

---

**SUBSTITUTE HOUSE BILL 1046**

---

**State of Washington**

**54th Legislature**

**1995 Regular Session**

**By** House Committee on Health Care (originally sponsored by Representatives Dyer, Carlson, Kremen, Cooke, Horn, Schoesler, Buck, Johnson, Thompson, Beeksma, B. Thomas, Radcliff, Hickel, Chandler, Backlund, Mastin, Mitchell, Foreman, Sehlin, Ballasiotes, Clements, Campbell, Sheldon, L. Thomas, Huff, Mielke, Talcott, McMahan, Stevens and Lisk)

Read first time 02/08/95.

1 AN ACT Relating to health care reform improvement; adding a new  
2 section to chapter 70.47 RCW; adding new sections to chapter 48.43 RCW;  
3 adding a new chapter to Title 48 RCW; creating new sections; repealing  
4 RCW 18.130.320, 18.130.330, 43.72.005, 43.72.010, 43.72.020, 43.72.030,  
5 43.72.040, 43.72.050, 43.72.060, 43.72.070, 43.72.080, 43.72.090,  
6 43.72.100, 43.72.110, 43.72.120, 43.72.130, 43.72.140, 43.72.150,  
7 43.72.160, 43.72.170, 43.72.180, 43.72.190, 43.72.210, 43.72.220,  
8 43.72.225, 43.72.230, 43.72.240, 43.72.300, 43.72.310, 43.72.800,  
9 43.72.810, 43.72.820, 43.72.830, 43.72.840, 43.72.850, 43.72.860,  
10 43.72.870, 48.01.200, 48.43.010, 48.43.020, 48.43.030, 48.43.040,  
11 48.43.050, 48.43.060, 48.43.070, 48.43.080, 48.43.090, 48.43.100,  
12 48.43.110, 48.43.120, 48.43.130, 48.43.140, 48.43.150, 48.43.160,  
13 48.43.170, 48.01.210, 48.20.540, 48.21.340, 48.44.480, 48.46.550,  
14 48.42.060, 48.42.070, 48.42.080, 70.170.100, 70.170.110, 70.170.120,  
15 70.170.130, 70.170.140, 48.44.490, and 48.46.560; providing an  
16 effective date; and providing for submission of this act to a vote of  
17 the people.

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

1        NEW SECTION.    **Sec. 1.**    A new section is added to chapter 70.47 RCW  
2 to read as follows:

3        BASIC HEALTH PLAN--EXPANDED ENROLLMENT.    (1) The legislature finds  
4 that the basic health plan has been an effective program in providing  
5 health coverage for uninsured residents.    Further, since 1993,  
6 substantial amounts of public funds have been allocated for subsidized  
7 basic health plan enrollment.

8        (2) It is the intent of the legislature that the basic health plan  
9 enrollment be expanded expeditiously, consistent with funds available  
10 in the health services account, with the goal of one hundred thirty  
11 thousand subsidized enrollees by June 30, 1997, with the priority of  
12 providing needed health services to children in conjunction with other  
13 public programs.

14        (3) Effective January 1, 1996, basic health plan enrollees whose  
15 income is less than one hundred twenty-five percent of the federal  
16 poverty level shall pay no premium share.

17        (4) No later than July 1, 1996, the administrator shall implement  
18 procedures whereby hospitals licensed under chapters 70.41 and 71.12  
19 RCW, rural health care facilities regulated under chapter 70.175 RCW,  
20 and community and migrant health centers funded under RCW 41.05.220,  
21 may, at no remuneration, expeditiously assist patients and their  
22 families in applying for basic health plan or medical assistance  
23 coverage, and in submitting such applications directly to the health  
24 care authority or the department of social and health services.    The  
25 health care authority and the department of social and health services  
26 shall make every effort to simplify and expedite the application and  
27 enrollment process.

28        (5) No later than July 1, 1996, the administrator shall implement  
29 procedures whereby health insurance agents and brokers, licensed under  
30 chapter 48.17 RCW, may, at no remuneration, expeditiously assist  
31 patients and their families in applying for basic health plan or  
32 medical assistance coverage, and in submitting such applications  
33 directly to the health care authority or the department of social and  
34 health services.    The health care authority and the department of  
35 social and health services shall make every effort to simplify and  
36 expedite the application and enrollment process.

37        NEW SECTION.    **Sec. 2.**    HEALTH CARE SAVINGS ACCOUNTS.    (1) This  
38 chapter shall be known as the health care savings account act.

1 (2) The legislature recognizes that the costs of health care are  
2 increasing rapidly and most individuals are removed from participating  
3 in the purchase of their health care.

4 As a result, it becomes critical to encourage and support solutions  
5 to alleviate the demand for diminishing state resources. In response  
6 to these increasing costs in health care spending, the legislature  
7 intends to clarify that health care savings accounts may be offered as  
8 health benefit options to all residents as incentives to reduce  
9 unnecessary health services utilization, administration, and paperwork,  
10 and to encourage individuals to be in charge of and participate  
11 directly in their use of service and health care spending. To  
12 alleviate the possible impoverishment of residents requiring long-term  
13 care, health care savings accounts may promote savings for long-term  
14 care and provide incentives for individuals to protect themselves from  
15 financial hardship due to a long-term health care need.

16 (3) Health care savings accounts are authorized in Washington state  
17 as options to employers and residents.

18 NEW SECTION. **Sec. 3.** HEALTH CARE SAVINGS ACCOUNTS--REQUEST FOR  
19 TAX EXEMPTION. The governor and responsible agencies shall:

20 (1) Request that the United States congress amend the internal  
21 revenue code to treat premiums and contributions to health benefits  
22 plans, such as health care savings account programs, basic health  
23 plans, conventional and standard health plans offered through a health  
24 carrier, by employers, self-employed persons, and individuals, as fully  
25 excluded employer expenses and deductible from individual adjusted  
26 gross income for federal tax purposes.

27 (2) Request that the United States congress amend the internal  
28 revenue code to exempt from federal income tax interest that accrues in  
29 health care savings accounts until such money is withdrawn for  
30 expenditures other than eligible health expenses as defined in law.

31 (3) If all federal statute or regulatory waivers necessary to fully  
32 implement this chapter have not been obtained by the effective date of  
33 this section, this act shall remain in effect.

34 NEW SECTION. **Sec. 4.** INSURANCE REFORM--DEFINITIONS. Unless  
35 otherwise specifically provided, the definitions in this section apply  
36 throughout this chapter.

1 (1) "Health carrier" or "carrier" means a disability insurer  
2 regulated under chapter 48.20 or 48.21 RCW, fraternal benefit societies  
3 regulated under chapter 48.36A RCW, a health care service contractor as  
4 defined in RCW 48.44.010 or a health maintenance organization as  
5 defined in RCW 48.46.020.

6 (2) "Health care service" means that service offered or provided by  
7 health care facilities and health care providers relating to the  
8 prevention, cure, or treatment of illness, injury, or disease.

9 (3) "Health plan" means any policy, contract, or agreement offered  
10 by a health carrier to provide, arrange, reimburse, or pay for health  
11 care service except the following:

12 (a) Long-term care insurance governed by chapter 48.84 RCW;

13 (b) Medicare supplemental health insurance governed by chapter  
14 48.66 RCW;

15 (c) Limited health care service offered by limited health care  
16 service contractors in accordance with RCW 48.44.035;

17 (d) Disability income;

18 (e) Coverage incidental to a property/casualty liability insurance  
19 policy such as automobile personal injury protection coverage and  
20 homeowner guest medical;

21 (f) Workers' compensation coverage; and

22 (g) Accident only coverage.

23 (4) "Covered person" means a person covered by a health plan  
24 including an enrollee, subscriber, policyholder, beneficiary of a group  
25 plan, or individual covered by any other health plan.

26 (5) "Preexisting condition" means any medical condition, illness,  
27 or injury that existed any time prior to the effective date of  
28 coverage.

29 NEW SECTION. **Sec. 5.** INSURANCE REFORM--PORTABILITY. (1) Every  
30 health carrier shall waive any preexisting condition exclusion or  
31 limitation for persons or groups who had similar health coverage under  
32 a different health plan at any time during the three-month period  
33 immediately preceding the date of application for the new health plan  
34 if such person was continuously covered under the immediately preceding  
35 health plan. If the person was continuously covered for at least three  
36 months under the immediately preceding health plan, the carrier may not  
37 impose a waiting period for coverage of preexisting conditions. If the  
38 person was continuously covered for less than three months under the

1 immediately preceding health plan, the carrier must credit any waiting  
2 period under the immediately preceding health plan toward the new  
3 health plan. For the purposes of this subsection, a health plan  
4 includes an employer provided self-funded health plan.

5 (2) Nothing contained in this section requires a health carrier to  
6 amend a health plan to provide new benefits in its existing health  
7 plans. In addition, nothing in this section requires a carrier to  
8 waive benefit limitations not related to an individual or group's  
9 preexisting conditions or health history. A waiting period may be  
10 applied for use of a particular benefit imposed equally upon all  
11 covered persons without regard to health condition.

12 NEW SECTION. **Sec. 6.** INSURANCE REFORM--PREEXISTING CONDITIONS.

13 (1) No carrier may reject an individual for health plan coverage based  
14 upon preexisting conditions of the individual and no carrier may deny,  
15 exclude, or otherwise limit coverage for an individual's preexisting  
16 health conditions; except that a carrier may impose a three-month  
17 benefit waiting period for preexisting conditions for which medical  
18 advice was given, or for which a health care provider recommended or  
19 provided treatment within three months before the effective date of  
20 coverage.

21 (2) No carrier may avoid the requirements of this section through  
22 the creation of a new rate classification or the modification of an  
23 existing rate classification. A new or changed rate classification  
24 will be deemed an attempt to avoid the provisions of this section if  
25 the new or changed classification would substantially discourage  
26 applications for coverage from individuals or groups who are higher  
27 than average health risks. These provisions apply only to individuals  
28 who are Washington residents as defined in law.

29 NEW SECTION. **Sec. 7.** INSURANCE REFORM--GUARANTEED ISSUE. (1)

30 Except as provided in subsection (4) of this section, all health plans  
31 shall contain or incorporate by endorsement, a guarantee of the  
32 continuity of coverage of the plan.

33 (2) For the purposes of this section, a plan is "renewed" when it  
34 is continued beyond the earliest date upon which, at the carrier's sole  
35 option, the plan could have been terminated for other than nonpayment  
36 of premium. In the case of group plans, the carrier may consider the

1 group's anniversary date as the renewal date for purposes of complying  
2 with the provisions of this section.

3 (3) The guarantee of continuity of coverage required in health  
4 plans shall not prevent a carrier from canceling or nonrenewing a  
5 health plan for:

6 (a) Nonpayment of premium;

7 (b) Violation of published policies of the carrier approved by the  
8 insurance commissioner;

9 (c) Covered persons entitled to become eligible for medicare  
10 benefits by reason of age who fail to apply for a medicare supplement  
11 plan or medicare cost, risk, or other plan offered by the carrier  
12 pursuant to federal laws and regulations;

13 (d) Covered persons who fail to pay any deductible or copayment  
14 amount owed to the carrier and not the provider of health care  
15 services;

16 (e) Covered persons committing fraudulent acts as to the carrier;

17 (f) Covered persons who materially breach the health plan; or

18 (g) Change or implementation of federal or state laws that no  
19 longer permit the continued offering of such coverage.

20 (4) The provisions of this section do not apply to health plans  
21 deemed by the insurance commissioner to be unique or limited or have a  
22 short-term purpose, after a written request for such classification by  
23 the carrier and subsequent written approval by the insurance  
24 commissioner.

25 NEW SECTION. **Sec. 8.** REPEALERS. The following acts or parts of  
26 acts are each repealed:

27 (1) RCW 18.130.320 and 1993 c 492 s 408;

28 (2) RCW 18.130.330 and 1994 c 102 s 1 & 1993 c 492 s 412;

29 (3) RCW 43.72.005 and 1993 c 492 s 401;

30 (4) RCW 43.72.010 and 1994 c 4 s 1, 1993 c 494 s 1, & 1993 c 492 s  
31 402;

32 (5) RCW 43.72.020 and 1994 c 154 s 311 & 1993 c 492 s 403;

33 (6) RCW 43.72.030 and 1993 c 492 s 405;

34 (7) RCW 43.72.040 and 1994 c 4 s 3, 1993 c 494 s 2, & 1993 c 492 s  
35 406;

36 (8) RCW 43.72.050 and 1993 c 492 s 407;

37 (9) RCW 43.72.060 and 1994 c 4 s 2 & 1993 c 492 s 404;

38 (10) RCW 43.72.070 and 1993 c 492 s 409;

- 1 (11) RCW 43.72.080 and 1993 c 492 s 425;
- 2 (12) RCW 43.72.090 and 1993 c 492 s 427;
- 3 (13) RCW 43.72.100 and 1993 c 492 s 428;
- 4 (14) RCW 43.72.110 and 1993 c 492 s 429;
- 5 (15) RCW 43.72.120 and 1993 c 492 s 430;
- 6 (16) RCW 43.72.130 and 1993 c 492 s 449;
- 7 (17) RCW 43.72.140 and 1993 c 492 s 450;
- 8 (18) RCW 43.72.150 and 1993 c 492 s 451;
- 9 (19) RCW 43.72.160 and 1993 c 492 s 452;
- 10 (20) RCW 43.72.170 and 1993 c 492 s 453;
- 11 (21) RCW 43.72.180 and 1993 c 492 s 454;
- 12 (22) RCW 43.72.190 and 1993 c 492 s 455;
- 13 (23) RCW 43.72.210 and 1993 c 492 s 463;
- 14 (24) RCW 43.72.220 and 1993 c 494 s 3 & 1993 c 492 s 464;
- 15 (25) RCW 43.72.225 and 1994 c 4 s 4;
- 16 (26) RCW 43.72.230 and 1993 c 492 s 465;
- 17 (27) RCW 43.72.240 and 1993 c 494 s 4 & 1993 c 492 s 466;
- 18 (28) RCW 43.72.300 and 1993 c 492 s 447;
- 19 (29) RCW 43.72.310 and 1993 c 492 s 448;
- 20 (30) RCW 43.72.800 and 1993 c 492 s 457;
- 21 (31) RCW 43.72.810 and 1993 c 492 s 474;
- 22 (32) RCW 43.72.820 and 1993 c 492 s 475;
- 23 (33) RCW 43.72.830 and 1993 c 492 s 476;
- 24 (34) RCW 43.72.840 and 1993 c 492 s 478;
- 25 (35) RCW 43.72.850 and 1993 c 492 s 485;
- 26 (36) RCW 43.72.860 and 1993 c 492 s 486;
- 27 (37) RCW 43.72.870 and 1993 c 494 s 5;
- 28 (38) RCW 48.01.200 and 1993 c 492 s 294;
- 29 (39) RCW 48.43.010 and 1993 c 492 s 432;
- 30 (40) RCW 48.43.020 and 1993 c 492 s 433;
- 31 (41) RCW 48.43.030 and 1993 c 492 s 434;
- 32 (42) RCW 48.43.040 and 1993 c 492 s 435;
- 33 (43) RCW 48.43.050 and 1993 c 492 s 436;
- 34 (44) RCW 48.43.060 and 1993 c 492 s 437;
- 35 (45) RCW 48.43.070 and 1993 c 492 s 438;
- 36 (46) RCW 48.43.080 and 1993 c 492 s 439;
- 37 (47) RCW 48.43.090 and 1993 c 492 s 440;
- 38 (48) RCW 48.43.100 and 1993 c 492 s 441;
- 39 (49) RCW 48.43.110 and 1993 c 492 s 442;

- 1 (50) RCW 48.43.120 and 1993 c 492 s 443;  
2 (51) RCW 48.43.130 and 1993 c 492 s 444;  
3 (52) RCW 48.43.140 and 1993 c 492 s 445;  
4 (53) RCW 48.43.150 and 1993 c 492 s 446;  
5 (54) RCW 48.43.160 and 1993 c 492 s 426;  
6 (55) RCW 48.43.170 and 1993 c 492 s 431;  
7 (56) RCW 48.01.210 and 1993 c 462 s 51;  
8 (57) RCW 48.20.540 and 1993 c 492 s 283;  
9 (58) RCW 48.21.340 and 1993 c 492 s 284;  
10 (59) RCW 48.44.480 and 1993 c 492 s 285;  
11 (60) RCW 48.46.550 and 1993 c 492 s 286;  
12 (61) RCW 48.42.060 and 1984 c 56 s 1;  
13 (62) RCW 48.42.070 and 1989 1st ex.s. c 9 s 221, 1987 c 150 s 79,  
14 & 1984 c 56 s 2;  
15 (63) RCW 48.42.080 and 1984 c 56 s 3;  
16 (64) RCW 70.170.100 and 1993 c 492 s 259, 1990 c 269 s 12, & 1989  
17 1st ex.s. c 9 s 510;  
18 (65) RCW 70.170.110 and 1993 c 492 s 260 & 1989 1st ex.s. c 9 s  
19 511;  
20 (66) RCW 70.170.120 and 1993 c 492 s 261;  
21 (67) RCW 70.170.130 and 1993 c 492 s 262;  
22 (68) RCW 70.170.140 and 1993 c 492 s 263;  
23 (69) RCW 48.44.490 and 1993 c 492 s 288; and  
24 (70) RCW 48.46.560 and 1993 c 492 s 289.

25 NEW SECTION. **Sec. 9.** CODIFICATION DIRECTION. Sections 2 and 3 of  
26 this act shall constitute a new chapter in Title 48 RCW.

27 NEW SECTION. **Sec. 10.** CODIFICATION DIRECTION. Sections 4 through  
28 7 of this act are each added to chapter 48.43 RCW.

29 NEW SECTION. **Sec. 11.** CAPTIONS NOT LAW. Captions as used in this  
30 act constitute no part of the law.

31 NEW SECTION. **Sec. 12.** EFFECTIVE DATE. This act shall take effect  
32 January 1, 1996.

33 NEW SECTION. **Sec. 13.** SAVINGS CLAUSE. This act shall not be  
34 construed as affecting any existing right acquired or liability or



1 obligation incurred under the sections amended or repealed in this act  
2 or under any rule or order adopted under those sections, nor as  
3 affecting any proceeding instituted under those sections.

4 NEW SECTION. **Sec. 14.** SEVERABILITY CLAUSE. If any provision of  
5 this act or its application to any person or circumstance is held  
6 invalid, the remainder of the act or the application of the provision  
7 to other persons or circumstances is not affected.

8 NEW SECTION. **Sec. 15.** ACT TITLE. This act shall be known as the  
9 health reform simplification act.

10 NEW SECTION. **Sec. 16.** REFERENDUM. This act shall be submitted to  
11 the people for their adoption and ratification, or rejection, at the  
12 next succeeding general election to be held in this state, in  
13 accordance with Article II, section 1 of the state Constitution, as  
14 amended, and the laws adopted to facilitate the operation thereof.

--- END ---