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**SENATE BILL 5304**

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

**By** Senators Talmadge, Gaspard, Moore, Deccio, Wojahn, Moyer, Snyder, Winsley, Fraser, Haugen, McAuliffe, Drew, Sheldon, Skratek and Pelz

Read first time 01/22/93. Referred to Committee on Health & Human Services.

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 41.05.065, 19.68.010, 70.05.010, 70.05.030, 70.05.040, 70.05.050,  
4 70.05.070, 70.05.080, 70.05.120, 70.05.130, 70.05.150, 70.08.010,  
5 70.12.030, 70.12.050, 70.46.020, 70.46.060, 70.46.080, 70.46.085,  
6 70.46.090, 70.46.120, 82.44.110, 82.44.155, 70.170.100, 70.170.110,  
7 28B.125.010, 28B.115.080, 70.185.030, 43.70.460, 43.70.470, 82.02.030,  
8 82.24.020, 82.08.0293, 82.12.0293, 82.04.260, 18.130.160, 18.130.190,  
9 42.17.2401, 43.20.030, and 43.20.050; adding a new section to chapter  
10 74.09 RCW; adding a new section to chapter 18.130 RCW; adding a new  
11 section to Title 43 RCW; adding new sections to chapter 70.05 RCW;  
12 adding new sections to chapter 70.170 RCW; adding a new section to  
13 chapter 70.185 RCW; adding new sections to Title 48 RCW; adding new  
14 sections to chapter 48.14 RCW; adding a new section to chapter 82.04  
15 RCW; adding new sections to chapter 43.70 RCW; adding new chapters to  
16 Title 43 RCW; creating new sections; recodifying RCW 70.08.010;  
17 repealing RCW 70.05.005, 70.05.020, 70.05.132, 70.05.145, 70.08.005,  
18 70.08.020, 70.08.030, 70.08.040, 70.08.050, 70.08.060, 70.08.070,  
19 70.08.080, 70.08.090, 70.08.100, 70.08.110, 70.08.900, 70.12.005,  
20 70.46.030, 70.46.040, 70.46.050, 82.04.4288, and 82.04.4289;  
21 prescribing penalties; making appropriations; and declaring an emergency.

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

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

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

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

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

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

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

NEW SECTION. **Sec. 102.** LEGISLATIVE INTENT AND GOALS. (1) The 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 (b) State residents be enrolled in the certified health plan of  
10 their choice that meets state standards regarding affordability,  
11 accessibility, cost-effectiveness, and comprehensiveness;

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

18 (d) All state residents, businesses, employees, and government  
19 participate in payment for health and medical services, and total costs  
20 to individuals be on a sliding scale based on income with the lowest  
21 income citizens exempt from most payments; and

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

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

29 **PART II. EARLY IMPLEMENTATION MEASURES**

30 NEW SECTION. **Sec. 201.** INTENT. The legislature intends that the  
31 provisions within sections 202 through 260 of this act be implemented  
32 as soon as possible to promote the proliferation of managed health  
33 care, to foster the collection of needed health care data, to expand  
34 access to basic health insurance using established programs, and to  
35 make other immediate improvements in the health care system that are  
36 consistent with the goals of long-term care reform.



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

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

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

28 As used in this chapter:

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

33 (2) "Administrator" means the Washington basic health plan  
34 administrator.

35 (3) "Managed health care system" means any health care  
36 organization, including health care providers, insurers, health care  
37 service contractors, health maintenance organizations, or any  
38 combination thereof, that provides directly or by contract basic health

1 care services, as defined by the administrator and rendered by duly  
2 licensed providers, on a prepaid capitated basis to a defined patient  
3 population enrolled in the plan and in the managed health care system.  
4 On July 1, 1997, "managed health care system" under this chapter shall  
5 mean "certified health plan" under section 302 of this act.

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

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

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

31 (~~((6))~~) (7) "Premium" means a periodic payment, based upon gross  
32 family income and determined under RCW 70.47.060(2), which an enrollee,  
33 their employer or other financial sponsor makes to the plan as  
34 consideration for enrollment in the plan.

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

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

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

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

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

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

31       The administrator has the following powers and duties:

32       (1) To design and from time to time revise a schedule of covered  
33 basic health care services, including physician services, inpatient and  
34 outpatient hospital services, and other services that may be necessary  
35 for basic health care, which enrollees in any participating managed  
36 health care system under the Washington basic health plan shall be  
37 entitled to receive in return for premium payments to the plan. The  
38 schedule of services shall emphasize proven preventive and primary

1 health care and shall include all services necessary for prenatal,  
2 postnatal, and well-child care. (~~However, for the period ending June~~  
3 ~~30, 1993,~~) With respect to coverage for groups of subsidized  
4 enrollees, the administrator shall not contract for prenatal or  
5 postnatal services that are provided under the medical assistance  
6 program under chapter 74.09 RCW except to the extent that such services  
7 are necessary over not more than a one-month period in order to  
8 maintain continuity of care after diagnosis of pregnancy by the managed  
9 care provider, or except to provide any such services associated with  
10 pregnancies diagnosed by the managed care provider before July 1, 1992.  
11 The schedule of services shall also include a separate schedule of  
12 basic health care services for children, eighteen years of age and  
13 younger, for those enrollees who choose to secure basic coverage  
14 through the plan only for their dependent children. In designing and  
15 revising the schedule of services, the administrator shall consider the  
16 guidelines for assessing health services under the mandated benefits  
17 act of 1984, RCW 48.42.080, and such other factors as the administrator  
18 deems appropriate. After July 1, 1997, services offered under this  
19 chapter shall equal the uniform benefit package established according  
20 to section 332 of this act and may only be purchased from certified  
21 health plans established according to section 314 of this act.

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

28 (a) An employer or other financial sponsor may, with the approval  
29 of the administrator, pay the premium on behalf of any enrollee, by  
30 arrangement with the enrollee and through a mechanism acceptable to the  
31 administrator, but in no case shall the payment made on behalf of the  
32 enrollee exceed eighty percent of total premiums due from the enrollee.

33 (b) Premiums due from nonsubsidized enrollees, who are not  
34 otherwise eligible to be enrollees, shall be in an amount equal to the  
35 cost charged by the managed health care system provider to the state  
36 for the plan plus the administrative cost of providing the plan to  
37 those enrollees.

38 (3) To design and implement a structure of nominal copayments due  
39 a managed health care system from enrollees. The structure shall

1 discourage inappropriate enrollee utilization of health care services,  
2 but shall not be so costly to enrollees as to constitute a barrier to  
3 appropriate utilization of necessary health care services.

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

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

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

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

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

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

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

37 ~~((6)) (5) To limit the payment of a subsidy to an enrollee, as  
38 defined in RCW 70.47.020, whose gross family income at the time of  
39 enrollment does not exceed that percentage of the federal poverty level~~

1 adjusted for family size and determined annually by the federal  
2 department of health and human services, established in the biennial  
3 appropriations act.

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

7 In the selection of any area of the state for the initial operation  
8 of the plan, the administrator shall take into account the levels and  
9 rates of unemployment in different areas of the state, the need to  
10 provide basic health care coverage to a population reasonably  
11 representative of the portion of the state's population that lacks such  
12 coverage, and the need for geographic, demographic, and economic  
13 diversity.

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

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

28 (8) To receive periodic premiums from enrollees, deposit them in  
29 the basic health plan operating account, keep records of enrollee  
30 status, and authorize periodic payments to managed health care systems  
31 on the basis of the number of enrollees participating in the respective  
32 managed health care systems.

33 (9) To accept applications from individuals residing in areas  
34 served by the plan, on behalf of themselves and their spouses and  
35 dependent children, for enrollment in the Washington basic health plan,  
36 to establish appropriate minimum-enrollment periods for enrollees as  
37 may be necessary, and to determine, upon application and at least  
38 annually thereafter, or at the request of any enrollee, eligibility due  
39 to current gross family income for sliding scale premiums. An enrollee

1 who remains current in payment of the sliding-scale premium, as  
2 determined under subsection (2) of this section, and whose gross family  
3 income has risen above (~~twice~~) that percentage of the federal poverty  
4 level established in the current biennial appropriations act, may  
5 continue enrollment (~~unless and until the enrollee's gross family~~  
6 ~~income has remained above twice the poverty level for six consecutive~~  
7 ~~months,~~) by making payment at the unsubsidized rate required for the  
8 managed health care system in which he or she may be enrolled plus the  
9 administrative cost of providing the plan to that enrollee. No subsidy  
10 may be paid with respect to any enrollee whose current gross family  
11 income exceeds (~~twice~~) that percentage of the federal poverty  
12 established in the current biennial appropriations act level or,  
13 subject to RCW 70.47.110, who is a recipient of medical assistance or  
14 medical care services under chapter 74.09 RCW. If a number of  
15 enrollees drop their enrollment for no apparent good cause, the  
16 administrator may establish appropriate rules or requirements that are  
17 applicable to such individuals before they will be allowed to re-enroll  
18 in the plan.

19 (10)(a) To accept applications from business owners on behalf of  
20 themselves and their employees, spouses, and dependent children who  
21 reside in an area served by the plan. The administrator may require  
22 all or the substantial majority of the eligible employees of such  
23 businesses to enroll in the plan and establish those procedures  
24 necessary to facilitate the orderly enrollment of groups in the plan  
25 and into a managed health care system. For the purposes of this  
26 subsection, an employee means an individual who works for the employer.  
27 Enrollment under this subsection shall be limited to those not  
28 otherwise eligible for medicare, whose gross family income is greater  
29 than that established for subsidized enrollees, who wish to enroll in  
30 the plan at no cost to the state and choose to obtain the basic health  
31 care coverage and services from a managed health care system  
32 participating in the plan. The administrator shall adjust the amount  
33 determined to be due on behalf of or from all such enrollees whenever  
34 the amount negotiated by the administrator with the participating  
35 managed health care system or systems is modified or the administrative  
36 cost of providing the plan to such enrollees changes. No enrollee of  
37 a business group enrolled according to this subsection shall be  
38 eligible for any subsidy from the plan and at no time shall the

1 administrator allow the credit of the state or funds from the trust  
2 account to be used or extended on their behalf.

3 (b) To accept applications from individuals residing in areas  
4 serviced by the plan, on behalf of themselves and their spouses and  
5 dependent children, under sixty-five years of age and not otherwise  
6 eligible for medicare, whose gross family income at the time of  
7 enrollment exceeds that established for subsidized enrollees, who wish  
8 to enroll in the plan at no cost to the state and choose to obtain the  
9 basic health care coverage and services from a managed health care  
10 system participating in the plan. Any such nonsubsidized enrollees  
11 must pay the amount negotiated by the administrator with the  
12 participating managed health care system and the administrative cost of  
13 providing the plan to such nonsubsidized enrollees and shall not be  
14 eligible for any subsidy from the plan.

15 (11) To determine the rate to be paid to each participating managed  
16 health care system in return for the provision of covered basic health  
17 care services to enrollees in the system. ((Although the schedule of  
18 covered basic health care services will be the same for similar  
19 enrollees,)) The rates negotiated with participating managed health  
20 care systems may vary among the systems. In negotiating rates with  
21 participating systems, the administrator shall consider the  
22 characteristics of the populations served by the respective systems,  
23 economic circumstances of the local area, the need to conserve the  
24 resources of the basic health plan trust account, and other factors the  
25 administrator finds relevant. In determining the rate to be paid on  
26 behalf of enrollees, the administrator shall pay no more than the cost  
27 of the lowest priced quality provider in the area of the state served  
28 by the plan.

29 ((+11+)) (12) To monitor the provision of covered services to  
30 enrollees by participating managed health care systems in order to  
31 assure enrollee access to good quality basic health care, to require  
32 periodic data reports concerning the utilization of health care  
33 services rendered to enrollees in order to provide adequate information  
34 for evaluation, and to inspect the books and records of participating  
35 managed health care systems to assure compliance with the purposes of  
36 this chapter. In requiring reports from participating managed health  
37 care systems, including data on services rendered enrollees, the  
38 administrator shall endeavor to minimize costs, both to the managed  
39 health care systems and to the administrator. The administrator shall

1 coordinate any such reporting requirements with other state agencies,  
2 such as the insurance commissioner and the department of health, to  
3 minimize duplication of effort.

4 ~~((12))~~ (13) To monitor the access that state residents have to  
5 adequate and necessary health care services, determine the extent of  
6 any unmet needs for such services or lack of access that may exist from  
7 time to time, and make such reports and recommendations to the  
8 legislature as the administrator deems appropriate.

9 ~~((13))~~ (14) To evaluate the effects this chapter has on private  
10 employer-based health care coverage and to take appropriate measures  
11 consistent with state and federal statutes that will discourage the  
12 reduction of such coverage in the state.

13 ~~((14))~~ (15) To develop a program of proven preventive health  
14 measures and to integrate it into the plan wherever possible and  
15 consistent with this chapter.

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

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

21 On and after July 1, 1988, the administrator shall accept for  
22 enrollment applicants eligible to receive covered basic health care  
23 services from the respective managed health care systems which are then  
24 participating in the plan. ~~((The administrator shall not allow the  
25 total enrollment of those eligible for subsidies to exceed thirty  
26 thousand.))~~

27 Thereafter, ~~((total))~~ the average monthly enrollment of those  
28 eligible for subsidies during any biennium shall not exceed the number  
29 established by the legislature in any act appropriating funds to the  
30 plan, and total subsidized enrollment shall not result in expenditures  
31 that exceed the total amount that has been made available by the  
32 legislature in any act appropriating funds to the plan. The  
33 legislature shall establish income limits for subsidized enrollees in  
34 the omnibus appropriations act to ensure the orderly development of the  
35 plan.

36 ~~((Before July 1, 1988, the administrator shall endeavor to secure  
37 participation contracts from managed health care systems in discrete  
38 geographic areas within at least five congressional districts of the~~

1 ~~state and in such manner as to allow residents of both urban and rural~~  
2 ~~areas access to enrollment in the plan. The administrator shall make~~  
3 ~~a special effort to secure agreements with health care providers in one~~  
4 ~~such area that meets the requirements set forth in RCW 70.47.060(4).)~~

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

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

14 In addition to the powers and duties specified in RCW 70.47.040 and  
15 70.47.060, the administrator has the power to enter into contracts for  
16 the following functions and services:

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

21 (2) With public or private agencies, to provide technical or  
22 professional assistance to health care providers, particularly public  
23 or private nonprofit organizations and providers serving rural areas,  
24 who show serious intent and apparent capability to participate in the  
25 plan as managed health care systems.

26 (3) With public or private agencies, including health care service  
27 contractors registered under RCW 48.44.015, and doing business in the  
28 state, for marketing and administrative services in connection with  
29 participation of managed health care systems, enrollment of enrollees,  
30 billing and collection services to the administrator, and other  
31 administrative functions ordinarily performed by health care service  
32 contractors, other than insurance except that the administrator may  
33 arrange for the purchase of reinsurance, or self-insure for  
34 reinsurance, on behalf of its participating managed health care  
35 systems. Any activities of a health care service contractor pursuant  
36 to a contract with the administrator under this section shall be exempt  
37 from the provisions and requirements of Title 48 RCW.



1 amount of employee contributions from among a range of choices offered  
2 by the authority.

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

21 (7) "Board" means the state employees' benefits board established  
22 under RCW 41.05.055.

23 (8) "Organized delivery system" means an integrated system of  
24 insurance-financing functions and delivery system functions, using a  
25 defined network of providers who agree to abide by the system's  
26 practices, reimbursement levels including cost sharing, quality  
27 improvement methods, and other requirements and incentives intended to  
28 maximize access to needed health services while providing appropriate  
29 services cost-effectively. An organized delivery system would assume  
30 financial risk, as well as the responsibility for ensuring acceptable  
31 health care outcomes. On July 1, 1997, "organized delivery system"  
32 under this chapter means "certified health plan" under section 302 of  
33 this act.

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

36 (1) The Washington state health care authority is created within  
37 the executive branch. The authority shall have an administrator  
38 appointed by the governor, with the consent of the senate. The

1 administrator shall serve at the pleasure of the governor. The  
2 administrator may employ up to seven staff members, who shall be exempt  
3 from chapter 41.06 RCW, and any additional staff members as are  
4 necessary to administer this chapter. The primary duties of the  
5 authority shall be to administer state employees' insurance benefits  
6 ~~((and to))~~, study state-purchased health care programs in order to  
7 maximize cost containment in these programs while ensuring access to  
8 quality health care, and model state initiatives, joint purchasing  
9 strategies, and efficient administration. The authority's duties  
10 include, but are not limited to, the following:

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

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

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

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

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

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

33 ~~((e))~~ (v) Development of data systems to obtain utilization data  
34 from state-purchased health care programs in order to identify cost  
35 centers, utilization patterns, provider and hospital practice patterns,  
36 and procedure costs, utilizing the information obtained pursuant to RCW  
37 41.05.031;

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

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

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

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

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

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

16       (a) Standardizing the benefit package;

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

18       (c) Limiting the state's contribution to a percent of the lowest  
19 priced sealed bid of a qualified plan within a geographical area;

20       (d) Ensuring access to quality health services;

21       (e) Monitoring the impact of the approach under this subsection  
22 with regards to: Efficiencies in health service delivery, cost shifts  
23 to subscribers, access to and choice of managed care plans state-wide,  
24 and quality of health services. The health care authority shall also  
25 advise on the value of the purchasing cooperative administering a  
26 benchmark indemnity plan to promote competition among managed care  
27 plans. The health care authority shall report its findings and  
28 recommendations to the legislature by January 1, 1996.

29       **Sec. 211.** RCW 41.05.065 and 1988 c 107 s 8 are each amended to  
30 read as follows:

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

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

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

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

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

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

17 (e) Effective coordination of benefits;

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

19 (g) Minimum scope and content of standard benefit plans to be  
20 offered to enrollees participating in the employee benefit board 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 state employee benefit costs as the  
13 result of establishing organized delivery system target rates and  
14 required financial incentives to encourage enrollment in cost-efficient  
15 organized delivery systems.

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

17 **Sec. 212.** RCW 19.68.010 and 1973 1st ex.s. c 26 s 1 are each  
18 amended to read as follows:

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

1 discloses to the patient in writing, the fact that such practitioner  
2 has a financial interest in such firm, corporation, or association; and  
3 (2) the referring practitioner provides the patient with a list of  
4 effective alternative facilities, informs the patient that he or she  
5 has the option to use one of the alternative facilities, and assures  
6 the patient that he or she will not be treated differently by the  
7 referring practitioner if the patient chooses one of the alternative  
8 facilities.

9 Any person violating the provisions of this section is guilty of a  
10 misdemeanor.

11 NEW SECTION. **Sec. 213.** A new section is added to chapter 18.130  
12 RCW to read as follows:

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

25 **D. CONSOLIDATED STATE MEDICAL CARE PURCHASING AGENT**

26 NEW SECTION. **Sec. 214.** A new section is added to Title 43 RCW to  
27 read as follows:

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

1 through the department of health, and state employee and retiree health  
2 benefits. At the earliest opportunity the governor shall seek  
3 necessary federal waivers and state legislation to place the medical  
4 assistance program of the department of social and health services in  
5 this single risk pool after July 1995, but in no event later than July  
6 1997.

7 (2) At a minimum, and regardless of any other legislative  
8 enactment, the state medical care purchasing agent must:

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

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

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

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

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

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

32 (g) Allocate funds that may be appropriated by the legislature to  
33 further the goals of chapter . . . , Laws of 1993 (this act) to any  
34 state agency, local government agency, or nonprofit organization that  
35 may be designated to receive them or who may, within the discretion of  
36 the state medical care purchasing agent, need to receive them;

37 (h) The state health purchasing agent shall phase-in basic health  
38 plan coverage over a four-year period for uninsured subsidized  
39 residents consistent with funds and enrollment limitations provided in

1 the omnibus appropriations act. The process shall seek to enroll those  
2 persons with the greatest financial need first; and

3 (i) Notwithstanding other provisions of law, assure that any state  
4 resident receiving a public subsidy for health care in July 1997 or  
5 thereafter, be enrolled in a certified health plan and receive no less  
6 than the uniform benefit package as required under chapter . . . , Laws  
7 of 1993 (this act).

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

9 **Sec. 215.** RCW 70.05.010 and 1967 ex.s. c 51 s 1 are each amended  
10 to read as follows:

11 For the purposes of chapters 70.05 and 70.46 RCW (~~and RCW~~  
12 ~~70.46.020 through 70.46.090~~) and unless the context thereof clearly  
13 indicates to the contrary:

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

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

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

22 (4) "Health district" means (~~all territory encompassed within a~~  
23 ~~single county and all cities and towns therein except cities with a~~  
24 ~~population of over one hundred thousand, or~~) all the territory  
25 consisting of one or more counties (~~and all the cities and towns in~~  
26 ~~all of the combined counties except cities of over one hundred thousand~~  
27 ~~population which have been combined and~~) organized pursuant to the  
28 provisions of chapters 70.05 and 70.46 RCW (~~and RCW 70.46.020 through~~  
29 ~~70.46.090: PROVIDED, That cities with a population of over one hundred~~  
30 ~~thousand may be included in a health district as provided in RCW~~  
31 ~~70.46.040~~)).

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

33 **Sec. 216.** RCW 70.05.030 and 1967 ex.s. c 51 s 3 are each amended  
34 to read as follows:

35 In counties without a home rule charter, the board of county  
36 commissioners (~~of each and every county in this state, except where~~

1 ~~such county is a part of a health district or is purchasing services~~  
2 ~~under a contract as authorized by chapter 70.05 RCW and RCW 70.46.020~~  
3 ~~through 70.46.090,)) shall constitute the local board of health ((for~~  
4 ~~such county, and said local board of health's jurisdiction)), unless~~  
5 ~~the county is part of a health district pursuant to chapter 70.46 RCW.~~  
6 The jurisdiction of the local board of health shall be coextensive with  
7 the boundaries of said county((, except that nothing herein contained  
8 shall give said board jurisdiction in cities of over one hundred  
9 thousand population or in such other cities and towns as are providing  
10 health services which meet health standards pursuant to RCW  
11 70.46.090))).

12       **Sec. 217.** RCW 70.05.040 and 1984 c 25 s 1 are each amended to read  
13 as follows:

14       The local board of health shall elect a ((~~chairman~~)) chair and may  
15 appoint an administrative officer. A local health officer shall be  
16 appointed pursuant to RCW 70.05.050. Vacancies on the local board of  
17 health shall be filled by appointment within thirty days and made in  
18 the same manner as was the original appointment. At the first meeting  
19 of the local board of health, the members shall elect a ((~~chairman~~))  
20 chair to serve for a period of one year. ((~~In home rule charter~~  
21 ~~counties that have a local board of health established under RCW~~  
22 ~~70.05.050, the administrative officer may be appointed by the official~~  
23 ~~designated under the county's charter.))~~

24       NEW SECTION.   **Sec. 218.** A new section is added to chapter 70.05  
25 RCW to read as follows:

26       In counties with a home rule charter, the county legislative  
27 authority shall establish a local board of health and may prescribe the  
28 membership and selection process for the board. The jurisdiction of  
29 the local board of health shall be coextensive with the boundaries of  
30 the county. The local health officer, as described in RCW 70.05.050,  
31 shall be appointed by the official designated under the provisions of  
32 the county charter. The same official designated under the provisions  
33 of the county charter may appoint an administrative officer, as  
34 described in RCW 70.05.045.

35       **Sec. 219.** RCW 70.05.050 and 1984 c 25 s 5 are each amended to read  
36 as follows:

1       (~~Each local board of health, other than boards which are~~  
2 ~~established under RCW 70.05.030 and which are located in counties~~  
3 ~~having home rule charters, shall appoint a local health officer. In~~  
4 ~~home rule charter counties which have a local board of health~~  
5 ~~established under RCW 70.05.030, the local health officer shall be~~  
6 ~~appointed by the official designated under the provisions of the~~  
7 ~~county's charter.))~~)

8       The local health officer shall be an experienced physician licensed  
9 to practice medicine and surgery or osteopathy and surgery in this  
10 state and who is qualified or provisionally qualified in accordance  
11 with the standards prescribed in RCW 70.05.051 through 70.05.055 to  
12 hold the office of local health officer. No term of office shall be  
13 established for the local health officer but ~~((he))~~ the local health  
14 officer shall not be removed until after notice is given ~~((him))~~, and  
15 an opportunity for a hearing before the board or official responsible  
16 for his or her appointment under this section as to the reason for his  
17 or her removal. ~~((He))~~ The local health officer shall act as executive  
18 secretary to, and administrative officer for the local board of health  
19 and shall also be empowered to employ such technical and other  
20 personnel as approved by the local board of health except where the  
21 local board of health has appointed an administrative officer under RCW  
22 70.05.040. The local health officer shall be paid such salary and  
23 allowed such expenses as shall be determined by the local board of  
24 health.

25       **Sec. 220.** RCW 70.05.070 and 1991 c 3 s 309 are each amended to  
26 read as follows:

27       The local health officer, acting under the direction of the local  
28 board of health or under direction of the administrative officer  
29 appointed under RCW 70.05.040 or section 218 of this act, if any,  
30 shall:

31       (1) Enforce the public health statutes of the state, rules of the  
32 state board of health and the secretary of health, and all local health  
33 rules, regulations and ordinances within his or her jurisdiction  
34 including imposition of penalties authorized under RCW 70.119A.030 and  
35 filing of actions authorized by RCW 43.70.190;

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

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

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

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

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

10 (7) Collect such fees as are established by the state board of  
11 health or the local board of health for the issuance or renewal of  
12 licenses or permits or such other fees as may be authorized by law or  
13 by the rules of the state board of health;

14 (8) Inspect, as necessary, expansion or modification of existing  
15 public water systems, and the construction of new public water systems,  
16 to assure that the expansion, modification, or construction conforms to  
17 system design and plans;

18 (9) Take such measures as he or she deems necessary in order to  
19 promote the public health, to participate in the establishment of  
20 health educational or training activities, and to authorize the  
21 attendance of employees of the local health department or individuals  
22 engaged in community health programs related to or part of the programs  
23 of the local health department.

24 **Sec. 221.** RCW 70.05.080 and 1991 c 3 s 310 are each amended to  
25 read as follows:

26 If the local board of health or other official responsible for  
27 appointing a local health officer under RCW 70.05.050 refuses or  
28 neglects to appoint a local health officer after a vacancy exists, the  
29 secretary of health may appoint a local health officer and fix the  
30 compensation. The local health officer so appointed shall have the  
31 same duties, powers and authority as though appointed under RCW  
32 70.05.050. Such local health officer shall serve until a qualified  
33 individual is appointed according to the procedures set forth in RCW  
34 70.05.050. The board or official responsible for appointing the local  
35 health officer under RCW 70.05.050 shall also be authorized to appoint  
36 an acting health officer to serve whenever the health officer is absent  
37 or incapacitated and unable to fulfill his or her responsibilities

1 under the provisions of chapters 70.05 and 70.46 RCW ((and—RCW  
2 ~~70.46.020 through 70.46.090~~)).

3       **Sec. 222.** RCW 70.05.120 and 1984 c 25 s 8 are each amended to read  
4 as follows:

5       Any local health officer or administrative officer appointed under  
6 RCW 70.05.040, if any, who shall refuse or neglect to obey or enforce  
7 the provisions of chapters 70.05 and 70.46 RCW ((and—RCW—~~70.46.020~~  
8 ~~through 70.46.090~~)) or the rules, regulations or orders of the state  
9 board of health or who shall refuse or neglect to make prompt and  
10 accurate reports to the state board of health, may be removed as local  
11 health officer or administrative officer by the state board of health  
12 and shall not again be reappointed except with the consent of the state  
13 board of health. Any person may complain to the state board of health  
14 concerning the failure of the local health officer or administrative  
15 officer to carry out the laws or the rules and regulations concerning  
16 public health, and the state board of health shall, if a preliminary  
17 investigation so warrants, call a hearing to determine whether the  
18 local health officer or administrative officer is guilty of the alleged  
19 acts. Such hearings shall be held pursuant to the provisions of  
20 chapter 34.05 RCW, and the rules and regulations of the state board of  
21 health adopted thereunder.

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

1 Any person violating any of the provisions of chapters 70.05 and  
2 70.46 RCW (~~and RCW 70.46.020 through 70.46.090~~) or violating or  
3 refusing or neglecting to obey any of the rules, regulations or orders  
4 made for the prevention, suppression and control of dangerous  
5 contagious and infectious diseases by the local board of health or  
6 local health officer or administrative officer or state board of  
7 health, or who shall leave any isolation hospital or quarantined house  
8 or place without the consent of the proper health officer or who evades  
9 or breaks quarantine or conceals a case of contagious or infectious  
10 disease or assists in evading or breaking any quarantine or concealing  
11 any case of contagious or infectious disease, shall be guilty of a  
12 misdemeanor, and upon conviction thereof shall be subject to a fine of  
13 not less than twenty-five dollars nor more than one hundred dollars or  
14 to imprisonment in the county jail not to exceed ninety days or to both  
15 fine and imprisonment.

16 **Sec. 223.** RCW 70.05.130 and 1991 c 3 s 313 are each amended to  
17 read as follows:

18 All expenses incurred by the state, health district, or county in  
19 carrying out the provisions of chapters 70.05 and 70.46 RCW (~~and RCW~~  
20 ~~70.46.020 through 70.46.090~~) or any other public health law, or the  
21 rules of the (~~state~~) department of health enacted under such laws,  
22 shall be paid by the county (~~or city by which or in behalf of which~~  
23 ~~such expenses shall have been incurred~~) and such expenses shall  
24 constitute a claim against the general fund as provided herein.

25 **Sec. 224.** RCW 70.05.150 and 1967 ex.s. c 51 s 22 are each amended  
26 to read as follows:

27 In addition to powers already granted them, any (~~city, town,~~)  
28 county, district, or local health department may contract for either  
29 the sale or purchase of any or all health services from any local  
30 health department: PROVIDED, That such contract shall require the  
31 approval of the state board of health.

32 **Sec. 225.** RCW 70.08.010 and 1985 c 124 s 1 are each amended to  
33 read as follows:

34 Any city with one hundred thousand or more population and the  
35 county in which it is located, are authorized, as shall be agreed upon  
36 between the respective governing bodies of such city and said county,

1 to establish and operate a combined city and county health department,  
2 and to appoint (~~(the director of public health)~~) a local health officer  
3 for the county served.

4 **Sec. 226.** RCW 70.12.030 and 1945 c 46 s 1 are each amended to read  
5 as follows:

6 Any county, (~~(first class city)~~) combined city-county health  
7 department, or health district is hereby authorized and empowered to  
8 create a "public health pooling fund", hereafter called the "fund", for  
9 the efficient management and control of all moneys coming to such  
10 county, (~~(first class city)~~) combined department, or district for  
11 public health purposes.

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

15 **Sec. 227.** RCW 70.12.050 and 1945 c 46 s 3 are each amended to read  
16 as follows:

17 All expenditures in connection with salaries, wages and operations  
18 incurred in carrying on the health department of the county, (~~(first~~  
19 ~~class city)~~) combined city-county health department, or health district  
20 shall be paid out of such fund.

21 **Sec. 228.** RCW 70.46.020 and 1967 ex.s. c 51 s 6 are each amended  
22 to read as follows:

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

1 ~~such cities and towns and representation from the several~~  
2 ~~classifications of cities and towns.)~~)

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

5 **Sec. 229.** RCW 70.46.060 and 1967 ex.s. c 51 s 11 are each amended  
6 to read as follows:

7 The district board of health shall constitute the local board of  
8 health for all the territory included in the health district, and shall  
9 supersede and exercise all the powers and perform all the duties by law  
10 vested in the county (~~or city or town~~) board of health of any  
11 county(~~(, city or town)~~) included in the health district(~~(, except as~~  
12 ~~otherwise in chapter 70.05 RCW and RCW 70.46.020 through 70.46.090~~  
13 ~~provided)~~)).

14 **Sec. 230.** RCW 70.46.080 and 1971 ex.s. c 85 s 10 are each amended  
15 to read as follows:

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

32 Each county(~~(, city or town)~~) which is included in the district  
33 shall contribute such sums towards the expense for maintaining and  
34 operating the district as shall be agreed upon between it and the local  
35 board of health in accordance with guidelines established by the state  
36 board of health (~~after consultation with the Washington state~~  
37 ~~association of counties and the association of Washington cities. In~~

1 the event that no agreement can be reached between the district board  
2 of health and the county, city or town, the matter shall be resolved by  
3 a board of arbitrators to consist of a representative of the district  
4 board of health, a representative from the county, city or town  
5 involved, and a third representative to be appointed by the two  
6 representatives, but if they are unable to agree, a representative  
7 shall be appointed by a judge in the county in which the city or town  
8 is located. The determination of the proportionate share to be paid by  
9 a county, city or town shall be binding on all parties. Payments into  
10 the fund of the district may be made by the county or city or town  
11 members during the first year of membership in said district from any  
12 funds of the respective county, city or town as would otherwise be  
13 available for expenditures for health facilities and services, and  
14 thereafter the members shall include items in their respective budgets  
15 for payments to finance the health district)).

16 **Sec. 231.** RCW 70.46.085 and 1967 ex.s. c 51 s 20 are each amended  
17 to read as follows:

18 The expense of providing public health services shall be borne by  
19 each county(~~(, city or town)~~) within the health district(~~(, and the~~  
20 local health officer shall certify the amount agreed upon or as  
21 determined pursuant to RCW 70.46.080, and remaining unpaid by each  
22 county, city or town to the fiscal or warrant issuing officer of such  
23 county, city or town.

24 If the expense as certified is not paid by any county, city or town  
25 within thirty days after the end of the fiscal year, the local health  
26 officer shall certify the amount due to the auditor of the county in  
27 which the governmental unit is situated who shall promptly issue his  
28 warrant on the county treasurer payable out of the current expense fund  
29 of the county, which fund shall be reimbursed by the county auditor out  
30 of the money due said governmental unit at the next monthly settlement  
31 or settlements of the collection of taxes and shall be transferred to  
32 the current expense fund)).

33 **Sec. 232.** RCW 70.46.090 and 1967 ex.s. c 51 s 21 are each amended  
34 to read as follows:

35 Any county (~~(or any city or town)~~) may withdraw from membership in  
36 said health district any time after it has been within the district for  
37 a period of two years, but no withdrawal shall be effective except at

1 the end of the calendar year in which the county(~~(, city or town)~~)  
2 gives at least six months' notice of its intention to withdraw at the  
3 end of the calendar year. No withdrawal shall entitle any member to a  
4 refund of any moneys paid to the district nor relieve it of any  
5 obligations to pay to the district all sums for which it obligated  
6 itself due and owing by it to the district for the year at the end of  
7 which the withdrawal is to be effective: PROVIDED, That any county(~~(, city or town)~~)  
8 which withdraws from membership in said health district  
9 shall immediately establish a health department or provide health  
10 services which shall meet the standards for health services promulgated  
11 by the state board of health: PROVIDED FURTHER, That no local health  
12 department shall be deemed to provide adequate public health services  
13 unless there is at least one full time professionally trained and  
14 qualified physician as set forth in RCW 70.05.050.

15 **Sec. 233.** RCW 70.46.120 and 1963 c 121 s 1 are each amended to  
16 read as follows:

17 In addition to all other powers and duties, health districts shall  
18 have the power to charge fees in connection with the issuance or  
19 renewal of a license or permit required by law: PROVIDED, That the  
20 fees charged shall not exceed the actual cost involved in issuing or  
21 renewing the license or permit(~~(: PROVIDED FURTHER, That no fees shall~~  
22 ~~be charged pursuant to this section within the corporate limits of any~~  
23 ~~city or town which prior to the enactment of this section charged fees~~  
24 ~~in connection with the issuance or renewal of a license or permit~~  
25 ~~pursuant to city or town ordinance and where said city or town makes a~~  
26 ~~direct contribution to said health district, unless such city or town~~  
27 ~~expressly consents thereto)).~~

28 **Sec. 234.** RCW 82.44.110 and 1991 c 199 s 221 are each amended to  
29 read as follows:

30 The county auditor shall regularly, when remitting license fee  
31 receipts, pay over and account to the director of licensing for the  
32 excise taxes collected under the provisions of this chapter. The  
33 director shall forthwith transmit the excise taxes to the state  
34 treasurer.

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

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

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

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

8 (d) (~~(8.83)~~) 5.88 percent into the general fund to be distributed  
9 under RCW 82.44.155.

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

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

14 (g) 62.6440 percent into the general fund through June 30, 1993,  
15 57.6440 percent into the general fund beginning July 1, 1993, and 66  
16 percent into the general fund beginning January 1, 1994.

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

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

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

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

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

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

32 (3) The state treasurer shall deposit the excise tax imposed by RCW  
33 82.44.020(3) into the air pollution control account created by RCW  
34 70.94.015.

35 **Sec. 235.** RCW 82.44.155 and 1991 c 199 s 223 are each amended to  
36 read as follows:

37 When distributions are made under RCW 82.44.150, the state  
38 treasurer shall apportion and distribute the motor vehicle excise taxes

1 deposited into the general fund under RCW 82.44.110(~~(+4)~~) (1)(d) to  
2 the cities and towns ratably on the basis of population as last  
3 determined by the office of financial management. When so apportioned,  
4 the amount payable to each such city and town shall be transmitted to  
5 the city treasurer thereof, and shall be used by the city or town for  
6 the purposes of police and fire protection (~~and the preservation of~~  
7 ~~the public health~~) in the city or town, and not otherwise. If it is  
8 adjudged that revenue derived from the excise taxes imposed by RCW  
9 82.44.020 (1) and (2) cannot lawfully be apportioned or distributed to  
10 cities or towns, all moneys directed by this section to be apportioned  
11 and distributed to cities and towns shall be credited and transferred  
12 to the state general fund.

13 NEW SECTION. **Sec. 236.** RCW 70.08.010, as amended by this act,  
14 shall be recodified in chapter 70.05 RCW.

15 NEW SECTION. **Sec. 237.** The following acts or parts of acts are  
16 each repealed:

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

1 (18) RCW 70.46.030 and 1991 c 363 s 141, 1969 ex.s. c 70 s 1, 1967  
2 ex.s. c 51 s 5, & 1945 c 183 s 3;

3 (19) RCW 70.46.040 and 1967 ex.s. c 51 s 7 & 1945 c 183 s 4; and

4 (20) RCW 70.46.050 and 1967 ex.s. c 51 s 8, 1957 c 100 s 1, & 1945  
5 c 183 s 5.

6 **F. DATA COLLECTION**

7 **Sec. 238.** RCW 70.170.100 and 1990 c 269 s 12 are each amended to  
8 read as follows:

9 (1) To promote the public interest consistent with the purposes of  
10 chapter . . . , Laws of 1993 (this act), the department is responsible  
11 for the development, implementation, and custody of a state-wide  
12 ((hospital)) health care data system, with policy direction and  
13 oversight to be provided by the Washington health services commission.  
14 As part of the design stage for development of the system, the  
15 department shall undertake a needs assessment of the types of, and  
16 format for, ((hospital)) health care data needed by consumers,  
17 purchasers, health care payers, ((hospitals)) providers, and state  
18 government as consistent with the intent of chapter . . . , Laws of 1993  
19 (this act) ((chapter)). The department shall identify a set of  
20 ((hospital)) health care data elements and report specifications which  
21 satisfy these needs. The ((council)) Washington health services  
22 commission, created by section 303 of this act, shall review the design  
23 of the data system ((and)) may ((direct the department to)) establish  
24 a technical advisory committee on health data and may recommend that  
25 the department contract with a private vendor for assistance in the  
26 design of the data system or for any part of the work to be performed  
27 under this section. The data elements, specifications, and other  
28 ((design)) distinguishing features of this data system shall be made  
29 available for public review and comment and shall be published, with  
30 comments, as the department's first data plan by ((January 1, 1990))  
31 July 1, 1994.

32 (2) Subsequent to the initial development of the data system as  
33 published as the department's first data plan, revisions to the data  
34 system shall be considered ((through the department's development of a  
35 biennial data plan, as proposed to,)) with the oversight and policy  
36 guidance of the Washington health services commission or its technical  
37 advisory committee and funded by((7)) the legislature through the

1 biennial appropriations process with funds appropriated to the state  
2 health services trust fund. (~~Costs of data activities outside of~~  
3 ~~these data plans except for special studies shall be funded through~~  
4 ~~legislative appropriations.~~

5 (3)) In designing the state-wide (~~hospital~~) health care data  
6 system and any data plans, the department shall identify (~~hospital~~)  
7 health care data elements relating to (~~both hospital finances~~) health  
8 care costs, the quality of health care services, the outcomes of health  
9 care services, and (~~the~~) use of (~~services by patients~~) health care  
10 by consumers. Data elements (~~relating to hospital finances~~) shall be  
11 reported (~~by hospitals~~) as the Washington health services commission  
12 directs by reporters in conformance with a uniform (~~system of~~)  
13 reporting (~~as specified by the department and shall~~) system  
14 established by the department, which shall be adopted by reporters. In  
15 the case of hospitals this includes data elements identifying each  
16 hospital's revenues, expenses, contractual allowances, charity care,  
17 bad debt, other income, total units of inpatient and outpatient  
18 services, and other financial information reasonably necessary to  
19 fulfill the purposes of chapter . . . , Laws of 1993 (this (~~chapter~~)  
20 act), for hospital activities as a whole and, as feasible and  
21 appropriate, for specified classes of hospital purchasers and payers.  
22 Data elements relating to use of hospital services by patients shall,  
23 at least initially, be the same as those currently compiled by  
24 hospitals through inpatient discharge abstracts (~~and reported to the~~  
25 ~~Washington state hospital commission~~). The commission and the  
26 department shall encourage and permit reporting by electronic  
27 transmission or hard copy as is practical and economical to reporters.

28 ((4)) (3) The state-wide (~~hospital~~) health care data system  
29 shall be uniform in its identification of reporting requirements for  
30 (~~hospitals~~) reporters across the state to the extent that such  
31 uniformity is (~~necessary~~) useful to fulfill the purposes of chapter  
32 . . . , Laws of 1993 (this (~~chapter~~) act). Data reporting  
33 requirements may reflect differences (~~in hospital size; urban or rural~~  
34 ~~location; scope, type, and method of providing service; financial~~  
35 ~~structure; or other pertinent distinguishing factors~~) that involve  
36 pertinent distinguishing features as determined by the Washington  
37 health services commission by rule. So far as (~~possible~~) is  
38 practical, the data system shall be coordinated with any requirements  
39 of the trauma care data registry as authorized in RCW 70.168.090, the

1 federal department of health and human services in its administration  
2 of the medicare program, ~~((and))~~ the state in its role of gathering  
3 public health statistics, or any other payer program of consequence so  
4 as to minimize any unduly burdensome reporting requirements imposed on  
5 ~~((hospitals))~~ reporters.

6 ~~((+5))~~ (4) In identifying financial reporting requirements under  
7 the state-wide ~~((hospital))~~ health care data system, the department may  
8 require both annual reports and condensed quarterly reports from  
9 reporters, so as to achieve both accuracy and timeliness in reporting,  
10 but shall craft such requirements with due regard of the data reporting  
11 burdens of reporters.

12 ~~((+6))~~ ~~In designing the initial state-wide hospital data system as~~  
13 ~~published in the department's first data plan, the department shall~~  
14 ~~review all existing systems of hospital financial and utilization~~  
15 ~~reporting used in this state to determine their usefulness for the~~  
16 ~~purposes of this chapter, including their potential usefulness as~~  
17 ~~revised or simplified.~~

18 (7) ~~Until such time as the state wide hospital data system and~~  
19 ~~first data plan are developed and implemented and hospitals are able to~~  
20 ~~comply with reporting requirements, the department shall require~~  
21 ~~hospitals to continue to submit the hospital financial and patient~~  
22 ~~discharge information previously required to be submitted to the~~  
23 ~~Washington state hospital commission. Upon publication of the first~~  
24 ~~data plan, hospitals shall have a reasonable period of time to comply~~  
25 ~~with any new reporting requirements and, even in the event that new~~  
26 ~~reporting requirements differ greatly from past requirements, shall~~  
27 ~~comply within two years of July 1, 1989.~~

28 ~~((+8))~~ (5) The ~~((hospital))~~ health care data collected ~~((and)),~~  
29 maintained, and studied by the department or the Washington health  
30 services commission shall only be available for retrieval in original  
31 or processed form to public and private requestors who are certified  
32 health plans, or who are purchasers of certified health plan services  
33 and shall be available within a reasonable period of time after the  
34 date of request. The cost of retrieving data for state officials and  
35 agencies shall be funded through the state general appropriation. The  
36 cost of retrieving data for individuals and organizations engaged in  
37 research or private use of data or studies shall be funded by a fee  
38 schedule developed by the department which reflects the direct cost of  
39 retrieving the data or study in the requested form.

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

4 **Sec. 239.** RCW 70.170.110 and 1989 1st ex.s. c 9 s 511 are each  
5 amended to read as follows:

6 The department shall provide, or may contract with a private entity  
7 to provide, ~~((hospital))~~ analyses and reports or any studies it chooses  
8 to conduct consistent with the purposes of chapter . . . , Laws of 1993  
9 (this ((chapter)) act). Subject to the availability of funds and any  
10 policy direction that may be given by the Washington health services  
11 commission. ~~((Prior to release, the department shall provide affected~~  
12 ~~hospitals with an opportunity to review and comment on reports which~~  
13 ~~identify individual hospital data with respect to accuracy and~~  
14 ~~completeness, and otherwise shall focus on aggregate reports of~~  
15 ~~hospital performance.))~~ These studies, analyses, or reports shall  
16 include:

17 (1) Consumer guides on purchasing ((hospital care services and)) or  
18 consuming health care and publications providing verifiable and useful  
19 aggregate comparative information to ((consumers on hospitals and  
20 hospital services)) the public on health care services, their cost, and  
21 the quality of health care providers who participate in certified  
22 health plans;

23 (2) Reports for use by classes of purchasers, who purchase from  
24 certified health plans, health care payers, and providers as specified  
25 for content and format in the state-wide data system and data plan;  
26 ~~((and))~~

27 (3) Reports on relevant ((hospital)) health care policy ((issues))  
28 including the distribution of hospital charity care obligations among  
29 hospitals; absolute and relative rankings of Washington and other  
30 states, regions, and the nation with respect to expenses, net revenues,  
31 and other key indicators; ((hospital)) provider efficiencies; and the  
32 effect of medicare, medicaid, and other public health care programs on  
33 rates paid by other purchasers of ((hospital)) health care; and

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

1        NEW SECTION.    **Sec. 240.**    A new section is added to chapter 70.170  
2 RCW to read as follows:

3        The Washington health services commission shall have access to all  
4 health data presently available to the secretary of health. To the  
5 extent possible, the commission shall use existing data systems and  
6 coordinate among existing agencies. The department of health shall be  
7 the designated depository agency for all health data collected pursuant  
8 to chapter . . . , Laws of 1993 (this act). The following data sources  
9 shall be developed or made available:

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

15        (2) The commission, in coordination with the department of health  
16 and the health science programs of the state universities shall develop  
17 procedures to analyze clinical and other health services outcome data,  
18 and conduct other research necessary for the specific purpose of  
19 assisting in the design of the uniform benefit package under chapter  
20 . . . , Laws of 1993 (this act).

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

29        NEW SECTION.    **Sec. 241.**    A new section is added to chapter 70.170  
30 RCW to read as follows:

31        (1) The department is responsible for the implementation and  
32 custody of a state-wide personal health services data and information  
33 system. The data elements, specifications, and other design features  
34 of this data system shall be consistent with criteria adopted by the  
35 Washington health services commission. The department shall provide  
36 the commission with reasonable assistance in the development of these  
37 criteria, and shall provide the commission with periodic progress

1 reports related to the implementation of the system or systems related  
2 to those criteria.

3 (2) The department shall coordinate the development and  
4 implementation of the personal health services data and information  
5 system with related private activities and with the implementation  
6 activities of the data sources identified by the commission. Data  
7 shall include: (a) Enrollee identifier, including date of birth, sex,  
8 and ethnicity; (b) provider identifier; (c) diagnosis; (d) health  
9 services or procedures provided; (e) provider charges; and (f) amount  
10 paid. The commission shall establish by rule, confidentiality  
11 standards to safeguard the information from inappropriate use or  
12 release. The department shall assist the commission in establishing  
13 reasonable time frames for the completion of the system development and  
14 system implementation.

15 **G. HEALTH PROFESSIONAL SHORTAGES**

16 NEW SECTION. **Sec. 242.** LEGISLATIVE INTENT. The legislature finds  
17 that the successful implementation of health care reform will depend on  
18 a sufficient availability of primary health care providers throughout  
19 the state. Many rural and medically underserved urban areas lack  
20 primary health care providers and because of this basic health care  
21 services are limited or unavailable to populations living in these  
22 areas. The legislature has in recent years initiated new programs to  
23 address these provider shortage needs but funding has been insufficient  
24 and additional specific providers shortage needs still remain.

25 **Sec. 243.** RCW 28B.125.010 and 1991 c 332 s 5 are each amended to  
26 read as follows:

27 (1) The higher education coordinating board, the state board for  
28 community ~~((college—education))~~ and technical colleges, the  
29 superintendent of public instruction, the state department of health,  
30 the Washington health services commission, and the state department of  
31 social and health services, to be known for the purposes of this  
32 section as the committee, shall establish a state-wide health personnel  
33 resource plan. The governor shall appoint a lead agency from one of  
34 the agencies on the committee.

35 In preparing the state-wide plan the committee shall consult with  
36 the training and education institutions affected by this chapter,

1 health care providers, employers of health care providers, insurers,  
2 consumers of health care, and other appropriate entities.

3 Should a successor agency or agencies be authorized or created by  
4 the legislature with planning, coordination, or administrative  
5 authority over vocational-technical schools, community colleges, or  
6 four-year higher education institutions, the governor shall grant  
7 membership on the committee to such agency or agencies and remove the  
8 member or members it replaces.

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

22 In establishing and implementing the state-wide health personnel  
23 resource plan the committee shall, to the extent possible, utilize  
24 existing data and information, personnel, equipment, and facilities and  
25 shall minimize travel and take such other steps necessary to reduce the  
26 administrative costs associated with the preparation and implementation  
27 of the plan.

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

30 (a)(i) Identification of the type, number, and location of the  
31 health care professional work force necessary to meet health care needs  
32 of the state.

33 (ii) A description and analysis of the composition and numbers of  
34 the potential work force available for meeting health care service  
35 needs of the population to be used for recruitment purposes. This  
36 should include a description of the data, methodology, and process used  
37 to make such determinations.

38 (b) A centralized inventory of the numbers of student applications  
39 to higher education and vocational-technical training and education

1 programs, yearly enrollments, yearly degrees awarded, and numbers on  
2 waiting lists for all the state's publicly funded health care training  
3 and education programs. The committee shall request similar  
4 information for incorporation into the inventory from private higher  
5 education and vocational-technical training and education programs.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

33 (r) A description of how the higher education coordinating board,  
34 state board for community (~~college education~~) and technical colleges,  
35 superintendent of public instruction, department of health, and  
36 department of social and health services coordinated in the creation  
37 and implementation of the state plan including the areas of  
38 responsibility each agency shall assume. The plan should also include

1 a description of the steps taken to assure participation by the groups  
2 that are to be consulted with.

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

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

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

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

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

25 (7) Implementation of the state-wide plan shall begin by July 1,  
26 1993.

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

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

1 The committee shall review and assess whether the institutional  
2 plans meet the requirements of the state-wide health personnel resource  
3 plan and shall prepare a report with its determination. The report  
4 shall become part of the institutional plan and shall be submitted to  
5 the governor and the legislature.

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

11 **Sec. 244.** RCW 28B.115.080 and 1991 c 332 s 21 are each amended to  
12 read as follows:

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

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

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

36 (3) Establish the required service obligation for each credentialed  
37 health care profession, which shall be no less than three years or no  
38 more than five years. The required service obligation may be based

1 upon the amount of the scholarship or loan repayment award such that  
2 higher awards involve longer service obligations on behalf of the  
3 participant;

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

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

10 **Sec. 245.** RCW 70.185.030 and 1991 c 332 s 9 are each amended to  
11 read as follows:

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

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

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

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

31 (5) In designing and implementing the project the secretary shall  
32 coordinate the project with the Washington rural health system project  
33 as authorized under chapter 70.175 RCW to consolidate administrative  
34 duties and reduce costs.

35 NEW SECTION. **Sec. 246.** A new section is added to chapter 70.185  
36 RCW to read as follows:

1 AREA HEALTH EDUCATION CENTERS. The secretary may establish and  
2 contract with area health education centers in the eastern and western  
3 parts of the state. Consistent with the recruitment and retention  
4 objectives of this chapter, the centers shall provide or facilitate the  
5 provision of health professional educational and continuing education  
6 programs that strengthen the delivery of primary health care services  
7 in rural and medically underserved urban areas of the state. The  
8 center shall assist in the development and operation of health  
9 personnel recruitment and retention programs that are consistent with  
10 activities authorized under this chapter. The centers shall further  
11 provide technical expertise in the development of well managed health  
12 care delivery systems in rural Washington consistent with the goals and  
13 objectives of this act.

14 **Sec. 247.** RCW 43.70.460 and 1992 c 113 s 2 are each amended to  
15 read as follows:

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

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

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

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

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

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

33 (3) The state and its employees who operate the program shall be  
34 immune from any civil or criminal action involving claims against  
35 clinics or physicians that provided health care services under this  
36 section and RCW 43.70.470. This protection of immunity shall not  
37 extend to any clinic or (~~(physician)~~) primary care provider  
38 participating in the program.

1 (4) The department may monitor the claims experience of retired  
2 physicians covered by liability insurers contracting with the  
3 department.

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

7 **Sec. 248.** RCW 43.70.470 and 1992 c 113 s 3 are each amended to  
8 read as follows:

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

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

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

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

31 (4) The participating (~~physician~~) primary care health care  
32 provider shall limit the provision of health care services to low-  
33 income persons provided that clinics may, but are not required to,  
34 provide means tests for eligibility as a condition for obtaining health  
35 care services;

36 (5) The participating (~~physician~~) primary care health care  
37 provider shall not accept compensation for providing health care  
38 services from patients served pursuant to this section and RCW

1 43.70.460, nor from clinics serving these patients. "Compensation"  
2 shall mean any remuneration of value to the participating ((physician))  
3 primary care health care provider for services provided by the  
4 ((physician)) primary care health care provider, but shall not be  
5 construed to include any nominal copayments charged by the clinic, nor  
6 reimbursement of related expenses of a participating ((physician))  
7 primary care health care provider authorized by the clinic in advance  
8 of being incurred; and

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

14 NEW SECTION. Sec. 249. MEDICAL SCHOOL GRADUATES SERVING IN RURAL  
15 AND MEDICALLY UNDERSERVED AREAS OF THE STATE--LEGISLATIVE INTENT. The  
16 legislature finds that the shortage of primary care physicians  
17 practicing in rural and medically underserved areas of the state has  
18 created a severe public health and safety problem. If unaddressed,  
19 this problem is expected to worsen with health care reform since an  
20 increased demand for primary care services will only contribute further  
21 to these shortages.

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

28 NEW SECTION. Sec. 250. MEDICAL SCHOOL TRAINING SHORTAGE PLAN  
29 DEVELOPMENT. The University of Washington school of medicine shall  
30 prepare by December 1, 1993, a medical school shortage plan that  
31 identifies specific activities that it will pursue within its current  
32 level spending to increase the number of Washington residents serving  
33 as primary care physicians in rural and medically underserved urban  
34 areas of the state. The goal of the plan shall be to pursue such  
35 activities that will result in no fewer than thirty-five percent of all  
36 medical school graduates being Washington residents who are primary  
37 care physicians serving in rural or medically underserved areas of the

1 state by 1997. Rural and medically underserved areas shall be those  
2 identified in the state's health personnel resource plan as authorized  
3 in chapter 28B.125 RCW.

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

5 NEW SECTION. **Sec. 251.** A new section is added to Title 48 RCW to  
6 read as follows:

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

9 **I. TAXES**

10 **Sec. 252.** RCW 82.02.030 and 1990 c 42 s 319 are each amended to  
11 read as follows:

12 (1) The rate of the additional taxes under RCW 54.28.020(2),  
13 54.28.025(2), (~~((66.24.210(2), 66.24.290(2),~~) 82.04.2901, 82.16.020(2),  
14 (~~((82.26.020(2),~~) 82.27.020(5), and 82.29A.030(2) shall be seven  
15 percent; (~~and~~))

16 (2) The rate of the additional taxes under RCW 66.24.210(2) and  
17 66.24.290(2) shall be 20 percent through June 30, 1994, 38 percent for  
18 the period July 1, 1994, through June 30, 1995, 101 percent for the  
19 period July 1, 1995, through June 30, 1996, 132 percent July 1, 1996,  
20 to June 30, 1997, 164 percent from July 1, 1997, through June 30, 1998,  
21 and 186 percent thereafter;

22 (3) The rate of the additional taxes under RCW 82.26.020(2) shall  
23 be 21 percent through June 30, 1994, 37 percent for the period July 1,  
24 1994, through June 30, 1995, 96 percent for the period July 1, 1995,  
25 through June 30, 1996, 126 percent from July 1, 1996, through June 30,  
26 1997, 162 percent July 1, 1997, to June 30, 1998, and 200 percent  
27 thereafter; and

28 (4) The rate of the additional taxes under RCW 82.08.150(4) shall  
29 be (~~fourteen~~) 32 percent through June 30, 1994, 38 percent for the  
30 period July 1, 1994, through June 30, 1995, 86 percent for the period  
31 July 1, 1995, through June 30, 1996, 111 percent from July 1, 1996,  
32 through June 30, 1997, 135 percent from July 1, 1997, to June 30, 1998,  
33 and 152 percent thereafter.

1       **Sec. 253.** RCW 82.24.020 and 1989 c 271 s 504 are each amended to  
2 read as follows:

3       (1) There is levied and there shall be collected as hereinafter  
4 provided, a tax upon the sale, use, consumption, handling, possession  
5 or distribution of all cigarettes, in an amount equal to the rate of  
6 ~~((eleven))~~ thirteen and one-half mills per cigarette through June 30,  
7 1994, fourteen and one-half mills per cigarette for the period July 1,  
8 1994, through June 30, 1995, twenty and one-half mills per cigarette  
9 for the period July 1, 1995, through June 30, 1996, twenty-five mills  
10 per cigarette from July 1, 1996, through June 30, 1997, 28.5 mills per  
11 cigarette from July 1, 1997, to June 30, 1998, and 31 mills per  
12 cigarette thereafter.

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

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

24       (4) For purposes of this chapter, "possession" shall mean both (a)  
25 physical possession by the purchaser and, (b) when cigarettes are being  
26 transported to or held for the purchaser or his or her designee by a  
27 person other than the purchaser, constructive possession by the  
28 purchaser or his designee, which constructive possession shall be  
29 deemed to occur at the location of the cigarettes being so transported  
30 or held.

31       **Sec. 254.** RCW 82.08.0293 and 1988 c 103 s 1 are each amended to  
32 read as follows:

33       (1)(a) The tax levied by RCW 82.08.020 shall not apply to sales of  
34 food products for human consumption.

35       (b) "Food products" include cereals and cereal products other than  
36 those expressly excluded under (g) of this subsection, oleomargarine,  
37 meat and meat products including livestock sold for personal  
38 consumption, fish and fish products, eggs and egg products, vegetables

1 and vegetable products, fruit and fruit products, spices and salt,  
2 sugar and sugar products, (~~coffee and coffee substitutes, tea,~~) cocoa  
3 and cocoa products.

4 (c) "Food products" include milk and milk products(~~(, milk shakes,~~  
5 malted milks, and any other similar type beverages which are composed  
6 at least in part of milk or a milk product and which require the use of  
7 milk or a milk product in their preparation)) other than those  
8 expressly excluded under (h) of this subsection.

9 (d) "Food products" include all fruit juices, vegetable juices, and  
10 other beverages except milk shakes, malted milks, bottled water,  
11 spirituous, malt or vinous liquors or carbonated beverages, whether  
12 liquid or frozen.

13 (e) "Food products" do not include medicines and preparations in  
14 liquid, powdered, granular, tablet, capsule, lozenge, and pill form  
15 sold as dietary supplements or adjuncts.

16 (f) "Food products" do not include candy and gum products.

17 (i) "Candy products" include, but are not limited to: Loose, bulk,  
18 and individually packaged confections that are commonly considered  
19 candy, including, hard candy, caramel, chocolate candy, nuts or fruit  
20 coated in natural or artificial sweeteners, caramel-coated popcorn,  
21 licorice, jelly beans, breath mints, and cotton candy. Confections  
22 that are primarily sold for cooking purposes shall not be considered  
23 candy for the purposes of this section and are not subject to tax.  
24 "Candy products" do not include: Sweet bakery products, ice cream or  
25 other sweet dairy products, jams, jellies, preserves, honey, syrup,  
26 frosting, breakfast cereals, granola or other breakfast bars, dried  
27 fruit and preparations of fruit in a sugar or similar base, or candy  
28 and chocolate primarily intended for the preparation or decoration of  
29 baked goods.

30 (ii) "Gum products" include all forms of chewing gum, whether  
31 sweetened with natural or artificial sweeteners. "Gum products" shall  
32 not include any form alleged by the manufacturer to contain aspirin,  
33 laxative, antiacidity, or other medicinal properties.

34 (g) "Food products" do not include fresh or frozen doughnuts,  
35 cakes, cupcakes, pies, pastries or pies, sold either packaged or in  
36 bulk.

37 (h) "Food products" do not include ice cream, ice cream bars, ice  
38 milk and ice milk products, or other products made from natural or  
39 artificial frozen dairy products, milk shakes, malted milk, and similar

1 beverages made from natural or artificial frozen dairy products, frozen  
2 yogurt and frozen yogurt products, including beverages made with frozen  
3 yogurt, sherbet, popsicles and similar frozen drink bars, frozen fruit  
4 juice bars, frozen pudding, frozen gelatin, or any other similar frozen  
5 dessert that the general consuming public would consider to be an ice  
6 cream or similar product.

7 (i) "Food products" do not include coffee or tea, neither in  
8 beverage form nor in forms capable of being prepared as beverages,  
9 whether regular or instant.

10 (2) The department of revenue, by rule, shall further identify food  
11 items, consistent with subsection (1) (b) through (i) of this section,  
12 that are not included within the definition of "food products" for  
13 purposes of sales tax exemption under this chapter.

14 ~~((+2))~~ (3) The exemption of "food products" provided for in  
15 subsection (1) of this section shall not apply: (a) When the food  
16 products are ordinarily sold for immediate consumption on or near a  
17 location at which parking facilities are provided primarily for the use  
18 of patrons in consuming the products purchased at the location, even  
19 though such products are sold on a "takeout" or "to go" order and are  
20 actually packaged or wrapped and taken from the premises of the  
21 retailer, or (b) when the food products are sold for consumption within  
22 a place, the entrance to which is subject to an admission charge,  
23 except for national and state parks and monuments, or (c) to a food  
24 product, when sold by the retail vendor, which by law must be handled  
25 on the vendor's premises by a person with a food and beverage service  
26 worker's permit under RCW 69.06.010, including but not ~~((be))~~ limited  
27 to sandwiches prepared or chicken cooked on the premises, deli trays,  
28 home-delivered pizzas or meals, and salad bars but excluding:

29 (i) Raw meat prepared by persons who slaughter animals, including  
30 fish and fowl, or dress or wrap slaughtered raw meat such as fish  
31 mongers, butchers, or meat wrappers;

32 (ii) Meat and cheese sliced and/or wrapped, in any quantity  
33 determined by the buyer, sold by vendors such as meat markets,  
34 delicatessens, and grocery stores;

35 (iii) Bakeries which only sell baked goods;

36 (iv) Combination bakery businesses, as prescribed by rule of the  
37 department, to the extent that sales of baked goods are separately  
38 accounted for and the baked goods claimed for exemption are not sold as  
39 part of meals or with beverages in unsealed containers; or

1 (v) Bulk food products sold from bins or barrels, including but not  
2 limited to flour, fruits, vegetables, sugar, salt, (~~andy,~~) chips,  
3 and cocoa.

4 (~~(3)~~) (4) Notwithstanding anything in this section to the  
5 contrary, the exemption of "food products" provided in this section  
6 shall apply to all food (~~(products which)~~) items that are furnished,  
7 prepared, or served as meals:

8 (a) Under a state administered nutrition program for the aged as  
9 provided for in the Older Americans Act (P.L. 95-478 Title III) and RCW  
10 74.38.040(6); or

11 (b) Which are provided to senior citizens, disabled persons, or  
12 low-income persons by a not-for-profit organization organized under  
13 chapter 24.03 or 24.12 RCW.

14 (~~(4)~~) (5) Subsection (1) of this section notwithstanding, the  
15 retail sale of food products and all other food items excluded from the  
16 definition of "food products" under this section is subject to sales  
17 tax under RCW 82.08.020 if (~~(the food products are)~~) sold through a  
18 vending machine, and in this case the selling price for purposes of RCW  
19 82.08.020 is (~~(fifty-seven)~~) seventy-five percent of the gross  
20 receipts.

21 This (~~(subsection)~~) special selling price does not apply to  
22 carbonated beverages or to hot prepared food products(~~(, other than~~  
23 ~~food products which)~~) that are heated after they have been dispensed  
24 from the vending machine.

25 For tax collected under this subsection, the requirements that the  
26 tax be collected from the buyer and that the amount of tax be stated as  
27 a separate item are waived.

28 **Sec. 255.** RCW 82.12.0293 and 1988 c 103 s 2 are each amended to  
29 read as follows:

30 (1)(a) The provisions of this chapter shall not apply in respect to  
31 the use of food products for human consumption.

32 (b) "Food products" include cereals and cereal products other than  
33 those expressly excluded under (g) of this subsection, oleomargarine,  
34 meat and meat products including livestock sold for personal  
35 consumption, fish and fish products, eggs and egg products, vegetables  
36 and vegetable products, fruit and fruit products, spices and salt,  
37 sugar and sugar products, (~~(coffee and coffee substitutes, tea,~~) cocoa  
38 and cocoa products.

1       (c) "Food products" include milk and milk products(~~(, milk shakes,~~  
2 ~~malted milks, and any other similar type beverages which are composed~~  
3 ~~at least in part of milk or a milk product and which require the use of~~  
4 ~~milk or a milk product in their preparation)) other than those  
5 expressly excluded under (h) of this subsection.~~

6       (d) "Food products" include all fruit juices, vegetable juices, and  
7 other beverages except milk shakes, malted milks, bottled water,  
8 spirituous, malt or vinous liquors or carbonated beverages, whether  
9 liquid or frozen.

10       (e) "Food products" do not include medicines and preparations in  
11 liquid, powdered, granular, tablet, capsule, lozenge, and pill form  
12 sold as dietary supplements or adjuncts.

13       (f) "Food products" do not include candy and gum products.

14       (i) "Candy products" include, but are not limited to: Loose, bulk,  
15 and individually packaged confections that are commonly considered  
16 candy, including, hard candy, caramel, chocolate candy, nuts or fruit  
17 coated in natural or artificial sweeteners, caramel-coated popcorn,  
18 licorice, jelly beans, breath mints, and cotton candy. Confections  
19 that are primarily sold for cooking purposes shall not be considered  
20 candy for the purposes of this section and are not subject to tax.  
21 "Candy products" do not include: Sweet bakery products, ice cream or  
22 other sweet dairy products, jams, jellies, preserves, honey, syrup,  
23 frosting, breakfast cereals, granola or other breakfast bars, dried  
24 fruit and preparations of fruit in a sugar or similar base, or candy  
25 and chocolate primarily intended for the preparation or decoration of  
26 baked goods.

27       (ii) "Gum products" include all forms of chewing gum, whether  
28 sweetened with natural or artificial sweeteners. "Gum products" shall  
29 not include any form alleged by the manufacturer to contain aspirin,  
30 laxative, antiacidity, or other medicinal properties.

31       (g) "Food products" do not include fresh or frozen doughnuts,  
32 cakes, cupcakes, pies, pastries or pies, sold either packaged or in  
33 bulk.

34       (h) "Food products" do not include ice cream, ice cream bars, ice  
35 milk and ice milk products, or other products made from natural or  
36 artificial frozen dairy products, milk shakes, malted milk, and similar  
37 beverages made from natural or artificial frozen dairy products, frozen  
38 yogurt and frozen yogurt products, including beverages made with frozen  
39 yogurt, sherbet, popsicles and similar frozen drink bars, frozen fruit

1 juice bars, frozen pudding, frozen gelatin, or any other similar frozen  
2 dessert that the general consuming public would consider to be an ice  
3 cream or similar product.

4 (i) "Food products" do not include coffee or tea, neither in  
5 beverage form nor in forms capable of being prepared as beverages,  
6 whether regular or instant.

7 (2) The department of revenue, by rule, shall further identify food  
8 items, consistent with subsection (1) (b) through (i) of this section,  
9 that are not included within the definition of "food products" for  
10 purposes of use tax exemption under this chapter.

11 (3) The exemption of "food products" provided for in subsection (1)  
12 of this section shall not apply: (a) When the food products are  
13 ordinarily sold for immediate consumption on or near a location at  
14 which parking facilities are provided primarily for the use of patrons  
15 in consuming the products purchased at the location, even though such  
16 products are sold on a "takeout" or "to go" order and are actually  
17 packaged or wrapped and taken from the premises of the retailer, or (b)  
18 when the food products are sold for consumption within a place, the  
19 entrance to which is subject to an admission charge, except for  
20 national and state parks and monuments, or (c) to a food product, when  
21 sold by the retail vendor, which by law must be handled on the vendor's  
22 premises by a person with a food and beverage service worker's permit  
23 under RCW 69.06.010, including but not ((be)) limited to sandwiches  
24 prepared or chicken cooked on the premises, deli trays, home-delivered  
25 pizzas or meals, and salad bars but excluding:

26 (i) Raw meat prepared by persons who slaughter animals, including  
27 fish and fowl, or dress or wrap slaughtered raw meat such as fish  
28 mongers, butchers, or meat wrappers;

29 (ii) Meat and cheese sliced and/or wrapped, in any quantity  
30 determined by the buyer, sold by vendors such as meat markets,  
31 delicatessens, and grocery stores;

32 (iii) Bakeries which only sell baked goods;

33 (iv) Combination bakery businesses, as prescribed by rule of the  
34 department, to the extent that sales of baked goods are separately  
35 accounted for and the baked goods claimed for exemption are not sold as  
36 part of meals or with beverages in unsealed containers; or

37 (v) Bulk food products sold from bins or barrels, including but not  
38 limited to flour, fruits, vegetables, sugar, salt, ((candy)) chips,  
39 and cocoa.

1       (~~(3)~~) (4) Notwithstanding anything in this section to the  
2 contrary, the exemption of "food products" provided in this section  
3 shall apply to all food (~~(products which)~~) items that are furnished,  
4 prepared, or served as meals:

5       (a) Under a state administered nutrition program for the aged as  
6 provided for in the Older Americans Act (P.L. 95-478 Title III) and RCW  
7 74.38.040(6); or

8       (b) Which are provided to senior citizens, disabled persons, or  
9 low-income persons by a not-for-profit organization organized under  
10 chapter 24.03 or 24.12 RCW.

11       NEW SECTION. Sec. 256. A new section is added to chapter 48.14  
12 RCW to read as follows:

13       (1) Each health maintenance organization, as defined in RCW  
14 48.46.020(1), shall pay a tax on or before the first day of March of  
15 each year to the state treasurer through the insurance commissioner's  
16 office on amounts received or collected by the health maintenance  
17 organization during the preceding calendar year as prepayments for  
18 comprehensive health care services.

19       (2) The amount of the tax shall be equal to the total amount of all  
20 prepayments for comprehensive health care services received by the  
21 health maintenance organization during the calendar year multiplied by  
22 the rate of .25 percent for calendar year 1994; .5 percent for calendar  
23 year 1995; 1.5 percent for calendar year 1996; 1.75 percent for  
24 calendar year 1997; and 2.0 percent thereafter.

25       (3) Health maintenance organizations must prepay their tax  
26 liability. The minimum amount of the prepayments shall be percentages  
27 of the health maintenance organization's tax obligation for the  
28 preceding calendar year recomputed using the rate in effect for the  
29 current year. For the prepayment of taxes due during calendar year  
30 1994, the minimum amount of the prepayments shall be percentages of the  
31 health maintenance organization's tax obligation that would have been  
32 due had the tax been in effect during calendar year 1993. The tax  
33 prepayments shall be paid to the state treasurer through the  
34 commissioner's office by the due dates and in the following amounts:

- 35       (a) On or before June 15, forty-five percent;  
36       (b) On or before September 15, twenty-five percent;  
37       (c) On or before December 15, twenty-five percent;

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

5 NEW SECTION. **Sec. 257.** A new section is added to chapter 48.14  
6 RCW to read as follows:

7 (1) Each health care service contractor, as defined in RCW  
8 48.44.010(3), shall pay a tax on or before the first day of March of  
9 each year to the state treasurer through the insurance commissioner's  
10 office on amounts received or collected by the health care service  
11 contractor during the preceding calendar year as prepayments for health  
12 care services.

13 (2) The amount of the tax shall be equal to the total amount of all  
14 prepayments for health care services received by the health care  
15 service contractor during the calendar year multiplied by the rate of  
16 .25 percent for calendar year 1994; .5 percent for calendar year 1995;  
17 1.5 percent for calendar 1996; 1.75 percent for calendar year 1997; and  
18 2 percent thereafter.

19 (3) Health care service contractors must prepay their tax  
20 liability. The minimum amount of the prepayments shall be percentages  
21 of the health care service contractor's tax obligation for the  
22 preceding calendar year recomputed using the rate in effect for the  
23 current year. For the prepayment of taxes due during calendar year  
24 1994, the minimum amount of the prepayments shall be percentages of the  
25 health care service contractor's tax obligation that would have been  
26 due had the tax been in effect during calendar year 1993. The tax  
27 prepayments shall be paid to the state treasurer through the  
28 commissioner's office by the due dates and in the following amounts:

- 29 (a) On or before June 15, forty-five percent;  
30 (b) On or before September 15, twenty-five percent;  
31 (c) On or before December 15, twenty-five percent;

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

36 NEW SECTION. **Sec. 258.** A new section is added to chapter 82.04  
37 RCW to read as follows:

1 This chapter does not apply to any person in respect to a health  
2 maintenance organization or health care service contractor upon which  
3 a tax based on the total amount of prepayments received for health care  
4 services is paid to the state.

5 NEW SECTION. **Sec. 259.** The following acts or parts of acts are  
6 each repealed:

7 (1) RCW 82.04.4288 and 1980 c 37 s 9; and

8 (2) RCW 82.04.4289 and 1981 c 178 s 2 & 1980 c 37 s 10.

9 **Sec. 260.** RCW 82.04.260 and 1991 c 272 s 15 are each amended to  
10 read as follows:

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

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

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

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

34 (5) Upon every person engaging within this state in the business of  
35 manufacturing by canning, preserving, freezing or dehydrating fresh  
36 fruits and vegetables; as to such persons the amount of tax with  
37 respect to such business shall be equal to the value of the products

1 canned, preserved, frozen or dehydrated multiplied by the rate of  
2 three-tenths of one percent.

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

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

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

22 (9) Upon every person engaging within this state in the business of  
23 manufacturing nuclear fuel assemblies, as to such persons the amount of  
24 tax with respect to such business shall be equal to the value of the  
25 products manufactured multiplied by the rate of twenty-five one-  
26 hundredths of one percent.

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

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

1           (12) Upon every person engaging within this state in the business  
2 of stevedoring and associated activities pertinent to the movement of  
3 goods and commodities in waterborne interstate or foreign commerce; as  
4 to such persons the amount of tax with respect to such business shall  
5 be equal to the gross proceeds derived from such activities multiplied  
6 by the rate of thirty-three one hundredths of one percent. Persons  
7 subject to taxation under this subsection shall be exempt from payment  
8 of taxes imposed by chapter 82.16 RCW for that portion of their  
9 business subject to taxation under this subsection. Stevedoring and  
10 associated activities pertinent to the conduct of goods and commodities  
11 in waterborne interstate or foreign commerce are defined as all  
12 activities of a labor, service or transportation nature whereby cargo  
13 may be loaded or unloaded to or from vessels or barges, passing over,  
14 onto or under a wharf, pier, or similar structure; cargo may be moved  
15 to a warehouse or similar holding or storage yard or area to await  
16 further movement in import or export or may move to a consolidation  
17 freight station and be stuffed, unstuffed, containerized, separated or  
18 otherwise segregated or aggregated for delivery or loaded on any mode  
19 of transportation for delivery to its consignee. Specific activities  
20 included in this definition are: Wharfage, handling, loading,  
21 unloading, moving of cargo to a convenient place of delivery to the  
22 consignee or a convenient place for further movement to export mode;  
23 documentation services in connection with the receipt, delivery,  
24 checking, care, custody and control of cargo required in the transfer  
25 of cargo; imported automobile handling prior to delivery to consignee;  
26 terminal stevedoring and incidental vessel services, including but not  
27 limited to plugging and unplugging refrigerator service to containers,  
28 trailers, and other refrigerated cargo receptacles, and securing ship  
29 hatch covers.

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

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

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

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

3 If the gross income of the taxpayer is attributable to activities  
4 both within and without this state, the gross income attributable to  
5 this state shall be determined in accordance with the methods of  
6 apportionment required under RCW 82.04.460.

7 (14) Upon every person engaging within this state as an insurance  
8 agent, insurance broker, or insurance solicitor licensed under chapter  
9 48.17 RCW; as to such persons, the amount of the tax with respect to  
10 such licensed activities shall be equal to the gross income of such  
11 business multiplied by the rate of one percent.

12 (15) Upon every hospital, as defined in chapter 70.41 RCW, devoted  
13 to the care of human beings with respect to the prevention or treatment  
14 of disease, sickness, or suffering, that is operated by the United  
15 States or any of its instrumentalities, or by the state, of any of its  
16 political subdivisions; as to such hospitals, the amount of tax with  
17 respect to such activities shall be equal to the gross amounts derived  
18 as compensation for services rendered to patients and from sales of  
19 prescription drugs as defined in RCW 82.08.0281 furnished as an  
20 integral part of services being rendered to patients by a hospital  
21 multiplied by the rate of 1.5 percent for the period July 1, 1995,  
22 through June 30, 1996, 1.75 percent for July 1, 1996, through June 30,  
23 1997, and 2.0 percent thereafter.

24 (16) Upon every person engaging within this state in the business  
25 as a hospital, as defined in chapter 70.41 RCW, that is operated as a  
26 nonprofit corporation and is entitled to exemption under the property  
27 laws of this state, or as a kidney dialysis facility operated as a  
28 nonprofit corporation, whether or not in connection with a hospital, or  
29 as a nursing home, or a home for unwed mothers operated as a religious  
30 or charitable organization, but only if no part of the net earnings  
31 received by such an institution inures directly or indirectly to any  
32 person other than such hospital, kidney dialysis facility, nursing  
33 home, or home for unwed mothers; as to such persons, the amount of tax  
34 with respect to such activities shall be equal to the gross amounts  
35 derived as compensation for services rendered to patients and from  
36 sales of prescription drugs as defined in RCW 82.08.0281 furnished as  
37 an integral part of services being rendered to patients by a hospital  
38 multiplied by the rate of 1.5 percent for the period July 1, 1995,

1 through June 30, 1996, 1.75 percent for July 1, 1996, to June 30, 1997,  
2 and 2.0 percent thereafter.

3 NEW SECTION. **Sec. 261.** A new section is added to chapter 48.14  
4 RCW to read as follows:

5 (1) A certified health plan as defined under section 302 of this  
6 act that is not required to pay a tax under section 256 or 257 of this  
7 act shall pay by March 31 of each year a two percent tax on the total  
8 amount of all prepayments for health services received by the plan  
9 during the calendar year.

10 (2) The reporting and payment provisions of section 256 of this act  
11 apply to a certified health plan under this section.

12 **J. APPROPRIATIONS**

13 NEW SECTION. **Sec. 262.** (1) The sum of one hundred sixty three  
14 million five hundred thousand dollars, or as much thereof as may be  
15 necessary, is appropriated for the biennium ending June 30, 1995, from  
16 the general fund to the personal health services account for the  
17 purposes of expansion of the basic health plan to state residents with  
18 incomes below two hundred percent of poverty by June 30, 1995.

19 (2) The sum of thirty-five million dollars, or as much thereof as  
20 may be necessary, is appropriated for the biennium ending June 30,  
21 1995, from the general fund to the public health account to be used for  
22 the purposes of the public health services improvement plan in section  
23 338(2)(b) of this act and to meet the need for immediate improvements  
24 in public health programs including reducing the use of tobacco by  
25 minors and adults, containing and eradicating tuberculosis, reducing  
26 the incidences of sexually transmitted diseases, reducing teen  
27 pregnancy and slowing the spread of HIV infection.

28 (3) The sum of six million five hundred thousand dollars, or as  
29 much thereof as may be necessary, is appropriated for the biennium  
30 ending June 30, 1995, from the general fund to the health professions,  
31 data systems, and research account for the purposes of section  
32 338(2)(c) of this act.

33 (4) The sum of five million two hundred thousand dollars, or as  
34 much thereof as may be necessary, is appropriated for the biennium  
35 ending June 30, 1995, from the state general fund to the department of  
36 health for the following purposes: Four hundred thousand dollars for

1 preparation of the health personnel resource plan under chapter 28B.125  
2 RCW, one million dollars for community-based health professional  
3 recruitment and retention activities under chapter 70.185 RCW, two  
4 hundred thousand dollars for the malpractice insurance program under  
5 RCW 43.70.460 and 43.70.470, and three million five hundred thousand  
6 dollars for training of volunteer emergency medical services personnel  
7 under chapter 70.168 RCW.

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

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

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

21 NEW SECTION. **Sec. 301.** INTENT. The legislature intends that  
22 chapter . . . , Laws of 1993 (this act) establish structures, processes,  
23 and specific financial limits to stabilize the overall cost of medical  
24 care within the economy, to reduce the demand for unneeded medical  
25 care, to provide universal access to essential health and medical  
26 services, to improve public health, and to ensure that medical system  
27 costs do not undermine the financial viability of nonmedical care  
28 businesses.

29 NEW SECTION. **Sec. 302.** DEFINITIONS. In this chapter and sections  
30 313 through 334 of this act, unless the context otherwise requires:

31 (1) "Certified health plan" or "plan" means an entity certified by  
32 the insurance commissioner according to the provisions of section 314  
33 of this act.

34 (2) "Chair" means the presiding officer of the Washington health  
35 services commission.

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

1 (4) "Continuous quality improvement and total quality management"  
2 means a continuous process to improve health services while reducing  
3 costs.

4 (5) "Employee" means a person who is in the employment of an  
5 employer, as defined by chapter 50.04 RCW. A full-time employee is an  
6 employee who is employed at least eighty hours during a calendar month.

7 (6) "Employers' cooperative health purchasing group" or "purchasing  
8 group" means a group of employers in a distinct geographical region  
9 defined by the health services commission that: (a) Has as one of its  
10 purposes the purchase of uniform health benefits on a group basis from  
11 certified health plan; (b) purchases the benefits only for its members'  
12 employees and dependents; (c) is composed of members whose businesses  
13 or activities are principally located in the specified geographical  
14 region; (d) purchases the uniform benefit package for not less than  
15 five thousand persons; and (e) does not deny participation to any  
16 business, partnership, or corporation within its geographical region.

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

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

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

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

29 (11) "Health care facility" or "facility" means hospices licensed  
30 under chapter 70.127 RCW, hospitals licensed under chapter 70.41 RCW,  
31 rural health facilities as defined in RCW 70.175.020, psychiatric  
32 hospitals licensed under chapter 71.12 RCW, nursing homes licensed  
33 under chapter 18.51 RCW, kidney disease treatment centers licensed  
34 under chapter 70.41 RCW, ambulatory diagnostic, treatment or surgical  
35 facilities licensed under chapter 70.41 RCW, drug and alcohol treatment  
36 facilities licensed under chapter 70.96A RCW, and home health agencies  
37 licensed under chapter 70.127 RCW, and includes such facilities if  
38 owned and operated by a political subdivision or instrumentality of the  
39 state and such other facilities as required by federal law and

1 implementing regulations, but does not include Christian Science  
2 sanatoriums operated, listed, or certified by the First Church of  
3 Christ Scientist, Boston, Massachusetts.

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

5 (a) A physician licensed under chapter 18.71 or 18.57 RCW or any  
6 other licensed, certified, or registered health professional regulated  
7 under chapter 18.130 RCW whom the commission identifies as appropriate  
8 to provide health services;

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

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

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

24 (14) "Maximum enrollee financial participation" means the income-  
25 related total annual payments that may be required of an enrollee per  
26 family who chooses one of the three lowest priced plans in a geographic  
27 region including both premium-sharing and enrollee point of service  
28 cost-sharing.

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

34 (16) "State health services budget" means total funds that may be  
35 included during any fiscal year within a document developed pursuant to  
36 section 337 of this act.

37 (17) "Technology" means the drugs, devices, equipment, and medical  
38 or surgical procedures used in the delivery of health services, and the  
39 organizational or supportive systems within which such services are

1 provided. It also means sophisticated and complicated machinery  
2 developed as a result of ongoing research in the basic biological and  
3 physical sciences, clinical medicine, electronics, and computer  
4 sciences, as well as specialized professionals, medical equipment,  
5 procedures, and chemical formulations used for both diagnostic and  
6 therapeutic purposes.

7 (18) "Uniform benefit package" means those appropriate and  
8 effective health services, defined by the commission under section 332  
9 of this act, that must be offered to all Washington residents through  
10 certified health plans.

11 (19) "Washington resident" or "resident" means a person who intends  
12 to reside in the state permanently or indefinitely and who did not move  
13 to Washington for the primary purpose of securing health services under  
14 sections 313 through 334 of this act. "Washington resident" also  
15 includes people and their accompanying family members who are in the  
16 state for the purpose of engaging in employment for at least one month,  
17 who did not enter the state for the primary purpose of obtaining health  
18 services. The confinement of a person in a nursing home, hospital, or  
19 other medical institution in the state shall not by itself be  
20 sufficient to qualify such person as a resident.

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

22 NEW SECTION. **Sec. 303.** CREATION OF COMMISSION--MEMBERSHIP--TERMS  
23 OF OFFICE--VACANCIES--SALARIES. (1) There is created an agency of  
24 state government to be known as the Washington health services  
25 commission. The commission shall consist of the insurance  
26 commissioner, the state health officer and three other members  
27 appointed by the governor with the consent of the senate. One member,  
28 who may not be either the insurance commissioner or the state health  
29 officer, shall be designated by the governor as chair and shall serve  
30 at the pleasure of the governor. Of the initial members, one shall be  
31 appointed to a term of three years, one shall be appointed to a term of  
32 four years, and one shall be appointed to a term of five years.  
33 Thereafter, members shall be appointed to five-year terms. Vacancies  
34 shall be filled by appointment for the remainder of the unexpired term  
35 of the position being vacated.

36 (2) Members of the commission shall have no pecuniary interest in  
37 any business subject to regulation by the commission and shall be

1 subject to chapter 42.18 RCW, the executive branch conflict of interest  
2 act.

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

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

17 (2) The commission shall establish a "service effectiveness  
18 advisory committee" to provide technical guidance to the commission.  
19 The advisory committee shall be composed of ten to fifteen technical  
20 experts, such as general practitioners, specialty health care  
21 providers, health service researchers, health ethicists,  
22 epidemiologists, and public health experts, who reflect the state's  
23 ethnic and cultural diversity. The advisory committee shall perform  
24 several functions, such as assessing the effectiveness of the uniform  
25 benefit package based on the health status of the population.

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

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

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

36 (2) Employ personnel of the commission, in accordance with chapter  
37 41.06 RCW, and prescribe their duties. With the approval of a majority

1 of the commission, the chair may appoint persons to administer any  
2 entity established pursuant to subsection (8) of this section, and up  
3 to seven additional employees all of whom shall be exempt from the  
4 provisions of chapter 41.06 RCW;

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

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

8 (5) Delegate administrative functions of the commission to  
9 employees of the commission as the chair deems necessary to ensure  
10 efficient administration;

11 (6) Subject to approval of the commission, appoint advisory  
12 committees and undertake studies, research, and analysis necessary to  
13 support activities of the commission;

14 (7) Preside at meetings of the commission;

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

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

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

24 (1) Ensure that all residents of Washington state are enrolled in  
25 a certified health plan or a self-funded employer health benefit plan  
26 that is exempt from state regulation, regardless of age, sex, family  
27 structure, ethnicity, race, health condition, geographic location,  
28 employment, or economic status.

29 (2) Ensure that all residents of Washington state have access to  
30 appropriate and effective health services. If certified health plans  
31 are insufficient or unable to meet a population's needs for access to  
32 certified health plan services, authorize appropriate state agencies,  
33 local health departments, community or migrant health centers or other  
34 nonprofit health service entities to take actions necessary to assure  
35 such access. This may include authority to contract for or to directly  
36 deliver services described within the uniform benefit package to  
37 special populations.

1 (3) Develop a total state health services budget, according to the  
2 requirements of section 337 of this act.

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

12 (5) Establish, and from time to time modify, the uniform benefit  
13 package, as provided in section 332 of this act, which shall be offered  
14 to enrollees of a certified health plan. The benefit package shall be  
15 provided at no more than the maximum premium specified in subsection  
16 (6) of this section.

17 (6) Establish for each year a strictly community-rated maximum  
18 premium for the uniform benefits package that a certified health plan  
19 may receive. The premium cost of the uniform benefits package in 1994  
20 shall be allowed to increase by a rate no greater than the average  
21 growth rate in the cost of the package between 1990 and 1993 as  
22 actuarially determined. Beginning in 1995, the growth rate of the  
23 package shall be reduced by two percentage points per year until the  
24 growth rate is no greater than growth in Washington per capita personal  
25 income, as determined by the office of financial management. In  
26 addition, and in order to promote price competition, the commission  
27 shall establish annual premium shares and amounts that may be paid by  
28 employers, government sponsors, and individuals defined in relation to  
29 the price of the lowest priced certified health plan in a region of the  
30 state, so long as the total premiums received by a certified health  
31 plan do not exceed the maximum premium levels established according to  
32 this subsection. The commission shall establish regions within the  
33 state by rule.

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

36 (8) Establish standards for capital expenditures by certified  
37 health plans. A major capital expenditure is defined as any single  
38 expenditure for capital acquisitions, including medical technological  
39 equipment, as defined by the commission, costing more than one million

1 dollars. Periodically the commission shall prioritize the proposed  
2 projects based on standards of cost-effectiveness and access. The  
3 commission shall then approve those projects in rank order that are  
4 within the limits of the capital budget. The Washington health care  
5 facilities authority authorized in chapter 70.37 RCW may not approve  
6 financing for a major capital expenditure unless it has been approved  
7 by the commission under this subsection.

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

10 (10) Suggest that certified health plans have certain practice  
11 guidelines or risk management protocols for quality assurance,  
12 utilization review, or provider payment. The commission may consider  
13 guidelines or protocols recommended according to section 309 of this  
14 act for these purposes.

15 (11) Suggest other guidelines to certified health plans for  
16 utilization management, use of technology and methods of payment, such  
17 as diagnosis-related groups and a resource-based relative value scale.  
18 Such guidelines shall be voluntary and shall be designed to promote  
19 improved management of care, and provide incentives for improved  
20 efficiency and effectiveness within the delivery system.

21 (12) Adopt standards and oversee and develop policy for personal  
22 health data and information systems as provided in chapter 70.170 RCW.

23 (13) Adopt standards that prevent conflict of interest by health  
24 care providers as provided in RCW 19.68.010 and section 213 of this  
25 act.

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

30 (15) Develop standards for the employer's cooperative health care  
31 purchasing group certification process according to the provisions of  
32 this chapter.

33 (16) In developing the uniform benefit package and other standards  
34 pursuant to this section, consider the likelihood of the establishment  
35 of a national health services plan adopted by the federal government  
36 and its implications.

37 To the extent that the exercise of any of the powers and duties  
38 specified in this section may be inconsistent with the powers and  
39 duties of other state agencies, offices, or commissions, the authority

1 of the commission shall supersede that of such other state agency,  
2 office, or commission, except in matters of personal health data, where  
3 the commission shall have primary data system policymaking authority  
4 and the department of health shall have primary responsibility for the  
5 maintenance and routine operation of personal health data systems.

6 NEW SECTION. **Sec. 307.** CONTINUOUS QUALITY IMPROVEMENT AND TOTAL  
7 QUALITY MANAGEMENT. To ensure the highest quality health services at  
8 the lowest total cost, the commission shall establish a total quality  
9 management system of continuous quality improvement. Such endeavor  
10 shall be based upon the recognized quality science for continuous  
11 quality improvement. The commission shall impanel a committee composed  
12 of persons from the private sector and related sciences who have broad  
13 knowledge and successful experiences in continuous quality improvement  
14 and total quality management applications. It shall be the  
15 responsibility of the committee to develop standards for a Washington  
16 state health services supplier certification process and recommend such  
17 standards to the commission for review and adoption. Once adopted, the  
18 commission shall establish a schedule, with full compliance no later  
19 than July 1, 1996, whereby all health service providers and health  
20 service facilities shall be certified prior to providing uniform  
21 benefit package services. In conjunction with the commission's total  
22 quality management efforts, the department of health shall develop a  
23 regulatory system that supports the development and maintenance of  
24 quality assurance plans throughout the medical community.

25 NEW SECTION. **Sec. 308.** Sections 301 through 307 of this act shall  
26 constitute a new chapter in Title 43 RCW.

27 **B. PRACTICE GUIDELINES**

28 NEW SECTION. **Sec. 309.** A new section is added to chapter 43.70  
29 RCW to read as follows:

30 PRACTICE GUIDELINES. The department of health shall consult with  
31 the board of the Washington health insurance purchasing cooperative,  
32 health care providers, purchasers, health professional regulatory  
33 authorities under RCW 18.130.040, appropriate research and clinical  
34 experts, and consumers of health care services to identify specific  
35 practice areas where practice guidelines and risk management protocols

1 have been developed. Practice guidelines shall be based upon best  
2 observed practice. The department shall:

3 (1) Develop a definition of "best observed practice" so that  
4 practice guidelines can serve as a standard for excellence in the  
5 provision of health care services.

6 (2) Establish a process to identify and evaluate practice  
7 guidelines and risk management protocols as they are developed by the  
8 appropriate professional, scientific, and clinical communities.

9 (3) Recommend the use of practice guidelines and risk management  
10 protocols in quality assurance, utilization review, or provider payment  
11 to the health services commission.

12 **C. HEALTH CARE LIABILITY REFORMS**

13 NEW SECTION. **Sec. 310.** MEDICAL MALPRACTICE PROVISIONS FOR  
14 CERTIFIED HEALTH PLAN PARTICIPANTS. (1) No policy for medical  
15 malpractice that insures, indemnifies, or otherwise protects a  
16 certified health plan or a provider caring for patients according to a  
17 certified health plan contract from medical malpractice may maintain a  
18 ratio of losses to gross income from premiums that is less than eighty-  
19 five percent.

20 (2) Neither a certified health plan nor a health care provider  
21 caring for patients according to a certified health plan contract shall  
22 be subject to liability for harm under this chapter for health care  
23 provided in accordance with a practice guideline adopted by the health  
24 services commission unless the claimant establishes by a preponderance  
25 of the evidence that the provider's application or execution of the  
26 practice guideline was a failure to follow the accepted standard of  
27 care.

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

35 (4) No health care provider or facility may deliver care covered by  
36 a certified health plan without first presenting evidence of

1 malpractice insurance in at least the amount specified by the  
2 commission.

3       **Sec. 311.** RCW 18.130.160 and 1986 c 259 s 8 are each amended to  
4 read as follows:

5       FINDING OF UNPROFESSIONAL CONDUCT--ORDERS--SANCTIONS--STAY--COSTS.  
6 Upon a finding that a license holder or applicant has committed  
7 unprofessional conduct or is unable to practice with reasonable skill  
8 and safety due to a physical or mental condition, the disciplining  
9 authority may issue an order providing for one or any combination of  
10 the following:

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

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

36       **Sec. 312.** RCW 18.130.190 and 1991 c 3 s 271 are each amended to  
37 read as follows:

1 PRACTICE WITHOUT LICENSE--INVESTIGATION OF COMPLAINTS--TEMPORARY  
2 CEASE AND DESIST ORDERS--INJUNCTIONS--PENALTY. (1) The secretary shall  
3 investigate complaints concerning practice by unlicensed persons of a  
4 profession or business for which a license is required by the chapters  
5 specified in RCW 18.130.040. In the investigation of the complaints,  
6 the secretary shall have the same authority as provided the secretary  
7 under RCW 18.130.050. The secretary shall issue a cease and desist  
8 order to a person after notice and hearing and upon a determination  
9 that the person has violated this subsection. If the secretary makes  
10 a written finding of fact that the public interest will be irreparably  
11 harmed by delay in issuing an order, the secretary may issue a  
12 temporary cease and desist order. The cease and desist order shall not  
13 relieve the person so practicing or operating a business without a  
14 license from criminal prosecution therefor, but the remedy of a cease  
15 and desist order shall be in addition to any criminal liability. The  
16 cease and desist order is conclusive proof of unlicensed practice and  
17 may be enforced under RCW 7.21.060. This method of enforcement of the  
18 cease and desist order may be used in addition to, or as an alternative  
19 to, any provisions for enforcement of agency orders set out in chapter  
20 34.05 RCW.

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

31 (3) Unlicensed practice of a profession or operating a business for  
32 which a license is required by the chapters specified in RCW  
33 18.130.040, unless otherwise exempted by law, constitutes a gross  
34 misdemeanor. All fees, fines, forfeitures, and penalties collected or  
35 assessed by a court because of a violation of this section shall be  
36 remitted to the health professions account.

37 (4) In addition to the remedies provided in this section, the  
38 secretary is authorized to impose a civil penalty of up to five  
39 thousand dollars on any person engaged, without a license, in a

1 profession or business for which a license is required by the chapters  
2 specified in RCW 18.130.040. The imposition of such civil penalty  
3 shall occur only subsequent to a hearing in conformance with the  
4 provisions of chapter 34.05 RCW in any case in which the secretary  
5 finds that there has been a failure or refusal to comply with the  
6 provisions of any chapters specified in RCW 18.130.040.

7

#### D. CERTIFIED HEALTH PLANS

8 NEW SECTION. Sec. 313. CERTIFIED HEALTH PLANS--REGISTRATION  
9 REQUIRED--PENALTY. (1) No person or entity in this state shall, by  
10 mail or otherwise, act or hold himself or herself out to be a certified  
11 health plan as defined by section 302 of this act without being  
12 registered with the insurance commissioner.

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

16 NEW SECTION. Sec. 314. ELIGIBILITY REQUIREMENTS FOR CERTIFICATE  
17 OF REGISTRATION--APPLICATION REQUIREMENTS. Any corporation,  
18 cooperative group, partnership, association or groups of health  
19 professionals licensed by the state of Washington, public hospital  
20 district, or public institutions of higher education shall be entitled  
21 to a certificate from the insurance commissioner as a certified health  
22 plan if it:

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

30 (2) Accepts for enrollment any state resident and provides or  
31 assures the provision of all services within the uniform benefit  
32 package regardless of age, sex, family structure, ethnicity, race,  
33 health condition, geographic location, employment status, or other  
34 condition or situation;

35 (3) Demonstrates to the satisfaction of the insurance commissioner  
36 in consultation with the department of health and the health services

1 commission that its facilities and personnel are adequate to provide  
2 the benefits prescribed in the uniform benefit package to enrolled  
3 Washington residents, and that it is financially capable of providing  
4 such residents with, or has made adequate contractual arrangements with  
5 health care providers and facilities to provide the residents with such  
6 services;

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

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

15 (6) Meets the minimum net worth requirements set forth in section  
16 322 of this act and the funding reserve requirements set forth in  
17 section 323 of this act;

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

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

26 (9) Provides all enrollees with instruction and informational  
27 materials to increase individual and family awareness of injury and  
28 illness prevention; encourages assumption of personal responsibility  
29 for protecting personal health; and stimulates discussion about the use  
30 and limits of medical care in improving the health of individuals and  
31 communities.

32 NEW SECTION. **Sec. 315.** ISSUANCE OF CERTIFICATE--GROUNDS FOR  
33 REFUSAL. The commissioner shall issue a certificate as a certified  
34 health plan to an applicant within one hundred twenty days of such  
35 filing unless the commissioner notifies the applicant within such time  
36 that such application is not complete and the reasons therefor; or that  
37 the commissioner is not satisfied that:

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

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

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

10 (a) Any agreements with a casualty insurer, a government agency, or  
11 any other organization paying or insuring payment for health care  
12 services;

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

15 (c) Any arrangements for liability and malpractice insurance  
16 coverage.

17 (4) The procedures for offering health care services are reasonable  
18 and equitable; and

19 (5) Procedures have been established to:

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

23 (b) Operate internal peer review mechanisms; and

24 (c) Resolve complaints and grievances in accordance with new  
25 section 327 of this act and rules established by the insurance  
26 commissioner in consultation with the commission.

27 NEW SECTION. **Sec. 316.** PREMIUMS AND ENROLLEE PAYMENT AMOUNTS--  
28 FILING OF PREMIUMS AND ENROLLEE PAYMENT AMOUNTS--ADDITIONAL CHARGES  
29 PROHIBITED. (1) The insurance commissioner shall verify that the  
30 certified health plan and its providers are charging no more than the  
31 maximum premiums and enrollee financial participation amounts during  
32 the course of financial and market conduct examinations or more  
33 frequently if justified in the opinion of the insurance commissioner or  
34 upon request by the health services commission.

35 (2) The certified health plans shall file the premium schedules  
36 including employer contributions, enrollee premium sharing, and  
37 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 maximum enrollee financial participation limits established by the  
6 health services commission. The certified health plan that directly  
7 provides health care services may charge and collect the enrollee point  
8 of service cost sharing fees as established in the uniform benefit  
9 package or other approved benefit plan.

10 NEW SECTION. Sec. 317. 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 services to such plan. For partnership and  
36 professional service corporations, a report shall be made for partners  
37 or shareholders as to any compensation or expense reimbursement

1 received by them for services, other than for services and expenses  
2 relating directly for patient 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 this act. The insurance commissioner shall  
8 specify additional information to be reported which may include but not  
9 be limited to age, sex, location, and health status information.

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

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

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

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

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

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

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

35 NEW SECTION. **Sec. 318.** COVERAGE NOT DENIED--ENROLLMENT LIMITED TO  
36 ONE CERTIFIED HEALTH PLAN. No certified health plan may deny coverage  
37 to a Washington resident residing within the prescribed service area of  
38 the certified health plan. No Washington resident may be enrolled in

1 more than one certified health plan at any one time. Coverage shall be  
2 transferable from one certified health plan to another certified health  
3 plan upon thirty days' written notice. Such transfer shall be without  
4 penalty or waiting period. Accidents and sickness that commenced under  
5 the prior certified health plan shall be covered by the replacement  
6 certified health plan from the effective date of coverage under the  
7 replacement certified health plan.

8 NEW SECTION. **Sec. 319.** MISREPRESENTATIONS TO INDUCE TERMINATION  
9 OR RETENTION OF ENROLLMENT PROHIBITED. No certified health plan or any  
10 person representing a certified health plan may make misrepresentation  
11 or misleading comparisons to induce or attempt to induce any enrollee  
12 or employer group to terminate or retain membership in a certified  
13 health plan.

14 NEW SECTION. **Sec. 320.** PENALTY FOR VIOLATIONS. A certified  
15 health plan which, or person who, violates any provision of this  
16 chapter is guilty of a gross misdemeanor, unless the penalty is  
17 otherwise specifically provided.

18 NEW SECTION. **Sec. 321.** PROVIDER CONTRACTS--ENROLLED RESIDENT'S  
19 LIABILITY, COMMISSIONER'S REVIEW. (1) Subject to subsection (2) of  
20 this section, every contract between a certified health plan and its  
21 providers of health care services shall be in writing and shall set  
22 forth that in the event the certified health plan fails to pay for  
23 health care services as set forth in the uniform benefit package, the  
24 enrollee is not liable to the provider for any sums owed by the  
25 certified health plan. Every such contract shall provide that this  
26 requirement shall survive termination of the contract.

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

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

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

1        NEW SECTION.        **Sec. 322.**        MINIMUM NET WORTH--REQUIREMENTS TO  
2 MAINTAIN--DETERMINATION OF AMOUNT.    (1) Every certified health plan  
3 must maintain a minimum net worth equal to the greater of:

4        (a) One million dollars; or

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

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

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

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

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

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

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

35       The claims shall be computed in accordance with rules adopted by  
36 the insurance commissioner in consultation with the health services  
37 commission.

1        NEW SECTION.    **Sec. 323.**    FUNDED RESERVE REQUIREMENTS.    (1) Each  
2 certified health plan obtaining certification from the insurance  
3 commissioner shall provide and maintain a funded reserve of one hundred  
4 fifty thousand dollars. The funded reserve shall be deposited with the  
5 insurance commissioner or with any organization acceptable to the  
6 commissioner in the form of cash, securities eligible for investment  
7 under chapter 48.13 RCW, approved surety bond, or any combination of  
8 these, and must be equal to or exceed one hundred fifty thousand  
9 dollars. The funded reserve shall be established as an assurance that  
10 the uncovered expenditures obligations of the certified health plan to  
11 the enrolled Washington residents shall be performed.

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

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

17        NEW SECTION.    **Sec. 324.**    EXAMINATION OF CERTIFIED HEALTH PLANS,  
18 POWERS OF COMMISSIONER, DUTIES OF PLANS, INDEPENDENT AUDIT REPORTS.

19        (1) The insurance commissioner shall make an examination of the  
20 operations of a certified health plan as often as the commissioner  
21 deems it necessary in order to assure the financial security and health  
22 and safety of the enrolled residents. The insurance commissioner shall  
23 make an examination of a certified health plan not less than once every  
24 three calendar years.

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

35        (3) The insurance commissioner may elect to accept and rely on  
36 audit reports made by an independent certified public accountant for  
37 the certified health plan in the course of that part of the insurance  
38 commissioner's examination covering the same general subject matter as

1 the audit. The commissioner may incorporate the audit report in his or  
2 her report of the examination.

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

22 NEW SECTION. **Sec. 325.** INSOLVENCY--COMMISSIONER'S DUTIES,  
23 CONTINUATION OF BENEFITS, ALLOCATION OF COVERAGE. (1) In the event of  
24 insolvency of a certified health plan and upon order of the  
25 commissioner, all other certified health plans shall offer the enrolled  
26 Washington residents of the insolvent certified health plan the  
27 opportunity to enroll in a solvent certified health plan. Enrollment  
28 shall be without prejudice for any preexisting condition and shall be  
29 continuous provided the resident enrolls in the new certified health  
30 plan within thirty days of the date of insolvency and otherwise  
31 complies with the certified health plan's managed care procedures  
32 within the thirty-day open enrollment period.

33 (2) The insurance commissioner, in consultation with the health  
34 services commission, shall establish guidelines for the equitable  
35 distribution of the insolvent certified health plan's enrollees to the  
36 remaining certified health plans. Such guidelines may include  
37 limitations to enrollment based on financial conditions, provider  
38 delivery network, administrative capabilities of the certified health

1 plan, and other reasonable measures of the certified health plan's  
2 ability to provide benefits to the newly enrolled residents.

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

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

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

22 (c) Use of the funded reserve requirements as provided under  
23 section 323 of this act;

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

25 (e) Other arrangements the insurance commissioner and certified  
26 health plan mutually agree are appropriate to assure that benefits are  
27 continued.

28 NEW SECTION. **Sec. 326.** FINANCIAL FAILURE, SUPERVISION OF  
29 COMMISSIONER--PRIORITY OF DISTRIBUTION OF ASSETS. (1) Any  
30 rehabilitation, liquidation, or conservation of a certified health plan  
31 shall be deemed to be the rehabilitation, liquidation, or conservation  
32 of an insurance company and shall be conducted under the supervision of  
33 the insurance commissioner under the law governing the rehabilitation,  
34 liquidation, or conservation of insurance companies. The insurance  
35 commissioner may apply for an order directing the insurance  
36 commissioner to rehabilitate, liquidate, or conserve a certified health  
37 plan upon one or more of the grounds set forth in RCW 48.31.030,  
38 48.31.050, and 48.31.080. Enrolled residents shall have the same

1 priority in the event of liquidation or rehabilitation as the law  
2 provides to policyholders of an insurer.

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

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

18 NEW SECTION. **Sec. 327.** GRIEVANCE PROCEDURE. A certified health  
19 plan shall establish and maintain a grievance procedure approved by the  
20 commissioner, to provide a reasonable and effective resolution of  
21 complaints initiated by enrolled Washington residents concerning any  
22 matter relating to the provision of benefits under the uniform benefit  
23 package, access to health care services, and quality of services. Each  
24 certified health plan shall respond to complaints filed with the  
25 insurance commissioner within twenty working days. The insurance  
26 commissioner in consultation with the health care commission shall  
27 establish standards for grievance procedures and resolution.

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

29 NEW SECTION. **Sec. 328.** EMPLOYERS' COOPERATIVE HEALTH CARE  
30 PURCHASING GROUP--DEFINITION, OPEN ACCESS, REGISTRATION. A purchasing  
31 group that intends to purchase health care coverage from a certified  
32 health plan shall furnish notice to the commissioner which shall: (1)  
33 Identify the principal name and address of the purchasing group, (2)  
34 furnish the names and addresses of the officers of the purchasing  
35 group, (3) include copies of letters of agreement for participation in  
36 the purchasing group including minimum term of participation, and (4)

1 provide any other information as prescribed by the insurance  
2 commissioner in consultation with the health services commission to  
3 verify that the purchasing group is qualified and managed by competent  
4 and trustworthy individuals.

5 NEW SECTION. **Sec. 329.** ENFORCEMENT AUTHORITY OF COMMISSIONER.  
6 For the purposes of this chapter, the insurance commissioner shall have  
7 the same powers and duties of enforcement as are provided in RCW  
8 48.02.080.

9 NEW SECTION. **Sec. 330.** ANNUAL REPORT BY THE INSURANCE  
10 COMMISSIONER TO THE HEALTH SERVICES COMMISSION. (1) The insurance  
11 commissioner shall report annually to the health services commission on  
12 the compliance of certified health plans and employers' cooperative  
13 health care purchasing groups with the provisions of chapter . . . ,  
14 Laws of 1993 (this act). The report shall include information on (a)  
15 compliance with this act's open enrollment and antidiscrimination  
16 provisions, (b) financial solvency requirements, (c) the mix of  
17 enrollee characteristics within and among plans and groups including  
18 age, sex, ethnicity, and any easily obtainable information related to  
19 medical risk, (d) the geographic distribution of plans and groups, and  
20 (e) other information which the commission may request consistent with  
21 the goals of chapter . . . , Laws of 1993 (this act).

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

25 **F. STATE AND FEDERAL ANTI-TRUST IMMUNITY**

26 NEW SECTION. **Sec. 331.** STATE AND FEDERAL ANTI-TRUST IMMUNITY.  
27 (1) The legislature finds that competition in the health services and  
28 insurance markets is not in the public interest unless it operates  
29 within publicly established constraints that seek to (1) contain the  
30 aggregate cost of most health services, (2) promote the comparability  
31 of health insurance products, (3) improve the cost-effectiveness of  
32 those products relative to health promotion, disease prevention, and  
33 the amelioration or cure of illness, (4) assure universal access to a  
34 publicly determined, uniform package of health benefits, and (5) create  
35 reasonable equity in the distribution of funds, treatment, and medical

1 risk among purchasing groups, insurance groups, health care providers,  
2 and Washington residents.

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

6 (3) The legislature intends that reductions in health services or  
7 insurance competition occur as a result of chapter . . ., Laws of 1993  
8 (this act) for the purposes stated in this section and elsewhere in  
9 chapter . . ., Laws of 1993 (this act). To these ends, any lawful  
10 actions taken by any entity created or regulated by chapter . . ., Laws  
11 of 1993 (this act) are declared to be taken pursuant to state statute  
12 and in furtherance of the public purposes of the state of Washington.  
13 Such actions are exempt from state and federal anti-trust statutes and  
14 shall be treated as state-authorized actions. However, such actions do  
15 not include practices, services, entities, plans, benefits, premiums,  
16 and other activities of certified health plans, health care purchasers,  
17 purchasing groups, health care providers, or Washington residents which  
18 amount to:

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

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

27 (c) Agreeing or conspiring to agree on ways of attracting or  
28 discouraging enrollment by any resident or group of residents in any  
29 certified health plan or purchasing group because of the actual or  
30 perceived cost of providing the uniform benefit package to that  
31 resident or group.

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

1 **G. THE UNIFORM BENEFIT PACKAGE**

2 NEW SECTION. **Sec. 332.** UNIFORM BENEFIT PACKAGE DESIGN--  
3 LEGISLATIVE VETO. (1) The Washington health services commission shall  
4 define the uniform benefit package, which shall include those health  
5 services based on the best available scientific health information,  
6 deemed to be effective and necessary on a societal basis for the  
7 maintenance of the health of citizens of the state, and weighed against  
8 the availability of funding in the state health services budget.

9 (a) The legislature intends that by no later than the year 2000,  
10 the uniform benefit package be comparable in scope to health benefits  
11 plans offered to employees of state agencies, and that it be  
12 sufficiently comprehensive to meet the health needs of residents of the  
13 state. However, in order to provide universal access to essential  
14 health services as quickly as possible within available resources, the  
15 commission may approve a short-term uniform benefit package that is  
16 less comprehensive for implementation until the year 2000. This short-  
17 term package may contain limitations on mental health, and long-term  
18 care services, but essential preventive services, including routine  
19 health screening and clinical preventive services must be provided.

20 In the year 2000, the uniform benefit package shall include at  
21 least inpatient and outpatient services for physical, mental, and  
22 developmental illnesses and disabilities including:

- 23 (i) Diagnosis/assessment and selection of treatment/care;
- 24 (ii) Clinical preventive services;
- 25 (iii) Emergency health services, including ground and air ambulance  
26 services;
- 27 (iv) Except as otherwise provided by state law, reproductive and  
28 maternity services;
- 29 (v) Clinical management and provision of treatment;
- 30 (vi) Therapeutic drugs, biologicals, supplies, and equipment;
- 31 (vii) Vision, hearing, and dental care;
- 32 (viii) Inpatient and outpatient mental health and chemical  
33 dependency treatments;
- 34 (ix) Inpatient and outpatient hospital and surgical services;
- 35 (x) Organ transplants;
- 36 (xi) Rehabilitative services, including physical, occupational, and  
37 speech therapies; and

1 (xii) Long-term care services, including nursing home care, home  
2 health care, hospice services, and home support services.

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

4 (i) Cosmetic surgery and related services;

5 (ii) Examinations associated with life insurance applications or  
6 legal proceedings, except as may be required for workers' compensation;  
7 and

8 (iii) Infertility services.

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

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

18 (2) The Washington health services commission shall determine the  
19 specific schedule of health services within the uniform benefit  
20 package, including limitations on scope and duration of services. To  
21 assist the commission in this task, it may periodically establish  
22 health service review panels for specified periods of time to review  
23 existing information on need, efficacy, and cost-effectiveness of  
24 specific services and treatments. These panels shall use any services  
25 outcome data that may be available. These panels shall take into  
26 consideration available practice guidelines, and appropriate use of  
27 expensive technology.

28 (3) In determining the uniform benefit package, the Washington  
29 health services commission shall endeavor to seek the opinions of and  
30 information from the public. The commission shall consider the results  
31 of official public health assessment and policy development activities  
32 including recommendations of the department of health in discharging  
33 its responsibilities under this section.

34 (4) The Washington health services commission shall submit its  
35 initial uniform benefits package and any changes it may wish to make to  
36 the legislature annually. The legislature may disapprove of the  
37 uniform benefits package by a majority vote in the house of  
38 representatives and in the senate at any time prior to the close of its  
39 regular annual legislative session. If such disapproval action is

1 taken, the commission shall with all deliberate speed resubmit a  
2 modified uniform benefits package, which may be disapproved within  
3 thirty days of submittal to the legislature.

4 **H. STATE RESIDENT AND EMPLOYER PARTICIPATION**

5 NEW SECTION. **Sec. 333.** INDIVIDUAL PARTICIPATION. (1) All  
6 residents must participate in a health system so that access may be  
7 improved and so that costs may be controlled. It is the responsibility  
8 of individuals to participate in available and affordable health  
9 insurance.

10 (2) All residents of the state of Washington are required to  
11 participate in a certified health plan no later than July 1, 1997.  
12 Residents who have health coverage through self-insured employer plans  
13 shall be deemed to meet this requirement.

14 (3) The Washington health services commission shall monitor the  
15 enrollment of individuals into certified health plans and shall make  
16 public periodic reports concerning the number of persons enrolled and  
17 not enrolled, the reasons why individuals are not enrolled,  
18 recommendations to reduce the number of persons not enrolled, and  
19 recommendations regarding enforcement of this provision.

20 NEW SECTION. **Sec. 334.** EMPLOYER PARTICIPATION. (1) On July 1,  
21 1995, every employer employing more than five hundred full-time  
22 employees shall offer a choice of certified health plans to all full-  
23 time employees. The employer shall be required to pay no less than  
24 fifty percent and no more than ninety-five percent of the premium cost  
25 of the lowest cost available certified health plan within their  
26 geographic region as determined by the commission. On July 1, 1996,  
27 all dependents of full-time employees of these firms shall be offered  
28 a choice of certified health plans with the employer paying no less  
29 than fifty percent and no more than ninety-five percent of the premium  
30 of the lowest cost certified health plan within their geographic region  
31 as determined by the commission.

32 (2) By July 1, 1996, every employer employing more than one hundred  
33 full-time employees shall offer a choice of certified health plans to  
34 all full-time employees. The employer shall be required to pay no less  
35 than fifty percent and no more than ninety-five percent of the premium  
36 cost of the lowest cost available certified health plan as determined

1 by the commission. On July 1, 1997, all dependents of full-time  
2 employees in these firms shall be offered a choice of certified health  
3 plans with the employer paying no less than fifty percent and no more  
4 than ninety-five percent of the premium of the lowest cost plan within  
5 their geographic area as determined by the commission.

6 (3) By July 1, 1997, every employer shall offer a choice of  
7 certified health plans to all full-time employees. The employer shall  
8 be required to pay no less than fifty percent and no more than ninety-  
9 five percent of the premium cost of the lowest cost available certified  
10 health plan as determined by the commission. On July 1, 1998, all  
11 dependents of full-time employees in all firms shall be offered a  
12 choice of certified health plans with the employer paying no less than  
13 fifty percent and no more than ninety-five percent of the premium of  
14 the lowest cost plan within their geographic area as determined by the  
15 commission.

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

28 NEW SECTION. Sec. 335. Sections 313 through 334 of this act shall  
29 constitute a new chapter in Title 43 RCW.

30 **I. PUBLIC HEALTH SERVICES IMPROVEMENT PLAN**

31 NEW SECTION. Sec. 336. A new section is added to chapter 43.70  
32 RCW to read as follows:

33 PUBLIC HEALTH SERVICES IMPROVEMENT PLAN. (1) The department of  
34 health shall develop, in consultation with local health departments and  
35 districts, the state board of health, the health services commission,  
36 and other state agencies, health services providers, and citizens

1 concerned about public health, a public health services improvement  
2 plan. The plan should provide a detailed accounting of deficits in the  
3 core functions of assessment, policy development, assurance of the  
4 current public health system, how additional public health funding  
5 would be used, and describe the benefits expected from expanded  
6 expenditures.

7 (2) The plan shall include:

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

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

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

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

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

18 (i) Strategies for transferring personal care services from the  
19 public health system, into the uniform benefit package where feasible;  
20 and

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

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

28 (4) By December 1, 1994, the department shall present the public  
29 health services plan to the legislature, with specific recommendations  
30 for each element of the plan to be implemented over the period from  
31 1995 through 1997.

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

35 (6) Among the specific population-based public health activities to  
36 be considered in the public health services improvement plan are:  
37 Health data assessment and chronic and infectious disease surveillance;  
38 rapid response to outbreaks of communicable disease; efforts to prevent  
39 and control specific communicable diseases, such as tuberculosis and

1 acquired immune deficiency syndrome; health education to promote  
2 healthy behaviors and to reduce the prevalence of chronic disease, such  
3 as those linked to the use of tobacco; access to primary care; programs  
4 to ensure children are born as healthy as possible and they receive  
5 immunizations and adequate nutrition; efforts to prevent intentional  
6 and unintentional injury; programs to ensure the safety of drinking  
7 water and food supplies; and other activities that have the potential  
8 to improve the health of the population or special populations and  
9 reduce the need for or cost of health services.

10 **J. STATE HEALTH SERVICES BUDGET, TRUST FUND, AND ACCOUNTS**

11 NEW SECTION. **Sec. 337.** STATE HEALTH SERVICES BUDGET. The state  
12 health services budget shall reflect total expenditures for all health  
13 services either funded by the state or federal government, regulated  
14 pursuant to chapter . . . , Laws of 1993 (this act), or voluntarily  
15 placed under the provisions of chapter . . . , Laws of 1993 (this act)  
16 by self-insured employers. The commission shall submit the state  
17 health services budget, which shall include estimated amounts in each  
18 of these categories as part of the governor's biennial budget request.

19 NEW SECTION. **Sec. 338.** TRUST FUND AND ACCOUNTS. (1) The  
20 Washington health services trust fund is hereby established in the  
21 state treasury. All public funds regulated by chapter . . . , Laws of  
22 1993 (this act) shall be deposited in the Washington health services  
23 trust fund and shall be allocated within the discretion of the state  
24 medical care purchasing agent in a manner consistent with state and  
25 federal laws, rules of the commission, and any waivers from federal  
26 laws or regulations that the state may receive consistent with the  
27 provisions of chapter . . . , Laws of 1993 (this act). These funds  
28 shall include at least:

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

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

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

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

10 (2) The trust fund shall consist of three accounts:

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

16 (b) The public health account from which funds shall be expended to  
17 maintain and improve the health of all Washington residents, by  
18 assuring adequate financing for a public system to: (i) Assess and  
19 report on the population's health status; (ii) develop public policy  
20 that promotes and maintains health; and (iii) assure the availability  
21 and delivery of appropriate and effective health interventions. This  
22 public system shall be composed of the state board of health, state  
23 department of health, and local public health departments and  
24 districts. The state medical care purchasing agent shall assure that  
25 no less than three percent of the state health services budget is used  
26 for these assessment, policy development, and assurance functions as  
27 defined by the state board of health in rule through this system by  
28 June 30, 1997, and no less than five percent of the state health  
29 services budget is used for the functions by June 30, 1999. These  
30 funds may include fees, federal funds, and general or dedicated state  
31 or local tax revenue. The state board of health shall develop policies  
32 regarding the extent to which local revenue or fees may be used to meet  
33 the five-percent requirement. The state medical care purchasing agent  
34 may allocate funds under its direction in order to assure that five  
35 percent of the state health services budget is used as required by this  
36 subsection. None of the funds shall be used for any service  
37 reimbursable through the uniform benefit package. The state medical  
38 care purchasing agent shall consider the results of official public  
39 health assessment and policy development including recommendations of

1 the state board of health, the department of health, and the state  
2 health report in discharging its responsibilities, including the  
3 assurance of access to appropriate and effective health services and  
4 the determination of the actual percentage used for core public health  
5 functions.

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

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

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

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

19 **K. IMPLEMENTATION SCHEDULE**

20 NEW SECTION. **Sec. 339.** IMPLEMENTATION SCHEDULE. Chapter . . . ,  
21 Laws of 1993 (this act) shall be implemented in developmental phases as  
22 follows:

23 (1) By August 1, 1993, the director of the office of financial  
24 management shall constitute a transition team composed of staff of the  
25 department of social and health services, the Washington state health  
26 care authority, the department of health, the department of labor and  
27 industries, the Washington basic health plan, and the insurance  
28 commissioner's office. The director may request participation of the  
29 appropriate legislative staff.

30 The transition team shall conduct analyses and identify:

31 (a) The necessary transfer and consolidation of responsibilities  
32 among state agencies under the state medical care purchasing agent or  
33 other agencies to fully implement chapter . . . , Laws of 1993 (this  
34 act);

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

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

1 The transition team shall report its findings to the director, the  
2 commission, and appropriate committees of the legislature by January 1,  
3 1994, and on that date be disbanded.

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

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

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

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

18 (b) Report on the extent that revisions of, or waivers from state  
19 and federal laws are needed to fully implement chapter . . . , Laws of  
20 1993 (this act), and the status of its efforts to obtain the necessary  
21 waivers of, or exemptions from federal law, as provided in chapter  
22 . . . , Laws of 1993 (this act).

23 (5) By July 1, 1995, the commission shall have:

24 (a) Determined the uniform benefit package; and

25 (b) Developed standards and guidelines for certified health plans  
26 as required under chapter . . . , Laws of 1993 (this act).

27 (6) By December 20, 1995, consistent with the executive budget  
28 process, the commission shall submit the first state health services  
29 budget to the legislature.

30 (7) By January 1, 1996, if all necessary federal waivers or  
31 exemptions have not been obtained, the commission shall report, as  
32 provided in chapter . . . , Laws of 1993 (this act), on the extent to  
33 which chapter . . . , Laws of 1993 (this act) can be implemented without  
34 receipt of all of such waivers.

35 (8) By July 1, 1996, consistent with specific appropriations, all  
36 health services provided to recipients of medical assistance, medical  
37 care services, and the limited casualty program, as defined in RCW  
38 74.09.010, all state employees eligible for employee health benefits  
39 plans pursuant to chapter 41.05 RCW, and all common school employees

1 eligible for health, or health care insurance under RCW 28A.400.350  
2 shall be enrolled exclusively with a certified health plan, consistent  
3 with all provisions of chapter . . . , Laws of 1993 (this act).

4 (9) By July 1, 1997, consistent with specific appropriations, all  
5 remaining provisions of chapter . . . , Laws of 1993 (this act) shall be  
6 in full effect of law.

7 **L. INITIAL EXCLUSIONS, STUDIES, AND ADMINISTRATIVE DIRECTIVES**

8 NEW SECTION. **Sec. 340.** CODE REVISIONS AND WAIVERS. (1) The  
9 commission shall consider the analysis of state and federal laws that  
10 would need to be repealed, amended, or waived to implement chapter  
11 . . . , Laws of 1993 (this act), as prepared by the transition team  
12 pursuant to chapter . . . , Laws of 1993 (this act), and report its  
13 recommendations, with proposed revisions to the Revised Code of  
14 Washington, to the governor, and appropriate committees of the  
15 legislature by January 1, 1994.

16 (2) The commission in consultation with the governor shall take the  
17 following steps in an effort to receive waivers or exemptions from  
18 federal statutes necessary to fully implement chapter . . . , Laws of  
19 1993 (this act):

20 (a) Negotiate with the United States congress and the federal  
21 department of health and human services, health care financing  
22 administration to obtain a statutory or regulatory waiver of provisions  
23 of the medicaid statute, Title XIX of the federal social security act  
24 that currently constitute barriers to full implementation of provisions  
25 of chapter . . . , Laws of 1993 (this act) related to access to health  
26 services for low-income residents of Washington state. Such waivers  
27 shall include any waiver needed to implement managed care programs.  
28 Waived provisions may include and are not limited to: Categorical  
29 eligibility restrictions related to age, disability, blindness, or  
30 family structure; income and resource limitations tied to financial  
31 eligibility requirements of the federal aid to families with dependent  
32 children and supplemental security income programs; administrative  
33 requirements regarding single state agencies, choice of providers, and  
34 fee for service reimbursement programs; and other limitations on health  
35 services provider payment methods.

36 (b) Negotiate with the United States congress and the federal  
37 department of health and human services, health care financing

1 administration to obtain a statutory or regulatory waiver of provisions  
2 of the medicare statute, Title XVIII of the federal social security act  
3 that currently constitute barriers to full implementation of provisions  
4 of chapter . . . , Laws of 1993 (this act) related to access to health  
5 services for elderly and disabled residents of Washington state. Such  
6 waivers shall include any waivers needed to implement managed care  
7 programs. Waived provisions include and are not limited to:  
8 Beneficiary cost-sharing requirements; restrictions on scope of  
9 services; and limitations on health services provider payment methods.

10 (c) Negotiate with the United States congress and the federal  
11 department of health and human services to obtain any statutory or  
12 regulatory waivers of provisions of the United States public health  
13 services act necessary to ensure integration of federally funded  
14 community health clinics and other health services funded through the  
15 public health services act into the health services system established  
16 pursuant to chapter . . . , Laws of 1993 (this act).

17 If the commission fails to obtain all necessary federal statutory  
18 changes or regulatory waivers necessary to fully implement chapter  
19 . . . , Laws of 1993 (this act) by January 1, 1996, it shall report to  
20 the governor and appropriate committees of the legislature on the  
21 extent to which chapter . . . , Laws of 1993 (this act) can be  
22 implemented without receipt of all of such waivers.

23 NEW SECTION. **Sec. 341.** SELF-INSURED EMPLOYERS--EMPLOYEE  
24 RETIREMENT INCOME SECURITY ACT OF 1974. Employers who provide self-  
25 insured coverage now regulated by the employee retirement income  
26 security act of 1974 shall not be subject to the requirements in this  
27 chapter until a change in the employee retirement income security act  
28 of 1974 is accomplished.

29 The governor with the assistance of the commission shall seek  
30 changes in the employee retirement income security act of 1974 to  
31 ensure that all employees and their dependents in the state have  
32 sufficient health coverage as determined by the commission.

33 NEW SECTION. **Sec. 342.** PROGRAMS INITIALLY EXCLUDED FROM THE  
34 OPERATION OF CHAPTER . . . , LAWS OF 1993 (THIS ACT). Initially, the  
35 medical services of the workers' compensation program of the department  
36 of labor and industries, the residential portions of the mental health,  
37 developmental disabilities, and long-term care programs within the

1 department of social and health services, including nursing homes,  
2 state mental hospitals and residential habilitation centers, state and  
3 federal veterans' health services, and the civilian health and medical  
4 program of the uniformed services (CHAMPUS) of the federal department  
5 of defense and other federal agencies, shall not be included in the  
6 program established by chapter . . . , Laws of 1993 (this act), but  
7 shall be studied for future inclusion.

8 NEW SECTION. **Sec. 343.** REPORTS OF HEALTH CARE COST CONTROL AND  
9 ACCESS COMMISSION. In carrying out its powers and duties under chapter  
10 . . . , Laws of 1993 (this act), the design of the uniform benefit  
11 package, and the development of guidelines and standards, the  
12 commission shall consider the reports of the health care cost control  
13 and access commission established under House Concurrent Resolution No.  
14 4443 adopted by the legislature in 1990. Nothing in chapter . . . ,  
15 Laws of 1993 (this act) requires the commission to follow any specific  
16 recommendation contained in those reports except as it may also be  
17 included in chapter . . . , Laws of 1993 (this act) or other law.

18 NEW SECTION. **Sec. 344.** EVALUATIONS, PLANS, AND STUDIES. (1) By  
19 July 1, 1997, the legislative budget committee either directly or by  
20 contract shall conduct studies to determine the desirability and  
21 feasibility of consolidating the following programs, services, and  
22 funding sources into the certified health plans:

23 (a) Developmental disabilities, mental health, and long-term care  
24 programs of the department of social and health services whose services  
25 are not included in the uniform benefit package as of July 1995;

26 (b) State and federal veterans' health services; and

27 (c) Civilian health and medical program of the uniformed services  
28 (CHAMPUS) of the federal department of defense and other federal  
29 agencies.

30 (2) The legislative budget committee shall evaluate the  
31 implementation of the provisions of chapter . . . , Laws of 1993 (this  
32 act). The study shall determine to what extent chapter . . . , Laws of  
33 1993 (this act) has been implemented consistent with the principles and  
34 elements set forth in chapter . . . , Laws of 1993 (this act) and shall  
35 report its findings to the governor and appropriate committees of the  
36 legislature by July 1, 2003.

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**M. WORKERS' COMPENSATION**

NEW SECTION. **Sec. 345.** WORKERS' COMPENSATION MEDICAL BENEFITS.

(1) An employer who makes premium payments to a certified health plan on behalf of employees, or who self-insures for employee medical benefits or workers' compensation benefits and who meets the requirements for a certified health plan under section 314 of this act, may apply to the department of labor and industries for an exemption from the requirements of Title 51 RCW regarding the medical portion of the workers' compensation program.

(2) The director of the department of labor and industries shall grant such an exemption if he or she finds that (a) the applicant employer has a record of no less than two years of compliance with the requirements to be a certified health plan, (b) the uniform benefit package provided by the certified health plan that would assume workers' compensation responsibilities include medically necessary services available under the workers' compensation program in 1992, including payments for disability determinations, (c) the state has achieved access by no less than ninety-seven percent of all state residents to coverage for the uniform benefit package, (d) there is no reasonable expectation that granting such an exemption will result in a reduction in needed time loss awards or rehabilitative services, (e) the employees' share of workers' compensation medical aid fund contributions are returned to the employee as increased wages, and (f) a majority of employees in the employer's company do not object to the exemption.

(3) If, after periodic review of exemptions granted under this section, the director of labor and industries finds that the conditions in subsection (2) of this section are not present, he or she may withdraw the exemption and immediately require the employer to reestablish a separate workers' compensation medical aid fund program.

(4) In consultation with representatives of organized labor and the large and small business communities of the state, and consistent with chapter . . . , Laws of 1993 (this act), the long-term disability task force 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 be proposed that does not assure that (a) no less than ninety-seven

1 percent of state residents have access to the uniform benefit package  
2 as required in chapter . . . , Laws of 1993 (this act), (b) the uniform  
3 benefit package provides benefits which are medically necessary under  
4 the workers' compensation program in 1993, including payment for  
5 medical determinations of disability under chapter . . . . RCW, (c)  
6 statutory assurances are provided that time loss benefits and  
7 rehabilitative services will not be reduced as a result of the  
8 transfer, (d) employers who self-fund for health insurance or workers'  
9 compensation and who do not choose to become certified health plans  
10 under chapter . . . , Laws of 1993 (this act), will continue to be  
11 required to provide workers' compensation benefits as required under  
12 1993 law, (e) the employees' share of the workers' compensation medical  
13 aid fund contribution is returned to employees as increased wages, and  
14 (f) a majority of employees in the employer's company do not object to  
15 the change.

16 To help in developing this plan the department of labor and  
17 industries may immediately implement pilot projects to assess the  
18 effects of this consolidation on the cost, quality comparability, and  
19 employer/employee satisfaction with various consolidation proposals.

20 The plan and timeline required under this subsection shall be  
21 presented to the governor and the appropriate committees of the  
22 legislature by January 1, 1995. The timeline shall include full  
23 implementation of needed rules by July 1, 1997.

24 **N. MISCELLANEOUS**

25 NEW SECTION. **Sec. 346.** SHORT TITLE. This act may be known and  
26 cited as the Washington health and medical system reform act of 1993.

27 **Sec. 347.** RCW 42.17.2401 and 1991 c 200 s 404 are each amended to  
28 read as follows:

29 For the purposes of RCW 42.17.240, the term "executive state  
30 officer" includes:

- 31 (1) The chief administrative law judge, the director of  
32 agriculture, the administrator of the office of marine safety, the  
33 administrator of the Washington basic health plan, the director of the  
34 department of services for the blind, the director of the state system  
35 of community and technical colleges, the director of community  
36 development, the secretary of corrections, the director of ecology, the

1 commissioner of employment security, the chairman of the energy  
2 facility site evaluation council, the director of the energy office,  
3 the secretary of the state finance committee, the director of financial  
4 management, the director of fisheries, the executive secretary of the  
5 forest practices appeals board, the director of the gambling  
6 commission, the director of general administration, the secretary of  
7 health, the administrator of the Washington state health care  
8 authority, the executive secretary of the health care facilities  
9 authority, the executive secretary of the higher education facilities  
10 authority, the director of the higher education personnel board, the  
11 executive secretary of the horse racing commission, the executive  
12 secretary of the human rights commission, the executive secretary of  
13 the indeterminate sentence review board, the director of the department  
14 of information services, the director of the interagency committee for  
15 outdoor recreation, the executive director of the state investment  
16 board, the director of labor and industries, the director of licensing,  
17 the director of the lottery commission, the director of the office of  
18 minority and women's business enterprises, the director of parks and  
19 recreation, the director of personnel, the executive director of the  
20 public disclosure commission, the director of retirement systems, the  
21 director of revenue, the secretary of social and health services, the  
22 chief of the Washington state patrol, the executive secretary of the  
23 board of tax appeals, the director of trade and economic development,  
24 the secretary of transportation, the secretary of the utilities and  
25 transportation commission, the director of veterans affairs, the  
26 director of wildlife, the president of each of the regional and state  
27 universities and the president of The Evergreen State College, each  
28 district and each campus president of each state community college;

29 (2) Each professional staff member of the office of the governor;

30 (3) Each professional staff member of the legislature; and

31 (4) Central Washington University board of trustees, board of  
32 trustees of each community college, each member of the state board for  
33 community and technical colleges (~~(education)~~), state convention and  
34 trade center board of directors, committee for deferred compensation,  
35 Eastern Washington University board of trustees, Washington economic  
36 development finance authority, The Evergreen State College board of  
37 trustees, forest practices appeals board, forest practices board,  
38 gambling commission, Washington health care facilities authority, each  
39 member of the Washington health services commission, higher education

1 coordinating board, higher education facilities authority, higher  
2 education personnel board, horse racing commission, state housing  
3 finance commission, human rights commission, indeterminate sentence  
4 review board, board of industrial insurance appeals, information  
5 services board, interagency committee for outdoor recreation, state  
6 investment board, liquor control board, lottery commission, marine  
7 oversight board, oil and gas conservation committee, Pacific Northwest  
8 electric power and conservation planning council, parks and recreation  
9 commission, personnel appeals board, personnel board, board of pilotage  
10 (~~(commissioners))~~) commissioners, pollution control hearings board,  
11 public disclosure commission, public pension commission, shorelines  
12 hearing board, state employees' benefits board, board of tax appeals,  
13 transportation commission, University of Washington board of regents,  
14 utilities and transportation commission, Washington state maritime  
15 commission, Washington public power supply system executive board,  
16 Washington State University board of regents, Western Washington  
17 University board of trustees, and wildlife commission.

18 NEW SECTION. Sec. 348. A new section is added to Title 48 RCW to  
19 read as follows:

20 (1) After July 1, 1999, no insurance policy that covers a home,  
21 automobile, other motor vehicle, marine vessel, commercial  
22 establishment, industrial establishment, or any other vehicle,  
23 conveyance, or location may contain coverage for medical payments  
24 related to personal injury or liability.

25 (2) The insurance commissioner shall determine the projected  
26 consumer cost of coverage for medical payments for personal injury  
27 protection and liability as described in this section on July 1, 1999.  
28 The insurance commissioner may, within reasonable limits, require any  
29 information from insurance companies needed to comply with this  
30 requirement.

31 (3) The insurance commissioner shall require rate reductions or  
32 cash rebates by insurers to all policy holders of insurance that  
33 contained coverage for medical payments for personal injury protection  
34 or arising from claims of liability from July 1, 1998, to July 1, 1999.  
35 Such rate reductions or rebates shall, as nearly as possible, equal the  
36 consumer cost of this coverage during the July 1, 1998, to July 1,  
37 1999, period.

1       **Sec. 349.** RCW 43.20.030 and 1984 c 287 s 75 are each amended to  
2 read as follows:

3       The state board of health shall be composed of ten members. These  
4 shall be the secretary or the secretary's designee and nine other  
5 persons to be appointed by the governor, including four persons  
6 experienced in matters of health and sanitation, (~~(an elected city~~  
7 ~~official who is a member of a local health board, an)) two elected  
8 county officials who (~~(is a))~~ are members of a local health board, a  
9 local health officer, and two persons representing the consumers of  
10 health care. (~~(Before appointing the city official, the governor shall~~  
11 ~~consider any recommendations submitted by the association of Washington~~  
12 ~~cities.))~~ Before appointing the county official, the governor shall  
13 consider any recommendations submitted by the Washington state  
14 association of counties. Before appointing the local health officer,  
15 the governor shall consider any recommendations submitted by the  
16 Washington state association of local public health officials. Before  
17 appointing one of the two consumer representatives, the governor shall  
18 consider any recommendations submitted by the state council on aging.  
19 The chairman shall be selected by the governor from among the nine  
20 appointed members. The department (~~(of social and health services))~~  
21 shall provide necessary technical staff support to the board. The  
22 board may employ an executive director and a confidential secretary,  
23 each of whom shall be exempt from the provisions of the state civil  
24 service law, chapter 41.06 RCW.~~

25       Members of the board shall be compensated in accordance with RCW  
26 43.03.240 and shall be reimbursed for their travel expenses in  
27 accordance with RCW 43.03.050 and 43.03.060.

28       **Sec. 350.** RCW 43.20.050 and 1992 c 34 s 4 are each amended to read  
29 as follows:

30       (1) The state board of health shall provide a forum for the  
31 development of public health policy in Washington state. It is  
32 authorized to recommend to the secretary means for obtaining  
33 appropriate citizen and professional involvement in all public health  
34 policy formulation and other matters related to the powers and duties  
35 of the department. It is further empowered to hold hearings and  
36 explore ways to improve the health status of the citizenry.

37       (a) At least every five years, the state board shall convene  
38 regional forums to gather citizen input on public health issues.

1 (b) Every two years, in coordination with the development of the  
2 state biennial budget, the state board shall prepare the state public  
3 health report that outlines the health priorities of the ensuing  
4 biennium. The report shall:

5 (i) Consider the citizen input gathered at the ((health)) forums;

6 (ii) Be developed with the assistance of local health departments;

7 (iii) Be based on the best available information collected and  
8 reviewed according to RCW 43.70.050 and recommendations from the  
9 council;

10 (iv) Be developed with the input of state health care agencies. At  
11 least the following directors of state agencies shall provide timely  
12 recommendations to the state board on suggested health priorities for  
13 the ensuing biennium: The secretary of social and health services, the  
14 health care authority administrator, the insurance commissioner, the  
15 administrator of the basic health plan, the superintendent of public  
16 instruction, the director of labor and industries, the director of  
17 ecology, and the director of agriculture;

18 (v) Be used by state health care agency administrators in preparing  
19 proposed agency budgets and executive request legislation;

20 (vi) Be submitted by the state board to the governor by June 1 of  
21 each even-numbered year for adoption by the governor. The governor, no  
22 later than September 1 of that year, shall approve, modify, or  
23 disapprove the state public health report.

24 (c) In fulfilling its responsibilities under this subsection, the  
25 state board ((shall)) may create ad hoc committees or other such  
26 committees of limited duration as necessary. ((Membership should  
27 include legislators, providers, consumers, bioethicists, medical  
28 economics experts, legal experts, purchasers, and insurers, as  
29 necessary.))

30 (2) In order to protect public health, the state board of health  
31 shall:

32 (a) Adopt rules necessary to assure safe and reliable public  
33 drinking water and to protect the public health. Such rules shall  
34 establish requirements regarding:

35 (i) The design and construction of public water system facilities,  
36 including proper sizing of pipes and storage for the number and type of  
37 customers;

38 (ii) Drinking water quality standards, monitoring requirements, and  
39 laboratory certification requirements;

1 (iii) Public water system management and reporting requirements;  
2 (iv) Public water system planning and emergency response  
3 requirements;  
4 (v) Public water system operation and maintenance requirements;  
5 (vi) Water quality, reliability, and management of existing but  
6 inadequate public water systems; and  
7 (vii) Quality standards for the source or supply, or both source  
8 and supply, of water for bottled water plants.

9 (b) Adopt rules and standards for prevention, control, and  
10 abatement of health hazards and nuisances related to the disposal of  
11 wastes, solid and liquid, including but not limited to sewage, garbage,  
12 refuse, and other environmental contaminants; adopt standards and  
13 procedures governing the design, construction, and operation of sewage,  
14 garbage, refuse and other solid waste collection, treatment, and  
15 disposal facilities;

16 (c) Adopt rules controlling public health related to environmental  
17 conditions including but not limited to heating, lighting, ventilation,  
18 sanitary facilities, cleanliness and space in all types of public  
19 facilities including but not limited to food service establishments,  
20 schools, institutions, recreational facilities and transient  
21 accommodations and in places of work;

22 (d) Adopt rules for the imposition and use of isolation and  
23 quarantine;

24 (e) Adopt rules for the prevention and control of infectious and  
25 noninfectious diseases, including food and vector borne illness, and  
26 rules governing the receipt and conveyance of remains of deceased  
27 persons, and such other sanitary matters as admit of and may best be  
28 controlled by universal rule; and

29 (f) Adopt rules for accessing existing data bases for the purposes  
30 of performing health related research.

31 (3) The state board may delegate any of its rule-adopting authority  
32 to the secretary and rescind such delegated authority.

33 (4) All local boards of health, health authorities and officials,  
34 officers of state institutions, police officers, sheriffs, constables,  
35 and all other officers and employees of the state, or any county, city,  
36 or township thereof, shall enforce all rules adopted by the state board  
37 of health. In the event of failure or refusal on the part of any  
38 member of such boards or any other official or person mentioned in this  
39 section to so act, he shall be subject to a fine of not less than fifty

1 dollars, upon first conviction, and not less than one hundred dollars  
2 upon second conviction.

3 (5) The state board may advise the secretary on health policy  
4 issues pertaining to the department of health and the state.

5 NEW SECTION. **Sec. 351.** SEVERABILITY. If any provision of this  
6 act or its application to any person or circumstance is held invalid,  
7 the remainder of the act or the application of the provision to other  
8 persons or circumstances is not affected.

9 NEW SECTION. **Sec. 352.** SAVINGS CLAUSE. The enactment of this act  
10 does not have the effect of terminating, or in any way modifying, any  
11 obligation or any liability, civil or criminal, which was already in  
12 existence on the effective date of this act.

13 NEW SECTION. **Sec. 353.** CAPTIONS. Captions used in this act do  
14 not constitute any part of the law.

15 NEW SECTION. **Sec. 354.** EFFECTIVE DATE CLAUSE. This act is  
16 necessary for the immediate preservation of the public peace, health,  
17 or safety, or support of the state government and its existing public  
18 institutions, and shall take effect immediately.

--- END ---