a consequence, the legislature intends to extend an option  
11 to enroll to certain citizens above two hundred percent of the federal  
12 poverty guidelines within the state who reside in communities where the  
13 plan is operational and who collectively or individually wish to  
14 exercise the opportunity to purchase health care coverage through the  
15 basic health plan if the purchase is done at no cost to the state. It  
16 is also the intent of the legislature to allow employers and other  
17 financial sponsors to financially assist such individuals to purchase  
18 health care through the program. It is also the intent of the  
19 legislature to condition access to this plan for nonsubsidized  
20 enrollees upon the prior placement of subsidized enrollees, to the  
21 extent funding is available.

22 **Sec. 209.** RCW 70.47.020 and 1987 1st ex.s. c 5 s 4 are each  
23 amended to read as follows:

24 As used in this chapter:

25 (1) "Washington basic health plan" or "plan" means the system of  
26 enrollment and payment on a prepaid capitated basis for basic health  
27 care services, administered by the plan administrator through  
28 participating managed health care systems, created by this chapter.

29 (2) "Administrator" means the Washington basic health plan  
30 administrator, who also holds the position of administrator of the  
31 Washington state health care authority.

32 (3) "Managed health care system" means any health care  
33 organization, including health care providers, insurers, health care  
34 service contractors, health maintenance organizations, or any  
35 combination thereof, that provides directly or by contract basic health  
36 care services, as defined by the administrator and rendered by duly  
37 licensed providers, on a prepaid capitated basis to a defined patient  
38 population enrolled in the plan and in the managed health care system.

1 On and after July 1, 1997, "managed health care system" means a  
2 certified health plan, as defined in section 602 of this act.

3 (4) "Subsidized enrollee" means an individual, or an individual  
4 plus the individual's spouse (~~((and/or))~~) or dependent children, (~~((all~~  
5 ~~under the age of sixty-five and))~~) not (~~((otherwise))~~) eligible for  
6 medicare, who resides in an area of the state served by a managed  
7 health care system participating in the plan, whose gross family income  
8 at the time of enrollment does not exceed twice the federal poverty  
9 level as adjusted for family size and determined annually by the  
10 federal department of health and human services, who chooses to obtain  
11 basic health care coverage from a particular managed health care system  
12 in return for periodic payments to the plan.

13 (5) "Nonsubsidized enrollee" means an individual, or an individual  
14 plus the individual's spouse or dependent children, not eligible for  
15 medicare, who resides in an area of the state served by a managed  
16 health care system participating in the plan, who chooses to obtain  
17 basic health care coverage from a particular managed health care system  
18 and who pays or on whose behalf is paid the full costs for  
19 participation in the plan, without any subsidy from the plan.

20 (6) "Subsidy" means the difference between the amount of periodic  
21 payment the administrator makes (~~((, from funds appropriated from the~~  
22 ~~basic health plan trust account,))~~) to a managed health care system on  
23 behalf of (~~((an))~~) a subsidized enrollee plus the administrative cost to  
24 the plan of providing the plan to that subsidized enrollee, and the  
25 amount determined to be the subsidized enrollee's responsibility under  
26 RCW 70.47.060(2).

27 (~~((+6))~~) (7) "Premium" means a periodic payment, based upon gross  
28 family income (~~((and determined under RCW 70.47.060(2),))~~) which an  
29 (~~((enrollee))~~) individual, their employer or another financial sponsor  
30 makes to the plan as consideration for enrollment in the plan as a  
31 subsidized enrollee or a nonsubsidized enrollee.

32 (~~((+7))~~) (8) "Rate" means the per capita amount, negotiated by the  
33 administrator with and paid to a participating managed health care  
34 system, that is based upon the enrollment of subsidized and  
35 nonsubsidized enrollees in the plan and in that system.

36 **Sec. 210.** RCW 70.47.030 and 1992 c 232 s 907 are each amended to  
37 read as follows:

1       (1) The basic health plan trust account is hereby established in  
2 the state treasury. ~~((All))~~ Any nongeneral fund-state funds collected  
3 for this program shall be deposited in the basic health plan trust  
4 account and may be expended without further appropriation. Moneys in  
5 the account shall be used exclusively for the purposes of this chapter,  
6 including payments to participating managed health care systems on  
7 behalf of enrollees in the plan and payment of costs of administering  
8 the plan. ~~((After July 1, 1993, the administrator shall not expend or  
9 encumber for an ensuing fiscal period amounts exceeding ninety five  
10 percent of the amount anticipated to be spent for purchased services  
11 during the fiscal year.))~~

12       (2) The basic health plan subscription account is created in the  
13 custody of the state treasurer. All receipts from amounts due from or  
14 on behalf of nonsubsidized enrollees shall be deposited into the  
15 account. Funds in the account shall be used exclusively for the  
16 purposes of this chapter, including payments to participating managed  
17 health care systems on behalf of nonsubsidized enrollees in the plan  
18 and payment of costs of administering the plan. The account is subject  
19 to allotment procedures under chapter 43.88 RCW, but no appropriation  
20 is required for expenditures.

21       (3) The administrator shall take every precaution to see that none  
22 of the funds in the separate accounts created in this section or that  
23 any premiums paid either by subsidized or nonsubsidized enrollees are  
24 commingled in any way, except that the administrator may combine funds  
25 designated for administration of the plan into a single administrative  
26 account.

27       **Sec. 211.** RCW 70.47.040 and 1987 1st ex.s. c 5 s 6 are each  
28 amended to read as follows:

29       (1) The Washington basic health plan is created as ~~((an independent  
30 agency of the state))~~ a program within the Washington state health care  
31 authority. The administrative head and appointing authority of the  
32 plan shall be the administrator ((who shall be appointed by the  
33 governor, with the consent of the senate, and shall serve at the  
34 pleasure of the governor. The salary for this office shall be set by  
35 the governor pursuant to RCW 43.03.040)) of the Washington state health  
36 care authority. The administrator shall appoint a medical director.  
37 The ~~((administrator,))~~ medical director~~((,))~~ and up to five other

1 employees of the plan shall be exempt from the civil service law,  
2 chapter 41.06 RCW.

3 (2) The administrator shall employ such other staff as are  
4 necessary to fulfill the responsibilities and duties of the  
5 administrator, such staff to be subject to the civil service law,  
6 chapter 41.06 RCW. In addition, the administrator may contract with  
7 third parties for services necessary to carry out its activities where  
8 this will promote economy, avoid duplication of effort, and make best  
9 use of available expertise. Any such contractor or consultant shall be  
10 prohibited from releasing, publishing, or otherwise using any  
11 information made available to it under its contractual responsibility  
12 without specific permission of the plan. The administrator may call  
13 upon other agencies of the state to provide available information as  
14 necessary to assist the administrator in meeting its responsibilities  
15 under this chapter, which information shall be supplied as promptly as  
16 circumstances permit.

17 (3) The administrator may appoint such technical or advisory  
18 committees as he or she deems necessary. The administrator shall  
19 appoint a standing technical advisory committee that is representative  
20 of health care professionals, health care providers, and those directly  
21 involved in the purchase, provision, or delivery of health care  
22 services, as well as consumers and those knowledgeable of the ethical  
23 issues involved with health care public policy. Individuals appointed  
24 to any technical or other advisory committee shall serve without  
25 compensation for their services as members, but may be reimbursed for  
26 their travel expenses pursuant to RCW 43.03.050 and 43.03.060.

27 (4) The administrator may apply for, receive, and accept grants,  
28 gifts, and other payments, including property and service, from any  
29 governmental or other public or private entity or person, and may make  
30 arrangements as to the use of these receipts, including the undertaking  
31 of special studies and other projects relating to health care costs and  
32 access to health care.

33 (5) (~~In the design, organization, and administration of the plan~~  
34 ~~under this chapter, the administrator shall consider the report of the~~  
35 ~~Washington health care project commission established under chapter~~  
36 ~~303, Laws of 1986. Nothing in this chapter requires the administrator~~  
37 ~~to follow any specific recommendation contained in that report except~~  
38 ~~as it may also be included in this chapter or other law~~) Whenever  
39 feasible, the administrator shall reduce the administrative cost of

1 operating the program by adopting joint policies or procedures  
2 applicable to both the basic health plan and employee health plans.

3 **Sec. 212.** RCW 70.47.060 and 1992 c 232 s 908 are each amended to  
4 read as follows:

5 The administrator has the following powers and duties:

6 (1) To design and from time to time revise a schedule of covered  
7 basic health care services, including physician services, inpatient and  
8 outpatient hospital services, and other services that may be necessary  
9 for basic health care, which subsidized and nonsubsidized enrollees in  
10 any participating managed health care system under the Washington basic  
11 health plan shall be entitled to receive in return for premium payments  
12 to the plan. The schedule of services shall emphasize proven  
13 preventive and primary health care and shall include all services  
14 necessary for prenatal, postnatal, and well-child care. However, (~~for~~  
15 ~~the period ending June 30, 1993,~~) with respect to coverage for groups  
16 of subsidized enrollees who are eligible to receive prenatal and  
17 postnatal services through the medical assistance program under chapter  
18 74.09 RCW, the administrator shall not contract for (~~prenatal or~~  
19 postnatal) such services (~~that are provided under the medical~~  
20 ~~assistance program under chapter 74.09 RCW)~~) except to the extent that  
21 such services are necessary over not more than a one-month period in  
22 order to maintain continuity of care after diagnosis of pregnancy by  
23 the managed care provider(~~, or except to provide any such services~~  
24 ~~associated with pregnancies diagnosed by the managed care provider~~  
25 ~~before July 1, 1992)~~). The schedule of services shall also include a  
26 separate schedule of basic health care services for children, eighteen  
27 years of age and younger, for those subsidized or nonsubsidized  
28 enrollees who choose to secure basic coverage through the plan only for  
29 their dependent children. In designing and revising the schedule of  
30 services, the administrator shall consider the guidelines for assessing  
31 health services under the mandated benefits act of 1984, RCW 48.42.080,  
32 and such other factors as the administrator deems appropriate. On or  
33 after July 1, 1995, the uniform benefits package adopted and from time  
34 to time revised by the Washington health services commission pursuant  
35 to section 615 of this act shall be implemented by the administrator as  
36 the schedule of covered basic health care services. However, with  
37 respect to coverage for subsidized enrollees who are eligible to  
38 receive prenatal and postnatal services through the medical assistance

1 program under chapter 74.09 RCW, the administrator shall not contract  
2 for such services except to the extent that the services are necessary  
3 over not more than a one-month period in order to maintain continuity  
4 of care after diagnosis of pregnancy by the managed care provider.

5 (2)(a) To design and implement a structure of periodic premiums due  
6 the administrator from subsidized enrollees that is based upon gross  
7 family income, giving appropriate consideration to family size ((as  
8 well-as)) and the ages of all family members. The enrollment of  
9 children shall not require the enrollment of their parent or parents  
10 who are eligible for the plan. The structure of periodic premiums  
11 shall be applied to subsidized enrollees entering the plan as  
12 individuals pursuant to subsection (9) of this section and to the share  
13 of the cost of the plan due from subsidized enrollees entering the plan  
14 as employees pursuant to subsection (10) of this section.

15 (b) To determine the periodic premiums due the administrator from  
16 nonsubsidized enrollees. Premiums due from nonsubsidized enrollees  
17 shall be in an amount equal to the cost charged by the managed health  
18 care system provider to the state for the plan plus the administrative  
19 cost of providing the plan to those enrollees and the appropriate  
20 premium tax as provided by law.

21 (c) An employer or other financial sponsor may, with the prior  
22 approval of the administrator, pay the premium, rate, or any other  
23 amount on behalf of a subsidized or nonsubsidized enrollee, by  
24 arrangement with the enrollee and through a mechanism acceptable to the  
25 administrator, but in no case shall the payment made on behalf of the  
26 enrollee exceed ninety-five percent of the total premiums due from the  
27 enrollee.

28 (d) On or after July 1, 1995, the administrator shall comply with  
29 any schedule of premiums that may be adopted by the Washington health  
30 services commission.

31 (3) To design and implement a structure of ((nominal)) copayments  
32 due a managed health care system from subsidized and nonsubsidized  
33 enrollees. The structure shall discourage inappropriate enrollee  
34 utilization of health care services, but shall not be so costly to  
35 enrollees as to constitute a barrier to appropriate utilization of  
36 necessary health care services. On or after July 1, 1995, the  
37 administrator shall comply with schedules of enrollee point of service  
38 cost-sharing adopted by the Washington health services commission.

1 (4) (~~To design and implement, in concert with a sufficient number~~  
2 ~~of potential providers in a discrete area, an enrollee financial~~  
3 ~~participation structure, separate from that otherwise established under~~  
4 ~~this chapter, that has the following characteristics:~~

5 (a) ~~Nominal premiums that are based upon ability to pay, but not~~  
6 ~~set at a level that would discourage enrollment;~~

7 (b) ~~A modified fee-for-services payment schedule for providers;~~

8 (c) ~~Coinsurance rates that are established based on specific~~  
9 ~~service and procedure costs and the enrollee's ability to pay for the~~  
10 ~~care. However, coinsurance rates for families with incomes below one~~  
11 ~~hundred twenty percent of the federal poverty level shall be nominal.~~  
12 ~~No coinsurance shall be required for specific proven prevention~~  
13 ~~programs, such as prenatal care. The coinsurance rate levels shall not~~  
14 ~~have a measurable negative effect upon the enrollee's health status;~~  
15 ~~and~~

16 (d) ~~A case management system that fosters a provider-enrollee~~  
17 ~~relationship whereby, in an effort to control cost, maintain or improve~~  
18 ~~the health status of the enrollee, and maximize patient involvement in~~  
19 ~~her or his health care decision-making process, every effort is made by~~  
20 ~~the provider to inform the enrollee of the cost of the specific~~  
21 ~~services and procedures and related health benefits.~~

22 ~~The potential financial liability of the plan to any such providers~~  
23 ~~shall not exceed in the aggregate an amount greater than that which~~  
24 ~~might otherwise have been incurred by the plan on the basis of the~~  
25 ~~number of enrollees multiplied by the average of the prepaid capitated~~  
26 ~~rates negotiated with participating managed health care systems under~~  
27 ~~RCW 70.47.100 and reduced by any sums charged enrollees on the basis of~~  
28 ~~the coinsurance rates that are established under this subsection.~~

29 ~~(5)) To limit enrollment of persons who qualify for subsidies so~~  
30 ~~as to prevent an overexpenditure of appropriations for such purposes.~~  
31 ~~Whenever the administrator finds that there is danger of such an~~  
32 ~~overexpenditure, the administrator shall close enrollment until the~~  
33 ~~administrator finds the danger no longer exists.~~

34 (5) To limit the payment of subsidies to subsidized enrollees, as  
35 defined in RCW 70.47.020.

36 (6) To adopt a schedule for the orderly development of the delivery  
37 of services and availability of the plan to residents of the state,  
38 subject to the limitations contained in RCW 70.47.080 or any act  
39 appropriating funds for the plan.

1       (~~In the selection of any area of the state for the initial~~  
2 ~~operation of the plan, the administrator shall take into account the~~  
3 ~~levels and rates of unemployment in different areas of the state, the~~  
4 ~~need to provide basic health care coverage to a population reasonably~~  
5 ~~representative of the portion of the state's population that lacks such~~  
6 ~~coverage, and the need for geographic, demographic, and economic~~  
7 ~~diversity.~~)

8       ~~Before July 1, 1988, the administrator shall endeavor to secure~~  
9 ~~participation contracts with managed health care systems in discrete~~  
10 ~~geographic areas within at least five congressional districts.)~~)

11       (7) To solicit and accept applications from managed health care  
12 systems, as defined in this chapter, for inclusion as eligible basic  
13 health care providers under the plan. The administrator shall endeavor  
14 to assure that covered basic health care services are available to any  
15 enrollee of the plan from among a selection of two or more  
16 participating managed health care systems. In adopting any rules or  
17 procedures applicable to managed health care systems and in its  
18 dealings with such systems, the administrator shall consider and make  
19 suitable allowance for the need for health care services and the  
20 differences in local availability of health care resources, along with  
21 other resources, within and among the several areas of the state.

22       (8) To receive periodic premiums from or on behalf of subsidized  
23 and nonsubsidized enrollees, deposit them in the basic health plan  
24 operating account, keep records of enrollee status, and authorize  
25 periodic payments to managed health care systems on the basis of the  
26 number of enrollees participating in the respective managed health care  
27 systems.

28       (9) To accept applications from individuals residing in areas  
29 served by the plan, on behalf of themselves and their spouses and  
30 dependent children, for enrollment in the Washington basic health plan  
31 as subsidized or nonsubsidized enrollees, to establish appropriate  
32 minimum-enrollment periods for enrollees as may be necessary, and to  
33 determine, upon application and at least ((annually)) semiannually  
34 thereafter, or at the request of any enrollee, eligibility due to  
35 current gross family income for sliding scale premiums. ((An enrollee  
36 who remains current in payment of the sliding scale premium, as  
37 determined under subsection (2) of this section, and whose gross family  
38 income has risen above twice the federal poverty level, may continue  
39 enrollment unless and until the enrollee's gross family income has

1 remained above twice the poverty level for six consecutive months, by  
2 making payment at the unsubsidized rate required for the managed health  
3 care system in which he or she may be enrolled.)) No subsidy may be  
4 paid with respect to any enrollee whose current gross family income  
5 exceeds twice the federal poverty level or, subject to RCW 70.47.110,  
6 who is a recipient of medical assistance or medical care services under  
7 chapter 74.09 RCW. If, as a result of an eligibility review, the  
8 administrator determines that a subsidized enrollee's income exceeds  
9 twice the federal poverty level and that the enrollee knowingly failed  
10 to inform the plan of such increase in income, the administrator may  
11 bill the enrollee for the subsidy paid on the enrollee's behalf during  
12 the period of time that the enrollee's income exceeded twice the  
13 federal poverty level. If a number of enrollees drop their enrollment  
14 for no apparent good cause, the administrator may establish appropriate  
15 rules or requirements that are applicable to such individuals before  
16 they will be allowed to re-enroll in the plan.

17 (10) To accept applications from small business owners on behalf of  
18 themselves and their employees, spouses, and dependent children, as  
19 subsidized or nonsubsidized enrollees, who reside in an area served by  
20 the plan. The administrator may require all or the substantial  
21 majority of the eligible employees of such businesses to enroll in the  
22 plan and establish those procedures necessary to facilitate the orderly  
23 enrollment of groups in the plan and into a managed health care system.  
24 The administrator shall require that a small business owner pay at  
25 least fifty percent but not more than ninety-five percent of the  
26 nonsubsidized premium cost of the plan on behalf of each employee  
27 enrolled in the plan. Effective on or after July 1, 1997, the employer  
28 participation levels established by the health services commission  
29 pursuant to section 620 of this act shall govern employer participation  
30 levels under this section. For the purposes of this subsection, an  
31 employee means an individual who regularly works for the small business  
32 for at least twenty hours per week. The businesses may have no more  
33 than one hundred employees at the time of initial enrollment and  
34 enrollment is limited to those not eligible for medicare, who wish to  
35 enroll in the plan and choose to obtain the basic health care coverage  
36 and services from a managed care system participating in the plan. The  
37 administrator shall adjust the amount determined to be due on behalf of  
38 or from all such enrollees whenever the amount negotiated by the  
39 administrator with the participating managed health care system or

1 systems is modified or the administrative cost of providing the plan to  
2 such enrollees changes.

3 (11) To determine the rate to be paid to each participating managed  
4 health care system in return for the provision of covered basic health  
5 care services to enrollees in the system. Although the schedule of  
6 covered basic health care services will be the same for similar  
7 enrollees, the rates negotiated with participating managed health care  
8 systems may vary among the systems. In negotiating rates with  
9 participating systems, the administrator shall consider the  
10 characteristics of the populations served by the respective systems,  
11 economic circumstances of the local area, the need to conserve the  
12 resources of the basic health plan trust account, and other factors the  
13 administrator finds relevant.

14 ~~((11))~~ (12) To monitor the provision of covered services to  
15 enrollees by participating managed health care systems in order to  
16 assure enrollee access to good quality basic health care, to require  
17 periodic data reports concerning the utilization of health care  
18 services rendered to enrollees in order to provide adequate information  
19 for evaluation, and to inspect the books and records of participating  
20 managed health care systems to assure compliance with the purposes of  
21 this chapter. In requiring reports from participating managed health  
22 care systems, including data on services rendered enrollees, the  
23 administrator shall endeavor to minimize costs, both to the managed  
24 health care systems and to the ~~((administrator))~~ plan. The  
25 administrator shall coordinate any such reporting requirements with  
26 other state agencies, such as the insurance commissioner and the  
27 department of health, to minimize duplication of effort.

28 ~~((12))~~ (13) To monitor the access that state residents have to  
29 adequate and necessary health care services, determine the extent of  
30 any unmet needs for such services or lack of access that may exist from  
31 time to time, and make such reports and recommendations to the  
32 legislature as the administrator deems appropriate.

33 ~~((13))~~ (14) To evaluate the effects this chapter has on private  
34 employer-based health care coverage and to take appropriate measures  
35 consistent with state and federal statutes that will discourage the  
36 reduction of such coverage in the state.

37 ~~((14))~~ (15) To develop a program of proven preventive health  
38 measures and to integrate it into the plan wherever possible and  
39 consistent with this chapter.

1       (~~(15)~~) (16) To provide, consistent with available resources,  
2 technical assistance for rural health activities that endeavor to  
3 develop needed health care services in rural parts of the state.

4       (17) Basic health plan enrollment expansion shall correspond as  
5 much as possible to the proportion of racial and ethnic minorities in  
6 that community using the best available data to estimate representation  
7 by ethnic minorities. A report shall be submitted on or before  
8 December 1, 1996, and biannually thereafter, to the commission  
9 describing the areas of shortfall and recommendations to address them.

10       **Sec. 213.** RCW 70.47.080 and 1987 1st ex.s. c 5 s 10 are each  
11 amended to read as follows:

12       On and after July 1, 1988, the administrator shall accept for  
13 enrollment applicants eligible to receive covered basic health care  
14 services from the respective managed health care systems which are then  
15 participating in the plan. (~~The administrator shall not allow the~~  
16 ~~total enrollment of those eligible for subsidies to exceed thirty~~  
17 ~~thousand.~~)

18       Thereafter, total (~~enrollment shall not exceed the number~~  
19 ~~established by the legislature in any act appropriating funds to the~~  
20 ~~plan.~~

21       ~~Before July 1, 1988, the administrator shall endeavor to secure~~  
22 ~~participation contracts from managed health care systems in discrete~~  
23 ~~geographic areas within at least five congressional districts of the~~  
24 ~~state and in such manner as to allow residents of both urban and rural~~  
25 ~~areas access to enrollment in the plan. The administrator shall make~~  
26 ~~a special effort to secure agreements with health care providers in one~~  
27 ~~such area that meets the requirements set forth in RCW 70.47.060(4))~~  
28 subsidized enrollment shall not result in expenditures that exceed the  
29 total amount that has been made available by the legislature in any act  
30 appropriating funds to the plan.

31       The administrator shall at all times closely monitor growth  
32 patterns of enrollment so as not to exceed that consistent with the  
33 orderly development of the plan as a whole, in any area of the state or  
34 in any participating managed health care system. The annual or  
35 biennial enrollment limitations derived from operation of the plan  
36 under this section do not apply to nonsubsidized enrollees as defined  
37 in RCW 70.47.020(5).



1 the authority to provide any of its insurance programs by contract with  
2 the authority, as provided in RCW 41.04.205(~~(, and employees of a~~  
3 ~~school district if the board of directors of the school district seeks~~  
4 ~~and receives the approval of the authority to provide any of its~~  
5 ~~insurance programs by contract with the authority as provided in RCW~~  
6 ~~28A.400.350))).~~

7 (7) "Board" means the (~~state~~) public employees' benefits board  
8 established under RCW 41.05.055.

9 **Sec. 302.** RCW 41.05.021 and 1990 c 222 s 3 are each amended to  
10 read as follows:

11 (1) The Washington state health care authority is created within  
12 the executive branch. The authority shall have an administrator  
13 appointed by the governor, with the consent of the senate. The  
14 administrator shall serve at the pleasure of the governor. The  
15 administrator may employ up to seven staff members, who shall be exempt  
16 from chapter 41.06 RCW, and any additional staff members as are  
17 necessary to administer this chapter. The primary duties of the  
18 authority shall be to administer state employees' insurance benefits  
19 (~~and to~~), study state-purchased health care programs in order to  
20 maximize cost containment in these programs while ensuring access to  
21 quality health care, and implement state initiatives, joint purchasing  
22 strategies, and techniques for efficient administration that have  
23 potential application to all state-purchased health services. The  
24 authority's duties include, but are not limited to, the following:

25 (~~(1)~~) (a) To administer a health care benefit program for  
26 employees as specifically authorized in RCW 41.05.065 and in accordance  
27 with the methods described in RCW 41.05.075, 41.05.140, and other  
28 provisions of this chapter;

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

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

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

5       (~~(e)~~) (iii) Coordination of state agency efforts to purchase  
6 drugs effectively as provided in RCW 70.14.050;

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

10       (~~(e)~~) (v) Development of data systems to obtain utilization data  
11 from state-purchased health care programs in order to identify cost  
12 centers, utilization patterns, provider and hospital practice patterns,  
13 and procedure costs, utilizing the information obtained pursuant to RCW  
14 41.05.031;

15       (~~(3)~~) (c) To analyze areas of public and private health care  
16 interaction;

17       (~~(4)~~) (d) To provide information and technical and administrative  
18 assistance to the board;

19       (~~(5)~~) (e) To review and approve or deny applications from  
20 counties, municipalities, and other political subdivisions of the  
21 state(~~(, and school districts)~~) to provide state-sponsored insurance or  
22 self-insurance programs to their employees in accordance with the  
23 provisions of RCW 41.04.205 (~~(and 28A.400.350)~~), setting the premium  
24 contribution for approved groups as outlined in RCW 41.05.050;

25       (~~(6)~~) (f) To appoint a health care policy technical advisory  
26 committee as required by RCW 41.05.150; and

27       (~~(7)~~) (g) To promulgate and adopt rules consistent with this  
28 chapter as described in RCW 41.05.160.

29       (2) The public employees' benefits board shall implement strategies  
30 to promote managed competition among employee health benefit plans by  
31 July 1, 1994, including but not limited to:

32       (a) Standardizing the benefit package;

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

34       (c) Limiting the state's contribution to a percent of the lowest  
35 priced sealed bid of a qualified plan within a geographical area. If  
36 the state's contribution is less than one hundred percent of the lowest  
37 priced sealed bid, employee financial contributions shall be structured  
38 on a sliding-scale basis under which lower wage employees pay a smaller  
39 percentage of their salary;

1        (d) Ensuring access to quality health services;  
2        (e) Monitoring the impact of the approach under this subsection  
3 with regards to: Efficiencies in health service delivery, cost shifts  
4 to subscribers, access to and choice of managed care plans state-wide,  
5 and quality of health services. The health care authority shall also  
6 advise on the value of administering a benchmark employer-managed plan  
7 to promote competition among managed care plans. The health care  
8 authority shall report its findings and recommendations to the  
9 legislature by January 1, 1996.

10        **Sec. 303.** RCW 41.05.050 and 1988 c 107 s 18 are each amended to  
11 read as follows:

12        (1) Every department, division, or separate agency of state  
13 government, and such county, municipal, or other political subdivisions  
14 as are covered by this chapter, shall provide contributions to  
15 insurance and health care plans for its employees and their dependents,  
16 the content of such plans to be determined by the authority.  
17 Contributions, paid by the county, the municipality, or other political  
18 subdivision for their employees, shall include an amount determined by  
19 the authority to pay such administrative expenses of the authority as  
20 are necessary to administer the plans for employees of those groups.  
21 All such contributions will be paid into the ((state)) public  
22 employees' health insurance account.

23        (2) The contributions of any department, division, or separate  
24 agency of the state government, and such county, municipal, or other  
25 political subdivisions as are covered by this chapter, shall be set by  
26 the authority, subject to the approval of the governor for availability  
27 of funds as specifically appropriated by the legislature for that  
28 purpose. However, insurance and health care contributions for ferry  
29 employees shall be governed by RCW 47.64.270.

30        (3) The administrator with the assistance of the ((state)) public  
31 employees' benefits board shall survey private industry and public  
32 employers in the state of Washington to determine the average employer  
33 contribution for group insurance programs under the jurisdiction of the  
34 authority. Such survey shall be conducted during each even-numbered  
35 year but may be conducted more frequently. The survey shall be  
36 reported to the authority for its use in setting the amount of the  
37 recommended employer contribution to the employee insurance benefit  
38 program covered by this chapter. The authority shall transmit a

1 recommendation for the amount of the employer contribution to the  
2 governor and the director of financial management for inclusion in the  
3 proposed budgets submitted to the legislature.

4 **Sec. 304.** RCW 41.05.055 and 1989 c 324 s 1 are each amended to  
5 read as follows:

6 (1) The ((state)) public employees' benefits board is created  
7 within the authority. The function of the board is to design and  
8 approve insurance benefit plans for state employees and effective on  
9 and after October 1, 1993, school district employees.

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

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

20 (b) Two representatives of school district employees, one of whom  
21 shall represent the largest state association of school employees and  
22 one of whom is retired, and represents an organized group of retired  
23 school employees;

24 ((Three)) (c) Four members with experience in health benefit  
25 management and cost containment; and

26 ((e)) (d) The administrator.

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

35 **Sec. 305.** RCW 41.05.065 and 1988 c 107 s 8 are each amended to  
36 read as follows:

1 (1) The board shall study all matters connected with the provision  
2 of health care coverage, life insurance, liability insurance,  
3 accidental death and dismemberment insurance, and disability income  
4 insurance or any of, or a combination of, the enumerated types of  
5 insurance for employees and their dependents on the best basis possible  
6 with relation both to the welfare of the employees and to the state(~~(÷~~  
7 ~~PROVIDED, That))~~, however liability insurance shall not be made  
8 available to dependents.

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

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

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

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

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

25 (e) Effective coordination of benefits;

26 (f) Minimum standards for insuring entities; and

27 (g) Minimum scope and content of standard benefit plans to be  
28 offered to enrollees participating in the employee health benefit  
29 plans. On or after July 1, 1995, the uniform benefits package and  
30 schedule of premiums and other individual cost-sharing adopted and from  
31 time to time revised by the Washington health services commission  
32 pursuant to chapter . . . , Laws of 1993 (this act) shall be implemented  
33 by the administrator for purposes of employee health benefit plans.

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

37 (4) The board shall attempt to achieve enrollment of all employees  
38 and retirees in managed health care systems by July 1994.

1 The board may authorize premium contributions for an employee and  
2 the employee's dependents in a manner that encourages the use of cost-  
3 efficient managed health care systems. (~~Such authorization shall~~  
4 ~~require a vote of five members of the board for approval.~~)

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

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

15 **Sec. 306.** RCW 41.05.120 and 1991 sp.s. c 13 s 100 are each amended  
16 to read as follows:

17 (1) The (~~state~~) public employees' insurance account is hereby  
18 established in the custody of the state treasurer, to be used by the  
19 administrator for the deposit of contributions, reserves, dividends,  
20 and refunds, and for payment of premiums for employee insurance benefit  
21 contracts. Moneys from the account shall be disbursed by the state  
22 treasurer by warrants on vouchers duly authorized by the administrator.

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

29 **Sec. 307.** RCW 41.05.140 and 1988 c 107 s 12 are each amended to  
30 read as follows:

31 (1) The authority may self-fund, self-insure, or enter into other  
32 methods of providing insurance coverage for insurance programs under  
33 its jurisdiction except property and casualty insurance. The authority  
34 shall contract for payment of claims or other administrative services  
35 for programs under its jurisdiction. If a program does not require the  
36 prepayment of reserves, the authority shall establish such reserves  
37 within a reasonable period of time for the payment of claims as are

1 normally required for that type of insurance under an insured program.  
2 Reserves established by the authority shall be held in a separate trust  
3 fund by the state treasurer and shall be known as the ((state)) public  
4 employees' insurance reserve fund. The state investment board shall  
5 act as the investor for the funds and, except as provided in RCW  
6 43.33A.160, one hundred percent of all earnings from these investments  
7 shall accrue directly to the ((state)) public employees' insurance  
8 reserve fund.

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

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

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

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

26 NEW SECTION. **Sec. 308.** A new section is added to Title 43 RCW to  
27 read as follows:

28 STATE HEALTH SERVICES AGENT. (1) The health care authority is  
29 hereby designated as the single state agent for purchasing health  
30 services.

31 (2) On and after July 1, 1995, at least the following state-  
32 purchased health services programs shall be merged into a single,  
33 community-rated risk pool: The basic health plan; health benefits for  
34 active employees of school districts; and health benefits for active  
35 state employees. Until that date, in purchasing health services, the  
36 health care authority shall maintain separate experience pools for each  
37 of the programs in this subsection. The administrator may develop  
38 mechanisms to ensure that the cost of comparable benefits packages does

1 not vary widely across the experience pools. At the earliest  
2 opportunity the governor shall seek necessary federal waivers and state  
3 legislation to place the medical and acute care components of the  
4 medical assistance program, the limited casualty program, and the  
5 medical care services program of the department of social and health  
6 services in this single risk pool. Long-term care services provided  
7 under the medical assistance program shall not be placed in the single  
8 risk pool until such services have been added to the uniform benefits  
9 package pursuant to section 615 of this act.

10 (3) At a minimum, and regardless of other legislative enactments,  
11 the state health services purchasing agent shall:

12 (a) Ensure immediate coverage if a state resident eligible for  
13 state-subsidized health services chooses to receive state-sponsored  
14 care;

15 (b) Require that a public agency that provides subsidies for a  
16 substantial portion of services now covered under the basic health plan  
17 or a uniform benefits package as adopted by the Washington health  
18 services commission as provided in section 615 of this act, use uniform  
19 eligibility processes, insofar as may be possible, and ensure that  
20 multiple eligibility determinations are not required;

21 (c) Require that a health care provider or a health care facility  
22 that receives funds from a public program provide care to state  
23 residents receiving a state subsidy who may wish to receive care from  
24 them, and that a health maintenance organization, health care service  
25 contractor, insurer, or certified health plan that receives funds from  
26 a public program accept enrollment from state residents receiving a  
27 state subsidy who may wish to enroll with them. A provider, facility,  
28 or certified health plan shall not be required to provide care to or  
29 enroll a resident receiving a state subsidy if provision of care or  
30 enrollment results in the provider or plan caring for a significantly  
31 greater percentage of subsidized residents than the percentage of  
32 subsidized residents in the geographical region served by the provider,  
33 facility, or plan;

34 (d) Strive to integrate purchasing for all publicly sponsored  
35 health services in order to maximize the cost control potential and  
36 promote the most efficient methods of financing and coordinating  
37 services;

1 (e) Annually suggest changes in state and federal law and rules to  
2 bring all publicly funded health programs in compliance with the goals  
3 and intent of chapter . . . , Laws of 1993 (this act);

4 (f) Consult regularly with the governor, the legislature, and state  
5 agency directors whose operations are affected by the implementation of  
6 this section;

7 (g) Ensure that procedures and due process guarantees no less  
8 beneficial than those available under federal and state law to  
9 participants in the medical assistance, limited casualty, and medical  
10 care services programs are provided to all persons who, but for the  
11 federal waivers and state legislation procured under subsection (1) of  
12 this section, would be eligible for those programs.

13 NEW SECTION. **Sec. 309.** A new section is added to chapter 41.05  
14 RCW to read as follows:

15 (1) The Washington state health insurance purchasing cooperative is  
16 established for the purpose of coordinating and enhancing the health  
17 care purchasing power of the groups identified in subsection (2) of  
18 this section. The purchasing cooperative shall be administered by the  
19 administrator.

20 (2) The following organizations or entities may seek the approval  
21 of the administrator for membership in the purchasing cooperative:

22 (a) Private nonprofit human services provider organizations under  
23 contract with state agencies, on behalf of their employees and their  
24 employees' spouses and dependent children;

25 (b) Individuals providing in-home long-term care services to  
26 persons whose care is financed in whole or in part through the medical  
27 assistance personal care or community options program entry system  
28 program as provided in chapter 74.09 RCW, or the chore services  
29 program, as provided in chapter 74.08 RCW, on behalf of themselves and  
30 their spouses and dependent children;

31 (c) Owners and operators of child day care centers and family child  
32 care homes licensed under chapter 74.15 RCW and of preschool or other  
33 child care programs exempted from licensing under chapter 74.15 RCW on  
34 behalf of themselves and their employees and employees' spouses and  
35 dependent children;

36 (d) Foster parents contracting with the department of social and  
37 health services under chapter 74.13 RCW and licensed under chapter

1 74.15 RCW on behalf of themselves and their spouses and dependent  
2 children; and

3 (e) Small business owners on behalf of themselves and their  
4 employees and employees' spouses and dependent children. For purposes  
5 of this subsection, a small business may have no more than one hundred  
6 employees at the time of initial enrollment. An employee means an  
7 individual who regularly works for the employer for at least twenty  
8 hours per week.

9 (3) In administering the purchasing cooperative, the administrator  
10 shall:

11 (a) Negotiate and enter into contracts on behalf of the purchasing  
12 cooperative's members in conjunction with its contracting and  
13 purchasing activities for employee benefit plans under RCW 41.05.075.  
14 Until July 1, 1997, in negotiating and contracting with insuring  
15 entities on behalf of employees and purchasing cooperative members,  
16 distinct experience pools shall be maintained. On and after that date,  
17 the purchasing cooperative shall be placed into the single risk pool  
18 for state-purchased health services, as provided in section 308 of this  
19 act;

20 (b) Review and approve or deny applications from entities seeking  
21 membership in the purchasing cooperative:

22 (i) The administrator may require all or the substantial majority  
23 of the employees of the organizations or entities listed in subsection  
24 (2) of this section to enroll in the purchasing cooperative.

25 (ii) The administrator shall require, that as a condition of  
26 membership in the purchasing cooperative, an entity or organization  
27 listed in subsection (2) of this section that employs individuals pay  
28 at least fifty percent but not more than ninety-five percent of the  
29 cost of the insurance coverage for each employee enrolled in the  
30 purchasing cooperative.

31 (iii) In offering and administering the purchasing cooperative, the  
32 administrator may not discriminate against individuals or groups based  
33 on age, gender, geographic area, industry, or medical history.

34 (4) On or after July 1, 1995, the uniform benefits package and  
35 schedule of premiums and point of service cost-sharing adopted and from  
36 time to time revised by the health services commission pursuant to  
37 chapter . . . , Laws of 1993 (this act) shall be applicable to the  
38 cooperative.

1 (5) The administrator shall adopt preexisting condition coverage  
2 provisions for the cooperative as provided in sections 704 through 707  
3 of this act.

4 (6)(a) The Washington state health insurance purchasing cooperative  
5 account is established in the custody of the state treasurer, to be  
6 used by the administrator for the deposit of premium payments from  
7 individuals and entities described in subsection (2) of this section,  
8 and for payment of premiums for benefit contracts entered into on  
9 behalf of the purchasing cooperative's participants and operating  
10 expenses incurred by the authority in the administration of benefit  
11 contracts under this section. Moneys from the account shall be  
12 disbursed by the state treasurer by warrants on vouchers duly  
13 authorized by the administrator.

14 (b) Disbursements from the account are not subject to  
15 appropriations, but shall be subject to the allotment procedure  
16 provided under chapter 43.88 RCW.

17 NEW SECTION. **Sec. 310.** A new section is added to chapter 41.05  
18 RCW to read as follows:

19 The administrator shall develop a marketing plan for the basic  
20 health plan and the Washington state health insurance purchasing  
21 cooperative. The plan shall be targeted to individuals and entities  
22 eligible to enroll in the two programs and provide clear and  
23 understandable explanations of the programs and enrollment procedures.  
24 The plan also shall incorporate special efforts to reach communities  
25 and people of color.

26 **Sec. 311.** RCW 28A.400.200 and 1990 1st ex.s. c 11 s 2 and 1990 c  
27 33 s 381 are each reenacted and amended to read as follows:

28 (1) Every school district board of directors shall fix, alter,  
29 allow, and order paid salaries and compensation for all district  
30 employees in conformance with this section.

31 (2)(a) Salaries for certificated instructional staff shall not be  
32 less than the salary provided in the appropriations act in the state-  
33 wide salary allocation schedule for an employee with a baccalaureate  
34 degree and zero years of service; and

35 (b) Salaries for certificated instructional staff with a masters  
36 degree shall not be less than the salary provided in the appropriations

1 act in the state-wide salary allocation schedule for an employee with  
2 a masters degree and zero years of service;

3 (3)(a) The actual average salary paid to basic education  
4 certificated instructional staff shall not exceed the district's  
5 average basic education certificated instructional staff salary used  
6 for the state basic education allocations for that school year as  
7 determined pursuant to RCW 28A.150.410.

8 (b) Fringe benefit contributions for basic education certificated  
9 instructional staff shall be included as salary under (a) of this  
10 subsection only to the extent that the district's actual average  
11 benefit contribution exceeds the (~~greater of: (i) The formula amount~~  
12 ~~for insurance benefits~~) amount of the uniform benefits package  
13 allocation provided per certificated instructional staff unit in the  
14 state operating appropriations act in effect at the time the  
15 compensation is payable(~~(; or (ii) the actual average amount provided~~  
16 ~~by the school district in the 1986-87 school year)~~). For purposes of  
17 this section, fringe benefits shall not include payment for unused  
18 leave for illness or injury under RCW 28A.400.210(~~(, or)~~); employer  
19 contributions for old age survivors insurance, workers' compensation,  
20 unemployment compensation, and retirement benefits under the Washington  
21 state retirement system; or employer contributions for services or  
22 levels of services not included in the uniform benefits package  
23 provided under section 615 of this act.

24 (c) Salary and benefits for certificated instructional staff in  
25 programs other than basic education shall be consistent with the salary  
26 and benefits paid to certificated instructional staff in the basic  
27 education program.

28 (4) Salaries and benefits for certificated instructional staff may  
29 exceed the limitations in subsection (3) of this section only by  
30 separate contract for additional time, additional responsibilities, or  
31 incentives. Supplemental contracts shall not cause the state to incur  
32 any present or future funding obligation. Supplemental contracts shall  
33 be subject to the collective bargaining provisions of chapter 41.59 RCW  
34 and the provisions of RCW 28A.405.240, shall not exceed one year, and  
35 if not renewed shall not constitute adverse change in accordance with  
36 RCW 28A.405.300 through 28A.405.380. No district may enter into a  
37 supplemental contract under this subsection for the provision of  
38 services which are a part of the basic education program required by  
39 Article IX, section 3 of the state Constitution.

1 (5) Employee benefit plans offered by any district shall comply  
2 with RCW 28A.400.350 and 28A.400.275 and 28A.400.280.

3 NEW SECTION. **Sec. 312.** TRANSFER OF AUTHORITY TO PURCHASE SERVICES  
4 FROM COMMUNITY HEALTH CENTERS. (1) State general funds appropriated to  
5 the department of health for the purposes of funding community health  
6 centers to provide primary medical and dental care services, migrant  
7 health services, and maternity health care services shall be  
8 transferred to the state health care authority. Any related  
9 administrative funds expended by the department of health for this  
10 purpose shall also be transferred to the health care authority. The  
11 health care authority shall exclusively expend these funds through  
12 contracts with community health centers to provide primary medical and  
13 dental care services, migrant health services, and maternity health  
14 care services. The administrator of the health care authority shall  
15 establish requirements necessary to assure community health centers  
16 provide quality health care services that are appropriate and effective  
17 and are delivered in a cost-efficient manner. The administrator shall  
18 further assure that community health centers have appropriate referral  
19 arrangements for acute care and medical specialty services not provided  
20 by the community health centers.

21 (2) To further the intent of chapter . . . , Laws of 1993 (this  
22 act), the health care authority, in consultation with the department of  
23 health, shall evaluate the organization and operation of the federal  
24 and state-funded community health centers and propose recommendations  
25 to the health services commission and the health policy committees of  
26 the legislature by November 30, 1994, that identify changes to permit  
27 community health centers to form certified health plans or other  
28 innovative health care delivery arrangements that help ensure access to  
29 primary health care services to low-income, migrant, refugee  
30 populations consistent with the purposes of chapter . . . , Laws of 1993  
31 (this act).

32 NEW SECTION. **Sec. 313.** A new section is added to chapter 41.05  
33 RCW to read as follows:

34 (1) If a waiver of the medicare statute, as provided in section 621  
35 of this act, is not obtained prior to June 30, 1995, the administrator  
36 shall develop a self-funded medicare supplemental benefits package.

1 The package shall be offered beginning July 1, 1996, and until a  
2 medicare waiver is obtained.

3 (2) The administrator shall:

4 (a) Define the services in the package to include all services  
5 available in the uniform benefits package to the extent they are not  
6 covered by medicare;

7 (b) Offer the package to any resident of the state eligible for  
8 medicare benefits;

9 (c) Administer the medicare supplemental benefits package as a  
10 distinct experience pool;

11 (d) Establish the premium that will be charged for the package and  
12 individual point of service cost-sharing levels; and

13 (e) To the extent that funding is made available specifically for  
14 this purpose, establish subsidies for low-income residents' premium and  
15 cost-sharing payments.

16 **PART IV. DATA COLLECTION AND ADMINISTRATIVE REFORM**

17 **Sec. 401.** RCW 70.170.100 and 1990 c 269 s 12 are each amended to  
18 read as follows:

19 (1) To promote the public interest consistent with the purposes of  
20 chapter . . . , Laws of 1993 (this act), the department is responsible  
21 for the development, implementation, and custody of a state-wide  
22 ((hospital)) health care data system, with policy direction and  
23 oversight to be provided by the Washington health services commission.  
24 As part of the design stage for development of the system, the  
25 department shall undertake a needs assessment of the types of, and  
26 format for, ((hospital)) health care data needed by consumers,  
27 purchasers, health care payers, ((hospitals)) providers, and state  
28 government as consistent with the intent of chapter . . . , Laws of 1993  
29 (this act) ((chapter)). The department shall identify a set of  
30 ((hospital)) health care data elements and report specifications which  
31 satisfy these needs. The ((council)) Washington health services  
32 commission, created by section 603 of this act, shall review the design  
33 of the data system ((and)) may ((direct the department to)) establish  
34 a technical advisory committee on health data and may recommend that  
35 the department contract with a private vendor for assistance in the  
36 design of the data system or for any part of the work to be performed  
37 under this section. The data elements, specifications, and other

1 ((design)) distinguishing features of this data system shall be made  
2 available for public review and comment and shall be published, with  
3 comments, as the department's first data plan by ~~((January 1, 1990))~~  
4 July 1, 1994.

5 (2) Subsequent to the initial development of the data system as  
6 published as the department's first data plan, revisions to the data  
7 system shall be considered ~~((through the department's development of a  
8 biennial data plan, as proposed to,))~~ with the oversight and policy  
9 guidance of the Washington health services commission or its technical  
10 advisory committee and funded by~~((7))~~ the legislature through the  
11 biennial appropriations process with funds appropriated to the state  
12 health services trust fund. ~~((Costs of data activities outside of  
13 these data plans except for special studies shall be funded through  
14 legislative appropriations.~~

15 (3)) In designing the state-wide ~~((hospital))~~ health care data  
16 system and any data plans, the department shall identify ~~((hospital))~~  
17 health care data elements relating to ~~((both hospital finances))~~ health  
18 care costs, the quality of health care services, the outcomes of health  
19 care services, and ~~((the))~~ use of ~~((services by patients))~~ health care  
20 by consumers. Data elements ~~((relating to hospital finances))~~ shall be  
21 reported ~~((by hospitals))~~ as the Washington health services commission  
22 directs by reporters in conformance with a uniform ~~((system of))  
23 reporting~~ ~~((as specified by the department and shall))~~ system  
24 established by the department, which shall be adopted by reporters. In  
25 the case of hospitals this includes data elements identifying each  
26 hospital's revenues, expenses, contractual allowances, charity care,  
27 bad debt, other income, total units of inpatient and outpatient  
28 services, and other financial information reasonably necessary to  
29 fulfill the purposes of chapter . . . , Laws of 1993 ~~((this))~~  
30 act), for hospital activities as a whole and, as feasible and  
31 appropriate, for specified classes of hospital purchasers and payers.  
32 Data elements relating to use of hospital services by patients shall,  
33 at least initially, be the same as those currently compiled by  
34 hospitals through inpatient discharge abstracts ~~((and reported to the  
35 Washington state hospital commission)).~~ In the case of practitioners  
36 this includes, at least, data elements indicating the practitioner's  
37 unique identification number, practice location, and credentials. All  
38 such information shall be collected through payers, such as certified  
39 health plans and the health care authority, or third-party

1 administrators, except to the extent that the department determines it  
2 can only be collected through health service providers. The commission  
3 and the department shall require reporting by electronic transmission  
4 under a uniform system adopted by the department.

5 (3) All state agencies responsible for providing health care  
6 services and all health care provider organizations contracting with  
7 the state shall be required to collect and report annually detailed  
8 data on client utilization, quality assurance, and health insurance  
9 coverage. The data shall be disaggregated by race and ethnicity.

10 (4) The state-wide (~~hospital~~) health care data system shall be  
11 uniform in its identification of reporting requirements for  
12 (~~hospitals~~) reporters across the state (~~to the extent that such~~  
13 ~~uniformity is necessary to fulfill the purposes of this chapter~~).  
14 Data reporting requirements may reflect differences (~~in hospital size;~~  
15 ~~urban or rural location;~~ ~~scope, type, and method of providing service;~~  
16 ~~financial structure;~~ ~~or other pertinent distinguishing factors~~) that  
17 involve pertinent distinguishing features as determined by the  
18 Washington health services commission by rule. (~~So far as possible,~~)  
19 The data system shall be coordinated with any requirements of the  
20 trauma care data registry as authorized in RCW 70.168.090, the federal  
21 department of health and human services in its administration of the  
22 medicare program, (~~and~~) the state in its role of gathering public  
23 health statistics, or any other payer program of consequence so as to  
24 minimize any unduly burdensome reporting requirements imposed on  
25 (~~hospitals~~) reporters.

26 (5) In identifying financial reporting requirements under the  
27 state-wide (~~hospital~~) health care data system, the department may  
28 require both annual reports and condensed quarterly reports from  
29 reporters, so as to achieve both accuracy and timeliness in reporting,  
30 but shall craft such requirements with due regard of the data reporting  
31 burdens of reporters.

32 (6) (~~In designing the initial state-wide hospital data system as~~  
33 ~~published in the department's first data plan, the department shall~~  
34 ~~review all existing systems of hospital financial and utilization~~  
35 ~~reporting used in this state to determine their usefulness for the~~  
36 ~~purposes of this chapter, including their potential usefulness as~~  
37 ~~revised or simplified.~~

38 (7) ~~Until such time as the state wide hospital data system and~~  
39 ~~first data plan are developed and implemented and hospitals are able to~~

1 ~~comply with reporting requirements, the department shall require~~  
2 ~~hospitals to continue to submit the hospital financial and patient~~  
3 ~~discharge information previously required to be submitted to the~~  
4 ~~Washington state hospital commission. Upon publication of the first~~  
5 ~~data plan, hospitals shall have a reasonable period of time to comply~~  
6 ~~with any new reporting requirements and, even in the event that new~~  
7 ~~reporting requirements differ greatly from past requirements, shall~~  
8 ~~comply within two years of July 1, 1989.~~

9       (8)) The ~~((hospital))~~ health care data collected ((and)),  
10 maintained, and studied by the department or the Washington health  
11 services commission shall only be available for retrieval in original  
12 or processed form to public and private requestors within a reasonable  
13 period of time after the date of request. The fee charged for data  
14 retrieval shall be equal for all eligible interests. The cost of  
15 retrieving data for state officials and agencies shall be funded  
16 through the state general appropriation. The cost of retrieving data  
17 for individuals and organizations engaged in research or private use of  
18 data or studies shall be funded by a fee schedule developed by the  
19 department which reflects the direct cost of retrieving the data or  
20 study in the requested form.

21       (7) All persons subject to chapter . . . , Laws of 1993 (this act)  
22 shall comply with departmental or commission requirements established  
23 by rule in the acquisition of data.

24       **Sec. 402.** RCW 70.170.110 and 1989 1st ex.s. c 9 s 511 are each  
25 amended to read as follows:

26       The department shall provide, or may contract with a private entity  
27 to provide, ~~((hospital))~~ analyses and reports or any studies it chooses  
28 to conduct consistent with the purposes of chapter . . . , Laws of 1993  
29 (this ((chapter)) act), subject to the availability of funds and any  
30 policy direction that may be given by the Washington health services  
31 commission. ~~((Prior to release, the department shall provide affected~~  
32 ~~hospitals with an opportunity to review and comment on reports which~~  
33 ~~identify individual hospital data with respect to accuracy and~~  
34 ~~completeness, and otherwise shall focus on aggregate reports of~~  
35 ~~hospital performance.))~~ These studies, analyses, or reports shall  
36 include:

37       (1) Consumer guides on purchasing ((hospital care services and)) or  
38 consuming health care and publications providing verifiable and useful

1 aggregate comparative information to ((consumers on hospitals and  
2 hospital services)) the public on health care services, their cost,  
3 their efficacy, and the quality of health care providers who  
4 participate in certified health plans;

5 (2) Reports for use by classes of purchasers, who purchase from  
6 certified health plans, health care payers, and providers as specified  
7 for content and format in the state-wide data system and data plan;  
8 ((and))

9 (3) Reports on relevant ((hospital)) health care policy ((issues))  
10 including the distribution of hospital charity care obligations among  
11 hospitals; absolute and relative rankings of Washington and other  
12 states, regions, and the nation with respect to expenses, net revenues,  
13 and other key indicators; ((hospital)) provider efficiencies; and the  
14 effect of medicare, medicaid, and other public health care programs on  
15 rates paid by other purchasers of ((hospital)) health care; and

16 (4) Any other reports the commission or department deems useful to  
17 assist the public purchasers of certified health plans in understanding  
18 the prudent and cost-effective use of certified health plan services.

19 NEW SECTION. Sec. 403. A new section is added to chapter 70.170  
20 RCW to read as follows:

21 The Washington health services commission shall have access to all  
22 health data presently available to the secretary of health. Certified  
23 health plans, purchasers, and providers shall have access to all health  
24 data presently available to the secretary of health, but in such  
25 aggregate form as to protect proprietary interests. To the extent  
26 possible, the commission shall use existing data systems and coordinate  
27 among existing agencies. The department of health shall be the  
28 designated depository agency for all health data collected pursuant to  
29 chapter . . . , Laws of 1993 (this act). The following data sources  
30 shall be developed or made available:

31 (1) The commission shall coordinate with the secretary of health to  
32 utilize data collected by the state center for health statistics,  
33 including hospital charity care and related data, rural health data,  
34 epidemiological data, ethnicity data, social and economic status data,  
35 and other data relevant to the commission's responsibilities.

36 (2) The commission, in coordination with the department of health  
37 and the health science programs of the state universities shall develop  
38 procedures to analyze clinical and other health services outcome data,

1 and conduct other research necessary for the specific purpose of  
2 assisting in the design of the uniform benefits package under chapter  
3 . . . , Laws of 1993 (this act).

4 (3) The commission shall establish cost data sources and shall  
5 require each certified health plan as defined in section 602 of this  
6 act to provide the commission and the department of health with  
7 enrollee care and cost information, to include: (a) Enrollee  
8 identifier, including date of birth, sex, and ethnicity; (b) provider  
9 identifier; (c) diagnosis; (d) health care services or procedures  
10 provided; (e) provider charges; and (f) amount paid. The department  
11 shall establish by rule confidentiality standards to safeguard the  
12 information from inappropriate use or release.

13 NEW SECTION. **Sec. 404.** A new section is added to chapter 70.170  
14 RCW to read as follows:

15 (1) The department is responsible for the implementation and  
16 custody of a state-wide personal health services data and information  
17 system. The data elements, specifications, and other design features  
18 of this data system shall be consistent with criteria adopted by the  
19 Washington health services commission. The department shall provide  
20 the commission with reasonable assistance in the development of these  
21 criteria, and shall provide the commission with periodic progress  
22 reports related to the implementation of the system or systems related  
23 to those criteria.

24 (2) The department shall coordinate the development and  
25 implementation of the personal health services data and information  
26 system with related private activities and with the implementation  
27 activities of the data sources identified by the commission. Data  
28 shall include: (a) Enrollee identifier, including date of birth, sex,  
29 and ethnicity; (b) provider identifier; (c) diagnosis; (d) health  
30 services or procedures provided; (e) provider charges; and (f) amount  
31 paid. The commission shall establish by rule, confidentiality  
32 standards to safeguard the information from inappropriate use or  
33 release. The department shall assist the commission in establishing  
34 reasonable time frames for the completion of the system development and  
35 system implementation.

36 (3) The department shall coordinate with the Portland area Indian  
37 health service, reservation Indian health service units, tribal  
38 clinics, and any urban Indian health service organizations for the

1 design, development, implementation, and maintenance of an American  
2 Indian-specific health data statistics information system. The  
3 commission rules regarding the confidentiality to safeguard the  
4 information from inappropriate use or release shall apply.

5 NEW SECTION. **Sec. 405.** A new section is added to chapter 70.170  
6 RCW to read as follows:

7 The Washington health services commission may determine reporting  
8 requirements for the following types of entities: Health care  
9 providers, health care facilities, insuring entities, and certified  
10 health plans. The reporting requirement shall be for the purposes of  
11 determining whether the health care system is operating as efficiently  
12 as possible. In addition to determining which entities may report such  
13 data, the commission may also determine which elements are essential,  
14 consistent with the data reporting requirements of the department of  
15 health and in a form as the department may require. In determination  
16 of said reporting requirements, the commission may consider, but not be  
17 limited to, the following:

18 (1) Salaries, by classification for each position in the reporting  
19 entity;

20 (2) Total number of full-time equivalent employees employed under  
21 each classification;

22 (3) Salaries and fringe benefits for the twenty highest paid  
23 administrative positions;

24 (4) The name of each corporation related to the entity;

25 (5) The salaries paid to entity employees by each related  
26 corporation and by the entity to the employees of related corporations;  
27 and

28 (6) A breakdown of each entity and department budgets by  
29 administrative, supervisory, and direct service categories.

30 NEW SECTION. **Sec. 406.** A new section is added to chapter 70.41  
31 RCW to read as follows:

32 (1) The legislature finds that the spiraling costs of health care  
33 continue to surmount efforts to contain them, increasing at  
34 approximately twice the inflationary rate. The causes of this  
35 phenomenon are complex. By making physicians and other health care  
36 providers with hospital admitting privileges more aware of the cost  
37 consequences of health care services for consumers, these providers may

1 be inclined to exercise more restraint in providing only the most  
2 relevant and cost-beneficial hospital services, with a potential for  
3 reducing the utilization of those services. The requirement of the  
4 hospital to inform physicians and other health care providers of the  
5 charges of the health care services that they order may have a positive  
6 effect on containing health costs. Further, the option of the  
7 physician or other health care provider to inform the patient of these  
8 charges may strengthen the necessary dialogue in the provider-patient  
9 relationship that tends to be diminished by intervening third-party  
10 payers.

11 (2) The chief executive officer of a hospital licensed under this  
12 chapter and the superintendent of a state hospital shall establish and  
13 maintain a procedure for disclosing to physicians and other health care  
14 providers with admitting privileges the charges of all health care  
15 services ordered for their patients. Copies of hospital charges shall  
16 be made available to any physician and/or other health care provider  
17 ordering care in hospital inpatient/outpatient services. The physician  
18 and/or other health care provider may inform the patient of these  
19 charges and may specifically review them. Hospitals are also directed  
20 to study methods for making daily charges available to prescribing  
21 physicians through the use of interactive software and/or computerized  
22 information thereby allowing physicians and other health care providers  
23 to review not only the costs of present and past services but also  
24 future contemplated costs for additional diagnostic studies and  
25 therapeutic medications.

26 NEW SECTION. **Sec. 407.** A new section is added to Title 48 RCW to  
27 read as follows:

28 The insurance commissioner, with the advice of the Washington  
29 health services commission and the department of health, shall design  
30 and implement uniform administrative requirements for certified health  
31 plans. Requirements shall include: (1) A centralized and regularly  
32 updated electronic eligibility file; (2) a standardized process for  
33 coordinating benefits; (3) common criteria to be used in performing  
34 utilization review, including minimum qualifications for reviewers; and  
35 (4) a standard process for auditing provider bills, to be developed in  
36 accordance with national health care billing audit guidelines.

37 **PART V. HEALTH PROFESSIONAL SHORTAGES**

1        NEW SECTION.    **Sec. 501.**    LEGISLATIVE INTENT.    The legislature finds  
2    that the successful implementation of health care reform will depend on  
3    a sufficient supply of primary health care providers throughout the  
4    state.    Many rural and medically underserved urban areas lack primary  
5    health care providers and because of this, basic health care services  
6    are limited or unavailable to populations living in these areas.    The  
7    legislature has in recent years initiated new programs to address these  
8    provider shortages but funding has been insufficient and additional  
9    specific provider shortages remain.

10        **Sec. 502.**    RCW 28B.125.010 and 1991 c 332 s 5 are each amended to  
11    read as follows:

12        (1) The higher education coordinating board, the state board for  
13    community    ((college—education))    and technical colleges, the  
14    superintendent of public instruction, the state department of health,  
15    the Washington health services commission, and the state department of  
16    social and health services, to be known for the purposes of this  
17    section as the committee, shall establish a state-wide health personnel  
18    resource plan.    The governor shall appoint a lead agency from one of  
19    the agencies on the committee.

20        In preparing the state-wide plan the committee shall consult with  
21    the training and education institutions affected by this chapter,  
22    health care providers, employers of health care providers, insurers,  
23    consumers of health care, and other appropriate entities.

24        Should a successor agency or agencies be authorized or created by  
25    the legislature with planning, coordination, or administrative  
26    authority over vocational-technical schools, community colleges, or  
27    four-year higher education institutions, the governor shall grant  
28    membership on the committee to such agency or agencies and remove the  
29    member or members it replaces.

30        The committee shall appoint subcommittees for the purpose of  
31    assisting in the development of the institutional plans required under  
32    this chapter.    Such subcommittees shall at least include those  
33    committee members that have statutory responsibility for planning,  
34    coordination, or administration of the training and education  
35    institutions for which the institutional plans are being developed.    In  
36    preparing the institutional plans for four-year institutes of higher  
37    education, the subcommittee shall be composed of at least the higher  
38    education coordinating board and the state's four-year higher education

1 institutions. The appointment of subcommittees to develop portions of  
2 the state-wide plan shall not relinquish the committee's responsibility  
3 for assuring overall coordination, integration, and consistency of the  
4 state-wide plan.

5 In establishing and implementing the state-wide health personnel  
6 resource plan the committee shall, to the extent possible, utilize  
7 existing data and information, personnel, equipment, and facilities and  
8 shall minimize travel and take such other steps necessary to reduce the  
9 administrative costs associated with the preparation and implementation  
10 of the plan.

11 (2) The state-wide health resource plan shall include at least the  
12 following:

13 (a)(i) Identification of the type, number, and location of the  
14 health care professional work force necessary to meet health care needs  
15 of the state.

16 (ii) A description and analysis of the composition and numbers of  
17 the potential work force available for meeting health care service  
18 needs of the population to be used for recruitment purposes. This  
19 should include a description of the data, methodology, and process used  
20 to make such determinations.

21 (b) A centralized inventory of the numbers of student applications  
22 to higher education and vocational-technical training and education  
23 programs, yearly enrollments, yearly degrees awarded, and numbers on  
24 waiting lists for all the state's publicly funded health care training  
25 and education programs. The committee shall request similar  
26 information for incorporation into the inventory from private higher  
27 education and vocational-technical training and education programs.

28 (c) A description of state-wide and local specialized provider  
29 training needs to meet the health care needs of target populations and  
30 a plan to meet such needs in a cost-effective and accessible manner.

31 (d) A description of how innovative, cost-effective technologies  
32 such as telecommunications can and will be used to provide higher  
33 education, vocational-technical, continued competency, and skill  
34 maintenance and enhancement education and training to placebound  
35 students who need flexible programs and who are unable to attend  
36 institutions for training.

37 (e) A strategy for assuring higher education and vocational-  
38 technical educational and training programming is sensitive to the

1 changing work force such as reentry workers, women, minorities, and the  
2 disabled.

3 (f) Strategies for promoting an increase in the use of persons of  
4 color in the health professions including adequate resources to train  
5 and utilize persons of color in the full spectrum of health  
6 professions, to include physicians, licensed physicians who are foreign  
7 medical graduates, nurses, administrators, planners, education,  
8 technicians, outreach workers, and dentists.

9 (g) A strategy that includes the incorporation of federal  
10 assistance programs for health career development with an emphasis on  
11 the national Indian health service programs targeting the American  
12 Indian population and other federal and state education and training  
13 assistance programs for the economically disadvantaged, physically  
14 challenged, and persons of color in all health professions.

15 ~~((f))~~ (g) A strategy and coordinated state-wide policy developed  
16 by the subcommittees authorized in subsection (1) of this section for  
17 increasing the number of graduates intending to serve in shortage areas  
18 after graduation, including such strategies as the establishment of  
19 preferential admissions and designated enrollment slots.

20 ~~((g))~~ (h) Guidelines and policies developed by the subcommittees  
21 authorized in subsection (1) of this section for allowing academic  
22 credit for on-the-job experience such as internships, volunteer  
23 experience, apprenticeships, and community service programs.

24 ~~((h))~~ (i) A strategy developed by the subcommittees authorized in  
25 subsection (1) of this section for making required internships and  
26 residency programs available that are geographically accessible and  
27 sufficiently diverse to meet both general and specialized training  
28 needs as identified in the plan when such programs are required.

29 ~~((i))~~ (j) A description of the need for multiskilled health care  
30 professionals and an implementation plan to restructure educational and  
31 training programming to meet these needs.

32 ~~((j))~~ (k) An analysis of the types and estimated numbers of  
33 health care personnel that will need to be recruited from out-of-state  
34 to meet the health professional needs not met by in-state trained  
35 personnel.

36 ~~((k))~~ (l) An analysis of the need for educational articulation  
37 within the various health care disciplines and a plan for addressing  
38 the need.

1        (~~(l)~~) (m) An analysis of the training needs of those members of  
2 the long-term care profession that are not regulated and that have no  
3 formal training requirements. Programs to meet these needs should be  
4 developed in a cost-effective and a state-wide accessible manner that  
5 provide for the basic training needs of these individuals.

6        (~~(m)~~) (n) A designation of the professions and geographic  
7 locations in which loan repayment and scholarships should be available  
8 based upon objective data-based forecasts of health professional  
9 shortages. A description of the criteria used to select professions  
10 and geographic locations shall be included. Designations of  
11 professions and geographic locations may be amended by the department  
12 of health when circumstances warrant as provided for in RCW  
13 28B.115.070.

14       (~~(n)~~) (o) A description of needed changes in regulatory laws  
15 governing the credentialing of health professionals.

16       (~~(o)~~) (p) A description of linguistic and cultural training needs  
17 of foreign-trained health care professionals to assure safe and  
18 effective practice of their health care profession.

19       (~~(p)~~) (q) A plan to implement the recommendations of the state-  
20 wide nursing plan authorized by RCW 74.39.040.

21       (~~(q)~~) (r) A description of criteria and standards that  
22 institutional plans provided for in this section must address in order  
23 to meet the requirements of the state-wide health personnel resource  
24 plan, including funding requirements to implement the plans. The  
25 committee shall also when practical identify specific outcome measures  
26 to measure progress in meeting the requirements of this plan. The  
27 criteria and standards shall be established in a manner as to provide  
28 flexibility to the institutions in meeting state-wide plan  
29 requirements. The committee shall establish required submission dates  
30 for the institutional plans that permit inclusion of funding requests  
31 into the institutions budget requests to the state.

32       (~~(r)~~) (s) A description of how the higher education coordinating  
33 board, state board for community (~~college education~~) and technical  
34 colleges, superintendent of public instruction, department of health,  
35 and department of social and health services coordinated in the  
36 creation and implementation of the state plan including the areas of  
37 responsibility each agency shall assume. The plan should also include  
38 a description of the steps taken to assure participation by the groups  
39 that are to be consulted with.

1       (~~(s)~~) (t) A description of the estimated fiscal requirements for  
2 implementation of the state-wide health resource plan that include a  
3 description of cost saving activities that reduce potential costs by  
4 avoiding administrative duplication, coordinating programming  
5 activities, and other such actions to control costs.

6       (3) The committee may call upon other agencies of the state to  
7 provide available information to assist the committee in meeting the  
8 responsibilities under this chapter. This information shall be  
9 supplied as promptly as circumstances permit.

10       (4) State agencies involved in the development and implementation  
11 of the plan shall to the extent possible utilize existing personnel and  
12 financial resources in the development and implementation of the state-  
13 wide health personnel resource plan.

14       (5) The state-wide health personnel resource plan shall be  
15 submitted to the governor by July 1, 1992, and updated by July 1 of  
16 each even-numbered year. The governor, no later than December 1 of  
17 that year, shall approve, approve with modifications, or disapprove the  
18 state-wide health resource plan.

19       (6) The approved state-wide health resource plan shall be submitted  
20 to the senate and house of representatives committees on health care,  
21 higher education, and ways and means or appropriations by December 1 of  
22 each even-numbered year.

23       (7) Implementation of the state-wide plan shall begin by July 1,  
24 1993.

25       (8) Notwithstanding subsections (5) and (7) of this section, the  
26 committee shall prepare and submit to the higher education coordinating  
27 board by June 1, 1992, the analysis necessary for the initial  
28 implementation of the health professional loan repayment and  
29 scholarship program created in chapter 28B.115 RCW.

30       (9) Each publicly funded two-year and four-year institute of higher  
31 education authorized under Title 28B RCW and vocational-technical  
32 institution authorized under Title 28A RCW that offers health training  
33 and education programs shall biennially prepare and submit an  
34 institutional plan to the committee. The institutional plan shall  
35 identify specific programming and activities of the institution that  
36 meet the requirements of the state-wide health professional resource  
37 plan.

38       The committee shall review and assess whether the institutional  
39 plans meet the requirements of the state-wide health personnel resource

1 plan and shall prepare a report with its determination. The report  
2 shall become part of the institutional plan and shall be submitted to  
3 the governor and the legislature.

4 The institutional plan shall be included with the institution's  
5 biennial budget submission. The institution's budget shall identify  
6 proposed spending to meet the requirements of the institutional plan.  
7 Each vocational-technical institution, college, or university shall be  
8 responsible for implementing its institutional plan.

9 **Sec. 503.** RCW 28B.115.080 and 1991 c 332 s 21 are each amended to  
10 read as follows:

11 After June 1, 1992, the board, in consultation with the department  
12 and the department of social and health services, shall:

13 (1) Establish the annual award amount for each credentialed health  
14 care profession which shall be based upon an assessment of reasonable  
15 annual eligible expenses involved in training and education for each  
16 credentialed health care profession. The annual award amount may be  
17 established at a level less than annual eligible expenses. The annual  
18 award amount shall ~~((not be more than fifteen thousand dollars per  
19 year))~~ be established by the board for each eligible health profession.  
20 The awards shall not be paid for more than a maximum of five years per  
21 individual;

22 (2) Determine any scholarship awards for prospective physicians in  
23 such a manner to require the recipients declare an interest in serving  
24 in rural areas of the state of Washington. Preference for scholarships  
25 shall be given to students who reside in a rural physician shortage  
26 area or a nonshortage rural area of the state prior to admission to the  
27 eligible education and training program in medicine. Highest  
28 preference shall be given to students seeking admission who are  
29 recommended by sponsoring communities and who declare the intent of  
30 serving as a physician in a rural area. The board may require the  
31 sponsoring community located in a nonshortage rural area to financially  
32 contribute to the eligible expenses of a medical student if the student  
33 will serve in the nonshortage rural area;

34 (3) Establish the required service obligation for each credentialed  
35 health care profession, which shall be no less than three years or no  
36 more than five years. The required service obligation may be based  
37 upon the amount of the scholarship or loan repayment award such that

1 higher awards involve longer service obligations on behalf of the  
2 participant;

3 (4) Determine eligible education and training programs for purposes  
4 of the scholarship portion of the program;

5 (5) Honor loan repayment and scholarship contract terms negotiated  
6 between the board and participants prior to May 21, 1991, concerning  
7 loan repayment and scholarship award amounts and service obligations  
8 authorized under chapter ((18.150)) 28B.115, 28B.104, or 70.180 RCW.

9 NEW SECTION. **Sec. 504.** A new section is added to chapter 43.70  
10 RCW to read as follows:

11 (1) The department shall establish a multicultural health care  
12 technical assistance program. Its purpose shall be to promote  
13 technical assistance to community and migrant health centers and other  
14 appropriate health care providers who serve principally the underserved  
15 and persons of color.

16 The technical assistance provided shall include, but is not limited  
17 to: (a) Collaborative research and data analysis on health care  
18 outcomes that disproportionately affect persons of color; (b) design  
19 and development of model health education and promotion strategies  
20 aimed at modifying unhealthy health behaviors or enhancing the use of  
21 the health care delivery system by persons of color; (c) provision of  
22 technical information and assistance on program planning and financial  
23 management; (d) administration, public policy development, and analysis  
24 in health care issues affecting people of color; and (e) enhancement  
25 and promotion of health care career opportunities for persons of color.

26 (2) Consistent with appropriate funds, the programs shall be  
27 available on a state-wide basis.

28 **Sec. 505.** RCW 70.185.030 and 1991 c 332 s 9 are each amended to  
29 read as follows:

30 (1) The department ((shall)) may, subject to funding, establish  
31 ((up to three)) community-based recruitment and retention project sites  
32 to provide financial and technical assistance to participating  
33 communities. The goal of the project is to help assure the  
34 availability of health care providers in rural and underserved urban  
35 areas of Washington state.

1 (2) Administrative costs necessary to implement this project shall  
2 be kept at a minimum to insure the maximum availability of funds for  
3 participants.

4 (3) The secretary may contract with third parties for services  
5 necessary to carry out activities to implement this chapter where this  
6 will promote economy, avoid duplication of effort, and make the best  
7 use of available expertise.

8 (4) The secretary may apply for, receive, and accept gifts and  
9 other payments, including property and service, from any governmental  
10 or other public or private entity or person, and may make arrangements  
11 as to the use of these receipts, including the undertaking of special  
12 studies and other projects related to the delivery of health care in  
13 rural areas.

14 (5) In designing and implementing the project the secretary shall  
15 coordinate the project with the Washington rural health system project  
16 as authorized under chapter 70.175 RCW to consolidate administrative  
17 duties and reduce costs.

18 **Sec. 506.** RCW 43.70.460 and 1992 c 113 s 2 are each amended to  
19 read as follows:

20 (1) The department may establish a program to purchase and maintain  
21 liability malpractice insurance for retired (~~((physicians))~~) primary care  
22 providers who provide primary health care services at community  
23 clinics. The following conditions apply to the program:

24 (a) Primary health care services shall be provided at community  
25 clinics that are public or private tax-exempt corporations;

26 (b) Primary health care services provided at the clinics shall be  
27 offered to low-income patients based on their ability to pay;

28 (c) Retired (~~((physicians))~~) primary care providers providing health  
29 care services shall not receive compensation for their services; and

30 (d) The department shall contract only with a liability insurer  
31 authorized to offer liability malpractice insurance in the state.

32 (2) This section and RCW 43.70.470 shall not be interpreted to  
33 require a liability insurer to provide coverage to a (~~((physician))~~)  
34 primary care provider should the insurer determine that coverage should  
35 not be offered to a physician because of past claims experience or for  
36 other appropriate reasons.

37 (3) The state and its employees who operate the program shall be  
38 immune from any civil or criminal action involving claims against

1 clinics or physicians that provided health care services under this  
2 section and RCW 43.70.470. This protection of immunity shall not  
3 extend to any clinic or ((physician)) primary care provider  
4 participating in the program.

5 (4) The department may monitor the claims experience of retired  
6 physicians covered by liability insurers contracting with the  
7 department.

8 (5) The department may provide liability insurance under chapter  
9 113, Laws of 1992 only to the extent funds are provided for this  
10 purpose by the legislature.

11 **Sec. 507.** RCW 43.70.470 and 1992 c 113 s 3 are each amended to  
12 read as follows:

13 The department may establish by rule the conditions of  
14 participation in the liability insurance program by retired  
15 ((physicians)) primary care providers at clinics utilizing retired  
16 physicians for the purposes of this section and RCW 43.70.460. These  
17 conditions shall include, but not be limited to, the following:

18 (1) The participating ((physician)) primary care provider  
19 associated with the clinic shall hold a valid license to practice  
20 ((~~medicine and surgery~~)) as a physician under chapter 18.71 or 18.57  
21 RCW, a physician assistant under chapter 18.36A, 18.71A, or 18.57A RCW,  
22 or an advanced registered nurse practitioner under chapter 18.88 RCW in  
23 this state and otherwise be in conformity with current requirements for  
24 licensure as a retired ((physician)) primary care health care provider,  
25 including continuing education requirements;

26 (2) The participating ((physician)) primary care health care  
27 provider shall limit the scope of practice in the clinic to primary  
28 care. Primary care shall be limited to noninvasive procedures and  
29 shall not include obstetrical care, or any specialized care and  
30 treatment. Noninvasive procedures include injections, suturing of  
31 minor lacerations, and incisions of boils or superficial abscesses;

32 (3) The provision of liability insurance coverage shall not extend  
33 to acts outside the scope of rendering medical services pursuant to  
34 this section and RCW 43.70.460;

35 (4) The participating ((physician)) primary care health care  
36 provider shall limit the provision of health care services to primarily  
37 low-income persons provided that clinics may, but are not required to,

1 provide means tests for eligibility as a condition for obtaining health  
2 care services;

3 (5) The participating ((physician)) primary care health care  
4 provider shall not accept compensation for providing health care  
5 services from patients served pursuant to this section and RCW  
6 43.70.460, nor from clinics serving these patients. "Compensation"  
7 shall mean any remuneration of value to the participating ((physician))  
8 primary care health care provider for services provided by the  
9 ((physician)) primary care health care provider, but shall not be  
10 construed to include any nominal copayments charged by the clinic, nor  
11 reimbursement of related expenses of a participating ((physician))  
12 primary care health care provider authorized by the clinic in advance  
13 of being incurred; and

14 (6) The use of mediation or arbitration for resolving questions of  
15 potential liability may be used, however any mediation or arbitration  
16 agreement format shall be expressed in terms clear enough for a person  
17 with a sixth grade level of education to understand, and on a form no  
18 longer than one page in length.

19 NEW SECTION. Sec. 508. MEDICAL SCHOOL GRADUATES SERVING IN RURAL  
20 AND MEDICALLY UNDERSERVED AREAS OF THE STATE--LEGISLATIVE INTENT. The  
21 legislature finds that the shortage of primary care physicians  
22 practicing in rural and medically underserved areas of the state has  
23 created a severe public health and safety problem. If unaddressed,  
24 this problem is expected to worsen with health care reform since an  
25 increased demand for primary care services will only contribute further  
26 to these shortages.

27 The legislature further finds that the medical training program at  
28 the University of Washington is an important and well respected  
29 resource to the people of this state in the training of primary care  
30 physicians. Currently, only a small proportion of medical school  
31 graduates are Washington residents who serve as primary care  
32 practitioners in certain parts of this state.

33 NEW SECTION. Sec. 509. MEDICAL SCHOOL SHORTAGE PLAN DEVELOPMENT.

34 (1) The University of Washington shall prepare a primary care shortage  
35 plan that accomplishes the following:

36 (a) Identifies specific activities that the school of medicine  
37 shall pursue to increase the number of Washington residents serving as

1 primary care physicians in rural and medically underserved areas of the  
2 state, including establishing a goal that assures that no less than  
3 forty-five percent of medical school graduates who are Washington state  
4 residents at the time of matriculation will enter into primary care  
5 residencies in Washington state by the year 2000;

6 (b) Assures that the school of medicine shall establish among its  
7 highest training priorities the distribution of its primary care  
8 physician graduates from the school and associated postgraduate  
9 residency programs into rural and medically underserved areas;

10 (c) Establishes the goal of assuring that the annual number of  
11 graduates from the family practice residency network entering rural or  
12 medically underserved practice shall be increased by forty percent over  
13 a baseline period from 1985 through 1990 by 1995;

14 (d) Establishes a further goal to make operational at least two  
15 additional family practice residency programs within Washington state  
16 in geographic areas identified by the plan as underserved in family  
17 practice by 1997. The geographic areas identified by the plan as being  
18 underserved by family practice physicians shall be consistent with any  
19 such similar designations as may be made in the health personnel  
20 research plan as authorized under chapter 28B.125 RCW;

21 (e) Establishes, in coordination with existing community and  
22 migrant health centers, three family practice residency satellite sites  
23 in rural and underserved areas of the state. One shall be a joint  
24 American osteopathic association and American medical association  
25 approved training site coordinated with an accredited college of  
26 osteopathic medicine with extensive experience in training primary care  
27 physicians for the western United States; at least fifty percent of the  
28 residency position shall be in osteopathic medicine; and

29 (f) Implements the plan, with the exception of the expansion of the  
30 family practice residency network, within current biennial  
31 appropriations for the University of Washington school of medicine.

32 (2) The plan shall be submitted to the appropriate committees of  
33 the legislature no later than December 1, 1993.

34 **PART VI. HEALTH SERVICES COMMISSION--CERTIFIED HEALTH PLANS**

35 NEW SECTION. **Sec. 601.** INTENT. The legislature intends that  
36 chapter . . . , Laws of 1993 (this act) establish structures, processes,  
37 and specific financial limits to stabilize the overall cost of medical

1 care within the economy, reduce the demand for unneeded medical care,  
2 provide universal access to essential health and medical services,  
3 improve public health, and ensure that medical system costs do not  
4 undermine the financial viability of nonmedical care businesses.

5 NEW SECTION. **Sec. 602.** DEFINITIONS. In this chapter, unless the  
6 context otherwise requires:

7 (1)(a) "Certified health plan" or "plan" means a disability insurer  
8 regulated under chapter 48.20 or 48.21 RCW, a health care service  
9 contractor as defined in RCW 48.44.010, or a health maintenance  
10 organization as defined in RCW 48.46.020, that contracts to administer  
11 or provide the uniform benefits package in a managed care setting  
12 consistent with the requirements of this chapter.

13 (b) "Certified health plan" or "plan" also means an employee health  
14 benefits plan maintained by an employer who self-insures such benefits  
15 and chooses to comply with health plan certification standards in  
16 section 610 of this act, and a health benefits plan maintained by a  
17 labor-management organization for the members of such labor  
18 organization that self-insures such benefits and chooses to comply with  
19 health plan certification standards in section 610 of this act.

20 (2) "Chair" means the presiding officer of the Washington health  
21 services commission.

22 (3) "Commission" means the Washington health services commission.

23 (4) "Continuous quality improvement and total quality management"  
24 means a continuous process to improve health services while reducing  
25 costs.

26 (5) "Employee" means a resident who is in the employment of an  
27 employer, as defined by chapter 50.04 RCW. A full-time employee is an  
28 employee who is employed at least fifty hours during a calendar month.

29 (6) "Employers' cooperative health purchasing group" or "purchasing  
30 group" means a group of employers in a distinct geographical region  
31 defined by the health services commission that: (a) Has as one of its  
32 purposes the purchase of the uniform benefits package on a group basis  
33 from certified health plans; (b) purchases the benefits package only  
34 for its members' employees and dependents; (c) is composed of members  
35 whose businesses or activities are principally located in the specified  
36 geographical region; (d) purchases the uniform benefits package for not  
37 less than one hundred thousand persons; and (e) does not deny

1 participation to any business, partnership, or corporation within its  
2 geographical region.

3 (7) "Enrollee" means any person who is a Washington resident  
4 enrolled in a certified health plan.

5 (8) "Enrollee point of service cost-sharing" means copayments paid  
6 to certified health plans directly providing services, health care  
7 providers, or health care facilities by enrollees for receipt of  
8 specific uniform benefits package services, within limits established  
9 by the commission.

10 (9) "Enrollee premium sharing" means that portion of the premium,  
11 determined by the commission, that is paid by enrollees or their family  
12 members.

13 (10) "Federal poverty level" means the federal poverty guidelines  
14 determined annually by the United States department of health and human  
15 services or successor agency.

16 (11) "Health care facility" or "facility" means hospices licensed  
17 under chapter 70.127 RCW, hospitals licensed under chapter 70.41 RCW,  
18 rural health facilities as defined in RCW 70.175.020, psychiatric  
19 hospitals licensed under chapter 71.12 RCW, nursing homes licensed  
20 under chapter 18.51 RCW, community mental health centers licensed under  
21 chapter 71.05 or 71.24 RCW, kidney disease treatment centers licensed  
22 under chapter 70.41 RCW, ambulatory diagnostic, treatment or surgical  
23 facilities licensed under chapter 70.41 RCW, drug and alcohol treatment  
24 facilities licensed under chapter 70.96A RCW, and home health agencies  
25 licensed under chapter 70.127 RCW, and includes such facilities if  
26 owned and operated by a political subdivision or instrumentality of the  
27 state and such other facilities as required by federal law and  
28 implementing regulations, but does not include Christian Science  
29 sanatoriums operated, listed, or certified by the First Church of  
30 Christ Scientist, Boston, Massachusetts.

31 (12) "Health care provider" or "provider" means:

32 (a) A person regulated under Title 18 RCW to practice health or  
33 health-related services or otherwise practicing health care services in  
34 this state consistent with state law;

35 (b) An employee or agent of a person described in (a) of this  
36 subsection, acting in the course and scope of his or her employment; or

37 (c) An entity, whether or not incorporated, facility, or  
38 institution employing one or more persons described in (a) of this  
39 subsection, including, but not limited to, a hospital, clinic, health

1 maintenance organization, or nursing home; or an officer, director,  
2 employee, or agent thereof acting in the course and scope of his or her  
3 employment.

4 (13) "Long-term care" means institutional, residential, outpatient,  
5 or community-based services that meet the individual needs of persons  
6 of all ages who are limited in their functional capacities or have  
7 disabilities and require assistance with performing two or more  
8 activities of daily living for an extended or indefinite period of  
9 time. These services include case management, protective supervision,  
10 in-home care, nursing services, convalescent, custodial, chronic, and  
11 terminally ill care.

12 (14) "Major capital expenditure" means any single expenditure for  
13 capital construction, renovations, or acquisition, including medical  
14 technological equipment, as defined by the commission, costing more  
15 than one million dollars.

16 (15) "Managed care" means an integrated system of insurance and  
17 health services delivery functions, using a defined network of  
18 providers, that assumes financial risk for delivery of health services.

19 (16) "Maximum enrollee financial participation" means the income-  
20 related total annual payments that may be required of an enrollee per  
21 family who chooses one of the three lowest priced plans in a geographic  
22 region including both premium-sharing and enrollee point of service  
23 cost-sharing.

24 (17) "Medical research facility" means either:

25 (a) An entity, institution, or facility recognized as a  
26 comprehensive cancer center by the national cancer institute prior to  
27 April 20, 1983, that is organized primarily for the research or  
28 treatment of cancer, including its research programs and all other  
29 health services utilized by such institution; or

30 (b) Other entities, institutions, or facilities meeting standards  
31 established by the commission.

32 (18) "Persons of color" means Asians/Pacific Islanders, African,  
33 Hispanic, and Native Americans.

34 (19) "Premium" means the level of payment a certified health plan  
35 receives from all sources for all expenses, including administration,  
36 operation, and capital, determined on an annual basis by the commission  
37 for providing the uniform benefits package to an individual, either  
38 adult or child, or a family.

1 (20) "Qualified medical research services" means medical and  
2 related health care services, drugs, and other technologies provided by  
3 a health care organization under or in accordance with the findings of  
4 a peer-reviewed and approved research protocol meeting standards  
5 established by the commission in accordance with section 606 of this  
6 act.

7 (21) "Technology" means the drugs, devices, equipment, and medical  
8 or surgical procedures used in the delivery of health services, and the  
9 organizational or supportive systems within which such services are  
10 provided. It also means sophisticated and complicated machinery  
11 developed as a result of ongoing research in the basic biological and  
12 physical sciences, clinical medicine, electronics, and computer  
13 sciences, as well as specialized professionals, medical equipment,  
14 procedures, and chemical formulations used for both diagnostic and  
15 therapeutic purposes.

16 (22) "Uniform benefits package" means those appropriate and  
17 effective health services, defined by the commission under section 615  
18 of this act, that must be offered to all Washington residents through  
19 certified health plans.

20 (23) "Washington resident" or "resident" means a person who intends  
21 to reside in the state permanently or indefinitely and who did not move  
22 to Washington for the primary purpose of securing health services under  
23 sections 609 through 620 of this act. "Washington resident" also  
24 includes people and their accompanying family members who are in the  
25 state for the purpose of engaging in employment for at least one month,  
26 who did not enter the state for the primary purpose of obtaining health  
27 services. The confinement of a person in a nursing home, hospital, or  
28 other medical institution in the state shall not by itself be  
29 sufficient to qualify such person as a resident.

30 NEW SECTION. Sec. 603. CREATION OF COMMISSION--MEMBERSHIP--TERMS  
31 OF OFFICE--VACANCIES--SALARIES. (1) There is created an agency of  
32 state government to be known as the Washington health services  
33 commission. The commission shall consist of the insurance  
34 commissioner, the state health officer and three other members,  
35 reflecting ethnic diversity, appointed by the governor, with the  
36 consent of the senate. One member, who may not be either the insurance  
37 commissioner or the state health officer, shall be designated by the  
38 governor as chair and shall serve at the pleasure of the governor. Of

1 the initial members, one shall be appointed to a term of three years,  
2 one shall be appointed to a term of four years, and one shall be  
3 appointed to a term of five years. Thereafter, members shall be  
4 appointed to five-year terms. Vacancies shall be filled by appointment  
5 for the remainder of the unexpired term of the position being vacated.

6 (2) Members of the commission shall have no pecuniary interest in  
7 any business subject to regulation by the commission and shall be  
8 subject to chapter 42.18 RCW, the executive branch conflict of interest  
9 act.

10 (3) Except for the insurance commissioner and the state health  
11 officer, members of the commission shall occupy their positions on a  
12 full-time basis and are exempt from the provisions of chapter 41.06  
13 RCW. Commission members and the professional commission staff are  
14 subject to the public disclosure provisions of chapter 42.17 RCW.  
15 Members shall be paid a salary to be fixed by the governor in  
16 accordance with RCW 43.03.040. A majority of the members of the  
17 commission constitutes a quorum for the conduct of business.

18 NEW SECTION. Sec. 604. STAKEHOLDERS' COMMITTEE. (1) In an effort  
19 to ensure effective participation in the commission's deliberations,  
20 the chair shall appoint a stakeholders' committee with a balanced  
21 representation of members representing consumers, business, government,  
22 labor, insurers, health care providers, health care service  
23 contractors, health maintenance organizations, and persons of color.  
24 The chair may also appoint ad hoc and special committees for a  
25 specified time period.

26 (2) The chair shall also appoint health services effectiveness  
27 panels for specified periods of time to provide technical guidance  
28 related to appropriate and effective health services, use of technology  
29 and practice guidelines, and development of the uniform benefits  
30 package. Panels should include technical experts, such as general  
31 practitioners, specialty physicians or providers, health service  
32 researchers, health ethicists, epidemiologists, and public health  
33 experts who reflect the state's ethnic and cultural diversity.

34 (3) Members of committees and panels shall serve without  
35 compensation for their services but shall be reimbursed for their  
36 expenses while attending meetings on behalf of the commission in  
37 accordance with RCW 43.03.050 and 43.03.060.

1        NEW SECTION.    **Sec. 605.**    POWERS AND DUTIES OF THE CHAIR.    The chair  
2 shall be the chief administrative officer and the appointing authority  
3 of the commission and has the following powers and duties:

4        (1) Direct and supervise the commission's administrative and  
5 technical activities in accordance with the provisions of this chapter  
6 and rules and policies adopted by the commission;

7        (2) Employ personnel of the commission, representative of ethnic  
8 diversity, not to exceed twenty-five full-time employees, in accordance  
9 with chapter 41.06 RCW, and prescribe their duties. With the approval  
10 of a majority of the commission, the chair may appoint persons to  
11 administer any entity established pursuant to subsection (8) of this  
12 section, and up to seven additional employees all of whom shall be  
13 exempt from the provisions of chapter 41.06 RCW;

14        (3) Enter into contracts on behalf of the commission;

15        (4) Accept and expend gifts, donations, grants, and other funds  
16 received by the commission;

17        (5) Delegate administrative functions of the commission to  
18 employees of the commission as the chair deems necessary to ensure  
19 efficient administration;

20        (6) Subject to approval of the commission, appoint advisory  
21 committees and undertake studies, research, and analysis necessary to  
22 support activities of the commission;

23        (7) Preside at meetings of the commission;

24        (8) Consistent with policies and rules established by the  
25 commission, establish such administrative divisions, offices, or  
26 programs as are necessary to carry out the purposes of chapter . . . ,  
27 Laws of 1993 (this act); and

28        (9) Perform such other administrative and technical duties as are  
29 consistent with chapter . . . , Laws of 1993 (this act) and the rules  
30 and policies of the commission.

31        NEW SECTION.    **Sec. 606.**    POWERS AND DUTIES OF THE COMMISSION.    The  
32 commission has the following powers and duties:

33        (1) Ensure that all residents of Washington state are enrolled in  
34 a certified health plan to receive the uniform benefits package,  
35 regardless of age, sex, family structure, ethnicity, race, health  
36 condition, geographic location, employment, or economic status.

37        (2) Ensure that all residents of Washington state have access to  
38 appropriate, timely, confidential, and effective health services. If

1 certified health plans are insufficient or unable to meet a  
2 population's needs for access to certified health plan services,  
3 authorize appropriate state agencies, local health departments,  
4 community or migrant health centers or other nonprofit health service  
5 entities to take actions necessary to assure such access. This may  
6 include authority to contract for or to directly deliver services  
7 described within the uniform benefits package to special populations.

8 (3) Adopt necessary rules in accordance with chapter 34.05 RCW to  
9 carry out the purposes of chapter . . . , Laws of 1993 (this act),  
10 provided that an initial set of draft rules establishing at least the  
11 commission's organization structure, the uniform benefits package,  
12 enrollee and employer financial participation, levels of and standards  
13 for certified health plan certification, must be submitted in draft  
14 form to appropriate committees of the legislature by December 1, 1994.

15 (4) Establish and modify as necessary, in consultation with the  
16 state board of health and the department of health, and coordination  
17 with the planning process set forth in section 1001 of this act a  
18 uniform set of health services based on the recommendations of the  
19 health care cost control and access commission.

20 (5) Establish and modify as necessary, the uniform benefits  
21 package, as provided in section 615 of this act, which shall be offered  
22 to enrollees of a certified health plan. The benefit package shall be  
23 provided at no more than the maximum premium specified in subsection  
24 (6) of this section.

25 (6) Establish for each year a strictly community-rated maximum  
26 premium for the uniform benefits package that a certified health plan  
27 may receive. The premium cost of the uniform benefits package in 1995  
28 shall be allowed to increase by a rate no greater than the average  
29 growth rate in the cost of the package between 1989 and 1992 as  
30 actuarially determined. Beginning in 1996, the growth rate of the  
31 package shall be reduced by two percentage points per year until the  
32 growth rate is no greater than growth in Washington per capita personal  
33 income, as determined by the office of financial management. In  
34 addition, and in order to promote price competition, the commission  
35 shall establish annual premium shares and amounts that shall be paid by  
36 employers, government sponsors, and enrollees defined in relation to  
37 the price of the lowest priced certified health plan in a region of the  
38 state, so long as the total premiums received by a certified health  
39 plan do not exceed the maximum premium levels established under this

1 subsection. Enrollee premium share levels shall be related to enrollee  
2 household income, shall not reduce household income below the federal  
3 poverty level, and shall not apply to those with household income less  
4 than the federal poverty level. The commission shall establish regions  
5 within the state by rule.

6 (7) Design a mechanism to assure minors have access to confidential  
7 health care services as currently provided in RCW 70.24.110 and  
8 71.34.030.

9 (8) Monitor the actual growth in total annual health services  
10 costs.

11 (9) Establish reporting requirements for health care providers to  
12 periodically report to the commission regarding major capital  
13 expenditures of the plans. The commission shall review and monitor  
14 such reports from providers and shall report to the legislature  
15 regarding major capital expenditures by providers on at least an annual  
16 basis.

17 (10) Establish maximum enrollee financial participation levels.  
18 The levels shall be related to enrollee household income and shall not  
19 result in household income being reduced below the federal poverty  
20 level.

21 (11) Establish a process for purchase of uniform benefits package  
22 services by enrollees when they are out-of-state.

23 (12) For health services provided under the uniform benefits  
24 package, adopt standards for enrollment, and standardized billing and  
25 claims processing forms. The standards shall ensure that these  
26 procedures minimize administrative burdens on health care providers,  
27 certified health plans, and consumers. Subject to federal approval or  
28 phase-in schedules whenever necessary or appropriate, the standards  
29 also shall apply to state-purchased health services, as defined in RCW  
30 41.05.011.

31 (13) Suggest that certified health plans adopt certain practice  
32 guidelines or risk management protocols including those that have been  
33 demonstrated to be effective amongst persons of color for quality  
34 assurance, utilization review, or provider payment. The commission may  
35 consider guidelines or protocols recommended according to section 801  
36 of this act for these purposes.

37 (14) Suggest other guidelines to certified health plans for  
38 utilization management, use of technology and methods of payment, such  
39 as diagnosis-related groups and a resource-based relative value scale.

1 Such guidelines shall be voluntary and shall be designed to promote  
2 improved management of care, and provide incentives for improved  
3 efficiency and effectiveness within the delivery system.

4 (15) Adopt standards and oversee and develop policy for personal  
5 health data and information systems as provided in chapter 70.170 RCW.

6 (16) Adopt standards that prevent conflict of interest by health  
7 care providers as provided in section 607 of this act.

8 (17) Evaluate and monitor barriers to access for special  
9 populations and persons of color and develop strategies to address  
10 these barriers.

11 (18) Develop appropriate standards for reimbursement of qualified  
12 medical research facilities considering as a model those used by  
13 medicare for providers and hospitals exempt from the medicare  
14 prospective payment system.

15 (19) Study for future development: (a) Mechanisms to assess and  
16 distribute equitably the financial effects and medical risks among  
17 certified health plans; and (b) voluntary reinsurance provisions to be  
18 funded by the certified health plans to minimize any financial risk to  
19 plans posed by including qualified research services in the uniform  
20 benefits package.

21 (20) Adopt standards and procedures under which a health care  
22 provider, health care facility, enrollee, or certified health plan may  
23 seek a prior determination as to whether medical services and related  
24 health care services, drugs, and other technologies provided in  
25 connection with a particular treatment are included in the uniform  
26 benefits package.

27 (21) Evaluate and monitor the extent to which racial and ethnic  
28 minorities have access and to receive health services within the state.  
29 This information shall be verified when certifying health plans to  
30 ensure that plans are fulfilling their obligation to provide equitable  
31 access to the uniform benefits package.

32 (22) Develop standards for the certification process to certify  
33 health plans to provide the uniform benefits package, according to the  
34 provisions for certified health plans under chapter . . . , Laws of 1993  
35 (this act).

36 (23) Adopt standards applicable to all certified health plans that  
37 will assure health care providers within the service area of a plan an  
38 opportunity to negotiate on an equal basis the terms and conditions of  
39 their professional relationship with the plan; work cooperatively in

1 the development of any utilization review procedures, risk management  
2 protocols for quality assurance, and practice indicators that might be  
3 unique to a plan or local community; and address such other  
4 professional issues as the parties may need to pursue in the  
5 furtherance of the goals of chapter . . . , Laws of 1993 (this act).  
6 The standards shall include a dispute resolution process for the plan  
7 and providers. The providers are authorized to organize and  
8 communicate for the purposes of the negotiations under this section.

9 (24) Undertake or facilitate evaluations of health care reform,  
10 including analysis of fiscal and economic impacts, the effectiveness of  
11 managed care and managed competition, and effects of reform on access  
12 and quality of service. Fiscal and economic impact analysis shall be  
13 conducted by the office of financial management.

14 (25) In developing the uniform benefits package and other standards  
15 pursuant to this section, consider the likelihood of the establishment  
16 of a national health services plan adopted by the federal government  
17 and its implications.

18 To the extent that the exercise of any of the powers and duties  
19 specified in this section may be inconsistent with the powers and  
20 duties of other state agencies, offices, or commissions, the authority  
21 of the commission shall supersede that of such other state agency,  
22 office, or commission, except in matters of personal health data, where  
23 the commission shall have primary data system policymaking authority  
24 and the department of health shall have primary responsibility for the  
25 maintenance and routine operation of personal health data systems.

26 NEW SECTION. **Sec. 607.** CONFLICT OF INTEREST STANDARDS. The  
27 commission shall establish standards prohibiting conflicts of interest  
28 by health service providers. These standards shall be designed to  
29 control inappropriate behavior by health service providers that results  
30 in financial gain at the expense of and to the detriment of consumers  
31 or certified health plans. These standards are not intended to inhibit  
32 the efficient delivery of uniform benefits package services.

33 NEW SECTION. **Sec. 608.** CONTINUOUS QUALITY IMPROVEMENT AND TOTAL  
34 QUALITY MANAGEMENT. To ensure the highest quality health services at  
35 the lowest total cost, the commission shall establish a total quality  
36 management system of continuous quality improvement. Such endeavor  
37 shall be based upon the recognized quality science for continuous

1 quality improvement. The commission shall impanel a committee composed  
2 of persons from the private sector and related sciences who have broad  
3 knowledge and successful experiences in continuous quality improvement  
4 and total quality management applications. It shall be the  
5 responsibility of the committee to develop standards for a Washington  
6 state health services supplier certification process and recommend such  
7 standards to the commission for review and adoption. Once adopted, the  
8 commission shall establish a schedule, with full compliance no later  
9 than July 1, 1996, whereby all health service providers and health  
10 service facilities shall be certified prior to providing uniform  
11 benefits package services.

12 NEW SECTION. **Sec. 609.** CERTIFIED HEALTH PLANS--REGISTRATION  
13 REQUIRED--PENALTY. (1) On or after July 1, 1997, no person or entity  
14 in this state shall, by mail or otherwise, offer for sale, sell,  
15 promote, or provide the uniform benefits package as defined in section  
16 602 of this act without being certified as a certified health plan by  
17 the insurance commissioner.

18 (2) On or after July 1, 1997, the uniform benefits package shall be  
19 purchased only from entities certified as certified health plans.

20 (3) On or after July 1, 1997, the uniform benefits package shall  
21 become the minimum benefits package of any certified health plan.

22 NEW SECTION. **Sec. 610.** HEALTH PLAN CERTIFICATION STANDARDS. A  
23 certified health plan shall:

24 (1) Provide the benefits included in the uniform benefits package  
25 to enrolled Washington residents on a prepaid per capita community-  
26 rated basis for a total cost, which may not exceed the maximum premium  
27 established by the commission and provide such health services either  
28 directly or through arrangements with institutions, entities, and  
29 persons that its enrolled population might reasonably require in  
30 accordance with the rules established by the commission;

31 (2) Accept for enrollment any state resident and provides or  
32 assures the provision of all services within the uniform benefits  
33 package regardless of factors referenced in RCW 49.60.020, including  
34 age, sex, family structure, ethnicity, race, health condition,  
35 geographic location, employment status, socioeconomic status, or other  
36 condition or situation. A certified health plan maintained by a self-  
37 insured employer or by a labor-management organization may limit

1 enrollment to their employees and employees' dependents or to members  
2 and members' dependents, respectively. However, enrollment must be  
3 offered to such persons regardless of age, sex, family structure,  
4 ethnicity, race, health condition, geographic location, socioeconomic  
5 status, or other condition or situation;

6 (3) Permit health care providers, on an individual or class basis,  
7 to provide health services or care for conditions included in the  
8 uniform benefits package to the extent that:

9 (a) The provision of such health services or care is within the  
10 health care providers' permitted scope of practice; and

11 (b) The providers agree to abide by standards related to:

12 (i) Provision, utilization review, and cost containment of health  
13 services;

14 (ii) Management and administrative procedures; and

15 (iii) Provision of cost-effective and clinically efficacious health  
16 services;

17 (4) Develop and implement procedures for:

18 (a) Disclosure of provider contracting standards developed under  
19 subsection (3) of this section;

20 (b) Termination for cause of health care providers who have failed  
21 to comply with standards developed under subsection (3) of this  
22 section; and

23 (c) Appeal of a certified health plan's determination not to  
24 contract with an individual provider or provider group or to terminate  
25 a contract for cause;

26 (5) Demonstrate to the satisfaction of the insurance commissioner  
27 in consultation with the department of health and the commission that  
28 its facilities and personnel are adequate to provide the benefits  
29 prescribed in the uniform benefits package to enrolled Washington  
30 residents, and that it is financially capable of providing such  
31 residents with, or has made adequate contractual arrangements with  
32 health care providers and facilities to provide the residents with such  
33 services;

34 (6) Comply with portability of benefits requirements prescribed by  
35 the commission;

36 (7) Comply with administrative rules prescribed by the commission,  
37 the insurance commissioner, and other appropriate state agencies  
38 governing the conduct of the certified health plans;

1 (8) Provide all enrollees with instruction and informational  
2 materials to increase individual and family awareness of injury and  
3 illness prevention; encourage assumption of personal responsibility for  
4 protecting personal health; and stimulate discussion about the use and  
5 limits of medical care in improving the health of individuals and  
6 communities;

7 (9) Include in all of its contracts issued for uniform benefits  
8 package coverage a subrogation provision that allows the certified  
9 health plan to recover the costs of uniform benefits package services  
10 incurred to care for an enrollee injured by a negligent third party.  
11 The costs recovered shall be limited to:

12 (a) If the certified health plan has not intervened in the action  
13 by an injured enrollee against a negligent third party, then the amount  
14 of costs the certified health plan can recover shall be limited to the  
15 excess remaining after the enrollee has been fully compensated for his  
16 or her loss minus a proportionate share of the enrollee's costs and  
17 fees in bringing the action. The proportionate share shall be  
18 determined by:

19 (i) The fees and costs approved by the court in which the action  
20 was initiated; or

21 (ii) The written agreement between the attorney and client that  
22 established fees and costs when fees and costs are not addressed by the  
23 court.

24 When fees and costs have been approved by a court, after notice to  
25 the certified health plan, the certified health plan shall have the  
26 right to be heard on the matter of attorneys' fees and costs or its  
27 proportionate share;

28 (b) If the certified health plan has intervened in the action by an  
29 injured enrollee against a negligent third party, then the amount of  
30 costs the certified health plan can recover shall be the excess  
31 remaining after the enrollee has been fully compensated for his or her  
32 loss or the amount of the plan's incurred costs, whichever is less;

33 (10) Establish and maintain a grievance procedure approved by the  
34 commissioner, to provide a reasonable and effective resolution of  
35 complaints initiated by enrollees concerning any matter relating to the  
36 provision of benefits under the uniform benefits package, access to  
37 health care services, and quality of services. Each certified health  
38 plan shall respond to complaints filed with the insurance commissioner  
39 within fifteen working days. The insurance commissioner in

1 consultation with the commission shall establish standards for  
2 grievance procedures and resolution;

3 (11) Be prohibited from offering or supplying incentives for  
4 individuals to enroll in, or employers to contract with, certified  
5 health plans. Prohibited incentives include, but are not limited to,  
6 payment of enrollee premium shares or point of service cost-sharing,  
7 cash incentives, and gifts or other tangible items; and

8 (12) Have culturally sensitive marketing and health promotion  
9 programs that include messages and approaches that are specifically  
10 effective for persons of color and accommodating to different cultural  
11 value systems, gender, and age.

12 NEW SECTION. **Sec. 611.** DENTAL HEALTH CARE SERVICE. If a  
13 corporation or cooperative group meets all requirements as a certified  
14 health plan under this chapter the commissioner may waive the  
15 requirement that such certified health plan provide all services within  
16 the uniform benefits package except dental services. The commissioner  
17 shall adopt rules necessary to implement this section.

18 NEW SECTION. **Sec. 612.** EMPLOYERS' COOPERATIVE HEALTH CARE  
19 PURCHASING GROUP--DEFINITION, OPEN ACCESS, REGISTRATION, SEPARATION OF  
20 PREMIUM FUNDS. (1) A purchasing group that intends to purchase health  
21 care coverage from a certified health plan shall furnish notice to the  
22 insurance commissioner that shall: (a) Identify the principal name and  
23 address of the purchasing group, (b) furnish the names and addresses of  
24 the officers of the purchasing group, (c) include copies of letters of  
25 agreement for participation in the purchasing group including minimum  
26 term of participation, and (d) provide other information as prescribed  
27 by the insurance commissioner in consultation with the health services  
28 commission to verify that the purchasing group is qualified and managed  
29 by competent and trustworthy individuals.

30 (2) All funds representing premiums or return premiums received by  
31 a purchasing group in its fiduciary capacity shall be accounted for and  
32 maintained in a separate account from all other funds. Each willful  
33 violation of this section shall constitute a misdemeanor.

34 (3) Every purchasing group shall keep at its principal address, a  
35 record of all transactions it has consummated on behalf of its members  
36 with certified health plans. All such records shall be kept available  
37 and open to the inspection of the insurance commissioner at any

1 business time during a five-year period immediately after the date of  
2 completion of the transaction.

3 (4) Each purchasing group shall contract with all available  
4 certified health plans serving the geographical region where its  
5 members' employees and dependents are located.

6 NEW SECTION. **Sec. 613.** ENFORCEMENT AUTHORITY OF COMMISSIONER.  
7 For the purposes of chapter . . ., Laws of 1993 (this act), the  
8 insurance commissioner shall have the same powers and duties of  
9 enforcement as are provided in Title 48 RCW.

10 NEW SECTION. **Sec. 614.** STATE AND FEDERAL ANTI-TRUST IMMUNITY.  
11 (1) The legislature finds that competition in the health services and  
12 insurance markets is not in the public interest unless it operates  
13 within publicly established constraints that seek to (a) contain the  
14 aggregate cost of most health services, (b) promote the comparability  
15 of health insurance products, (c) improve the cost-effectiveness of  
16 those products relative to health promotion, disease prevention, and  
17 the amelioration or cure of illness, (d) assure universal access to a  
18 publicly determined, uniform package of health benefits, and (e) create  
19 reasonable equity in the distribution of funds, treatment, and medical  
20 risk among purchasing groups, insurance groups, health care providers,  
21 and Washington residents.

22 (2) The legislature recognizes that chapter . . ., Laws of 1993  
23 (this act) may result in a reduction of competition in the provision of  
24 health services or insurance.

25 (3) The legislature intends that reductions in health services or  
26 insurance competition occur as a result of chapter . . ., Laws of 1993  
27 (this act) for the purposes stated in this section and elsewhere in  
28 chapter . . ., Laws of 1993 (this act). To these ends, any actions  
29 taken pursuant to subsection (4) of this section by any entity created  
30 or regulated by chapter . . ., Laws of 1993 (this act) are declared to  
31 be taken pursuant to state statute and in furtherance of the public  
32 purposes of the state of Washington.

33 (4) The commission may, upon request of a certified health plan or  
34 entities seeking to establish a certified health plan, authorize  
35 specific anticompetitive conduct by such certified health plan or  
36 entity upon a showing by the certified health plan or entity that the

1 conduct is necessary to achieve the policy goals of chapter . . . , Laws  
2 of 1993 (this act).

3 (5) The commission shall periodically review the conduct of  
4 certified health plans and entities authorized under subsection (4) of  
5 this section.

6 NEW SECTION. **Sec. 615.** UNIFORM BENEFITS PACKAGE DESIGN--  
7 LEGISLATIVE VETO. (1) The commission shall define the uniform benefits  
8 package, which shall include those health services based on the best  
9 available scientific health information, deemed to be effective and  
10 necessary on a societal basis for the maintenance of the health of  
11 citizens of the state, and weighed against need to control state health  
12 services expenditures.

13 (a) The legislature intends that the uniform benefits package be  
14 comparable in scope to health benefits plans offered to employees of  
15 state agencies, and that it be comprehensive and meet the health needs  
16 of residents of the state.

17 The uniform benefits package shall include at least:

- 18 (i) Diagnosis/assessment and selection of treatment/care;
- 19 (ii) Clinical preventive services;
- 20 (iii) Emergency health services, including ground and air ambulance  
21 services;
- 22 (iv) Reproductive and maternity services;
- 23 (v) Clinical management and provision of treatment;
- 24 (vi) Therapeutic drugs, biologicals, supplies, and equipment;
- 25 (vii) Vision, hearing, and dental care;
- 26 (viii) Inpatient and outpatient mental health and chemical  
27 dependency treatments;
- 28 (ix) Inpatient and outpatient hospital and surgical services;
- 29 (x) Effective organ transplants; and
- 30 (xi) Rehabilitative services, including physical, occupational, and  
31 speech therapies.

32 (b) The uniform benefits package may include other services  
33 determined by the commission to be effective, necessary, and consistent  
34 with the goals and intent of chapter . . . , Laws of 1993 (this act).

35 (2) The commission shall determine the specific schedule of health  
36 services within the uniform benefits package, including limitations on  
37 scope and duration of services. The uniform benefits package shall not  
38 limit coverage for preexisting or prior conditions, except that the

1 package may exclude coverage of preexisting conditions for six months  
2 following the month that a resident enters Washington state. Such  
3 exclusion shall not apply to persons with income below the federal  
4 poverty level. The commission shall consider the recommendations of  
5 health services effectiveness panels established pursuant to section  
6 604 of this act in carrying out this task.

7 (3) The commission shall establish a schedule of enrollee point of  
8 service cost-sharing for nonpreventive health services, related to  
9 enrollee household income, such that financial considerations are not  
10 a barrier to access for low-income persons, but that, for those of  
11 means, the uniform benefits package provides for moderate point of  
12 service cost-sharing. All point of service cost-sharing and cost  
13 control requirements shall apply uniformly to all health care providers  
14 providing uniform benefits package services. The schedule shall  
15 provide for an alternate and lower schedule of cost-sharing applicable  
16 to enrollees with household income below the federal poverty level.

17 (4) The commission shall adopt rules related to coordination of  
18 benefits where a resident has duplicate coverage. The rules shall not  
19 have the effect of eliminating enrollee premium sharing or point of  
20 service cost-sharing.

21 (5) In determining the uniform benefits package, the commission  
22 shall endeavor to seek the opinions of and information from the public.  
23 The commission shall consider the results of official public health  
24 assessment and policy development activities including recommendations  
25 of the department of health in discharging its responsibilities under  
26 this section.

27 (6) The commission shall submit its uniform benefits package and  
28 any changes it may wish to make to the legislature by December 1, 1994,  
29 and annually thereafter. The legislature may disapprove of the package  
30 by a concurrent resolution of the legislature at any time prior to the  
31 thirtieth day of the following regular legislative session. If such  
32 disapproval action is taken, the commission shall resubmit a regular  
33 modified package to the legislature within fifteen days of the  
34 disapproval. If the legislature does not disapprove the package or  
35 modify it by law by the end of that regular session it is deemed  
36 approved.

37 NEW SECTION. **Sec. 616.** CONSCIENCE OR RELIGION. No certified  
38 health plan or health care provider may be required by law or contract

1 in any circumstances to participate in the provision of any uniform  
2 benefit if they object to so doing for reason of conscience or  
3 religion. No person may be discriminated against in employment or  
4 professional privileges because of such objection.

5 Should a certified health plan or health care provider object to  
6 participation in the provision of any uniform benefit on the basis of  
7 conscience or religion, the plan or provider must ensure than enrollees  
8 have direct, timely access or self-referral to a health care provider  
9 who does provide those services.

10 NEW SECTION. **Sec. 617.** SUPPLEMENTAL BENEFITS. Nothing in this  
11 chapter shall preclude insurers, health care service contractors, or  
12 health maintenance organizations from insuring, providing, or  
13 contracting for health services not included in the uniform benefits  
14 package, and nothing in this chapter shall restrict the right of an  
15 employer to offer, and employee representative to negotiate for, or an  
16 individual to purchase services not included in the uniform benefits  
17 package.

18 NEW SECTION. **Sec. 618.** LONG-TERM CARE INTEGRATION PLAN. (1) To  
19 meet the health needs of the residents of Washington state, it is  
20 critical to finance and provide long-term care and support services  
21 through an integrated, comprehensive system that promotes human dignity  
22 and recognizes the individuality of all functionally disabled persons.  
23 This system shall be available, accessible, and responsive to all  
24 residents based upon an assessment of their functional disabilities.  
25 The governor and the legislature recognize that families, volunteers,  
26 and community organizations are essential for the delivery of effective  
27 and efficient long-term care and support services, and that this  
28 private and public service infrastructure should be supported and  
29 strengthened. Further, it is important to provide benefits in  
30 perpetuity without requiring family or program beneficiary  
31 impoverishment for service eligibility.

32 (2) To realize the need for a strong long-term care system and to  
33 carry out the November 30, 1992, final recommendations of the  
34 Washington health care commission related to long-term care, the  
35 commission shall:

36 (a) Engage in a planning process, in conjunction with an advisory  
37 committee appointed for this purpose, for the inclusion of long-term

1 care services in the uniform benefits package established under section  
2 615 of this act as soon as practicable, but not later than July 1998;

3 (b) Include in its planning process consideration of the scope of  
4 services to be covered, the cost of and financing of such coverage, and  
5 the means through which existing long-term care programs and delivery  
6 systems can be coordinated and integrated.

7 (3) The commission shall submit recommendations concerning any  
8 necessary statutory changes or modifications of public policy to the  
9 governor and the legislature by January 1, 1995.

10 (4) The departments of health, retirement systems, revenue, social  
11 and health services, and veterans' affairs, the offices of financial  
12 management, insurance commissioner, and state actuary, along with the  
13 health care authority, shall participate in the review of the long-term  
14 care needs enumerated in this section and provide necessary supporting  
15 documentation and staff expertise as requested by the commission.

16 (5) The insurance commissioner, in consultation with the  
17 commission, shall develop, implement, and coordinate a pilot program  
18 entitled the "Washington long-term care partnership pilot program,"  
19 whereby private insurance and medicaid funds shall be used to finance  
20 long-term care. In developing the program, the commission shall model  
21 the program after the Connecticut partnership for long-term care to the  
22 greatest extent practicable. The department of social and health  
23 services shall seek the federal approval necessary to carry out the  
24 purposes of this subsection. Each year, on January 1st, the office of  
25 insurance commissioner shall report to the appropriate committees of  
26 the legislature on the progress of the program. The report shall  
27 include: (a) The success in implementing the public and private  
28 partnership; (b) the number, age, and financial circumstances of  
29 individuals purchasing long-term care policies; (c) the extent and type  
30 of benefits paid under long-term care policies that could count toward  
31 medicaid resource protection; (d) estimates of impact on present and  
32 future medicaid expenditures; (e) the cost-effectiveness of the  
33 program; and (f) a determination regarding the appropriateness of  
34 continuing the program. The program shall be conducted from July 1,  
35 1993, to July 1, 2000.

36 (6) The commission shall include in its planning process, the  
37 development of two social health maintenance organization long-term  
38 care pilot projects. The two pilot projects shall be referred to as  
39 the Washington life care pilot projects. Each life care pilot program

1 shall be a single-entry system administered by an individual  
2 organization that is responsible for bringing together a full range of  
3 medical and long-term care services. The commission, in coordination  
4 with the appropriate agencies and departments, shall establish a  
5 Washington life care benefits package that shall include the uniform  
6 benefits package established in chapter . . . , Laws of 1993 (this act)  
7 and long-term care services. The Washington life care benefits package  
8 shall include, but not be limited to, the following long-term care  
9 services: Case management, intake and assessment, nursing home care,  
10 adult family home care, home health and home health aide care, hospice,  
11 chore services/homemaker/personal care, adult day care, respite care,  
12 and appropriate social services. The pilot project shall develop  
13 assessment and case management protocol that emphasize home and  
14 community-based care long-term care options.

15 (a) In designing the pilot projects, the commission shall address  
16 the following issues: Costs for the long-term care benefits, a  
17 projected case-mix based upon disability, the required federal waiver  
18 package, reimbursement, capitation methodology, marketing and  
19 enrollment, management information systems, identification of the most  
20 appropriate case management models, provider contracts, and the  
21 preferred organizational design that will serve as a functioning model  
22 for efficiently and effectively transitioning long-term care services  
23 into the uniform benefits package established in chapter . . . , Laws of  
24 1993 (this act). The commission shall also be responsible for  
25 establishing the size of the two membership pools.

26 (b) Each program shall enroll applicants based on their level of  
27 functional disability and personal care needs. The distribution of  
28 these functional level categories and ethnicity within the enrolled  
29 program population shall be representative of their distribution within  
30 the community, using the best available data to estimate the community  
31 distributions.

32 (c) The two sites selected for the Washington life care pilot  
33 program shall be drawn from the largest urban areas and include one  
34 site in the eastern part of the state and one site in the western part  
35 of the state. The two organizations selected to manage and coordinate  
36 the life care services shall have the proven ability to provide  
37 ambulatory care, personal care/chore services, dental care, case  
38 management and referral services, must be accredited and licensed to

1 provide long-term care for home health services, and may be licensed to  
2 provide nursing home care.

3 (d) The report on the development and establishment date of the two  
4 social health maintenance organizations shall be submitted to the  
5 governor and appropriate committees of the legislature by September 16,  
6 1994. If the necessary federal waivers cannot be secured by January 1,  
7 1995, the commission may elect to not establish the two pilot programs.

8 NEW SECTION. **Sec. 619.** INDIVIDUAL PARTICIPATION. (1) All  
9 residents of the state of Washington are required to participate in a  
10 certified health plan no later than July 1, 1998. If a federal waiver  
11 of the Employee Retirement Income Security Act is not obtained by July  
12 1998, residents who have health coverage through self-insured employer  
13 plans shall be deemed to meet this requirement. This requirement shall  
14 not apply to residents with income at or below two hundred percent of  
15 the federal poverty level unless adequate funding is available for the  
16 premium subsidy levels adopted by the commission pursuant to section  
17 606 of this act.

18 (2) The commission shall monitor the enrollment of individuals into  
19 certified health plans and shall make public periodic reports  
20 concerning the number of persons enrolled and not enrolled, the reasons  
21 why individuals are not enrolled, recommendations to reduce the number  
22 of persons not enrolled, and recommendations regarding enforcement of  
23 this provision.

24 NEW SECTION. **Sec. 620.** EMPLOYER PARTICIPATION. (1) The  
25 legislature recognizes that small businesses play an essential and  
26 increasingly important role in the state's economy. The legislature  
27 further recognizes that many of the state's small business owners  
28 provide health insurance to their employees through small group  
29 policies at a cost that directly affects their profitability. Other  
30 small business owners are prevented from providing health benefits to  
31 their employees by the lack of access to affordable health insurance  
32 coverage. The legislature intends that the provisions of chapter  
33 . . . , Laws of 1993 (this act) make health insurance more available and  
34 affordable to small businesses in Washington state through strong cost  
35 control mechanisms and the option to purchase health benefits through  
36 the basic health plan, the Washington state health insurance purchasing  
37 cooperative, and employers' cooperative health care purchasing groups.

1 (2) In defining the level of mandated employer participation under  
2 this section, the commission shall consider the impact of such  
3 participation on the financial well-being of the state's employers. In  
4 its deliberations, the commission shall evaluate the following:

5 (a) Whether employers' premium payments should be related to the  
6 number of full-time employees the business employs;

7 (b) Whether different levels of employer premium payments should be  
8 applied to employees and dependents;

9 (c) The profitability of small businesses in Washington state; and

10 (d) Any other factors deemed necessary by the commission.

11 (3) On July 1, 1995, every employer employing more than five  
12 hundred full-time employees shall offer a choice of at least three  
13 available certified health plans, one of which shall be the lowest cost  
14 available plan within their geographic region, to all full-time  
15 employees. The employer shall be required to pay no less than fifty  
16 percent and no more than ninety-five percent of the premium cost of the  
17 lowest cost available certified health plan within their geographic  
18 region as determined by the commission. On July 1, 1996, all  
19 dependents of full-time employees of these firms shall be offered a  
20 choice of certified health plans as provided in this section with the  
21 employer paying no less than fifty percent and no more than ninety-five  
22 percent of the premium of the lowest cost certified health plan within  
23 their geographic region as determined by the commission.

24 (4) By July 1, 1996, every employer employing more than one hundred  
25 full-time employees shall offer a choice of at least three available  
26 certified health plans, one of which shall be the lowest cost available  
27 plan within their geographic region, to all full-time employees. The  
28 employer shall be required to pay no less than fifty percent and no  
29 more than ninety-five percent of the premium cost of the lowest cost  
30 available certified health plan as determined by the commission. On  
31 July 1, 1997, all dependents of full-time employees in these firms  
32 shall be offered a choice of certified health plans as provided in this  
33 section with the employer paying no less than fifty percent and no more  
34 than ninety-five percent of the premium of the lowest cost plan within  
35 their geographic area as determined by the commission.

36 (5) By July 1, 1997, every employer shall offer a choice of at  
37 least three available certified health plans, one of which shall be the  
38 lowest cost available plan within their geographic region, to all full-  
39 time employees. The employer shall be required to pay no less than

1 fifty percent and no more than ninety-five percent of the premium cost  
2 of the lowest cost available certified health plan as determined by the  
3 commission. On July 1, 1998, all dependents of full-time employees in  
4 all firms shall be offered a choice of certified health plans as  
5 provided in this section with the employer paying no less than fifty  
6 percent and no more than ninety-five percent of the premium of the  
7 lowest cost plan within their geographic area as determined by the  
8 commission.

9 (6) The commission shall adopt rules that address employer  
10 participation requirements related to dependents when dependents are  
11 eligible for coverage under more than one plan.

12 (7) In lieu of sponsoring coverage for employees and their  
13 dependents through direct contracts with certified health plans, an  
14 employer may combine the employer contribution with that of the  
15 employee's contribution and enroll in the basic health plan as provided  
16 in section 201 of this act and chapter 70.47 RCW, the Washington state  
17 health insurance purchasing cooperative as provided in section 309 of  
18 this act, or an employer cooperative health purchasing group  
19 established under section 612 of this act.

20 (8) The commission shall submit its employer contribution levels  
21 and any changes it may wish to make to the legislature by December 1,  
22 1994, and annually thereafter. The legislature may disapprove of the  
23 levels by a concurrent resolution of the legislature at any time prior  
24 to the thirtieth day of the following regular legislative session. If  
25 such disapproval action is taken, the commission shall resubmit regular  
26 modified employer contribution levels to the legislature within fifteen  
27 days of the disapproval. If the legislature does not disapprove the  
28 levels or modify them by law by the end of that regular session they  
29 shall be deemed approved.

30 NEW SECTION. **Sec. 621.** CODE REVISIONS AND WAIVERS. (1) The  
31 commission shall consider the analysis of state and federal laws that  
32 would need to be repealed, amended, or waived to implement chapter  
33 . . . , Laws of 1993 (this act), and report its recommendations, with  
34 proposed revisions to the Revised Code of Washington, to the governor,  
35 and appropriate committees of the legislature by January 1, 1994.

36 (2) The governor, in consultation with the commission, shall take  
37 the following steps in an effort to receive waivers or exemptions from

1 federal statutes necessary to fully implement chapter . . . , Laws of  
2 1993 (this act) to include, but not be limited to:

3 (a) Negotiate with the United States congress and the federal  
4 department of health and human services, health care financing  
5 administration to obtain a statutory or regulatory waiver of provisions  
6 of the medicaid statute, Title XIX of the federal social security act  
7 that currently constitute barriers to full implementation of provisions  
8 of chapter . . . , Laws of 1993 (this act) related to access to health  
9 services for low-income residents of Washington state. Such waivers  
10 shall include any waiver needed to implement managed care programs.  
11 Waived provisions may include and are not limited to: Categorical  
12 eligibility restrictions related to age, disability, blindness, or  
13 family structure; income and resource limitations tied to financial  
14 eligibility requirements of the federal aid to families with dependent  
15 children and supplemental security income programs; administrative  
16 requirements regarding single state agencies, choice of providers, and  
17 fee for service reimbursement programs; and other limitations on health  
18 services provider payment methods.

19 (b) Negotiate with the United States congress and the federal  
20 department of health and human services, health care financing  
21 administration to obtain a statutory or regulatory waiver of provisions  
22 of the medicare statute, Title XVIII of the federal social security act  
23 that currently constitute barriers to full implementation of provisions  
24 of chapter . . . , Laws of 1993 (this act) related to access to health  
25 services for elderly and disabled residents of Washington state. Such  
26 waivers shall include any waivers needed to implement managed care  
27 programs. Waived provisions include and are not limited to:  
28 Beneficiary cost-sharing requirements; restrictions on scope of  
29 services; and limitations on health services provider payment methods.

30 (c) Negotiate with the United States congress and the federal  
31 department of health and human services to obtain any statutory or  
32 regulatory waivers of provisions of the United States public health  
33 services act necessary to ensure integration of federally funded  
34 community and migrant health clinics and other health services funded  
35 through the public health services act into the health services system  
36 established pursuant to chapter . . . , Laws of 1993 (this act). The  
37 commission shall request in the waiver that funds from these sources  
38 continue to be allocated to federally funded community and migrant

1 health clinics to the extent that such clinics' patients are not yet  
2 enrolled in certified health plans.

3 (d) Negotiate with the United States Congress to obtain a statutory  
4 exemption from provisions of the Employee Retirement Income Security  
5 Act that limit the state's ability to enact legislation relating to  
6 employee health benefits plans administered by employers, including  
7 health benefits plans offered by self-insured employers.

8 (3) On or before December 1, 1995, the commission shall report the  
9 following to the governor and appropriate committees of the  
10 legislature:

11 (a) The status of its efforts to obtain the waivers provided in  
12 subsection (2) of this section;

13 (b) The extent to which chapter . . ., Laws of 1993 (this act) can  
14 be implemented, given the status of waivers requested or granted; and

15 (c) If a waiver of the Employee Retirement Income Security Act has  
16 not been granted and likely will not be granted in the foreseeable  
17 future, changes in chapter . . ., Laws of 1993 (this act) necessary to  
18 implement a single-sponsor system, or to implement an alternative  
19 system that will assure universal access to care and control health  
20 services costs.

21 NEW SECTION. **Sec. 622.** Sections 601 through 620 of this act shall  
22 constitute a new chapter in Title 43 RCW.

23 **PART VII. HEALTH INSURANCE PROVISIONS**

24 NEW SECTION. **Sec. 701.** The legislature intends that, during the  
25 transition to a fully reformed health services system, certain health  
26 insurance practices be modified to increase access to health insurance  
27 coverage for some individuals and groups. The legislature recognizes  
28 that health insurance reform will not remedy the significant lack of  
29 access to coverage in Washington state without the implementation of  
30 strong cost control measures. The authority granted to the  
31 commissioner in chapter . . ., Laws of 1993 (this act) is in addition  
32 to any authority the commissioner currently has under Title 48 RCW to  
33 regulate insurers, health care service contractors, and health  
34 maintenance organizations.

1        NEW SECTION.    **Sec. 702.**    A new section is added to chapter 48.18  
2    RCW to read as follows:

3        Every insurer upon canceling, denying, or refusing to renew any  
4    disability policy, shall, upon written request, directly notify in  
5    writing the applicant or insured, as the case may be, of the reasons  
6    for the action by the insurer and to any person covered under a group  
7    contract. Any benefits, terms, rates, or conditions of such a contract  
8    that are restricted, excluded, modified, increased, or reduced shall,  
9    upon written request, be set forth in writing and supplied to the  
10   insured and to any person covered under a group contract. The written  
11   communications required by this section shall be phrased in simple  
12   language that is readily understandable to a person of average  
13   intelligence, education, and reading ability.

14        **Sec. 703.**    RCW 48.21.200 and 1983 c 202 s 16 and 1983 c 106 s 24  
15    are each reenacted and amended to read as follows:

16        (1) No individual or group disability insurance policy, health care  
17    service contract, or health maintenance agreement which provides  
18    benefits for hospital, medical, or surgical expenses shall be delivered  
19    or issued for delivery in this state (~~((after September 8, 1975))~~) which  
20    contains any provision whereby the insurer, contractor, or health  
21    maintenance organization may reduce or refuse to pay such benefits  
22    otherwise payable thereunder solely on account of the existence of  
23    similar benefits provided under any (~~((individual))~~) disability insurance  
24    policy, (~~((or under any individual))~~) health care service contract, or  
25    health maintenance agreement.

26        (2) No individual or group disability insurance policy, health care  
27    service contract, or health maintenance agreement providing hospital,  
28    medical or surgical expense benefits and which contains a provision for  
29    the reduction of benefits otherwise payable or available thereunder on  
30    the basis of other existing coverages, shall provide that such  
31    reduction will operate to reduce total benefits payable below an amount  
32    equal to one hundred percent of total allowable expenses exclusive of  
33    copayments, deductibles, and other similar cost-sharing arrangements.

34        (3) The commissioner shall by rule establish guidelines for the  
35    application of this section, including:

36        (a) The procedures by which persons (~~((insured))~~) covered under such  
37    policies, contracts, and agreements are to be made aware of the  
38    existence of such a provision;

- 1 (b) The benefits which may be subject to such a provision;  
2 (c) The effect of such a provision on the benefits provided;  
3 (d) Establishment of the order of benefit determination; ((and))  
4 (e) Exceptions necessary to maintain the integrity of policies,  
5 contracts, and agreements that may require the use of particular health  
6 care facilities or providers; and

7 (f) Reasonable claim administration procedures to expedite claim  
8 payments and prevent duplication of payments or benefits under such a  
9 provision((: PROVIDED, HOWEVER, That any group disability insurance  
10 policy which is issued as part of an employee insurance benefit program  
11 authorized by RCW 41.05.025(3) may exclude all or part of any  
12 deductible amounts from the definition of total allowable expenses for  
13 purposes of coordination of benefits within the plan and between such  
14 plan and other applicable group coverages: AND PROVIDED FURTHER, That  
15 any group disability insurance policy providing coverage for persons in  
16 this state may exclude all or part of any deductible amounts required  
17 by a group disability insurance policy from the definition of total  
18 allowable expenses for purposes of coordination of benefits between  
19 such policy and a group disability insurance policy issued as part of  
20 an employee insurance benefit program authorized by RCW 41.05.025(3).

21 ~~(3) The provisions of this section shall apply to health care~~  
22 ~~service contractor contracts and health maintenance organization~~  
23 ~~agreements)).~~

24 NEW SECTION. Sec. 704. A new section is added to chapter 48.20  
25 RCW to read as follows:

26 (1) After July 1, 1994, every disability insurer issuing coverage  
27 against loss arising from medical, surgical, hospital, or emergency  
28 care coverage shall waive any preexisting condition exclusion or  
29 limitation for persons who had similar coverage under a different  
30 policy, health care service contract, or health maintenance agreement  
31 in the three-month period immediately preceding the effective date of  
32 coverage under the new policy and who satisfied a waiting period of  
33 similar duration under such preceding policy, contract, or agreement;  
34 however, if the person satisfied a twelve-month waiting period under  
35 such preceding policy, contract, or agreement, the insurer shall waive  
36 any preexisting condition exclusion or limitation. The insurer need  
37 not waive a preexisting condition exclusion or limitation under the new

1 policy for coverage not provided under such preceding policy, contract,  
2 or agreement.

3 (2) The commissioner may adopt rules establishing guidelines for  
4 determining when coverage is similar under new and preceding policies,  
5 contracts, and agreements and for determining when a preexisting  
6 condition waiting period has been satisfied.

7 (3) The commissioner in consultation with insurers, health care  
8 service contractors, and health maintenance organizations shall study  
9 the effect of preexisting condition exclusions and limitations on the  
10 cost and availability of health care coverage and shall adopt rules  
11 restricting the use of such conditions and limitations by January 1,  
12 1994. No insurer, health care service contractor, or health  
13 maintenance organization may deny, exclude, or limit coverage for  
14 preexisting conditions for a period longer than that provided for in  
15 such rules after July 1, 1994.

16 NEW SECTION. **Sec. 705.** A new section is added to chapter 48.21  
17 RCW to read as follows:

18 (1) After July 1, 1994, every disability insurer issuing coverage  
19 against loss arising from medical, surgical, hospital, or emergency  
20 care coverage shall waive any preexisting condition exclusion or  
21 limitation for persons who had similar coverage under a different  
22 policy, health care service contract, or health maintenance agreement  
23 in the three-month period immediately preceding the effective date of  
24 coverage under the new policy and who satisfied a waiting period of  
25 similar duration under such preceding policy, contract, or agreement;  
26 however, if the person satisfied a twelve-month waiting period under  
27 such preceding policy, contract, or agreement, the insurer shall waive  
28 any preexisting condition exclusion or limitation. The insurer need  
29 not waive a preexisting condition exclusion or limitation under the new  
30 policy for coverage not provided under such preceding policy, contract,  
31 or agreement.

32 (2) The commissioner may adopt rules establishing guidelines for  
33 determining when coverage is similar under new and preceding policies,  
34 contracts, and agreements and for determining when a preexisting  
35 condition waiting period has been satisfied.

36 (3) The commissioner in consultation with insurers, health care  
37 service contractors, and health maintenance organizations shall study  
38 the effect of preexisting condition exclusions and limitations on the

1 cost and availability of health care coverage and shall adopt rules  
2 restricting the use of such conditions and limitations by January 1,  
3 1994. No insurer, health care service contractor, or health  
4 maintenance organization may deny, exclude, or limit coverage for  
5 preexisting conditions for a period longer than that provided for in  
6 such rules after July 1, 1994.

7 NEW SECTION. **Sec. 706.** A new section is added to chapter 48.44  
8 RCW to read as follows:

9 (1) After July 1, 1994, every health care service contractor,  
10 except limited health care service contractors as defined under RCW  
11 48.44.035, shall waive any preexisting condition exclusion or  
12 limitation for persons who had similar coverage under a different  
13 policy, health care service contract, or health maintenance agreement  
14 in the three-month period immediately preceding the effective date of  
15 coverage under the new contract and who satisfied a waiting period of  
16 similar duration under such preceding policy, contract, or agreement;  
17 however, if the person satisfied a twelve-month waiting period under  
18 such preceding policy, contract, or agreement, the insurer shall waive  
19 any preexisting condition exclusion or limitation. The insurer need  
20 not waive a preexisting condition exclusion or limitation under the new  
21 policy for coverage not provided under such preceding policy, contract,  
22 or agreement.

23 (2) The commissioner may adopt rules establishing guidelines for  
24 determining when coverage is similar under new and preceding policies,  
25 contracts, and agreements and for determining when a preexisting  
26 condition waiting period has been satisfied.

27 (3) The commissioner in consultation with insurers, health care  
28 service contractors, and health maintenance organizations shall study  
29 the effect of preexisting condition exclusions and limitations on the  
30 cost and availability of health care coverage and shall adopt rules  
31 restricting the use of such conditions and limitations by January 1,  
32 1994. No insurer, health care service contractor, or health  
33 maintenance organization may deny, exclude, or limit coverage for  
34 preexisting conditions for a period longer than that provided for in  
35 such rules after July 1, 1994.

36 NEW SECTION. **Sec. 707.** A new section is added to chapter 48.46  
37 RCW to read as follows:

1 (1) After July 1, 1994, every health maintenance organization shall  
2 waive any preexisting condition exclusion or limitation for persons who  
3 had similar coverage under a different policy, health care service  
4 contract, or health maintenance agreement in the three-month period  
5 immediately preceding the effective date of coverage under the new  
6 contract and who satisfied a waiting period of similar duration under  
7 such preceding policy, contract, or agreement; however, if the person  
8 satisfied a twelve-month waiting period under such preceding policy,  
9 contract, or agreement, the insurer shall waive any preexisting  
10 condition exclusion or limitation. The insurer need not waive a  
11 preexisting condition exclusion or limitation under the new policy for  
12 coverage not provided under such preceding policy, contract, or  
13 agreement.

14 (2) The commissioner may adopt rules establishing guidelines for  
15 determining when coverage is similar under new and preceding policies,  
16 contracts, and agreements and for determining when a preexisting  
17 condition waiting period has been satisfied.

18 (3) The commissioner in consultation with insurers, health care  
19 service contractors, and health maintenance organizations shall study  
20 the effect of preexisting condition exclusions and limitations on the  
21 cost and availability of health care coverage and shall adopt rules  
22 restricting the use of such conditions and limitations by January 1,  
23 1994. No insurer, health care service contractor, or health  
24 maintenance organization may deny, exclude, or limit coverage for  
25 preexisting conditions for a period longer than that provided for in  
26 such rules after July 1, 1994.

27 **Sec. 708.** RCW 48.30.300 and 1975-'76 2nd ex.s. c 119 s 7 are each  
28 amended to read as follows:

29 Notwithstanding any provision contained in Title 48 RCW to the  
30 contrary:

31 (1) No person or entity engaged in the business of insurance in  
32 this state shall refuse to issue any contract of insurance or cancel or  
33 decline to renew such contract because of the sex or marital status, or  
34 the presence of any sensory, mental, or physical handicap of the  
35 insured or prospective insured. The amount of benefits payable, or any  
36 term, rate, condition, or type of coverage shall not be restricted,  
37 modified, excluded, increased or reduced on the basis of the sex or  
38 marital status, or be restricted, modified, excluded or reduced on the

1 basis of the presence of any sensory, mental, or physical handicap of  
2 the insured or prospective insured. Subject to the provisions of  
3 subsection (2) of this section these provisions shall not prohibit fair  
4 discrimination on the basis of sex, or marital status, or the presence  
5 of any sensory, mental, or physical handicap when bona fide statistical  
6 differences in risk or exposure have been substantiated.

7 (2) With respect to disability policies issued or renewed on or  
8 after July 1, 1994, that provide coverage against loss arising from  
9 medical, surgical, hospital, or emergency care services:

10 (a) Policies shall guarantee continuity of coverage. Such  
11 provision, which shall be included in every policy, shall provide that:

12 (i) The policy may be canceled or nonrenewed without the prior  
13 written approval of the commissioner only for nonpayment of premium or  
14 as permitted under RCW 48.18.090; and

15 (ii) The policy may be canceled or nonrenewed because of a change  
16 in the physical or mental condition or health of a covered person only  
17 with the prior written approval of the commissioner. Such approval  
18 shall be granted only when the insurer has discharged its obligation to  
19 continue coverage for such person by obtaining coverage with another  
20 insurer, health care service contractor, or health maintenance  
21 organization, which coverage is comparable in terms of premiums and  
22 benefits as defined by rule of the commissioner.

23 (b) It is an unfair practice for a disability insurer to modify the  
24 coverage provided or rates applying to an in-force disability insurance  
25 policy and to fail to make such modification in all such issued and  
26 outstanding policies.

27 (c) Subject to rules adopted by the commissioner, it is an unfair  
28 practice for a disability insurer to:

29 (i) Cease the sale of a policy form unless it has received prior  
30 written authorization from the commissioner and has offered all  
31 policyholders covered under such discontinued policy the opportunity to  
32 purchase equivalent coverage without health screening; or

33 (ii) Engage in a practice that subjects policyholders to rate  
34 increases on discontinued policy forms unless such policyholders are  
35 offered the opportunity to purchase equivalent coverage without health  
36 screening.

37 The insurer may limit an offer of equivalent coverage without  
38 health screening to a period not less than thirty days from the date  
39 the offer is first made.

1        NEW SECTION.    **Sec. 709.**    A new section is added to chapter 48.44  
2    RCW to read as follows:

3        (1) With respect to all health care service contracts issued or  
4    renewed on or after July 1, 1994, except limited health care service  
5    contracts as defined in RCW 48.44.035:

6        (a) Contracts shall guarantee continuity of coverage.    Such  
7    provision, which shall be included in every contract, shall provide  
8    that:

9        (i) The contract may be canceled or nonrenewed without the prior  
10    written approval of the commissioner only for nonpayment of premiums,  
11    for violation of published policies of the contractor which have been  
12    approved by the commissioner, for persons who are entitled to become  
13    eligible for medicare benefits and fail to subscribe to a medicare  
14    supplement plan offered by the contractor, for failure of such  
15    subscriber to pay any deductible or copayment amount owed to the  
16    contractor and not the provider of health care services, or for a  
17    material breach of the contract; and

18        (ii) The contract may be canceled or nonrenewed because of a change  
19    in the physical or mental condition or health of a covered person only  
20    with the prior written approval of the commissioner.    Such approval  
21    shall be granted only when the contractor has discharged its obligation  
22    to continue coverage for such person by obtaining coverage with another  
23    insurer, health care service contractor, or health maintenance  
24    organization, which coverage is comparable in terms of premiums and  
25    benefits as defined by rule of the commissioner.

26        (b) It is an unfair practice for a contractor to modify the  
27    coverage provided or rates applying to an in-force contract and to fail  
28    to make such modification in all such issued and outstanding contracts.

29        (c) Subject to rules adopted by the commissioner, it is an unfair  
30    practice for a health care service contractor to:

31        (i) Cease the sale of a contract form unless it has received prior  
32    written authorization from the commissioner and has offered all  
33    subscribers covered under such discontinued contract the opportunity to  
34    purchase equivalent coverage without health screening; or

35        (ii) Engage in a practice that subjects subscribers to rate  
36    increases on discontinued contract forms unless such subscribers are  
37    offered the opportunity to purchase equivalent coverage without health  
38    screening.

1 (2) The health care service contractor may limit an offer of  
2 equivalent coverage without health screening to a period not less than  
3 thirty days from the date the offer is first made.

4 NEW SECTION. **Sec. 710.** A new section is added to chapter 48.46  
5 RCW to read as follows:

6 (1) With respect to all health maintenance agreements issued or  
7 renewed on or after July 1, 1994, and in addition to the restrictions  
8 and limitations contained in RCW 48.46.060(4):

9 (a) Agreements shall guarantee continuity of coverage. Such  
10 provision, which shall be included in every agreement, shall provide  
11 that the agreement may be canceled or nonrenewed because of a change in  
12 the physical or mental condition or health of a covered person only  
13 with the prior written approval of the commissioner. Such approval  
14 shall be granted only when the organization has discharged its  
15 obligation to continue coverage for such person by obtaining coverage  
16 with another insurer, health care service contractor, or health  
17 maintenance organization, which coverage is comparable in terms of  
18 premiums and benefits as defined by rule of the commissioner.

19 (b) It is an unfair practice for an organization to modify the  
20 coverage provided or rates applying to an in-force agreement and to  
21 fail to make such modification in all such issued and outstanding  
22 agreements.

23 (c) Subject to rules adopted by the commissioner, it is an unfair  
24 practice for a health maintenance organization to:

25 (i) Cease the sale of an agreement form unless it has received  
26 prior written authorization from the commissioner and has offered all  
27 enrollees covered under such discontinued agreement the opportunity to  
28 purchase equivalent coverage without health screening; or

29 (ii) Engage in a practice that subjects enrollees to rate increases  
30 on discontinued agreement forms unless such enrollees are offered the  
31 opportunity to purchase equivalent coverage without health screening.

32 (2) The health maintenance organization may limit an offer of  
33 equivalent coverage without health screening to a period not less than  
34 thirty days from the date the offer is first made.

35 **Sec. 711.** RCW 48.44.260 and 1979 c 133 s 3 are each amended to  
36 read as follows:

1 Every authorized health care service contractor, upon canceling,  
2 denying, or refusing to renew any individual health care service  
3 contract, shall, upon written request, directly notify in writing the  
4 applicant or (~~(insured)~~) subscriber, as the case may be, of the reasons  
5 for the action by the health care service contractor. Any benefits,  
6 terms, rates, or conditions of such a contract which are restricted,  
7 excluded, modified, increased, or reduced (~~(because of the presence of~~  
8 ~~a sensory, mental, or physical handicap)~~) shall, upon written request,  
9 be set forth in writing and supplied to the (~~(insured)~~) subscriber.  
10 The written communications required by this section shall be phrased in  
11 simple language which is readily understandable to a person of average  
12 intelligence, education, and reading ability.

13 **Sec. 712.** RCW 48.46.380 and 1983 c 106 s 16 are each amended to  
14 read as follows:

15 Every authorized health maintenance organization, upon canceling,  
16 denying, or refusing to renew any individual health maintenance  
17 agreement, shall, upon written request, directly notify in writing the  
18 applicant or enrolled participant as appropriate, of the reasons for  
19 the action by the health maintenance organization. Any benefits,  
20 terms, rates, or conditions of such agreement which are restricted,  
21 excluded, modified, increased, or reduced (~~(because of the presence of~~  
22 ~~a sensory, mental, or physical handicap)~~) shall, upon written request,  
23 be set forth in writing and supplied to the individual. The written  
24 communications required by this section shall be phrased in simple  
25 language which is readily understandable to a person of average  
26 intelligence, education, and reading ability.

27 NEW SECTION. **Sec. 713.** The following acts or parts of acts are  
28 each repealed:

- 29 (1) RCW 48.46.160 and 1975 1st ex.s. c 290 s 17; and  
30 (2) RCW 48.46.905 and 1975 1st ex.s. c 290 s 25.

31 NEW SECTION. **Sec. 714.** RCW 48.44.410 and 1986 c 223 s 12 are each  
32 repealed, effective July 1, 1994.

33 NEW SECTION. **Sec. 715.** A new section is added to chapter 48.20  
34 RCW to read as follows:

1 Whenever the provisions of this chapter governing the sale and  
2 content of disability insurance conflict with the provision of sections  
3 601 through 620 of this act, sections 601 through 620 of this act shall  
4 control.

5 NEW SECTION. **Sec. 716.** A new section is added to chapter 48.21  
6 RCW to read as follows:

7 Whenever the provisions of this chapter governing the sale and  
8 content of disability insurance conflict with the provision of sections  
9 601 through 620 of this act, sections 601 through 620 of this act shall  
10 control.

11 NEW SECTION. **Sec. 717.** A new section is added to chapter 48.44  
12 RCW to read as follows:

13 Whenever the provisions of this chapter governing the sale and  
14 content of health care service contracts conflict with the provision of  
15 sections 601 through 620 of this act, sections 601 through 620 of this  
16 act shall control.

17 NEW SECTION. **Sec. 718.** A new section is added to chapter 48.46  
18 RCW to read as follows:

19 Whenever the provisions of this chapter governing the sale and  
20 content of health maintenance agreements conflict with the provision of  
21 sections 601 through 620 of this act, sections 601 through 620 of this  
22 act shall control.

23 NEW SECTION. **Sec. 719.** The insurance commissioner shall undertake  
24 a study of the feasibility and benefits of developing a single  
25 licensing category for certified health plans that would replace the  
26 current disability insurer, health care service contractor, and health  
27 maintenance organization licensing categories. The results of the  
28 study shall be reported to the governor and appropriate committees of  
29 the senate and the house of representatives by January 1, 1995.

30 **PART VIII. PRACTICE GUIDELINES**

31 NEW SECTION. **Sec. 801.** A new section is added to chapter 43.70  
32 RCW to read as follows:

1 PRACTICE GUIDELINES. The department of health shall consult with  
2 health care providers, purchasers, health professional regulatory  
3 authorities under RCW 18.130.040, appropriate research and clinical  
4 experts, and consumers of health care services to identify specific  
5 practice areas where practice guidelines and risk management protocols  
6 have been developed. The department shall establish a process to  
7 identify and evaluate practice guidelines and risk management protocols  
8 as they are developed by the appropriate professional, scientific, and  
9 clinical communities. The department shall recommend the use of  
10 practice guidelines and risk management protocols in quality assurance,  
11 utilization review, or provider payment to the health services  
12 commission.

13 **PART IX. HEALTH CARE LIABILITY REFORM**

14 **Sec. 901.** RCW 18.72.400 and 1991 c 3 s 171 are each amended to  
15 read as follows:

16 (1) The secretary of health shall allocate all appropriated funds  
17 to accomplish the purposes of this chapter.

18 (2) Upon a showing by the secretary of health, on behalf of the  
19 medical disciplinary board, that expenditures in excess of levels  
20 authorized by legislative appropriation are necessary to meet  
21 unanticipated public demand for investigation of, and disciplinary  
22 action against, unsafe or impaired physicians or surgeons, the office  
23 of financial management may authorize necessary expenditures from the  
24 medical disciplinary account in excess of appropriated levels.

25 **Sec. 902.** RCW 43.70.320 and 1991 sp.s. c 13 s 18 are each amended  
26 to read as follows:

27 (1) There is created in the state treasury an account to be known  
28 as the health professions account. All fees received by the department  
29 for health professions licenses, registration, certifications,  
30 renewals, or examinations and the civil penalties assessed and  
31 collected by the department under RCW 18.130.190(4) shall be forwarded  
32 to the state treasurer who shall credit such moneys to the health  
33 professions account.

34 (2) All expenses incurred in carrying out the health professions  
35 licensing activities of the department shall be paid from the account  
36 as authorized by legislative appropriation. Upon a showing by the

1 department, on behalf of an individual health profession regulatory  
2 board, that expenditures in excess of levels authorized by legislative  
3 appropriation are necessary to meet unanticipated public demand for  
4 investigation of, and disciplinary action against, unsafe or impaired  
5 health care practitioners, the office of financial management may  
6 authorize necessary expenditures from the health professions account in  
7 excess of appropriated levels. Any residue in the account shall be  
8 accumulated and shall not revert to the general fund at the end of the  
9 biennium.

10 (3) The secretary shall biennially prepare a budget request based  
11 on the anticipated costs of administering the health professions  
12 licensing activities of the department which shall include the  
13 estimated income from health professions fees.

14 **Sec. 903.** RCW 18.130.190 and 1991 c 3 s 271 are each amended to  
15 read as follows:

16 (1) The secretary shall investigate complaints concerning practice  
17 by unlicensed persons of a profession or business for which a license  
18 is required by the chapters specified in RCW 18.130.040. In the  
19 investigation of the complaints, the secretary shall have the same  
20 authority as provided the secretary under RCW 18.130.050. The  
21 secretary shall issue a cease and desist order to a person after notice  
22 and hearing and upon a determination that the person has violated this  
23 subsection. If the secretary makes a written finding of fact that the  
24 public interest will be irreparably harmed by delay in issuing an  
25 order, the secretary may issue a temporary cease and desist order. The  
26 cease and desist order shall not relieve the person so practicing or  
27 operating a business without a license from criminal prosecution  
28 therefor, but the remedy of a cease and desist order shall be in  
29 addition to any criminal liability. The cease and desist order is  
30 conclusive proof of unlicensed practice and may be enforced under RCW  
31 7.21.060. This method of enforcement of the cease and desist order may  
32 be used in addition to, or as an alternative to, any provisions for  
33 enforcement of agency orders set out in chapter 34.05 RCW.

34 (2) The attorney general, a county prosecuting attorney, the  
35 secretary, a board, or any person may in accordance with the laws of  
36 this state governing injunctions, maintain an action in the name of  
37 this state to enjoin any person practicing a profession or business for  
38 which a license is required by the chapters specified in RCW 18.130.040

1 without a license from engaging in such practice or operating such  
2 business until the required license is secured. However, the  
3 injunction shall not relieve the person so practicing or operating a  
4 business without a license from criminal prosecution therefor, but the  
5 remedy by injunction shall be in addition to any criminal liability.

6 (3) Unlicensed practice of a profession or operating a business for  
7 which a license is required by the chapters specified in RCW  
8 18.130.040, unless otherwise exempted by law, constitutes a gross  
9 misdemeanor. All fees, fines, forfeitures, and penalties collected or  
10 assessed by a court because of a violation of this section shall be  
11 remitted to the health professions account.

12 (4) In addition to the remedies provided in this section, the  
13 secretary is authorized to impose a civil penalty of up to five  
14 thousand dollars on a person engaged, without a license, in a  
15 profession or business for which a license is required by the chapters  
16 specified in RCW 18.130.040. The imposition of the civil penalty shall  
17 occur only upon a finding by the secretary, after affording an  
18 opportunity for a hearing, that there has been a failure or refusal to  
19 obtain a license as required in any of the chapters specified in RCW  
20 18.130.040.

21 NEW SECTION. Sec. 904. A new section is added to chapter 18.130  
22 RCW to read as follows:

23 MALPRACTICE INSURANCE COVERAGE MANDATE. Except to the extent that  
24 liability insurance is not available, every licensed health care  
25 practitioner whose services are included in the uniform benefits  
26 package, as determined by section 615 of this act, and whose scope of  
27 practice includes independent practice, shall, as a condition of  
28 licensure and relicensure, be required to provide evidence of a minimum  
29 level of malpractice insurance coverage. On or before January 1, 1994,  
30 the department shall designate by rule:

31 (1) Those health professions whose scope of practice includes  
32 independent practice;

33 (2) For each health profession whose scope of practice includes  
34 independent practice, whether malpractice insurance is available; and

35 (3) If such insurance is available, the appropriate minimum level  
36 of mandated coverage.

1        NEW SECTION.    **Sec. 905.**    A new section is added to chapter 48.22  
2    RCW to read as follows:

3        RISK MANAGEMENT TRAINING OF INDEPENDENT HEALTH CARE PRACTITIONERS.  
4    Effective July 1, 1994, a casualty insurer's issuance of a new medical  
5    malpractice policy or renewal of an existing medical malpractice policy  
6    to a physician or other independent health care practitioner shall be  
7    conditioned upon that practitioner's participation in, and completion  
8    of, health care liability risk management training.        The risk  
9    management training shall provide information related to avoiding  
10    adverse health outcomes resulting from substandard practice and  
11    minimizing damages associated with the adverse health outcomes that do  
12    occur.    For purposes of this section, "independent health care  
13    practitioners" means those health care practitioner licensing  
14    classifications designated by the department of health in rule pursuant  
15    to section 904 of this act.

16       NEW SECTION.    **Sec. 906.**    A new section is added to chapter 48.05  
17    RCW to read as follows:

18       RISK MANAGEMENT TRAINING OF INDEPENDENT HEALTH CARE PRACTITIONERS.  
19    Effective July 1, 1994, each health care provider, facility, or health  
20    maintenance organization that self-insures for liability risks related  
21    to medical malpractice and employs physicians or other independent  
22    health care practitioners in Washington state shall condition each  
23    physician's and practitioner's liability coverage by that entity upon  
24    that physician's or practitioner's participation in risk management  
25    training offered by the provider, facility, or health maintenance  
26    organization to its employees.    The risk management training shall  
27    provide information related to avoiding adverse health outcomes  
28    resulting from substandard practice and minimizing damages associated  
29    with those adverse health outcomes that do occur.    For purposes of this  
30    section, "independent health care practitioner" means those health care  
31    practitioner licensing classifications designated by the department of  
32    health in rule pursuant to section 904 of this act.

33       **Sec. 907.**    RCW 70.41.200 and 1991 c 3 s 336 are each amended to  
34    read as follows:

35       (1) Every hospital shall maintain a coordinated quality improvement  
36    program for the improvement of the quality of health care services

1 rendered to patients and the identification and prevention of medical  
2 malpractice. The program shall include at least the following:

3 (a) The establishment of a quality ~~((assurance))~~ improvement  
4 committee with the responsibility to review the services rendered in  
5 the hospital, both retrospectively and prospectively, in order to  
6 improve the quality of medical care of patients and to prevent medical  
7 malpractice. The committee shall oversee and coordinate the quality  
8 improvement and medical malpractice prevention program and shall insure  
9 that information gathered pursuant to the program is used to review and  
10 to revise hospital policies and procedures(~~(. At least one member of~~  
11 ~~the committee shall be a member of the governing board of the hospital~~  
12 ~~who is not otherwise affiliated with the hospital in an employment or~~  
13 ~~contractual capacity))~~);

14 (b) A medical staff privileges sanction procedure through which  
15 credentials, physical and mental capacity, and competence in delivering  
16 health care services are periodically reviewed as part of an evaluation  
17 of staff privileges;

18 (c) The periodic review of the credentials, physical and mental  
19 capacity, and competence in delivering health care services of all  
20 persons who are employed or associated with the hospital;

21 (d) A procedure for the prompt resolution of grievances by patients  
22 or their representatives related to accidents, injuries, treatment, and  
23 other events that may result in claims of medical malpractice;

24 (e) The maintenance and continuous collection of information  
25 concerning the hospital's experience with negative health care outcomes  
26 and incidents injurious to patients, patient grievances, professional  
27 liability premiums, settlements, awards, costs incurred by the hospital  
28 for patient injury prevention, and safety improvement activities;

29 (f) The maintenance of relevant and appropriate information  
30 gathered pursuant to (a) through (e) of this subsection concerning  
31 individual physicians within the physician's personnel or credential  
32 file maintained by the hospital;

33 (g) Education programs dealing with quality improvement, patient  
34 safety, injury prevention, staff responsibility to report professional  
35 misconduct, the legal aspects of patient care, improved communication  
36 with patients, and causes of malpractice claims for staff personnel  
37 engaged in patient care activities; and

38 (h) Policies to ensure compliance with the reporting requirements  
39 of this section.

1 (2) Any person who, in substantial good faith, provides information  
2 to further the purposes of the quality improvement and medical  
3 malpractice prevention program or who, in substantial good faith,  
4 participates on the quality ((assurance)) improvement committee shall  
5 not be subject to an action for civil damages or other relief as a  
6 result of such activity.

7 (3) Information and documents, including complaints and incident  
8 reports, created specifically for, and collected, and maintained  
9 ((~~about health care providers arising out of the matters that are under~~  
10 ~~review or have been evaluated~~)) by a ((~~review~~)) quality improvement  
11 committee ((~~conducting quality assurance reviews~~)) are not subject to  
12 discovery or introduction into evidence in any civil action, and no  
13 person who was in attendance at a meeting of such committee or  
14 ((~~board~~)) who participated in the creation, collection, or maintenance  
15 of information or documents specifically for the committee shall be  
16 permitted or required to testify in any civil action as to the content  
17 of such proceedings or the documents and information prepared  
18 specifically for the committee. This subsection does not preclude:  
19 (a) In any civil action, the discovery of the identity of persons  
20 involved in the medical care that is the basis of the civil action  
21 whose involvement was independent of any quality improvement activity;  
22 (b) in any civil action, the testimony of any person concerning the  
23 facts which form the basis for the institution of such proceedings of  
24 which the person had personal knowledge acquired independently of such  
25 proceedings; ((~~b~~)) (c) in any civil action by a health care provider  
26 regarding the restriction or revocation of that individual's clinical  
27 or staff privileges, introduction into evidence information collected  
28 and maintained by quality ((assurance)) improvement committees  
29 regarding such health care provider; ((~~e~~)) (d) in any civil action,  
30 disclosure of the fact that staff privileges were terminated or  
31 restricted, including the specific restrictions imposed, if any and the  
32 reasons for the restrictions; or ((~~d~~)) (e) in any civil action,  
33 discovery and introduction into evidence of the patient's medical  
34 records required by regulation of the department of health to be made  
35 regarding the care and treatment received.

36 (4) The department of health shall adopt such rules as are deemed  
37 appropriate to effectuate the purposes of this section.

38 (5) The medical disciplinary board or the board of osteopathic  
39 medicine and surgery, as appropriate, may review and audit the records

1 of committee decisions in which a physician's privileges are terminated  
2 or restricted. Each hospital shall produce and make accessible to the  
3 board the appropriate records and otherwise facilitate the review and  
4 audit. Information so gained shall not be subject to the discovery  
5 process and confidentiality shall be respected as required by  
6 subsection (3) of this section. Failure of a hospital to comply with  
7 this subsection is punishable by a civil penalty not to exceed two  
8 hundred fifty dollars.

9 (6) Violation of this section shall not be considered negligence  
10 per se.

11 **Sec. 908.** RCW 70.41.230 and 1991 c 3 s 337 are each amended to  
12 read as follows:

13 (1) Prior to granting or renewing clinical privileges or  
14 association of any physician or hiring a physician, a hospital or  
15 facility approved pursuant to this chapter shall request from the  
16 physician and the physician shall provide the following information:

17 (a) The name of any hospital or facility with or at which the  
18 physician had or has any association, employment, privileges, or  
19 practice;

20 (b) If such association, employment, privilege, or practice was  
21 discontinued, the reasons for its discontinuation;

22 (c) Any pending professional medical misconduct proceedings or any  
23 pending medical malpractice actions in this state or another state, the  
24 substance of the allegations in the proceedings or actions, and any  
25 additional information concerning the proceedings or actions as the  
26 physician deems appropriate;

27 (d) The substance of the findings in the actions or proceedings and  
28 any additional information concerning the actions or proceedings as the  
29 physician deems appropriate;

30 (e) A waiver by the physician of any confidentiality provisions  
31 concerning the information required to be provided to hospitals  
32 pursuant to this subsection; and

33 (f) A verification by the physician that the information provided  
34 by the physician is accurate and complete.

35 (2) Prior to granting privileges or association to any physician or  
36 hiring a physician, a hospital or facility approved pursuant to this  
37 chapter shall request from any hospital with or at which the physician

1 had or has privileges, was associated, or was employed, the following  
2 information concerning the physician:

3 (a) Any pending professional medical misconduct proceedings or any  
4 pending medical malpractice actions, in this state or another state;

5 (b) Any judgment or settlement of a medical malpractice action and  
6 any finding of professional misconduct in this state or another state  
7 by a licensing or disciplinary board; and

8 (c) Any information required to be reported by hospitals pursuant  
9 to RCW 18.72.265.

10 (3) The medical disciplinary board shall be advised within thirty  
11 days of the name of any physician denied staff privileges, association,  
12 or employment on the basis of adverse findings under subsection (1) of  
13 this section.

14 (4) A hospital or facility that receives a request for information  
15 from another hospital or facility pursuant to subsections (1) and (2)  
16 of this section shall provide such information concerning the physician  
17 in question to the extent such information is known to the hospital or  
18 facility receiving such a request, including the reasons for  
19 suspension, termination, or curtailment of employment or privileges at  
20 the hospital or facility. A hospital, facility, or other person  
21 providing such information in good faith is not liable in any civil  
22 action for the release of such information.

23 (5) Information and documents, including complaints and incident  
24 reports, created specifically for, and collected, and maintained  
25 ~~((about health care providers arising out of the matters that are under~~  
26 ~~review or have been evaluated))~~ by a ~~((review))~~ quality improvement  
27 committee ~~((conducting quality assurance reviews))~~ are not subject to  
28 discovery or introduction into evidence in any civil action, and no  
29 person who was in attendance at a meeting of such committee or  
30 ~~((board))~~ who participated in the creation, collection, or maintenance  
31 of information or documents specifically for the committee shall be  
32 permitted or required to testify in any civil action as to the content  
33 of such proceedings or the documents and information prepared  
34 specifically for the committee. This subsection does not preclude:  
35 (a) In any civil action, the discovery of the identity of persons  
36 involved in the medical care that is the basis of the civil action  
37 whose involvement was independent of any quality improvement activity;  
38 (b) in any civil action, the testimony of any person concerning the  
39 facts which form the basis for the institution of such proceedings of

1 which the person had personal knowledge acquired independently of such  
2 proceedings; ~~((b))~~ (c) in any civil action by a health care provider  
3 regarding the restriction or revocation of that individual's clinical  
4 or staff privileges, introduction into evidence information collected  
5 and maintained by quality ~~((assurance))~~ improvement committees  
6 regarding such health care provider; ~~((e))~~ (d) in any civil action,  
7 disclosure of the fact that staff privileges were terminated or  
8 restricted, including the specific restrictions imposed, if any and the  
9 reasons for the restrictions; or ~~((d))~~ (e) in any civil action,  
10 discovery and introduction into evidence of the patient's medical  
11 records required by regulation of the department of health to be made  
12 regarding the care and treatment received.

13 (6) Hospitals shall be granted access to information held by the  
14 medical disciplinary board and the board of osteopathic medicine and  
15 surgery pertinent to decisions of the hospital regarding credentialing  
16 and recredentialing of practitioners.

17 (7) Violation of this section shall not be considered negligence  
18 per se.

19 NEW SECTION. **Sec. 909.** A new section is added to chapter 43.70  
20 RCW to read as follows:

21 (1)(a) Health care institutions and medical facilities, other than  
22 hospitals, that are licensed by the department, and certified health  
23 plans approved pursuant to section 610 of this act may maintain a  
24 coordinated quality improvement program for the improvement of the  
25 quality of health care services rendered to patients and the  
26 identification and prevention of medical malpractice as set forth in  
27 RCW 70.41.200.

28 (b) All such programs shall comply with the requirements of RCW  
29 70.41.200(1)(a), (c), (d), (e), (f), (g), and (h) as modified to  
30 reflect the structural organization of the institution, facility, or  
31 certified health plan, unless an alternative quality improvement  
32 program substantially equivalent to RCW 70.41.200(1)(a) is developed.  
33 All such programs, whether complying with the requirement set forth in  
34 RCW 70.41.200(1)(a) or in the form of an alternative program, must be  
35 approved by the department before the discovery limitations provided in  
36 subsections (3) and (4) of this section shall apply. In reviewing  
37 plans submitted by licensed entities that are associated with  
38 physicians' offices, the department shall ensure that the discovery

1 limitations of this section are applied only to information and  
2 documents related specifically to quality improvement activities  
3 undertaken by the licensed entity.

4 (2) Physician groups of ten or more physicians may maintain a  
5 coordinated quality improvement program for the improvement of the  
6 quality of health care services rendered to patients and the  
7 identification and prevention of medical malpractice as set forth in  
8 RCW 70.41.200. All such programs shall comply with the requirements of  
9 RCW 70.41.200(1)(a), (c), (d), (e), (f), (g), and (h) as modified to  
10 reflect the structural organization of the physician group. All such  
11 programs must be approved by the department before the discovery  
12 limitations provided in subsections (3) and (4) of this section shall  
13 apply.

14 (3) Any person who, in substantial good faith, provides information  
15 to further the purposes of the quality improvement and medical  
16 malpractice prevention program or who, in substantial good faith,  
17 participates on the quality improvement committee shall not be subject  
18 to an action for civil damages or other relief as a result of such  
19 activity.

20 (4) Information and documents, including complaints and incident  
21 reports, created specifically for, and collected, and maintained by a  
22 quality improvement committee are not subject to discovery or  
23 introduction into evidence in any civil action, and no person who was  
24 in attendance at a meeting of such committee or who participated in the  
25 creation, collection, or maintenance of information or documents  
26 specifically for the committee shall be permitted or required to  
27 testify in any civil action as to the content of such proceedings or  
28 the documents and information prepared specifically for the committee.  
29 This subsection does not preclude: (a) In any civil action, the  
30 discovery of the identity of persons involved in the medical care that  
31 is the basis of the civil action whose involvement was independent of  
32 any quality improvement activity; (b) in any civil action, the  
33 testimony of any person concerning the facts that form the basis for  
34 the institution of such proceedings of which the person had personal  
35 knowledge acquired independently of such proceedings; (c) in any civil  
36 action by a health care provider regarding the restriction or  
37 revocation of that individual's clinical or staff privileges,  
38 introduction into evidence information collected and maintained by  
39 quality improvement committees regarding such health care provider; (d)

1 in any civil action, disclosure of the fact that staff privileges were  
2 terminated or restricted, including the specific restrictions imposed,  
3 if any and the reasons for the restrictions; or (e) in any civil  
4 action, discovery and introduction into evidence of the patient's  
5 medical records required by rule of the department of health to be made  
6 regarding the care and treatment received.

7 (5) The department of health shall adopt rules as are necessary to  
8 implement this section.

9 NEW SECTION. **Sec. 910.** (1) The administrator for the courts shall  
10 coordinate a collaborative effort to develop a voluntary system for  
11 review of medical malpractice claims by health services experts prior  
12 to the filing of a cause of action under chapter 7.70 RCW.

13 (2) The system shall have at least the following components:

14 (a) Review would be initiated, by agreement of the injured claimant  
15 and the health care provider, at the point at which a medical  
16 malpractice claim is submitted to a malpractice insurer or a self-  
17 insured health care provider.

18 (b) By agreement of the parties, an expert would be chosen from a  
19 pool of health services experts who have agreed to review claims on a  
20 voluntary basis.

21 (c) The mutually agreed upon expert would conduct an impartial  
22 review of the claim and provide his or her opinion to the parties.

23 (d) A pool of available experts would be established and maintained  
24 for each category of health care practitioner by the corresponding  
25 practitioner association, such as the Washington state medical  
26 association and the Washington state nurses association.

27 (3) The administrator for the courts shall seek to involve at least  
28 the following organizations in a collaborative effort to develop the  
29 informal review system described in subsection (2) of this section:

30 (a) The Washington defense trial lawyers association;

31 (b) The Washington state trial lawyers association;

32 (c) The Washington state medical association;

33 (d) The Washington state nurses association;

34 (e) The Washington state hospital association;

35 (f) The Washington state physicians insurance exchange and  
36 association;

37 (g) The Washington casualty company;

38 (h) The doctor's agency;

- 1 (i) Group health cooperative of Puget Sound;
- 2 (j) The University of Washington;
- 3 (k) Washington osteopathic medical association;
- 4 (l) Washington state chiropractic association;
- 5 (m) Washington association of naturopathic physicians; and
- 6 (n) The department of health.

7 (4) On or before January 1, 1994, the administrator for the courts  
8 shall provide a report on the status of the development of the system  
9 described in this section to the governor and the appropriate  
10 committees of the senate and the house of representatives.

11 NEW SECTION. Sec. 911. A new section is added to chapter 7.70 RCW  
12 to read as follows:

13 MANDATORY MEDIATION OF HEALTH CARE MALPRACTICE CLAIMS. (1) All  
14 causes of action, whether based in tort, contract, or otherwise, for  
15 damages arising from injury occurring as a result of health care  
16 provided after the effective date of this section shall be subject to  
17 mandatory mediation prior to trial.

18 (2) The supreme court shall by rule adopt procedures to implement  
19 mandatory mediation of actions under this chapter. The rules shall  
20 address, at a minimum:

21 (a) Procedures for the appointment of, and qualifications of,  
22 mediators. A mediator shall have experience or expertise related to  
23 actions arising from injury occurring as a result of health care, and  
24 be a member of the state bar association who has been admitted to the  
25 bar for a minimum of five years or who is a retired judge. The parties  
26 may stipulate to a nonlawyer mediator. The court may prescribe  
27 additional qualifications of mediators. Mediators shall be  
28 compensated in the same amount and manner as judges pro tempore of the  
29 superior court unless the parties agree to a different amount or manner  
30 of compensation;

31 (b) The number of days following the filing of a claim under this  
32 chapter within which a mediator must be selected;

33 (c) The method by which a mediator is selected. The rule shall  
34 provide for designation of a mediator by the superior court if the  
35 parties are unable to agree upon a mediator;

36 (d) The number of days following the selection of a mediator  
37 within which a mediation conference must be held;

1 (e) A means by which mediation of an action under this chapter may  
2 be waived by a mediator who has determined that the claim is not  
3 appropriate for mediation. If mediation is waived, the rules shall  
4 require that the parties participate in at least one settlement  
5 conference prior to trial; and

6 (f) Any other matters deemed necessary by the court.

7 (3) Mediators shall not impose discovery schedules upon the  
8 parties.

9 NEW SECTION. Sec. 912. A new section is added to chapter 7.70 RCW  
10 to read as follows:

11 MANDATORY MEDIATION OF HEALTH CARE MALPRACTICE. The making of a  
12 written, good faith request for mediation of a dispute related to  
13 damages for injury occurring as a result of health care provided prior  
14 to filing a cause of action under this chapter shall toll the statute  
15 of limitations provided in RCW 4.16.350.

16 NEW SECTION. Sec. 913. A new section is added to chapter 7.70 RCW  
17 to read as follows:

18 MANDATORY MEDIATION OF HEALTH CARE MALPRACTICE CLAIMS. Section 911  
19 of this act may not be construed to abridge the right to trial by jury  
20 following an unsuccessful attempt at mediation.

21 **Sec. 914.** RCW 5.60.070 and 1991 c 321 s 1 are each amended to read  
22 as follows:

23 (1) If there is a court order to mediate (~~(or)~~), a written  
24 agreement between the parties to mediate, or if mediation is mandated  
25 under section 911 of this act, then any communication made or materials  
26 submitted in, or in connection with, the mediation proceeding, whether  
27 made or submitted to or by the mediator, a mediation organization, a  
28 party, or any person present, are privileged and confidential and are  
29 not subject to disclosure in any judicial or administrative proceeding  
30 except:

31 (a) When all parties to the mediation agree, in writing, to  
32 disclosure;

33 (b) When the written materials or tangible evidence are otherwise  
34 subject to discovery, and were not prepared specifically for use in and  
35 actually used in the mediation proceeding;

36 (c) When a written agreement to mediate permits disclosure;

1 (d) When disclosure is mandated by statute;

2 (e) When the written materials consist of a written settlement  
3 agreement or other agreement signed by the parties resulting from a  
4 mediation proceeding;

5 (f) When those communications or written materials pertain solely  
6 to administrative matters incidental to the mediation proceeding,  
7 including the agreement to mediate; or

8 (g) In a subsequent action between the mediator and a party to the  
9 mediation arising out of the mediation.

10 (2) When there is a court order (~~(or)~~), a written agreement to  
11 mediate, or when mediation is mandated under section 911 of this act,  
12 as described in subsection (1) of this section, the mediator or a  
13 representative of a mediation organization shall not testify in any  
14 judicial or administrative proceeding unless:

15 (a) All parties to the mediation and the mediator agree in writing;  
16 or

17 (b) In an action described in subsection (1)(g) of this section.

18 **Sec. 915.** RCW 4.22.070 and 1986 c 305 s 401 are each amended to  
19 read as follows:

20 (1) Except as provided in subsection (4) of this section, in all  
21 actions involving fault of more than one entity, the trier of fact  
22 shall determine the percentage of the total fault which is attributable  
23 to every entity which caused the claimant's damages, including the  
24 claimant or person suffering personal injury or incurring property  
25 damage, defendants, third-party defendants, entities released by the  
26 claimant, entities immune from liability to the claimant and entities  
27 with any other individual defense against the claimant. Judgment shall  
28 be entered against each defendant except those who have been released  
29 by the claimant or are immune from liability to the claimant or have  
30 prevailed on any other individual defense against the claimant in an  
31 amount which represents that party's proportionate share of the  
32 claimant's total damages. The liability of each defendant shall be  
33 several only and shall not be joint except:

34 (a) A party shall be responsible for the fault of another person or  
35 for payment of the proportionate share of another party where both were  
36 acting in concert or when a person was acting as an agent or servant of  
37 the party.

1 (b) If the trier of fact determines that the claimant or party  
2 suffering bodily injury or incurring property damages was not at fault,  
3 the defendants against whom judgment is entered shall be jointly and  
4 severally liable for the sum of their proportionate shares of the  
5 claimants total damages.

6 (2) If a defendant is jointly and severally liable under one of the  
7 exceptions listed in subsection((s)) (1)(a) or (1)(b) or (4) (a) or (b)  
8 of this section, such defendant's rights to contribution against  
9 another jointly and severally liable defendant, and the effect of  
10 settlement by either such defendant, shall be determined under RCW  
11 4.22.040, 4.22.050, and 4.22.060.

12 (3)(a) Nothing in this section affects any cause of action relating  
13 to hazardous wastes or substances or solid waste disposal sites.

14 (b) Nothing in this section shall affect a cause of action arising  
15 from the tortious interference with contracts or business relations.

16 (c) Nothing in this section shall affect any cause of action  
17 arising from the manufacture or marketing of a fungible product in a  
18 generic form which contains no clearly identifiable shape, color, or  
19 marking.

20 (4) In all actions governed by chapter 7.70 RCW involving fault of  
21 more than one entity, the trier of fact shall determine the percentage  
22 of the total fault that is attributable to every entity that caused the  
23 claimant's damages, including the claimant or person suffering personal  
24 injury or incurring property damage, defendants, third-party  
25 defendants, entities released by the claimant, entities immune from  
26 liability to the claimant, and entities with any other individual  
27 defense against the claimant. Judgment shall be entered against each  
28 defendant except those who have been released by the claimant or are  
29 immune from liability to the claimant or have prevailed on any other  
30 individual defense against the claimant in an amount that represents  
31 that party's proportionate share of the claimant's total damages. The  
32 total damages shall first be reduced by any amount paid to the claimant  
33 by a released entity. The liability of each defendant shall be several  
34 only and shall not be joint except:

35 (a) A party shall be responsible for the fault of another person or  
36 for payment of the proportionate share of another party where both were  
37 acting in concert or when a person was acting as an agent or servant of  
38 the party.

1       (b) If the trier of fact determines that the claimant or party  
2 suffering bodily injury or incurring property damages was not at fault,  
3 the defendants against whom judgment is entered shall be jointly and  
4 severally liable for the sum of their proportionate shares of the  
5 claimant's total damages.

6       (c) A defendant shall be responsible to the claimant for any fault  
7 of an entity released by the claimant, provided that the total damages  
8 shall first be reduced by any amount paid to the claimant by a released  
9 entity, and, where some fault has been attributed to the claimant, by  
10 the claimant's proportionate share of his or her total damages.

11                   **PART X. PUBLIC HEALTH SERVICES IMPROVEMENT PLAN**

12       NEW SECTION. Sec. 1001. A new section is added to chapter 43.70  
13 RCW to read as follows:

14       PUBLIC HEALTH SERVICES IMPROVEMENT PLAN. (1) The department of  
15 health shall develop, in consultation with local health departments and  
16 districts, the state board of health, the health services commission,  
17 area Indian health service, and other state agencies, health services  
18 providers, and citizens concerned about public health, a public health  
19 services improvement plan. The plan should provide a detailed  
20 accounting of deficits in the core functions of assessment, policy  
21 development, assurance of the current public health system, how  
22 additional public health funding would be used, and describe the  
23 benefits expected from expanded expenditures.

24       (2) The plan shall include:

25       (a) Definition of minimum standards for public health protection  
26 through assessment, policy development, and assurances;

27       (i) Enumeration of communities not meeting those standards;

28       (ii) A budget and staffing plan for bringing all communities up to  
29 minimum standards;

30       (iii) An analysis of the costs and benefits expected from adopting  
31 minimum public health standards for assessment, policy development, and  
32 assurances; and

33       (b) Recommended strategies and a schedule for improving public  
34 health programs throughout the state, including:

35       (i) Strategies for transferring personal care services from the  
36 public health system, into the uniform benefits package where feasible;  
37 and

1 (ii) Timing of increased funding for public health services linked  
2 to specific objectives for improving public health.

3 (3) Establish in conjunction with the area Indian health services  
4 system and providers an advisory group comprised of Indian and non-  
5 Indian health care facilities and providers to formulate an American  
6 Indian health care delivery element for the health services improvement  
7 plan. The element shall include:

8 (a) Recommendations to providers and facilities methods for  
9 coordinating and joint venturing with the Indian health services for  
10 service delivery;

11 (b) Methods to improve American Indian-specific health programming;  
12 and

13 (c) Create co-funding recommendations and opportunities for the  
14 unmet health care needs of American Indians.

15 (4) By March 1, 1994, the department shall provide initial  
16 recommendations of the public health services improvement plan to the  
17 legislature regarding minimum public health standards, and public  
18 health programs needed to address urgent needs, such as those cited in  
19 subsection (6) of this section.

20 (5) By December 1, 1994, the department shall present the public  
21 health services improvement plan to the legislature, with specific  
22 recommendations for each element of the plan to be implemented over the  
23 period from 1995 through 1997.

24 (6) Thereafter, the department shall update the public health  
25 services improvement plan for presentation to the legislature prior to  
26 the beginning of a new biennium.

27 (7) Among the specific population-based public health activities to  
28 be considered in the public health services improvement plan are:  
29 Health data assessment and chronic and infectious disease surveillance;  
30 rapid response to outbreaks of communicable disease; efforts to prevent  
31 and control specific communicable diseases, such as tuberculosis and  
32 acquired immune deficiency syndrome; health education to promote  
33 healthy behaviors and to reduce the prevalence of chronic disease, such  
34 as those linked to the use of tobacco; access to primary care in  
35 coordination with existing community and migrant health clinics;  
36 programs to ensure children are born as healthy as possible and they  
37 receive immunizations and adequate nutrition; efforts to prevent  
38 intentional and unintentional injury; programs to ensure the safety of  
39 drinking water and food supplies; and other activities that have the

1 potential to improve the health of the population or special  
2 populations and reduce the need for or cost of health services.

3 **PART XI. STUDIES AND ADMINISTRATIVE DIRECTIVES**

4 NEW SECTION. **Sec. 1101.** REPORTS OF HEALTH CARE COST CONTROL AND  
5 ACCESS COMMISSION. In carrying out its powers and duties under chapter  
6 . . . , Laws of 1993 (this act), the design of the uniform benefits  
7 package, and the development of guidelines and standards, the  
8 commission shall consider the reports of the health care cost control  
9 and access commission established under House Concurrent Resolution No.  
10 4443 adopted by the legislature in 1990. Nothing in chapter . . . ,  
11 Laws of 1993 (this act) requires the commission to follow any specific  
12 recommendation contained in those reports except as it may also be  
13 included in chapter . . . , Laws of 1993 (this act) or other law.

14 NEW SECTION. **Sec. 1102.** WORKERS' COMPENSATION MEDICAL BENEFITS.  
15 On or before December 1, 1994, the health services commission, in  
16 coordination with the department of labor and industries and the  
17 workers' compensation advisory committee, shall complete a study  
18 related to the medical services component of the workers' compensation  
19 program of the department of labor and industries. The goal of the  
20 study is to determine whether and how the medical services component of  
21 the workers' compensation program can be modified to provide  
22 appropriate medical services to injured workers in a more cost-  
23 effective manner. In conducting the study, consideration shall be  
24 given to at least the following factors: Workers' choice of health  
25 care providers, twenty-four hour coverage, the relationship between  
26 rehabilitation and medical services, and the quasi-judicial system that  
27 overlays treatment. The study shall evaluate at least the following  
28 options:

29 (1) Whether the medical services component of the workers'  
30 compensation program should be maintained within the department of  
31 labor and industries, and its purchasing and other practices modified  
32 to control costs and increase efficacy of health services provided to  
33 injured workers;

34 (2) Whether the medical services component of the workers'  
35 compensation program should be administered by the health care  
36 authority as the state health services purchasing agent, pursuant to

1 section 308 of this act. Any recommendation proposing that the state  
2 health services agent purchase injured workers' medical services shall  
3 assure that the uniform benefits package will provide benefits that are  
4 medically necessary under the workers' compensation program in 1993,  
5 including payment for medical determinations of disability under Title  
6 51 RCW, and consider issues presented by twenty-four hour coverage and  
7 the use of managed care to provide medical services to injured workers;

8 (3) Whether the medical services component of the workers'  
9 compensation program should be included in the services offered by  
10 certified health plans through employer sponsorship as provided in  
11 chapter . . . , Laws of 1993 (this act). Any recommendation proposing  
12 the inclusion of workers' compensation medical services in the services  
13 offered by certified health plans shall assure that (a) no less than  
14 ninety-seven percent of state residents have access to the uniform  
15 benefits package as required in chapter . . . , Laws of 1993 (this act),  
16 (b) the uniform benefits package provides benefits that are medically  
17 necessary under the workers' compensation program in 1993, including  
18 payment for medical determinations of disability under Title 51 RCW,  
19 (c) time-loss benefits and rehabilitative services will not be reduced  
20 as a result of the transfer, and (d) the employees' share of the  
21 workers' compensation medical aid fund contribution will be returned to  
22 employees as increased wages.

23 NEW SECTION. **Sec. 1103.** EVALUATIONS, PLANS, AND STUDIES. (1) By  
24 July 1, 1997, the legislative budget committee either directly or by  
25 contract shall conduct the following studies:

26 (a) A study to determine whether the administrative structure of  
27 the Washington health services commission as set forth in section 603  
28 of this act should be continued. The study shall analyze the structure  
29 as set forth in chapter . . . , Laws of 1993 (this act), a single  
30 administering-agency model, and at least one other salient  
31 organizational model, and recommend a structure that would be most  
32 efficient and effective;

33 (b) A study to determine the desirability and feasibility of  
34 consolidating the following programs, services, and funding sources  
35 into the delivery and financing of uniform benefits package services  
36 through certified health plans:

37 (i) State and federal veterans' health services;

1 (ii) Civilian health and medical program of the uniformed services  
2 (CHAMPUS) of the federal department of defense and other federal  
3 agencies; and

4 (iii) Federal employee health benefits.

5 (2) The legislative budget committee shall evaluate the  
6 implementation of the provisions of chapter . . . , Laws of 1993 (this  
7 act). The study shall determine to what extent chapter . . . , Laws of  
8 1993 (this act) has been implemented consistent with the principles and  
9 elements set forth in chapter . . . , Laws of 1993 (this act) and shall  
10 report its findings to the governor and appropriate committees of the  
11 legislature by July 1, 2003.

12 NEW SECTION. **Sec. 1104.** The commission, the office of financial  
13 management, and the legislative evaluation and accountability program  
14 committee shall jointly review the financial and accounting structure  
15 of all current state-purchased health care programs and any new  
16 programs established in chapter . . . , Laws of 1993 (this act). They  
17 shall report to the legislature on or before December 1, 1994, with  
18 recommendations on how to structure a state-purchased health services  
19 budget that: (1) Meets federal and state audit requirements; (2)  
20 exercises adequate fiscal and programmatic control; (3) provides  
21 management and organizational accountability and control; and (4)  
22 provides continuity with historical health services expenditure data.

23 NEW SECTION. **Sec. 1105.** (1) On or before December 1, 1994, the  
24 legislative budget committee, whether directly or by contract, shall  
25 conduct a study related to coordination of certified health plans and  
26 other property and casualty insurance products. The goal of the study  
27 shall be to determine methods for containing costs of health services  
28 paid for through coverage underwritten by property and casualty  
29 insurers.

30 (2) The study shall address methods to integrate coverage sold by  
31 property and casualty insurance companies that covers medical and  
32 hospital expenses with coverage provided through certified health  
33 plans. In conducting the study, the legislative budget committee shall  
34 evaluate at least the following options:

35 (a) Requiring all property and casualty insurance coverage of  
36 health services to be provided through managed care systems rather than  
37 through fee for service or indemnification plans;

1 (b) Prohibiting certified health plans from recovering from  
2 property and casualty insurance companies amounts that the plan has  
3 expended for health services even if coverage for such services is  
4 available under property and casualty insurance policies;

5 (c) Requiring persons injured as a result of an accident, however  
6 caused, to obtain health services through a certified health plan, even  
7 if coverage for health services is available under a property and  
8 casualty insurance policy;

9 (d) Requiring property and casualty insurance companies to reduce  
10 premium rates for all coverage duplicated by a certified health plan to  
11 the extent that a certified health plan is denied subrogation rights  
12 against the property and casualty insurer;

13 (e) Prohibiting litigation by any person to recover damages or  
14 amounts paid for health services available under a certified health  
15 plan, except in limited circumstances such as product liability or  
16 other areas of negligence where the negligent party would benefit from  
17 such a no-fault system without contributing to the costs of providing  
18 coverage under certified health plans; and

19 (f) Limiting property and casualty insurance companies' sale of  
20 coverage that would duplicate coverage provided by certified health  
21 plans.

22 **PART XII. HEALTH SERVICES ACCOUNT AND REVENUES**

23 NEW SECTION. **Sec. 1201.** The health services account is created in  
24 the state treasury. All designated receipts from RCW 82.26.020(4),  
25 82.24.020(3), 82.08.150(6), 66.24.210(5), 66.24.290(4), and sections  
26 1202 and 1203 of this act shall be deposited into the account and are  
27 subject to appropriation. Expenditures from the account may be used  
28 only for the following purposes:

29 (1) Operation of the basic health plan, as provided in chapter  
30 70.47 RCW. For the biennium ending June 30, 1995, up to a monthly  
31 total of sixty-five thousand individuals may be enrolled as follows:  
32 Twenty thousand additional subsidized individual enrollees; fifteen  
33 thousand additional business-sponsored subsidized enrollees; and five  
34 thousand additional business-sponsored nonsubsidized enrollees.  
35 Expenditures for the biennium ending June 30, 1995, shall not exceed  
36 eighty million dollars general fund--state;

1 (2) Public health services to maintain and improve the health of  
2 Washington residents through assessment of the population's health  
3 status, development of public policy that promotes and maintains  
4 health, and assuring the availability and delivery of appropriate and  
5 effective health interventions. For the biennium ending June 30, 1995,  
6 public health expenditures from the account shall include but are not  
7 limited to:

8 (a) Measures to increase rates of childhood immunization;

9 (b) Development and implementation of a counter-message media  
10 campaign that has a goal of reducing teen risk behaviors related to  
11 tobacco, alcohol and drug use, and sexuality;

12 (c) Development and implementation of a comprehensive teen  
13 pregnancy prevention strategy that includes a media campaign, grants to  
14 local communities, and increased access to family planning services;  
15 and

16 (d) Operations of community and migrant health clinics;

17 (3) Operations of the health services commission established  
18 pursuant to section 603 of this act;

19 (4) Measures to increase the supply and geographic distribution of  
20 primary care health services providers, including but not limited to  
21 physicians, advanced registered nurse practitioners, and physician  
22 assistants, as provided in sections 501, 504, 508, and 509 of this act,  
23 and RCW 28B.125.010, 28B.115.080, 70.185.030, 43.70.460, and 43.70.470;  
24 and

25 (5) Development and maintenance of a health services data system,  
26 as provided in chapter 70.170 RCW.

27 NEW SECTION. **Sec. 1202.** A new section is added to chapter 48.14  
28 RCW to read as follows:

29 (1) Each health care service contractor, as defined in RCW  
30 48.44.010, shall on or before the first day of March of each year pay  
31 to the state treasurer through the commissioner's office a tax on  
32 prepayments for health care services. The tax shall be in the amount  
33 of two percent of all prepayments for health care services collected or  
34 received by the health care service contractor during the preceding  
35 calendar year.

36 (2) Health care service contractors shall prepay the tax due under  
37 this section. The minimum amount of the prepayments shall be  
38 percentages of the health care service contractor's tax obligation for

1 the preceding calendar year recomputed using the rate in effect for the  
2 current year. For calendar year 1994 the minimum amount of prepayments  
3 due shall be calculated as if the tax had been in effect during  
4 calendar year 1993.

5 The tax prepayments shall be paid to the state treasurer through  
6 the commissioner's office by the due dates and in the following  
7 amounts:

8 (a) On or before June 15, forty-five percent;

9 (b) On or before September 15, twenty-five percent;

10 (c) On or before December 15, twenty-five percent.

11 For good cause demonstrated in writing, the commissioner may  
12 approve an amount smaller than the preceding calendar year's tax  
13 obligation as recomputed for calculating the health care service  
14 contractor's prepayment obligations for the current tax year.

15 (3) The state treasurer upon receipt of taxes collected and  
16 remitted under this section shall credit the sums collected and  
17 remitted to the health services trust account created under section  
18 1201 of this act.

19 NEW SECTION. **Sec. 1203.** A new section is added to chapter 48.14  
20 RCW to read as follows:

21 (1) Each health maintenance organization, as defined in RCW  
22 48.46.020, shall on or before the first day of March of each year pay  
23 to the state treasurer through the commissioner's office a tax on  
24 prepayments for health care services. The tax shall be in the amount  
25 of two percent of all prepayments for health care services collected or  
26 received by the health maintenance organization during the preceding  
27 calendar year.

28 (2) Health maintenance organizations shall prepay the tax due under  
29 this section. The minimum amount of the prepayments shall be  
30 percentages of the health maintenance organization's tax obligation for  
31 the preceding calendar year recomputed using the rate in effect for  
32 the current year. For calendar year 1994 the minimum amount of  
33 prepayments due shall be calculated as if the tax had been in effect  
34 during calendar year 1993.

35 The tax prepayments shall be paid to the state treasurer through  
36 the commissioner's office by the due dates and in the following  
37 amounts:

38 (a) On or before June 15, forty-five percent;

1 (b) On or before September 15, twenty-five percent;

2 (c) On or before December 15, twenty-five percent.

3 For good cause demonstrated in writing, the commissioner may  
4 approve an amount smaller than the preceding calendar year's tax  
5 obligation as recomputed for calculating the health maintenance  
6 organization's prepayment obligations for the current tax year.

7 (3) The state treasurer upon receipt of taxes collected and  
8 remitted under this section shall credit the sums collected and  
9 remitted to the health services trust account created under section  
10 1201 of this act.

11 NEW SECTION. **Sec. 1204.** A new section is added to chapter 82.04  
12 RCW to read as follows:

13 This chapter does not apply to any person in respect to health  
14 maintenance organization or health care service contractor business  
15 upon which a tax based on amounts collected or received as prepayments  
16 for health care services is paid to the state under chapter 48.14 RCW.

17 **Sec. 1205.** RCW 48.44.095 and 1983 c 202 s 3 are each amended to  
18 read as follows:

19 (1) Every health care service contractor shall annually, (~~within~~  
20 ~~one hundred twenty days of the closing date of its fiscal year~~) before  
21 the first day of March, file with the commissioner a statement verified  
22 by at least two of the principal officers of the health care service  
23 contractor showing its financial condition as of the (~~closing date of~~  
24 ~~its fiscal year~~) last day of the preceding calendar year. The  
25 statement shall be in such form as is furnished or prescribed by the  
26 commissioner. The commissioner may for good reason allow a reasonable  
27 extension of the time within which such annual statement shall be  
28 filed.

29 (2) The commissioner may suspend or revoke the certificate of  
30 registration of any health care service contractor failing to file its  
31 annual statement when due or during any extension of time therefor  
32 which the commissioner, for good cause, may grant.

33 **Sec. 1206.** RCW 48.46.080 and 1983 c 202 s 10 and 1983 c 106 s 6  
34 are each reenacted and amended to read as follows:

35 (1) Every health maintenance organization shall annually, (~~within~~  
36 ~~one hundred twenty days of the closing date of its fiscal year~~) before

1 the first day of March, file with the commissioner a statement verified  
2 by at least two of the principal officers of the health maintenance  
3 organization showing its financial condition as of the (~~closing date~~  
4 ~~of its fiscal year~~) last day of the preceding calendar year.

5 (2) Such annual report shall be in such form as the commissioner  
6 shall prescribe and shall include:

7 (a) A financial statement of such organization, including its  
8 balance sheet and receipts and disbursements for the preceding year,  
9 which reflects at a minimum;

10 (i) all prepayments and other payments received for health care  
11 services rendered pursuant to health maintenance agreements;

12 (ii) expenditures to all categories of health care facilities,  
13 providers, insurance companies, or hospital or medical service plan  
14 corporations with which such organization has contracted to fulfill  
15 obligations to enrolled participants arising out of its health  
16 maintenance agreements, together with all other direct expenses  
17 including depreciation, enrollment, and commission; and

18 (iii) expenditures for capital improvements, or additions thereto,  
19 including but not limited to construction, renovation, or purchase of  
20 facilities and capital equipment;

21 (b) The number of participants enrolled and terminated during the  
22 report period. Every employer offering health care benefits to their  
23 employees through a group contract with a health maintenance  
24 organization shall furnish said health maintenance organization with a  
25 list of their employees enrolled under such plan;

26 (c) The number of doctors by type of practice who, under contract  
27 with or as an employee of the health maintenance organization,  
28 furnished health care services to consumers during the past year;

29 (d) A report of the names and addresses of all officers, directors,  
30 or trustees of the health maintenance organization during the preceding  
31 year, and the amount of wages, expense reimbursements, or other  
32 payments to such individuals for services to such organization. For  
33 partnership and professional service corporations, a report shall be  
34 made for partners or shareholders as to any compensation or expense  
35 reimbursement received by them for services, other than for services  
36 and expenses relating directly for patient care;

37 (e) Such other information relating to the performance of the  
38 health maintenance organization or the health care facilities or  
39 providers with which it has contracted as reasonably necessary to the

1 proper and effective administration of this chapter, in accordance with  
2 rules and regulations; and

3 (f) Disclosure of any financial interests held by officers and  
4 directors in any providers associated with the health maintenance  
5 organization or any provider of the health maintenance organization.

6 (3) The commissioner may for good reason allow a reasonable  
7 extension of the time within which such annual statement shall be  
8 filed.

9 (4) The commissioner may suspend or revoke the certificate of  
10 registration of any health maintenance organization failing to file its  
11 annual statement when due or during any extension of time therefor  
12 which the commissioner, for good cause, may grant.

13 (5) No person shall knowingly file with any public official or  
14 knowingly make, publish, or disseminate any financial statement of a  
15 health maintenance organization which does not accurately state the  
16 health maintenance organization's financial condition.

17 **Sec. 1207.** RCW 82.26.020 and 1983 2nd ex.s. c 3 s 16 are each  
18 amended to read as follows:

19 (1) (~~From and after June 1, 1971,~~) There is levied and there  
20 shall be collected a tax upon the sale, use, consumption, handling, or  
21 distribution of all tobacco products in this state at the rate of  
22 forty-five percent of the wholesale sales price of such tobacco  
23 products. (~~Such tax~~)

24 (2) Taxes under this section shall be imposed at the time the  
25 distributor (a) brings, or causes to be brought, into this state from  
26 without the state tobacco products for sale, (b) makes, manufactures,  
27 or fabricates tobacco products in this state for sale in this state, or  
28 (c) ships or transports tobacco products to retailers in this state, to  
29 be sold by those retailers.

30 (~~(2)~~) (3) An additional tax is imposed equal to (~~the rate~~  
31 ~~specified in RCW 82.02.030~~) seven percent multiplied by the tax  
32 payable under subsection (1) of this section.

33 (4) An additional tax is imposed equal to five and seven-tenths  
34 percent of the wholesale sales price of tobacco products. The moneys  
35 collected under this subsection shall be deposited in the health  
36 services trust account created under section 1201 of this act.

1       **Sec. 1208.** RCW 82.24.020 and 1989 c 271 s 504 are each amended to  
2 read as follows:

3       (1) There is levied and there shall be collected as hereinafter  
4 provided, a tax upon the sale, use, consumption, handling, possession  
5 or distribution of all cigarettes, in an amount equal to the rate of  
6 eleven and one-half mills per cigarette.

7       (2) Until July 1, 1995, an additional tax is imposed upon the sale,  
8 use, consumption, handling, possession, or distribution of all  
9 cigarettes, in an amount equal to the rate of one and one-half mills  
10 per cigarette. All revenues collected during any month from this  
11 additional tax shall be deposited in the drug enforcement and education  
12 account under RCW 69.50.520 by the twenty-fifth day of the following  
13 month.

14       (3) An additional tax is imposed upon the sale, use, consumption,  
15 handling, possession, or distribution of all cigarettes, in an amount  
16 equal to the rate of one and one-half mills per cigarette. All  
17 revenues collected during any month from this additional tax shall be  
18 deposited in the health services trust account created under section  
19 1201 of this act by the twenty-fifth day of the following month.

20       (4) Wholesalers and retailers subject to the payment of this tax  
21 may, if they wish, absorb one-half mill per cigarette of the tax and  
22 not pass it on to purchasers without being in violation of this section  
23 or any other act relating to the sale or taxation of cigarettes.

24       (~~(4)~~) (5) For purposes of this chapter, "possession" shall mean  
25 both (a) physical possession by the purchaser and, (b) when cigarettes  
26 are being transported to or held for the purchaser or his designee by  
27 a person other than the purchaser, constructive possession by the  
28 purchaser or his designee, which constructive possession shall be  
29 deemed to occur at the location of the cigarettes being so transported  
30 or held.

31       **Sec. 1209.** RCW 82.08.150 and 1989 c 271 s 503 are each amended to  
32 read as follows:

33       (1) There is levied and shall be collected a tax upon each retail  
34 sale of spirits, or strong beer in the original package at the rate of  
35 fifteen percent of the selling price. The tax imposed in this  
36 subsection shall apply to all such sales including sales by the  
37 Washington state liquor stores and agencies, but excluding sales to  
38 class H licensees.

1 (2) There is levied and shall be collected a tax upon each sale of  
2 spirits, or strong beer in the original package at the rate of ten  
3 percent of the selling price on sales by Washington state liquor stores  
4 and agencies to class H licensees.

5 (3) There is levied and shall be collected an additional tax upon  
6 each retail sale of spirits in the original package at the rate of one  
7 dollar and seventy-two cents per liter. The additional tax imposed in  
8 this subsection shall apply to all such sales including sales by  
9 Washington state liquor stores and agencies, and including sales to  
10 class H licensees.

11 (4) An additional tax is imposed equal to (~~the rate specified in~~  
12 ~~RCW 82.02.030~~) fourteen percent multiplied by the taxes payable under  
13 subsections (1), (2), and (3) of this section.

14 (5) Until July 1, 1995, an additional tax is imposed upon each  
15 retail sale of spirits in the original package at the rate of seven  
16 cents per liter. The additional tax imposed in this subsection shall  
17 apply to all such sales including sales by Washington state liquor  
18 stores and agencies, and including sales to class H licensees. All  
19 revenues collected during any month from this additional tax shall be  
20 deposited in the drug enforcement and education account under RCW  
21 69.50.520 by the twenty-fifth day of the following month.

22 (6) An additional tax is imposed equal to ten percent multiplied by  
23 the taxes payable under subsections (1), (2), and (3) of this section.  
24 All revenues collected during any month from this additional tax shall  
25 be deposited in the health services trust account created under section  
26 1201 of this act by the twenty-fifth day of the following month.

27 (7) The tax imposed in RCW 82.08.020, as now or hereafter amended,  
28 shall not apply to sales of spirits or strong beer in the original  
29 package.

30 (~~(7)~~) (8) The taxes imposed in this section shall be paid by the  
31 buyer to the seller, and each seller shall collect from the buyer the  
32 full amount of the tax payable in respect to each taxable sale under  
33 this section. The taxes required by this section to be collected by  
34 the seller shall be stated separately from the selling price and for  
35 purposes of determining the tax due from the buyer to the seller, it  
36 shall be conclusively presumed that the selling price quoted in any  
37 price list does not include the taxes imposed by this section.

1 ((+8)) (9) As used in this section, the terms, "spirits," "strong  
2 beer," and "package" shall have the meaning ascribed to them in chapter  
3 66.04 RCW.

4 **Sec. 1210.** RCW 66.08.180 and 1987 c 458 s 10 are each amended to  
5 read as follows:

6 Moneys in the liquor revolving fund shall be distributed by the  
7 board at least once every three months in accordance with RCW  
8 66.08.190, 66.08.200 and 66.08.210: PROVIDED, That the board shall  
9 reserve from distribution such amount not exceeding five hundred  
10 thousand dollars as may be necessary for the proper administration of  
11 this title: AND PROVIDED FURTHER, That all license fees, penalties and  
12 forfeitures derived under this act from class H licenses or class H  
13 licensees shall every three months be disbursed by the board as  
14 follows:

15 (1) 5.95 percent to the University of Washington and 3.97 percent  
16 to Washington State University for alcoholism and drug abuse research  
17 and for the dissemination of such research;

18 (2) 1.75 percent, but in no event less than one hundred fifty  
19 thousand dollars per biennium, to the University of Washington to  
20 conduct the state toxicological laboratory pursuant to RCW  
21 ((68.08.107)) 68.50.107;

22 (3) 88.33 percent to the general fund to be used by the department  
23 of social and health services solely to carry out the purposes of RCW  
24 70.96.085(~~(, as now or hereafter amended)~~);

25 (4) The first fifty-five dollars per license fee provided in RCW  
26 66.24.320 and 66.24.330 up to a maximum of one hundred fifty thousand  
27 dollars annually shall be disbursed every three months by the board to  
28 the general fund to be used for juvenile alcohol and drug prevention  
29 programs for kindergarten through third grade to be administered by the  
30 superintendent of public instruction;

31 (5) Twenty percent of the remaining total amount derived from  
32 license fees pursuant to RCW 66.24.320, 66.24.330, 66.24.340,  
33 66.24.350, 66.24.360, and 66.24.370, shall be transferred to the  
34 general fund to be used by the department of social and health services  
35 solely to carry out the purposes of RCW 70.96.085; and

36 (6) One-fourth cent per liter of the tax imposed by RCW  
37 66.24.210(1) shall every three months be disbursed by the board to  
38 Washington State University solely for wine and wine grape research,

1 extension programs related to wine and wine grape research, and  
2 resident instruction in both wine grape production and the processing  
3 aspects of the wine industry in accordance with RCW 28B.30.068. The  
4 director of financial management shall prescribe suitable accounting  
5 procedures to ensure that the funds transferred to the general fund to  
6 be used by the department of social and health services and  
7 appropriated are separately accounted for.

8       **Sec. 1211.** RCW 66.24.210 and 1991 c 192 s 3 are each amended to  
9 read as follows:

10       (1) There is hereby imposed upon all wines sold to wine wholesalers  
11 and the Washington state liquor control board, within the state a tax  
12 at the rate of twenty and one-fourth cents per liter: PROVIDED,  
13 HOWEVER, That wine sold or shipped in bulk from one winery to another  
14 winery shall not be subject to such tax. The tax provided for in this  
15 section may, if so prescribed by the board, be collected by means of  
16 stamps to be furnished by the board, or by direct payments based on  
17 wine purchased by wine wholesalers. Every person purchasing wine under  
18 the provisions of this section shall on or before the twentieth day of  
19 each month report to the board all purchases during the preceding  
20 calendar month in such manner and upon such forms as may be prescribed  
21 by the board, and with such report shall pay the tax due from the  
22 purchases covered by such report unless the same has previously been  
23 paid. Any such purchaser of wine whose applicable tax payment is not  
24 postmarked by the twentieth day following the month of purchase will be  
25 assessed a penalty at the rate of two percent a month or fraction  
26 thereof. If this tax be collected by means of stamps, every such  
27 person shall procure from the board revenue stamps representing the tax  
28 in such form as the board shall prescribe and shall affix the same to  
29 the package or container in such manner and in such denomination as  
30 required by the board and shall cancel the same prior to the delivery  
31 of the package or container containing the wine to the purchaser. If  
32 the tax is not collected by means of stamps, the board may require that  
33 every such person shall execute to and file with the board a bond to be  
34 approved by the board, in such amount as the board may fix, securing  
35 the payment of the tax. If any such person fails to pay the tax when  
36 due, the board may forthwith suspend or cancel the license until all  
37 taxes are paid.

1 (2) An additional tax is imposed equal to (~~the rate specified in~~  
2 ~~RCW 82.02.030~~) seven percent multiplied by the tax payable under  
3 subsection (1) of this section. All revenues collected during any  
4 month from this additional tax shall be transferred to the state  
5 general fund by the twenty-fifth day of the following month.

6 (3) An additional tax is imposed on wines subject to tax under  
7 subsection (1) of this section, at the rate of one-fourth of one cent  
8 per liter for wine sold after June 30, 1987. Such additional tax shall  
9 cease to be imposed on July 1, 1993. All revenues collected under this  
10 subsection (3) shall be disbursed quarterly to the Washington wine  
11 commission for use in carrying out the purposes of chapter 15.88 RCW.

12 (4) Until July 1, 1995, an additional tax is imposed on all wine  
13 subject to tax under subsection (1) of this section. The additional  
14 tax is equal to twenty-three and forty-four one-hundredths cents per  
15 liter on fortified wine as defined in RCW 66.04.010(34) when bottled or  
16 packaged by the manufacturer and one cent per liter on all other wine.  
17 All revenues collected during any month from this additional tax shall  
18 be deposited in the drug enforcement and education account under RCW  
19 69.50.520 by the twenty-fifth day of the following month.

20 (5) An additional tax is imposed on all wine subject to taxes under  
21 subsection (1) of this section. The additional tax is equal to four  
22 cents per liter on fortified wine as defined in RCW 66.04.010(34) when  
23 bottled or packaged by the manufacturer and two cents per liter on all  
24 other wines. All revenues collected from the additional tax imposed  
25 under this subsection shall be deposited in the health services trust  
26 account created under section 1201 of this act.

27 **Sec. 1212.** RCW 66.24.290 and 1989 c 271 s 502 are each amended to  
28 read as follows:

29 (1) Any brewer or beer wholesaler licensed under this title may  
30 sell and deliver beer to holders of authorized licenses direct, but to  
31 no other person, other than the board; and every such brewer or beer  
32 wholesaler shall report all sales to the board monthly, pursuant to the  
33 regulations, and shall pay to the board as an added tax for the  
34 privilege of manufacturing and selling the beer within the state a tax  
35 of two dollars and sixty cents per barrel of thirty-one gallons on  
36 sales to licensees within the state and on sales to licensees within  
37 the state of bottled and canned beer shall pay a tax computed in  
38 gallons at the rate of two dollars and sixty cents per barrel of

1 thirty-one gallons. Any brewer or beer wholesaler whose applicable tax  
2 payment is not postmarked by the twentieth day following the month of  
3 sale will be assessed a penalty at the rate of two percent per month or  
4 fraction thereof. Each such brewer or wholesaler shall procure from  
5 the board revenue stamps representing such tax in form prescribed by  
6 the board and shall affix the same to the barrel or package in such  
7 manner and in such denominations as required by the board, and shall  
8 cancel the same prior to commencing delivery from his or her place of  
9 business or warehouse of such barrels or packages. Beer shall be sold  
10 by brewers and wholesalers in sealed barrels or packages. The revenue  
11 stamps herein provided for need not be affixed and canceled in the  
12 making of resales of barrels or packages already taxed by the  
13 affixation and cancellation of stamps as provided in this section.

14 (2) An additional tax is imposed equal to ~~((the rate specified in~~  
15 ~~RCW 82.02.030))~~ seven percent multiplied by the tax payable under  
16 subsection (1) of this section. All revenues collected during any  
17 month from this additional tax shall be transferred to the state  
18 general fund by the twenty-fifth day of the following month.

19 (3) Until July 1, 1995, an additional tax is imposed on all beer  
20 subject to tax under subsection (1) of this section. The additional  
21 tax is equal to two dollars per barrel of thirty-one gallons. All  
22 revenues collected during any month from this additional tax shall be  
23 deposited in the drug enforcement and education account under RCW  
24 69.50.520 by the twenty-fifth day of the following month.

25 (4) An additional tax is imposed on all beer subject to tax under  
26 subsection (1) of this section. The additional tax is equal to forty-  
27 two cents per barrel of thirty-one gallons. The moneys collected under  
28 this subsection shall be deposited in the health services trust account  
29 created under section 1201 of this act.

30 (5) The tax imposed under this section shall not apply to "strong  
31 beer" as defined in this title.

32 **Sec. 1213.** RCW 82.02.030 and 1990 c 42 s 319 are each amended to  
33 read as follows:

34 ~~((1))~~ The rate of the additional taxes under RCW 54.28.020(2),  
35 54.28.025(2), ~~((66.24.210(2), 66.24.290(2),))~~ 82.04.2901, 82.16.020(2),  
36 ~~((82.26.020(2),))~~ 82.27.020(5), and 82.29A.030(2) shall be seven  
37 percent ~~((; and~~



1 of information services, the director of the interagency committee for  
2 outdoor recreation, the executive director of the state investment  
3 board, the director of labor and industries, the director of licensing,  
4 the director of the lottery commission, the director of the office of  
5 minority and women's business enterprises, the director of parks and  
6 recreation, the director of personnel, the executive director of the  
7 public disclosure commission, the director of retirement systems, the  
8 director of revenue, the secretary of social and health services, the  
9 chief of the Washington state patrol, the executive secretary of the  
10 board of tax appeals, the director of trade and economic development,  
11 the secretary of transportation, the secretary of the utilities and  
12 transportation commission, the director of veterans affairs, the  
13 director of wildlife, the president of each of the regional and state  
14 universities and the president of The Evergreen State College, each  
15 district and each campus president of each state community college;

16 (2) Each professional staff member of the office of the governor;

17 (3) Each professional staff member of the legislature; and

18 (4) Central Washington University board of trustees, board of  
19 trustees of each community college, each member of the state board for  
20 community and technical colleges ((~~education~~)), state convention and  
21 trade center board of directors, committee for deferred compensation,  
22 Eastern Washington University board of trustees, Washington economic  
23 development finance authority, The Evergreen State College board of  
24 trustees, forest practices appeals board, forest practices board,  
25 gambling commission, Washington health care facilities authority, each  
26 member of the Washington health services commission, higher education  
27 coordinating board, higher education facilities authority, higher  
28 education personnel board, horse racing commission, state housing  
29 finance commission, human rights commission, indeterminate sentence  
30 review board, board of industrial insurance appeals, information  
31 services board, interagency committee for outdoor recreation, state  
32 investment board, liquor control board, lottery commission, marine  
33 oversight board, oil and gas conservation committee, Pacific Northwest  
34 electric power and conservation planning council, parks and recreation  
35 commission, personnel appeals board, personnel board, board of pilotage  
36 ((~~commissioners~~)) commissioners, pollution control hearings board,  
37 public disclosure commission, public pension commission, shorelines  
38 hearing board, ((~~state~~)) public employees' benefits board, board of tax  
39 appeals, transportation commission, University of Washington board of

1 regents, utilities and transportation commission, Washington state  
2 maritime commission, Washington public power supply system executive  
3 board, Washington State University board of regents, Western Washington  
4 University board of trustees, and wildlife commission.

5 **Sec. 1303.** RCW 43.20.050 and 1992 c 34 s 4 are each amended to  
6 read as follows:

7 (1) The state board of health shall provide a forum for the  
8 development of public health policy in Washington state. It is  
9 authorized to recommend to the secretary means for obtaining  
10 appropriate citizen and professional involvement in all public health  
11 policy formulation and other matters related to the powers and duties  
12 of the department. It is further empowered to hold hearings and  
13 explore ways to improve the health status of the citizenry.

14 (a) At least every five years, the state board shall convene  
15 regional forums to gather citizen input on public health issues.

16 (b) Every two years, in coordination with the development of the  
17 state biennial budget, the state board shall prepare the state public  
18 health report that outlines the health priorities of the ensuing  
19 biennium. The report shall:

20 (i) Consider the citizen input gathered at the ((health)) forums;

21 (ii) Be developed with the assistance of local health departments;

22 (iii) Be based on the best available information collected and  
23 reviewed according to RCW 43.70.050 and recommendations from the  
24 council;

25 (iv) Be developed with the input of state health care agencies. At  
26 least the following directors of state agencies shall provide timely  
27 recommendations to the state board on suggested health priorities for  
28 the ensuing biennium: The secretary of social and health services, the  
29 health care authority administrator, the insurance commissioner, the  
30 superintendent of public instruction, the director of labor and  
31 industries, the director of ecology, and the director of agriculture;

32 (v) Be used by state health care agency administrators in preparing  
33 proposed agency budgets and executive request legislation;

34 (vi) Be submitted by the state board to the governor by ((June))  
35 January 1 of each even-numbered year for adoption by the governor. The  
36 governor, no later than ((September)) March 1 of that year, shall  
37 approve, modify, or disapprove the state public health report.

1 (c) In fulfilling its responsibilities under this subsection, the  
2 state board (~~shall~~) may create ad hoc committees or other such  
3 committees of limited duration as necessary. (~~Membership should~~  
4 ~~include legislators, providers, consumers, bioethicists, medical~~  
5 ~~economics experts, legal experts, purchasers, and insurers, as~~  
6 ~~necessary.~~)

7 (2) In order to protect public health, the state board of health  
8 shall:

9 (a) Adopt rules necessary to assure safe and reliable public  
10 drinking water and to protect the public health. Such rules shall  
11 establish requirements regarding:

12 (i) The design and construction of public water system facilities,  
13 including proper sizing of pipes and storage for the number and type of  
14 customers;

15 (ii) Drinking water quality standards, monitoring requirements, and  
16 laboratory certification requirements;

17 (iii) Public water system management and reporting requirements;

18 (iv) Public water system planning and emergency response  
19 requirements;

20 (v) Public water system operation and maintenance requirements;

21 (vi) Water quality, reliability, and management of existing but  
22 inadequate public water systems; and

23 (vii) Quality standards for the source or supply, or both source  
24 and supply, of water for bottled water plants.

25 (b) Adopt rules and standards for prevention, control, and  
26 abatement of health hazards and nuisances related to the disposal of  
27 wastes, solid and liquid, including but not limited to sewage, garbage,  
28 refuse, and other environmental contaminants; adopt standards and  
29 procedures governing the design, construction, and operation of sewage,  
30 garbage, refuse and other solid waste collection, treatment, and  
31 disposal facilities;

32 (c) Adopt rules controlling public health related to environmental  
33 conditions including but not limited to heating, lighting, ventilation,  
34 sanitary facilities, cleanliness and space in all types of public  
35 facilities including but not limited to food service establishments,  
36 schools, institutions, recreational facilities and transient  
37 accommodations and in places of work;

38 (d) Adopt rules for the imposition and use of isolation and  
39 quarantine;

1 (e) Adopt rules for the prevention and control of infectious and  
2 noninfectious diseases, including food and vector borne illness, and  
3 rules governing the receipt and conveyance of remains of deceased  
4 persons, and such other sanitary matters as admit of and may best be  
5 controlled by universal rule; and

6 (f) Adopt rules for accessing existing data bases for the purposes  
7 of performing health related research.

8 (3) The state board may delegate any of its rule-adopting authority  
9 to the secretary and rescind such delegated authority.

10 (4) All local boards of health, health authorities and officials,  
11 officers of state institutions, police officers, sheriffs, constables,  
12 and all other officers and employees of the state, or any county, city,  
13 or township thereof, shall enforce all rules adopted by the state board  
14 of health. In the event of failure or refusal on the part of any  
15 member of such boards or any other official or person mentioned in this  
16 section to so act, he shall be subject to a fine of not less than fifty  
17 dollars, upon first conviction, and not less than one hundred dollars  
18 upon second conviction.

19 (5) The state board may advise the secretary on health policy  
20 issues pertaining to the department of health and the state.

21 NEW SECTION. **Sec. 1304.** SEVERABILITY. If any provision of this  
22 act or its application to any person or circumstance is held invalid,  
23 the remainder of the act or the application of the provision to other  
24 persons or circumstances is not affected.

25 NEW SECTION. **Sec. 1305.** SAVINGS CLAUSE. The enactment of this  
26 act does not have the effect of terminating, or in any way modifying,  
27 any obligation or any liability, civil or criminal, which was already  
28 in existence on the effective date of this act.

29 NEW SECTION. **Sec. 1306.** CAPTIONS. Captions used in this act do  
30 not constitute any part of the law.

31 NEW SECTION. **Sec. 1307.** RESERVATION OF LEGISLATIVE AUTHORITY.  
32 The legislature reserves the right to amend or repeal all or any part  
33 of this act at any time and there shall be no vested private right of  
34 any kind against such amendment or repeal. All the rights, privileges,  
35 or immunities conferred by this act or any acts done pursuant thereto

1 shall exist subject to the power of the legislature to amend or repeal  
2 this act at any time.

3 NEW SECTION. **Sec. 1308.** EFFECTIVE DATE CLAUSE. (1) This act is  
4 necessary for the immediate preservation of the public peace, health,  
5 or safety, or support of the state government and its existing public  
6 institutions, and shall take effect immediately except for sections  
7 1207 through 1213 of this act which shall take effect July 1, 1993.

8 (2) Sections 1202, 1203, and 1204 of this act shall take effect  
9 January 1, 1994. Sections 1202 and 1203 of this act shall be effective  
10 in respect to taxes due March 1, 1995, and thereafter.

--- END ---