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**SENATE BILL 5452**

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**State of Washington**

**54th Legislature**

**1995 Regular Session**

**By** Senators Quigley, Moyer, Wojahn, Franklin, Deccio and Winsley; by request of Health Services Commission

Read first time 01/24/95. Referred to Committee on Health & Long-Term Care.

1 AN ACT Relating to health services commission health entity capital  
2 expenditure review; and amending RCW 43.72.040.

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

4 **Sec. 1.** RCW 43.72.040 and 1994 c 4 s 3 are each amended to read as  
5 follows:

6 The commission has the following powers and duties:

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

11 (2) Endeavor to ensure that all residents of Washington state have  
12 access to appropriate, timely, confidential, and effective health  
13 services, and monitor the degree of access to such services. If the  
14 commission finds that individuals or populations lack access to  
15 certified health plan services, the commission shall:

16 (a) Authorize appropriate state agencies, local health departments,  
17 community or migrant health clinics, public hospital districts, or  
18 other nonprofit health service entities to take actions necessary to  
19 assure such access. This includes authority to contract for or

1 directly deliver services described within the uniform benefits package  
2 to special populations; or

3 (b) Notify appropriate certified health plans and the insurance  
4 commissioner of such findings. The commission shall adopt by rule  
5 standards by which the insurance commissioner may, in such event,  
6 require certified health plans in closest proximity to such individuals  
7 and populations to extend their catchment areas to those individuals  
8 and populations and offer them enrollment.

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

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

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

26 (6)(a) Establish for each year a community-rated maximum premium  
27 for the uniform benefits package that shall operate to control overall  
28 health care costs. The maximum premium cost of the uniform benefits  
29 package in the base year 1995 shall be established upon an actuarial  
30 determination of the costs of providing the uniform benefits package  
31 and such other cost impacts as may be deemed relevant by the  
32 commission. Beginning in 1996, the growth rate of the premium cost of  
33 the uniform benefits package for each certified health plan shall be  
34 allowed to increase by a rate no greater than the average growth rate  
35 in the cost of the package between 1990 and 1993 as actuarially  
36 determined, reduced by two percentage points per year until the growth  
37 rate is no greater than the five-year rolling average of growth in  
38 Washington per capita personal income, as determined by the office of  
39 financial management.

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

5 The commission may develop and recommend a rate for employees that  
6 provides nominal, if any, variance between the rate for individual  
7 employees and employees with dependents to minimize any economic  
8 incentive to an employer to discriminate between prospective employees  
9 based upon whether or not they have dependents for whom coverage would  
10 be required.

11 (c) If the commission adds or deletes services or benefits to the  
12 uniform benefits package in subsequent years, it may increase or  
13 decrease the maximum premium to reflect the actual cost experience of  
14 a broad sample of providers of that service in the state, considering  
15 the factors enumerated in (a) of this subsection and adjusted  
16 actuarially. The addition of services or benefits shall not result in  
17 a redetermination of the entire cost of the uniform benefits package.

18 (d) The level of state expenditures for the uniform benefits  
19 package shall be limited to the appropriation of funds specifically for  
20 this purpose.

21 (7) Determine the need for medical risk adjustment mechanisms to  
22 minimize financial incentives for certified health plans to enroll  
23 individuals who present lower health risks and avoid enrolling  
24 individuals who present higher health risks, and to minimize financial  
25 incentives for employer hiring practices that discriminate against  
26 individuals who present higher health risks. In the design of medical  
27 risk distribution mechanisms under this subsection, the commission  
28 shall (a) balance the benefits of price competition with the need to  
29 protect certified health plans from any unsustainable negative effects  
30 of adverse selection; (b) consider the development of a system that  
31 creates a risk profile of each certified health plan's enrollee  
32 population that does not create disincentives for a plan to control  
33 benefit utilization, that requires contributions from plans that enjoy  
34 a low-risk enrollee population to plans that have a high-risk enrollee  
35 population, and that does not permit an adjustment of the premium  
36 charged for the uniform benefits package or supplemental coverage based  
37 upon either receipt or contribution of assessments; and (c) consider  
38 whether registered employer health plans should be included in any  
39 medical risk adjustment mechanism. Proposed medical risk adjustment

1 mechanisms shall be submitted to the legislature as provided in RCW  
2 43.72.180.

3 (8) Design a mechanism to assure minors have access to confidential  
4 health care services as currently provided in RCW 70.24.110 and  
5 71.34.030.

6 (9) Monitor the actual growth in total annual health services  
7 costs.

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

12 ~~(11) ((Establish reporting requirements for certified health plans  
13 that own or manage health care facilities, health care facilities, and  
14 health care providers to periodically report to the commission  
15 regarding major capital expenditures of the plans. The commission  
16 shall review and monitor such reports and shall report to the  
17 legislature regarding major capital expenditures on at least an annual  
18 basis. The Washington health care facilities authority and the  
19 commission shall develop standards jointly for evaluating and approving  
20 major capital expenditure financing through the Washington health care  
21 facilities authority, as authorized pursuant to chapter 70.37 RCW. By  
22 December 1, 1994, the commission and the authority shall submit jointly  
23 to the legislature such proposed standards. The commission and the  
24 authority shall, after legislative review, but no later than June 1,  
25 1995, publish such standards. Upon publication, the authority may not  
26 approve financing for major capital expenditures unless approved by the  
27 commission.))~~ As part of its ongoing monitoring of total health system  
28 costs, the commission shall periodically analyze capital expenditures  
29 and make recommendations to the legislature as indicated by the  
30 analysis.

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

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

36 (14) For health services provided under the uniform benefits  
37 package and supplemental benefits, adopt standards for enrollment, and  
38 standardized billing and claims processing forms. The standards shall  
39 ensure that these procedures minimize administrative burdens on health

1 care providers, health care facilities, certified health plans, and  
2 consumers. Subject to federal approval or phase-in schedules whenever  
3 necessary or appropriate, the standards also shall apply to state-  
4 purchased health services, as defined in RCW 41.05.011.

5 (15) Propose that certified health plans adopt certain practice  
6 indicators or risk management protocols for quality assurance,  
7 utilization review, or provider payment. The commission may consider  
8 indicators or protocols recommended according to RCW 43.70.500 for  
9 these purposes.

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

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

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

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

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

27 (21) Develop standards for the certification process to certify  
28 health plans and employer health plans to provide the uniform benefits  
29 package, according to the provisions for certified health plans and  
30 registered employer health plans under chapter 492, Laws of 1993.

31 (22) Develop rules for implementation of individual and employer  
32 participation under RCW 43.72.210 and 43.72.220 specifically applicable  
33 to persons who work in this state but do not live in the state or  
34 persons who live in this state but work outside of the state. The  
35 rules shall be designed so that these persons receive coverage and  
36 financial requirements that are comparable to that received by persons  
37 who both live and work in the state.

38 (23) After receiving advice from the health services effectiveness  
39 committee, adopt rules that must be used by certified health plans,

1 disability insurers, health care service contractors, and health  
2 maintenance organizations to determine whether a procedure, treatment,  
3 drug, or other health service is no longer experimental or  
4 investigative.

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

7 (25) Develop recommendations to the legislature as to whether state  
8 and school district employees, on whose behalf health benefits are or  
9 will be purchased by the health care authority pursuant to chapter  
10 41.05 RCW, should have the option to purchase health benefits through  
11 health insurance purchasing cooperatives on and after July 1, 1997. In  
12 developing its recommendations, the commission shall consider:

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

16 (b) Whether state or school district employees purchasing through  
17 health insurance purchasing cooperatives will result in inequities in  
18 health benefits between or within groups of state and school district  
19 employees.

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

23 (27) Evaluate the extent to which Taft-Hartley health care trusts  
24 provide benefits to certain individuals in the state; review the  
25 federal laws under which these trusts are organized; and make  
26 appropriate recommendations to the governor and the legislature on or  
27 before December 1, 1994, as to whether these trusts should be brought  
28 under the provisions of chapter 492, Laws of 1993 when it is fully  
29 implemented, and if the commission recommends inclusion of the trusts,  
30 how to implement such inclusion.

31 (28) Evaluate whether Washington is experiencing a higher  
32 percentage in in-migration of residents from other states and  
33 territories than would be expected by normal trends as a result of the  
34 availability of unsubsidized and subsidized health care benefits for  
35 all residents and report to the governor and the legislature their  
36 findings.

37 (29) In developing the uniform benefits package and other standards  
38 pursuant to this section, consider the likelihood of the establishment

1 of a national health services plan adopted by the federal government  
2 and its implications.

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

5 To the extent that the exercise of any of the powers and duties  
6 specified in this section may be inconsistent with the powers and  
7 duties of other state agencies, offices, or commissions, the authority  
8 of the commission shall supersede that of such other state agency,  
9 office, or commission, except in matters of personal health data, where  
10 the commission shall have primary data system policy-making authority  
11 and the department of health shall have primary responsibility for the  
12 maintenance and routine operation of personal health data systems.

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