
SUBSTITUTE SENATE BILL 5304

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

By Senate Committee on Health & Human Services (originally sponsored by Senators Talmadge, Gaspard, Moore, Deccio, Wojahn, Moyer, Snyder, Winsley, Fraser, Haugen, McAuliffe, Drew, Sheldon, Skratek and Pelz)

Read first time 02/24/93.

1 AN ACT Relating to health care; amending RCW 70.47.010, 70.47.020,
2 70.47.030, 70.47.060, 70.47.080, 70.47.120, 41.05.011, 41.05.021,
3 41.05.050, 41.05.055, 47.64.270, 41.05.065, 41.05.120, 41.05.140,
4 19.68.010, 70.05.010, 70.05.030, 70.05.040, 70.05.050, 70.05.070,
5 70.05.080, 70.05.120, 70.05.130, 70.05.150, 70.08.010, 70.12.030,
6 70.12.050, 70.46.020, 70.46.060, 70.46.080, 70.46.085, 70.46.090,
7 70.46.120, 82.44.110, 82.44.155, 70.170.100, 70.170.110, 28B.125.010,
8 28B.115.080, 70.185.030, 43.70.460, 43.70.470, 82.02.030, 82.08.020,
9 82.24.020, 82.04.260, 82.04.4289, 18.130.160, 18.130.190, 70.41.200,
10 42.17.2401, 43.20.030, 43.20.050, and 43.84.092; adding a new section
11 to chapter 74.09 RCW; adding new sections to chapter 41.05 RCW; adding
12 a new section to chapter 18.130 RCW; adding a new section to Title 43
13 RCW; adding new sections to chapter 70.05 RCW; adding new sections to
14 chapter 70.170 RCW; adding new sections to chapter 70.185 RCW; adding
15 new sections to Title 48 RCW; adding new sections to chapter 48.14 RCW;
16 adding a new section to chapter 82.04 RCW; adding new sections to
17 chapter 43.70 RCW; adding a new section to Title 70 RCW; adding a new
18 section to chapter 48.22 RCW; adding a new section to chapter 70.41
19 RCW; adding a new section to chapter 71.12 RCW; adding new sections to
20 chapter 18.68 RCW; adding a new section to chapter 18.51 RCW; adding a
21 new chapter to Title 48 RCW; adding new chapters to Title 43 RCW;

1 creating new sections; recodifying RCW 70.08.010; repealing RCW
2 70.05.005, 70.05.020, 70.05.132, 70.05.145, 70.08.005, 70.08.020,
3 70.08.030, 70.08.040, 70.08.050, 70.08.060, 70.08.070, 70.08.080,
4 70.08.090, 70.08.100, 70.08.110, 70.08.900, 70.12.005, 70.46.030,
5 70.46.040, 70.46.050, and 82.04.4288; prescribing penalties; making
6 appropriations; providing effective dates; and declaring an emergency.

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

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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. Medical system practices help to encourage public
6 demand for unneeded, ineffective, and sometimes dangerous medical
7 treatments. They often result in unaffordable cost increases that far
8 exceed ordinary inflation for essential care. Current total medical
9 and health care expenditure rates should be sufficient to provide
10 access to essential health and medical care interventions to all within
11 a reformed, efficient system.

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

20 The legislature finds that businesses can no longer afford to pay
21 for medical insurance and remain competitive in a global economy, and
22 that individuals, the poor, and small businesses bear an inequitable
23 medical insurance burden.

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

31 The legislature finds that while immediate steps must be taken to
32 alleviate the medical and health care cost and access crisis, a long-
33 term plan of reform is also needed.

34 NEW SECTION. **Sec. 102.** LEGISLATIVE INTENT AND GOALS. (1) The
35 legislature intends that state government policy stabilize medical and

1 health care costs, assure access to essential services for all
2 residents, improve the public's health, and ensure that unwarranted
3 medical care cost increases do not undermine the viability of
4 nonmedical care businesses.

5 (2) The legislature intends that:

6 (a) Total medical care costs be stabilized and kept within rates of
7 increase similar to the rates of general economic inflation within a
8 publicly regulated, private marketplace that preserves personal choice
9 of licensed health care provider;

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

13 (c) Individuals and businesses have the option to purchase any
14 health or medical services they may choose in addition to those
15 contained in any benefits package determined by the state to be
16 essential, so long as such supplemental services are purchased from
17 certified health plans or purchased directly from health care
18 providers;

19 (d) All state residents, businesses, employees, and government
20 participate in payment for health services, with total costs to
21 individuals on a sliding scale based on income to encourage efficient
22 and appropriate utilization of services and to protect individuals from
23 impoverishment because of health care costs; and

24 (e) These goals be accomplished within a reformed system using all
25 licensed private service providers and facilities in a way that allows
26 consumers to choose among competing plans and providers operating
27 within budget limits and other regulations that promote the public
28 good.

29 (3) Accordingly, the legislature intends that chapter . . ., Laws
30 of 1993 (this act) provide both early implementation measures and a
31 long-term plan and process for reform.

32 **PART II. EARLY IMPLEMENTATION MEASURES**

33 **NEW SECTION.** **Sec. 201.** INTENT. The legislature intends that the
34 provisions within sections 202 through 272 of this act be implemented
35 as soon as possible to promote the proliferation of managed health
36 care, to foster the collection of needed health care data, to expand
37 access to basic health insurance using established programs, and to

1 make other immediate improvements in the health care system that are
2 consistent with the goals of long-term care reform.

3 **A. BASIC HEALTH PLAN EXPANSION**

4 **Sec. 202.** RCW 70.47.010 and 1987 1st ex.s. c 5 s 3 are each
5 amended to read as follows:

6 (1) The legislature finds that:

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

10 (b) This lack of basic health care coverage is detrimental to the
11 health of the individuals lacking coverage and to the public welfare,
12 and results in substantial expenditures for emergency and remedial
13 health care, often at the expense of health care providers, health care
14 facilities, and all purchasers of health care, including the state; and

15 (c) The use of managed health care systems has significant
16 potential to reduce the growth of health care costs incurred by the
17 people of this state generally, and by low-income pregnant women who
18 are an especially vulnerable population, along with their children, and
19 who need greater access to managed health care.

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

30 (3) It is not the intent of this chapter to provide health care
31 services for those persons who are presently covered to their
32 satisfaction through private employer-based health plans, nor to
33 replace satisfactory employer-based health plans. Further, it is the
34 intent of the legislature to expand, wherever possible, the
35 availability of private health care coverage and to discourage the
36 decline of employer-based coverage by offering a cost-effective plan
37 for those who may not be able to afford privately available coverage

1 that may be purchased by employers at its full cost for employees whose
2 incomes exceed three hundred percent of the federal poverty level.

3 (4) ((The program authorized under this chapter is strictly limited
4 in respect to the total number of individuals who may be allowed to
5 participate and the specific areas within the state where it may be
6 established. All such restrictions or limitations shall remain in full
7 force and effect until quantifiable evidence based upon the actual
8 operation of the program, including detailed cost benefit analysis, has
9 been presented to the legislature and the legislature, by specific act
10 at that time, may then modify such limitations)) (a) It is the purpose
11 of this chapter to acknowledge the initial success of this program that
12 has (i) assisted thousands of families in their search for affordable
13 health care; (ii) demonstrated that low-income uninsured families are
14 willing to pay for their own health care coverage to the extent of
15 their ability to pay; and (iii) proved that local health care providers
16 are willing to enter into a public/private partnership as they
17 configure their own professional and business relationships into a
18 managed care system.

19 (b) As a consequence, the legislature intends to make the program
20 available to individuals in the state with incomes above three hundred
21 percent of the federal poverty level who have no health insurance
22 offering a greater level of coverage than the basic health plan benefit
23 package, and who collectively or individually wish to exercise the
24 opportunity to purchase health care coverage through the program if it
25 is done at no cost to the state. It is also the intent of the
26 legislature to allow employers and other financial sponsors to
27 financially assist such individuals to purchase health care through the
28 program, so long as exercising this system does not result in a lower
29 standard of coverage for employees.

30 (c) The legislature directs that the basic health plan
31 administrator identify enrollees who are eligible for medicaid and
32 assist these individuals in applying for and receiving medicaid.

33 **Sec. 203.** RCW 70.47.020 and 1987 1st ex.s. c 5 s 4 are each
34 amended to read as follows:

35 As used in this chapter:

36 (1) "Washington basic health plan" or "plan" means the system of
37 enrollment and payment on a prepaid capitated basis for basic health

1 care services, administered by the plan administrator through
2 participating managed health care systems, created by this chapter.

3 (2) "Administrator" means the Washington basic health plan
4 administrator.

5 (3) "Managed health care system" means any health care
6 organization, including health care providers, insurers, health care
7 service contractors, health maintenance organizations, or any
8 combination thereof, that provides directly or by contract basic health
9 care services, as defined by the administrator and rendered by duly
10 licensed providers, on a prepaid capitated basis to a defined patient
11 population enrolled in the plan and in the managed health care system.
12 On July 1, 1997, "managed health care system" under this chapter shall
13 mean "certified health plan" under section 302 of this act.

14 (4) "Enrollee" means an individual, or an individual plus the
15 individual's spouse and/or dependent children, all under the age of
16 sixty-five and not otherwise eligible for medicare or medicaid, who
17 resides in an area of the state served by a managed health care system
18 participating in the plan, ~~((whose gross family income at the time of~~
~~enrollment does not exceed twice the federal poverty level as adjusted~~
~~for family size and determined annually by the federal department of~~
~~health and human services)) who does not have health insurance equal to~~
~~or more comprehensive than that offered by the Washington basic health~~
~~plan, who chooses to obtain basic health care coverage from a~~
~~particular managed health care system in return for periodic payments~~
~~to the plan. Nonsubsidized enrollees shall be considered enrollees~~
~~unless otherwise specified.~~

27 (5) "Nonsubsidized enrollee" means an enrollee for whom the premium
28 for participation in the plan is paid by the individual, their
29 employer, or other financial sponsor, who does not have health
30 insurance equal to or more comprehensive than that offered by the
31 Washington basic health plan, and who shall not be eligible for any
32 subsidy from the plan.

33 (6) "Subsidy" means the difference between the amount of periodic
34 payment the administrator makes, from funds appropriated from the basic
35 health plan trust account, to a managed health care system on behalf of
36 an enrollee plus the administrative cost to the plan of providing the
plan to that enrollee, and the amount determined to be the enrollee's
38 responsibility under RCW 70.47.060(2).

1 ((+6)) (7) "Premium" means a periodic payment, based upon gross
2 family income and determined under RCW 70.47.060(2), which an enrollee,
3 their employer or other financial sponsor makes to the plan as
4 consideration for enrollment in the plan.

5 ((+7)) (8) "Rate" means the per capita amount, negotiated by the
6 administrator with and paid to a participating managed health care
7 system, that is based upon the enrollment of enrollees in the plan and
8 in that system.

9 **Sec. 204.** RCW 70.47.030 and 1992 c 232 s 907 are each amended to
10 read as follows:

11 (1) The basic health plan trust account is hereby established in
12 the state treasury. ((All)) Any nongeneral fund-state funds collected
13 for this program shall be deposited in the basic health plan trust
14 account and may be expended without further appropriation. Moneys in
15 the account shall be used exclusively for the purposes of this chapter,
16 including payments to participating managed health care systems on
17 behalf of enrollees in the plan and payment of costs of administering
18 the plan. After July 1, 1993, the administrator shall not expend or
19 encumber for an ensuing fiscal period amounts exceeding ((ninety five))
20 ninety-seven percent of the amount anticipated to be spent for
21 purchased services during the fiscal year.

22 (2) The basic health plan subscription account is created in the
23 custody of the state treasurer. All receipts from amounts due under
24 RCW 70.47.060(10) (a) and (b) shall be deposited into the account.
25 Funds in the account shall be used exclusively for the purposes of this
26 chapter, including payments to participating managed health care
27 systems on behalf of enrollees in the plan and payment of costs of
28 administering the plan. The account is subject to allotment
29 procedures under chapter 43.88 RCW, but no appropriation is required
30 for expenditures.

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

1 **Sec. 205.** RCW 70.47.060 and 1992 c 232 s 908 are each amended to
2 read as follows:

3 The administrator has the following powers and duties:

4 (1) To design and from time to time revise a schedule of covered
5 basic health care services, including physician services, inpatient and
6 outpatient hospital services, prescription drugs and medications, and
7 other services that may be necessary for basic health care, which
8 enrollees in any participating managed health care system under the
9 Washington basic health plan shall be entitled to receive in return for
10 premium payments to the plan. The schedule of services shall emphasize
11 proven preventive and primary health care and shall include all
12 services necessary for prenatal, postnatal, and well-child care.
13 ~~((However, for the period ending June 30, 1993,))~~ With respect to
14 coverage for groups of subsidized enrollees, the administrator shall
15 not contract for prenatal or postnatal services that are provided under
16 the medical assistance program under chapter 74.09 RCW except to the
17 extent that such services are necessary over not more than a one-month
18 period in order to maintain continuity of care after diagnosis of
19 pregnancy by the managed care provider, or except to provide any such
20 services associated with pregnancies diagnosed by the managed care
21 provider before July 1, 1992. The schedule of services shall also
22 include a separate schedule of basic health care services for children,
23 eighteen years of age and younger, for those enrollees who choose to
24 secure basic coverage through the plan only for their dependent
25 children. In designing and revising the schedule of services, the
26 administrator shall consider the guidelines for assessing health
27 services under the mandated benefits act of 1984, RCW 48.42.080, and
28 such other factors as the administrator deems appropriate. After July
29 1, 1997, services offered under this chapter shall equal the uniform
30 benefit package established according to section 347 of this act and
31 may only be purchased from certified health plans established according
32 to section 319 of this act.

33 (2) To design and implement a structure of periodic premiums due
34 the administrator from enrollees that is based upon gross family
35 income, giving appropriate consideration to family size as well as the
36 ages of all family members. The enrollment of children shall not
37 require the enrollment of their parent or parents who are eligible for
38 the plan.

1 (a) An employer or other financial sponsor may, with the approval
2 of the administrator, pay the premium on behalf of any enrollee, by
3 arrangement with the enrollee and through a mechanism acceptable to the
4 administrator, but in no case shall the contribution made on behalf of
5 the enrollee exceed eighty percent of total premiums due from the
6 enrollee.

7 (b) Premiums due from nonsubsidized enrollees, who are not
8 otherwise eligible to be enrollees, shall be in an amount equal to the
9 cost charged by the managed health care system provider to the state
10 for the plan plus the administrative cost of providing the plan to
11 those enrollees.

12 (3) To design and implement a structure of nominal copayments due
13 a managed health care system from enrollees. The structure shall
14 discourage inappropriate enrollee utilization of health care services,
15 but shall not be so costly to enrollees as to constitute a barrier to
16 appropriate utilization of necessary health care services.

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

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

23 (b) A modified fee for services payment schedule for providers;

24 (c) Coinsurance rates that are established based on specific
25 service and procedure costs and the enrollee's ability to pay for the
26 care. However, coinsurance rates for families with incomes below one
27 hundred twenty percent of the federal poverty level shall be nominal.
28 No coinsurance shall be required for specific proven prevention
29 programs, such as prenatal care. The coinsurance rate levels shall not
30 have a measurable negative effect upon the enrollee's health status;
31 and

32 (d) A case management system that fosters a provider-enrollee
33 relationship whereby, in an effort to control cost, maintain or improve
34 the health status of the enrollee, and maximize patient involvement in
35 her or his health care decision-making process, every effort is made by
36 the provider to inform the enrollee of the cost of the specific
37 services and procedures and related health benefits.

38 The potential financial liability of the plan to any such providers
39 shall not exceed in the aggregate an amount greater than that which

1 might otherwise have been incurred by the plan on the basis of the
2 number of enrollees multiplied by the average of the prepaid capitated
3 rates negotiated with participating managed health care systems under
4 RCW 70.47.100 and reduced by any sums charged enrollees on the basis of
5 the coinsurance rates that are established under this subsection.

6 (5)) To limit enrollment of persons who qualify for subsidies so
7 as to prevent an overexpenditure of appropriations for such purposes.
8 Whenever the administrator finds that there is danger of such an
9 overexpenditure, the administrator shall close enrollment until the
10 administrator finds the danger no longer exists.

11 ((+6)) (5) To limit the payment of a subsidy to an enrollee, as
12 defined in RCW 70.47.020, whose gross family income at the time of
13 enrollment does not exceed that percentage of the federal poverty level
14 adjusted for family size and determined annually by the federal
15 department of health and human services, established in the biennial
16 appropriations act.

17 (6) To adopt a schedule for the orderly development of the delivery
18 of services and availability of the plan to residents of the state,
19 subject to the limitations contained in RCW 70.47.080.

20 In the selection of any area of the state for the initial operation
21 of the plan, the administrator shall take into account the levels and
22 rates of unemployment in different areas of the state, the need to
23 provide basic health care coverage to a population reasonably
24 representative of the portion of the state's population that lacks such
25 coverage, and the need for geographic, demographic, and economic
26 diversity.

27 ((Before July 1, 1988, the administrator shall endeavor to secure
28 participation contracts with managed health care systems in discrete
29 geographic areas within at least five congressional districts.))

30 (7) To solicit and accept applications from managed health care
31 systems, as defined in this chapter, for inclusion as eligible basic
32 health care providers under the plan. The administrator shall endeavor
33 to assure that covered basic health care services are available to any
34 enrollee of the plan from among a selection of two or more
35 participating managed health care systems. In adopting any rules or
36 procedures applicable to managed health care systems and in its
37 dealings with such systems, the administrator shall consider and make
38 suitable allowance for the need for health care services and the

1 differences in local availability of health care resources, along with
2 other resources, within and among the several areas of the state.

3 (8) To receive periodic premiums from enrollees, deposit them in
4 the basic health plan operating account, keep records of enrollee
5 status, and authorize periodic payments to managed health care systems
6 on the basis of the number of enrollees participating in the respective
7 managed health care systems.

8 (9) To accept applications from individuals residing in areas
9 served by the plan, on behalf of themselves and their spouses and
10 dependent children, for enrollment in the Washington basic health plan,
11 to establish appropriate minimum-enrollment periods for enrollees as
12 may be necessary, and to determine, upon application and at least
13 annually thereafter, or at the request of any enrollee, eligibility due
14 to current gross family income for sliding scale premiums. An enrollee
15 who remains current in payment of the sliding-scale premium, as
16 determined under subsection (2) of this section, and whose gross family
17 income has risen above ((twice)) that percentage of the federal poverty
18 level established in the current biennial appropriations act, may
19 continue enrollment ((unless and until the enrollee's gross family
20 income has remained above twice the poverty level for six consecutive
21 months,)) by making payment at the unsubsidized rate required for the
22 managed health care system in which he or she may be enrolled plus the
23 administrative cost of providing the plan to that enrollee. No subsidy
24 may be paid with respect to any enrollee whose current gross family
25 income exceeds ((twice)) that percentage of the federal poverty level
26 established in the current biennial appropriations act or, subject to
27 RCW 70.47.110, who is a recipient of medical assistance or medical care
28 services under chapter 74.09 RCW. If a number of enrollees drop their
29 enrollment for no apparent good cause, the administrator may establish
30 appropriate rules or requirements that are applicable to such
31 individuals before they will be allowed to re-enroll in the plan.

32 (10)(a) To accept applications from business owners on behalf of
33 themselves and their employees, spouses, and dependent children who
34 reside in an area served by the plan. The administrator may require
35 all or the substantial majority of the eligible employees of such
36 businesses to enroll in the plan and establish those procedures
37 necessary to facilitate the orderly enrollment of groups in the plan
38 and into a managed health care system. For the purposes of this
39 subsection, an employee means an individual who works for the employer.

1 Enrollment under this subsection shall be limited to those not
2 otherwise eligible for medicare or medicaid, whose gross family income
3 is greater than that established for subsidized enrollees, who wish to
4 enroll in the plan at no cost to the state and choose to obtain the
5 basic health care coverage and services from a managed health care
6 system participating in the plan. The administrator shall adjust the
7 amount determined to be due on behalf of or from all such enrollees
8 whenever the amount negotiated by the administrator with the
9 participating managed health care system or systems is modified or the
10 administrative cost of providing the plan to such enrollees changes.
11 No enrollee of a business group enrolled according to this subsection
12 shall be eligible for any subsidy from the plan and at no time shall
13 the administrator allow the credit of the state or funds from the trust
14 account to be used or extended on their behalf.

15 (b) To accept applications from individuals residing in areas
16 serviced by the plan, on behalf of themselves and their spouses and
17 dependent children, under sixty-five years of age and not otherwise
18 eligible for medicare or medicaid, whose gross family income at the
19 time of enrollment exceeds that established for subsidized enrollees,
20 who wish to enroll in the plan at no cost to the state and choose to
21 obtain the basic health care coverage and services from a managed
22 health care system participating in the plan. Any such nonsubsidized
23 enrollees must pay the amount negotiated by the administrator with the
24 participating managed health care system and the administrative cost of
25 providing the plan to such nonsubsidized enrollees and shall not be
26 eligible for any subsidy from the plan.

27 (11) To determine the rate to be paid to each participating managed
28 health care system in return for the provision of covered basic health
29 care services to enrollees in the system. ((Although the schedule of
30 covered basic health care services will be the same for similar
31 enrollees,)) The rates negotiated with participating managed health
32 care systems may vary among the systems. In negotiating rates with
33 participating systems, the administrator shall consider the
34 characteristics of the populations served by the respective systems,
35 economic circumstances of the local area, the need to conserve the
36 resources of the basic health plan trust account, and other factors the
37 administrator finds relevant.

38 ((11))) (12) To monitor the provision of covered services to
39 enrollees by participating managed health care systems in order to

1 assure enrollee access to good quality basic health care, to require
2 periodic data reports concerning the utilization of health care
3 services rendered to enrollees in order to provide adequate information
4 for evaluation, and to inspect the books and records of participating
5 managed health care systems to assure compliance with the purposes of
6 this chapter. In requiring reports from participating managed health
7 care systems, including data on services rendered enrollees, the
8 administrator shall endeavor to minimize costs, both to the managed
9 health care systems and to the administrator. The administrator shall
10 coordinate any such reporting requirements with other state agencies,
11 such as the insurance commissioner and the department of health, to
12 minimize duplication of effort.

13 ((+12))) (13) To monitor the access that state residents have to
14 adequate and necessary health care services, determine the extent of
15 any unmet needs for such services or lack of access that may exist from
16 time to time, and make such reports and recommendations to the
17 legislature as the administrator deems appropriate.

18 ((+13))) (14) To evaluate the effects this chapter has on private
19 employer-based health care coverage and to take appropriate measures
20 consistent with state and federal statutes that will discourage the
21 reduction of such coverage in the state.

22 ((+14))) (15) To develop a program of proven preventive health
23 measures and to integrate it into the plan wherever possible and
24 consistent with this chapter.

25 ((+15))) (16) To provide, consistent with available resources,
26 technical assistance for rural health activities that endeavor to
27 develop needed health care services in rural parts of the state.

28 **Sec. 206.** RCW 70.47.080 and 1987 1st ex.s. c 5 s 10 are each
29 amended to read as follows:

30 On and after July 1, 1988, the administrator shall accept for
31 enrollment applicants eligible to receive covered basic health care
32 services from the respective managed health care systems which are then
33 participating in the plan. ((The administrator shall not allow the
34 total enrollment of those eligible for subsidies to exceed thirty
35 thousand.))

36 Thereafter, total enrollment of those eligible for subsidies during
37 any biennium shall not exceed the number established by the legislature
38 in any act appropriating funds to the plan, and total subsidized

1 enrollment shall not result in expenditures that exceed the total
2 amount that has been made available by the legislature in any act
3 appropriating funds to the plan. The legislature shall establish
4 income limits expressed as a percentage of the federal poverty level,
5 for subsidized enrollees in the omnibus appropriations act to ensure
6 the orderly development of the plan.

7 ((Before July 1, 1988, the administrator shall endeavor to secure
8 participation contracts from managed health care systems in discrete
9 geographic areas within at least five congressional districts of the
10 state and in such manner as to allow residents of both urban and rural
11 areas access to enrollment in the plan. The administrator shall make
12 a special effort to secure agreements with health care providers in one
13 such area that meets the requirements set forth in RCW 70.47.060(4).))

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

21 **Sec. 207.** RCW 70.47.120 and 1987 1st ex.s. c 5 s 14 are each
22 amended to read as follows:

23 In addition to the powers and duties specified in RCW 70.47.040 and
24 70.47.060, the administrator has the power to enter into contracts for
25 the following functions and services:

26 (1) With public or private agencies, to assist the administrator in
27 her or his duties to design or revise the schedule of covered basic
28 health care services, and/or to monitor or evaluate the performance of
29 participating managed health care systems.

30 (2) With public or private agencies, to provide technical or
31 professional assistance to health care providers, particularly public
32 or private nonprofit organizations and providers serving rural areas,
33 who show serious intent and apparent capability to participate in the
34 plan as managed health care systems.

35 (3) With public or private agencies, including health care service
36 contractors registered under RCW 48.44.015, and doing business in the
37 state, for marketing and administrative services in connection with
38 participation of managed health care systems, enrollment of enrollees,

1 billing and collection services to the administrator, and other
2 administrative functions ordinarily performed by health care service
3 contractors, other than insurance except that the administrator may
4 arrange for the purchase of reinsurance, or self-insure for
5 reinsurance, on behalf of its participating managed health care
6 systems. Any activities of a health care service contractor pursuant
7 to a contract with the administrator under this section shall be exempt
8 from the provisions and requirements of Title 48 RCW.

9 NEW SECTION. Sec. 208. A new section is added to chapter 74.09
10 RCW to read as follows:

11 FEDERAL WAIVER FOR STATE MEDICAID PROGRAM. (1) The department
12 shall negotiate with the United States congress and the federal
13 department of health and human services to obtain a waiver of
14 provisions of the medicaid statute, Title XIX of the federal social
15 security act to require medicaid-eligible individuals to:

16 (a) Enroll in the state basic health plan and receive the benefits
17 offered to basic health plan enrollees; and

18 (b) Participate financially in purchasing health care benefits
19 through such means as premium sharing, copayments, and deductibles
20 provided that such contributions will be implemented in a manner to
21 encourage the appropriate use of effective medical care services and do
22 not serve as a barrier to receiving necessary medical care services.

23 (2) The department shall report to the appropriate policy and
24 fiscal standing committees of the senate and house of representatives
25 by October 31, 1994, on the progress of such negotiations.

B. EXPANDED MANAGED CARE FOR STATE EMPLOYEES

27 **Sec. 209.** RCW 41.05.011 and 1990 c 222 s 2 are each amended to
28 read as follows:

29 Unless the context clearly requires otherwise, the definitions in
30 this section shall apply throughout this chapter.

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

32 (2) "State purchased health care" or "health care" means medical
33 and health care, pharmaceuticals, and medical equipment purchased with
34 state and federal funds by the department of social and health
35 services, the department of health, the basic health plan, the state
36 health care authority, the department of labor and industries, the

1 department of corrections, the department of veterans affairs, and
2 local school districts.

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

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

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

12 (6) "Employee" includes all full-time and career seasonal employees
13 of the state, whether or not covered by civil service; all employees of
14 school districts; elected and appointed officials of the executive
15 branch of government, including full-time members of boards,
16 commissions, or committees; and includes any or all part-time and
17 temporary employees under the terms and conditions established under
18 this chapter by the authority; justices of the supreme court and judges
19 of the court of appeals and the superior courts; and members of the
20 state legislature or of the legislative authority of any county, city,
21 or town who are elected to office after February 20, 1970. "Employee"
22 also includes employees of a county, municipality, or other political
23 subdivision of the state if the legislative authority of the county,
24 municipality, or other political subdivision of the state seeks and
25 receives the approval of the authority to provide any of its insurance
26 programs by contract with the authority, as provided in RCW
27 41.04.205((, ~~and employees of a school district if the board of~~
28 ~~directors of the school district seeks and receives the approval of the~~
29 ~~authority to provide any of its insurance programs by contract with the~~
30 ~~authority as provided in RCW 28A.400.350~~)).

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

33 (8) "Organized delivery system" means an integrated system of
34 insurance-financing functions and delivery system functions, using a
35 defined network of providers who agree to abide by the system's
36 practices, reimbursement levels including cost sharing, quality
37 improvement methods, and other requirements and incentives intended to
38 maximize access to needed health services while providing appropriate
39 services cost-effectively. An organized delivery system would assume

1 financial risk, as well as the responsibility for ensuring acceptable
2 standards of care. On July 1, 1997, "organized delivery system" under
3 this chapter means "certified health plan" under section 319 of this
4 act.

5 **Sec. 210.** RCW 41.05.021 and 1990 c 222 s 3 are each amended to
6 read as follows:

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

21 ((+1)) (a) To administer a health care benefit program for
22 employees as specifically authorized in RCW 41.05.065 and in accordance
23 with the methods described in RCW 41.05.075, 41.05.140, and other
24 provisions of this chapter;

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

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

34 ((+b)) (ii) Utilization of provider arrangements that encourage
35 cost containment and ensure access to quality care, including assuring
36 reasonable access to local providers, especially for enrollees residing
37 in rural areas, and also including but not limited to prepaid delivery
38 systems, utilization review, and prospective payment methods;

1 ((+e))) (iii) Coordination of state agency efforts to purchase
2 drugs effectively as provided in RCW 70.14.050;

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

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

11 ((+3))) (c) To analyze areas of public and private health care
12 interaction;

13 ((+4))) (d) To provide information and technical and administrative
14 assistance to the board;

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

21 ((+6))) (f) To appoint a health care policy technical advisory
22 committee as required by RCW 41.05.150; and

23 ((+7))) (g) To promulgate and adopt rules consistent with this
24 chapter as described in RCW 41.05.160.

25 (2) The public employees benefits board shall implement strategies
26 to promote managed competition among the state employees' benefit plans
27 by July 1, 1994, including but not limited to:

28 (a) Standardizing the benefit package;

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

30 (c) Limiting the state's contribution to a percent of the lowest
31 priced sealed bid of a qualified plan within a geographical area. If
32 the state's contribution is less than one hundred percent of the lowest
33 priced sealed bid, employee financial contributions shall be structured
34 on a sliding-scale basis based upon the income of the employee;

35 (d) Ensuring access to quality health services, including assuring
36 reasonable access to local providers, especially for enrollees residing
37 in rural areas;

38 (e) Monitoring the impact of the approach under this subsection
39 with regards to: Efficiencies in health service delivery, cost shifts

1 to subscribers, access to and choice of managed care plans state-wide,
2 and quality of health services. The health care authority shall also
3 advise on the value of administering a benchmark indemnity plan to
4 promote competition among managed care plans. The health care
5 authority shall report its findings and recommendations to the
6 legislature by January 1, 1996.

7 **Sec. 211.** RCW 41.05.050 and 1988 c 107 s 18 are each amended to
8 read as follows:

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

20 (2) The contributions of any department, division, or separate
21 agency of the state government, and such county, municipal, or other
22 political subdivisions as are covered by this chapter, shall be set by
23 the authority, subject to the approval of the governor for availability
24 of funds as specifically appropriated by the legislature for that
25 purpose. ((However,)) Insurance and health care contributions for
26 ferry employees shall be governed by RCW 47.64.270 until December 31,
27 1996. On January 1, 1997, ferry employees shall enroll with certified
28 health plans under chapter . . ., Laws of 1993 (this act).

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

1 governor and the director of financial management for inclusion in the
2 proposed budgets submitted to the legislature.

3 **Sec. 212.** RCW 41.05.055 and 1989 c 324 s 1 are each amended to
4 read as follows:

5 (1) The ((state)) public employees' benefits board is created
6 within the authority. The function of the board is to design and
7 approve insurance benefit plans for state employees and school district
8 employees.

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

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

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

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

25 ((+e+)) (d) The administrator.

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

34 **Sec. 213.** RCW 47.64.270 and 1988 c 107 s 21 are each amended to
35 read as follows:

36 Until December 31, 1996, absent a collective bargaining agreement
37 to the contrary, the department of transportation shall provide

1 contributions to insurance and health care plans for ferry system
2 employees and dependents, as determined by the state health care
3 authority, under chapter 41.05 RCW(()); and the ferry system
4 management and employee organizations may collectively bargain for
5 other insurance and health care plans, and employer contributions may
6 exceed that of other state agencies as provided in RCW 41.05.050,
7 subject to RCW 47.64.180. On January 1, 1997, ferry employees shall
enroll in certified health plans under the provisions of chapter . . . ,
Laws of 1993 (this act). To the extent that ferry employees by
10 bargaining unit have absorbed the required offset of wage increases by
11 the amount that the employer's contribution for employees' and
12 dependents' insurance and health care plans exceeds that of other state
13 general government employees in the 1985-87 fiscal biennium, employees
14 shall not be required to absorb a further offset except to the extent
15 the differential between employer contributions for those employees and
16 all other state general government employees increases during any
17 subsequent fiscal biennium. If such differential increases in the
18 1987-89 fiscal biennium or the 1985-87 offset by bargaining unit is
19 insufficient to meet the required deduction, the amount available for
20 compensation shall be reduced by bargaining unit by the amount of such
21 increase or the 1985-87 shortage in the required offset. Compensation
22 shall include all wages and employee benefits.

23 **Sec. 214.** RCW 41.05.065 and 1988 c 107 s 8 are each amended to
24 read as follows:

25 (1) The board shall study all matters connected with the provision
26 of health care coverage, life insurance, liability insurance,
27 accidental death and dismemberment insurance, and disability income
28 insurance or any of, or a combination of, the enumerated types of
29 insurance for employees and their dependents on the best basis possible
30 with relation both to the welfare of the employees and to the state:
31 ((PROVIDED, That)) However, liability insurance shall not be made
32 available to dependents.

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

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

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

4 (c) Wellness incentives that focus on proven strategies, such as
5 smoking cessation, exercise, ((and)) automobile and motorcycle safety,
6 blood cholesterol reduction, and nutrition education;

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

12 (e) Effective coordination of benefits;

13 (f) Minimum standards for health benefit carriers; and

14 (g) Minimum scope and content of standard benefit plans to be
15 offered to enrollees participating in the employee benefit board plans.

16 On or after July 1, 1995, the uniform benefits package and schedule of
17 premiums and other individual cost-sharing adopted and from time to
18 time revised by the Washington health services commission pursuant to
19 section 347 of this act shall be implemented by the administrator for
20 purposes of employee health benefit plans.

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

24 (4) The board shall utilize financial incentives to encourage
25 employee enrollments in organized delivery systems. To encourage
26 income equity, employee financial contributions shall be structured on
27 a sliding-scale basis based upon the income of the employee. These
28 incentives shall result in a target of at least seventy-five percent
29 enrollment of employees and retirees in organized delivery systems by
30 July 1994.

31 The board may authorize premium contributions for an employee and
32 the employee's dependents in a manner that encourages the use of cost-
33 efficient organized delivery systems. ((Such authorization shall
34 require a vote of five members of the board for approval.))

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

37 (6) The board shall review plans proposed by insurance carriers
38 that desire to offer property insurance and/or accident and casualty
39 insurance to state employees through payroll deduction. The board may

1 approve any such plan for payroll deduction by carriers holding a valid
2 certificate of authority in the state of Washington and which the board
3 determines to be in the best interests of employees and the state. The
4 board shall promulgate rules setting forth criteria by which it shall
5 evaluate the plans.

6 (7) The board shall report to the appropriate policy and fiscal
7 committees of the legislature by December 1, 1994, on the following:

8 (a) The progress in meeting the organized delivery system target
9 enrollment rate established in subsection (4) of this section and
10 recommendations for increasing future participation above the target
11 rate; and

12 (b) The impact on the growth of public employee benefit costs as
13 the result of establishing organized delivery system target rates and
14 required financial incentives to encourage enrollment in cost-efficient
15 organized delivery systems.

16 **NEW SECTION. Sec. 215.** A new section is added to chapter 41.05
17 RCW to read as follows:

18 Notwithstanding any other provisions of this title or rules or
19 procedures adopted by the health care authority, the authority shall
20 offer all retired or disabled employees at least two medicare
21 supplemental insurance policies that conform to the requirements of
22 chapter 48.66 RCW. One policy must include coverage for prescription
23 drugs. These policies shall be available to retired or disabled state
24 employees, or employees of county, municipal, or other political
25 subdivisions eligible for coverage available under the authority and
26 all offerings must be made available not later than January 1, 1994.

27 **Sec. 216.** RCW 41.05.120 and 1991 sp.s. c 13 s 100 are each amended
28 to read as follows:

29 (1) The ((state)) public employees' insurance account is hereby
30 established in the custody of the state treasurer, to be used by the
31 administrator for the deposit of contributions, reserves, dividends,
32 and refunds, and for payment of premiums for employee insurance benefit
33 contracts. Moneys from the account shall be disbursed by the state
34 treasurer by warrants on vouchers duly authorized by the administrator.

35 (2) The state treasurer and the state investment board may invest
36 moneys in the ((state)) public employees' insurance account. All such
37 investments shall be in accordance with RCW 43.84.080 or 43.84.150,

1 whichever is applicable. The administrator shall determine whether the
2 state treasurer or the state investment board or both shall invest
3 moneys in the ((state)) public employees' insurance account.

4 **Sec. 217.** RCW 41.05.140 and 1988 c 107 s 12 are each amended to
5 read as follows:

6 (1) The authority may self-fund, self-insure, or enter into other
7 methods of providing insurance coverage for insurance programs under
8 its jurisdiction except property and casualty insurance. The authority
9 shall contract for payment of claims or other administrative services
10 for programs under its jurisdiction. If a program does not require the
11 prepayment of reserves, the authority shall establish such reserves
12 within a reasonable period of time for the payment of claims as are
13 normally required for that type of insurance under an insured program.
14 Reserves established by the authority shall be held in a separate trust
15 fund by the state treasurer and shall be known as the ((state)) public
16 employees' insurance reserve fund. The state investment board shall
17 act as the investor for the funds and, except as provided in RCW
18 43.33A.160, one hundred percent of all earnings from these investments
19 shall accrue directly to the ((state)) public employees' insurance
20 reserve fund.

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

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

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

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

1 NEW SECTION. **Sec. 218.** A new section is added to chapter 41.05
2 RCW to read as follows:

3 If the governor or the Washington health care commission does not
4 secure a waiver of the medicare statute, Title XVIII of the federal
5 social security act, sufficient to meet the requirements of chapter
6 . . . , Laws of 1993 (this act) on or before January 1, 1995, then the
7 medicare supplemental insurance policies authorized under section 215
8 of this act shall be made available as an offering to any resident of
9 the state eligible for medicare benefits. Except for those state or
10 public retirees already eligible to purchase such medicare supplemental
11 benefits through the authority, those newly authorized to purchase such
12 insurance coverage under this section shall be required to pay the full
13 costs of any such medicare supplemental benefits.

14 **C. HEALTH CARE PROVIDER CONFLICT OF INTEREST STANDARDS**

15 **Sec. 219.** RCW 19.68.010 and 1973 1st ex.s. c 26 s 1 are each
16 amended to read as follows:

17 It shall be unlawful for any person, firm, corporation or
18 association, whether organized as a cooperative, or for profit or
19 nonprofit, to pay, or offer to pay or allow, directly or indirectly, to
20 any person licensed by the state of Washington to engage in the
21 practice of medicine and surgery, drugless treatment in any form,
22 dentistry, or pharmacy and it shall be unlawful for such person to
23 request, receive or allow, directly or indirectly, a rebate, refund,
24 commission, unearned discount or profit by means of a credit or other
25 valuable consideration in connection with the referral of patients to
26 any person, firm, corporation or association, or in connection with the
27 furnishings of medical, surgical or dental care, diagnosis, treatment
28 or service, on the sale, rental, furnishing or supplying of clinical
29 laboratory supplies or services of any kind, drugs, medication, or
30 medical supplies, or any other goods, services or supplies prescribed
31 for medical diagnosis, care or treatment: PROVIDED, That ownership of
32 a financial interest in any firm, corporation or association which
33 furnishes any kind of clinical laboratory or other services prescribed
34 for medical, surgical, or dental diagnosis shall not be prohibited
35 under this section where (1) the referring practitioner affirmatively
36 discloses to the patient in writing, the fact that such practitioner
37 has a financial interest in such firm, corporation, or association; and

1 (2) the referring practitioner provides the patient with a list of
2 effective alternative facilities, informs the patient that he or she
3 has the option to use one of the alternative facilities, and assures
4 the patient that he or she will not be treated differently by the
5 referring practitioner if the patient chooses one of the alternative
6 facilities.

7 Any person violating the provisions of this section is guilty of a
8 misdemeanor.

9 **NEW SECTION.** **Sec. 220.** A new section is added to chapter 18.130
10 RCW to read as follows:

11 CONFLICT OF INTEREST STANDARDS. The Washington health services
12 commission established by section 303 of this act, in consultation with
13 the secretary of health, and the health care disciplinary authorities
14 under RCW 18.130.040(2)(b), shall establish standards and monetary
15 penalties in rule prohibiting provider investments and referrals that
16 present a conflict of interest resulting from inappropriate financial
17 gain for the provider or his or her immediate family. These standards
18 are not intended to inhibit the efficient operation of managed health
19 care systems or certified health plans. The commission shall report to
20 the health policy committees of the senate and house of representatives
21 by June 30, 1994, on the development of the standards and any
22 recommended statutory changes necessary to implement the standards.

23 **D. CONSOLIDATED STATE HEALTH CARE PURCHASING AGENT**

24 **NEW SECTION.** **Sec. 221.** A new section is added to Title 43 RCW to
25 read as follows:

26 STATE HEALTH CARE PURCHASING AGENT DESIGNATION. (1) The health
27 care authority is designated as the single state agent for purchasing
28 health care. Beginning in January 1994, the governor shall submit
29 necessary legislation to place all state-purchased health care in a
30 strictly community rated, single risk pool under the direct
31 administrative authority of the state purchasing agent by July 1, 1997,
32 including at least the basic health plan, the purchasing of health
33 benefits for K-12 system employees and retirees, ferry employees and
34 retirees, the medical aid fund portion of the workers' compensation
35 program, personal health services purchased through the department of
36 health, and state employee and retiree health benefits. At the

1 earliest opportunity the governor shall seek necessary federal waivers
2 and state legislation to place the medical assistance program of the
3 department of social and health services in this single risk pool after
4 July 1995, but in no event later than July 1997.

5 (2) At a minimum, and regardless of any other legislative
6 enactment, the state health care purchasing agent must:

7 (a) Ensure immediate coverage when any state resident eligible for
8 state-subsidized medical care chooses to receive state-sponsored care;

9 (b) Require that any public agency that provides subsidies for a
10 substantial portion of services now covered under the basic health plan
11 or any uniform benefit package that may be required by the state use
12 uniform eligibility processes, insofar as may be possible, and do not
13 require multiple eligibility determinations;

14 (c) Require that any health care provider, health care facility,
15 health maintenance organization, health care service contractor, group
16 disability insurer, and any certified health plan that receives funds
17 from any public program accept enrollment from any state resident
18 receiving any state subsidy who may wish to enroll with them or receive
19 care from them;

20 (d) Strive to integrate purchasing for all publicly sponsored
21 health care in order to maximize the cost control potential and to
22 promote the most efficient methods of financing and coordinating
23 services;

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

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

30 (g) Phase-in basic health plan coverage over a four-year period for
31 uninsured subsidized residents consistent with funds and enrollment
32 limitations provided in the omnibus appropriations act. The process
33 shall seek to enroll those persons with the greatest financial need
34 first; and

35 (h) Notwithstanding other provisions of law, assure that any state
36 resident receiving a public subsidy for health care in July 1997 or
37 thereafter, be enrolled in a certified health plan and receive no less
38 than the uniform benefit package as required under chapter . . . , Laws
39 of 1993 (this act).

1 **E. PUBLIC HEALTH FINANCING AND GOVERNANCE**

2 **Sec. 222.** RCW 70.05.010 and 1967 ex.s. c 51 s 1 are each amended
3 to read as follows:

4 For the purposes of chapters 70.05 and 70.46 RCW ((and RCW
5 ~~70.46.020 through 70.46.090~~) and unless the context thereof clearly
6 indicates to the contrary:

7 (1) "Local health departments" means the ((~~city, town,~~)) county or
8 district which provides public health services to persons within the
9 area;

10 (2) "Local health officer" means the legally qualified physician
11 who has been appointed as the health officer for the ((~~city, town,~~))
12 county or district public health department;

13 (3) "Local board of health" means the ((~~city, town,~~)) county or
14 district board of health.

15 (4) "Health district" means ((all territory encompassed within a
16 single county and all cities and towns therein except cities with a
17 population of over one hundred thousand, or)) all the territory
18 consisting of one or more counties ((and all the cities and towns in
19 all of the combined counties except cities of over one hundred thousand
20 population which have been combined and)) organized pursuant to the
21 provisions of chapters 70.05 and 70.46 RCW ((and RCW 70.46.020 through
22 70.46.090: PROVIDED, That cities with a population of over one hundred
23 thousand may be included in a health district as provided in RCW
24 70.46.040)).

25 (5) "Department" means the department of health.

26 **Sec. 223.** RCW 70.05.030 and 1967 ex.s. c 51 s 3 are each amended
27 to read as follows:

28 In counties without a home rule charter, the board of county
29 commissioners ((of each and every county in this state, except where
30 such county is a part of a health district or is purchasing services
31 under a contract as authorized by chapter 70.05 RCW and RCW 70.46.020
32 through 70.46.090,)) shall constitute the local board of health ((for
33 such county, and said local board of health's jurisdiction)), unless
34 the county is part of a health district pursuant to chapter 70.46 RCW.
35 The jurisdiction of the local board of health shall be coextensive with
36 the boundaries of said county((, except that nothing herein contained
37 shall give said board jurisdiction in cities of over one hundred

1 thousand population or in such other cities and towns as are providing
2 health services which meet health standards pursuant to RCW
3 70.46.090)).

4 **Sec. 224.** RCW 70.05.040 and 1984 c 25 s 1 are each amended to read
5 as follows:

6 The local board of health shall elect a ((chairman)) chair and may
7 appoint an administrative officer. A local health officer shall be
8 appointed pursuant to RCW 70.05.050. Vacancies on the local board of
9 health shall be filled by appointment within thirty days and made in
10 the same manner as was the original appointment. At the first meeting
11 of the local board of health, the members shall elect a ((chairman))
12 chair to serve for a period of one year. ((In home rule charter
13 counties that have a local board of health established under RCW
14 70.05.050, the administrative officer may be appointed by the official
15 designated under the county's charter.))

16 NEW SECTION. **Sec. 225.** A new section is added to chapter 70.05
17 RCW to read as follows:

18 In counties with a home rule charter, the county legislative
19 authority shall establish a local board of health and may prescribe the
20 membership and selection process for the board. The jurisdiction of
21 the local board of health shall be coextensive with the boundaries of
22 the county. The local health officer, as described in RCW 70.05.050,
23 shall be appointed by the official designated under the provisions of
24 the county charter. The same official designated under the provisions
25 of the county charter may appoint an administrative officer, as
26 described in RCW 70.05.045.

27 **Sec. 226.** RCW 70.05.050 and 1984 c 25 s 5 are each amended to read
28 as follows:

29 ((Each local board of health, other than boards which are
30 established under RCW 70.05.030 and which are located in counties
31 having home rule charters, shall appoint a local health officer. In
32 home rule charter counties which have a local board of health
33 established under RCW 70.05.030, the local health officer shall be
34 appointed by the official designated under the provisions of the
35 county's charter.))

1 The local health officer shall be an experienced physician licensed
2 to practice medicine and surgery or osteopathy and surgery in this
3 state and who is qualified or provisionally qualified in accordance
4 with the standards prescribed in RCW 70.05.051 through 70.05.055 to
5 hold the office of local health officer. No term of office shall be
6 established for the local health officer but ((he)) the local health
7 officer shall not be removed until after notice is given ((him)), and
8 an opportunity for a hearing before the board or official responsible
9 for his or her appointment under this section as to the reason for his
10 or her removal. ((He)) The local health officer shall act as executive
11 secretary to, and administrative officer for the local board of health
12 and shall also be empowered to employ such technical and other
13 personnel as approved by the local board of health except where the
14 local board of health has appointed an administrative officer under RCW
15 70.05.040. The local health officer shall be paid such salary and
16 allowed such expenses as shall be determined by the local board of
17 health.

18 **Sec. 227.** RCW 70.05.070 and 1991 c 3 s 309 are each amended to
19 read as follows:

20 The local health officer, acting under the direction of the local
21 board of health or under direction of the administrative officer
22 appointed under RCW 70.05.040 or section 225 of this act, if any,
23 shall:

24 (1) Enforce the public health statutes of the state, rules of the
25 state board of health and the secretary of health, and all local health
26 rules, regulations and ordinances within his or her jurisdiction
27 including imposition of penalties authorized under RCW 70.119A.030 and
28 filing of actions authorized by RCW 43.70.190;

29 (2) Take such action as is necessary to maintain health and
30 sanitation supervision over the territory within his or her
31 jurisdiction;

32 (3) Control and prevent the spread of any dangerous, contagious or
33 infectious diseases that may occur within his or her jurisdiction;

34 (4) Inform the public as to the causes, nature, and prevention of
35 disease and disability and the preservation, promotion and improvement
36 of health within his or her jurisdiction;

37 (5) Prevent, control or abate nuisances which are detrimental to
38 the public health;

1 (6) Attend all conferences called by the secretary of health or his
2 or her authorized representative;

3 (7) Collect such fees as are established by the state board of
4 health or the local board of health for the issuance or renewal of
5 licenses or permits or such other fees as may be authorized by law or
6 by the rules of the state board of health;

7 (8) Inspect, as necessary, expansion or modification of existing
8 public water systems, and the construction of new public water systems,
9 to assure that the expansion, modification, or construction conforms to
10 system design and plans;

11 (9) Take such measures as he or she deems necessary in order to
12 promote the public health, to participate in the establishment of
13 health educational or training activities, and to authorize the
14 attendance of employees of the local health department or individuals
15 engaged in community health programs related to or part of the programs
16 of the local health department.

17 **Sec. 228.** RCW 70.05.080 and 1991 c 3 s 310 are each amended to
18 read as follows:

19 If the local board of health or other official responsible for
20 appointing a local health officer under RCW 70.05.050 refuses or
21 neglects to appoint a local health officer after a vacancy exists, the
22 secretary of health may appoint a local health officer and fix the
23 compensation. The local health officer so appointed shall have the
24 same duties, powers and authority as though appointed under RCW
25 70.05.050. Such local health officer shall serve until a qualified
26 individual is appointed according to the procedures set forth in RCW
27 70.05.050. The board or official responsible for appointing the local
28 health officer under RCW 70.05.050 shall also be authorized to appoint
29 an acting health officer to serve whenever the health officer is absent
30 or incapacitated and unable to fulfill his or her responsibilities
31 under the provisions of chapters 70.05 and 70.46 RCW ((and RCW
32 ~~70.46.020 through 70.46.090~~)).

33 **Sec. 229.** RCW 70.05.120 and 1984 c 25 s 8 are each amended to read
34 as follows:

35 Any local health officer or administrative officer appointed under
36 RCW 70.05.040, if any, who shall refuse or neglect to obey or enforce
37 the provisions of chapters 70.05 and 70.46 RCW ((and RCW 70.46.020

1 through 70.46.090)) or the rules, regulations or orders of the state
2 board of health or who shall refuse or neglect to make prompt and
3 accurate reports to the state board of health, may be removed as local
4 health officer or administrative officer by the state board of health
5 and shall not again be reappointed except with the consent of the state
6 board of health. Any person may complain to the state board of health
7 concerning the failure of the local health officer or administrative
8 officer to carry out the laws or the rules and regulations concerning
9 public health, and the state board of health shall, if a preliminary
10 investigation so warrants, call a hearing to determine whether the
11 local health officer or administrative officer is guilty of the alleged
12 acts. Such hearings shall be held pursuant to the provisions of
13 chapter 34.05 RCW, and the rules and regulations of the state board of
14 health adopted thereunder.

15 Any member of a local board of health who shall violate any of the
16 provisions of chapters 70.05 and 70.46 RCW ((and RCW 70.46.020 through
17 70.46.090)) or refuse or neglect to obey or enforce any of the rules,
18 regulations or orders of the state board of health made for the
19 prevention, suppression or control of any dangerous contagious or
20 infectious disease or for the protection of the health of the people of
21 this state, shall be guilty of a misdemeanor, and upon conviction shall
22 be fined not less than ten dollars nor more than two hundred dollars.
23 Any physician who shall refuse or neglect to report to the proper
24 health officer or administrative officer within twelve hours after
25 first attending any case of contagious or infectious disease or any
26 diseases required by the state board of health to be reported or any
27 case suspicious of being one of such diseases, shall be guilty of a
28 misdemeanor, and upon conviction shall be fined not less than ten
29 dollars nor more than two hundred dollars for each case that is not
30 reported.

31 Any person violating any of the provisions of chapters 70.05 and
32 70.46 RCW ((and RCW 70.46.020 through 70.46.090)) or violating or
33 refusing or neglecting to obey any of the rules, regulations or orders
34 made for the prevention, suppression and control of dangerous
35 contagious and infectious diseases by the local board of health or
36 local health officer or administrative officer or state board of
37 health, or who shall leave any isolation hospital or quarantined house
38 or place without the consent of the proper health officer or who evades
39 or breaks quarantine or conceals a case of contagious or infectious

1 disease or assists in evading or breaking any quarantine or concealing
2 any case of contagious or infectious disease, shall be guilty of a
3 misdemeanor, and upon conviction thereof shall be subject to a fine of
4 not less than twenty-five dollars nor more than one hundred dollars or
5 to imprisonment in the county jail not to exceed ninety days or to both
6 fine and imprisonment.

7 **Sec. 230.** RCW 70.05.130 and 1991 c 3 s 313 are each amended to
8 read as follows:

9 All expenses incurred by the state, health district, or county in
10 carrying out the provisions of chapters 70.05 and 70.46 RCW ((and RCW
11 ~~70.46.020 through 70.46.090~~) or any other public health law, or the
12 rules of the ((state)) department of health enacted under such laws,
13 shall be paid by the county ((or city by which or in behalf of which
14 such expenses shall have been incurred)) and such expenses shall
15 constitute a claim against the general fund as provided herein.

16 **Sec. 231.** RCW 70.05.150 and 1967 ex.s. c 51 s 22 are each amended
17 to read as follows:

18 In addition to powers already granted them, any ((city, town,))
19 county, district, or local health department may contract for either
20 the sale or purchase of any or all health services from any local
21 health department: PROVIDED, That such contract shall require the
22 approval of the state board of health.

23 **Sec. 232.** RCW 70.08.010 and 1985 c 124 s 1 are each amended to
24 read as follows:

25 Any city with one hundred thousand or more population and the
26 county in which it is located, are authorized, as shall be agreed upon
27 between the respective governing bodies of such city and said county,
28 to establish and operate a combined city and county health department,
29 and to appoint ((the director of public health)) a local health officer
30 for the county served.

31 **Sec. 233.** RCW 70.12.030 and 1945 c 46 s 1 are each amended to read
32 as follows:

33 Any county, ((first class city)) combined city-county health
34 department, or health district is hereby authorized and empowered to
35 create a "public health pooling fund", hereafter called the "fund", for

1 the efficient management and control of all moneys coming to such
2 county, ((first class city)) combined department, or district for
3 public health purposes.

4 (("Health district" as used herein may mean all territory
5 consisting of one or more counties and all cities with a population of
6 one hundred thousand or less, and towns therein.))

7 **Sec. 234.** RCW 70.12.050 and 1945 c 46 s 3 are each amended to read
8 as follows:

9 All expenditures in connection with salaries, wages and operations
10 incurred in carrying on the health department of the county, ((first
11 class city)) combined city-county health department, or health district
12 shall be paid out of such fund.

13 **Sec. 235.** RCW 70.46.020 and 1967 ex.s. c 51 s 6 are each amended
14 to read as follows:

15 Health districts consisting of two or more counties may be created
16 whenever two or more boards of county commissioners shall by resolution
17 establish a district for such purpose. Such a district shall consist
18 of all the area of the combined counties ((including all cities and
19 towns except cities of over one hundred thousand population)). The
20 district board of health of such a district shall consist of not less
21 than seven members, including two representatives from each county who
22 are members of the board of county commissioners and who are appointed
23 by the board of county commissioners of each county within the
24 district, and shall have a jurisdiction coextensive with the combined
25 boundaries. ((The remaining members shall be representatives of the
26 cities and towns in the district selected by mutual agreement of the
27 legislative bodies of the cities and towns concerned from their
28 membership, taking into consideration the financial contribution of
29 such cities and towns and representation from the several
30 classifications of cities and towns.))

31 At the first meeting of a district board of health the members
32 shall elect a ((chairman)) chair to serve for a period of one year.

33 **Sec. 236.** RCW 70.46.060 and 1967 ex.s. c 51 s 11 are each amended
34 to read as follows:

35 The district board of health shall constitute the local board of
36 health for all the territory included in the health district, and shall

1 supersede and exercise all the powers and perform all the duties by law
2 vested in the county ((or city or town)) board of health of any
3 county((, city or town)) included in the health district((, except as
4 otherwise in chapter 70.05 RCW and RCW 70.46.020 through 70.46.090
5 provided)).

6 **Sec. 237.** RCW 70.46.080 and 1971 ex.s. c 85 s 10 are each amended
7 to read as follows:

8 Each health district shall establish a fund to be designated as the
9 "district health fund", in which shall be placed all sums received by
10 the district from any source, and out of which shall be expended all
11 sums disbursed by the district. ((The county treasurer of the county
12 in the district embracing only one county; or,)) In a district composed
13 of more than one county the county treasurer of the county having the
14 largest population shall be the custodian of the fund, and the county
15 auditor of said county shall keep the record of the receipts and
16 disbursements, and shall draw and the county treasurer shall honor and
17 pay all warrants, which shall be approved before issuance and payment
18 as directed by the board((: PROVIDED, That in local health departments
19 wherein a city of over one hundred thousand population is a part of
20 said department, the local board of health may pool the funds available
21 for public health purposes in the office of the city treasurer in a
22 special pooling fund to be established and which shall be expended as
23 set forth above)).

24 Each county((, city or town)) which is included in the district
25 shall contribute such sums towards the expense for maintaining and
26 operating the district as shall be agreed upon between it and the local
27 board of health in accordance with guidelines established by the state
28 board of health ((after consultation with the Washington state
29 association of counties and the association of Washington cities. In
30 the event that no agreement can be reached between the district board
31 of health and the county, city or town, the matter shall be resolved by
32 a board of arbitrators to consist of a representative of the district
33 board of health, a representative from the county, city or town
34 involved, and a third representative to be appointed by the two
35 representatives, but if they are unable to agree, a representative
36 shall be appointed by a judge in the county in which the city or town
37 is located. The determination of the proportionate share to be paid by
38 a county, city or town shall be binding on all parties. Payments into

1 the fund of the district may be made by the county or city or town
2 members during the first year of membership in said district from any
3 funds of the respective county, city or town as would otherwise be
4 available for expenditures for health facilities and services, and
5 thereafter the members shall include items in their respective budgets
6 for payments to finance the health district)).

7 **Sec. 238.** RCW 70.46.085 and 1967 ex.s. c 51 s 20 are each amended
8 to read as follows:

9 The expense of providing public health services shall be borne by
10 each county((, city or town)) within the health district((, and the
11 local health officer shall certify the amount agreed upon or as
12 determined pursuant to RCW 70.46.080, and remaining unpaid by each
13 county, city or town to the fiscal or warrant issuing officer of such
14 county, city or town.

15 If the expense as certified is not paid by any county, city or town
16 within thirty days after the end of the fiscal year, the local health
17 officer shall certify the amount due to the auditor of the county in
18 which the governmental unit is situated who shall promptly issue his
19 warrant on the county treasurer payable out of the current expense fund
20 of the county, which fund shall be reimbursed by the county auditor out
21 of the money due said governmental unit at the next monthly settlement
22 or settlements of the collection of taxes and shall be transferred to
23 the current expense fund)).

24 **Sec. 239.** RCW 70.46.090 and 1967 ex.s. c 51 s 21 are each amended
25 to read as follows:

26 Any county ((or any city or town)) may withdraw from membership in
27 said health district any time after it has been within the district for
28 a period of two years, but no withdrawal shall be effective except at
29 the end of the calendar year in which the county((, city or town))
30 gives at least six months' notice of its intention to withdraw at the
31 end of the calendar year. No withdrawal shall entitle any member to a
32 refund of any moneys paid to the district nor relieve it of any
33 obligations to pay to the district all sums for which it obligated
34 itself due and owing by it to the district for the year at the end of
35 which the withdrawal is to be effective: PROVIDED, That any county((,
36 city or town)) which withdraws from membership in said health district
37 shall immediately establish a health department or provide health

1 services which shall meet the standards for health services promulgated
2 by the state board of health: PROVIDED FURTHER, That no local health
3 department shall be deemed to provide adequate public health services
4 unless there is at least one full time professionally trained and
5 qualified physician as set forth in RCW 70.05.050.

6 **Sec. 240.** RCW 70.46.120 and 1963 c 121 s 1 are each amended to
7 read as follows:

8 In addition to all other powers and duties, health districts shall
9 have the power to charge fees in connection with the issuance or
10 renewal of a license or permit required by law: PROVIDED, That the
11 fees charged shall not exceed the actual cost involved in issuing or
12 renewing the license or permit((:(~~:- PROVIDED FURTHER, That no fees shall~~
13 be charged pursuant to this section within the corporate limits of any
14 city or town which prior to the enactment of this section charged fees
15 in connection with the issuance or renewal of a license or permit
16 pursuant to city or town ordinance and where said city or town makes a
17 direct contribution to said health district, unless such city or town
18 expressly consents thereto)).

19 **Sec. 241.** RCW 82.44.110 and 1991 c 199 s 221 are each amended to
20 read as follows:

21 The county auditor shall regularly, when remitting license fee
22 receipts, pay over and account to the director of licensing for the
23 excise taxes collected under the provisions of this chapter. The
24 director shall forthwith transmit the excise taxes to the state
25 treasurer.

26 (1) The state treasurer shall deposit the excise taxes collected
27 under RCW 82.44.020(1) as follows:

28 (a) 1.60 percent into the motor vehicle fund to defray
29 administrative and other expenses incurred by the department in the
30 collection of the excise tax.

31 (b) 8.15 percent into the Puget Sound capital construction account
32 in the motor vehicle fund.

33 (c) 4.07 percent into the Puget Sound ferry operations account in
34 the motor vehicle fund.

35 (d) ((8.83)) 5.88 percent into the general fund to be distributed
36 under RCW 82.44.155.

1 (e) 4.75 percent into the municipal sales and use tax equalization
2 account in the general fund created in RCW 82.14.210.

3 (f) 1.60 percent into the county sales and use tax equalization
4 account in the general fund created in RCW 82.14.200.

5 (g) 62.6440 percent into the general fund through June 30, 1993,
6 57.6440 percent into the general fund beginning July 1, 1993, and 66
7 percent into the general fund beginning January 1, 1994.

8 (h) 5 percent into the transportation fund created in RCW 82.44.180
9 beginning July 1, 1993.

10 (i) 5.9686 percent into the county criminal justice assistance
11 account created in RCW 82.14.310 through December 31, 1993.

12 (j) 1.1937 percent into the municipal criminal justice assistance
13 account for distribution under RCW 82.14.320 through December 31, 1993.

14 (k) 1.1937 percent into the municipal criminal justice assistance
15 account for distribution under RCW 82.14.330 through December 31, 1993.

16 (l) 2.95 percent into the general fund to be distributed by the
17 state treasurer to county health departments to be used exclusively for
18 public health. The state treasurer shall distribute these funds
19 proportionately among the counties based on population as determined by
20 the most recent United States census.

21 (2) The state treasurer shall deposit the excise taxes collected
22 under RCW 82.44.020(2) into the transportation fund.

23 (3) The state treasurer shall deposit the excise tax imposed by RCW
24 82.44.020(3) into the air pollution control account created by RCW
25 70.94.015.

26 **Sec. 242.** RCW 82.44.155 and 1991 c 199 s 223 are each amended to
27 read as follows:

28 When distributions are made under RCW 82.44.150, the state
29 treasurer shall apportion and distribute the motor vehicle excise taxes
30 deposited into the general fund under RCW 82.44.110((+4))) (1)(d) to
31 the cities and towns ratably on the basis of population as last
32 determined by the office of financial management. When so apportioned,
33 the amount payable to each such city and town shall be transmitted to
34 the city treasurer thereof, and shall be used by the city or town for
35 the purposes of police and fire protection ((and the preservation of
36 the public health)) in the city or town, and not otherwise. If it is
37 adjudged that revenue derived from the excise taxes imposed by RCW
38 82.44.020 (1) and (2) cannot lawfully be apportioned or distributed to

1 cities or towns, all moneys directed by this section to be apportioned
2 and distributed to cities and towns shall be credited and transferred
3 to the state general fund.

4 NEW SECTION. **Sec. 243.** RCW 70.08.010, as amended by this act,
5 shall be recodified in chapter 70.05 RCW.

6 NEW SECTION. **Sec. 244.** The following acts or parts of acts are
7 each repealed:

8 (1) RCW 70.05.005 and 1989 1st ex.s. c 9 s 243;
9 (2) RCW 70.05.020 and 1967 ex.s. c 51 s 2;
10 (3) RCW 70.05.132 and 1984 c 25 s 9 & 1983 1st ex.s. c 39 s 6;
11 (4) RCW 70.05.145 and 1983 1st ex.s. c 39 s 5;
12 (5) RCW 70.08.005 and 1989 1st ex.s. c 9 s 244;
13 (6) RCW 70.08.020 and 1985 c 124 s 2 & 1949 c 46 s 2;
14 (7) RCW 70.08.030 and 1985 c 124 s 3, 1984 c 25 s 3, & 1949 c 46 s
15 3;
16 (8) RCW 70.08.040 and 1985 c 124 s 4, 1980 c 57 s 1, & 1949 c 46 s
17 4;
18 (9) RCW 70.08.050 and 1991 c 3 s 314, 1979 c 141 s 85, & 1949 c 46
19 s 8;
20 (10) RCW 70.08.060 and 1961 ex.s. c 5 s 4 & 1949 c 46 s 9;
21 (11) RCW 70.08.070 and 1982 c 203 s 1, 1980 c 57 s 2, & 1949 c 46
22 s 5;
23 (12) RCW 70.08.080 and 1980 c 57 s 3 & 1949 c 46 s 6;
24 (13) RCW 70.08.090 and 1949 c 46 s 7;
25 (14) RCW 70.08.100 and 1949 c 46 s 10;
26 (15) RCW 70.08.110 and 1949 c 46 s 11;
27 (16) RCW 70.08.900 and 1980 c 57 s 4;
28 (17) RCW 70.12.005 and 1989 1st ex.s. c 9 s 245;
29 (18) RCW 70.46.030 and 1991 c 363 s 141, 1969 ex.s. c 70 s 1, 1967
30 ex.s. c 51 s 5, & 1945 c 183 s 3;
31 (19) RCW 70.46.040 and 1967 ex.s. c 51 s 7 & 1945 c 183 s 4; and
32 (20) RCW 70.46.050 and 1967 ex.s. c 51 s 8, 1957 c 100 s 1, & 1945
33 c 183 s 5.

34 NEW SECTION. **Sec. 245.** It is hereby requested that the governing
35 authorities of the association of Washington cities, the Washington
36 state association of counties, and the Washington association of county

1 officials jointly initiate a study and develop consensus
2 recommendations regarding implementation of the provisions of sections
3 222 through 244 of this act. The study and recommendations should at
4 a minimum include consideration of the fiscal impact of these sections
5 on counties, the desirability of maintaining a process whereby city
6 officials can effectively communicate concerns regarding the delivery
7 of public health services to both the counties and the state, the need
8 for larger cities to be able to continue to provide supplemental health
9 care services when needed, and other matters as the three associations
10 agree are of substance in the implementation of sections 222 through
11 244 of this act. The agreed upon recommendations shall be presented to
12 the senate health and human services and house of representatives
13 health care committees prior to December 31, 1993.

14

F. DATA COLLECTION

15 **Sec. 246.** RCW 70.170.100 and 1990 c 269 s 12 are each amended to
16 read as follows:

17 (1) To promote the public interest consistent with the purposes of
18 chapter . . . , Laws of 1993 (this act), the department is responsible
19 for the development, implementation, and custody of a state-wide
20 ((hospital)) health care data system, with policy direction and
21 oversight to be provided by the Washington health services commission.
22 As part of the design stage for development of the system, the
23 department shall undertake a needs assessment of the types of, and
24 format for, ((hospital)) health care data needed by consumers,
25 purchasers, health care payers, ((hospitals)) providers, and state
26 government as consistent with the intent of chapter . . . , Laws of 1993
27 (this act) ((chapter)). The department shall identify a set of
28 ((hospital)) health care data elements and report specifications which
29 satisfy these needs. The ((council)) Washington health services
30 commission, created by section 303 of this act, shall review the design
31 of the data system ((and)) may ((direct the department to)) establish
32 a technical advisory committee on health data and may recommend that
33 the department contract with a private vendor for assistance in the
34 design of the data system or for any part of the work to be performed
35 under this section. The data elements, specifications, and other
36 ((design)) distinguishing features of this data system shall be made
37 available for public review and comment and shall be published, with

1 comments, as the department's first data plan by ((January 1, 1990))
2 July 1, 1994.

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

13 (+3)) In designing the state-wide ((hospital)) health care data
14 system and any data plans, the department shall identify ((hospital))
15 health care data elements relating to ((both hospital finances)) health
16 care costs, the quality of health care services, the outcomes of health
17 care services, and ((the)) use of ((services by patients)) health care
18 by consumers. Data elements ((relating to hospital finances)) shall be
19 reported ((by hospitals)) as the Washington health services commission
20 directs by reporters in conformance with a uniform ((system of))
21 reporting ((as specified by the department and shall)) system
22 established by the department, which shall be adopted by reporters.
23 "Reporter" means an individual or business entity, other than a
24 hospital, required to be registered with the department of revenue for
25 payment of taxes imposed under chapter 82.04 RCW or Title 48 RCW, that
26 is primarily engaged in furnishing or insuring for medical, surgical,
27 and other health services to persons. In the case of hospitals this
28 includes data elements identifying each hospital's revenues, expenses,
29 contractual allowances, charity care, bad debt, other income, total
30 units of inpatient and outpatient services, and other financial
31 information reasonably necessary to fulfill the purposes of chapter
32 . . . , Laws of 1993 (this ((chapter)) act), for hospital activities as
33 a whole and, as feasible and appropriate, for specified classes of
34 hospital purchasers and payers. Data elements relating to use of
35 hospital services by patients shall, at least initially, be the same as
36 those currently compiled by hospitals through inpatient discharge
37 abstracts ((and reported to the Washington state hospital commission)).
38 The commission and the department shall encourage and permit reporting

1 by electronic transmission or hard copy as is practical and economical
2 to reporters.

3 ((+4)) (3) The state-wide ((hospital)) health care data system
4 shall be uniform in its identification of reporting requirements for
5 ((hospitals)) reporters across the state to the extent that such
6 uniformity is ((necessary)) useful to fulfill the purposes of chapter
7 . . . , Laws of 1993 (this ((chapter)) act). Data reporting
8 requirements may reflect differences ((in hospital size; urban or rural
9 location; scope, type, and method of providing service; financial
10 structure; or other pertinent distinguishing factors)) that involve
11 pertinent distinguishing features as determined by the Washington
12 health services commission by rule. So far as ((possible)) is
13 practical, the data system shall be coordinated with any requirements
14 of the trauma care data registry as authorized in RCW 70.168.090, the
15 federal department of health and human services in its administration
16 of the medicare program, ((and)) the state in its role of gathering
17 public health statistics, or any other payer program of consequence so
18 as to minimize any unduly burdensome reporting requirements imposed on
19 ((hospitals)) reporters.

20 ((+5)) (4) In identifying financial reporting requirements under
21 the state-wide ((hospital)) health care data system, the department may
22 require both annual reports and condensed quarterly reports from
23 reporters, so as to achieve both accuracy and timeliness in reporting,
24 but shall craft such requirements with due regard of the data reporting
25 burdens of reporters.

26 ((+6)) (5) In designing the initial state wide hospital data system as
27 published in the department's first data plan, the department shall
28 review all existing systems of hospital financial and utilization
29 reporting used in this state to determine their usefulness for the
30 purposes of this chapter, including their potential usefulness as
31 revised or simplified.

32 (7) Until such time as the state wide hospital data system and
33 first data plan are developed and implemented and hospitals are able to
34 comply with reporting requirements, the department shall require
35 hospitals to continue to submit the hospital financial and patient
36 discharge information previously required to be submitted to the
37 Washington state hospital commission. Upon publication of the first
38 data plan, hospitals shall have a reasonable period of time to comply
39 with any new reporting requirements and, even in the event that new

1 reporting requirements differ greatly from past requirements, shall
2 comply within two years of July 1, 1989.

3 (8)) (5) The ((hospital)) health care data collected ((and)),
4 maintained, and studied by the department or the Washington health
5 services commission shall only be available for retrieval in original
6 or processed form to public and private requestors and shall be
7 available within a reasonable period of time after the date of request.
8 The cost of retrieving data for state officials and agencies shall be
9 funded through the state general appropriation. The cost of retrieving
10 data for individuals and organizations engaged in research or private
11 use of data or studies shall be funded by a fee schedule developed by
12 the department which reflects the direct cost of retrieving the data or
13 study in the requested form.

14 (6) All persons subject to chapter . . ., Laws of 1993 (this act)
15 shall comply with departmental or commission requirements established
16 by rule in the acquisition of data.

17 **Sec. 247.** RCW 70.170.110 and 1989 1st ex.s. c 9 s 511 are each
18 amended to read as follows:

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

30 (1) Consumer guides on purchasing ((hospital care services and)) or
31 consuming health care and publications providing verifiable and useful
32 aggregate comparative information to ((consumers on hospitals and
33 hospital services)) the public on health care services, their cost, and
34 the quality of health care providers who participate in certified
35 health plans;

36 (2) Reports for use by classes of purchasers, who purchase from
37 certified health plans, health care payers, and providers as specified

1 for content and format in the state-wide data system and data plan;
2 ((and))

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

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

14 NEW SECTION. **Sec. 248.** A new section is added to chapter 70.170
15 RCW to read as follows:

16 Notwithstanding the provisions of chapter 42.17 RCW, any material
17 contained within the state-wide health care data system or in the files
18 of either the department or the Washington health services commission
19 shall be subject to the following limitations: (1) Records obtained,
20 reviewed by, or on file that contain information concerning medical
21 treatment of individuals shall be exempt from public inspection and
22 copying; and (2) any actuarial formulas, statistics, and assumptions
23 submitted by a certified health plan to the commission or department
24 upon request shall be exempt from public inspection and copying in
25 order to preserve trade secrets or prevent unfair competition.

26 All persons and any public or private agencies or entities
27 whatsoever subject to this chapter shall comply with any requirements
28 established by rule relating to the acquisition or use of health
29 services data and maintain the confidentiality of any information which
30 may, in any manner, identify individual persons.

31 NEW SECTION. **Sec. 249.** A new section is added to chapter 70.170
32 RCW to read as follows:

33 The Washington health services commission shall have access to all
34 health data presently available to the secretary of health. To the
35 extent possible, the commission shall use existing data systems and
36 coordinate among existing agencies. The department of health shall be
37 the designated depository agency for all health data collected pursuant

1 to chapter . . . , Laws of 1993 (this act). The following data sources
2 shall be developed or made available:

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

8 (2) The commission, in coordination with the department of health
9 and the health science programs of the state universities shall develop
10 procedures to analyze clinical and other health services outcome data,
11 and conduct other research necessary for the specific purpose of
12 assisting in the design of the uniform benefit package under chapter
13 . . . , Laws of 1993 (this act).

14 (3) The commission shall establish cost data sources and shall
15 require each certified health plan to provide the commission and the
16 department of health with enrollee care and cost information, to
17 include: (a) Enrollee identifier, including date of birth, sex, and
18 ethnicity; (b) provider identifier; (c) diagnosis; (d) health care
19 services or procedures provided; (e) provider charges, if any; and (f)
20 amount paid. The department shall establish by rule confidentiality
21 standards to safeguard the information from inappropriate use or
22 release.

23 NEW SECTION. **Sec. 250.** A new section is added to chapter 70.170
24 RCW to read as follows:

25 (1) The department is responsible for the implementation and
26 custody of a state-wide personal health services data and information
27 system. The data elements, specifications, and other design features
28 of this data system shall be consistent with criteria adopted by the
29 Washington health services commission. The department shall provide
30 the commission with reasonable assistance in the development of these
31 criteria, and shall provide the commission with periodic progress
32 reports related to the implementation of the system or systems related
33 to those criteria.

34 (2) The department shall coordinate the development and
35 implementation of the personal health services data and information
36 system with related private activities and with the implementation
37 activities of the data sources identified by the commission. Data
38 shall include: (a) Enrollee identifier, including date of birth, sex,

1 and ethnicity; (b) provider identifier; (c) diagnosis; (d) health
2 services or procedures provided; (e) provider charges, if any; and (f)
3 amount paid. The commission shall establish by rule, confidentiality
4 standards to safeguard the information from inappropriate use or
5 release. The department shall assist the commission in establishing
6 reasonable time frames for the completion of the system development and
7 system implementation.

G. HEALTH PROFESSIONAL SHORTAGES

NEW SECTION. **Sec. 251. LEGISLATIVE INTENT.** The legislature finds that the successful implementation of health care reform will depend on a sufficient availability of primary health care providers throughout the state. Many rural and medically underserved urban areas lack primary health care providers and because of this basic health care services are limited or unavailable to populations living in these areas. The legislature has in recent years initiated new programs to address these provider shortage needs but funding has been insufficient and additional specific providers shortage needs still remain.

Sec. 252. RCW 28B.125.010 and 1991 c 332 s 5 are each amended to read as follows:

20 (1) The higher education coordinating board, the state board for
21 community ((college education)) and technical colleges, the
22 superintendent of public instruction, the state department of health,
23 the Washington health services commission, and the state department of
24 social and health services, to be known for the purposes of this
25 section as the committee, shall establish a state-wide health personnel
26 resource plan. The governor shall appoint a lead agency from one of
27 the agencies on the committee.

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

32 Should a successor agency or agencies be authorized or created by
33 the legislature with planning, coordination, or administrative
34 authority over vocational-technical schools, community colleges, or
35 four-year higher education institutions, the governor shall grant

1 membership on the committee to such agency or agencies and remove the
2 member or members it replaces.

3 The committee shall appoint subcommittees for the purpose of
4 assisting in the development of the institutional plans required under
5 this chapter. Such subcommittees shall at least include those
6 committee members that have statutory responsibility for planning,
7 coordination, or administration of the training and education
8 institutions for which the institutional plans are being developed. In
9 preparing the institutional plans for four-year institutes of higher
10 education, the subcommittee shall be composed of at least the higher
11 education coordinating board and the state's four-year higher education
12 institutions. The appointment of subcommittees to develop portions of
13 the state-wide plan shall not relinquish the committee's responsibility
14 for assuring overall coordination, integration, and consistency of the
15 state-wide plan.

16 In establishing and implementing the state-wide health personnel
17 resource plan the committee shall, to the extent possible, utilize
18 existing data and information, personnel, equipment, and facilities and
19 shall minimize travel and take such other steps necessary to reduce the
20 administrative costs associated with the preparation and implementation
21 of the plan.

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

24 (a)(i) Identification of the type, number, and location of the
25 health care professional work force necessary to meet health care needs
26 of the state.

27 (ii) A description and analysis of the composition and numbers of
28 the potential work force available for meeting health care service
29 needs of the population to be used for recruitment purposes. This
30 should include a description of the data, methodology, and process used
31 to make such determinations.

32 (b) A centralized inventory of the numbers of student applications
33 to higher education and vocational-technical training and education
34 programs, yearly enrollments, yearly degrees awarded, and numbers on
35 waiting lists for all the state's publicly funded health care training
36 and education programs. The committee shall request similar
37 information for incorporation into the inventory from private higher
38 education and vocational-technical training and education programs.

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

4 (d) A description of how innovative, cost-effective technologies
5 such as telecommunications can and will be used to provide higher
6 education, vocational-technical, continued competency, and skill
7 maintenance and enhancement education and training to placebound
8 students who need flexible programs and who are unable to attend
9 institutions for training.

10 (e) A strategy for assuring higher education and vocational-
11 technical educational and training programming is sensitive to the
12 changing work force such as reentry workers, women, minorities, and the
13 disabled.

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

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

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

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

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

34 (k) An analysis of the need for educational articulation within the
35 various health care disciplines and a plan for addressing the need.

36 (l) An analysis of the training needs of those members of the long-
37 term care profession that are not regulated and that have no formal
38 training requirements. Programs to meet these needs should be

1 developed in a cost-effective and a state-wide accessible manner that
2 provide for the basic training needs of these individuals.

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

10 (n) A description of needed changes in regulatory laws governing
11 the credentialing of health professionals.

12 (o) A description of linguistic and cultural training needs of
13 foreign-trained health care professionals to assure safe and effective
14 practice of their health care profession.

15 (p) A plan to implement the recommendations of the state-wide
16 nursing plan authorized by RCW 74.39.040.

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

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

36 (s) A description of the estimated fiscal requirements for
37 implementation of the state-wide health resource plan that include a
38 description of cost saving activities that reduce potential costs by

1 avoiding administrative duplication, coordinating programming
2 activities, and other such actions to control costs.

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

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

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

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

20 (7) Implementation of the state-wide plan shall begin by July 1,
21 1993.

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

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

35 The committee shall review and assess whether the institutional
36 plans meet the requirements of the state-wide health personnel resource
37 plan and shall prepare a report with its determination. The report
38 shall become part of the institutional plan and shall be submitted to
39 the governor and the legislature.

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

6 **Sec. 253.** RCW 28B.115.080 and 1991 c 332 s 21 are each amended to
7 read as follows:

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

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

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

31 (3) Establish the required service obligation for each credentialed
32 health care profession, which shall be no less than three years or no
33 more than five years. The required service obligation may be based
34 upon the amount of the scholarship or loan repayment award such that
35 higher awards involve longer service obligations on behalf of the
36 participant;

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

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

5 **Sec. 254.** RCW 70.185.030 and 1991 c 332 s 9 are each amended to
6 read as follows:

7 (1) The department ((shall)) may, subject to funding, establish
8 ((up to three)) community-based recruitment and retention project sites
9 to provide financial and technical assistance to participating
10 communities. The goal of the project is to help assure the
11 availability of health care providers in rural areas of Washington
12 state.

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

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

20 (4) The secretary may apply for, receive, and accept gifts and
21 other payments, including property and service, from any governmental
22 or other public or private entity or person, and may make arrangements
23 as to the use of these receipts, including the undertaking of special
24 studies and other projects related to the delivery of health care in
25 rural areas.

26 (5) In designing and implementing the project the secretary shall
27 coordinate the project with the Washington rural health system project
28 as authorized under chapter 70.175 RCW to consolidate administrative
29 duties and reduce costs.

30 NEW SECTION. **Sec. 255.** A new section is added to chapter 70.185
31 RCW to read as follows:

32 (1) The department may develop a mechanism for underserved rural or
33 urban communities to contract with education and training programs for
34 student positions above the full time equivalent lids. The goal of
35 this program is to provide additional capacity, educating students who
36 will practice in underserved communities.

1 (2) Eligible education and training programs are those programs
2 approved by the department that lead to eligibility for a credential as
3 a credentialed health care professional. Eligible professions are
4 those licensed under chapters 18.57, 18.57A, 18.71, and 18.71A RCW and
5 advanced registered nurse practitioners and certified nurse midwives
6 licensed under chapter 18.88 RCW, and may include other providers
7 identified as needed in the health personnel resource plan.

8 (3) Students participating in the community contracted educational
9 positions shall meet all applicable educational program requirements
10 and provide assurances, acceptable to the community, that they will
11 practice in the sponsoring community following completion of education
12 and necessary licensure.

13 (4) Participants in the program incur an obligation to repay any
14 contracted funds with interest set by state law, unless they serve at
15 least three years in the sponsoring community.

16 (5) The department may provide funds to communities for use in
17 contracting.

18 NEW SECTION. **Sec. 256.** A new section is added to chapter 70.185
19 RCW to read as follows:

20 AREA HEALTH EDUCATION CENTERS. The secretary may establish and
21 contract with area health education centers in the eastern and western
22 parts of the state. Consistent with the recruitment and retention
23 objectives of this chapter, the centers shall provide or facilitate the
24 provision of health professional educational and continuing education
25 programs that strengthen the delivery of primary health care services
26 in rural and medically underserved urban areas of the state. The
27 center shall assist in the development and operation of health
28 personnel recruitment and retention programs that are consistent with
29 activities authorized under this chapter. The centers shall further
30 provide technical expertise in the development of well managed health
31 care delivery systems in rural Washington consistent with the goals and
32 objectives of chapter . . . , Laws of 1993 (this act).

33 **Sec. 257.** RCW 43.70.460 and 1992 c 113 s 2 are each amended to
34 read as follows:

35 (1) The department may establish a program to purchase and maintain
36 liability malpractice insurance for retired ((physicians)) primary care

1 providers who provide primary health care services at community
2 clinics. The following conditions apply to the program:

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

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

7 (c) Retired ((physicians)) primary care providers providing health
8 care services shall not receive compensation for their services; and

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

11 (2) This section and RCW 43.70.470 shall not be interpreted to
12 require a liability insurer to provide coverage to a ((physician))
13 primary care provider should the insurer determine that coverage should
14 not be offered to a physician because of past claims experience or for
15 other appropriate reasons.

16 (3) The state and its employees who operate the program shall be
17 immune from any civil or criminal action involving claims against
18 clinics or physicians that provided health care services under this
19 section and RCW 43.70.470. This protection of immunity shall not
20 extend to any clinic or ((physician)) primary care provider
21 participating in the program.

22 (4) The department may monitor the claims experience of retired
23 physicians covered by liability insurers contracting with the
24 department.

25 (5) The department may provide liability insurance under chapter
26 113, Laws of 1992 only to the extent funds are provided for this
27 purpose by the legislature.

28 **Sec. 258.** RCW 43.70.470 and 1992 c 113 s 3 are each amended to
29 read as follows:

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

35 (1) The participating ((physician)) primary care provider
36 associated with the clinic shall hold a valid license to practice
37 ((medicine and surgery)) as a physician under chapter 18.71 or 18.57
38 RCW, a physician assistant under chapter 18.71A or 18.57A RCW, or an

1 advanced registered nurse practitioner under chapter 18.88 RCW in this
2 state and otherwise be in conformity with current requirements for
3 licensure as a retired ((physician)) primary care health care provider,
4 including continuing education requirements;

5 (2) The participating ((physician)) primary care health care
6 provider shall limit the scope of practice in the clinic to primary
7 care. Primary care shall be limited to noninvasive procedures and
8 shall not include obstetrical care, or any specialized care and
9 treatment. Noninvasive procedures include injections, suturing of
10 minor lacerations, and incisions of boils or superficial abscesses;

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

14 (4) The participating ((physician)) primary care health care
15 provider shall limit the provision of health care services to low-
16 income persons provided that clinics may, but are not required to,
17 provide means tests for eligibility as a condition for obtaining health
18 care services;

19 (5) The participating ((physician)) primary care health care
20 provider shall not accept compensation for providing health care
21 services from patients served pursuant to this section and RCW
22 43.70.460, nor from clinics serving these patients. "Compensation"
23 shall mean any remuneration of value to the participating ((physician))
24 primary care health care provider for services provided by the
25 ((physician)) primary care health care provider, but shall not be
26 construed to include any nominal copayments charged by the clinic, nor
27 reimbursement of related expenses of a participating ((physician))
28 primary care health care provider authorized by the clinic in advance
29 of being incurred; and

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

35 NEW SECTION. Sec. 259. MEDICAL SCHOOL GRADUATES SERVING IN RURAL
36 AND MEDICALLY UNDERSERVED AREAS OF THE STATE--LEGISLATIVE INTENT. The
37 legislature finds that the shortage of primary care physicians
38 practicing in rural and medically underserved areas of the state has

1 created a severe public health and safety problem. If unaddressed,
2 this problem is expected to worsen with health care reform since an
3 increased demand for primary care services will only contribute further
4 to these shortages.

5 The legislature further finds that the medical training program at
6 the University of Washington is an important and well respected
7 resource to the people of this state in the training of primary care
8 physicians. Currently, only a small proportion of medical school
9 graduates are Washington residents who serve as primary care
10 practitioners in certain parts of this state.

11 **NEW SECTION.** **SEC. 260.** MEDICAL SCHOOL PRIMARY CARE PHYSICIAN
12 SHORTAGE PLAN DEVELOPMENT. The University of Washington medical school
13 shall prepare a primary care physician shortage plan. The plan shall
14 identify specific activities that the school of medicine will pursue to
15 increase the number of Washington residents serving as primary care
16 physicians in rural and medically underserved urban areas of the state.
17 A goal of the plan shall be to assure that by 2000 no fewer than fifty
18 percent of all medical school graduates who are Washington state
19 residents at the time of matriculation will enter into primary care
20 residencies, to the extent possible, in Washington state. The plan
21 shall also assure that the medical school will establish as among its
22 highest training priorities the distribution of primary care physician
23 graduates from the school, and its associated postgraduate residencies,
24 to rural and medically underserved urban areas. Pursuant to this, the
25 school shall establish the goal of assuring that by 1995 the annual
26 number of graduates from the family practice residency network entering
27 rural or medically underserved practices shall be increased by forty
28 percent over a baseline period from 1988 to 1990. A further goal shall
29 be to establish and make operational by 1997 at least two additional
30 family practice residency programs within the state in geographic areas
31 identified by the plan as underserved in family practice. The
32 geographic areas identified by the plan as being underserved by family
33 practice physicians shall be consistent with any such similar
34 designations as may be made in the health personnel resource plan as
35 authorized under chapter 28B.125 RCW. The plan shall be submitted to
36 the health policy committees of the legislature no later than December
37 1, 1993, and shall be implemented within current biennial
38 appropriations for the University of Washington school of medicine.

1 Expansions of the family practice residency network shall be made
2 subject to additional appropriations, including appropriations made in
3 this act.

4 **NEW SECTION.** **Sec. 261.** TRANSFER OF AUTHORITY TO PURCHASE SERVICES
5 FROM COMMUNITY HEALTH CENTERS. (1) State general funds appropriated to
6 the department of health for the purposes of funding community health
7 centers to provide primary medical and dental care services, migrant
8 health services, and maternity health care services shall be
9 transferred to the state health care authority. Any related
10 administrative funds expended by the department of health for this
11 purpose shall also be transferred to the health care authority. The
12 health care authority shall exclusively expend these funds through
13 contracts with community health centers to provide primary medical and
14 dental care services, migrant health services, and maternity care
15 services. The administrator of the health care authority shall
16 establish requirements necessary to assure community health centers
17 provide quality health care services that are appropriate and effective
18 and are delivered in a cost-efficient manner. The administrator shall
19 further assure community health centers have appropriate referral
20 arrangements for acute care and medical specialty services not provided
21 by the community health centers.

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

32 **H. JOINT UNDERWRITING AUTHORITY FOR LONG-TERM CARE**

33 **NEW SECTION.** **Sec. 262.** A new section is added to Title 48 RCW to
34 read as follows:

35 The insurance commissioner shall by July 1997 create a joint
36 underwriting authority for long-term care.

I. TAXES

2 **Sec. 263.** RCW 82.02.030 and 1990 c 42 s 319 are each amended to
3 read as follows:

4 (1) The rate of the additional taxes under RCW 54.28.020(2),
5 54.28.025(2), 66.24.210(2), 66.24.290(2), 82.04.2901, 82.16.020(2),
6 ((82.26.020(2),)) 82.27.020(5), and 82.29A.030(2) shall be seven
7 percent; ((and))

8 (2) The rate of the additional taxes under RCW 82.26.020(2) shall
9 be 92 percent through June 30, 1994, 101 percent for the period July 1,
10 1994, through June 30, 1995, 143 percent for the period July 1, 1995,
11 through June 30, 1996, 189 percent from July 1, 1996, through June 30,
12 1997, and 194 percent thereafter; and

13 (3) The rate of the additional taxes under RCW 82.08.150(4) shall
14 be ((fourteen)) 32 percent through June 30, 1994, 38 percent for the
15 period July 1, 1994, through June 30, 1995, 86 percent for the period
16 July 1, 1995, through June 30, 1996, 111 percent from July 1, 1996,
17 through June 30, 1997, 135 percent from July 1, 1997, to June 30, 1998,
18 and 152 percent thereafter.

19 The additional moneys collected under subsections (2) and (3) of
20 this section shall be deposited in the Washington health services trust
21 account created under section 355 of this act.

22 **Sec. 264.** RCW 82.08.020 and 1992 c 194 s 9 are each amended to
23 read as follows:

24 (1) There is levied and there shall be collected a tax on each
25 retail sale in this state equal to six and five-tenths percent of the
26 selling price.

27 (2) There is levied and there shall be collected an additional tax
28 on each retail car rental, regardless of whether the vehicle is
29 licensed in this state, equal to five and nine-tenths percent of the
30 selling price. Ninety-one percent of the revenue collected under this
31 subsection shall be deposited and distributed in the same manner as
32 motor vehicle excise tax revenue collected under RCW 82.44.020(1).
33 Nine percent of the revenue collected under this subsection shall be
34 deposited in the transportation fund and distributed in the same manner
35 as motor vehicle excise tax revenue collected under RCW 82.44.020(2).

36 (3) There is levied and there shall be collected an additional tax
37 on each retail sale of beer as defined by RCW 66.04.010(2) equal to .19

1 percent of the selling price for the period July 1, 1993, through June
2 30, 1994, .29 percent of the selling price for the period July 1, 1994,
3 through June 30, 1995, .83 percent of the selling price for the period
4 July 1, 1995, through June 30, 1996, 1.10 percent of the selling price
5 for the period July 1, 1996, through June 30, 1997, 1.35 percent of the
6 selling price for the period July 1, 1997, through June 30, 1998, and
7 1.5 percent of the selling price from July 1, 1998, and thereafter.
8 The revenue collected under this subsection shall be deposited in the
9 Washington health services trust account created under section 355 of
10 this act.

11 (4) There is levied and there shall be collected an additional tax
12 on each retail sale of wine as defined by RCW 66.04.010(34) equal to
13 .19 percent of the selling price for the period July 1, 1993, through
14 June 30, 1994, .29 percent of the selling price for the period July 1,
15 1994, through June 30, 1995, .83 percent of the selling price for the
16 period July 1, 1995, through June 30, 1996, 1.10 percent of the selling
17 price for the period July 1, 1996, through June 30, 1997, 1.35 percent
18 of the selling price for the period July 1, 1997, through June 30,
19 1998, and 1.5 percent of the selling price from July 1, 1998, and
20 thereafter. The revenue collected under this subsection shall be
21 deposited in the Washington health services trust account created under
22 section 355 of this act.

23 (5) The taxes imposed under this chapter shall apply to successive
24 retail sales of the same property.

25 ((+4)) (6) The rates provided in this section apply to taxes
26 imposed under chapter 82.12 RCW as provided in RCW 82.12.020.

27 **Sec. 265.** RCW 82.24.020 and 1989 c 271 s 504 are each amended to
28 read as follows:

29 (1) There is levied and there shall be collected as hereinafter
30 provided, a tax upon the sale, use, consumption, handling, possession
31 or distribution of all cigarettes, in an amount equal to the rate of
32 ((eleven)) twenty-one and one-half mills per cigarette through June 30,
33 1994, twenty-two and one-half mills per cigarette for the period July
34 1, 1994, through June 30, 1995, twenty-seven and one-half mills per
35 cigarette for the period July 1, 1995, through June 30, 1996, thirty-
36 three mills per cigarette from July 1, 1996, through June 30, 1997, and
37 thirty-three and one-half mills per cigarette thereafter. The
38 additional moneys collected under this subsection shall be deposited in

1 the Washington health services trust account created under section 355
2 of this act.

3 (2) Until July 1, 1995, an additional tax is imposed upon the sale,
4 use, consumption, handling, possession, or distribution of all
5 cigarettes, in an amount equal to the rate of one and one-half mills
6 per cigarette. All revenues collected during any month from this
7 additional tax shall be deposited in the drug enforcement and education
8 account under RCW 69.50.520 by the twenty-fifth day of the following
9 month.

10 (3) Wholesalers and retailers subject to the payment of this tax
11 may, if they wish, absorb one-half mill per cigarette of the tax and
12 not pass it on to purchasers without being in violation of this section
13 or any other act relating to the sale or taxation of cigarettes.

14 (4) For purposes of this chapter, "possession" shall mean both (a)
15 physical possession by the purchaser and, (b) when cigarettes are being
16 transported to or held for the purchaser or his or her designee by a
17 person other than the purchaser, constructive possession by the
18 purchaser or his designee, which constructive possession shall be
19 deemed to occur at the location of the cigarettes being so transported
20 or held.

21 NEW SECTION. **Sec. 266.** A new section is added to chapter 48.14
22 RCW to read as follows:

23 (1) Each health maintenance organization, as defined in RCW
24 48.46.020(1), shall pay a tax on or before the first day of March of
25 each year to the state treasurer through the insurance commissioner's
26 office on amounts received or collected by the health maintenance
27 organization during the preceding calendar year as prepayments for
28 comprehensive health care services.

29 (2) The amount of the tax shall be equal to the total amount of all
30 prepayments for comprehensive health care services received by the
31 health maintenance organization during the calendar year multiplied by
32 the rate of .25 percent for calendar year 1994; .5 percent for calendar
33 year 1995; 1.5 percent for calendar year 1996; 1.75 percent for
34 calendar year 1997; and 2.0 percent thereafter.

35 (3) Health maintenance organizations must prepay their tax
36 liability. The minimum amount of the prepayments shall be percentages
37 of the health maintenance organization's tax obligation for the
38 preceding calendar year recomputed using the rate in effect for the

1 current year. For the prepayment of taxes due during calendar year
2 1994, the minimum amount of the prepayments shall be percentages of the
3 health maintenance organization's tax obligation that would have been
4 due had the tax been in effect during calendar year 1993. The tax
5 prepayments shall be paid to the state treasurer through the
6 commissioner's office by the due dates and in the following amounts:

- 7 (a) On or before June 15, forty-five percent;
- 8 (b) On or before September 15, twenty-five percent;
- 9 (c) On or before December 15, twenty-five percent;

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

14 (4) The moneys collected under this section shall be deposited in
15 the Washington health services trust account created under section 355
16 of this act.

17 **NEW SECTION. Sec. 267.** A new section is added to chapter 48.14
18 RCW to read as follows:

19 (1) Each health care service contractor, as defined in RCW
20 48.44.010(3), shall pay a tax on or before the first day of March of
21 each year to the state treasurer through the insurance commissioner's
22 office on amounts received or collected by the health care service
23 contractor during the preceding calendar year as prepayments for health
24 care services.

25 (2) The amount of the tax shall be equal to the total amount of all
26 prepayments for health care services received by the health care
27 service contractor during the calendar year multiplied by the rate of
28 .25 percent for calendar year 1994; .5 percent for calendar year 1995;
29 1.5 percent for calendar year 1996; 1.75 percent for calendar year
30 1997; and 2 percent thereafter.

31 (3) Health care service contractors must prepay their tax
32 liability. The minimum amount of the prepayments shall be percentages
33 of the health care service contractor's tax obligation for the
34 preceding calendar year recomputed using the rate in effect for the
35 current year. For the prepayment of taxes due during calendar year
36 1994, the minimum amount of the prepayments shall be percentages of the
37 health care service contractor's tax obligation that would have been
38 due had the tax been in effect during calendar year 1993. The tax

1 prepayments shall be paid to the state treasurer through the
2 commissioner's office by the due dates and in the following amounts:

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

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

5 (c) On or before December 15, twenty-five percent;

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

10 (4) The moneys collected under this section shall be deposited in
11 the Washington health services trust account created under section 355
12 of this act.

13 **NEW SECTION.** **Sec. 268.** A new section is added to chapter 82.04
14 RCW to read as follows:

15 This chapter does not apply to any health maintenance organization
16 in respect to prepayments for health care services that are taxable
17 under section 266 of this act, to any health care service contractor in
18 respect to prepayments for health care services that are taxable under
19 section 267 of this act, or to any certified health plan in respect to
20 premiums that are taxable under section 271 of this act.

21 **NEW SECTION.** **Sec. 269.** RCW 82.04.4288 and 1980 c 37 s 9 are each
22 repealed.

23 **Sec. 270.** RCW 82.04.260 and 1991 c 272 s 15 are each amended to
24 read as follows:

25 (1) Upon every person engaging within this state in the business of
26 buying wheat, oats, dry peas, dry beans, lentils, triticale, corn, rye
27 and barley, but not including any manufactured or processed products
28 thereof, and selling the same at wholesale; the tax imposed shall be
29 equal to the gross proceeds derived from such sales multiplied by the
30 rate of one one-hundredth of one percent.

31 (2) Upon every person engaging within this state in the business of
32 manufacturing wheat into flour, barley into pearl barley, soybeans into
33 soybean oil, or sunflower seeds into sunflower oil; as to such persons
34 the amount of tax with respect to such business shall be equal to the
35 value of the flour, pearl barley, or oil manufactured, multiplied by
36 the rate of one-eighth of one percent.

1 (3) Upon every person engaging within this state in the business of
2 splitting or processing dried peas; as to such persons the amount of
3 tax with respect to such business shall be equal to the value of the
4 peas split or processed, multiplied by the rate of one-quarter of one
5 percent.

6 (4) Upon every person engaging within this state in the business of
7 manufacturing seafood products which remain in a raw, raw frozen, or
8 raw salted state at the completion of the manufacturing by that person;
9 as to such persons the amount of tax with respect to such business
10 shall be equal to the value of the products manufactured, multiplied by
11 the rate of one-eighth of one percent.

12 (5) Upon every person engaging within this state in the business of
13 manufacturing by canning, preserving, freezing or dehydrating fresh
14 fruits and vegetables; as to such persons the amount of tax with
15 respect to such business shall be equal to the value of the products
16 canned, preserved, frozen or dehydrated multiplied by the rate of
17 three-tenths of one percent.

18 (6) Upon every nonprofit corporation and nonprofit association
19 engaging within this state in research and development, as to such
20 corporations and associations, the amount of tax with respect to such
21 activities shall be equal to the gross income derived from such
22 activities multiplied by the rate of forty-four one-hundredths of one
23 percent.

24 (7) Upon every person engaging within this state in the business of
25 slaughtering, breaking and/or processing perishable meat products
26 and/or selling the same at wholesale only and not at retail; as to such
27 persons the tax imposed shall be equal to the gross proceeds derived
28 from such sales multiplied by the rate of twenty-five one-hundredths of
29 one percent through June 30, 1986, and one-eighth of one percent
30 thereafter.

31 (8) Upon every person engaging within this state in the business of
32 making sales, at retail or wholesale, of nuclear fuel assemblies
33 manufactured by that person, as to such persons the amount of tax with
34 respect to such business shall be equal to the gross proceeds of sales
35 of the assemblies multiplied by the rate of twenty-five one-hundredths
36 of one percent.

37 (9) Upon every person engaging within this state in the business of
38 manufacturing nuclear fuel assemblies, as to such persons the amount of
39 tax with respect to such business shall be equal to the value of the

1 products manufactured multiplied by the rate of twenty-five one-
2 hundredths of one percent.

3 (10) Upon every person engaging within this state in the business
4 of acting as a travel agent; as to such persons the amount of the tax
5 with respect to such activities shall be equal to the gross income
6 derived from such activities multiplied by the rate of twenty-five one-
7 hundredths of one percent.

8 (11) Upon every person engaging within this state in business as an
9 international steamship agent, international customs house broker,
10 international freight forwarder, vessel and/or cargo charter broker in
11 foreign commerce, and/or international air cargo agent; as to such
12 persons the amount of the tax with respect to only international
13 activities shall be equal to the gross income derived from such
14 activities multiplied by the rate of thirty-three one-hundredths of one
15 percent.

16 (12) Upon every person engaging within this state in the business
17 of stevedoring and associated activities pertinent to the movement of
18 goods and commodities in waterborne interstate or foreign commerce; as
19 to such persons the amount of tax with respect to such business shall
20 be equal to the gross proceeds derived from such activities multiplied
21 by the rate of thirty-three one hundredths of one percent. Persons
22 subject to taxation under this subsection shall be exempt from payment
23 of taxes imposed by chapter 82.16 RCW for that portion of their
24 business subject to taxation under this subsection. Stevedoring and
25 associated activities pertinent to the conduct of goods and commodities
26 in waterborne interstate or foreign commerce are defined as all
27 activities of a labor, service or transportation nature whereby cargo
28 may be loaded or unloaded to or from vessels or barges, passing over,
29 onto or under a wharf, pier, or similar structure; cargo may be moved
30 to a warehouse or similar holding or storage yard or area to await
31 further movement in import or export or may move to a consolidation
32 freight station and be stuffed, unstuffed, containerized, separated or
33 otherwise segregated or aggregated for delivery or loaded on any mode
34 of transportation for delivery to its consignee. Specific activities
35 included in this definition are: Wharfage, handling, loading,
36 unloading, moving of cargo to a convenient place of delivery to the
37 consignee or a convenient place for further movement to export mode;
38 documentation services in connection with the receipt, delivery,
39 checking, care, custody and control of cargo required in the transfer

1 of cargo; imported automobile handling prior to delivery to consignee;
2 terminal stevedoring and incidental vessel services, including but not
3 limited to plugging and unplugging refrigerator service to containers,
4 trailers, and other refrigerated cargo receptacles, and securing ship
5 hatch covers.

6 (13) Upon every person engaging within this state in the business
7 of disposing of low-level waste, as defined in RCW 43.145.010; as to
8 such persons the amount of the tax with respect to such business shall
9 be equal to the gross income of the business, excluding any fees
10 imposed under chapter 43.200 RCW, multiplied by the rate of fifteen
11 percent.

12 (a) The rate specified in this subsection shall be reduced to ten
13 percent on May 20, 1991.

14 (b) The rate specified in this subsection shall be further reduced
15 to five percent on January 1, 1992.

16 (c) The rate specified in this subsection shall be further reduced
17 to three percent on July 1, 1993.

18 If the gross income of the taxpayer is attributable to activities
19 both within and without this state, the gross income attributable to
20 this state shall be determined in accordance with the methods of
21 apportionment required under RCW 82.04.460.

22 (14) Upon every person engaging within this state as an insurance
23 agent, insurance broker, or insurance solicitor licensed under chapter
24 48.17 RCW; as to such persons, the amount of the tax with respect to
25 such licensed activities shall be equal to the gross income of such
26 business multiplied by the rate of one percent.

27 (15) Upon every person engaging within this state in business as a
28 hospital, as defined in chapter 70.41 RCW, as to such persons, the
29 amount of tax with respect to such activities shall be equal to the
30 gross income of the business multiplied by the rate of 1.5 percent
31 through June 30, 1996, 1.75 percent for the period July 1, 1996,
32 through June 30, 1997, and 2.0 percent thereafter.

33 The moneys collected under subsection (15) of this section shall be
34 deposited in the Washington health services trust account created under
35 section 355 of this act.

36 NEW SECTION. Sec. 271. A new section is added to chapter 48.14
37 RCW to read as follows:

1 (1) Each certified health plan, as defined by section 302 of this
2 act, shall pay a tax on or before the first day of March of each year
3 to the state treasurer through the insurance commissioner's office on
4 premiums received or collected by the certified health plan during the
5 preceding calendar year.

6 (2) The amount of the tax shall be equal to the total amount of all
7 premiums collected or received by the certified health plan during the
8 calendar year multiplied by the rate of .5 percent for calendar year
9 1995; 1.5 percent for calendar year 1996; 1.75 percent for calendar
10 year 1997; and 2 percent thereafter.

11 (3) Certified health plans must prepay their tax liability. The
12 minimum amount of the prepayments shall be percentages of the certified
13 health plan's tax obligation for the preceding calendar year recomputed
14 using the rate in effect for the current year: PROVIDED, That for the
15 prepayment of taxes due during calendar year 1995, the minimum amount
16 of the prepayments shall be percentages of the certified health plan's
17 tax obligation that would have been due had the tax been in effect
18 during calendar year 1994. The tax prepayments shall be paid to the
19 state treasurer through the commissioner's office by the due dates and
20 in the following amounts:

- 21 (a) On or before June 15, forty-five percent;
- 22 (b) On or before September 15, twenty-five percent;
- 23 (c) On or before December 15, twenty-five percent;

24 For good cause demonstrated in writing, the commissioner may
25 approve an amount smaller than the preceding calendar year's tax
26 obligation as recomputed for calculating the certified health plan's
27 prepayment obligations for the current tax year.

28 (4) The moneys collected under this section shall be deposited in
29 the Washington health services trust account created under section 355
30 of this act.

31 **Sec. 272.** RCW 82.04.4289 and 1981 c 178 s 2 are each amended to
32 read as follows:

33 ~~((In computing tax there may be deducted from the measure of tax))~~
34 ~~This chapter does not apply to amounts derived as compensation for~~
35 ~~services rendered to patients or from sales of prescription drugs as~~
36 ~~defined in RCW 82.08.0281 furnished as an integral part of services~~
37 ~~rendered to patients by ((a hospital, as defined in chapter 70.41 RCW,~~
38 ~~which is operated as a nonprofit corporation,)) a kidney dialysis~~

1 facility operated as a nonprofit corporation, ((whether or not operated
2 in connection with a hospital,)) nursing homes and homes for unwed
3 mothers operated as religious or charitable organizations, but only if
4 no part of the net earnings received by such an institution inures
5 directly or indirectly, to any person other than the institution
6 entitled to deduction hereunder. ((In no event shall any such
7 deduction be allowed, unless the hospital building is entitled to
8 exemption from taxation under the property tax laws of this state.))

J. APPROPRIATIONS

10 NEW SECTION. **SEC. 273.** (1) The sum of one hundred sixty-three
11 million dollars, or as much thereof as may be necessary, is
12 appropriated for the biennium ending June 30, 1995, from the Washington
13 health services trust account to the personal health services account
14 for the purposes of expansion of the basic health plan to state
15 residents with incomes below two hundred percent of poverty by June 30,
16 1995.

17 (2) The sum of thirty million dollars, or as much thereof as may be
18 necessary, is appropriated for the biennium ending June 30, 1995, from
19 the Washington health services trust account to the public health
20 account to be used for the purposes of the public health services
21 improvement plan in section 355(2)(b) of this act and to meet the need
22 for immediate improvements in public health programs including reducing
23 the use of tobacco by minors and adults, containing and eradicating
24 tuberculosis, reducing the incidences of sexually transmitted diseases,
25 reducing teen pregnancy and slowing the spread of HIV infection.

26 (3) The sum of six million five hundred thousand dollars, or as
27 much thereof as may be necessary, is appropriated for the biennium
28 ending June 30, 1995, from the Washington health services trust account
29 to the health professions, data systems, and research account for the
30 purposes of section 355(2)(c) of this act.

31 (4) The sum of five million seven hundred thousand dollars, or as
32 much thereof as may be necessary, is appropriated for the biennium
33 ending June 30, 1995, from the Washington health services trust account
34 to the department of health for the following purposes: Four hundred
35 thousand dollars for preparation of the health personnel resource plan
36 under chapter 28B.125 RCW, one million dollars for community-based
37 health professional recruitment and retention activities under chapter

1 70.185 RCW, two hundred thousand dollars for the malpractice insurance
2 program under RCW 43.70.460 and 43.70.470, three million five hundred
3 thousand dollars for training of volunteer emergency medical services
4 personnel under chapter 70.168 RCW, and six hundred thousand dollars to
5 be distributed as needed for the studies authorized in sections 362,
6 363, and 364 of this act.

7 (5) The sum of two million three hundred thousand dollars, or as
8 much thereof as may be necessary, is appropriated for the biennium
9 ending June 30, 1995, from the Washington health services trust account
10 to the University of Washington for the following purposes: Two
11 million dollars for the state-wide family medicine program authorized
12 under chapter 70.112 RCW and three hundred thousand dollars for the
13 training of physician assistants.

14 (6) The sum of two million dollars, or as much thereof as may be
15 necessary, is appropriated for the biennium ending June 30, 1995, from
16 the Washington health services trust account to the higher education
17 coordinating board for the purposes of making awards through the health
18 professional scholarship and loan repayment under chapter 28B.115 RCW.

19 (7) The sum of five million dollars, or as much thereof as may be
20 necessary, is appropriated for the biennium ending June 30, 1995, from
21 the Washington health services trust account to the health care
22 authority exclusively for the purposes of increasing the number of
23 migrant, homeless, refugee, and other persons receiving primary health
24 care services through community health centers. These funds are
25 intended as an increase over the funding levels provided for in the
26 biennium ending June 30, 1993. These funds shall not be used to
27 supplant existing funds received by the community health centers from
28 federal, state, local government, private, and other sources.

29 **PART III. HEALTH AND MEDICAL SYSTEM REFORM**

30 **NEW SECTION.** **Sec. 301.** INTENT. The legislature intends that
31 chapter . . ., Laws of 1993 (this act) establish structures, processes,
32 and specific financial limits to stabilize the overall cost of medical
33 care within the economy, to reduce the demand for unneeded medical
34 care, to provide universal access to essential health and medical
35 services, from all health care providers licensed in this state to
36 provide such services to improve public health, and to ensure that

1 medical system costs do not undermine the financial viability of
2 nonmedical care businesses.

3 **NEW SECTION.** **SEC. 302. DEFINITIONS.** In this chapter and sections
4 317 through 339 and 346 through 350 of this act, unless the context
5 otherwise requires:

6 (1) "Certified health plan" or "plan" means an entity certified by
7 the insurance commissioner according to the provisions of section 319
8 of this act.

9 (2) "Chair" means the presiding officer of the Washington health
10 services commission.

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

12 (4) "Continuous quality improvement and total quality management"
13 means a continuous process to improve health services while reducing
14 costs.

15 (5) "Employee" means a person who is in the employment of an
16 employer, as defined by chapter 50.04 RCW. A full-time employee is an
17 employee who is employed at least eighty hours during a calendar month.
18 A part-time employee is an employee that works less than eighty hours
19 during a calendar month.

20 (6) "Employers' cooperative health purchasing group" or "purchasing
21 group" means a single group of employers in each of two distinct
22 geographical regions separated by the crest of the Cascade mountains
23 that: (a) Has as its purpose the purchase of uniform health benefits
24 on a group basis from certified health plans; (b) purchases the
25 benefits only for its members' employees and dependents; (c) is
26 composed of members whose businesses or activities are principally
27 located in that geographical region; and (d) does not deny
28 participation to any business, partnership, or corporation within its
29 geographical region.

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

32 (8) "Enrollee point of service cost-sharing" means fees paid to
33 certified health plans by enrollees for receipt of specific uniform
34 benefit package services, and may include deductibles all within limits
35 established by the commission.

36 (9) "Enrollee premium sharing" means that portion of the premium
37 that is paid by enrollees or their family members.

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

4 (11) "Health care facility" or "facility" means hospices licensed
5 under chapter 70.127 RCW, hospitals licensed under chapter 70.41 RCW,
6 rural health facilities as defined in RCW 70.175.020, psychiatric
7 hospitals licensed under chapter 71.12 RCW, nursing homes licensed
8 under chapter 18.51 RCW, kidney disease treatment centers licensed
9 under chapter 70.41 RCW, ambulatory diagnostic, treatment or surgical
10 facilities licensed under chapter 70.41 RCW, drug and alcohol treatment
11 facilities licensed under chapter 70.96A RCW, and home health agencies
12 licensed under chapter 70.127 RCW, and includes such facilities if
13 owned and operated by a political subdivision or instrumentality of the
14 state and such other facilities as required by federal law and
15 implementing regulations, but does not include Christian Science
16 sanatoriums operated, listed, or certified by the First Church of
17 Christ Scientist, Boston, Massachusetts.

18 (12) "Health care provider" or "provider" means either:

19 (a) A physician or any other licensed, certified, or registered
20 health professional regulated under chapter 18.130 RCW whom the
21 commission identifies as appropriate to provide health services;

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

24 (c) An entity, whether or not incorporated, facility, or
25 institution employing one or more persons described in (a) of this
26 subsection, including, but not limited to, a hospital, clinic, health
27 maintenance organization, or nursing home; or an officer, director,
28 employee, or agent thereof acting in the course and scope of his or her
29 employment.

30 (13) "Long-term care" means institutional, residential, outpatient,
31 or community-based services that meet the individual needs of persons
32 of all ages who are limited in their functional capacities or have
33 disabilities and require assistance with performing two or more
34 activities of daily living for an extended or indefinite period of
35 time. These services include case management, in-home care, nursing
36 services, convalescent, custodial, chronic, and terminally ill care.

37 (14) "Maximum enrollee financial participation" means the income-
38 related total annual payments that may be required of an enrollee per
39 family who chooses the lowest priced plans in a geographic region

1 including both premium-sharing and enrollee point of service cost-
2 sharing.

3 (15) "Premium" means the level of payment a certified health plan
4 receives from all sources for all expenses, including administration,
5 operation, and capital, determined on an annual basis by the commission
6 for providing the uniform benefit package to an individual, either
7 adult or child, or a family.

8 (16) "State health services budget" means total funds that may be
9 included during any fiscal year within a document developed pursuant to
10 section 354 of this act.

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

20 (18) "Uniform benefit package" means those appropriate and
21 effective health services, defined by the commission under section 347
22 of this act, that must be offered to all Washington residents through
23 certified health plans.

24 (19) "Washington resident" or "resident" means a person who intends
25 to reside in the state permanently or indefinitely and who did not move
26 to Washington for the primary purpose of securing health services under
27 sections 317 through 339 and 346 through 350 of this act. "Washington
28 resident" also includes people and their accompanying family members
29 who are in the state for the purpose of engaging in employment for at
30 least one month, who did not enter the state for the primary purpose of
31 obtaining health services. The confinement of a person in a nursing
32 home, hospital, or other medical institution in the state shall not by
33 itself be sufficient to qualify such person as a resident.

34 **A. THE WASHINGTON HEALTH SERVICES COMMISSION**

35 NEW SECTION. **Sec. 303.** CREATION OF COMMISSION--MEMBERSHIP--TERMS
36 OF OFFICE--VACANCIES--SALARIES. (1) There is created an agency of
37 state government to be known as the Washington health services

1 commission. The commission shall consist of the insurance
2 commissioner, the state health officer and three other members
3 appointed by the governor with the consent of the senate. One member,
4 who may not be either the insurance commissioner or the state health
5 officer, shall be designated by the governor as chair and shall serve
6 at the pleasure of the governor. Of the initial members, one shall be
7 appointed to a term of three years, one shall be appointed to a term of
8 four years, and one shall be appointed to a term of five years.
9 Thereafter, members shall be appointed to five-year terms. Vacancies
10 shall be filled by appointment for the remainder of the unexpired term
11 of the position being vacated.

12 (2) Members of the commission shall have no pecuniary interest in
13 any business subject to regulation by the commission and shall be
14 subject to chapter 42.18 RCW, the executive branch conflict of interest
15 act.

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

24 NEW SECTION. **Sec. 304.** ADVISORY COMMITTEES. (1) The commission
25 shall establish a standing technical advisory committee with balanced
26 representation including physicians, hospitals, seniors, researchers,
27 allied health professions, business, labor, insurers, and consumers.
28 The commission may establish ad hoc technical advisory task forces to
29 provide advice on specific issues.

30 (2) The commission shall establish a "service effectiveness
31 advisory committee" to provide technical guidance to the commission.
32 The advisory committee shall be composed of ten to fifteen technical
33 experts, such as general practitioners, specialty health care
34 providers, health service researchers, health ethicists,
35 epidemiologists, and public health experts, who reflect the state's
36 ethnic and cultural diversity. The advisory committee shall perform
37 several functions, such as assessing the effectiveness of the uniform
38 benefit package based on the health status of the population.

1 (3) Committee members shall serve without compensation for their
2 services but shall be reimbursed for their expenses while attending
3 meetings on behalf of the commission in accordance with RCW 43.03.050
4 and 43.03.060.

5 NEW SECTION. **Sec. 305.** POWERS AND DUTIES OF THE CHAIR. The chair
6 shall be the chief administrative officer and the appointing authority
7 of the commission and has the following powers and duties:

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

11 (2) Employ personnel of the commission, in accordance with chapter
12 41.06 RCW, and prescribe their duties. With the approval of a majority
13 of the commission, the chair may appoint persons to administer any
14 entity established pursuant to subsection (8) of this section, and up
15 to seven additional employees all of whom shall be exempt from the
16 provisions of chapter 41.06 RCW;

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

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

20 (5) Delegate administrative functions of the commission to
21 employees of the commission as the chair deems necessary to ensure
22 efficient administration;

23 (6) Subject to approval of the commission, appoint advisory
24 committees and undertake studies, research, and analysis necessary to
25 support activities of the commission;

26 (7) Preside at meetings of the commission;

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

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

34 NEW SECTION. **Sec. 306.** POWERS AND DUTIES OF THE COMMISSION. The
35 commission has the following powers and duties:

36 (1) Ensure that all residents of Washington state are enrolled in
37 a certified health plan, regardless of age, sex, family structure,

1 ethnicity, race, health condition, geographic location, employment, or
2 economic status.

3 (2) Ensure that all residents of Washington state have access to
4 appropriate and effective health services. If certified health plans
5 are insufficient or unable to meet a population's needs for access to
6 certified health plan services, authorize appropriate state agencies,
7 local health departments, community or migrant health centers, public
8 hospital districts, or other nonprofit health service entities to take
9 actions necessary to assure such access. This may include authority to
10 contract for or to directly deliver services described within the
11 uniform benefit package to special populations.

12 (3) Develop a total state health services budget, according to the
13 requirements of section 354 of this act.

14 (4) Adopt necessary rules in accordance with chapter 34.05 RCW to
15 carry out the purposes of chapter . . ., Laws of 1993 (this act),
16 provided that an initial set of draft rules establishing at least the
17 commission's organization structure, the uniform benefit package,
18 limits on maximum enrollee financial participation, methods for
19 developing the state health services budget, and standards for
20 certified health plan and health care purchasing cooperative
21 certification, must be submitted in draft form to the legislature by
22 January 1995.

23 (5) Establish, and from time to time modify, the uniform benefit
24 package, as provided in section 347 of this act, which shall be offered
25 to enrollees of a certified health plan. The benefit package shall be
26 provided at no more than the maximum premium specified in subsection
27 (6) of this section.

28 (6) Establish for each year a strictly community-rated maximum
29 premium for the uniform benefits package that a certified health plan
30 may receive. The premium cost of the uniform benefits package in 1994
31 shall be based upon the actuarially determined cost of providing the
32 uniform benefit package in view of the best observed practice of
33 managed care plans operating in Washington between 1990 and 1993. The
34 cost of the uniform benefit package in 1994 shall be allowed to
35 increase by a rate no greater than the average growth rate in the cost
36 of the package between 1990 and 1993 as actuarially determined.
37 Beginning in 1995, the growth rate of the premium shall be reduced by
38 two percentage points per year until the growth rate is no greater than
39 growth in the Washington consumer price index, as determined by the

1 office of financial management. If the commission adds services or
2 benefits to the uniform benefit package in subsequent years, it may
3 increase the maximum premium to reflect the actual cost experience of
4 a sample of the state's lowest cost providers of that service, adjusted
5 actuarially. The addition of services or benefits shall not result in
6 a redetermination of the entire cost of the uniform benefit package.

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

9 (8) Establish standards for capital expenditures by certified
10 health plans, health care facilities, or providers. A major capital
11 expenditure is defined as any single expenditure for capital
12 acquisitions, including medical technological equipment, as defined by
13 the commission, costing more than one million dollars. Periodically
14 the commission shall prioritize the proposed projects based on
15 standards of cost-effectiveness and access. The commission shall then
16 approve those projects in rank order that are within the limits of the
17 capital budget. The Washington health care facilities authority
18 authorized in chapter 70.37 RCW may not approve financing for a major
19 capital expenditure unless it has been approved by the commission under
20 this subsection.

21 (9) Establish maximum enrollee financial participation according to
22 chapter . . ., Laws of 1993 (this act).

23 (10) For health services provided under the uniform benefits
24 package, adopt standards for enrollment, billing, and claims
25 processing. The standards shall ensure that these procedures are
26 performed in a simplified, economical, and equitable manner for all
27 parties concerned. Subject to federal approval or phase-in schedules
28 whenever necessary or appropriate, the standards shall also apply to
29 health services purchased by the department of social and health
30 services, the department of labor and industries, the department of
31 health, the health care authority, the basic health plan, and plans
32 that provide the uniform benefits package to local governments and
33 public school employees.

34 (11) Propose or require that certified health plans have certain
35 practice indicators or risk management protocols for quality assurance,
36 utilization review, or provider payment. The commission may consider
37 indicators or protocols recommended according to section 310 of this
38 act for these purposes.

1 (12) Propose or require other guidelines to certified health plans
2 for utilization management, use of technology and methods of payment,
3 such as diagnosis-related groups and a resource-based relative value
4 scale. Such guidelines may be voluntary, but shall be mandatory if the
5 commission determines that their uniform implementation will promote
6 improved management of care, and provide incentives for improved
7 efficiency and effectiveness within the delivery system.

8 (13) Monitor the availability of health services to both
9 populations and geographic areas, to determine whether there are
10 residents lacking in access to necessary services. In the case where
11 individuals or populations may appear to be denied access to certified
12 health plans, the commission shall notify both the plan and the
13 commissioner of such a determination. In the case of finding a
14 geographic area with an appreciable number of residents unable to
15 access appropriate and effective health services the commission shall
16 adopt by rule standards by which the insurance commissioner may, in
17 such event, then require certified health plans in closest proximity to
18 such persons to extend their catchment areas to such persons and offer
19 them enrollment.

20 (14) Adopt standards and oversee and develop policy for a state-
21 wide health care data system as provided in chapter 70.170 RCW.

22 (15) Adopt standards that prevent conflict of interest by health
23 care providers as provided in RCW 19.68.010 and section 220 of this
24 act.

25 (16) Develop standards for the certification process to certify
26 health plans to provide the uniform benefit package, according to the
27 provisions for certified health plans under chapter . . . , Laws of 1993
28 (this act).

29 (17) Adopt standards applicable to all certified health plans that
30 will assure health care providers within the service area of a plan an
31 opportunity to negotiate on an equal basis the terms and conditions of
32 their professional relationship with the plan; to work cooperatively in
33 the development of any utilization review procedures, risk management
34 protocols for quality assurance, and practice indicators that might be
35 unique to a plan or local community; and such other professional issues
36 as the parties may need to pursue in the furtherance of the goals of
37 chapter . . . , Laws of 1993 (this act). The standards shall include
38 a dispute resolution process for the plan and providers. The providers

1 are authorized to organize and communicate for the purposes of the
2 negotiations under this section.

3 (18) Develop standards for the employer's cooperative health care
4 purchasing group certification process according to the provisions of
5 this chapter.

6 (19) In developing the uniform benefit package and other standards
7 pursuant to this section, consider the likelihood of the establishment
8 of a national health services plan adopted by the federal government
9 and its implications.

10 (20) Evaluate whether Washington is experiencing a higher
11 percentage in in-migration of residents from other states and
12 territories than would be expected by normal trends as a result of the
13 availability of comprehensive subsidized health care benefits for all
14 residents and report to the governor and the legislature their
15 findings.

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

24 NEW SECTION. **Sec. 307.** After consultation with the state health
25 officer and the insurance commissioner, and on the basis of evidence
26 established by independent actuarial analysis, if the governor finds
27 that the economic viability of a significant portion of the state's
28 certified health plans is seriously threatened, the governor may
29 increase the maximum premium by an amount that is no more than one
30 hundred fifty percent of the state average rate of growth in personal
31 income, and must immediately thereafter submit to the legislature a
32 proposal for a new formula for adjusting the maximum premium that must
33 be approved by each house of the legislature by a sixty percent vote.

34 NEW SECTION. **Sec. 308.** CONTINUOUS QUALITY IMPROVEMENT AND TOTAL
35 QUALITY MANAGEMENT. To ensure the highest quality health services at
36 the lowest total cost, the commission shall establish a total quality
37 management system of continuous quality improvement. Such endeavor

1 shall be based upon the recognized quality science for continuous
2 quality improvement. The commission shall impanel a committee composed
3 of persons from the private sector and related sciences who have broad
4 knowledge and successful experiences in continuous quality improvement
5 and total quality management applications. It shall be the
6 responsibility of the committee to develop standards for a Washington
7 state health services supplier certification process and recommend such
8 standards to the commission for review and adoption. Once adopted, the
9 commission shall establish a schedule, with full compliance no later
10 than July 1, 1996, whereby all health service providers and health
11 service facilities shall be certified prior to providing uniform
12 benefit package services. In conjunction with the commission's total
13 quality management efforts, the department of health shall develop a
14 regulatory system that supports the development and maintenance of
15 quality assurance plans throughout the medical community.

16 NEW SECTION. **Sec. 309.** Sections 301 through 308 of this act shall
17 constitute a new chapter in Title 43 RCW.

B. PRACTICE INDICATORS

19 NEW SECTION. **SEC. 310.** A new section is added to chapter 43.70
20 RCW to read as follows:

PRACTICE INDICATORS. The department of health shall consult with health care providers, purchasers, health professional regulatory authorities under RCW 18.130.040, appropriate research and clinical experts, and consumers of health care services to identify specific practice areas where practice indicators and risk management protocols have been developed. Practice indicators shall be based upon expert consensus and best available scientific evidence. The department shall:

29 (1) Develop a definition of expert consensus and best available
30 scientific evidence so that practice indicators can serve as a standard
31 for excellence in the provision of health care services.

32 (2) Establish a process to identify and evaluate practice
33 indicators and risk management protocols as they are developed by the
34 appropriate professional, scientific, and clinical communities.

1 (3) Recommend the use of practice indicators and risk management
2 protocols in quality assurance, utilization review, or provider payment
3 to the health services commission.

C. HEALTH CARE LIABILITY REFORMS

5 NEW SECTION. Sec. 311. A new section is added to Title 48 RCW to
6 read as follows:

7 MEDICAL MALPRACTICE PROVISIONS FOR CERTIFIED HEALTH PLAN
8 PARTICIPANTS. (1) No policy for medical malpractice that insures,
9 indemnifies, or otherwise protects a certified health plan or a
10 provider caring for patients according to a certified health plan
11 contract from medical malpractice may maintain a ratio of losses to
12 gross income from premiums that is less than eighty-five percent.

13 (2) Neither a certified health plan nor a health care provider
14 caring for patients according to a certified health plan contract shall
15 be subject to liability for harm under this chapter for health care
16 provided in accordance with a practice indicator adopted by the health
17 services commission unless the claimant establishes by a preponderance
18 of the evidence that the provider's application or execution of the
19 practice indicator was a failure to follow the accepted standard of
20 care.

21 (3) A certified health plan shall be subrogated to a participant's
22 claim under chapter 7.70 RCW against a health care provider and shall
23 have a lien against any recovery based on such claim as provided in
24 this section. The right of subrogation and the lien granted by this
25 section is limited to payments made by the plan for health care
26 relating to the claim. The lien shall be enforceable only if the
27 recovery fully compensates the participant for his or her loss.

(4) No health care provider or facility may deliver care covered by a certified health plan without first presenting evidence of malpractice insurance in at least the amount specified by the commission.

32 **Sec. 312.** RCW 18.130.160 and 1986 c 259 s 8 are each amended to
33 read as follows:

34 FINDING OF UNPROFESSIONAL CONDUCT--ORDERS--SANCTIONS--STAY--COSTS.
35 Upon a finding that a license holder or applicant has committed
36 unprofessional conduct or is unable to practice with reasonable skill

1 and safety due to a physical or mental condition, the disciplining
2 authority may issue an order providing for one or any combination of
3 the following:

- 4 (1) Revocation of the license;
- 5 (2) Suspension of the license for a fixed or indefinite term;
- 6 (3) Restriction or limitation of the practice;
- 7 (4) Requiring the satisfactory completion of a specific program of
8 remedial education or treatment;
- 9 (5) The monitoring of the practice by a supervisor approved by the
10 disciplining authority;
- 11 (6) Censure or reprimand;
- 12 (7) Compliance with conditions of probation for a designated period
13 of time;
- 14 (8) Payment of a fine for each violation of this chapter, not to
15 exceed ((one)) five thousand dollars per violation. Funds received
16 shall be placed in the health professions account;
- 17 (9) Denial of the license request;
- 18 (10) Corrective action;
- 19 (11) Refund of fees billed to and collected from the consumer.

20 Any of the actions under this section may be totally or partly
21 stayed by the disciplining authority. In determining what action is
22 appropriate, the disciplining authority must first consider what
23 sanctions are necessary to protect or compensate the public. Only
24 after such provisions have been made may the disciplining authority
25 consider and include in the order requirements designed to rehabilitate
26 the license holder or applicant. All costs associated with compliance
27 with orders issued under this section are the obligation of the license
28 holder or applicant.

29 **Sec. 313.** RCW 18.130.190 and 1991 c 3 s 271 are each amended to
30 read as follows:

31 PRACTICE WITHOUT LICENSE--INVESTIGATION OF COMPLAINTS--TEMPORARY
32 CEASE AND DESIST ORDERS--INJUNCTIONS--PENALTY. (1) The secretary shall
33 investigate complaints concerning practice by unlicensed persons of a
34 profession or business for which a license is required by the chapters
35 specified in RCW 18.130.040. In the investigation of the complaints,
36 the secretary shall have the same authority as provided the secretary
37 under RCW 18.130.050. The secretary shall issue a cease and desist
38 order to a person after notice and hearing and upon a determination

1 that the person has violated this subsection. If the secretary makes
2 a written finding of fact that the public interest will be irreparably
3 harmed by delay in issuing an order, the secretary may issue a
4 temporary cease and desist order. The cease and desist order shall not
5 relieve the person so practicing or operating a business without a
6 license from criminal prosecution therefor, but the remedy of a cease
7 and desist order shall be in addition to any criminal liability. The
8 cease and desist order is conclusive proof of unlicensed practice and
9 may be enforced under RCW 7.21.060. This method of enforcement of the
10 cease and desist order may be used in addition to, or as an alternative
11 to, any provisions for enforcement of agency orders set out in chapter
12 34.05 RCW.

13 (2) The attorney general, a county prosecuting attorney, the
14 secretary, a board, or any person may in accordance with the laws of
15 this state governing injunctions, maintain an action in the name of
16 this state to enjoin any person practicing a profession or business for
17 which a license is required by the chapters specified in RCW 18.130.040
18 without a license from engaging in such practice or operating such
19 business until the required license is secured. However, the
20 injunction shall not relieve the person so practicing or operating a
21 business without a license from criminal prosecution therefor, but the
22 remedy by injunction shall be in addition to any criminal liability.

23 (3) Unlicensed practice of a profession or operating a business for
24 which a license is required by the chapters specified in RCW
25 18.130.040, unless otherwise exempted by law, constitutes a gross
26 misdemeanor. All fees, fines, forfeitures, and penalties collected or
27 assessed by a court because of a violation of this section shall be
28 remitted to the health professions account.

29 (4) In addition to the remedies provided in this section, the
30 secretary is authorized to impose a civil penalty of up to five
31 thousand dollars on any person engaged, without a license, in a
32 profession or business for which a license is required by the chapters
33 specified in RCW 18.130.040. The imposition of such civil penalty
34 shall occur only subsequent to a hearing in conformance with the
35 provisions of chapter 34.05 RCW in any case in which the secretary
36 finds that there has been a failure or refusal to comply with the
37 provisions of any chapters specified in RCW 18.130.040.

1 NEW SECTION. **Sec. 314.** A new section is added to Title 70 RCW to
2 read as follows:

3 RISK MANAGEMENT TRAINING WITHIN HEALTH FACILITIES. Effective July
4 1, 1994, each health care provider, facility, or health maintenance
5 organization that self-insures for liability risks related to medical
6 malpractice and employs physicians or other independent health care
7 practitioners in Washington state shall condition each physician's and
8 practitioner's liability coverage by that entity upon that physician's
9 or practitioner's participation in risk management training offered by
10 the provider, facility, or health maintenance organization to its
11 employees. The risk management training shall provide information
12 related to avoiding adverse health outcomes resulting from substandard
13 practice and minimizing damages associated with those adverse health
14 outcomes that occur. For purposes of this section, "independent health
15 care practitioner" means those health care practitioner licensing
16 classifications designated by the department of health in rule under
17 this section. On or before January 1, 1994, the department shall
18 designate by rule:

19 (1) Those health professions whose scope of practice includes
20 independent practice;

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

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

25 NEW SECTION. **Sec. 315.** A new section is added to chapter 48.22
26 RCW to read as follows:

27 RISK MANAGEMENT TRAINING OF INDEPENDENT HEALTH CARE PRACTITIONERS.
28 Effective July 1, 1994, a casualty insurer's issuance of a new medical
29 malpractice policy or renewal of an existing medical malpractice
30 policy, to a physician or other independent health care practitioner,
31 shall be conditioned upon that practitioner's participation in, and
32 completion of, health care liability risk management training offered
33 by the insurer. The risk management training shall provide information
34 related to avoiding adverse health outcomes resulting from substandard
35 practice and minimizing damages associated with those adverse health
36 outcomes that occur. For purposes of this section, "independent health
37 care practitioners" means those health care practitioner licensing

1 classifications designated by the department of health in rule pursuant
2 to section 314 of this act.

3 **Sec. 316.** RCW 70.41.200 and 1991 c 3 s 336 are each amended to
4 read as follows:

5 MEDICAL MALPRACTICE PREVENTION PROGRAM--QUALITY ASSURANCE
6 COMMITTEE--SANCTION AND GRIEVANCE PROCEDURES--INFORMATION COLLECTION
7 AND REPORTING. (1) Every hospital shall maintain a coordinated program
8 for the identification and prevention of medical malpractice. The
9 program shall include at least the following:

10 (a) The establishment of a quality assurance committee with the
11 responsibility to review the services rendered in the hospital in order
12 to improve the quality of medical care of patients and to prevent
13 medical malpractice. The committee shall oversee and coordinate the
14 medical malpractice prevention program and shall insure that
15 information gathered pursuant to the program is used to review and to
16 revise hospital policies and procedures. At least one member of the
17 committee shall be a member of the governing board of the hospital who
18 is not otherwise affiliated with the hospital in an employment or
19 contractual capacity;

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

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

27 (d) A procedure, including but not limited to, mediation, for the
28 prompt resolution of grievances by patients or their representatives
29 related to accidents, injuries, treatment, and other events that may
30 result in claims of medical malpractice;

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

36 (f) The maintenance of relevant and appropriate information
37 gathered pursuant to (a) through (e) of this subsection concerning

1 individual physicians within the physician's personnel or credential
2 file maintained by the hospital;

3 (g) Education programs dealing with patient safety, injury
4 prevention, staff responsibility to report professional misconduct, the
5 legal aspects of patient care, improved communication with patients,
6 and causes of malpractice claims for staff personnel engaged in patient
7 care activities; and

8 (h) Policies to ensure compliance with the reporting requirements
9 of this section.

10 (2) Any person who, in substantial good faith, provides information
11 to further the purposes of the medical malpractice prevention program,
12 or who, in substantial good faith, participates on the quality
13 assurance committee, or who, in substantial good faith, assists in a
14 broader scope of quality assurance by health care service providers
15 shall not be subject to an action for civil damages or other relief as
16 a result of such activity.

17 (3) Information and documents, including complaints and incident
18 reports, created, collected, and maintained about health care providers
19 arising out of the matters that are under review or have been evaluated
20 by a review committee conducting quality assurance reviews or that are
21 related to general quality assurance activities are not subject to
22 discovery or introduction into evidence in any civil action, and no
23 person who was in attendance at a meeting of such committee or board or
24 quality assurance activities shall be permitted or required to testify
25 in any civil action as to the content of such proceedings or
26 activities. This subsection does not preclude: (a) In any civil
27 action, the testimony of any person concerning the facts which form the
28 basis for the institution of such proceedings of which the person had
29 personal knowledge acquired independently of such proceedings; (b) in
30 any civil action by a health care provider regarding the restriction or
31 revocation of that individual's clinical or staff privileges,
32 introduction into evidence information collected and maintained by
33 quality assurance committees regarding such health care provider; (c)
34 in any civil action, disclosure of the fact that staff privileges were
35 terminated or restricted, including the specific restrictions imposed,
36 if any; or (d) in any civil action, discovery and introduction into
37 evidence of the patient's medical records required by regulation of the
38 department of health to be made regarding the care and treatment
39 received.

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

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

13 (6) Violation of this section shall not be considered negligence
14 per se.

D. CERTIFIED HEALTH PLANS

16 NEW SECTION. **SEC. 317.** CERTIFIED HEALTH PLANS--REGISTRATION
17 REQUIRED--PENALTY. (1) No person or entity in this state shall, by
18 mail or otherwise, act or hold himself or herself out to be a certified
19 health plan as defined by section 302 of this act without being
20 registered with the insurance commissioner.

21 (2) Any one violating subsection (1) of this section is liable for
22 a fine not to exceed ten thousand dollars and imprisonment not to
23 exceed six months for each instance of such violation.

NEW SECTION. **SEC. 318.** PROVIDER ELIGIBILITY TO PARTICIPATE IN PLANS. All certified health plans and other health care coverage programs, irrespective of whether insured or self-insured, funded by state and local governments or private entities, subject to the jurisdiction of the state of Washington, may establish terms and conditions to be met by providers wishing to enter into an agreement with the plan to provide services to the plan's enrollees. No plan or agent of a plan may deny a provider the right to enter into such an agreement if the provider is willing and able to meet the qualifications and conditions established in that agreement. Plans may terminate providers in accordance with the agreement's terms. Providers terminated by a plan under any agreement need not be accepted by the plan into its other or subsequent agreements.

1 NEW SECTION. **Sec. 319.** ELIGIBILITY REQUIREMENTS FOR CERTIFICATE
2 OF REGISTRATION--APPLICATION REQUIREMENTS. Any corporation,
3 cooperative group, partnership, association or groups of health
4 professionals licensed by the state of Washington, public hospital
5 district, or public institutions of higher education shall be entitled
6 to a certificate from the insurance commissioner as a certified health
7 plan if it:

8 (1) Provides the benefits prescribed by the uniform benefit package
9 to enrolled Washington residents on a prepaid per capita basis for a
10 total cost, which may not exceed the maximum premium established by the
11 commission and provides such health services either directly or through
12 arrangements with institutions, entities, and persons that its enrolled
13 population might reasonably require in accordance with the rules
14 established by the health services commission;

15 (2) Accepts for enrollment any state resident working or residing
16 in the area of the state serviced by the plan, and provides or assures
17 the provision of all services within the uniform benefit package
18 regardless of age, sex, family structure, ethnicity, race, health
19 condition, geographic location within the plan's service area as filed
20 with the insurance commissioner, employment status, or other condition
21 or situation, however, the commissioner may grant a temporary exemption
22 from this subsection, if, upon application by a certified health
23 plan, the commissioner finds that the clinical, financial, or
24 administrative capacity to serve existing enrollees will be impaired if
25 a certified health plan is required to continue enrollment of
26 additional eligible individuals;

27 (3) Demonstrates to the satisfaction of the insurance commissioner
28 in consultation with the department of health and the health services
29 commission that its facilities and personnel are adequate to provide
30 the benefits prescribed in the uniform benefit package to enrolled
31 Washington residents, and that it is financially capable of providing
32 such residents with, or has made adequate contractual arrangements with
33 health care providers and facilities to provide the residents with such
34 services, including assuring reasonable access to local providers,
35 especially for enrollees residing in rural areas;

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

1 (5) Submits an application for certification as a certified health
2 plan, which shall be verified by an officer or authorized
3 representative of the applicant, being in a form as the insurance
4 commissioner prescribes in consultation with the health services
5 commission;

6 (6) Meets the minimum net worth requirements set forth in section
7 331 of this act and the funding reserve requirements set forth in
8 section 332 of this act;

9 (7) With the exception of employer self-funded health insurance
10 arrangements, offers a policy for long-term care services defined by
11 the health services commission that are not included in the uniform
12 benefit package. Such offering shall be made to all plan enrollees
13 wishing to purchase such a plan on a guaranteed-issue basis without
14 underwriting;

15 (8) Discloses to patients the charity care requirements under
16 chapter 70.170 RCW; and

17 (9) Provides all enrollees with instruction and informational
18 materials to increase individual and family awareness of injury and
19 illness prevention; encourages assumption of personal responsibility
20 for protecting personal health; and stimulates discussion about the use
21 and limits of medical care in improving the health of individuals and
22 communities.

23 A certified health plan may establish the geographic boundaries in
24 which they will obligate themselves to deliver the services required
25 under the uniform benefit package and include such information in their
26 application for certification, but the commissioner shall review such
27 boundaries and may disapprove, in conformance to guidelines adopted by
28 the commission, those which have been clearly drawn to be exclusionary
29 within a health care catchment area.

30 NEW SECTION. **Sec. 320.** Nothing in this chapter precludes an
31 entity from insuring, providing, contracting, or receiving payment for
32 health services or levels of services not included in the uniform
33 benefit package, nor does anything in this chapter restrict an employer
34 from offering, an employee representative from negotiating for, or an
35 individual from purchasing, services or levels of service not included
36 in the uniform benefit package directly.

1 NEW SECTION. **SEC. 321.** DENTAL HEALTH CARE SERVICE. If a
2 corporation or cooperative group meets all requirements as a certified
3 health plan under chapter . . ., Laws of 1993 (this act), except those
4 in section 319(7) of this act, the commissioner may waive the
5 requirement that such certified health plan provide all services within
6 the uniform benefit package except dental services. The commissioner
7 shall adopt rules necessary to implement this section.

8 NEW SECTION. **SEC. 322.** No health care provider may be required by
9 law or contract in any circumstances to participate in the provision of
10 any uniform benefit if she or he objects to so doing for reason of
11 conscience or religion. No person may be discriminated against in
12 employment or professional privileges because of such objection.

13 The provisions of this section are not intended to result in an
14 enrollee being denied access to any service within the uniform benefit
15 package. The commission shall establish procedures that certified
16 health plans must follow to inform enrollees if any provider within the
17 certified health plan may refuse to perform a uniform benefit package
18 service out of conscience. The procedures shall include written
19 information that lists the services that a provider may refuse to
20 perform, and the name of a provider within the certified health plan
21 who will provide each such service.

22 NEW SECTION. **SEC. 323.** ISSUANCE OF CERTIFICATE--GROUNDS FOR
23 REFUSAL. The commissioner shall issue a certificate as a certified
24 health plan to an applicant within one hundred twenty days of such
25 filing unless the commissioner notifies the applicant within such time
26 that such application is not complete and the reasons therefor; or that
27 the commissioner is not satisfied that:

28 (1) The basic organization document of the applicant permits the
29 applicant to conduct business as a certified health plan;

30 (2) The applicant has demonstrated the intent and ability to assure
31 that the health services will be provided in a manner to assure both
32 their availability and accessibility;

33 (3) The organization is financially responsible and may be
34 reasonably expected to meet its obligations to its enrolled
35 participants. In making this determination, the commissioner shall
36 consider among other relevant factors:

1 (a) Any agreements with a casualty insurer, a government agency, or
2 any other organization paying or insuring payment for health care
3 services;

4 (b) Any agreements with providers for the provision of health care
5 services; and

6 (c) Any arrangements for liability and malpractice insurance
7 coverage.

8 (4) The procedures for offering health care services are reasonable
9 and equitable; and

10 (5) Procedures have been established to:

11 (a) Monitor the quality of care provided by the certified health
12 plan including standards and guidelines provided by the health services
13 commission and other appropriate state agencies;

14 (b) Operate internal peer review mechanisms; and

15 (c) Resolve complaints and grievances in accordance with section
16 336 of this act and rules established by the insurance commissioner in
17 consultation with the commission.

18 NEW SECTION. **Sec. 324.** A certified health plan may not
19 discriminate against a health care provider in offering health care
20 services to beneficiaries under chapter . . . , Laws of 1993 (this act)
21 where (1) the services are within the scope of practice of the health
22 care provider; and (2) the benefit authorized by the commission is one
23 that is provided by the certified health plan. Nothing in this section
24 shall affect the ability of the certified health plan to utilize the
25 most cost-effective and clinically efficacious treatment modalities.

26 NEW SECTION. **Sec. 325.** PREMIUMS AND ENROLLEE PAYMENT AMOUNTS--
27 FILING OF PREMIUMS AND ENROLLEE PAYMENT AMOUNTS--ADDITIONAL CHARGES
28 PROHIBITED. (1) The insurance commissioner shall verify that the
29 certified health plan and its providers are charging no more than the
30 maximum premiums and enrollee financial participation amounts during
31 the course of financial and market conduct examinations or more
32 frequently if justified in the opinion of the insurance commissioner or
33 upon request by the health services commission.

34 (2) The certified health plans shall file the premium schedules
35 including employer contributions, enrollee premium sharing, and
36 enrollee point of service cost sharing amounts with the insurance

1 commissioner, within thirty days of establishment by the health
2 services commission.

3 (3) No certified health plan or its provider may charge any fees,
4 assessments, or charges in addition to the premium amount or in excess
5 of the maximum enrollee financial participation limits established by
6 the health services commission. The certified health plan that
7 directly provides health care services may charge and collect the
8 enrollee point of service cost sharing fees as established in the
9 uniform benefit package or other approved benefit plan.

10 **NEW SECTION. Sec. 326. ANNUAL STATEMENT FILING--CONTENTS--PENALTY**
11 FOR FAILURE TO FILE--ACCURACY REQUIRED. (1) Every certified health
12 plan shall annually not later than March 1 of the calendar year, file
13 with the insurance commissioner a statement verified by at least two of
14 its principal officers showing its financial condition as of December
15 31 of the preceding year.

16 (2) Such annual report shall be in such form as the insurance
17 commissioner shall prescribe and shall include:

18 (a) A financial statement of the certified health plan, including
19 its balance sheet and receipts and disbursements for the preceding
20 year, which reflects at a minimum;

21 (i) All prepayments and other payments received for health care
22 services rendered pursuant to certified health plan benefit packages;

23 (ii) Expenditures to all categories of health care facilities,
24 providers, and organizations with which the plan has contracted to
25 fulfill obligations to enrolled residents arising out of the uniform
26 benefit package and other approved supplemental benefit agreements,
27 together with all other direct expenses including depreciation,
28 enrollment, and commission; and

29 (iii) Expenditures for capital improvements, or additions thereto,
30 including but not limited to construction, renovation, or purchase of
31 facilities and capital equipment;

32 (b) A report of the names and addresses of all officers, directors,
33 or trustees of the certified health plan during the preceding year, and
34 the amount of wages, expense reimbursements, or other payments to such
35 individuals. For partnership and professional service corporations, a
36 report shall be made for partners or shareholders as to any
37 compensation or expense reimbursement received by them for services,

1 other than for services and expenses relating directly for patient
2 care;

3 (c) The number of residents enrolled and terminated during the
4 report period. Additional information regarding the enrollment and
5 termination pattern for a certified health plan may be required by the
6 commissioner to demonstrate compliance with the open enrollment and
7 free access requirements of chapter . . . , Laws of 1993 (this act).
8 The insurance commissioner shall specify additional information to be
9 reported which may include but not be limited to age, sex, location,
10 and health status information.

11 (d) Such other information relating to the performance of the
12 certified health plan or the health care facilities or providers with
13 which it has contracted as reasonably necessary to the proper and
14 effective administration of this chapter in accordance with rules and
15 regulations;

16 (e) Disclosure of any financial interests held by officers and
17 directors in any providers associated with the certified health plan or
18 provider of the certified health plan;

19 (3) The commissioner may require quarterly reporting of financial
20 information, such information to be furnished in a format prescribed by
21 the commissioner in consultation with the commission.

22 (4) The commissioner may for good reason allow a reasonable
23 extension of time within which such annual statement shall be filed.

24 (5) The commissioner may suspend or revoke the certificate of a
25 certified health plan for failing to file its annual statement when due
26 or during any extension of time therefor which the commissioner, for
27 good cause, may grant.

28 (6) The commission shall publish and make available to the health
29 services commission and the major newspapers of the state an annual
30 summary report of at least the information required in subsections (2)
31 and (3) of this section.

32 (7) No person shall knowingly file with any public official or
33 knowingly make, publish, or disseminate any financial statement of a
34 certified health plan that does not accurately state the certified
35 health plan's financial conditions.

36 NEW SECTION. **Sec. 327.** COVERAGE NOT DENIED--ENROLLMENT LIMITED TO
37 ONE CERTIFIED HEALTH PLAN. No certified health plan may deny coverage
38 to a resident residing within the service area of the certified health

1 plan. No Washington resident may be enrolled in more than one
2 certified health plan at any one time. An enrollee of a certified
3 health plan who changes their place of employment or residence may
4 remain enrolled with that plan. Coverage shall be transferable from
5 one certified health plan to another certified health plan upon thirty
6 days' written notice. Such transfer shall be without penalty or
7 waiting period. Accidents and sickness that commenced under the prior
8 certified health plan shall be covered by the replacement certified
9 health plan from the effective date of coverage under the replacement
10 certified health plan.

11 **NEW SECTION.** **Sec. 328.** MISREPRESENTATIONS TO INDUCE TERMINATION
12 OR RETENTION OF ENROLLMENT PROHIBITED. No certified health plan or any
13 person representing a certified health plan may make misrepresentation
14 or misleading comparisons to induce or attempt to induce any enrollee
15 or employer group to terminate or retain membership in a certified
16 health plan.

17 **NEW SECTION.** **Sec. 329.** PENALTY FOR VIOLATIONS. A certified
18 health plan which, or person who, violates any provision of this
19 chapter is guilty of a gross misdemeanor, unless the penalty is
20 otherwise specifically provided.

21 **NEW SECTION.** **Sec. 330.** PROVIDER CONTRACTS--ENROLLED RESIDENT'S
22 LIABILITY, COMMISSIONER'S REVIEW. (1) Subject to subsection (2) of
23 this section, every contract between a certified health plan and its
24 providers of health care services shall be in writing and shall set
25 forth that in the event the certified health plan fails to pay for
26 health care services as set forth in the uniform benefit package, the
27 enrollee is not liable to the provider for any sums owed by the
28 certified health plan. Every such contract shall provide that this
29 requirement shall survive termination of the contract.

30 (2) The provisions of subsection (1) of this section shall not
31 apply to emergency care from a provider who is not a contracting
32 provider with the certified health plan, or to emergent and urgently
33 needed out-of-area services.

34 (3) The insurance commissioner in consultation with the health
35 services commission shall adopt rules governing the content and
36 structure of the provider contracts.

1 (4) The certified health plan shall file the contracts with the
2 insurance commissioner for approval thirty days prior to use.

3 NEW SECTION. **Sec. 331.** MINIMUM NET WORTH--REQUIREMENTS TO
4 MAINTAIN--DETERMINATION OF AMOUNT. (1) Every certified health plan
5 must maintain a minimum net worth equal to the greater of:

6 (a) One million dollars; or

7 (b) Two percent of annual premium revenues as reported on the most
8 recent annual financial statement filed with the insurance commissioner
9 on the first one hundred fifty million dollars of premium and one
10 percent of annual premium on the premium in excess of one hundred fifty
11 million dollars; or

12 (c) An amount equal to the sum of three months' uncovered
13 expenditures as reported on the most recent financial statement filed
14 with the commissioner.

15 (2) Every health care service contractor, health maintenance
16 organization, or disability insurance company that has a valid
17 certificate of registration or certificate of authority issued prior to
18 the effective date of this section, shall demonstrate to the insurance
19 commissioner that it has achieved the minimum net worth standards set
20 forth in subsection (1) of this section not later than January 1, 1994.

21 (3)(a) In determining net worth, no debt shall be considered fully
22 subordinated unless the subordination clause is in a form acceptable to
23 the commissioner. An interest obligation relating to the repayment of
24 a subordinated debt must be similarly subordinated.

25 (b) The interest expenses relating to the repayment of a fully
26 subordinated debt shall not be considered uncovered expenditures.

27 (c) A subordinated debt incurred by a note meeting the requirements
28 of this section, and otherwise acceptable to the insurance
29 commissioner, shall not be considered a liability and shall be recorded
30 as equity.

31 (4) Every certified health plan shall, in determining liabilities,
32 include an amount estimated in the aggregate to provide for unearned
33 premiums and for the payment of claims for health care expenditures
34 that have been incurred, whether reported or unreported, which are
35 unpaid and for which such organization is or may be liable and to
36 provide for the expense of adjustment or settlement of such claims.

1 The claims shall be computed in accordance with rules adopted by
2 the insurance commissioner in consultation with the health services
3 commission.

4 NEW SECTION. **Sec. 332.** FUNDED RESERVE REQUIREMENTS. (1) Each
5 certified health plan obtaining certification from the insurance
6 commissioner shall provide and maintain a funded reserve of one hundred
7 fifty thousand dollars. The funded reserve shall be deposited with the
8 insurance commissioner or with any organization acceptable to the
9 commissioner in the form of cash, securities eligible for investment
10 under chapter 48.13 RCW, approved surety bond, or any combination of
11 these, and must be equal to or exceed one hundred fifty thousand
12 dollars. The funded reserve shall be established as an assurance that
13 the uncovered expenditures obligations of the certified health plan to
14 the enrolled Washington residents shall be performed.

15 (2) All income from reserves on deposit with the commissioner shall
16 belong to the depositing certified health plan and shall be paid to it
17 as it becomes available.

18 (3) Funded reserves required by this section shall be considered an
19 asset in determining the plan's net worth.

20 NEW SECTION. **Sec. 333.** EXAMINATION OF CERTIFIED HEALTH PLANS,
21 POWERS OF COMMISSIONER, DUTIES OF PLANS, INDEPENDENT AUDIT REPORTS.
22 (1) The insurance commissioner shall make an examination of the
23 operations of a certified health plan as often as the commissioner
24 deems it necessary in order to assure the financial security and health
25 and safety of the enrolled residents. The insurance commissioner shall
26 make an examination of a certified health plan not less than once every
27 three calendar years.

28 (2) Every certified health plan shall submit its books and records
29 relating to its operation for financial condition and market conduct
30 examinations and in every way facilitate them. The quality or
31 appropriateness of medical services and systems shall be examined by
32 the department of health except that the insurance commissioner may
33 review such areas to the extent that such items impact the financial
34 condition or the market conduct of the certified health plan. For the
35 purpose of the examinations the insurance commissioner may issue
36 subpoenas, administer oaths, and examine the officers and principals of
37 the certified health plans concerning their business.

1 (3) The insurance commissioner may elect to accept and rely on
2 audit reports made by an independent certified public accountant for
3 the certified health plan in the course of that part of the insurance
4 commissioner's examination covering the same general subject matter as
5 the audit. The commissioner may incorporate the audit report in his or
6 her report of the examination.

7 (4) Certified health plans shall be equitably assessed to cover the
8 cost of financial conditional and market conduct examinations, the
9 costs of adopting rules, and the costs of enforcing the provisions of
10 this chapter. The assessments shall be levied not less frequently
11 than once every twelve months and shall be in an amount expected to
12 fund the examinations, adoption of rules, and enforcement of the
13 provisions of this chapter including a reasonable margin for cost
14 variations. The assessments shall be established by rules adopted by
15 the commissioner in consultation with the health services commission
16 but shall not exceed five and one-half cents per month per resident
17 enrolled in the certified health plan. The minimum assessment shall be
18 one thousand dollars. Assessment receipts shall be deposited in the
19 insurance commissioner's regulatory account in the state treasury and
20 shall be used for the purpose of funding the examinations authorized in
21 subsection (1) of this section. Assessments received shall be used to
22 pay a pro rata share of the costs, including overhead of regulating
23 certified health plans. Amounts remaining in the separate account at
24 the end of a biennium shall be applied to reduce the assessments in
25 succeeding biennia.

26 NEW SECTION. **SEC. 334. INSOLVENCY--COMMISSIONER'S DUTIES,**
27 CONTINUATION OF BENEFITS, ALLOCATION OF COVERAGE. (1) In the event of
28 insolvency of a certified health plan and upon order of the
29 commissioner, all other certified health plans shall offer the enrolled
30 Washington residents of the insolvent certified health plan the
31 opportunity to enroll in a solvent certified health plan. Enrollment
32 shall be without prejudice for any preexisting condition and shall be
33 continuous provided the resident enrolls in the new certified health
34 plan within thirty days of the date of insolvency and otherwise
35 complies with the certified health plan's managed care procedures
36 within the thirty-day open enrollment period.

37 (2) The insurance commissioner, in consultation with the health
38 services commission, shall establish guidelines for the equitable

1 distribution of the insolvent certified health plan's enrollees to the
2 remaining certified health plans. Such guidelines may include
3 limitations to enrollment based on financial conditions, provider
4 delivery network, administrative capabilities of the certified health
5 plan, and other reasonable measures of the certified health plan's
6 ability to provide benefits to the newly enrolled residents.

7 (3) Each certified health plan shall have a plan for handling
8 insolvency that allows for continuation of benefits for the duration of
9 the coverage period for which premiums have been paid and continuation
10 of benefits to enrolled Washington residents who are confined on the
11 date of insolvency in an inpatient facility until their discharge or
12 transfer to a new certified health plan as provided in subsection (1)
13 of this section. Such plan shall be approved by the insurance
14 commissioner at the time of certification and shall be submitted for
15 review and approval on an annual basis. The commissioner shall approve
16 such a plan if it includes:

17 (a) Insurance to cover the expenses to be paid for continued
18 benefits after insolvency;

19 (b) Provisions in provider contracts that obligate the provider to
20 provide services for the duration of the period after the certified
21 health plan's insolvency for which premium payment has been made and
22 until the enrolled participant is transferred to a new certified health
23 plan in accordance with subsection (1) of this section. Such extension
24 of coverage shall not obligate the provider of service beyond thirty
25 days following the date of insolvency;

26 (c) Use of the funded reserve requirements as provided under
27 section 332 of this act;

28 (d) Acceptable letters of credit or approved surety bonds; or

29 (e) Other arrangements the insurance commissioner and certified
30 health plan mutually agree are appropriate to assure that benefits are
31 continued.

32 NEW SECTION. **SEC. 335.** FINANCIAL FAILURE, SUPERVISION OF
33 COMMISSIONER--PRIORITY OF DISTRIBUTION OF ASSETS. (1) Any
34 rehabilitation, liquidation, or conservation of a certified health plan
35 shall be deemed to be the rehabilitation, liquidation, or conservation
36 of an insurance company and shall be conducted under the supervision of
37 the insurance commissioner under the law governing the rehabilitation,
38 liquidation, or conservation of insurance companies. The insurance

1 commissioner may apply for an order directing the insurance
2 commissioner to rehabilitate, liquidate, or conserve a certified health
3 plan upon one or more of the grounds set forth in RCW 48.31.030,
4 48.31.050, and 48.31.080. Enrolled residents shall have the same
5 priority in the event of liquidation or rehabilitation as the law
6 provides to policyholders of an insurer.

7 (2) For purposes of determining the priority of distribution of
8 general assets, claims of enrolled residents and their dependents shall
9 have the same priority as established by RCW 48.31.280 for
10 policyholders and their dependents of insurance companies. If an
11 enrolled resident is liable to a provider for services under and
12 covered by a certified health plan, that liability shall have the
13 status of an enrolled resident claim for distribution of general
14 assets.

15 (3) A provider who is obligated by statute or agreement to hold
16 enrolled residents harmless from liability for services provided under
17 and covered by a certified health plan shall have a priority of
18 distribution of the general assets immediately following that of
19 enrolled residents and enrolled residents' dependents as described in
20 this section, and immediately proceeding the priority of distribution
21 described in RCW 48.31.280(2)(e).

22 NEW SECTION. **Sec. 336.** GRIEVANCE PROCEDURE. A certified health
23 plan shall establish and maintain a grievance procedure approved by the
24 commissioner, to provide a reasonable and effective resolution of
25 complaints initiated by enrolled Washington residents concerning any
26 matter relating to the provision of benefits under the uniform benefit
27 package, access to health care services, and quality of services. Each
28 certified health plan shall respond to complaints filed with the
29 insurance commissioner within twenty working days. The insurance
30 commissioner in consultation with the health care commission shall
31 establish standards for grievance procedures and resolution.

32 **E. EMPLOYERS' COOPERATIVE HEALTH CARE PURCHASING GROUPS**

33 NEW SECTION. **Sec. 337.** EMPLOYERS' COOPERATIVE HEALTH CARE
34 PURCHASING GROUP--DEFINITION, OPEN ACCESS, REGISTRATION. A purchasing
35 group that intends to purchase health care coverage from a certified
36 health plan shall furnish notice to the commissioner which shall: (1)

1 Identify the principal name and address of the purchasing group, (2)
2 furnish the names and addresses of the officers of the purchasing
3 group, (3) include copies of letters of agreement for participation in
4 the purchasing group including minimum term of participation, and (4)
5 provide any other information as prescribed by the insurance
6 commissioner in consultation with the health services commission to
7 verify that the purchasing group is qualified and managed by competent
8 and trustworthy individuals.

9 **NEW SECTION.** **Sec. 338.** ENFORCEMENT AUTHORITY OF COMMISSIONER.
10 For the purposes of this chapter, the insurance commissioner shall have
11 the same powers and duties of enforcement as are provided in RCW
12 48.02.080.

13 **NEW SECTION.** **Sec. 339.** ANNUAL REPORT BY THE INSURANCE
14 COMMISSIONER TO THE HEALTH SERVICES COMMISSION. (1) The insurance
15 commissioner shall report annually to the health services commission on
16 the compliance of certified health plans and employers' cooperative
17 health care purchasing groups with the provisions of chapter . . .,
18 Laws of 1993 (this act). The report shall include information on (a)
19 compliance with this act's open enrollment and antidiscrimination
20 provisions, (b) financial solvency requirements, (c) the mix of
21 enrollee characteristics within and among plans and groups including
22 age, sex, ethnicity, and any easily obtainable information related to
23 medical risk, (d) the geographic distribution of plans and groups, and
24 (e) other information which the commission may request consistent with
25 the goals of chapter . . ., Laws of 1993 (this act).

26 (2) Certified health plans and employers' cooperative health care
27 purchasing groups shall comply with any request by the insurance
28 commissioner to obtain information for the purposes of this section.

29 **F. DISCLOSURE OF HOSPITAL, NURSING HOME, AND PHARMACY CHARGES**

30 **NEW SECTION.** **Sec. 340.** 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

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

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

28 **NEW SECTION.** **Sec. 341.** A new section is added to chapter 71.12
29 RCW to read as follows:

30 (1) The legislature finds that the spiraling costs of health care
31 continue to surmount efforts to contain them, increasing at
32 approximately twice the inflationary rate. The causes of this
33 phenomenon are complex. By making physicians and other health care
34 providers with hospital admitting privileges more aware of the cost
35 consequences of health care services for consumers, these providers may
36 be inclined to exercise more restraint in providing only the most
37 relevant and cost-beneficial hospital services, with a potential for
38 reducing the utilization of those services. The requirement of the

1 hospital to inform physicians and other health care providers of the
2 charges of the health care services that they order may have a positive
3 effect on containing health costs. Further, the option of the
4 physician or other health care provider to inform the patient of these
5 charges may strengthen the necessary dialogue in the provider-patient
6 relationship that tends to be diminished by intervening third-party
7 payors.

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

23 NEW SECTION. **Sec. 342.** A new section is added to chapter 18.68
24 RCW to read as follows:

25 The legislature finds that the spiraling costs of health care
26 continue to surmount efforts to contain them, increasing at
27 approximately twice the inflationary rate. One of the fastest growing
28 segments of the health care expenditure involves prescription
29 medications. By making physicians and other health care providers with
30 prescriptive authority more aware of the cost consequences of health
31 care treatments for consumers, these providers may be inclined to
32 exercise more restraint in providing only the most relevant and cost-
33 beneficial drug and medication treatments. The requirement of the
34 pharmacy to inform physicians and other health care providers of the
35 charges of prescription drugs and medications that they order may have
36 a positive effect on containing health costs. Further, the option of
37 the physician or other health care provider to inform the patient of
38 these charges may strengthen the necessary dialogue in the provider-

1 patient relationship that tends to be diminished by intervening third-
2 party payers.

3 **NEW SECTION.** **Sec. 343.** A new section is added to chapter 18.68
4 RCW to read as follows:

5 The registered or licensed pharmacist of this chapter shall
6 establish and maintain a procedure for disclosing to physicians and
7 other health care providers with prescriptive authority information
8 detailed by prescriber, of the cost and dispensation of all
9 prescriptive medications prescribed by him or her for his or her
10 patients on request. These charges should be made available on at
11 least a quarterly basis for all requested patients and should include
12 medication, dosage, number dispensed, and the cost of the prescription.
13 Pharmacies may provide this information in a summary form for each
14 prescribing physician for all patients rather than as individually
15 itemized reports. All efforts should be made to utilize the existing
16 computerized records and software to provide this information in the
17 least costly format.

18 **NEW SECTION.** **Sec. 344.** A new section is added to chapter 18.51
19 RCW to read as follows:

20 (1) The legislature finds that the spiraling costs of nursing home
21 care continue to surmount efforts to contain them, increasing at
22 approximately twice the inflationary rate. The causes of this
23 phenomenon are complex. By making nursing home facilities and care
24 providers more aware of the cost consequences of care services for
25 consumers, these providers may be inclined to exercise more restraint
26 in providing only the most relevant and cost-beneficial services and
27 care, with a potential for reducing the utilization of those services.
28 The requirement of the nursing home to inform physicians, consumers,
29 and other care providers of the charges of the services that they order
30 may have a positive effect on containing health costs.

31 (2) The chief executive officer of a nursing home licensed under
32 this chapter shall establish and maintain a procedure for disclosing to
33 physicians, consumers, and other care providers the charges of all
34 services to be ordered for residents. These charges shall be posted on
35 the resident's bill and shall include total charges to date and an
36 itemization of charges for each month.

1 NEW SECTION. Sec. 345. The department of health shall report to
2 the legislature by December 31, 1994, with recommendations on any
3 necessary revisions to sections 340 through 344 of this act, including
4 their continued necessity and the appropriateness of their repeal.

G. STATE AND FEDERAL ANTI-TRUST IMMUNITY

6 NEW SECTION. Sec. 346. STATE AND FEDERAL ANTI-TRUST IMMUNITY.

7 (1) The legislature finds that competition in the health services and
8 insurance markets is not in the public interest unless it operates
9 within publicly established constraints that seek to (a) contain the
0 aggregate cost of most health services, (b) promote the comparability
1 of health insurance products, (c) improve the cost-effectiveness of
2 those products relative to health promotion, disease prevention, and
3 the amelioration or cure of illness, (d) assure universal access to a
4 publicly determined, uniform package of health benefits, and (e) create
5 reasonable equity in the distribution of funds, treatment, and medical
6 risk among purchasing groups, insurance groups, health care providers,
7 and Washington residents.

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

21 (3) The legislature intends that reductions in health services or
22 insurance competition occur as a result of chapter . . ., Laws of 1993
23 (this act) for the purposes stated in this section and elsewhere in
24 chapter . . ., Laws of 1993 (this act). To these ends, any lawful
25 actions taken by any entity created or regulated by chapter . . ., Laws
26 of 1993 (this act) are declared to be taken pursuant to state statute
27 and in furtherance of the public purposes of the state of Washington.
28 Such actions are exempt from state and federal anti-trust statutes and
29 shall be treated as state-authorized actions. However, such actions do
30 not include practices, services, entities, plans, benefits, premiums,
31 and other activities of certified health plans, health care purchasers,
32 purchasing groups, health care providers, or Washington residents which
33 amount to:

34 (a) Agreeing or conspiring to agree on the price two or more
35 certified health plans charge for the uniform benefit package or any
36 other service;

1 (b) Agreeing or conspiring to agree on the geographic boundaries
2 which will be served by one or more certified health plans or
3 purchasing groups in order to avoid financial risk, or to discriminate
4 against any Washington resident, employer, or their duly authorized
5 agents; or

6 (c) Agreeing or conspiring to agree on ways of attracting or
7 discouraging enrollment by any resident or group of residents in any
8 certified health plan or purchasing group because of the actual or
9 perceived cost of providing the uniform benefit package to that
10 resident or group.

11 (4) The legislature further finds that incentives should be
12 provided for all of those who purchase, insure, or deliver health
13 services to operate in ways that promote the purposes of chapter . . . ,
14 Laws of 1993 (this act). To this end, chapter . . . , Laws of 1993
15 (this act) extends certain rights and privileges to self-funded
16 employer health insurance arrangements who voluntarily participate in
17 achieving and maintaining standards required of certified health plans.

18 (5) The legislature finds that the goals of controlling health care
19 costs and improving the quality of and access to health care services
20 would be significantly enhanced by more extensive cooperation among
21 health care providers, including especially physicians and hospitals.
22 The legislature further finds that growth in cooperative activities is
23 impeded by certain governmental policies, including state and federal
24 antitrust laws that impose marketplace competition as the sole means
25 for structuring and allocating resources offered by health care
26 providers. The legislature directs the state attorney general, in
27 conjunction with provider representatives, to study and make
28 recommendations to the legislature on a process for state regulation of
29 prohibited provider cooperative activities that would justify a grant
30 of immunity from state antitrust laws and protection from federal
31 antitrust laws through the state action doctrine.

H. THE UNIFORM BENEFIT PACKAGE

33 NEW SECTION. **Sec. 347.** UNIFORM BENEFIT PACKAGE DESIGN--
34 LEGISLATIVE VETO. (1) The Washington health services commission shall
35 define the uniform benefit package, which shall include those health
36 services based on the best available scientific health information,
37 deemed to be effective and necessary on a societal basis for the

1 maintenance of the health of citizens of the state, and weighed against
2 the availability of funding in the state health services budget.

3 (a) The legislature intends that the uniform benefit package be
4 comparable in scope to health benefits plans offered to employees of
5 state agencies, and that it be sufficiently comprehensive to meet the
6 health needs of residents of the state.

7 The uniform benefit package shall include at least inpatient and
8 outpatient services for physical, mental, and developmental illnesses
9 and disabilities including some measure of the following:

- 10 (i) Diagnosis/assessment and selection of treatment/care;
- 11 (ii) Clinical preventive services;
- 12 (iii) Emergency health services, including ground and air ambulance
13 services;
- 14 (iv) Except as otherwise provided by state law, reproductive and
15 maternity services;
- 16 (v) Clinical management and provision of treatment;
- 17 (vi) Therapeutic drugs, biologicals, supplies, and equipment;
- 18 (vii) Vision, hearing, and dental care;
- 19 (viii) Inpatient and outpatient mental health and chemical
20 dependency treatments;
- 21 (ix) Inpatient and outpatient hospital and surgical services;
- 22 (x) Organ transplants;
- 23 (xi) Rehabilitative services, including physical, occupational, and
24 speech therapies; and
- 25 (xii) Long-term care services, as defined in section 302(13) of
26 this act.

27 (b) Uniform benefit package services shall not include:

- 28 (i) Cosmetic surgery and related services;
- 29 (ii) Examinations associated with life insurance applications or
30 legal proceedings, except as may be required for workers' compensation;
31 and
- 32 (iii) Infertility services.

33 (c) The Washington health services commission shall establish
34 limits on maximum enrollee financial participation, related to enrollee
35 household income, such that financial considerations are not a barrier
36 to access for low-income persons, but that, for those of means, the
37 uniform benefit package provides for moderate point of service cost-
38 sharing.

1 (d) The uniform benefit package may include other services
2 determined by the commission to be effective, necessary, and consistent
3 with the goals and intent of chapter . . ., Laws of 1993 (this act).

4 (2) The Washington health services commission shall determine the
5 specific schedule of health services within the uniform benefit
6 package, including limitations on scope and duration of services. To
7 assist the commission in this task, it may periodically establish
8 health service review panels for specified periods of time to review
9 existing information on need, efficacy, and cost-effectiveness of
10 specific services and treatments. These panels shall use any services
11 outcome data that may be available. These panels shall take into
12 consideration available practice indicators, and appropriate use of
13 expensive technology.

14 (3) In determining the uniform benefit package, the Washington
15 health services commission shall endeavor to seek the opinions of and
16 information from the public. The commission shall consider the results
17 of official public health assessment and policy development activities
18 including recommendations of the department of health in discharging
19 its responsibilities under this section.

20 (4) The Washington health services commission shall submit its
21 initial uniform benefits package and any changes it may wish to make to
22 the legislature. The legislature may disapprove of the uniform
23 benefits package by a majority vote in the house of representatives and
24 in the senate at any time prior to the close of its regular annual
25 legislative session. If such disapproval action is taken, the
26 commission shall with all deliberate speed resubmit a modified uniform
27 benefits package, which may be disapproved within thirty days of
28 submittal to the legislature.

29 NEW SECTION. **Sec. 348.** LONG-TERM CARE INTEGRATION PLAN. (1) To
30 meet the health needs of the residents of Washington state, it is
31 critical to finance and provide long-term care and support services
32 through an integrated, comprehensive systems that promotes human
33 dignity and recognizes the individuality of all functionally disabled
34 persons. This system shall be available, accessible, and responsive to
35 all residents based upon an assessment of their functional
36 disabilities. The governor and the legislature recognize that
37 families, volunteers, and community organizations are essential for the
38 delivery of effective and efficient long-term care and support

1 services, and that this private and public service infrastructure
2 should be supported and strengthened. Further, it is important to
3 provide benefits in perpetuity without requiring family or program
4 beneficiary impoverishment for service eligibility.

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

9 (a) Engage in a planning process, in conjunction with an advisory
10 and technical assistance committee appointed for this purpose, for the
11 inclusion of long-term care services in the uniform benefit package
12 established under section 347 of this act as soon as possible, but not
13 later than July 1, 1997.

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

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

21 (4) The departments of health, retirement systems, revenue, social
22 and health services, and veterans' affairs, and the offices of
23 financial management, insurance commissioner, and state actuary, along
24 with the health care authority, shall participate in the review of the
25 long-term care needs enumerated in this section and provide necessary
26 supporting documentation and staff expertise as requested by the
27 commission.

28 **I. STATE RESIDENT AND EMPLOYER PARTICIPATION**

29 NEW SECTION. **Sec. 349.** INDIVIDUAL PARTICIPATION. (1) All
30 residents must participate in a health system so that access may be
31 improved and so that costs may be controlled. It is the responsibility
32 of individuals to participate in available and affordable health
33 insurance.

34 (2) All residents of the state of Washington are required to
35 participate in a certified health plan no later than July 1, 1997.

36 (3) The Washington health services commission shall monitor the
37 enrollment of individuals into certified health plans and shall make

1 public periodic reports concerning the number of persons enrolled and
2 not enrolled, the reasons why individuals are not enrolled,
3 recommendations to reduce the number of persons not enrolled, and
4 recommendations regarding enforcement of this provision.

5 **NEW SECTION.** **SEC. 350. EMPLOYER PARTICIPATION.** (1) On July 1,
6 1995, every employer employing more than five hundred full-time
7 employees shall offer a choice of certified health plans to all full-
8 time or part-time employees. The employer shall be required to pay no
9 less than fifty percent and no more than ninety-five percent of the
10 premium cost of the lowest cost certified health plan offered by the
11 employer. On July 1, 1996, all dependents of full-time employees of
12 these firms shall be offered a choice of certified health plans with
13 the employer paying no less than fifty percent and no more than ninety-
14 five percent of the premium of the lowest cost certified health plan
15 offered by the employer.

16 (2) By July 1, 1996, every employer employing more than one hundred
17 full-time employees shall offer a choice of certified health plans to
18 all full-time employees. The employer shall be required to pay no less
19 than fifty percent and no more than ninety-five percent of the premium
20 cost of the lowest cost certified health plan offered by the employer.
21 For employees working less than full time the employer is required to
22 pay a premium payment that equals a pro rata share of a full time
23 employee's premium, based on the hours the part-time employee worked.
24 On July 1, 1997, all dependents of full-time employees in these firms
25 shall be offered a choice of certified health plans with the employer
26 paying no less than fifty percent and no more than ninety-five percent
27 of the premium of the lowest cost certified health plan offered by the
28 employer.

29 (3) By July 1, 1997, every employer shall offer a choice of
30 certified health plans to all full-time employees. The employer shall
31 be required to pay no less than fifty percent and no more than ninety-
32 five percent of the premium cost of the lowest cost certified health
33 plan offered by the employer. For employees working less than full
34 time the employer is required to pay a premium payment that equals a
35 pro rata share of a full time employee's premium, based on the hours
36 the part-time employee worked. On July 1, 1998, all dependents of
37 full-time employees in all firms shall be offered a choice of certified
38 health plans with the employer paying no less than fifty percent and no

more than ninety-five percent of the premium of the lowest cost certified health plan offered by the employer.

(4) In lieu of offering coverage for employees and their dependents, an employer may combine the employer contribution with that of the employee's contribution and pay the full cost of the basic health plan benefit, plus the administrative cost to the plan of providing the plan to the employees, to the basic health plan within guidelines set by the plan administrator. The administrator of the basic health plan may require all or a substantial majority of the eligible employees of such businesses to enroll in the plan and establish those procedures necessary to facilitate the orderly enrollment of groups in the plan and into a managed health care system. Enrollment in the basic health plan is authorized via the mechanism under this subsection, notwithstanding the provisions of RCW 70.47.060 concerning the maximum size of firms allowed to enroll.

16 (5) If a full-time employee is already enrolled with a certified
17 health plan with which their employer does not have a relationship and
18 the employee wishes to remain enrolled in that plan, the employer shall
19 make payments to that plan on behalf of such an employee. The amount
20 such an employer pays on behalf of such an employee shall be the same
21 as the amount that employer pays certified health plans for other
22 employees.

23 NEW SECTION. **Sec. 351.** (1) Sections 317 through 339 of this act
24 shall constitute a new chapter in Title 48 RCW.

25 (2) Sections 346 through 350 of this act shall constitute a new
26 chapter in Title 43 RCW.

27 NEW SECTION. **Sec. 352.** The commission shall study the feasibility
28 of implementing a residency-based health care system using one or a
29 limited number of payers or sponsors, shall develop recommendations,
30 and shall report to the governor and the state legislature by July 1,
31 1995.

J. PUBLIC HEALTH SERVICES IMPROVEMENT PLAN

33 NEW SECTION. **Sec. 353.** A new section is added to chapter 43.70
34 RCW to read as follows:

1 PUBLIC HEALTH SERVICES IMPROVEMENT PLAN. (1) The department of
2 health shall develop, in consultation with local health departments and
3 districts, the state board of health, the health services commission,
4 and other state agencies, health services providers, and citizens
5 concerned about public health, a public health services improvement
6 plan. The plan should provide a detailed accounting of deficits in the
7 core functions of assessment, policy development, assurance of the
8 current public health system, how additional public health funding
9 would be used, and describe the benefits expected from expanded
10 expenditures.

11 (2) The plan shall include:

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

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

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

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

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

22 (i) Strategies for transferring personal care services from the
23 public health system, into the uniform benefit package where feasible;
24 and

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

27 (3) By March 1, 1994, the department shall provide initial
28 recommendations of the public health services improvement plan to the
29 legislature regarding minimum public health standards, and public
30 health programs needed to address urgent needs, such as those cited in
31 subsection (6) of this section.

32 (4) By December 1, 1994, the department shall present the public
33 health services plan to the legislature, with specific recommendations
34 for each element of the plan to be implemented over the period from
35 1995 through 1997.

36 (5) Thereafter, the department shall update the public health
37 services improvement plan for presentation to the legislature prior to
38 the beginning of a new biennium.

1 (6) Among the specific population-based public health activities to
2 be considered in the public health services improvement plan are:
3 Health data assessment and chronic and infectious disease surveillance;
4 rapid response to outbreaks of communicable disease; efforts to prevent
5 and control specific communicable diseases, such as tuberculosis and
6 acquired immune deficiency syndrome; health education to promote
7 healthy behaviors and to reduce the prevalence of chronic disease, such
8 as those linked to the use of tobacco; access to primary care; programs
9 to ensure children are born as healthy as possible and they receive
10 immunizations and adequate nutrition; efforts to prevent intentional
11 and unintentional injury; programs to ensure the safety of drinking
12 water and food supplies; poison control; trauma services; and other
13 activities that have the potential to improve the health of the
14 population or special populations and reduce the need for or cost of
15 health services.

16 **K. STATE HEALTH SERVICES BUDGET, TRUST FUND, AND ACCOUNTS**

17 NEW SECTION. **Sec. 354.** STATE HEALTH SERVICES BUDGET. The state
18 health services budget shall reflect total expenditures for all health
19 services either funded by the state or federal government, regulated
20 pursuant to chapter . . ., Laws of 1993 (this act), or voluntarily
21 placed under the provisions of chapter . . ., Laws of 1993 (this act)
22 by self-insured employers. The commission shall submit the state
23 health services budget, which shall include estimated amounts in each
24 of these categories as part of the governor's biennial budget request.

25 NEW SECTION. **Sec. 355.** TRUST ACCOUNTS. (1) The Washington health
26 services trust account is hereby established in the state treasury.
27 All public funds regulated by chapter . . ., Laws of 1993 (this act) or
28 new revenues raised pursuant to chapter . . ., Laws of 1993 (this act)
29 shall be deposited in the Washington health services trust account and
30 shall be allocated in a manner consistent with state and federal laws,
31 rules of the commission, and any waivers from federal laws or
32 regulations that the state may receive consistent with the provisions
33 of chapter . . ., Laws of 1993 (this act). The earnings on any surplus
34 balances in the Washington health services trust account shall be
35 credited to the account. These funds shall include at least:

1 (a) Medicare, parts A and B, Title XVIII of the federal social
2 security act, as amended;

3 (b) Medicaid, Title XIX of the federal social security act, as
4 amended;

5 (c) Other federal funds that are allocated for the purposes of
6 health services included in the accounts established pursuant to this
7 section; and

8 (d) Legislative general fund--state appropriations for any health
9 services purchased by the state on behalf of any state resident
10 including state, local, or school district employees, those who are
11 poor or near poor or those who are chronically disabled, elderly, or
12 who, for any other reason, are dependent upon the state to finance
13 their health services, and for any health system, data collection, data
14 analysis, or regulatory activities required by chapter . . ., Laws of
15 1993 (this act) to include funds for the state health services
16 commission and the state insurance commissioner.

17 (2) The trust account shall consist of three subsidiary accounts:

18 (a) The personal health services account from which funds shall be
19 allocated to appropriate agencies for contracts with certified health
20 plans to deliver the uniform benefit package and other health services
21 authorized by state or federal law to public employees and all persons
22 eligible for public subsidies.

23 (b) The public health account from which funds shall be expended to
24 maintain and improve the health of all Washington residents, by
25 assuring adequate financing for a public system to: (i) Assess and
26 report on the population's health status; (ii) develop public policy
27 that promotes and maintains health; and (iii) assure the availability
28 and delivery of appropriate and effective health interventions. This
29 public system shall be composed of the state board of health, state
30 department of health, and local public health departments and
31 districts. The office of financial management shall assure that no
32 less than three percent of the state health services budget is used for
33 these assessment, policy development, and assurance functions as
34 defined by the state board of health in rule through this system by
35 June 30, 1997, and no less than five percent of the state health
36 services budget is used for the functions by June 30, 1999. These
37 funds may include fees, federal funds, and general or dedicated state
38 or local tax revenue. The state board of health shall develop policies
39 regarding the extent to which local revenue or fees may be used to meet

1 the five-percent requirement. The office of financial management may
2 allocate funds under its direction in order to assure that five percent
3 of the state health services budget is used as required by this
4 subsection. None of the funds shall be used for any service
5 reimbursable through the uniform benefit package. The office of
6 financial management shall consider the results of official public
7 health assessment and policy development including recommendations of
8 the state board of health, the department of health, and the state
9 health report in discharging its responsibilities, including the
10 assurance of access to appropriate and effective health services and
11 the determination of the actual percentage used for core public health
12 functions.

13 (c) The health professions, data systems, health systems regulation
14 and research account from which funds shall be expended to:

15 (i) Retain needed health care providers in a manner consistent with
16 the health professional shortage provisions set forth in chapter 332,
17 Laws of 1991;

18 (ii) Conduct research as may be needed on the operation of
19 certified health plans, conduct the operations and activities of the
20 commission, as required by this act, or to conduct research on public
21 health consistent with the principles set forth in chapter . . ., Laws
22 of 1993 (this act); and

23 (iii) Finance the development, operation, and maintenance of the
24 health data system according to chapter 70.170 RCW to support the
25 purposes of chapter . . ., Laws of 1993 (this act).

26 **L. IMPLEMENTATION SCHEDULE**

27 NEW SECTION. **Sec. 356.** IMPLEMENTATION SCHEDULE. Chapter . . .,
28 Laws of 1993 (this act) shall be implemented in developmental phases as
29 follows:

30 (1) By August 1, 1993, the director of the office of financial
31 management shall constitute a transition team composed of staff of the
32 department of social and health services, the Washington state health
33 care authority, the department of health, the department of labor and
34 industries, the Washington basic health plan, and the insurance
35 commissioner's office. The director may request participation of the
36 appropriate legislative staff.

37 The transition team shall conduct analyses and identify:

1 (a) The necessary transfer and consolidation of responsibilities
2 among state agencies under the state health care purchasing agent or
3 other agencies to fully implement chapter . . ., Laws of 1993 (this
4 act);

5 (b) State and federal laws that would need to be repealed, amended,
6 or waived to implement chapter . . ., Laws of 1993 (this act); and

7 (c) Appropriate guidelines for the administrative cost of the plan.

8 The transition team shall report its findings to the director, the
9 commission, and appropriate committees of the legislature by January 1,
10 1994, and on that date be disbanded.

11 (2) By September 1, 1993, the commission shall be appointed. As
12 soon as possible thereafter, the commission should: (a) Hire the
13 necessary staff; (b) develop necessary data sources; (c) appoint the
14 initial health service review panel; and (d) develop the necessary
15 methods to establish the state health services budget.

16 (3) By December 20, 1993, the director of the office of financial
17 management shall submit to the appropriate committees of the
18 legislature an agency transfer and consolidation report, which shall
19 address staffing, equipment, facilities, and funds, along with drafts
20 of any necessary legislation. It shall also recommend appropriate cost
21 guidelines for the administration of the plan.

22 (4) By October 1, 1994, the commission shall:

23 (a) Submit draft rules for review and comment to the legislature,
24 as provided in chapter . . ., Laws of 1993 (this act); and

25 (b) Report on the extent that revisions of, or waivers from state
26 and federal laws are needed to fully implement chapter . . ., Laws of
27 1993 (this act), and the status of its efforts to obtain the necessary
28 waivers of, or exemptions from federal law, as provided in chapter
29 . . ., Laws of 1993 (this act).

30 (5) By March 1, 1995, the commission shall have:

31 (a) Determined the uniform benefit package; and

32 (b) Developed standards and guidelines for certified health plans
33 as required under chapter . . ., Laws of 1993 (this act).

34 (6) By December 20, 1995, consistent with the executive budget
35 process, the commission shall submit the first state health services
36 budget to the legislature.

37 (7) By January 1, 1996, if all necessary federal waivers or
38 exemptions have not been obtained, the commission shall report, as
39 provided in chapter . . ., Laws of 1993 (this act), on the extent to

1 which chapter . . . , Laws of 1993 (this act) can be implemented without
2 receipt of all of such waivers.

3 (8) By July 1, 1996, consistent with specific appropriations, all
4 health services provided to recipients of medical assistance, medical
5 care services, and the limited casualty program, as defined in RCW
6 74.09.010, all state employees eligible for employee health benefits
7 plans pursuant to chapter 41.05 RCW, and all common school employees
8 eligible for health, or health care insurance under RCW 28A.400.350
9 shall be enrolled exclusively with a certified health plan, consistent
10 with all provisions of chapter . . . , Laws of 1993 (this act).

11 (9) By July 1, 1997, consistent with specific appropriations, all
12 remaining provisions of chapter . . . , Laws of 1993 (this act) shall be
13 in full effect of law.

14 **M. INITIAL EXCLUSIONS, STUDIES, AND ADMINISTRATIVE DIRECTIVES**

15 **NEW SECTION.** **Sec. 357.** CODE REVISIONS AND WAIVERS. (1) The
16 commission shall consider the analysis of state and federal laws that
17 would need to be repealed, amended, or waived to implement chapter
18 . . . , Laws of 1993 (this act), as prepared by the transition team
19 pursuant to chapter . . . , Laws of 1993 (this act), and report its
20 recommendations, with proposed revisions to the Revised Code of
21 Washington, to the governor, and appropriate committees of the
22 legislature by January 1, 1994.

23 (2) The commission in consultation with the governor shall take the
24 following steps in an effort to receive waivers or exemptions from
25 federal statutes necessary to fully implement chapter . . . , Laws of
26 1993 (this act):

27 (a) Negotiate with the United States congress and the federal
28 department of health and human services, health care financing
29 administration to obtain a statutory or regulatory waiver of provisions
30 of the medicaid statute, Title XIX of the federal social security act
31 that currently constitute barriers to full implementation of provisions
32 of chapter . . . , Laws of 1993 (this act) related to access to health
33 services for low-income residents of Washington state. Such waivers
34 shall include any waiver needed to implement managed care programs.
35 Waived provisions may include and are not limited to: Categorical
36 eligibility restrictions related to age, disability, blindness, or
37 family structure; income and resource limitations tied to financial

1 eligibility requirements of the federal aid to families with dependent
2 children and supplemental security income programs; administrative
3 requirements regarding single state agencies, choice of providers, and
4 fee for service reimbursement programs; and other limitations on health
5 services provider payment methods.

6 (b) Negotiate with the United States congress and the federal
7 department of health and human services, health care financing
8 administration to obtain a statutory or regulatory waiver of provisions
9 of the medicare statute, Title XVIII of the federal social security act
10 that currently constitute barriers to full implementation of provisions
11 of chapter . . . , Laws of 1993 (this act) related to access to health
12 services for elderly and disabled residents of Washington state. Such
13 waivers shall include any waivers needed to implement managed care
14 programs. Waived provisions include and are not limited to:
15 Beneficiary cost-sharing requirements; restrictions on scope of
16 services; and limitations on health services provider payment methods.

17 (c) Negotiate with the United States congress and the federal
18 department of health and human services to obtain any statutory or
19 regulatory waivers of provisions of the United States public health
20 services act necessary to ensure integration of federally funded
21 community health clinics and other health services funded through the
22 public health services act into the health services system established
23 pursuant to chapter . . . , Laws of 1993 (this act).

24 If the commission fails to obtain all necessary federal statutory
25 changes or regulatory waivers necessary to fully implement chapter
26 . . . , Laws of 1993 (this act) by January 1, 1996, it shall report to
27 the governor and appropriate committees of the legislature on the
28 extent to which chapter . . . , Laws of 1993 (this act) can be
29 implemented without receipt of all of such waivers.

30 NEW SECTION. **Sec. 358.** SELF-INSURED EMPLOYERS--EMPLOYEE
31 RETIREMENT INCOME SECURITY ACT OF 1974. Employers who provide self-
32 insured coverage now regulated by the employee retirement income
33 security act of 1974 shall be subject to the requirements in this
34 chapter.

35 The governor with the assistance of the commission shall seek
36 changes in the employee retirement income security act of 1974 to
37 ensure that all employees and their dependents in the state comply with

1 the requirement to enroll in and have their employers participate in
2 financing their enrollment in certified health plans.

3 **NEW SECTION.** **Sec. 359.** PROGRAMS INITIALLY EXCLUDED FROM THE
4 OPERATION OF CHAPTER . . ., LAWS OF 1993 (THIS ACT). Initially, the
5 medical services of the workers' compensation program of the department
6 of labor and industries, the residential portions of the mental health,
7 developmental disabilities, and long-term care programs within the
8 department of social and health services, including nursing homes,
9 state mental hospitals and residential habilitation centers, state and
10 federal veterans' health services, and the civilian health and medical
11 program of the uniformed services (CHAMPUS) of the federal department
12 of defense and other federal agencies, shall not be included in the
13 program established by chapter . . ., Laws of 1993 (this act), but
14 shall be studied for future inclusion.

15 **NEW SECTION.** **Sec. 360.** REPORTS OF HEALTH CARE COST CONTROL AND
16 ACCESS COMMISSION. In carrying out its powers and duties under chapter
17 . . ., Laws of 1993 (this act), the design of the uniform benefit
18 package, and the development of guidelines and standards, the
19 commission shall consider the reports of the health care cost control
20 and access commission established under House Concurrent Resolution No.
21 4443 adopted by the legislature in 1990. Nothing in chapter . . .,
22 Laws of 1993 (this act) requires the commission to follow any specific
23 recommendation contained in those reports except as it may also be
24 included in chapter . . ., Laws of 1993 (this act) or other law.

25 **NEW SECTION.** **Sec. 361.** EVALUATIONS, PLANS, AND STUDIES. (1) By
26 July 1, 1997, the legislative budget committee either directly or by
27 contract shall conduct studies to determine the desirability and
28 feasibility of consolidating the following programs, services, and
29 funding sources into the certified health plans:

30 (a) Developmental disabilities, mental health, and long-term care
31 programs of the department of social and health services whose services
32 are not included in the uniform benefit package as of July 1995;
33 (b) State and federal veterans' health services; and
34 (c) Civilian health and medical program of the uniformed services
35 (CHAMPUS) of the federal department of defense and other federal
36 agencies.

1 (2) The legislative budget committee shall evaluate the
2 implementation of the provisions of chapter . . ., Laws of 1993 (this
3 act). The study shall determine to what extent chapter . . ., Laws of
4 1993 (this act) has been implemented consistent with the principles and
5 elements set forth in chapter . . ., Laws of 1993 (this act) and shall
6 report its findings to the governor and appropriate committees of the
7 legislature by July 1, 2003.

8 NEW SECTION. **Sec. 362.** A new section is added to chapter 70.170
9 RCW to read as follows:

10 HOSPITAL REGULATION STUDY. The department, through a competitive
11 bidding process restricted to those with suitable expertise to conduct
12 such a study, shall contract for an examination of local, state, and
13 federal regulations that apply to hospitals and shall report to the
14 health care policy committees of the legislature by July 1, 1994, on
15 the following:

16 (1) An inventory of health and safety regulations that apply to
17 hospitals;

18 (2) A description of the costs to local, state, and federal
19 agencies for operating the regulatory programs;

20 (3) An estimate of the costs to hospitals to comply with the
21 regulations;

22 (4) A description of whether regulatory functions are duplicated
23 among different regulatory programs;

24 (5) An analysis of the effectiveness of regulatory programs in
25 meeting their safety and health objectives;

26 (6) An analysis of hospital charity care requirements under RCW
27 70.170.060 and their relevance under the health care reforms created
28 under chapter . . ., Laws of 1993 (this act);

29 (7) Recommendations on elimination or consolidation of unnecessary
30 or duplicative regulatory activities that would not result in a
31 reduction in the health and safety objectives.

32 NEW SECTION. **Sec. 363.** A new section is added to chapter 70.170
33 RCW to read as follows:

34 NURSING HOME STUDY. The department, through a competitive bidding
35 process restricted to those with suitable expertise to conduct such a
36 study, shall contract for an examination of local, state, and federal
37 regulations that apply to nursing homes and shall report to the health

1 care policy committees of the legislature by July 1, 1994, on the
2 following:

3 (1) An inventory of health and safety regulations that apply to
4 nursing homes;

5 (2) A description of the costs to local, state, and federal
6 agencies for operating the regulatory programs;

7 (3) An estimate of the costs to nursing homes to comply with the
8 regulations;

9 (4) A description of whether regulatory functions are duplicated
10 among different regulatory programs;

11 (5) An analysis of the effectiveness of regulatory programs in
12 meeting their safety and health objectives;

13 (6) Recommendations on elimination or consolidation of unnecessary
14 or duplicative regulatory activities that would not result in a
15 reduction in the health and safety objectives.

16 **NEW SECTION.** **Sec. 364.** There is established a commission on the
17 beginning and end of life. The commission shall consist of five
18 members appointed by the governor. The commission shall be a
19 multidisciplinary professional group of physicians, nurses, lay-
20 members, and ethicists.

21 Consistent with funds appropriated specifically for this purpose,
22 the commission may hire staff or contract for professional assistance.
23 State agencies may provide staff support upon request of the
24 commission. The commission may establish ad hoc technical advisory
25 committees as necessary.

26 To conduct its business, the commission shall have access to all
27 health data available by statute to the secretary of health. The
28 commission shall provide the commission with requested health data or
29 other relevant information maintained by the department of health in a
30 timely and easy-to-comprehend manner.

31 The members of the commission shall receive no compensation for
32 their service, except that travel expenses shall be reimbursed, from
33 whatever funds are made available to the commission, pursuant to RCW
34 43.03.050 and 43.03.060.

35 By November 1, 1994, the commission shall examine the beginning of
36 life and the end of life from the standpoint of appropriate medical and
37 health care practice. The objective of the commission shall be the
38 development of general principles of ethical practice dedicated to the

1 preservation of comfort without unreasonable life prolongation in the
2 presence of an untreatable condition. These guidelines shall be for
3 use by health care providers and institutions. The commission shall
4 report to the governor, the insurance commissioner, and the legislature
5 on their recommendations. The commission shall cease to exist on
6 December 1, 1994.

N. WORKERS' COMPENSATION

NEW SECTION. Sec. 365. WORKERS' COMPENSATION MEDICAL BENEFITS.

9 (1) An employer who self-insures for employee medical benefits or
10 workers' compensation benefits and who meets the requirements for a
11 certified health plan under section 319 of this act, may apply to the
12 department of labor and industries for an exemption from the
13 requirements of Title 51 RCW regarding the medical portion of the
14 workers' compensation program.

15 (2) The director of the department of labor and industries shall
16 grant such an exemption if he or she finds that (a) the applicant
17 employer has a record of no less than two years of compliance with the
18 requirements to be a certified health plan, (b) the uniform benefit
19 package provided by the certified health plan that would assume
20 workers' compensation responsibilities include medically necessary
21 services available under the workers' compensation program in 1992,
22 including payments for disability determinations, (c) the state has
23 achieved access by no less than ninety-seven percent of all state
24 residents to coverage for the uniform benefit package, (d) there is no
25 reasonable expectation that granting such an exemption will result in
26 a reduction in needed time loss awards or rehabilitative services, (e)
27 the employees' share of workers' compensation medical aid fund
28 contributions are returned to the employee as increased wages, and (f)
29 a majority of employees in the employer's company do not object to the
30 exemption.

31 (3) If, after periodic review of exemptions granted under this
32 section, the director of labor and industries finds that the conditions
33 in subsection (2) of this section are not present, he or she may
34 withdraw the exemption and immediately require the employer to
35 reestablish a separate workers' compensation medical aid fund program.

36 (4) In consultation with representatives of organized labor and the
37 large and small business communities of the state, and consistent with

1 chapter . . . , Laws of 1993 (this act), the statutory workers' compensation advisory committee and the department of labor and industries shall propose a plan and timeline for including the medical services of the workers' compensation program of the department of labor and industries in the services offered by certified health plans. No plan or timeline may take effect until at least ninety-seven percent of state residents have access to the uniform benefit package as required in chapter . . . , Laws of 1993 (this act). No plan or timeline may be proposed that does not assure that (a) the uniform benefit package provides benefits which are medically necessary under the workers' compensation program in 1993, including payment for medical determinations of disability under chapter RCW, (b) statutory assurances are provided that time loss benefits and rehabilitative services will not be reduced as a result of the transfer, (c) employers who self-fund for health insurance or workers' compensation and who do not choose to become certified health plans under chapter . . . , Laws of 1993 (this act), will continue to be required to provide workers' compensation benefits as required under 1993 law, (d) the employees' share of the workers' compensation medical aid fund contribution is returned to employees as increased wages, and (e) a majority of employees in the employer's company do not object to the change.

23 To help in developing this plan the department of labor and industries may immediately implement pilot projects to assess the effects of this consolidation on the cost, quality comparability, and employer/employee satisfaction with various consolidation proposals.

27 The plan and timeline required under this subsection shall be presented to the governor and the appropriate committees of the legislature by January 1, 1995. The timeline shall include full implementation of needed rules by July 1, 1997.

31 **O. MISCELLANEOUS**

32 **NEW SECTION.** **Sec. 366.** SHORT TITLE. This act may be known and cited as the Washington health system reform act of 1993.

34 **Sec. 367.** RCW 42.17.2401 and 1991 c 200 s 404 are each amended to read as follows:

1 For the purposes of RCW 42.17.240, the term "executive state
2 officer" includes:

3 (1) The chief administrative law judge, the director of
4 agriculture, the administrator of the office of marine safety, the
5 administrator of the Washington basic health plan, the director of the
6 department of services for the blind, the director of the state system
7 of community and technical colleges, the director of community
8 development, the secretary of corrections, the director of ecology, the
9 commissioner of employment security, the chairman of the energy
10 facility site evaluation council, the director of the energy office,
11 the secretary of the state finance committee, the director of financial
12 management, the director of fisheries, the executive secretary of the
13 forest practices appeals board, the director of the gambling
14 commission, the director of general administration, the secretary of
15 health, the administrator of the Washington state health care
16 authority, the executive secretary of the health care facilities
17 authority, the executive secretary of the higher education facilities
18 authority, the director of the higher education personnel board, the
19 executive secretary of the horse racing commission, the executive
20 secretary of the human rights commission, the executive secretary of
21 the indeterminate sentence review board, the director of the department
22 of information services, the director of the interagency committee for
23 outdoor recreation, the executive director of the state investment
24 board, the director of labor and industries, the director of licensing,
25 the director of the lottery commission, the director of the office of
26 minority and women's business enterprises, the director of parks and
27 recreation, the director of personnel, the executive director of the
28 public disclosure commission, the director of retirement systems, the
29 director of revenue, the secretary of social and health services, the
30 chief of the Washington state patrol, the executive secretary of the
31 board of tax appeals, the director of trade and economic development,
32 the secretary of transportation, the secretary of the utilities and
33 transportation commission, the director of veterans affairs, the
34 director of wildlife, the president of each of the regional and state
35 universities and the president of The Evergreen State College, each
36 district and each campus president of each state community college;

37 (2) Each professional staff member of the office of the governor;

38 (3) Each professional staff member of the legislature; and

1 (4) Central Washington University board of trustees, board of
2 trustees of each community college, each member of the state board for
3 community and technical colleges ((education)), state convention and
4 trade center board of directors, committee for deferred compensation,
5 Eastern Washington University board of trustees, Washington economic
6 development finance authority, The Evergreen State College board of
7 trustees, forest practices appeals board, forest practices board,
8 gambling commission, Washington health care facilities authority, each
9 member of the Washington health services commission, higher education
10 coordinating board, higher education facilities authority, higher
11 education personnel board, horse racing commission, state housing
12 finance commission, human rights commission, indeterminate sentence
13 review board, board of industrial insurance appeals, information
14 services board, interagency committee for outdoor recreation, state
15 investment board, liquor control board, lottery commission, marine
16 oversight board, oil and gas conservation committee, Pacific Northwest
17 electric power and conservation planning council, parks and recreation
18 commission, personnel appeals board, personnel board, board of pilotage
19 (({commissioners})) commissioners, pollution control hearings board,
20 public disclosure commission, public pension commission, shorelines
21 hearing board, state employees' benefits board, board of tax appeals,
22 transportation commission, University of Washington board of regents,
23 utilities and transportation commission, Washington state maritime
24 commission, Washington public power supply system executive board,
25 Washington State University board of regents, Western Washington
26 University board of trustees, and wildlife commission.

27 NEW SECTION. **Sec. 368.** A new section is added to Title 48 RCW to
28 read as follows:

29 (1) After July 1, 1999, no insurance policy that covers a home,
30 automobile, other motor vehicle, marine vessel, commercial
31 establishment, industrial establishment, or any other vehicle,
32 conveyance, or location may contain coverage for medical payments
33 related to personal injury or liability.

34 (2) The insurance commissioner shall determine the projected
35 consumer cost of coverage for medical payments for personal injury
36 protection and liability as described in this section on July 1, 1999.
37 The insurance commissioner may, within reasonable limits, require any

1 information from insurance companies needed to comply with this
2 requirement.

3 (3) The insurance commissioner shall require rate reductions or
4 cash rebates by insurers to all policy holders of insurance that
5 contained coverage for medical payments for personal injury protection
6 or arising from claims of liability from July 1, 1998, to July 1, 1999.
7 Such rate reductions or rebates shall, as nearly as possible, equal the
8 consumer cost of this coverage during the July 1, 1998, to July 1,
9 1999, period.

10 **Sec. 369.** RCW 43.20.030 and 1984 c 287 s 75 are each amended to
11 read as follows:

12 The state board of health shall be composed of ten members. These
13 shall be the secretary or the secretary's designee and nine other
14 persons to be appointed by the governor, including four persons
15 experienced in matters of health and sanitation, ((an elected city
16 official who is a member of a local health board, an)) two elected
17 county officials who ((is a)) are members of a local health board, a
18 local health officer, and two persons representing the consumers of
19 health care. ((Before appointing the city official, the governor shall
20 consider any recommendations submitted by the association of Washington
21 cities.)) Before appointing the county official, the governor shall
22 consider any recommendations submitted by the Washington state
23 association of counties. Before appointing the local health officer,
24 the governor shall consider any recommendations submitted by the
25 Washington state association of local public health officials. Before
26 appointing one of the two consumer representatives, the governor shall
27 consider any recommendations submitted by the state council on aging.
28 The chairman shall be selected by the governor from among the nine
29 appointed members. The department ((of social and health services))
30 shall provide necessary technical staff support to the board. The
31 board may employ an executive director and a confidential secretary,
32 each of whom shall be exempt from the provisions of the state civil
33 service law, chapter 41.06 RCW.

34 Members of the board shall be compensated in accordance with RCW
35 43.03.240 and shall be reimbursed for their travel expenses in
36 accordance with RCW 43.03.050 and 43.03.060.

1 **Sec. 370.** RCW 43.20.050 and 1992 c 34 s 4 are each amended to read
2 as follows:

3 (1) The state board of health shall provide a forum for the
4 development of public health policy in Washington state. It is
5 authorized to recommend to the secretary means for obtaining
6 appropriate citizen and professional involvement in all public health
7 policy formulation and other matters related to the powers and duties
8 of the department. It is further empowered to hold hearings and
9 explore ways to improve the health status of the citizenry.

10 (a) At least every five years, the state board shall convene
11 regional forums to gather citizen input on public health issues.

12 (b) Every two years, in coordination with the development of the
13 state biennial budget, the state board shall prepare the state public
14 health report that outlines the health priorities of the ensuing
15 biennium. The report shall:

16 (i) Consider the citizen input gathered at the ((health)) forums;
17 (ii) Be developed with the assistance of local health departments;
18 (iii) Be based on the best available information collected and
19 reviewed according to RCW 43.70.050 and recommendations from the
20 council;

21 (iv) Be developed with the input of state health care agencies. At
22 least the following directors of state agencies shall provide timely
23 recommendations to the state board on suggested health priorities for
24 the ensuing biennium: The secretary of social and health services, the
25 health care authority administrator, the insurance commissioner, the
26 administrator of the basic health plan, the superintendent of public
27 instruction, the director of labor and industries, the director of
28 ecology, and the director of agriculture;

29 (v) Be used by state health care agency administrators in preparing
30 proposed agency budgets and executive request legislation;

31 (vi) Be submitted by the state board to the governor by June 1 of
32 each even-numbered year for adoption by the governor. The governor, no
33 later than September 1 of that year, shall approve, modify, or
34 disapprove the state public health report.

35 (c) In fulfilling its responsibilities under this subsection, the
36 state board ((shall)) may create ad hoc committees or other such
37 committees of limited duration as necessary. ((Membership should
38 include legislators, providers, consumers, bioethicists, medical

1 economics experts, legal experts, purchasers, and insurers, as
2 necessary.))

3 (2) In order to protect public health, the state board of health
4 shall:

5 (a) Adopt rules necessary to assure safe and reliable public
6 drinking water and to protect the public health. Such rules shall
7 establish requirements regarding:

8 (i) The design and construction of public water system facilities,
9 including proper sizing of pipes and storage for the number and type of
10 customers;

11 (ii) Drinking water quality standards, monitoring requirements, and
12 laboratory certification requirements;

13 (iii) Public water system management and reporting requirements;

14 (iv) Public water system planning and emergency response
15 requirements;

16 (v) Public water system operation and maintenance requirements;

17 (vi) Water quality, reliability, and management of existing but
18 inadequate public water systems; and

19 (vii) Quality standards for the source or supply, or both source
20 and supply, of water for bottled water plants.

21 (b) Adopt rules and standards for prevention, control, and
22 abatement of health hazards and nuisances related to the disposal of
23 wastes, solid and liquid, including but not limited to sewage, garbage,
24 refuse, and other environmental contaminants; adopt standards and
25 procedures governing the design, construction, and operation of sewage,
26 garbage, refuse and other solid waste collection, treatment, and
27 disposal facilities;

28 (c) Adopt rules controlling public health related to environmental
29 conditions including but not limited to heating, lighting, ventilation,
30 sanitary facilities, cleanliness and space in all types of public
31 facilities including but not limited to food service establishments,
32 schools, institutions, recreational facilities and transient
33 accommodations and in places of work;

34 (d) Adopt rules for the imposition and use of isolation and
35 quarantine;

36 (e) Adopt rules for the prevention and control of infectious and
37 noninfectious diseases, including food and vector borne illness, and
38 rules governing the receipt and conveyance of remains of deceased

1 persons, and such other sanitary matters as admit of and may best be
2 controlled by universal rule; and

3 (f) Adopt rules for accessing existing data bases for the purposes
4 of performing health related research.

5 (3) The state board may delegate any of its rule-adopting authority
6 to the secretary and rescind such delegated authority.

7 (4) All local boards of health, health authorities and officials,
8 officers of state institutions, police officers, sheriffs, constables,
9 and all other officers and employees of the state, or any county, city,
10 or township thereof, shall enforce all rules adopted by the state board
11 of health. In the event of failure or refusal on the part of any
12 member of such boards or any other official or person mentioned in this
13 section to so act, he shall be subject to a fine of not less than fifty
14 dollars, upon first conviction, and not less than one hundred dollars
15 upon second conviction.

16 (5) The state board may advise the secretary on health policy
17 issues pertaining to the department of health and the state.

18 **Sec. 371.** RCW 43.84.092 and 1992 c 235 s 4 are each amended to
19 read as follows:

20 (1) All earnings of investments of surplus balances in the state
21 treasury shall be deposited to the treasury income account, which
22 account is hereby established in the state treasury.

23 (2) Monthly, the state treasurer shall distribute the earnings
24 credited to the treasury income account. The state treasurer shall
25 credit the general fund with all the earnings credited to the treasury
26 income account except:

27 (a) The following accounts and funds shall receive their
28 proportionate share of earnings based upon each account's and fund's
29 average daily balance for the period: The capitol building
30 construction account, the Cedar River channel construction and
31 operation account, the Central Washington University capital projects
32 account, the charitable, educational, penal and reformatory
33 institutions account, the common school construction fund, the county
34 criminal justice assistance account, the county sales and use tax
35 equalization account, the data processing building construction
36 account, the deferred compensation administrative account, the deferred
37 compensation principal account, the department of retirement systems
38 expense account, the Eastern Washington University capital projects

1 account, the federal forest revolving account, the industrial insurance
2 premium refund account, the judges' retirement account, the judicial
3 retirement administrative account, the judicial retirement principal
4 account, the local leasehold excise tax account, the local sales and
5 use tax account, the medical aid account, the municipal criminal
6 justice assistance account, the municipal sales and use tax
7 equalization account, the natural resources deposit account, the
8 perpetual surveillance and maintenance account, the public employees'
9 retirement system plan I account, the public employees' retirement
10 system plan II account, the Puyallup tribal settlement account, the
11 resource management cost account, the site closure account, the special
12 wildlife account, the state employees' insurance account, the state
13 employees' insurance reserve account, the state investment board
14 expense account, the state investment board commingled trust fund
15 accounts, the supplemental pension account, the teachers' retirement
16 system plan I account, the teachers' retirement system plan II account,
17 the University of Washington bond retirement fund, the University of
18 Washington building account, the volunteer fire fighters' relief and
19 pension principal account, the volunteer fire fighters' relief and
20 pension administrative account, the Washington health services trust
21 account, the Washington judicial retirement system account, the
22 Washington law enforcement officers' and fire fighters' system plan I
23 retirement account, the Washington law enforcement officers' and fire
24 fighters' system plan II retirement account, the Washington state
25 patrol retirement account, the Washington State University building
26 account, the Washington State University bond retirement fund, and the
27 Western Washington University capital projects account. Earnings
28 derived from investing balances of the agricultural permanent fund, the
29 normal school permanent fund, the permanent common school fund, the
30 scientific permanent fund, and the state university permanent fund
31 shall be allocated to their respective beneficiary accounts. All
32 earnings to be distributed under this subsection (2)(a) shall first be
33 reduced by the allocation to the state treasurer's service fund
34 pursuant to RCW 43.08.190.

35 (b) The following accounts and funds shall receive eighty percent
36 of their proportionate share of earnings based upon each account's or
37 fund's average daily balance for the period: The central Puget Sound
38 public transportation account, the city hardship assistance account,
39 the county arterial preservation account, the economic development

1 account, the essential rail assistance account, the essential rail
2 banking account, the ferry bond retirement fund, the grade crossing
3 protective fund, the high capacity transportation account, the highway
4 bond retirement fund, the highway construction stabilization account,
5 the highway safety account, the motor vehicle fund, the motorcycle
6 safety education account, the pilotage account, the public
7 transportation systems account, the Puget Sound capital construction
8 account, the Puget Sound ferry operations account, the recreational
9 vehicle account, the rural arterial trust account, the special category
10 C account, the state patrol highway account, the transfer relief
11 account, the transportation capital facilities account, the
12 transportation equipment fund, the transportation fund, the
13 transportation improvement account, and the urban arterial trust
14 account.

15 (3) In conformance with Article II, section 37 of the state
16 Constitution, no treasury accounts or funds shall be allocated earnings
17 without the specific affirmative directive of this section.

18 NEW SECTION. **Sec. 372.** SEVERABILITY. If any provision of this
19 act or its application to any person or circumstance is held invalid,
20 the remainder of the act or the application of the provision to other
21 persons or circumstances is not affected.

22 NEW SECTION. **Sec. 373.** SAVINGS CLAUSE. The enactment of this act
23 does not have the effect of terminating, or in any way modifying, any
24 obligation or any liability, civil or criminal, which was already in
25 existence on the effective date of this act.

26 NEW SECTION. **Sec. 374.** CAPTIONS. Captions used in this act do
27 not constitute any part of the law.

28 NEW SECTION. **Sec. 375.** EFFECTIVE DATE CLAUSE. (1) Sections 101
29 and 102, 201 through 221, 246 through 260, and 273 through 362 of this
30 act are necessary for the immediate preservation of the public peace,
31 health, or safety, or support of the state government and its existing
32 public institutions, and shall take effect immediately; and sections
33 245, 262 through 265, and 273 of this act shall take effect July 1,
34 1993.

1 (2) Sections 266, 267, 268, and 271 of this act shall take effect
2 January 1, 1994.

3 (3) Sections 222 through 244 of this act shall take effect July 1,
4 1994.

5 (4) Sections 269, 270, and 272 of this act shall take effect July
6 1, 1995.

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