
HOUSE BILL 1566

State of Washington

54th Legislature

1995 Regular Session

By Representative Dyer; by request of Health Care Authority

Read first time 01/31/95. Referred to Committee on Health Care.

1 AN ACT Relating to implementation of health care authority
2 responsibilities; amending RCW 41.05.011, 41.05.021, 41.05.022,
3 41.05.065, 41.04.205, and 43.72.230; repealing RCW 41.05.200 and
4 41.05.240; providing an effective date; and declaring an emergency.

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

6 **Sec. 1.** RCW 41.05.011 and 1994 c 153 s 2 are each amended to read
7 as follows:

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

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

11 (2) "State purchased health care" or "health care" means medical
12 and health care, pharmaceuticals, and medical equipment purchased with
13 state and federal funds by the department of social and health
14 services, the department of health, the basic health plan, the state
15 health care authority, the department of labor and industries, the
16 department of corrections, the department of veterans affairs, and
17 local school districts.

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

1 (4) "Insuring entity" means an insurer as defined in chapter 48.01
2 RCW, a health care service contractor as defined in chapter 48.44 RCW,
3 or a health maintenance organization as defined in chapter 48.46 RCW.
4 On and after (~~July~~) October 1, 1995, "insuring entity" also means a
5 certified health plan, as defined in RCW 43.72.010.

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

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

1 as provided in RCW 41.04.205; (c) employees of employee organizations
2 representing state civil service employees, at the option of each such
3 employee organization, and, effective October 1, 1995, employees of
4 employee organizations currently pooled with employees of school
5 districts for the purpose of purchasing insurance benefits, at the
6 option of each such employee organization.

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

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

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

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

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

21 **Sec. 2.** RCW 41.05.021 and 1994 c 309 s 1 are each amended to read
22 as follows:

23 (1) The Washington state health care authority is created within
24 the executive branch. The authority shall have an administrator
25 appointed by the governor, with the consent of the senate. The
26 administrator shall serve at the pleasure of the governor. The
27 administrator may employ up to seven staff members, who shall be exempt
28 from chapter 41.06 RCW, and any additional staff members as are
29 necessary to administer this chapter. The administrator may delegate
30 any power or duty vested in him or her by this chapter, including
31 authority to make final decisions and enter final orders in hearings
32 conducted under chapter 34.05 RCW. The primary duties of the authority
33 shall be to administer state employees' insurance benefits and retired
34 or disabled school employees' insurance benefits, study state-purchased
35 health care programs in order to maximize cost containment in these
36 programs while ensuring access to quality health care, and implement
37 state initiatives, joint purchasing strategies, and techniques for
38 efficient administration that have potential application to all state-

1 purchased health services. The authority's duties include, but are not
2 limited to, the following:

3 (a) To administer health care benefit programs for employees and
4 retired or disabled school employees as specifically authorized in RCW
5 41.05.065 and in accordance with the methods described in RCW
6 41.05.075, 41.05.140, and other provisions of this chapter;

7 (b) To analyze state-purchased health care programs and to explore
8 options for cost containment and delivery alternatives for those
9 programs that are consistent with the purposes of those programs,
10 including, but not limited to:

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

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

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

22 (iv) Development of recommendations and methods for purchasing
23 medical equipment and supporting services on a volume discount basis;
24 and

25 (v) Development of data systems to obtain utilization data from
26 state-purchased health care programs in order to identify cost centers,
27 utilization patterns, provider and hospital practice patterns, and
28 procedure costs, utilizing the information obtained pursuant to RCW
29 41.05.031;

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

31 (d) To provide information and technical and administrative
32 assistance to the board;

33 (e) To review and approve or deny applications from counties,
34 municipalities, and other political subdivisions of the state to
35 provide state-sponsored insurance or self-insurance programs to their
36 employees in accordance with the provisions of RCW 41.04.205, setting
37 the premium contribution for approved groups as outlined in RCW
38 41.05.050;

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

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

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

8 (2) On and after (~~(July)~~) January 1, (~~(1995)~~) 1996, the public
9 employees' benefits board and the health care authority shall implement
10 strategies to promote managed competition among employee health benefit
11 plans (~~(in accordance with the Washington health services commission~~
12 ~~schedule of employer requirements)~~). Strategies may include but are
13 not limited to:

14 (a) Standardizing the benefit package;

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

16 (c) Limiting the state's contribution to a percent of the lowest
17 priced qualified plan within a geographical area(~~(. If the state's~~
18 ~~contribution is less than one hundred percent of the lowest priced~~
19 ~~qualified bid, employee financial contributions shall be structured on~~
20 ~~a sliding scale basis related to household income))~~);

21 (d) 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 administering a benchmark employer-managed plan
26 to promote competition among managed care plans. The health care
27 authority shall report its findings and recommendations to the
28 legislature by January 1, 1997.

29 **Sec. 3.** RCW 41.05.022 and 1994 c 153 s 3 are each amended to read
30 as follows:

31 (1) The health care authority is hereby designated as the single
32 state agent for purchasing health services.

33 (2) (a) On and after January 1, 1995, at least the following state-
34 purchased health services programs shall be merged into ((a single,))
35 the community-rated risk pool in accordance with RCW 43.72.170:

36 (i) Health benefits for employees of school districts and
37 educational service districts;

38 (ii) Health benefits for state employees;

1 (iii) Health benefits for eligible retired or disabled school
2 employees not eligible for parts A and B of medicare; ((and))

3 (iv) Health benefits for eligible state retirees not eligible for
4 parts A and B of medicare((. Beginning July 1, 1995, the basic health
5 plan shall be included in the risk pool. The administrator may develop
6 mechanisms to ensure that the cost of comparable benefits packages does
7 not vary widely across the risk pools before they are merged. At the
8 earliest opportunity the governor shall seek necessary federal waivers
9 and state legislation to place the medical and acute care components of
10 the medical assistance program, the limited casualty program, and the
11 medical care services program of the department of social and health
12 services in this single risk pool. Long term care services that are
13 provided under the medical assistance program shall not be placed in
14 the single risk pool until such services have been added to the uniform
15 benefits package)); and

16 (v) Upon its implementation of the uniform benefits package, health
17 benefits provided through the basic health plan.

18 (b) The governor shall seek necessary federal waivers and state
19 legislation to place the medical and acute care components of the
20 medical assistance program, the limited casualty program, the medical
21 care services program, and the children's health care program of the
22 department of social and health services into the community-rated risk
23 pool in accordance with RCW 43.72.040, upon a determination that
24 integration into the community-rated risk pool will be consistent with
25 federal waiver requirements and the intent of chapter . . . , Laws of
26 1995 (this act).

27 (c) On or before January 1, ((1997, the governor)) 1998, the
28 department of corrections shall submit ((necessary legislation)) its
29 recommendations to ((place)) the appropriate legislative committees
30 regarding the purchasing of health ((benefits)) care for persons
31 incarcerated in institutions administered by the department of
32 corrections ((into the single community-rated risk pool effective on
33 and after July 1, 1997)).

34 (d) The administrator may develop mechanisms to ensure that the
35 cost of comparable benefits packages does not vary widely across the
36 risk pools before they are merged.

37 (3) At a minimum, and regardless of other legislative enactments,
38 the state health services purchasing agent shall:

1 (a) Require that a public agency that provides subsidies for a
2 substantial portion of services now covered under the basic health plan
3 or a uniform benefits package as adopted by the Washington health
4 services commission as provided in RCW 43.72.130, use uniform
5 eligibility processes, insofar as may be possible, and ensure that
6 multiple eligibility determinations are not required;

7 (b) Require that a health care provider or a health care facility
8 that receives funds from a public program provide care to state
9 residents receiving a state subsidy who may wish to receive care from
10 them consistent with the provisions of chapter 492, Laws of 1993, and
11 that a health maintenance organization, health care service contractor,
12 insurer, or certified health plan that receives funds from a public
13 program accept enrollment from state residents receiving a state
14 subsidy who may wish to enroll with them under the provisions of
15 chapter 492, Laws of 1993;

16 (c) Strive to integrate purchasing for all publicly sponsored
17 health services in order to maximize the cost control potential and
18 promote the most efficient methods of financing and coordinating
19 services;

20 (d) Annually suggest changes in state and federal law and rules to
21 bring all publicly funded health programs in compliance with the goals
22 and intent of chapter 492, Laws of 1993;

23 (e) Consult regularly with the governor, the legislature, and state
24 agency directors whose operations are affected by the implementation of
25 this section.

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

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

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

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

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

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

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

14 (e) Effective coordination of benefits;

15 (f) Minimum standards for insuring entities; and

16 (g) Minimum scope and content of standard benefit plans to be
17 offered to enrollees participating in the employee health benefit
18 plans. On and after (~~July 1, 1995~~) the first plan year anniversary
19 date after February 1, 1996, the uniform benefits package shall
20 constitute the minimum level of health benefits offered to employees.
21 To maintain the comprehensive nature of employee health care benefits,
22 employee eligibility criteria related to the number of hours worked and
23 the benefits provided to employees shall be substantially equivalent to
24 the state employees' health benefits plan and eligibility criteria in
25 effect on January 1, 1993.

26 (3) The board shall design benefits and determine the terms and
27 conditions of employee participation and coverage, including
28 establishment of eligibility criteria.

29 (4) The board shall attempt to achieve enrollment of all employees
30 and retirees in managed health care systems by 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 managed health care systems.

34 (5) Employees shall choose participation in one of the health care
35 benefit plans developed by the board and may be permitted to waive
36 coverage under terms and conditions established by the public
37 employees' benefits board.

38 (6) The board shall review plans proposed by insurance carriers
39 that desire to offer property insurance and/or accident and casualty

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

7 **Sec. 5.** RCW 41.04.205 and 1993 c 386 s 3 are each amended to read
8 as follows:

9 (1) Notwithstanding the provisions of RCW 41.04.180, the employees,
10 with their dependents, of any county, municipality, or other political
11 subdivision of this state shall be eligible to participate in any
12 insurance or self-insurance program for employees administered under
13 chapter 41.05 RCW if the legislative authority of any such county,
14 municipality, or other political subdivisions of this state determines
15 a transfer to an insurance or self-insurance program administered under
16 chapter 41.05 RCW should be made. In the event of a special district
17 employee transfer pursuant to this section, members of the governing
18 authority shall be eligible to be included in such transfer if such
19 members are authorized by law as of June 25, 1976 to participate in the
20 insurance program being transferred from and subject to payment by such
21 members of all costs of insurance for members.

22 (2) When the legislative authority of a county, municipality, or
23 other political subdivision determines to so transfer, the state health
24 care authority shall:

25 (a) Establish the conditions ~~((under which the transfer may be~~
26 ~~made, which shall include the requirements that:~~

27 ~~(i) All the eligible employees of the political subdivision~~
28 ~~transfer as a unit, and~~

29 ~~(ii) The political subdivision involved obligate itself to make~~
30 ~~employer contributions in an amount at least equal to those provided by~~
31 ~~the state as employer)) for participation; and~~

32 (b) ~~((Hold public hearings on the application for transfer; and~~
33 ~~(c))~~) Have the sole right to reject the application.

34 Approval of the application by the state health care authority
35 shall effect a transfer of the employees involved to the insurance,
36 self-insurance, or health care program applied for.

1 (3) Any application of this section to members of the law
2 enforcement officers' and fire fighters' retirement system under
3 chapter 41.26 RCW is subject to chapter 41.56 RCW.

4 (4) ~~((The requirements in subsection (2)(a) (i) and (ii) of this
5 section need not be applied to))~~ Prior to January 1, 1996, school
6 districts may voluntarily transfer, except that all eligible employees
7 in a bargaining unit of a school district may transfer only as a unit
8 and all nonrepresented employees in a district may transfer only as a
9 unit.

10 **Sec. 6.** RCW 43.72.230 and 1993 c 492 s 465 are each amended to
11 read as follows:

12 (1) Upon the state's receipt of an exemption from provisions of the
13 employee retirement income security act and in accordance with the
14 Washington health services commission schedule of employer
15 requirements, the health care authority shall establish a depository
16 where payments under RCW 43.72.220 can be made and held in safekeeping
17 for the benefit of employees working less than the number of hours
18 worked by a qualified employee.

19 (2) The authority shall adopt appropriate rules for operation of
20 the depository, in consultation with representatives of employees and
21 employers, especially those that are seasonal or employ large numbers
22 of part-time workers. The rules shall address the means through which
23 payments will be properly deposited to the credit of employees and the
24 means through which employees can access payments made on their behalf.
25 ~~((On and after July 1, 1995,))~~ Payments deposited by employers on
26 behalf of employees may be used by employees only for purchase of the
27 uniform benefits package. ~~((Prior to July 1, 1995, payments may be
28 used for purchase of any health insurance coverage.))~~

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

31 (1) RCW 41.05.200 and 1993 c 492 s 228; and

32 (2) RCW 41.05.240 and 1993 c 492 s 468.

33 NEW SECTION. **Sec. 8.** This act is necessary for the immediate
34 preservation of the public peace, health, or safety, or support of the

1 state government and its existing public institutions, and shall take
2 effect July 1, 1995.

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