

# HOUSE BILL REPORT

## HB 2318

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**As Reported by House Committee On:**  
Labor & Workforce Development

**Title:** An act relating to contractor liability for industrial insurance premiums for not-for-profit nonemergency medicaid transportation brokers.

**Brief Description:** Addressing contractor liability for industrial insurance premiums for not-for-profit nonemergency medicaid transportation brokers.

**Sponsors:** Representatives Seaquist and Appleton.

**Brief History:**

**Committee Activity:**

Labor & Workforce Development: 1/24/14, 2/4/14 [DPS].

**Brief Summary of Substitute Bill**

- Provides that not-for-profit nonemergency transportation brokers of Medicaid clients are not liable for a subcontractor's industrial insurance premiums if the subcontractor has an industrial insurance account in good standing or is a self-insurer and it maintains a separate set of books or records.

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### HOUSE COMMITTEE ON LABOR & WORKFORCE DEVELOPMENT

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives Sells, Chair; Reykdal, Vice Chair; Manweller, Ranking Minority Member; Condotta, Assistant Ranking Minority Member; Christian, Green, G. Hunt, Moeller and Ormsby.

**Staff:** Trudes Tango (786-7384).

**Background:**

Contractors and subcontractors are subject to industrial insurance laws. The person, firm, or corporation awarding the contract is entitled to collect from the contractor the full amount of industrial insurance premiums. In turn, the contractor is entitled to collect from the subcontractor his or her proportionate amount of the payment.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

However, in construction, registered contractors and licensed electrical contractors are not liable for any premiums of a subcontractor if the subcontractor meets certain requirements. Two of the requirements are: (1) the subcontractor has an industrial insurance account in good standing with the Department of Labor and Industries (Department) or is a self-insurer; and (2) the subcontractor maintains a separate set of books or records reflecting its income and expenses.

A contractor may consider a subcontractor's account to be in good standing if, within a year prior to awarding the contract, and at least once a year after, the contractor has verified with the Department that the subcontractor's account is in good standing and the contractor has not received any written notice from the Department that the subcontractor's account status has changed. Verification can include a dated printout from the Department's web site showing the subcontractor's status.

*Nonemergency Medicaid transportation.* Medicaid clients in Washington are provided nonemergency medical transportation to and from covered services, such as doctor's appointments. Transportation brokers contract with the Health Care Authority to arrange, coordinate, and manage nonemergency medical transportation for Medicaid clients. Brokers determine the mode of transportation for each client and enter subcontracts with transportation providers for services.

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**Summary of Substitute Bill:**

Nonemergency transportation brokers that operate as not-for-profit businesses are not liable for a subcontractor's industrial insurance premiums if, throughout the contract, the subcontractor has an industrial insurance account in good standing with the Department or is a self-insurer and the subcontractor maintains a separate set of books or records reflecting its income and expenses.

Nonemergency transportation brokers are defined as those organizations or entities that contract with the state Health Care Authority to arrange nonemergency transportation for qualified clients.

**Substitute Bill Compared to Original Bill:**

The substitute bill adds the requirement that the subcontractor maintain separate books and records, specifies that the requirements be met throughout the contract, and defines nonemergency transportation brokers.

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**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date of Substitute Bill:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.

**Staff Summary of Public Testimony:**

(In support) There are not any "wildcats" trying to evade responsibility for paying premiums. There are six Medicaid brokers in the state. This is not a request to remove all due diligence. It creates a narrow exemption for nonprofit brokers. When a contractor has exercised due diligence to make sure its subcontractors are in good standing with the Department, the contractor should not be responsible for the fees and taxes owed by the subcontractor based on an audit done years later.

(Opposed) None.

**Persons Testifying:** Representative Seaquist, prime sponsor; Ann Kennedy, Paratransit Services; and Chris Van Dyke, Green Cab Taxi and Evergreen Taxi Association.

**Persons Signed In To Testify But Not Testifying:** None.