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HOUSE BILL 1028

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State of Washington

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By Representatives Dyer, Carlson, Benton, Kremen, Cooke, Horn, Schoesler, Thompson, Beeksma, B. Thomas, Goldsmith, Radcliff, Hickel, Chandler, Mastin, Mitchell, Grant, Robertson, Foreman, Sehlin, Blanton, Koster, Clements, Sheldon, Huff, Mielke, Talcott and Lisk

Prefiled 12/30/94. Read first time 01/09/95. Referred to Committee on Health Care.

1 AN ACT Relating to extending the implementation phase of the health  
2 services act of 1993; amending RCW 18.130.330, 41.05.011, 41.05.021,  
3 41.05.065, 41.05.200, 70.47.020, 70.47.060, 43.72.040, 43.72.070,  
4 43.72.090, 43.72.220, 43.72.230, and 43.72.240; providing an expiration  
5 date; and declaring an emergency.

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

7 **Sec. 1.** RCW 18.130.330 and 1994 c 102 s 1 are each amended to read  
8 as follows:

9 (1) Except to the extent that liability insurance is not available,  
10 every licensed, certified, or registered health care practitioner whose  
11 services are included in the uniform benefits package, as determined by  
12 RCW 43.72.130, and whose scope of practice includes independent  
13 practice, shall, as a condition of licensure and relicensure, be  
14 required to provide evidence of a minimum level of malpractice  
15 insurance coverage of a type satisfactory to the department before July  
16 1, (~~1995~~) 1996.

17 The department shall designate by rule:

18 (a) Those health professions whose scope of practice includes  
19 independent practice;

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

3 (c) If such insurance is available, the appropriate minimum level  
4 of mandated coverage; and

5 (d) The types of malpractice insurance coverage that will satisfy  
6 the requirements of this section.

7 (2) By December 1, 1994, the department of health shall submit  
8 recommendations to appropriate committees of the legislature regarding  
9 implementation of this section. The report shall address at least the  
10 following issues:

11 (a) Whether exemption of a health care practitioner from the  
12 requirements of this section, including but not limited to health care  
13 practitioners employed by the federal government and retired health  
14 care practitioners, is appropriate; and

15 (b) Whether malpractice coverage provided by an employer should be  
16 recognized as satisfying the requirements of this section.

17 **Sec. 2.** RCW 41.05.011 and 1994 c 153 s 2 are each amended to read  
18 as follows:

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

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

22 (2) "State purchased health care" or "health care" means medical  
23 and health care, pharmaceuticals, and medical equipment purchased with  
24 state and federal funds by the department of social and health  
25 services, the department of health, the basic health plan, the state  
26 health care authority, the department of labor and industries, the  
27 department of corrections, the department of veterans affairs, and  
28 local school districts.

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

30 (4) "Insuring entity" means an insurer as defined in chapter 48.01  
31 RCW, a health care service contractor as defined in chapter 48.44 RCW,  
32 or a health maintenance organization as defined in chapter 48.46 RCW.  
33 On and after July 1, (~~1995~~) 1996, "insuring entity" means a certified  
34 health plan, as defined in RCW 43.72.010.

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

1 (6) "Employee" includes all full-time and career seasonal employees  
2 of the state, whether or not covered by civil service; elected and  
3 appointed officials of the executive branch of government, including  
4 full-time members of boards, commissions, or committees; and includes  
5 any or all part-time and temporary employees under the terms and  
6 conditions established under this chapter by the authority; justices of  
7 the supreme court and judges of the court of appeals and the superior  
8 courts; and members of the state legislature or of the legislative  
9 authority of any county, city, or town who are elected to office after  
10 February 20, 1970. "Employee" also includes: (a) By October 1,  
11 (~~1995~~) 1996, all employees of school districts and educational  
12 service districts. Between October 1, 1994, and September 30, (~~1995~~)  
13 1996, "employee" includes employees of those school districts and  
14 educational service districts for whom the authority has undertaken the  
15 purchase of insurance benefits. The transition to insurance benefits  
16 purchasing by the authority may not disrupt existing insurance  
17 contracts between school district or educational service district  
18 employees and insurers. However, except to the extent provided in RCW  
19 28A.400.200, any such contract that provides for health insurance  
20 benefits coverage after October 1, (~~1995~~) 1996, shall be void as of  
21 that date if the contract was entered into, renewed, or extended after  
22 July 1, 1993. Prior to October 1, 1994, "employee" includes employees  
23 of a school district if the board of directors of the school district  
24 seeks and receives the approval of the authority to provide any of its  
25 insurance programs by contract with the authority; (b) employees of a  
26 county, municipality, or other political subdivision of the state if  
27 the legislative authority of the county, municipality, or other  
28 political subdivision of the state seeks and receives the approval of  
29 the authority to provide any of its insurance programs by contract with  
30 the authority, as provided in RCW 41.04.205; (c) employees of employee  
31 organizations representing state civil service employees, at the option  
32 of each such employee organization, and, effective October 1, (~~1995~~)  
33 1996, employees of employee organizations currently pooled with  
34 employees of school districts for the purpose of purchasing insurance  
35 benefits, at the option of each such employee organization.

36 (7) "Board" means the public employees' benefits board established  
37 under RCW 41.05.055.

38 (8) "Retired or disabled school employee" means:

1 (a) Persons who separated from employment with a school district or  
2 educational service district and are receiving a retirement allowance  
3 under chapter 41.32 or 41.40 RCW as of September 30, 1993;

4 (b) Persons who separate from employment with a school district or  
5 educational service district on or after October 1, 1993, and  
6 immediately upon separation receive a retirement allowance under  
7 chapter 41.32 or 41.40 RCW;

8 (c) Persons who separate from employment with a school district or  
9 educational service district due to a total and permanent disability,  
10 and are eligible to receive a deferred retirement allowance under  
11 chapter 41.32 or 41.40 RCW.

12 **Sec. 3.** RCW 41.05.021 and 1994 c 309 s 1 are each amended to read  
13 as follows:

14 (1) The Washington state health care authority is created within  
15 the executive branch. The authority shall have an administrator  
16 appointed by the governor, with the consent of the senate. The  
17 administrator shall serve at the pleasure of the governor. The  
18 administrator may employ up to seven staff members, who shall be exempt  
19 from chapter 41.06 RCW, and any additional staff members as are  
20 necessary to administer this chapter. The administrator may delegate  
21 any power or duty vested in him or her by this chapter, including  
22 authority to make final decisions and enter final orders in hearings  
23 conducted under chapter 34.05 RCW. The primary duties of the authority  
24 shall be to administer state employees' insurance benefits and retired  
25 or disabled school employees' insurance benefits, study state-purchased  
26 health care programs in order to maximize cost containment in these  
27 programs while ensuring access to quality health care, and implement  
28 state initiatives, joint purchasing strategies, and techniques for  
29 efficient administration that have potential application to all state-  
30 purchased health services. The authority's duties include, but are not  
31 limited to, the following:

32 (a) To administer health care benefit programs for employees and  
33 retired or disabled school employees as specifically authorized in RCW  
34 41.05.065 and in accordance with the methods described in RCW  
35 41.05.075, 41.05.140, and other provisions of this chapter;

36 (b) To analyze state-purchased health care programs and to explore  
37 options for cost containment and delivery alternatives for those

1 programs that are consistent with the purposes of those programs,  
2 including, but not limited to:

3 (i) Creation of economic incentives for the persons for whom the  
4 state purchases health care to appropriately utilize and purchase  
5 health care services, including the development of flexible benefit  
6 plans to offset increases in individual financial responsibility;

7 (ii) Utilization of provider arrangements that encourage cost  
8 containment, including but not limited to prepaid delivery systems,  
9 utilization review, and prospective payment methods, and that ensure  
10 access to quality care, including assuring reasonable access to local  
11 providers, especially for employees residing in rural areas;

12 (iii) Coordination of state agency efforts to purchase drugs  
13 effectively as provided in RCW 70.14.050;

14 (iv) Development of recommendations and methods for purchasing  
15 medical equipment and supporting services on a volume discount basis;  
16 and

17 (v) Development of data systems to obtain utilization data from  
18 state-purchased health care programs in order to identify cost centers,  
19 utilization patterns, provider and hospital practice patterns, and  
20 procedure costs, utilizing the information obtained pursuant to RCW  
21 41.05.031;

22 (c) To analyze areas of public and private health care interaction;

23 (d) To provide information and technical and administrative  
24 assistance to the board;

25 (e) To review and approve or deny applications from counties,  
26 municipalities, and other political subdivisions of the state to  
27 provide state-sponsored insurance or self-insurance programs to their  
28 employees in accordance with the provisions of RCW 41.04.205, setting  
29 the premium contribution for approved groups as outlined in RCW  
30 41.05.050;

31 (f) To appoint a health care policy technical advisory committee as  
32 required by RCW 41.05.150;

33 (g) To establish billing procedures and collect funds from school  
34 districts and educational service districts under RCW 28A.400.400 in a  
35 way that minimizes the administrative burden on districts; and

36 (h) To promulgate and adopt rules consistent with this chapter as  
37 described in RCW 41.05.160.

38 (2) After July 1, (~~1995~~) 1996, the public employees' benefits  
39 board shall implement strategies to promote managed competition among

1 employee health benefit plans in accordance with the Washington health  
2 services commission schedule of employer requirements. Strategies may  
3 include but are not limited to:

4 (a) Standardizing the benefit package;

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

6 (c) Limiting the state's contribution to a percent of the lowest  
7 priced qualified plan within a geographical area. If the state's  
8 contribution is less than one hundred percent of the lowest priced  
9 qualified bid, employee financial contributions shall be structured on  
10 a sliding-scale basis related to household income;

11 (d) Monitoring the impact of the approach under this subsection  
12 with regards to: Efficiencies in health service delivery, cost shifts  
13 to subscribers, access to and choice of managed care plans state-wide,  
14 and quality of health services. The health care authority shall also  
15 advise on the value of administering a benchmark employer-managed plan  
16 to promote competition among managed care plans. The health care  
17 authority shall report its findings and recommendations to the  
18 legislature by January 1, 1997.

19 **Sec. 4.** RCW 41.05.065 and 1994 c 153 s 5 are each amended to read  
20 as follows:

21 (1) The board shall study all matters connected with the provision  
22 of health care coverage, life insurance, liability insurance,  
23 accidental death and dismemberment insurance, and disability income  
24 insurance or any of, or a combination of, the enumerated types of  
25 insurance for employees and their dependents on the best basis possible  
26 with relation both to the welfare of the employees and to the state,  
27 however liability insurance shall not be made available to dependents.

28 (2) The public employees' benefits board shall develop employee  
29 benefit plans that include comprehensive health care benefits for all  
30 employees. In developing these plans, the board shall consider the  
31 following elements:

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

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

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

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

9 (e) Effective coordination of benefits;

10 (f) Minimum standards for insuring entities; and

11 (g) Minimum scope and content of standard benefit plans to be  
12 offered to enrollees participating in the employee health benefit  
13 plans. On and after July 1, (~~(1995)~~) 1996, the uniform benefits  
14 package shall constitute the minimum level of health benefits offered  
15 to employees. To maintain the comprehensive nature of employee health  
16 care benefits, employee eligibility criteria related to the number of  
17 hours worked and the benefits provided to employees shall be  
18 substantially equivalent to the state employees' health benefits plan  
19 and eligibility criteria in effect on January 1, 1993.

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

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

25 The board may authorize premium contributions for an employee and  
26 the employee's dependents in a manner that encourages the use of cost-  
27 efficient managed health care systems.

28 (5) Employees shall choose participation in one of the health care  
29 benefit plans developed by the board.

30 (6) The board shall review plans proposed by insurance carriers  
31 that desire to offer property insurance and/or accident and casualty  
32 insurance to state employees through payroll deduction. The board may  
33 approve any such plan for payroll deduction by carriers holding a valid  
34 certificate of authority in the state of Washington and which the board  
35 determines to be in the best interests of employees and the state. The  
36 board shall promulgate rules setting forth criteria by which it shall  
37 evaluate the plans.

1       **Sec. 5.** RCW 41.05.200 and 1993 c 492 s 228 are each amended to  
2 read as follows:

3       (1) The Washington state group purchasing association is  
4 established for the purpose of coordinating and enhancing the health  
5 care purchasing power of the groups identified in subsection (2) of  
6 this section. The purchasing association shall be administered by the  
7 administrator.

8       (2) The following organizations or entities may seek the approval  
9 of the administrator for membership in the purchasing association:

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

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

19       (c) Owners and operators of child day care centers and family child  
20 care homes licensed under chapter 74.15 RCW and of preschool or other  
21 child care programs exempted from licensing under chapter 74.15 RCW on  
22 behalf of themselves and their employees and employees' spouses and  
23 dependent children; and

24       (d) Foster parents contracting with the department of social and  
25 health services under chapter 74.13 RCW and licensed under chapter  
26 74.15 RCW on behalf of themselves and their spouses and dependent  
27 children.

28       (3) In administering the purchasing association, the administrator  
29 shall:

30       (a) Negotiate and enter into contracts on behalf of the purchasing  
31 association's members in conjunction with its contracting and  
32 purchasing activities for employee benefits plans under RCW 41.05.075.  
33 In negotiating and contracting with insuring entities on behalf of  
34 employees and purchasing association members, two distinct pools shall  
35 be maintained.

36       (b) Review and approve or deny applications from entities seeking  
37 membership in the purchasing association:



1 (i) The administrator may require all or the substantial majority  
2 of the employees of the organizations or entities listed in subsection  
3 (2) of this section to enroll in the purchasing association.

4 (ii) The administrator shall require, that as a condition of  
5 membership in the purchasing association, an entity or organization  
6 listed in subsection (2) of this section that employs individuals pay  
7 at least fifty percent of the cost of the health insurance coverage for  
8 each employee enrolled in the purchasing association.

9 (iii) In offering and administering the purchasing association, the  
10 administrator may not discriminate against individuals or groups based  
11 on age, gender, geographic area, industry, or medical history.

12 (4) On and after July 1, (~~(1995)~~) 1996, the uniform benefits  
13 package and schedule of premiums and point of service cost-sharing  
14 adopted and from time to time revised by the health services commission  
15 pursuant to chapter 492, Laws of 1993 shall be applicable to the  
16 association.

17 (5) The administrator shall adopt preexisting condition coverage  
18 provisions for the association as provided in RCW 48.20.540, 48.21.340,  
19 48.44.480, and 48.46.550.

20 (6) Premiums charged to purchasing association members shall  
21 include the authority's reasonable administrative and marketing costs.  
22 Purchasing association members may not receive any subsidy from the  
23 state for the purchase of health insurance coverage through the  
24 association.

25 (7)(a) The Washington state group purchasing association account is  
26 established in the custody of the state treasurer, to be used by the  
27 administrator for the deposit of premium payments from individuals and  
28 entities described in subsection (2) of this section, and for payment  
29 of premiums for benefit contracts entered into on behalf of the  
30 purchasing association's participants and operating expenses incurred  
31 by the authority in the administration of benefit contracts under this  
32 section. Moneys from the account shall be disbursed by the state  
33 treasurer by warrants on vouchers duly authorized by the administrator.

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

37 **Sec. 6.** RCW 70.47.020 and 1994 c 309 s 4 are each amended to read  
38 as follows:

1 As used in this chapter:

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

6 (2) "Administrator" means the Washington basic health plan  
7 administrator, who also holds the position of administrator of the  
8 Washington state health care authority.

9 (3) "Managed health care system" means any health care  
10 organization, including health care providers, insurers, health care  
11 service contractors, health maintenance organizations, or any  
12 combination thereof, that provides directly or by contract basic health  
13 care services, as defined by the administrator and rendered by duly  
14 licensed providers, on a prepaid capitated basis to a defined patient  
15 population enrolled in the plan and in the managed health care system.  
16 On and after July 1, (~~(1995)~~) 1996, "managed health care system" means  
17 a certified health plan, as defined in RCW 43.72.010.

18 (4) "Subsidized enrollee" means an individual, or an individual  
19 plus the individual's spouse or dependent children, not eligible for  
20 medicare, who resides in an area of the state served by a managed  
21 health care system participating in the plan, whose gross family income  
22 at the time of enrollment does not exceed twice the federal poverty  
23 level as adjusted for family size and determined annually by the  
24 federal department of health and human services, who the administrator  
25 determines shall not have, or shall not have voluntarily relinquished  
26 health insurance more comprehensive than that offered by the plan as of  
27 the effective date of enrollment, and who chooses to obtain basic  
28 health care coverage from a particular managed health care system in  
29 return for periodic payments to the plan.

30 (5) "Nonsubsidized enrollee" means an individual, or an individual  
31 plus the individual's spouse or dependent children, not eligible for  
32 medicare, who resides in an area of the state served by a managed  
33 health care system participating in the plan, who the administrator  
34 determines shall not have, or shall not have voluntarily relinquished  
35 health insurance more comprehensive than that offered by the plan as of  
36 the effective date of enrollment, and who chooses to obtain basic  
37 health care coverage from a particular managed health care system, and  
38 who pays or on whose behalf is paid the full costs for participation in  
39 the plan, without any subsidy from the plan.

1 (6) "Subsidy" means the difference between the amount of periodic  
2 payment the administrator makes to a managed health care system on  
3 behalf of a subsidized enrollee plus the administrative cost to the  
4 plan of providing the plan to that subsidized enrollee, and the amount  
5 determined to be the subsidized enrollee's responsibility under RCW  
6 70.47.060(2).

7 (7) "Premium" means a periodic payment, based upon gross family  
8 income which an individual, their employer or another financial sponsor  
9 makes to the plan as consideration for enrollment in the plan as a  
10 subsidized enrollee or a nonsubsidized enrollee.

11 (8) "Rate" means the per capita amount, negotiated by the  
12 administrator with and paid to a participating managed health care  
13 system, that is based upon the enrollment of subsidized and  
14 nonsubsidized enrollees in the plan and in that system.

15 **Sec. 7.** RCW 70.47.060 and 1994 c 309 s 5 are each amended to read  
16 as follows:

17 The administrator has the following powers and duties:

18 (1) To design and from time to time revise a schedule of covered  
19 basic health care services, including physician services, inpatient and  
20 outpatient hospital services, prescription drugs and medications, and  
21 other services that may be necessary for basic health care, which  
22 subsidized and nonsubsidized enrollees in any participating managed  
23 health care system under the Washington basic health plan shall be  
24 entitled to receive in return for premium payments to the plan. The  
25 schedule of services shall emphasize proven preventive and primary  
26 health care and shall include all services necessary for prenatal,  
27 postnatal, and well-child care. However, with respect to coverage for  
28 groups of subsidized enrollees who are eligible to receive prenatal and  
29 postnatal services through the medical assistance program under chapter  
30 74.09 RCW, the administrator shall not contract for such services  
31 except to the extent that such services are necessary over not more  
32 than a one-month period in order to maintain continuity of care after  
33 diagnosis of pregnancy by the managed care provider. The schedule of  
34 services shall also include a separate schedule of basic health care  
35 services for children, eighteen years of age and younger, for those  
36 subsidized or nonsubsidized enrollees who choose to secure basic  
37 coverage through the plan only for their dependent children. In  
38 designing and revising the schedule of services, the administrator

1 shall consider the guidelines for assessing health services under the  
2 mandated benefits act of 1984, RCW 48.42.080, and such other factors as  
3 the administrator deems appropriate. On and after July 1, (~~1995~~)  
4 1996, the uniform benefits package adopted and from time to time  
5 revised by the Washington health services commission pursuant to RCW  
6 43.72.130 shall be implemented by the administrator as the schedule of  
7 covered basic health care services. However, with respect to coverage  
8 for subsidized enrollees who are eligible to receive prenatal and  
9 postnatal services through the medical assistance program under chapter  
10 74.09 RCW, the administrator shall not contract for such services  
11 except to the extent that the services are necessary over not more than  
12 a one-month period in order to maintain continuity of care after  
13 diagnosis of pregnancy by the managed care provider.

14 (2)(a) To design and implement a structure of periodic premiums due  
15 the administrator from subsidized enrollees that is based upon gross  
16 family income, giving appropriate consideration to family size and the  
17 ages of all family members. The enrollment of children shall not  
18 require the enrollment of their parent or parents who are eligible for  
19 the plan. The structure of periodic premiums shall be applied to  
20 subsidized enrollees entering the plan as individuals pursuant to  
21 subsection (9) of this section and to the share of the cost of the plan  
22 due from subsidized enrollees entering the plan as employees pursuant  
23 to subsection (10) of this section.

24 (b) To determine the periodic premiums due the administrator from  
25 nonsubsidized enrollees. Premiums due from nonsubsidized enrollees  
26 shall be in an amount equal to the cost charged by the managed health  
27 care system provider to the state for the plan plus the administrative  
28 cost of providing the plan to those enrollees and the premium tax under  
29 RCW 48.14.0201.

30 (c) An employer or other financial sponsor may, with the prior  
31 approval of the administrator, pay the premium, rate, or any other  
32 amount on behalf of a subsidized or nonsubsidized enrollee, by  
33 arrangement with the enrollee and through a mechanism acceptable to the  
34 administrator, but in no case shall the payment made on behalf of the  
35 enrollee exceed the total premiums due from the enrollee.

36 (3) To design and implement a structure of copayments due a managed  
37 health care system from subsidized and nonsubsidized enrollees. The  
38 structure shall discourage inappropriate enrollee utilization of health  
39 care services, but shall not be so costly to enrollees as to constitute

1 a barrier to appropriate utilization of necessary health care services.  
2 On and after July 1, (~~1995~~) 1996, the administrator shall endeavor to  
3 make the copayments structure of the plan consistent with enrollee  
4 point of service cost-sharing levels adopted by the Washington health  
5 services commission, giving consideration to funding available to the  
6 plan.

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

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

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

18 (7) To solicit and accept applications from managed health care  
19 systems, as defined in this chapter, for inclusion as eligible basic  
20 health care providers under the plan. The administrator shall endeavor  
21 to assure that covered basic health care services are available to any  
22 enrollee of the plan from among a selection of two or more  
23 participating managed health care systems. In adopting any rules or  
24 procedures applicable to managed health care systems and in its  
25 dealings with such systems, the administrator shall consider and make  
26 suitable allowance for the need for health care services and the  
27 differences in local availability of health care resources, along with  
28 other resources, within and among the several areas of the state.  
29 Contracts with participating managed health care systems shall ensure  
30 that basic health plan enrollees who become eligible for medical  
31 assistance may, at their option, continue to receive services from  
32 their existing providers within the managed health care system if such  
33 providers have entered into provider agreements with the department of  
34 social and health services.

35 (8) To receive periodic premiums from or on behalf of subsidized  
36 and nonsubsidized enrollees, deposit them in the basic health plan  
37 operating account, keep records of enrollee status, and authorize  
38 periodic payments to managed health care systems on the basis of the

1 number of enrollees participating in the respective managed health care  
2 systems.

3 (9) To accept applications from individuals residing in areas  
4 served by the plan, on behalf of themselves and their spouses and  
5 dependent children, for enrollment in the Washington basic health plan  
6 as subsidized or nonsubsidized enrollees, to establish appropriate  
7 minimum-enrollment periods for enrollees as may be necessary, and to  
8 determine, upon application and at least semiannually thereafter, or at  
9 the request of any enrollee, eligibility due to current gross family  
10 income for sliding scale premiums. No subsidy may be paid with  
11 respect to any enrollee whose current gross family income exceeds twice  
12 the federal poverty level or, subject to RCW 70.47.110, who is a  
13 recipient of medical assistance or medical care services under chapter  
14 74.09 RCW. If, as a result of an eligibility review, the administrator  
15 determines that a subsidized enrollee's income exceeds twice the  
16 federal poverty level and that the enrollee knowingly failed to inform  
17 the plan of such increase in income, the administrator may bill the  
18 enrollee for the subsidy paid on the enrollee's behalf during the  
19 period of time that the enrollee's income exceeded twice the federal  
20 poverty level. If a number of enrollees drop their enrollment for no  
21 apparent good cause, the administrator may establish appropriate rules  
22 or requirements that are applicable to such individuals before they  
23 will be allowed to re-enroll in the plan.

24 (10) To accept applications from business owners on behalf of  
25 themselves and their employees, spouses, and dependent children, as  
26 subsidized or nonsubsidized enrollees, who reside in an area served by  
27 the plan. The administrator may require all or the substantial  
28 majority of the eligible employees of such businesses to enroll in the  
29 plan and establish those procedures necessary to facilitate the orderly  
30 enrollment of groups in the plan and into a managed health care system.  
31 The administrator shall require that a business owner pay at least  
32 fifty percent of the nonsubsidized premium cost of the plan on behalf  
33 of each employee enrolled in the plan. Enrollment is limited to those  
34 not eligible for medicare who wish to enroll in the plan and choose to  
35 obtain the basic health care coverage and services from a managed care  
36 system participating in the plan. The administrator shall adjust the  
37 amount determined to be due on behalf of or from all such enrollees  
38 whenever the amount negotiated by the administrator with the

1 participating managed health care system or systems is modified or the  
2 administrative cost of providing the plan to such enrollees changes.

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

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

28 (13) To evaluate the effects this chapter has on private employer-  
29 based health care coverage and to take appropriate measures consistent  
30 with state and federal statutes that will discourage the reduction of  
31 such coverage in the state.

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

35 (15) To provide, consistent with available funding, assistance for  
36 rural residents, underserved populations, and persons of color.

37 **Sec. 8.** RCW 43.72.040 and 1994 c 4 s 3 are each amended to read as  
38 follows:

1 The commission has the following powers and duties:

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

6 (2) Endeavor to ensure that all residents of Washington state have  
7 access to appropriate, timely, confidential, and effective health  
8 services, and monitor the degree of access to such services. If the  
9 commission finds that individuals or populations lack access to  
10 certified health plan services, the commission shall:

11 (a) Authorize appropriate state agencies, local health departments,  
12 community or migrant health clinics, public hospital districts, or  
13 other nonprofit health service entities to take actions necessary to  
14 assure such access. This includes authority to contract for or  
15 directly deliver services described within the uniform benefits package  
16 to special populations; or

17 (b) Notify appropriate certified health plans and the insurance  
18 commissioner of such findings. The commission shall adopt by rule  
19 standards by which the insurance commissioner may, in such event,  
20 require certified health plans in closest proximity to such individuals  
21 and populations to extend their catchment areas to those individuals  
22 and populations and offer them enrollment.

23 (3) Adopt necessary rules in accordance with chapter 34.05 RCW to  
24 carry out the purposes of chapter 492, Laws of 1993. An initial set of  
25 draft rules establishing at least the commission's organization  
26 structure, the uniform benefits package, and standards for certified  
27 health plan certification, must be submitted in draft form to  
28 appropriate committees of the legislature by December 1, 1994.

29 (4) Establish and modify as necessary, in consultation with the  
30 state board of health and the department of health, and coordination  
31 with the planning process set forth in RCW 43.70.520 a uniform set of  
32 health services based on the recommendations of the health care cost  
33 control and access commission established under House Concurrent  
34 Resolution No. 4443 adopted by the legislature in 1990.

35 (5) Establish and modify as necessary the uniform benefits package  
36 as provided in RCW 43.72.130, which shall be offered to enrollees of a  
37 certified health plan. The benefit package shall be provided at no  
38 more than the maximum premium specified in subsection (6) of this  
39 section.



1           (6)(a) Establish for each year a community-rated maximum premium  
2 for the uniform benefits package that shall operate to control overall  
3 health care costs. The maximum premium cost of the uniform benefits  
4 package in the base year (~~(1995)~~) 1996 shall be established upon an  
5 actuarial determination of the costs of providing the uniform benefits  
6 package and such other cost impacts as may be deemed relevant by the  
7 commission. Beginning in (~~(1996)~~) 1997, the growth rate of the premium  
8 cost of the uniform benefits package for each certified health plan  
9 shall be allowed to increase by a rate no greater than the average  
10 growth rate in the cost of the package between (~~(1990)~~) 1991 and  
11 (~~(1993)~~) 1994 as actuarially determined, reduced by two percentage  
12 points per year until the growth rate is no greater than the five-year  
13 rolling average of growth in Washington per capita personal income, as  
14 determined by the office of financial management.

15           (b) In establishing the community-rated maximum premium under this  
16 subsection, the commission shall review various methods for  
17 establishing the community-rated maximum premium and shall recommend  
18 such methods to the legislature by December 1, 1994.

19           The commission may develop and recommend a rate for employees that  
20 provides nominal, if any, variance between the rate for individual  
21 employees and employees with dependents to minimize any economic  
22 incentive to an employer to discriminate between prospective employees  
23 based upon whether or not they have dependents for whom coverage would  
24 be required.

25           (c) If the commission adds or deletes services or benefits to the  
26 uniform benefits package in subsequent years, it may increase or  
27 decrease the maximum premium to reflect the actual cost experience of  
28 a broad sample of providers of that service in the state, considering  
29 the factors enumerated in (a) of this subsection and adjusted  
30 actuarially. The addition of services or benefits shall not result in  
31 a redetermination of the entire cost of the uniform benefits package.

32           (d) The level of state expenditures for the uniform benefits  
33 package shall be limited to the appropriation of funds specifically for  
34 this purpose.

35           (7) Determine the need for medical risk adjustment mechanisms to  
36 minimize financial incentives for certified health plans to enroll  
37 individuals who present lower health risks and avoid enrolling  
38 individuals who present higher health risks, and to minimize financial  
39 incentives for employer hiring practices that discriminate against

1 individuals who present higher health risks. In the design of medical  
2 risk distribution mechanisms under this subsection, the commission  
3 shall (a) balance the benefits of price competition with the need to  
4 protect certified health plans from any unsustainable negative effects  
5 of adverse selection; (b) consider the development of a system that  
6 creates a risk profile of each certified health plan's enrollee  
7 population that does not create disincentives for a plan to control  
8 benefit utilization, that requires contributions from plans that enjoy  
9 a low-risk enrollee population to plans that have a high-risk enrollee  
10 population, and that does not permit an adjustment of the premium  
11 charged for the uniform benefits package or supplemental coverage based  
12 upon either receipt or contribution of assessments; and (c) consider  
13 whether registered employer health plans should be included in any  
14 medical risk adjustment mechanism. Proposed medical risk adjustment  
15 mechanisms shall be submitted to the legislature as provided in RCW  
16 43.72.180.

17 (8) Design a mechanism to assure minors have access to confidential  
18 health care services as currently provided in RCW 70.24.110 and  
19 71.34.030.

20 (9) Monitor the actual growth in total annual health services  
21 costs.

22 (10) Monitor the increased application of technology as required by  
23 chapter 492, Laws of 1993 and take necessary action to ensure that such  
24 application is made in a cost-effective and efficient manner and  
25 consistent with existing laws that protect individual privacy.

26 (11) Establish reporting requirements for certified health plans  
27 that own or manage health care facilities, health care facilities, and  
28 health care providers to periodically report to the commission  
29 regarding major capital expenditures of the plans. The commission  
30 shall review and monitor such reports and shall report to the  
31 legislature regarding major capital expenditures on at least an annual  
32 basis. The Washington health care facilities authority and the  
33 commission shall develop standards jointly for evaluating and approving  
34 major capital expenditure financing through the Washington health care  
35 facilities authority, as authorized pursuant to chapter 70.37 RCW. By  
36 December 1, 1994, the commission and the authority shall submit jointly  
37 to the legislature such proposed standards. The commission and the  
38 authority shall, after legislative review, but no later than June 1,  
39 1995, publish such standards. Upon publication, the authority may not

1 approve financing for major capital expenditures unless approved by the  
2 commission.

3 (12) Establish maximum enrollee financial participation levels.  
4 The levels shall be related to enrollee household income.

5 (13) Establish rules requiring employee enrollee premium sharing,  
6 as defined in RCW 43.72.010(9), be paid through deductions from wages  
7 or earnings.

8 (14) For health services provided under the uniform benefits  
9 package and supplemental benefits, adopt standards for enrollment, and  
10 standardized billing and claims processing forms. The standards shall  
11 ensure that these procedures minimize administrative burdens on health  
12 care providers, health care facilities, certified health plans, and  
13 consumers. Subject to federal approval or phase-in schedules whenever  
14 necessary or appropriate, the standards also shall apply to state-  
15 purchased health services, as defined in RCW 41.05.011.

16 (15) Propose that certified health plans adopt certain practice  
17 indicators or risk management protocols for quality assurance,  
18 utilization review, or provider payment. The commission may consider  
19 indicators or protocols recommended according to RCW 43.70.500 for  
20 these purposes.

21 (16) Propose other guidelines to certified health plans for  
22 utilization management, use of technology and methods of payment, such  
23 as diagnosis-related groups and a resource-based relative value scale.  
24 Such guidelines shall be voluntary and shall be designed to promote  
25 improved management of care, and provide incentives for improved  
26 efficiency and effectiveness within the delivery system.

27 (17) Adopt standards and oversee and develop policy for personal  
28 health data and information system as provided in chapter 70.170 RCW.

29 (18) Adopt standards that prevent conflict of interest by health  
30 care providers as provided in RCW 18.130.320.

31 (19) At the appropriate juncture and in the fullness of time,  
32 consider the extent to which medical research and health professions  
33 training activities should be included within the health service system  
34 set forth in chapter 492, Laws of 1993.

35 (20) Evaluate and monitor the extent to which racial and ethnic  
36 minorities have access to and receive health services within the state,  
37 and develop strategies to address barriers to access.

38 (21) Develop standards for the certification process to certify  
39 health plans and employer health plans to provide the uniform benefits

1 package, according to the provisions for certified health plans and  
2 registered employer health plans under chapter 492, Laws of 1993.

3 (22) Develop rules for implementation of individual and employer  
4 participation under RCW 43.72.210 and 43.72.220 specifically applicable  
5 to persons who work in this state but do not live in the state or  
6 persons who live in this state but work outside of the state. The  
7 rules shall be designed so that these persons receive coverage and  
8 financial requirements that are comparable to that received by persons  
9 who both live and work in the state.

10 (23) After receiving advice from the health services effectiveness  
11 committee, adopt rules that must be used by certified health plans,  
12 disability insurers, health care service contractors, and health  
13 maintenance organizations to determine whether a procedure, treatment,  
14 drug, or other health service is no longer experimental or  
15 investigative.

16 (24) Establish a process for purchase of uniform benefits package  
17 services by enrollees when they are out-of-state.

18 (25) Develop recommendations to the legislature as to whether state  
19 and school district employees, on whose behalf health benefits are or  
20 will be purchased by the health care authority pursuant to chapter  
21 41.05 RCW, should have the option to purchase health benefits through  
22 health insurance purchasing cooperatives on and after July 1, 1997. In  
23 developing its recommendations, the commission shall consider:

24 (a) The impact of state or school district employees purchasing  
25 through health insurance purchasing cooperatives on the ability of the  
26 state to control its health care costs; and

27 (b) Whether state or school district employees purchasing through  
28 health insurance purchasing cooperatives will result in inequities in  
29 health benefits between or within groups of state and school district  
30 employees.

31 (26) Establish guidelines for providers dealing with terminal or  
32 static conditions, taking into consideration the ethics of providers,  
33 patient and family wishes, costs, and survival possibilities.

34 (27) Evaluate the extent to which Taft-Hartley health care trusts  
35 provide benefits to certain individuals in the state; review the  
36 federal laws under which these trusts are organized; and make  
37 appropriate recommendations to the governor and the legislature on or  
38 before December 1, 1994, as to whether these trusts should be brought  
39 under the provisions of chapter 492, Laws of 1993 when it is fully

1 implemented, and if the commission recommends inclusion of the trusts,  
2 how to implement such inclusion.

3 (28) Evaluate whether Washington is experiencing a higher  
4 percentage in in-migration of residents from other states and  
5 territories than would be expected by normal trends as a result of the  
6 availability of unsubsidized and subsidized health care benefits for  
7 all residents and report to the governor and the legislature their  
8 findings.

9 (29) In developing the uniform benefits package and other standards  
10 pursuant to this section, consider the likelihood of the establishment  
11 of a national health services plan adopted by the federal government  
12 and its implications.

13 (30) Evaluate the effect of reforms under chapter 492, Laws of 1993  
14 on access to care and economic development in rural areas.

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

23 **Sec. 9.** RCW 43.72.070 and 1993 c 492 s 409 are each amended to  
24 read as follows:

25 To ensure the highest quality health services at the lowest total  
26 cost, the commission shall establish a total quality management system  
27 of continuous quality improvement. Such endeavor shall be based upon  
28 the recognized quality science for continuous quality improvement. The  
29 commission shall impanel a committee composed of persons from the  
30 private sector and related sciences who have broad knowledge and  
31 successful experiences in continuous quality improvement and total  
32 quality management applications. It shall be the responsibility of the  
33 committee to develop standards for a Washington state health services  
34 supplier certification process and recommend such standards to the  
35 commission for review and adoption. Once adopted, the commission shall  
36 establish a schedule, with full compliance no later than July 1,  
37 (~~1996~~) 1997, whereby all health service providers and health service

1 facilities shall be certified prior to providing uniform benefits  
2 package services.

3 **Sec. 10.** RCW 43.72.090 and 1993 c 492 s 427 are each amended to  
4 read as follows:

5 (1) On and after July 1, (~~(1995)~~) 1996, no person or entity in this  
6 state shall provide the uniform benefits package and supplemental  
7 benefits as defined in RCW 43.72.010 without being certified as a  
8 certified health plan by the insurance commissioner.

9 (2) On and after July 1, (~~(1995)~~) 1996, no certified health plan  
10 may offer less than the uniform benefits package to residents of this  
11 state and no registered employer health plan may provide less than the  
12 uniform benefits package to its employees and their dependents.

13 **Sec. 11.** RCW 43.72.220 and 1993 c 494 s 3 are each amended to read  
14 as follows:

15 (1) The legislature recognizes that small businesses play an  
16 essential and increasingly important role in the state's economy. The  
17 legislature further recognizes that many of the state's small business  
18 owners provide health insurance to their employees through small group  
19 policies at a cost that directly affects their profitability. Other  
20 small business owners are prevented from providing health benefits to  
21 their employees by the lack of access to affordable health insurance  
22 coverage. The legislature intends that the provisions of chapter 492,  
23 Laws of 1993 make health insurance more available and affordable to  
24 small businesses in Washington state through strong cost control  
25 mechanisms and the option to purchase health benefits through the basic  
26 health plan, the Washington state group purchasing association, and  
27 health insurance purchasing cooperatives.

28 (2) On July 1, (~~(1995)~~) 1996, every employer employing more than  
29 five hundred qualified employees shall:

30 (a) Offer a choice of the uniform benefits package as provided by  
31 at least three available certified health plans, one of which shall be  
32 the lowest cost available package within their geographic region, and  
33 for employers who have established a registered employer health plan,  
34 one of which may be its own registered employer health plan, to all  
35 qualified employees. The employer shall be required to pay no less  
36 than fifty percent of the premium cost of the lowest cost available  
37 package within their geographic region. On July 1, (~~(1996)~~) 1997, all

1 dependents of qualified employees of these firms shall be offered a  
2 choice of packages as provided in this section with the employer paying  
3 no less than fifty percent of the premium of the lowest cost package  
4 within their geographic region.

5 (b) For employees who work fewer than thirty hours during a week or  
6 one hundred twenty hours during a calendar month, three hundred sixty  
7 hours during a calendar quarter or one thousand four hundred forty  
8 hours during a calendar year, and their dependents, pay, for the period  
9 of time adopted by the employer under this subsection, the amount  
10 resulting from application of the following formula: The number of  
11 hours worked by the employee in a month is multiplied by the amount of  
12 a qualified employee's premium, and that amount is then divided by one  
13 hundred twenty.

14 (c) If an employee under (b) of this subsection is the dependent of  
15 a qualified employee, and is therefore covered as a dependent by the  
16 qualified employee's employer, then the employer of the employee under  
17 (b) of this subsection shall not be required to participate in the cost  
18 of the uniform benefits package for that employee.

19 (d) If an employee working on a seasonal basis is a qualified  
20 employee of another employer, and therefore has uniform benefits  
21 package coverage through that primary employer, then the seasonal  
22 employer of the employee shall not be required to participate in the  
23 cost of the uniform benefits package for that employee.

24 (3) By July 1, (~~(1996)~~) 1997, every employer employing more than  
25 one hundred qualified employees shall:

26 (a) Offer a choice of the uniform benefits package as provided by  
27 at least three available certified health plans, one of which shall be  
28 the lowest cost available package within their geographic region, to  
29 all qualified employees. The employer shall be required to pay no less  
30 than fifty percent of the premium cost of the lowest cost available  
31 package within their geographic region. On July 1, (~~(1997)~~) 1998, all  
32 dependents of qualified employees in these firms shall be offered a  
33 choice of packages as provided in this section with the employer paying  
34 no less than fifty percent of the premium of the lowest cost package  
35 within their geographic region.

36 (b) For employees who work fewer than thirty hours during a week or  
37 one hundred twenty hours during a calendar month, three hundred sixty  
38 hours during a calendar quarter or one thousand four hundred forty  
39 hours during a calendar year, and their dependents, pay, for the period

1 of time adopted by the employer under this subsection, the amount  
2 resulting from application of the following formula: The number of  
3 hours worked by the employee in a month is multiplied by the amount of  
4 a qualified employee's premium, and that amount is then divided by one  
5 hundred twenty.

6 (c) If an employee under (b) of this subsection is the dependent of  
7 a qualified employee, and is therefore covered as a dependent by the  
8 qualified employee's employer, then the employer of the employee under  
9 (b) of this subsection shall not be required to participate in the cost  
10 of the uniform benefits package for that employee.

11 (d) If an employee working on a seasonal basis is a qualified  
12 employee of another employer, and therefore has uniform benefits  
13 package coverage through that primary employer, then the seasonal  
14 employer of the employee shall not be required to participate in the  
15 cost of the uniform benefits package for that employee.

16 (4) By July 1, (~~(1997)~~) 1998, every employer shall:

17 (a) Offer a choice of the uniform benefits package as provided by  
18 at least three available certified health plans, one of which shall be  
19 the lowest cost available package within their geographic region, to  
20 all qualified employees. The employer shall be required to pay no less  
21 than fifty percent of the premium cost of the lowest cost available  
22 package within their geographic region. On July 1, 1999, all  
23 dependents of qualified employees in all firms shall be offered a  
24 choice of packages as provided in this section with the employer paying  
25 no less than fifty percent of the premium of the lowest cost package  
26 within their geographic region.

27 (b) For employees who work fewer than thirty hours during a week or  
28 one hundred twenty hours during a calendar month, three hundred sixty  
29 hours during a calendar quarter or one thousand four hundred forty  
30 hours during a calendar year, and their dependents, pay, for the period  
31 of time adopted by the employer under this subsection, the amount  
32 resulting from application of the following formula: The number of  
33 hours worked by the employee in a month is multiplied by the amount of  
34 a qualified employee's premium, and that amount is then divided by one  
35 hundred twenty.

36 (c) If an employee under (b) of this subsection is the dependent of  
37 a qualified employee, and is therefore covered as a dependent by the  
38 qualified employee's employer, then the employer of the employee under



1 (b) of this subsection shall not be required to participate in the cost  
2 of the uniform benefits package for that employee.

3 (d) If an employee working on a seasonal basis is a qualified  
4 employee of another employer, and therefore has uniform benefits  
5 package coverage through that primary employer, then the seasonal  
6 employer of the employee shall not be required to participate in the  
7 cost of the uniform benefits package for that employee.

8 (5) This employer participation requirement shall be waived if  
9 imposition of the requirement would constitute a violation of the  
10 freedom of religion provisions of the First Amendment of the United  
11 States Constitution or Article I, section 11, of the state  
12 Constitution. In such case the employer shall, pursuant to commission  
13 rules, set aside an amount equal to the applicable employer  
14 contribution level in a manner that would permit his or her employee to  
15 fully comply with the requirements of this chapter.

16 (6) In lieu of offering the uniform benefits package to employees  
17 and their dependents through direct contracts with certified health  
18 plans, an employer may combine the employer contribution with that of  
19 the employee's contribution and enroll in the basic health plan as  
20 provided in chapter 70.47 RCW or a health insurance purchasing  
21 cooperative established under RCW 43.72.080 and 48.43.160. Any subsidy  
22 that may be provided according to the provisions of chapter 70.47 RCW  
23 shall not lessen the employer's obligation to pay a minimum of fifty  
24 percent of the premium and the full amount of the direct subsidy shall  
25 be for the benefit of the employee or the dependent.

26 (7) For purposes of determining the financial obligation of an  
27 employer who enrolls employees or employees and their adult dependents  
28 in the basic health plan, the premium shall be the per adult, per  
29 month, cost of coverage in the plan, including administration.

30 **Sec. 12.** RCW 43.72.230 and 1993 c 492 s 465 are each amended to  
31 read as follows:

32 (1) The health care authority shall establish a depository where  
33 payments under RCW 43.72.220 can be made and held in safekeeping for  
34 the benefit of employees working less than the number of hours worked  
35 by a qualified employee.

36 (2) The authority shall adopt appropriate rules for operation of  
37 the depository, in consultation with representatives of employees and  
38 employers, especially those that are seasonal or employ large numbers

1 of part-time workers. The rules shall address the means through which  
2 payments will be properly deposited to the credit of employees and the  
3 means through which employees can access payments made on their behalf.  
4 On and after July 1, (~~1995~~) 1996, payments deposited by employers on  
5 behalf of employees may be used by employees only for purchase of the  
6 uniform benefits package. Prior to July 1, (~~1995~~) 1996, payments may  
7 be used for purchase of any health insurance coverage.

8 **Sec. 13.** RCW 43.72.240 and 1993 c 494 s 4 are each amended to read  
9 as follows:

10 (1) Beginning July 1, (~~1997~~) 1998, firms with fewer than twenty-  
11 five workers that face barriers to providing health insurance for their  
12 employees may, upon application, be eligible to receive financial  
13 assistance with funds set aside from the health services account.  
14 Firms with the following characteristics shall be given preference in  
15 the distribution of funds: (a) New firms, (b) employers with low  
16 average wages, (c) employers with low profits, and (d) firms in  
17 economically distressed areas.

18 (2) All employers in existence on or before July 1, (~~1997~~) 1998,  
19 who meet the criteria set forth in this section, and rules adopted  
20 under this section, may apply to the health services commission for  
21 assistance. Such employers may not receive premium assistance beyond  
22 July 1, 2001. New employers, who come into existence after July 1,  
23 (~~1997~~) 1998, may apply for and receive premium assistance for a  
24 limited period of time, as determined by the commission.

25 (3) The total funds available for small business assistance shall  
26 be the lesser of (a) one hundred fifty million dollars or (b) twenty-  
27 five percent of the cost of the uniform benefits package per the  
28 eligible applicants' insured employee or dependents as the case may be,  
29 for the biennium beginning July 1, (~~1997~~) 1998. Thereafter, the  
30 amount of total funds available for premium assistance shall be  
31 determined by the office of financial management, based on a forecast  
32 of inflation, employment, and the number of eligible firms.

33 (4) By July 1, (~~1997~~) 1998, the health services commission, with  
34 assistance from the small business advisory committee established in  
35 RCW 43.72.060, shall develop specific definitions, rules, and  
36 procedures governing all aspects of the small business assistance  
37 program, including application procedures, thresholds regarding firm  
38 size, wages, profits, and age of firm, and rules governing duration of

1 assistance. The health services commission will endeavor to design a  
2 system for the distribution of assistance that will create minimal  
3 burdens on businesses seeking financial assistance.

4 (5) Final determination of the amount of the premium assistance to  
5 be dispensed to an employer shall be made by the commission based on  
6 rules, definitions, and procedures developed under this section. If  
7 total claims for assistance are above the amount of total funds  
8 available for such purposes, the commission shall have the authority to  
9 prorate employer claims so that the amount of available funds is not  
10 exceeded.

11 (6) The office of financial management, in consultation with the  
12 commission, shall establish appropriate criteria for monitoring and  
13 evaluating the economic and labor market impacts of the premium  
14 assistance program and report its findings to the commission annually  
15 through July 1, 2001.

16 NEW SECTION. **Sec. 14.** Section 5 of this act shall expire June 30,  
17 1998.

18 NEW SECTION. **Sec. 15.** This act is necessary for the immediate  
19 preservation of the public peace, health, or safety, or support of the  
20 state government and its existing public institutions, and shall take  
21 effect immediately.

--- END ---