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SECOND SUBSTITUTE SENATE BILL 5596

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State of Washington

62nd Legislature

2011 Regular Session

By Senate Ways & Means (originally sponsored by Senators Parlette, Zarelli, Becker, and Hewitt)

READ FIRST TIME 02/25/11.

1 AN ACT Relating to creating flexibility in the medicaid program;  
2 adding a new section to chapter 74.09 RCW; and creating a new section.

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

4 NEW SECTION. **Sec. 1.** The legislature finds that mounting budget  
5 pressures combined with growth in enrollment and constraints in the  
6 medicaid program have forced open discussion throughout the country and  
7 in our state concerning complete withdrawal from the medicaid program.  
8 The legislature recognizes that a better and more sustainable way  
9 forward would involve new state flexibility for managing its medicaid  
10 program built on the success of the basic health plan and Washington's  
11 transitional bridge waiver, where elements of consumer participation  
12 and choice, benefit design flexibility, and payment flexibility have  
13 helped keep costs low. The legislature further finds that either a  
14 centers for medicare and medicaid services' innovation center project  
15 or a section 1115 demonstration project, or both, with capped  
16 eligibility group per capita payments would allow the state to operate  
17 as a laboratory of innovation for bending the cost curve, preserving  
18 the safety net, and improving the management of care for low-income  
19 populations.

1        NEW SECTION.    **Sec. 2.** A new section is added to chapter 74.09 RCW  
2 to read as follows:

3        (1) By October 1, 2011, the department shall submit a request to  
4 the centers for medicare and medicaid services' innovation center and,  
5 if needed to achieve one or all of the objectives outlined in this  
6 section, a section 1115 demonstration waiver request to the federal  
7 department of health and human services to revise the medical  
8 assistance program as codified in Title XIX of the federal social  
9 security act. The demonstration shall be known as the "medicaid  
10 modernization" demonstration. The demonstration request shall be  
11 designed to ensure the broadest federal financial participation under  
12 Titles XIX and XXI of the federal social security act. To the extent  
13 permitted under federal law, the demonstration shall include the  
14 following components:

15        (a) Establishment of base-year, eligibility group per capita  
16 payments for the state medicaid program, with maximum flexibility  
17 provided to the state for managing the health care trend as well as  
18 provisions for shared savings if per capita expenditures are below the  
19 negotiated rates. The capped eligibility group per capita payments  
20 shall be based on targeted per capita costs for the full duration of  
21 the five-year demonstration period and shall include due consideration  
22 and flexibility for unforeseen events, changes in the delivery of  
23 health care, and changes in federal or state law. The capped  
24 eligibility group per capita payments shall take into account any and  
25 all provisions of the federal patient protection and affordable care  
26 act which will have an impact on federal resources devoted to Titles  
27 XIX and XXI of the federal social security act programs. Federal  
28 payments for each eligibility group shall be based on the product of  
29 the negotiated per capita payments for the eligibility group times the  
30 actual caseload for the eligibility group;

31        (b) Flexibility over benefit design for all categories of  
32 eligibility under Titles XIX and XXI to include:

33        (i) Alignment with the federal patient protection and affordable  
34 care act's Sec. 1302(b) essential health benefits design; and

35        (ii) The ability to provide supplemental benefits beyond the  
36 essential health benefits design for certain populations that meet  
37 clinical criteria such as children, pregnant women, individuals with  
38 disabilities, and elderly adults.

1 (c) The ability to implement limited, reasonable, and enforceable  
2 cost sharing and premiums for all categories of eligibility under Title  
3 XIX and XXI to encourage informed consumer behavior and lower  
4 utilization of health services, while ensuring that access to evidence-  
5 based, preventative and primary care is not hindered;

6 (d) The ability to streamline eligibility determination and  
7 administration of multiple categories of eligibility and to verify  
8 eligibility information more frequently;

9 (e) The flexibility to adopt innovative reimbursement methods such  
10 as bundled, global, and risk-bearing payment arrangements, that promote  
11 effective purchasing, efficient use of health services, and support  
12 health homes, accountable care organizations, and other innovations  
13 intended to contain costs, improve health, and incent smart consumer  
14 decision making;

15 (f) The ability for all medicaid and children's health insurance  
16 program clients to voluntarily enroll in the insurance exchange and  
17 broadened authority to enroll clients in employer-sponsored insurance  
18 when available and deemed cost-effective for the state, with authority  
19 to require clients to remain enrolled in their chosen plan for the  
20 calendar year;

21 (g) An expedited process of forty-five days or less in which the  
22 centers for medicare and medicaid services must respond to any state  
23 request for certain changes to the demonstration once it is implemented  
24 to ensure that the state has the necessary flexibility to manage within  
25 its eligibility group per capita payment caps.

26 (2) The department shall evaluate the merits of moving to an  
27 insurance subsidy model for certain medicaid populations and shall  
28 explore any federal flexibility if and when it is provided to the  
29 states for such purpose.

30 (3) The department shall report to the joint legislative select  
31 committee on health reform implementation, if operational, on proposed  
32 waiver provisions by August 1, 2011, and by September 15, 2011.

33 (4) The department shall hold ongoing stakeholder discussions as it  
34 is developing the waiver request, and provide opportunities for public  
35 review and comment as the request is being developed.

36 (5) The department and the health care authority shall identify  
37 statutory changes that may be necessary to ensure successful and timely

1 implementation of the demonstration, submitted to the federal  
2 department of health and human services as the medicaid modernization  
3 demonstration.

4 (6) The legislature must authorize prior to its implementation any  
5 demonstration approved by the federal department of health and human  
6 services under this section.

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