
SENATE BILL 6074

State of Washington

57th Legislature

2001 Regular Session

By Senators Thibaudeau and Winsley; by request of Department of Social and Health Services

Read first time 02/19/2001. Referred to Committee on Health & Long-Term Care.

1 AN ACT Relating to clarifying the legislature's intent regarding
2 the distinction between the fee-for-service and managed care methods of
3 paying for and delivering health care services to clients eligible
4 under chapter 74.09 RCW; reenacting and amending RCW 74.09.522;
5 creating new sections; and declaring an emergency.

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

7 NEW SECTION. **Sec. 1.** The legislature intends to clarify that the
8 fee-for-service method of paying for and delivering medical services to
9 clients eligible under chapter 74.09 RCW is, and always has been,
10 separate and distinct from the managed care method of paying for and
11 delivering such services.

12 **Sec. 2.** RCW 74.09.522 and 1997 c 59 s 15 and 1997 c 34 s 1 are
13 each reenacted and amended to read as follows:

14 (1) For the purposes of this section, "managed health care system"
15 means any health care organization, including health care providers,
16 insurers, health care service contractors, health maintenance
17 organizations, health insuring organizations, or any combination
18 thereof, that provides directly or by contract health care services

1 covered under RCW 74.09.520 and rendered by licensed providers, on a
2 prepaid capitated basis and that meets the requirements of section
3 1903(m)(1)(A) of Title XIX of the federal social security act or
4 federal demonstration waivers granted under section 1115(a) of Title XI
5 of the federal social security act.

6 (2) The department of social and health services shall enter into
7 agreements with managed health care systems to provide health care
8 services to recipients of temporary assistance for needy families under
9 the following conditions:

10 (a) Agreements shall be made for at least thirty thousand
11 recipients statewide;

12 (b) Agreements in at least one county shall include enrollment of
13 all recipients of temporary assistance for needy families;

14 (c) To the extent that this provision is consistent with section
15 1903(m) of Title XIX of the federal social security act or federal
16 demonstration waivers granted under section 1115(a) of Title XI of the
17 federal social security act, recipients shall have a choice of systems
18 in which to enroll and shall have the right to terminate their
19 enrollment in a system: PROVIDED, That the department may limit
20 recipient termination of enrollment without cause to the first month of
21 a period of enrollment, which period shall not exceed twelve months:
22 AND PROVIDED FURTHER, That the department shall not restrict a
23 recipient's right to terminate enrollment in a system for good cause as
24 established by the department by rule;

25 (d) To the extent that this provision is consistent with section
26 1903(m) of Title XIX of the federal social security act, participating
27 managed health care systems shall not enroll a disproportionate number
28 of medical assistance recipients within the total numbers of persons
29 served by the managed health care systems, except as authorized by the
30 department under federal demonstration waivers granted under section
31 1115(a) of Title XI of the federal social security act;

32 (e) In negotiating with managed health care systems the department
33 shall adopt a uniform procedure to negotiate and enter into contractual
34 arrangements, including standards regarding the quality of services to
35 be provided; and financial integrity of the responding system;

36 (f) The department shall seek waivers from federal requirements as
37 necessary to implement this chapter;

38 (g) The department shall, wherever possible, enter into prepaid
39 capitation contracts that include inpatient care. However, if this is

1 not possible or feasible, the department may enter into prepaid
2 capitation contracts that do not include inpatient care;

3 (h) The department shall define those circumstances under which a
4 managed health care system is responsible for out-of-plan services and
5 assure that recipients shall not be charged for such services; and

6 (i) Nothing in this section prevents the department from entering
7 into similar agreements for other groups of people eligible to receive
8 services under this chapter.

9 (3)(a) The department is not liable for any payment to a provider
10 under the following circumstances:

11 (i) The department and a managed health care system entered into an
12 agreement under this section;

13 (ii) A provider renders a service included within the schedule of
14 benefits under the agreement between the department and the managed
15 health care system to a person enrolled with the managed health care
16 system; and

17 (iii) The managed health care system does not, will not, or cannot
18 pay the provider for the service rendered.

19 (b) The department is not liable even if the provider has a core
20 provider agreement with the department under RCW 74.09.120.

21 (c) The department may authorize exceptions by rule.

22 (4) The department shall ensure that publicly supported community
23 health centers and providers in rural areas, who show serious intent
24 and apparent capability to participate as managed health care systems
25 are seriously considered as contractors. The department shall
26 coordinate its managed care activities with activities under chapter
27 70.47 RCW.

28 ((+4)) (5) The department shall work jointly with the state of
29 Oregon and other states in this geographical region in order to develop
30 recommendations to be presented to the appropriate federal agencies and
31 the United States congress for improving health care of the poor, while
32 controlling related costs.

33 ((+5)) (6) The legislature finds that competition in the managed
34 health care marketplace is enhanced, in the long term, by the existence
35 of a large number of managed health care system options for medicaid
36 clients. In a managed care delivery system, whose goal is to focus on
37 prevention, primary care, and improved enrollee health status,
38 continuity in care relationships is of substantial importance, and
39 disruption to clients and health care providers should be minimized.

1 To help ensure these goals are met, the following principles shall
2 guide the department in its healthy options managed health care
3 purchasing efforts:

4 (a) All managed health care systems should have an opportunity to
5 contract with the department to the extent that minimum contracting
6 requirements defined by the department are met, at payment rates that
7 enable the department to operate as far below appropriated spending
8 levels as possible, consistent with the principles established in this
9 section.

10 (b) Managed health care systems should compete for the award of
11 contracts and assignment of medicaid beneficiaries who do not
12 voluntarily select a contracting system, based upon:

13 (i) Demonstrated commitment to or experience in serving low-income
14 populations;

15 (ii) Quality of services provided to enrollees;

16 (iii) Accessibility, including appropriate utilization, of services
17 offered to enrollees;

18 (iv) Demonstrated capability to perform contracted services,
19 including ability to supply an adequate provider network;

20 (v) Payment rates; and

21 (vi) The ability to meet other specifically defined contract
22 requirements established by the department, including consideration of
23 past and current performance and participation in other state or
24 federal health programs as a contractor.

25 (c) Consideration should be given to using multiple year
26 contracting periods.

27 (d) Quality, accessibility, and demonstrated commitment to serving
28 low-income populations shall be given significant weight in the
29 contracting, evaluation, and assignment process.

30 (e) All contractors that are regulated health carriers must meet
31 state minimum net worth requirements as defined in applicable state
32 laws. The department shall adopt rules establishing the minimum net
33 worth requirements for contractors that are not regulated health
34 carriers. This subsection does not limit the authority of the
35 department to take action under a contract upon finding that a
36 contractor's financial status seriously jeopardizes the contractor's
37 ability to meet its contract obligations.

38 (f) Procedures for resolution of disputes between the department
39 and contract bidders or the department and contracting carriers related

1 to the award of, or failure to award, a managed care contract must be
2 clearly set out in the procurement document. In designing such
3 procedures, the department shall give strong consideration to the
4 negotiation and dispute resolution processes used by the Washington
5 state health care authority in its managed health care contracting
6 activities.

7 ~~((6))~~ (7) The department may apply the principles set forth in
8 subsection ~~((5))~~ (6) of this section to its managed health care
9 purchasing efforts on behalf of clients receiving supplemental security
10 income benefits to the extent appropriate.

11 NEW SECTION. **Sec. 3.** This act applies to requests for payment
12 from the department of social and health services that are made on or
13 after the effective date of this act, regardless of when the services
14 were rendered. This act also applies to requests for payment from the
15 department of social and health services that were made before the
16 effective date of this act, if such requests for payment are the
17 subject in any way of a lawsuit that is pending or ongoing in any court
18 of this state as of the effective date of this act. To this extent,
19 this act applies retroactively, but in all other respects it applies
20 prospectively.

21 NEW SECTION. **Sec. 4.** This act is necessary for the immediate
22 preservation of the public peace, health, or safety, or support of the
23 state government and its existing public institutions, and takes effect
24 immediately.

--- END ---