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ENGROSSED SECOND SUBSTITUTE SENATE BILL 5304

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State of Washington

53rd Legislature

1993 Regular Session

By Senate Committee on Ways & Means (originally sponsored by Senators Talmadge, Gaspard, Moore, Deccio, Wojahn, Moyer, Snyder, Winsley, Fraser, Haugen, McAuliffe, Drew, Sheldon, Skratek and Pelz)

Read first time 03/08/93.

1 AN ACT Relating to health care; amending RCW 70.47.010, 70.47.020,  
2 70.47.030, 70.47.040, 70.47.060, 70.47.080, 70.47.120, 41.05.011,  
3 41.05.021, 41.05.050, 41.05.055, 47.64.270, 41.05.065, 41,05.120,  
4 41.05.140, 19.68.010, 70.05.010, 70.05.030, 70.05.040, 70.05.050,  
5 70.05.070, 70.05.080, 70.05.120, 70.05.130, 70.05.150, 70.08.010,  
6 70.12.030, 70.12.050, 70.46.020, 70.46.060, 70.46.080, 70.46.085,  
7 70.46.090, 70.46.120, 82.44.110, 82.44.155, 70.170.100, 70.170.110,  
8 28B.125.010, 28B.115.080, 70.185.030, 43.70.460, 43.70.470, 82.24.020,  
9 82.24.080, 82.26.020, 82.08.150, 82.02.030, 82.04.260, 82.04.4289,  
10 18.130.160, 18.130.190, 70.41.200, 7.70.030, 42.17.2401, 43.20.030,  
11 43.20.050, and 43.84.092; adding a new section to chapter 70.47 RCW;  
12 adding a new section to chapter 74.09 RCW; adding new sections to  
13 chapter 41.05 RCW; adding a new section to chapter 18.130 RCW; adding  
14 a new section to Title 43 RCW; adding new sections to chapter 70.05  
15 RCW; adding new sections to chapter 70.170 RCW; adding new sections to  
16 chapter 70.185 RCW; adding new sections to Title 48 RCW; adding new  
17 sections to chapter 48.14 RCW; adding new sections to chapter 82.04  
18 RCW; adding new sections to chapter 43.70 RCW; adding a new section to  
19 Title 70 RCW; adding a new section to chapter 48.22 RCW; adding a new  
20 section to chapter 70.41 RCW; adding a new section to chapter 71.12  
21 RCW; adding new sections to chapter 18.68 RCW; adding a new section to

1 chapter 18.51 RCW; adding a new chapter to Title 48 RCW; adding new  
2 chapters to Title 43 RCW; creating new sections; recodifying RCW  
3 70.08.010; repealing RCW 70.05.005, 70.05.020, 70.05.132, 70.05.145,  
4 70.08.005, 70.08.020, 70.08.030, 70.08.040, 70.08.050, 70.08.060,  
5 70.08.070, 70.08.080, 70.08.090, 70.08.100, 70.08.110, 70.08.900,  
6 70.12.005, 70.46.030, 70.46.040, 70.46.050, and 82.04.4288; prescribing  
7 penalties; making appropriations; providing effective dates; and  
8 declaring an emergency.

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

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1

**PART I. FINDINGS, GOALS, AND INTENT**

2        NEW SECTION.    **Sec. 101.**    FINDINGS.    The legislature finds that our  
3 health and financial security are jeopardized by our ever increasing  
4 demand for medical care and by current medical insurance and medical  
5 system practices.    Medical system practices help to encourage public  
6 demand for unneeded, ineffective, and sometimes dangerous medical  
7 treatments.    They often result in unaffordable cost increases that far  
8 exceed ordinary inflation for essential care.    Current total medical  
9 and health care expenditure rates should be sufficient to provide  
10 access to essential health and medical care interventions to all within  
11 a reformed, efficient system.

12        Although many have more medical treatment and insurance than they  
13 need, the legislature finds that too many of our state's residents are  
14 without any medical insurance, that each year many individuals and  
15 families are forced into poverty because of serious illness, and that  
16 many must leave gainful employment to be eligible for publicly funded  
17 medical services.    Additionally, thousands of citizens are at risk of  
18 losing adequate medical insurance, have had insurance canceled  
19 recently, or cannot afford to renew existing coverage.

20        The legislature finds that businesses can no longer afford to pay  
21 for medical insurance and remain competitive in a global economy, and  
22 that individuals, the poor, and small businesses bear an inequitable  
23 medical insurance burden.

24        The legislature finds that uncontrolled demand and expenditures for  
25 medical care are eroding the ability of families, businesses,  
26 communities, and governments to invest in other enterprises that  
27 promote health, maintain independence, and ensure continued economic  
28 welfare.    Housing, nutrition, education, and the environment are all  
29 diminished as we invest ever increasing shares of wealth in medical  
30 treatments.

31        The legislature finds that while immediate steps must be taken to  
32 alleviate the medical and health care cost and access crisis, a long-  
33 term plan of reform is also needed.

34        NEW SECTION.    **Sec. 102.**    LEGISLATIVE INTENT AND GOALS.    (1) The  
35 legislature intends that state government policy stabilize medical and

1 health care costs, assure access to essential services for all  
2 residents, improve the public's health, and ensure that unwarranted  
3 medical care cost increases do not undermine the viability of  
4 nonmedical care businesses.

5 (2) The legislature intends that:

6 (a) Total medical care costs be stabilized and kept within rates of  
7 increase similar to the rates of general economic inflation within a  
8 publicly regulated, private marketplace that preserves personal choice  
9 of licensed health care provider;

10 (b) State residents be enrolled in the certified health plan of  
11 their choice that meets state standards regarding affordability,  
12 accessibility, cost-effectiveness, and comprehensiveness;

13 (c) Individuals and businesses have the option to purchase any  
14 health or medical services they may choose in addition to those  
15 contained in any benefit package determined by the state to be  
16 essential, so long as such supplemental services are purchased from  
17 certified health plans or purchased directly from health care  
18 providers;

19 (d) All state residents, businesses, employees, and government  
20 participate in payment for health services, with total costs to  
21 individuals on a sliding scale based on income to encourage efficient  
22 and appropriate utilization of services and to protect individuals from  
23 impoverishment because of health care costs; and

24 (e) These goals be accomplished within a reformed system using all  
25 licensed private service providers and facilities in a way that allows  
26 consumers to choose among competing plans and providers operating  
27 within budget limits and other regulations that promote the public  
28 good.

29 (3) Accordingly, the legislature intends that chapter . . . , Laws  
30 of 1993 (this act) provide both early implementation measures and a  
31 long-term plan and process for reform.

32 **PART II. EARLY IMPLEMENTATION MEASURES**

33 NEW SECTION. **Sec. 201.** INTENT. The legislature intends that the  
34 provisions within sections 202 through 282 of this act be implemented  
35 as soon as possible to promote the proliferation of managed health  
36 care, to foster the collection of needed health care data, to expand  
37 access to basic health insurance using established programs, and to

1 make other immediate improvements in the health care system that are  
2 consistent with the goals of long-term care reform.

3 **A. BASIC HEALTH PLAN EXPANSION**

4 NEW SECTION. **Sec. 202.** A new section is added to chapter 70.47  
5 RCW to read as follows:

6 The powers, duties, and functions of the Washington basic health  
7 plan are hereby transferred to the Washington state health care  
8 authority. All references to the administrator of the Washington basic  
9 health plan in the Revised Code of Washington shall be construed to  
10 mean the administrator of the Washington state health care authority.

11 NEW SECTION. **Sec. 203.** All reports, documents, surveys, books,  
12 records, files, papers, or written material in the possession of the  
13 Washington basic health plan shall be delivered to the custody of the  
14 Washington state health care authority. All cabinets, furniture,  
15 office equipment, motor vehicles, and other tangible property used by  
16 the Washington basic health plan shall be made available to the  
17 Washington state health care authority. All funds, credits, or other  
18 assets held by the Washington basic health plan shall be assigned to  
19 the Washington state health care authority.

20 Any appropriations made to the Washington basic health plan shall,  
21 on the effective date of this section, be transferred and credited to  
22 the Washington state health care authority. At no time may those funds  
23 in the basic health plan trust account, any funds appropriated for the  
24 subsidy of any enrollees, or any premium payments or other sums made or  
25 received on behalf of any enrollees in the basic health plan be  
26 commingled with any appropriated funds designated or intended for the  
27 purposes of providing health care coverage to any state or other public  
28 employees.

29 Whenever any question arises as to the transfer of any personnel,  
30 funds, books, documents, records, papers, files, equipment, or other  
31 tangible property used or held in the exercise of the powers and the  
32 performance of the duties and functions transferred, the director of  
33 financial management shall make a determination as to the proper  
34 allocation and certify the same to the state agencies concerned.

1        NEW SECTION.    **Sec. 204.**    All employees of the Washington basic  
2 health plan are transferred to the jurisdiction of the Washington state  
3 health care authority. All employees classified under chapter 41.06  
4 RCW, the state civil service law, are assigned to the Washington state  
5 health care authority to perform their usual duties upon the same terms  
6 as formerly, without any loss of rights, subject to any action that may  
7 be appropriate thereafter in accordance with the laws and rules  
8 governing state civil service.

9        NEW SECTION.    **Sec. 205.**    All rules and all pending business before  
10 the Washington basic health plan shall be continued and acted upon by  
11 the Washington state health care authority. All existing contracts and  
12 obligations shall remain in full force and shall be performed by the  
13 Washington state health care authority.

14        NEW SECTION.    **Sec. 206.**    The transfer of the powers, duties,  
15 functions, and personnel of the Washington basic health plan shall not  
16 affect the validity of any act performed prior to the effective date of  
17 this section.

18        NEW SECTION.    **Sec. 207.**    If apportionments of budgeted funds are  
19 required because of the transfers directed by sections 202 through 206  
20 of this act, the director of financial management shall certify the  
21 apportionments to the agencies affected, the state auditor, and the  
22 state treasurer. Each of these shall make the appropriate transfer and  
23 adjustments in funds and appropriation accounts and equipment records  
24 in accordance with the certification.

25        NEW SECTION.    **Sec. 208.**    Nothing contained in sections 202 through  
26 207 of this act may be construed to alter any existing collective  
27 bargaining unit or the provisions of any existing collective bargaining  
28 agreement until the agreement has expired or until the bargaining unit  
29 has been modified by action of the personnel board as provided by law.

30        **Sec. 209.**    RCW 70.47.010 and 1987 1st ex.s. c 5 s 3 are each  
31 amended to read as follows:

32        (1) The legislature finds that:

1 (a) A significant percentage of the population of this state does  
2 not have reasonably available insurance or other coverage of the costs  
3 of necessary basic health care services;

4 (b) This lack of basic health care coverage is detrimental to the  
5 health of the individuals lacking coverage and to the public welfare,  
6 and results in substantial expenditures for emergency and remedial  
7 health care, often at the expense of health care providers, health care  
8 facilities, and all purchasers of health care, including the state; and

9 (c) The use of managed health care systems has significant  
10 potential to reduce the growth of health care costs incurred by the  
11 people of this state generally, and by low-income pregnant women who  
12 are an especially vulnerable population, along with their children, and  
13 who need greater access to managed health care.

14 (2) The purpose of this chapter is to provide necessary basic  
15 health care services in an appropriate setting to working persons and  
16 others who lack coverage, at a cost to these persons that does not  
17 create barriers to the utilization of necessary health care services.  
18 To that end, this chapter establishes a program to be made available to  
19 those residents under sixty-five years of age not otherwise eligible  
20 for medicare or medicaid with gross family income at or below ~~((two))~~  
21 three hundred percent of the federal poverty guidelines who share in  
22 the cost of receiving basic health care services from a managed health  
23 care system.

24 (3) It is not the intent of this chapter to provide health care  
25 services for those persons who are presently covered to their  
26 satisfaction through private employer-based health plans, nor to  
27 replace satisfactory employer-based health plans. Further, it is the  
28 intent of the legislature to expand, wherever possible, the  
29 availability of private health care coverage and to discourage the  
30 decline of employer-based coverage by offering a cost-effective plan  
31 for those who may not be able to afford privately available coverage  
32 that may be purchased by employers at its full cost for employees whose  
33 incomes exceed three hundred percent of the federal poverty level.

34 (4) ~~((The program authorized under this chapter is strictly limited~~  
35 ~~in respect to the total number of individuals who may be allowed to~~  
36 ~~participate and the specific areas within the state where it may be~~  
37 ~~established. All such restrictions or limitations shall remain in full~~  
38 ~~force and effect until quantifiable evidence based upon the actual~~  
39 ~~operation of the program, including detailed cost benefit analysis, has~~

1 ~~been presented to the legislature and the legislature, by specific act~~  
2 ~~at that time, may then modify such limitations))~~ (a) It is the purpose  
3 of this chapter to acknowledge the initial success of this program that  
4 has (i) assisted thousands of families in their search for affordable  
5 health care; (ii) demonstrated that low-income uninsured families are  
6 willing to pay for their own health care coverage to the extent of  
7 their ability to pay; and (iii) proved that local health care providers  
8 are willing to enter into a public/private partnership as they  
9 configure their own professional and business relationships into a  
10 managed care system.

11 (b) As a consequence, the legislature intends to make the program  
12 available to individuals in the state with incomes above three hundred  
13 percent of the federal poverty level who have no health insurance  
14 offering a greater level of coverage than the basic health plan benefit  
15 package, and who collectively or individually wish to exercise the  
16 opportunity to purchase health care coverage through the program if it  
17 is done at no cost to the state. It is also the intent of the  
18 legislature to allow employers and other financial sponsors to  
19 financially assist such individuals to purchase health care through the  
20 program, so long as exercising this system does not result in a lower  
21 standard of coverage for employees.

22 (c) The legislature directs that the basic health plan  
23 administrator identify enrollees who are eligible for medicaid and  
24 assist these individuals in applying for and receiving medicaid.

25 **Sec. 210.** RCW 70.47.020 and 1987 1st ex.s. c 5 s 4 are each  
26 amended to read as follows:

27 As used in this chapter:

28 (1) "Washington basic health plan" or "plan" means the system of  
29 enrollment and payment on a prepaid capitated basis for basic health  
30 care services, administered by the plan administrator through  
31 participating managed health care systems, created by this chapter.

32 (2) "Administrator" means the Washington basic health plan  
33 administrator, who also holds the position of administrator of the  
34 Washington state health care authority.

35 (3) "Managed health care system" means any health care  
36 organization, including health care providers, insurers, health care  
37 service contractors, health maintenance organizations, or any  
38 combination thereof, that provides directly or by contract basic health

1 care services, as defined by the administrator and rendered by duly  
2 licensed providers, on a prepaid capitated basis to a defined patient  
3 population enrolled in the plan and in the managed health care system.

4 (4) "Enrollee" means an individual, or an individual plus the  
5 individual's spouse and/or dependent children, all under the age of  
6 sixty-five and not otherwise eligible for medicare or medicaid, who  
7 resides in an area of the state served by a managed health care system  
8 participating in the plan, (~~whose gross family income at the time of~~  
9 ~~enrollment does not exceed twice the federal poverty level as adjusted~~  
10 ~~for family size and determined annually by the federal department of~~  
11 ~~health and human services)) who is not a full-time employee or who does  
12 not have health insurance equal to or more comprehensive than that  
13 offered by the Washington basic health plan, and who chooses to obtain  
14 basic health care coverage from a particular managed health care system  
15 in return for periodic payments to the plan. Nonsubsidized enrollees  
16 shall be considered enrollees unless otherwise specified. The  
17 exclusion of full-time employees by this subsection does not apply to  
18 persons who are enrollees on the effective date of this section.~~

19 (5) "Nonsubsidized enrollee" means an enrollee for whom the premium  
20 for participation in the plan is paid by the individual, their  
21 employer, or other financial sponsor, who does not have health  
22 insurance equal to or more comprehensive than that offered by the  
23 Washington basic health plan, and who shall not be eligible for any  
24 subsidy from the plan.

25 (6) "Subsidy" means the difference between the amount of periodic  
26 payment the administrator makes, from funds appropriated from the basic  
27 health plan trust account, to a managed health care system on behalf of  
28 an enrollee plus the administrative cost to the plan of providing the  
29 plan to that enrollee, and the amount determined to be the enrollee's  
30 responsibility under RCW 70.47.060(2).

31 (~~(+6)~~) (7) "Premium" means a periodic payment, based upon gross  
32 family income and determined under RCW 70.47.060(2), which an enrollee,  
33 their employer or other financial sponsor makes to the plan as  
34 consideration for enrollment in the plan.

35 (~~(+7)~~) (8) "Rate" means the per capita amount, negotiated by the  
36 administrator with and paid to a participating managed health care  
37 system, that is based upon the enrollment of enrollees in the plan and  
38 in that system.

1       **Sec. 211.** RCW 70.47.030 and 1992 c 232 s 907 are each amended to  
2 read as follows:

3       (1) The basic health plan trust account is hereby established in  
4 the state treasury. ~~((All))~~ Any nongeneral fund-state funds collected  
5 for this program shall be deposited in the basic health plan trust  
6 account and may be expended without further appropriation. Moneys in  
7 the account shall be used exclusively for the purposes of this chapter,  
8 including payments to participating managed health care systems on  
9 behalf of enrollees in the plan and payment of costs of administering  
10 the plan. After July 1, 1993, the administrator shall not expend or  
11 encumber for an ensuing fiscal period amounts exceeding ~~((ninety-five))~~  
12 ninety-seven percent of the amount anticipated to be spent for  
13 purchased services during the fiscal year.

14       (2) The basic health plan subscription account is created in the  
15 custody of the state treasurer. All receipts from amounts due under  
16 RCW 70.47.060(10) (a) and (b) shall be deposited into the account.  
17 Funds in the account shall be used exclusively for the purposes of this  
18 chapter, including payments to participating managed health care  
19 systems on behalf of enrollees in the plan and payment of costs of  
20 administering the plan. The account is subject to allotment  
21 procedures under chapter 43.88 RCW, but no appropriation is required  
22 for expenditures.

23       (3) The administrator shall take every precaution to see that none  
24 of the funds in the separate accounts created in this section or that  
25 any premiums paid either by subsidized or nonsubsidized enrollees are  
26 commingled in any way, except that the administrator may combine funds  
27 designated for administration of the plan into a single administrative  
28 account.

29       **Sec. 212.** RCW 70.47.040 and 1987 1st ex.s. c 5 s 6 are each  
30 amended to read as follows:

31       (1) The Washington basic health plan is created as ~~((an independent~~  
32 ~~agency of the state))~~ a program within the Washington state health care  
33 authority. The administrative head and appointing authority of the  
34 plan shall be the administrator ~~((who shall be appointed by the~~  
35 ~~governor, with the consent of the senate, and shall serve at the~~  
36 ~~pleasure of the governor. The salary for this office shall be set by~~  
37 ~~the governor pursuant to RCW 43.03.040))~~ of the Washington state health  
38 care authority. The administrator shall appoint a medical director.

1 The (~~administrator,~~) medical director(~~)~~) and up to five other  
2 employees of the plan shall be exempt from the civil service law,  
3 chapter 41.06 RCW.

4 (2) The administrator shall employ such other staff as are  
5 necessary to fulfill the responsibilities and duties of the  
6 administrator, such staff to be subject to the civil service law,  
7 chapter 41.06 RCW. In addition, the administrator may contract with  
8 third parties for services necessary to carry out its activities where  
9 this will promote economy, avoid duplication of effort, and make best  
10 use of available expertise. Any such contractor or consultant shall be  
11 prohibited from releasing, publishing, or otherwise using any  
12 information made available to it under its contractual responsibility  
13 without specific permission of the plan. The administrator may call  
14 upon other agencies of the state to provide available information as  
15 necessary to assist the administrator in meeting its responsibilities  
16 under this chapter, which information shall be supplied as promptly as  
17 circumstances permit.

18 (3) The administrator may appoint such technical or advisory  
19 committees as he or she deems necessary. The administrator shall  
20 appoint a standing technical advisory committee that is representative  
21 of health care professionals, health care providers, and those directly  
22 involved in the purchase, provision, or delivery of health care  
23 services, as well as consumers and those knowledgeable of the ethical  
24 issues involved with health care public policy. Individuals appointed  
25 to any technical or other advisory committee shall serve without  
26 compensation for their services as members, but may be reimbursed for  
27 their travel expenses pursuant to RCW 43.03.050 and 43.03.060.

28 (4) The administrator may apply for, receive, and accept grants,  
29 gifts, and other payments, including property and service, from any  
30 governmental or other public or private entity or person, and may make  
31 arrangements as to the use of these receipts, including the undertaking  
32 of special studies and other projects relating to health care costs and  
33 access to health care.

34 (5) (~~In the design, organization, and administration of the plan~~  
35 ~~under this chapter, the administrator shall consider the report of the~~  
36 ~~Washington health care project commission established under chapter~~  
37 ~~303, Laws of 1986. Nothing in this chapter requires the administrator~~  
38 ~~to follow any specific recommendation contained in that report except~~  
39 ~~as it may also be included in this chapter or other law~~) Whenever

1 feasible, the administrator shall reduce the administrative cost of  
2 operating the program by adopting joint policies or procedures  
3 applicable to both the basic health plan and employee health plans.

4 **Sec. 213.** RCW 70.47.060 and 1992 c 232 s 908 are each amended to  
5 read as follows:

6 The administrator has the following powers and duties:

7 (1)(a) Until December 31, 1999, to design and from time to time  
8 revise a schedule of covered basic health care services, including  
9 physician services, inpatient and outpatient hospital services,  
10 prescription drugs and medications, and other services that may be  
11 necessary for basic health care, which enrollees in any participating  
12 managed health care system under the Washington basic health plan shall  
13 be entitled to receive in return for premium payments to the plan. The  
14 schedule of services shall emphasize proven preventive and primary  
15 health care and shall include all services necessary for prenatal,  
16 postnatal, and well-child care. ((However, for the period ending June  
17 30, 1993,)) With respect to coverage for groups of subsidized  
18 enrollees, the administrator shall not contract for prenatal or  
19 postnatal services that are provided under the medical assistance  
20 program under chapter 74.09 RCW except to the extent that such services  
21 are necessary over not more than a one-month period in order to  
22 maintain continuity of care after diagnosis of pregnancy by the managed  
23 care provider, or except to provide any such services associated with  
24 pregnancies diagnosed by the managed care provider before July 1, 1992.  
25 The schedule of services shall also include a separate schedule of  
26 basic health care services for children, eighteen years of age and  
27 younger, for those enrollees who choose to secure basic coverage  
28 through the plan only for their dependent children. In designing and  
29 revising the schedule of services, the administrator shall consider the  
30 guidelines for assessing health services under the mandated benefits  
31 act of 1984, RCW 48.42.080, and such other factors as the administrator  
32 deems appropriate.

33 (b) Effective January 1, 2001, the schedule of covered basic health  
34 care services under this chapter shall be identical to the uniform  
35 benefit package adopted under section 348 of this act.

36 (2) To design and implement a structure of periodic premiums due  
37 the administrator from enrollees that is based upon gross family  
38 income, giving appropriate consideration to family size as well as the

1 ages of all family members. The enrollment of children shall not  
2 require the enrollment of their parent or parents who are eligible for  
3 the plan.

4 (a) An employer or other financial sponsor may, with the approval  
5 of the administrator, pay the premium on behalf of any unsubsidized  
6 enrollee, by arrangement with the enrollee and through a mechanism  
7 acceptable to the administrator, but in no case shall the contribution  
8 made on behalf of the enrollee exceed eighty percent of total premiums  
9 due from the enrollee.

10 (b) Premiums due from nonsubsidized enrollees, who are not  
11 otherwise eligible to be enrollees, shall be in an amount equal to the  
12 cost charged by the managed health care system provider to the state  
13 for the plan plus the administrative cost of providing the plan to  
14 those enrollees.

15 (3) To design and implement a structure of nominal copayments due  
16 a managed health care system from enrollees. The structure shall  
17 discourage inappropriate enrollee utilization of health care services,  
18 but shall not be so costly to enrollees as to constitute a barrier to  
19 appropriate utilization of necessary health care services.

20 ~~(4) ((To design and implement, in concert with a sufficient number~~  
21 ~~of potential providers in a discrete area, an enrollee financial~~  
22 ~~participation structure, separate from that otherwise established under~~  
23 ~~this chapter, that has the following characteristics:~~

24 ~~(a) Nominal premiums that are based upon ability to pay, but not~~  
25 ~~set at a level that would discourage enrollment;~~

26 ~~(b) A modified fee-for-services payment schedule for providers;~~

27 ~~(c) Coinsurance rates that are established based on specific~~  
28 ~~service and procedure costs and the enrollee's ability to pay for the~~  
29 ~~care. However, coinsurance rates for families with incomes below one~~  
30 ~~hundred twenty percent of the federal poverty level shall be nominal.~~  
31 ~~No coinsurance shall be required for specific proven prevention~~  
32 ~~programs, such as prenatal care. The coinsurance rate levels shall not~~  
33 ~~have a measurable negative effect upon the enrollee's health status;~~  
34 ~~and~~

35 ~~(d) A case management system that fosters a provider-enrollee~~  
36 ~~relationship whereby, in an effort to control cost, maintain or improve~~  
37 ~~the health status of the enrollee, and maximize patient involvement in~~  
38 ~~her or his health care decision-making process, every effort is made by~~

1 the provider to inform the enrollee of the cost of the specific  
2 services and procedures and related health benefits.

3 The potential financial liability of the plan to any such providers  
4 shall not exceed in the aggregate an amount greater than that which  
5 might otherwise have been incurred by the plan on the basis of the  
6 number of enrollees multiplied by the average of the prepaid capitated  
7 rates negotiated with participating managed health care systems under  
8 RCW 70.47.100 and reduced by any sums charged enrollees on the basis of  
9 the coinsurance rates that are established under this subsection.

10 ~~((5))~~) To limit enrollment of persons who qualify for subsidies so  
11 as to prevent an overexpenditure of appropriations for such purposes.  
12 Whenever the administrator finds that there is danger of such an  
13 overexpenditure, the administrator shall close enrollment until the  
14 administrator finds the danger no longer exists.

15 ~~((6))~~) (5) To limit the payment of a subsidy to an enrollee, as  
16 defined in RCW 70.47.020, whose gross family income at the time of  
17 enrollment does not exceed that percentage of the federal poverty level  
18 adjusted for family size and determined annually by the federal  
19 department of health and human services, established in the biennial  
20 appropriations act.

21 (6) To adopt a schedule for the orderly development of the delivery  
22 of services and availability of the plan to residents of the state,  
23 subject to the limitations contained in RCW 70.47.080.

24 In the selection of any area of the state for the initial operation  
25 of the plan, the administrator shall take into account the levels and  
26 rates of unemployment in different areas of the state, the need to  
27 provide basic health care coverage to a population reasonably  
28 representative of the portion of the state's population that lacks such  
29 coverage, and the need for geographic, demographic, and economic  
30 diversity.

31 ~~((Before July 1, 1988, the administrator shall endeavor to secure~~  
32 ~~participation contracts with managed health care systems in discrete~~  
33 ~~geographic areas within at least five congressional districts.))~~

34 (7) To solicit and accept applications from managed health care  
35 systems, as defined in this chapter, for inclusion as eligible basic  
36 health care providers under the plan. The administrator shall endeavor  
37 to assure that covered basic health care services are available to any  
38 enrollee of the plan from among a selection of two or more  
39 participating managed health care systems. In adopting any rules or

1 procedures applicable to managed health care systems and in its  
2 dealings with such systems, the administrator shall consider and make  
3 suitable allowance for the need for health care services and the  
4 differences in local availability of health care resources, along with  
5 other resources, within and among the several areas of the state.

6 (8) To receive periodic premiums from enrollees, deposit them in  
7 the basic health plan operating account, keep records of enrollee  
8 status, and authorize periodic payments to managed health care systems  
9 on the basis of the number of enrollees participating in the respective  
10 managed health care systems.

11 (9) To accept applications from individuals residing in areas  
12 served by the plan, on behalf of themselves and their spouses and  
13 dependent children, for enrollment in the Washington basic health plan,  
14 to establish appropriate minimum-enrollment periods for enrollees as  
15 may be necessary, and to determine, upon application and at least  
16 annually thereafter, or at the request of any enrollee, eligibility due  
17 to current gross family income for sliding scale premiums. An enrollee  
18 who remains current in payment of the sliding-scale premium, as  
19 determined under subsection (2) of this section, and whose gross family  
20 income has risen above ~~((twice))~~ that percentage of the federal poverty  
21 level established in the current biennial appropriations act, may  
22 continue enrollment ~~((unless and until the enrollee's gross family~~  
23 ~~income has remained above twice the poverty level for six consecutive~~  
24 ~~months,))~~ by making payment at the unsubsidized rate required for the  
25 managed health care system in which he or she may be enrolled plus the  
26 administrative cost of providing the plan to that enrollee. No subsidy  
27 may be paid with respect to any enrollee whose current gross family  
28 income exceeds ~~((twice))~~ that percentage of the federal poverty level  
29 established in the current biennial appropriations act or, subject to  
30 RCW 70.47.110, who is a recipient of medical assistance or medical care  
31 services under chapter 74.09 RCW. If a number of enrollees drop their  
32 enrollment for no apparent good cause, the administrator may establish  
33 appropriate rules or requirements that are applicable to such  
34 individuals before they will be allowed to re-enroll in the plan.

35 (10)(a) To accept applications from business owners on behalf of  
36 themselves and their employees, spouses, and dependent children who  
37 reside in an area served by the plan. The administrator may require  
38 all or the substantial majority of the eligible employees of such  
39 businesses to enroll in the plan and establish those procedures

1 necessary to facilitate the orderly enrollment of groups in the plan  
2 and into a managed health care system. For the purposes of this  
3 subsection, an employee means an individual who works for the employer.  
4 Enrollment under this subsection shall be limited to those not  
5 otherwise eligible for medicare or medicaid, whose gross family income  
6 is greater than that established for subsidized enrollees, who wish to  
7 enroll in the plan at no cost to the state and choose to obtain the  
8 basic health care coverage and services from a managed health care  
9 system participating in the plan. The administrator shall adjust the  
10 amount determined to be due on behalf of or from all such enrollees  
11 whenever the amount negotiated by the administrator with the  
12 participating managed health care system or systems is modified or the  
13 administrative cost of providing the plan to such enrollees changes.  
14 No enrollee of a business group enrolled according to this subsection  
15 shall be eligible for any subsidy from the plan and at no time shall  
16 the administrator allow the credit of the state or funds from the trust  
17 account to be used or extended on their behalf.

18 (b) To accept applications from individuals residing in areas  
19 serviced by the plan, on behalf of themselves and their spouses and  
20 dependent children, under sixty-five years of age and not otherwise  
21 eligible for medicare or medicaid, whose gross family income at the  
22 time of enrollment exceeds that established for subsidized enrollees,  
23 who wish to enroll in the plan at no cost to the state and choose to  
24 obtain the basic health care coverage and services from a managed  
25 health care system participating in the plan. Any such nonsubsidized  
26 enrollees must pay the amount negotiated by the administrator with the  
27 participating managed health care system and the administrative cost of  
28 providing the plan to such nonsubsidized enrollees and shall not be  
29 eligible for any subsidy from the plan.

30 (11) To determine the rate to be paid to each participating managed  
31 health care system in return for the provision of covered basic health  
32 care services to enrollees in the system. (~~Although the schedule of~~  
33 ~~covered basic health care services will be the same for similar~~  
34 ~~enrollees,~~) The rates negotiated with participating managed health  
35 care systems may vary among the systems. In negotiating rates with  
36 participating systems, the administrator shall consider the  
37 characteristics of the populations served by the respective systems,  
38 economic circumstances of the local area, the need to conserve the

1 resources of the basic health plan trust account, and other factors the  
2 administrator finds relevant.

3 ~~((11))~~ (12) To monitor the provision of covered services to  
4 enrollees by participating managed health care systems in order to  
5 assure enrollee access to good quality basic health care, to require  
6 periodic data reports concerning the utilization of health care  
7 services rendered to enrollees in order to provide adequate information  
8 for evaluation, and to inspect the books and records of participating  
9 managed health care systems to assure compliance with the purposes of  
10 this chapter. In requiring reports from participating managed health  
11 care systems, including data on services rendered enrollees, the  
12 administrator shall endeavor to minimize costs, both to the managed  
13 health care systems and to the administrator. The administrator shall  
14 coordinate any such reporting requirements with other state agencies,  
15 such as the insurance commissioner and the department of health, to  
16 minimize duplication of effort.

17 ~~((12))~~ (13) To monitor the access that state residents have to  
18 adequate and necessary health care services, determine the extent of  
19 any unmet needs for such services or lack of access that may exist from  
20 time to time, and make such reports and recommendations to the  
21 legislature as the administrator deems appropriate.

22 ~~((13))~~ (14) To evaluate the effects this chapter has on private  
23 employer-based health care coverage and to take appropriate measures  
24 consistent with state and federal statutes that will discourage the  
25 reduction of such coverage in the state.

26 ~~((14))~~ (15) To develop a program of proven preventive health  
27 measures and to integrate it into the plan wherever possible and  
28 consistent with this chapter.

29 ~~((15))~~ (16) To provide, consistent with available resources,  
30 technical assistance for rural health activities that endeavor to  
31 develop needed health care services in rural parts of the state.

32 **Sec. 214.** RCW 70.47.080 and 1987 1st ex.s. c 5 s 10 are each  
33 amended to read as follows:

34 On and after July 1, 1988, the administrator shall accept for  
35 enrollment applicants eligible to receive covered basic health care  
36 services from the respective managed health care systems which are then  
37 participating in the plan. ~~((The administrator shall not allow the~~

1 ~~total enrollment of those eligible for subsidies to exceed thirty~~  
2 ~~thousand.)~~)

3       Thereafter, total enrollment of those eligible for subsidies during  
4 any biennium shall not exceed the number established by the legislature  
5 in any act appropriating funds to the plan, and total subsidized  
6 enrollment shall not result in expenditures that exceed the total  
7 amount that has been made available by the legislature in any act  
8 appropriating funds to the plan. The legislature shall establish  
9 income limits expressed as a percentage of the federal poverty level,  
10 for subsidized enrollees in the omnibus appropriations act to ensure  
11 the orderly development of the plan.

12       (~~Before July 1, 1988, the administrator shall endeavor to secure~~  
13 ~~participation contracts from managed health care systems in discrete~~  
14 ~~geographic areas within at least five congressional districts of the~~  
15 ~~state and in such manner as to allow residents of both urban and rural~~  
16 ~~areas access to enrollment in the plan. The administrator shall make~~  
17 ~~a special effort to secure agreements with health care providers in one~~  
18 ~~such area that meets the requirements set forth in RCW 70.47.060(4).)~~)

19       The administrator shall at all times closely monitor growth  
20 patterns of enrollment so as not to exceed that consistent with the  
21 orderly development of the plan as a whole, in any area of the state or  
22 in any participating managed health care system. The annual or  
23 biennial enrollment limitations derived from operation of the plan  
24 under this section do not apply to nonsubsidized enrollees as defined  
25 in RCW 70.47.020(5).

26       **Sec. 215.** RCW 70.47.120 and 1987 1st ex.s. c 5 s 14 are each  
27 amended to read as follows:

28       In addition to the powers and duties specified in RCW 70.47.040 and  
29 70.47.060, the administrator has the power to enter into contracts for  
30 the following functions and services:

31       (1) With public or private agencies, to assist the administrator in  
32 her or his duties to design or revise the schedule of covered basic  
33 health care services, and/or to monitor or evaluate the performance of  
34 participating managed health care systems.

35       (2) With public or private agencies, to provide technical or  
36 professional assistance to health care providers, particularly public  
37 or private nonprofit organizations and providers serving rural areas,

1 who show serious intent and apparent capability to participate in the  
2 plan as managed health care systems.

3 (3) With public or private agencies, including health care service  
4 contractors registered under RCW 48.44.015, and doing business in the  
5 state, for marketing and administrative services in connection with  
6 participation of managed health care systems, enrollment of enrollees,  
7 billing and collection services to the administrator, and other  
8 administrative functions ordinarily performed by health care service  
9 contractors, other than insurance except that the administrator may  
10 arrange for the purchase of reinsurance, or self-insure for  
11 reinsurance, on behalf of its participating managed health care  
12 systems. Any activities of a health care service contractor pursuant  
13 to a contract with the administrator under this section shall be exempt  
14 from the provisions and requirements of Title 48 RCW.

15 NEW SECTION. **Sec. 216.** A new section is added to chapter 74.09  
16 RCW to read as follows:

17 FEDERAL WAIVER FOR STATE MEDICAID PROGRAM. (1) The department  
18 shall negotiate with the United States congress and the federal  
19 department of health and human services to obtain a waiver of  
20 provisions of the medicaid statute, Title XIX of the federal social  
21 security act to require medicaid-eligible individuals to:

22 (a) Enroll in the state basic health plan and receive the benefits  
23 offered to basic health plan enrollees; and

24 (b) Participate financially in purchasing health care benefits  
25 through such means as premium sharing, copayments, and deductibles  
26 provided that such contributions will be implemented in a manner to  
27 encourage the appropriate use of effective medical care services and do  
28 not serve as a barrier to receiving necessary medical care services.

29 (2) The department shall report to the appropriate policy and  
30 fiscal standing committees of the senate and house of representatives  
31 by October 31, 1994, on the progress of such negotiations.

32 **B. EXPANDED MANAGED CARE FOR STATE EMPLOYEES**

33 **Sec. 217.** RCW 41.05.011 and 1990 c 222 s 2 are each amended to  
34 read as follows:

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

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

2 (2) "State purchased health care" or "health care" means medical  
3 and health care, pharmaceuticals, and medical equipment purchased with  
4 state and federal funds by the department of social and health  
5 services, the department of health, the basic health plan, the state  
6 health care authority, the department of labor and industries, the  
7 department of corrections, the department of veterans affairs, and  
8 local school districts.

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

10 (4) "Insuring entity" means an insurance carrier as defined in  
11 chapter 48.21 or 48.22 RCW, a health care service contractor as defined  
12 in chapter 48.44 RCW, or a health maintenance organization as defined  
13 in chapter 48.46 RCW.

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

18 (6) "Employee" includes all full-time and career seasonal employees  
19 of the state, whether or not covered by civil service; all employees of  
20 school districts; elected and appointed officials of the executive  
21 branch of government, including full-time members of boards,  
22 commissions, or committees; and includes any or all part-time and  
23 temporary employees under the terms and conditions established under  
24 this chapter by the authority; justices of the supreme court and judges  
25 of the court of appeals and the superior courts; and members of the  
26 state legislature or of the legislative authority of any county, city,  
27 or town who are elected to office after February 20, 1970. "Employee"  
28 also includes employees of a county, municipality, or other political  
29 subdivision of the state if the legislative authority of the county,  
30 municipality, or other political subdivision of the state seeks and  
31 receives the approval of the authority to provide any of its insurance  
32 programs by contract with the authority, as provided in RCW  
33 41.04.205(~~(, and employees of a school district if the board of~~  
34 ~~directors of the school district seeks and receives the approval of the~~  
35 ~~authority to provide any of its insurance programs by contract with the~~  
36 ~~authority as provided in RCW 28A.400.350)).~~

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

1       (8) "Organized delivery system" means an integrated system of  
2 insurance-financing functions and delivery system functions, using a  
3 defined network of providers who agree to abide by the system's  
4 practices, reimbursement levels including cost sharing, quality  
5 improvement methods, and other requirements and incentives intended to  
6 maximize access to needed health services while providing appropriate  
7 services cost-effectively. An organized delivery system would assume  
8 financial risk, as well as the responsibility for ensuring acceptable  
9 standards of care. On July 1, 1997, "organized delivery system" under  
10 this chapter means "certified health plan" under section 320 of this  
11 act.

12       **Sec. 218.** RCW 41.05.021 and 1990 c 222 s 3 are each amended to  
13 read as follows:

14       (1) The Washington state health care authority is created within  
15 the executive branch. The authority shall have an administrator  
16 appointed by the governor, with the consent of the senate. The  
17 administrator shall serve at the pleasure of the governor. The  
18 administrator may employ up to seven staff members, who shall be exempt  
19 from chapter 41.06 RCW, and any additional staff members as are  
20 necessary to administer this chapter. The primary duties of the  
21 authority shall be to administer state employees' insurance benefits  
22 ((and to)), study state-purchased health care programs in order to  
23 maximize cost containment in these programs while ensuring access to  
24 quality health care, and implement state initiatives, joint purchasing  
25 strategies, and techniques for efficient administration that have  
26 potential application to all state-purchased health services. The  
27 authority's duties include, but are not limited to, the following:

28       ((1)) (a) To administer a health care benefit program for  
29 employees as specifically authorized in RCW 41.05.065 and in accordance  
30 with the methods described in RCW 41.05.075, 41.05.140, and other  
31 provisions of this chapter;

32       ((2)) (b) To analyze state-purchased health care programs and to  
33 explore options for cost containment and delivery alternatives for  
34 those programs that are consistent with the purposes of those programs,  
35 including, but not limited to:

36       ((a)) (i) Creation of economic incentives for the persons for  
37 whom the state purchases health care to appropriately utilize and  
38 purchase health care services, including the development of flexible

1 benefit plans to offset increases in individual financial  
2 responsibility;

3 ~~((b))~~ (ii) Utilization of provider arrangements that encourage  
4 cost containment and ensure access to quality care, including assuring  
5 reasonable access to local providers, especially for enrollees residing  
6 in rural areas, and also including but not limited to prepaid delivery  
7 systems, utilization review, and prospective payment methods;

8 ~~((e))~~ (iii) Coordination of state agency efforts to purchase  
9 drugs effectively as provided in RCW 70.14.050;

10 ~~((d))~~ (iv) Development of recommendations and methods for  
11 purchasing medical equipment and supporting services on a volume  
12 discount basis; and

13 ~~((e))~~ (v) Development of data systems to obtain utilization data  
14 from state-purchased health care programs in order to identify cost  
15 centers, utilization patterns, provider and hospital practice patterns,  
16 and procedure costs, utilizing the information obtained pursuant to RCW  
17 41.05.031;

18 ~~((3))~~ (c) To analyze areas of public and private health care  
19 interaction;

20 ~~((4))~~ (d) To provide information and technical and administrative  
21 assistance to the board;

22 ~~((5))~~ (e) To review and approve or deny applications from  
23 counties, municipalities, and other political subdivisions of the  
24 state, ~~((and school districts))~~ to provide state-sponsored insurance or  
25 self-insurance programs to their employees in accordance with the  
26 provisions of RCW 41.04.205 ~~((and 28A.400.350))~~, setting the premium  
27 contribution for approved groups as outlined in RCW 41.05.050;

28 ~~((6))~~ (f) To appoint a health care policy technical advisory  
29 committee as required by RCW 41.05.150; and

30 ~~((7))~~ (g) To promulgate and adopt rules consistent with this  
31 chapter as described in RCW 41.05.160.

32 (2) The public employees benefits board shall implement strategies  
33 to promote managed competition among the state employees' benefit plans  
34 by July 1, 1994, including but not limited to:

35 (a) Standardizing the benefit package;

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

37 (c) Limiting the state's contribution to a percent of the lowest  
38 priced sealed bid of a qualified plan within a geographical area. If  
39 the state's contribution is less than one hundred percent of the lowest

1 priced sealed bid, employee financial contributions shall be structured  
2 on a sliding-scale basis based upon the income of the employee;

3 (d) Ensuring access to quality health services, including assuring  
4 reasonable access to local providers, especially for enrollees residing  
5 in rural areas;

6 (e) Monitoring the impact of the approach under this subsection  
7 with regards to: Efficiencies in health service delivery, cost shifts  
8 to subscribers, access to and choice of managed care plans state-wide,  
9 and quality of health services. The health care authority shall also  
10 advise on the value of administering a benchmark indemnity plan to  
11 promote competition among managed care plans. The health care  
12 authority shall report its findings and recommendations to the  
13 legislature by January 1, 1996.

14 **Sec. 219.** RCW 41.05.050 and 1988 c 107 s 18 are each amended to  
15 read as follows:

16 (1) Every department, division, or separate agency of state  
17 government, and such county, municipal, or other political subdivisions  
18 as are covered by this chapter, shall provide contributions to  
19 insurance and health care plans for its employees and their dependents,  
20 the content of such plans to be determined by the authority.  
21 Contributions, paid by the county, the municipality, or other political  
22 subdivision for their employees, shall include an amount determined by  
23 the authority to pay such administrative expenses of the authority as  
24 are necessary to administer the plans for employees of those groups.  
25 All such contributions will be paid into the ((state)) public  
26 employees' health insurance account.

27 (2) The contributions of any department, division, or separate  
28 agency of the state government, and such county, municipal, or other  
29 political subdivisions as are covered by this chapter, shall be set by  
30 the authority, subject to the approval of the governor for availability  
31 of funds as specifically appropriated by the legislature for that  
32 purpose. ((However,)) Insurance and health care contributions for  
33 ferry employees shall be governed by RCW 47.64.270 until December 31,  
34 1996. On January 1, 1997, ferry employees shall enroll with certified  
35 health plans under chapter . . . , Laws of 1993 (this act).

36 (3) The administrator with the assistance of the ((state)) public  
37 employees' benefits board shall survey private industry and public  
38 employers in the state of Washington to determine the average employer

1 contribution for group insurance programs under the jurisdiction of the  
2 authority. Such survey shall be conducted during each even-numbered  
3 year but may be conducted more frequently. The survey shall be  
4 reported to the authority for its use in setting the amount of the  
5 recommended employer contribution to the employee insurance benefit  
6 program covered by this chapter. The authority shall transmit a  
7 recommendation for the amount of the employer contribution to the  
8 governor and the director of financial management for inclusion in the  
9 proposed budgets submitted to the legislature.

10 **Sec. 220.** RCW 41.05.055 and 1989 c 324 s 1 are each amended to  
11 read as follows:

12 (1) The ~~((state))~~ public employees' benefits board is created  
13 within the authority. The function of the board is to design and  
14 approve insurance benefit plans for state employees and school district  
15 employees.

16 (2) The board shall be composed of ~~((seven))~~ nine members appointed  
17 by the governor as follows:

18 (a) ~~((Three))~~ Two representatives of state employees ~~((, one of whom~~  
19 ~~shall represent an employee association certified as exclusive~~  
20 ~~representative of at least one bargaining unit of classified~~  
21 ~~employees))~~, one of whom shall represent an employee union certified as  
22 exclusive representative of at least one bargaining unit of classified  
23 employees, and one of whom is retired, is covered by a program under  
24 the jurisdiction of the board, and represents an organized group of  
25 retired public employees;

26 (b) Two representatives of school district employees, one of whom  
27 shall represent the largest state association of school employees and  
28 one of who is retired, and represents an organized group of retired  
29 school employees;

30 ~~((Three))~~ (c) Four members with experience in health benefit  
31 management and cost containment; and

32 ~~((e))~~ (d) The administrator.

33 (3) The governor shall appoint the initial members of the board to  
34 staggered terms not to exceed four years. Members appointed thereafter  
35 shall serve two-year terms. Members of the board shall be compensated  
36 in accordance with RCW 43.03.250 and shall be reimbursed for their  
37 travel expenses while on official business in accordance with RCW  
38 43.03.050 and 43.03.060. The board shall prescribe rules for the

1 conduct of its business. The administrator shall serve as chair of the  
2 board. Meetings of the board shall be at the call of the chair.

3 **Sec. 221.** RCW 47.64.270 and 1988 c 107 s 21 are each amended to  
4 read as follows:

5 Until December 31, 1996, absent a collective bargaining agreement  
6 to the contrary, the department of transportation shall provide  
7 contributions to insurance and health care plans for ferry system  
8 employees and dependents, as determined by the state health care  
9 authority, under chapter 41.05 RCW((-)); and the ferry system  
10 management and employee organizations may collectively bargain for  
11 other insurance and health care plans, and employer contributions may  
12 exceed that of other state agencies as provided in RCW 41.05.050,  
13 subject to RCW 47.64.180. On January 1, 1997, ferry employees shall  
14 enroll in certified health plans under the provisions of chapter . . . ,  
15 Laws of 1993 (this act). To the extent that ferry employees by  
16 bargaining unit have absorbed the required offset of wage increases by  
17 the amount that the employer's contribution for employees' and  
18 dependents' insurance and health care plans exceeds that of other state  
19 general government employees in the 1985-87 fiscal biennium, employees  
20 shall not be required to absorb a further offset except to the extent  
21 the differential between employer contributions for those employees and  
22 all other state general government employees increases during any  
23 subsequent fiscal biennium. If such differential increases in the  
24 1987-89 fiscal biennium or the 1985-87 offset by bargaining unit is  
25 insufficient to meet the required deduction, the amount available for  
26 compensation shall be reduced by bargaining unit by the amount of such  
27 increase or the 1985-87 shortage in the required offset. Compensation  
28 shall include all wages and employee benefits.

29 **Sec. 222.** RCW 41.05.065 and 1988 c 107 s 8 are each amended to  
30 read as follows:

31 (1) The board shall study all matters connected with the provision  
32 of health care coverage, life insurance, liability insurance,  
33 accidental death and dismemberment insurance, and disability income  
34 insurance or any of, or a combination of, the enumerated types of  
35 insurance for employees and their dependents on the best basis possible  
36 with relation both to the welfare of the employees and to the state:

1 ((PROVIDED,—That)) However, liability insurance shall not be made  
2 available to dependents.

3 (2) The ((state)) public employees' benefits board shall develop  
4 employee benefit plans that include comprehensive health care benefits  
5 for all employees. In developing these plans, the board shall consider  
6 the following elements:

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

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

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

15 (d) Utilization review procedures including, but not limited to  
16 prior authorization of services, hospital inpatient length of stay  
17 review, requirements for use of outpatient surgeries and second  
18 opinions for surgeries, review of invoices or claims submitted by  
19 service providers, and performance audit of providers; ((and))

20 (e) Effective coordination of benefits;

21 (f) Minimum standards for health benefit carriers; and

22 (g) Minimum scope and content of standard benefit plans to be  
23 offered to enrollees participating in the employee benefit board plans.  
24 On or after July 1, 1995, the uniform benefit package and schedule of  
25 premiums and other individual cost-sharing adopted and from time to  
26 time revised by the Washington health services commission pursuant to  
27 section 348 of this act shall be implemented by the administrator for  
28 purposes of employee health benefit plans.

29 (3) The board shall design benefits and determine the terms and  
30 conditions of employee participation and coverage, including  
31 establishment of eligibility criteria.

32 (4) The board shall utilize financial incentives to encourage  
33 employee enrollments in organized delivery systems. To encourage  
34 income equity, employee financial contributions shall be structured on  
35 a sliding-scale basis based upon the income of the employee. These  
36 incentives shall result in a target of at least seventy-five percent  
37 enrollment of employees and retirees in organized delivery systems by  
38 July 1994.

1 The board may authorize premium contributions for an employee and  
2 the employee's dependents in a manner that encourages the use of cost-  
3 efficient organized delivery systems. (~~Such authorization shall~~  
4 ~~require a vote of five members of the board for approval.~~)

5 (5) Employees may choose participation in only one of the health  
6 care benefit plans developed by the board.

7 (6) The board shall review plans proposed by insurance carriers  
8 that desire to offer property insurance and/or accident and casualty  
9 insurance to state employees through payroll deduction. The board may  
10 approve any such plan for payroll deduction by carriers holding a valid  
11 certificate of authority in the state of Washington and which the board  
12 determines to be in the best interests of employees and the state. The  
13 board shall promulgate rules setting forth criteria by which it shall  
14 evaluate the plans.

15 (7) The board shall report to the appropriate policy and fiscal  
16 committees of the legislature by December 1, 1994, on the following:

17 (a) The progress in meeting the organized delivery system target  
18 enrollment rate established in subsection (4) of this section and  
19 recommendations for increasing future participation above the target  
20 rate; and

21 (b) The impact on the growth of public employee benefit costs as  
22 the result of establishing organized delivery system target rates and  
23 required financial incentives to encourage enrollment in cost-efficient  
24 organized delivery systems.

25 NEW SECTION. Sec. 223. A new section is added to chapter 41.05  
26 RCW to read as follows:

27 Notwithstanding any other provisions of this title or rules or  
28 procedures adopted by the health care authority, the authority shall  
29 offer all retired or disabled employees at least two medicare  
30 supplemental insurance policies that conform to the requirements of  
31 chapter 48.66 RCW. One policy must include coverage for prescription  
32 drugs. These policies shall be available to retired or disabled state  
33 employees, or employees of county, municipal, or other political  
34 subdivisions eligible for coverage available under the authority and  
35 all offerings must be made available not later than January 1, 1994.

36 **Sec. 224.** RCW 41.05.120 and 1991 sp.s. c 13 s 100 are each amended  
37 to read as follows:

1 (1) The ((state)) public employees' insurance account is hereby  
2 established in the custody of the state treasurer, to be used by the  
3 administrator for the deposit of contributions, reserves, dividends,  
4 and refunds, and for payment of premiums for employee insurance benefit  
5 contracts. Moneys from the account shall be disbursed by the state  
6 treasurer by warrants on vouchers duly authorized by the administrator.

7 (2) The state treasurer and the state investment board may invest  
8 moneys in the ((state)) public employees' insurance account. All such  
9 investments shall be in accordance with RCW 43.84.080 or 43.84.150,  
10 whichever is applicable. The administrator shall determine whether the  
11 state treasurer or the state investment board or both shall invest  
12 moneys in the ((state)) public employees' insurance account.

13 **Sec. 225.** RCW 41.05.140 and 1988 c 107 s 12 are each amended to  
14 read as follows:

15 (1) The authority may self-fund, self-insure, or enter into other  
16 methods of providing insurance coverage for insurance programs under  
17 its jurisdiction except property and casualty insurance. The authority  
18 shall contract for payment of claims or other administrative services  
19 for programs under its jurisdiction. If a program does not require the  
20 prepayment of reserves, the authority shall establish such reserves  
21 within a reasonable period of time for the payment of claims as are  
22 normally required for that type of insurance under an insured program.  
23 Reserves established by the authority shall be held in a separate trust  
24 fund by the state treasurer and shall be known as the ((state)) public  
25 employees' insurance reserve fund. The state investment board shall  
26 act as the investor for the funds and, except as provided in RCW  
27 43.33A.160, one hundred percent of all earnings from these investments  
28 shall accrue directly to the ((state)) public employees' insurance  
29 reserve fund.

30 (2) Any savings realized as a result of a program created under  
31 this section shall not be used to increase benefits unless such use is  
32 authorized by statute.

33 (3) Any program created under this section shall be subject to the  
34 examination requirements of chapter 48.03 RCW as if the program were a  
35 domestic insurer. In conducting an examination, the commissioner shall  
36 determine the adequacy of the reserves established for the program.

1 (4) The authority shall keep full and adequate accounts and records  
2 of the assets, obligations, transactions, and affairs of any program  
3 created under this section.

4 (5) The authority shall file a quarterly statement of the financial  
5 condition, transactions, and affairs of any program created under this  
6 section in a form and manner prescribed by the insurance commissioner.  
7 The statement shall contain information as required by the commissioner  
8 for the type of insurance being offered under the program. A copy of  
9 the annual statement shall be filed with the speaker of the house of  
10 representatives and the president of the senate.

11 NEW SECTION. **Sec. 226.** A new section is added to chapter 41.05  
12 RCW to read as follows:

13 If the governor or the Washington health care commission does not  
14 secure a waiver of the medicare statute, Title XVIII of the federal  
15 social security act, sufficient to meet the requirements of chapter  
16 . . ., Laws of 1993 (this act) on or before January 1, 1995, then the  
17 medicare supplemental insurance policies authorized under section 223  
18 of this act shall be made available as an offering to any resident of  
19 the state eligible for medicare benefits. Except for those state or  
20 public retirees already eligible to purchase such medicare supplemental  
21 benefits through the authority, those newly authorized to purchase such  
22 insurance coverage under this section shall be required to pay the full  
23 costs of any such medicare supplemental benefits.

24 **C. HEALTH CARE PROVIDER CONFLICT OF INTEREST STANDARDS**

25 **Sec. 227.** RCW 19.68.010 and 1973 1st ex.s. c 26 s 1 are each  
26 amended to read as follows:

27 It shall be unlawful for any person, firm, corporation or  
28 association, whether organized as a cooperative, or for profit or  
29 nonprofit, to pay, or offer to pay or allow, directly or indirectly, to  
30 any person licensed by the state of Washington to engage in the  
31 practice of medicine and surgery, drugless treatment in any form,  
32 dentistry, or pharmacy and it shall be unlawful for such person to  
33 request, receive or allow, directly or indirectly, a rebate, refund,  
34 commission, unearned discount or profit by means of a credit or other  
35 valuable consideration in connection with the referral of patients to  
36 any person, firm, corporation or association, or in connection with the

1 furnishings of medical, surgical or dental care, diagnosis, treatment  
2 or service, on the sale, rental, furnishing or supplying of clinical  
3 laboratory supplies or services of any kind, drugs, medication, or  
4 medical supplies, or any other goods, services or supplies prescribed  
5 for medical diagnosis, care or treatment: PROVIDED, That ownership of  
6 a financial interest in any firm, corporation or association which  
7 furnishes any kind of clinical laboratory or other services prescribed  
8 for medical, surgical, or dental diagnosis shall not be prohibited  
9 under this section where (1) the referring practitioner affirmatively  
10 discloses to the patient in writing, the fact that such practitioner  
11 has a financial interest in such firm, corporation, or association; and  
12 (2) the referring practitioner provides the patient with a list of  
13 effective alternative facilities, informs the patient that he or she  
14 has the option to use one of the alternative facilities, and assures  
15 the patient that he or she will not be treated differently by the  
16 referring practitioner if the patient chooses one of the alternative  
17 facilities.

18 Any person violating the provisions of this section is guilty of a  
19 misdemeanor.

20 NEW SECTION. Sec. 228. A new section is added to chapter 18.130  
21 RCW to read as follows:

22 CONFLICT OF INTEREST STANDARDS. The Washington health services  
23 commission established by section 303 of this act, in consultation with  
24 the secretary of health, and the health care disciplinary authorities  
25 under RCW 18.130.040(2)(b), shall establish standards and monetary  
26 penalties in rule prohibiting provider investments and referrals that  
27 present a conflict of interest resulting from inappropriate financial  
28 gain for the provider or his or her immediate family. These standards  
29 are not intended to inhibit the efficient operation of managed health  
30 care systems or certified health plans. The commission shall report to  
31 the health policy committees of the senate and house of representatives  
32 by June 30, 1994, on the development of the standards and any  
33 recommended statutory changes necessary to implement the standards.

34 **D. CONSOLIDATED STATE HEALTH CARE PURCHASING AGENT**

35 NEW SECTION. Sec. 229. A new section is added to Title 43 RCW to  
36 read as follows:

1 STATE HEALTH CARE PURCHASING AGENT DESIGNATION. (1) The health  
2 care authority is designated as the single state agent for purchasing  
3 health care. Beginning in January 1994, the governor shall submit  
4 necessary legislation to place all state-purchased health care in a  
5 strictly community rated, single risk pool under the direct  
6 administrative authority of the state purchasing agent by July 1, 1997,  
7 including at least the basic health plan, the purchasing of health  
8 benefits for K-12 system employees and retirees, ferry employees and  
9 retirees, the medical aid fund portion of the workers' compensation  
10 program, personal health services purchased through the department of  
11 health, and state employee and retiree health benefits. At the  
12 earliest opportunity the governor shall seek necessary federal waivers  
13 and state legislation to place the medical assistance program of the  
14 department of social and health services in this single risk pool after  
15 July 1995, but in no event later than July 1997.

16 (2) At a minimum, and regardless of any other legislative  
17 enactment, the state health care purchasing agent must:

18 (a) Ensure immediate coverage when any state resident eligible for  
19 state-subsidized medical care chooses to receive state-sponsored care;

20 (b) Require that any public agency that provides subsidies for a  
21 substantial portion of services now covered under the basic health plan  
22 or any uniform benefit package that may be required by the state use  
23 uniform eligibility processes, insofar as may be possible, and do not  
24 require multiple eligibility determinations;

25 (c) Require that any health care provider, health care facility,  
26 health maintenance organization, health care service contractor, group  
27 disability insurer, and any certified health plan that receives funds  
28 from any public program accept enrollment from any state resident  
29 receiving any state subsidy who may wish to enroll with them or receive  
30 care from them;

31 (d) Strive to integrate purchasing for all publicly sponsored  
32 health care in order to maximize the cost control potential and to  
33 promote the most efficient methods of financing and coordinating  
34 services;

35 (e) Annually suggest changes in state and federal law and rules to  
36 bring all publicly funded health programs in compliance with the goals  
37 and intent of chapter . . . , Laws of 1993 (this act);

1 (f) Consult regularly with the governor, the legislature, and state  
2 agency directors whose operations are affected by the implementation of  
3 this section;

4 (g) Phase-in basic health plan coverage over a four-year period for  
5 uninsured subsidized residents consistent with funds and enrollment  
6 limitations provided in the omnibus appropriations act. The process  
7 shall seek to enroll those persons with the greatest financial need  
8 first; and

9 (h) Notwithstanding other provisions of law, assure that any state  
10 resident receiving a public subsidy for health care in July 1997 or  
11 thereafter, be enrolled in a certified health plan and receive no less  
12 than the uniform benefit package as required under chapter . . . , Laws  
13 of 1993 (this act).

14 **E. PUBLIC HEALTH FINANCING AND GOVERNANCE**

15 **Sec. 230.** RCW 70.05.010 and 1967 ex.s. c 51 s 1 are each amended  
16 to read as follows:

17 For the purposes of chapters 70.05 and 70.46 RCW ((and RCW  
18 70.46.020 through 70.46.090)) and unless the context thereof clearly  
19 indicates to the contrary:

20 (1) "Local health departments" means the ((city, town,)) county or  
21 district which provides public health services to persons within the  
22 area;

23 (2) "Local health officer" means the legally qualified physician  
24 who has been appointed as the health officer for the ((city, town,))  
25 county or district public health department;

26 (3) "Local board of health" means the ((city, town,)) county or  
27 district board of health.

28 (4) "Health district" means ((all territory encompassed within a  
29 single county and all cities and towns therein except cities with a  
30 population of over one hundred thousand, or)) all the territory  
31 consisting of one or more counties ((and all the cities and towns in  
32 all of the combined counties except cities of over one hundred thousand  
33 population which have been combined and)) organized pursuant to the  
34 provisions of chapters 70.05 and 70.46 RCW ((and RCW 70.46.020 through  
35 70.46.090: PROVIDED, That cities with a population of over one hundred  
36 thousand may be included in a health district as provided in RCW  
37 70.46.040)).

1        (5) "Department" means the department of health.

2        **Sec. 231.** RCW 70.05.030 and 1967 ex.s. c 51 s 3 are each amended  
3 to read as follows:

4        In counties without a home rule charter, the board of county  
5 commissioners ((of each and every county in this state, except where  
6 such county is a part of a health district or is purchasing services  
7 under a contract as authorized by chapter 70.05 RCW and RCW 70.46.020  
8 through 70.46.090,)) shall constitute the local board of health ((for  
9 such county, and said local board of health's jurisdiction)), unless  
10 the county is part of a health district pursuant to chapter 70.46 RCW.  
11 The jurisdiction of the local board of health shall be coextensive with  
12 the boundaries of said county((, except that nothing herein contained  
13 shall give said board jurisdiction in cities of over one hundred  
14 thousand population or in such other cities and towns as are providing  
15 health services which meet health standards pursuant to RCW  
16 70.46.090)).

17        **Sec. 232.** RCW 70.05.040 and 1984 c 25 s 1 are each amended to read  
18 as follows:

19        The local board of health shall elect a ((~~chairman~~)) chair and may  
20 appoint an administrative officer. A local health officer shall be  
21 appointed pursuant to RCW 70.05.050. Vacancies on the local board of  
22 health shall be filled by appointment within thirty days and made in  
23 the same manner as was the original appointment. At the first meeting  
24 of the local board of health, the members shall elect a ((~~chairman~~))  
25 chair to serve for a period of one year. ((~~In home rule charter~~  
26 ~~counties that have a local board of health established under RCW~~  
27 ~~70.05.050, the administrative officer may be appointed by the official~~  
28 ~~designated under the county's charter.))~~

29        NEW SECTION. **Sec. 233.** A new section is added to chapter 70.05  
30 RCW to read as follows:

31        In counties with a home rule charter, the county legislative  
32 authority shall establish a local board of health and may prescribe the  
33 membership and selection process for the board. The jurisdiction of  
34 the local board of health shall be coextensive with the boundaries of  
35 the county. The local health officer, as described in RCW 70.05.050,  
36 shall be appointed by the official designated under the provisions of

1 the county charter. The same official designated under the provisions  
2 of the county charter may appoint an administrative officer, as  
3 described in RCW 70.05.045.

4 **Sec. 234.** RCW 70.05.050 and 1984 c 25 s 5 are each amended to read  
5 as follows:

6 ~~((Each local board of health, other than boards which are  
7 established under RCW 70.05.030 and which are located in counties  
8 having home rule charters, shall appoint a local health officer. In  
9 home rule charter counties which have a local board of health  
10 established under RCW 70.05.030, the local health officer shall be  
11 appointed by the official designated under the provisions of the  
12 county's charter.))~~

13 The local health officer shall be an experienced physician licensed  
14 to practice medicine and surgery or osteopathy and surgery in this  
15 state and who is qualified or provisionally qualified in accordance  
16 with the standards prescribed in RCW 70.05.051 through 70.05.055 to  
17 hold the office of local health officer. No term of office shall be  
18 established for the local health officer but ~~((he))~~ the local health  
19 officer shall not be removed until after notice is given ~~((him))~~, and  
20 an opportunity for a hearing before the board or official responsible  
21 for his or her appointment under this section as to the reason for his  
22 or her removal. ~~((He))~~ The local health officer shall act as executive  
23 secretary to, and administrative officer for the local board of health  
24 and shall also be empowered to employ such technical and other  
25 personnel as approved by the local board of health except where the  
26 local board of health has appointed an administrative officer under RCW  
27 70.05.040. The local health officer shall be paid such salary and  
28 allowed such expenses as shall be determined by the local board of  
29 health.

30 **Sec. 235.** RCW 70.05.070 and 1991 c 3 s 309 are each amended to  
31 read as follows:

32 The local health officer, acting under the direction of the local  
33 board of health or under direction of the administrative officer  
34 appointed under RCW 70.05.040 or section 233 of this act, if any,  
35 shall:

36 (1) Enforce the public health statutes of the state, rules of the  
37 state board of health and the secretary of health, and all local health

1 rules, regulations and ordinances within his or her jurisdiction  
2 including imposition of penalties authorized under RCW 70.119A.030 and  
3 filing of actions authorized by RCW 43.70.190;

4 (2) Take such action as is necessary to maintain health and  
5 sanitation supervision over the territory within his or her  
6 jurisdiction;

7 (3) Control and prevent the spread of any dangerous, contagious or  
8 infectious diseases that may occur within his or her jurisdiction;

9 (4) Inform the public as to the causes, nature, and prevention of  
10 disease and disability and the preservation, promotion and improvement  
11 of health within his or her jurisdiction;

12 (5) Prevent, control or abate nuisances which are detrimental to  
13 the public health;

14 (6) Attend all conferences called by the secretary of health or his  
15 or her authorized representative;

16 (7) Collect such fees as are established by the state board of  
17 health or the local board of health for the issuance or renewal of  
18 licenses or permits or such other fees as may be authorized by law or  
19 by the rules of the state board of health;

20 (8) Inspect, as necessary, expansion or modification of existing  
21 public water systems, and the construction of new public water systems,  
22 to assure that the expansion, modification, or construction conforms to  
23 system design and plans;

24 (9) Take such measures as he or she deems necessary in order to  
25 promote the public health, to participate in the establishment of  
26 health educational or training activities, and to authorize the  
27 attendance of employees of the local health department or individuals  
28 engaged in community health programs related to or part of the programs  
29 of the local health department.

30 **Sec. 236.** RCW 70.05.080 and 1991 c 3 s 310 are each amended to  
31 read as follows:

32 If the local board of health or other official responsible for  
33 appointing a local health officer under RCW 70.05.050 refuses or  
34 neglects to appoint a local health officer after a vacancy exists, the  
35 secretary of health may appoint a local health officer and fix the  
36 compensation. The local health officer so appointed shall have the  
37 same duties, powers and authority as though appointed under RCW  
38 70.05.050. Such local health officer shall serve until a qualified

1 individual is appointed according to the procedures set forth in RCW  
2 70.05.050. The board or official responsible for appointing the local  
3 health officer under RCW 70.05.050 shall also be authorized to appoint  
4 an acting health officer to serve whenever the health officer is absent  
5 or incapacitated and unable to fulfill his or her responsibilities  
6 under the provisions of chapters 70.05 and 70.46 RCW ((and—RCW  
7 ~~70.46.020 through 70.46.090~~)).

8       **Sec. 237.** RCW 70.05.120 and 1984 c 25 s 8 are each amended to read  
9 as follows:

10       Any local health officer or administrative officer appointed under  
11 RCW 70.05.040, if any, who shall refuse or neglect to obey or enforce  
12 the provisions of chapters 70.05 and 70.46 RCW ((and—RCW—~~70.46.020~~  
13 ~~through 70.46.090~~)) or the rules, regulations or orders of the state  
14 board of health or who shall refuse or neglect to make prompt and  
15 accurate reports to the state board of health, may be removed as local  
16 health officer or administrative officer by the state board of health  
17 and shall not again be reappointed except with the consent of the state  
18 board of health. Any person may complain to the state board of health  
19 concerning the failure of the local health officer or administrative  
20 officer to carry out the laws or the rules and regulations concerning  
21 public health, and the state board of health shall, if a preliminary  
22 investigation so warrants, call a hearing to determine whether the  
23 local health officer or administrative officer is guilty of the alleged  
24 acts. Such hearings shall be held pursuant to the provisions of  
25 chapter 34.05 RCW, and the rules and regulations of the state board of  
26 health adopted thereunder.

27       Any member of a local board of health who shall violate any of the  
28 provisions of chapters 70.05 and 70.46 RCW ((and—RCW—~~70.46.020 through~~  
29 ~~70.46.090~~)) or refuse or neglect to obey or enforce any of the rules,  
30 regulations or orders of the state board of health made for the  
31 prevention, suppression or control of any dangerous contagious or  
32 infectious disease or for the protection of the health of the people of  
33 this state, shall be guilty of a misdemeanor, and upon conviction shall  
34 be fined not less than ten dollars nor more than two hundred dollars.  
35 Any physician who shall refuse or neglect to report to the proper  
36 health officer or administrative officer within twelve hours after  
37 first attending any case of contagious or infectious disease or any  
38 diseases required by the state board of health to be reported or any

1 case suspicious of being one of such diseases, shall be guilty of a  
2 misdemeanor, and upon conviction shall be fined not less than ten  
3 dollars nor more than two hundred dollars for each case that is not  
4 reported.

5 Any person violating any of the provisions of chapters 70.05 and  
6 70.46 RCW (~~and RCW 70.46.020 through 70.46.090~~) or violating or  
7 refusing or neglecting to obey any of the rules, regulations or orders  
8 made for the prevention, suppression and control of dangerous  
9 contagious and infectious diseases by the local board of health or  
10 local health officer or administrative officer or state board of  
11 health, or who shall leave any isolation hospital or quarantined house  
12 or place without the consent of the proper health officer or who evades  
13 or breaks quarantine or conceals a case of contagious or infectious  
14 disease or assists in evading or breaking any quarantine or concealing  
15 any case of contagious or infectious disease, shall be guilty of a  
16 misdemeanor, and upon conviction thereof shall be subject to a fine of  
17 not less than twenty-five dollars nor more than one hundred dollars or  
18 to imprisonment in the county jail not to exceed ninety days or to both  
19 fine and imprisonment.

20 **Sec. 238.** RCW 70.05.130 and 1991 c 3 s 313 are each amended to  
21 read as follows:

22 All expenses incurred by the state, health district, or county in  
23 carrying out the provisions of chapters 70.05 and 70.46 RCW (~~and RCW~~  
24 ~~70.46.020 through 70.46.090~~) or any other public health law, or the  
25 rules of the (~~state~~) department of health enacted under such laws,  
26 shall be paid by the county (~~or city by which or in behalf of which~~  
27 ~~such expenses shall have been incurred~~) and such expenses shall  
28 constitute a claim against the general fund as provided herein.

29 **Sec. 239.** RCW 70.05.150 and 1967 ex.s. c 51 s 22 are each amended  
30 to read as follows:

31 In addition to powers already granted them, any (~~city, town,~~)  
32 county, district, or local health department may contract for either  
33 the sale or purchase of any or all health services from any local  
34 health department: PROVIDED, That such contract shall require the  
35 approval of the state board of health.

1       **Sec. 240.** RCW 70.08.010 and 1985 c 124 s 1 are each amended to  
2 read as follows:

3       Any city with one hundred thousand or more population and the  
4 county in which it is located, are authorized, as shall be agreed upon  
5 between the respective governing bodies of such city and said county,  
6 to establish and operate a combined city and county health department,  
7 and to appoint (~~the director of public health~~) a local health officer  
8 for the county served.

9       **Sec. 241.** RCW 70.12.030 and 1945 c 46 s 1 are each amended to read  
10 as follows:

11       Any county, (~~first class city~~) combined city-county health  
12 department, or health district is hereby authorized and empowered to  
13 create a "public health pooling fund", hereafter called the "fund", for  
14 the efficient management and control of all moneys coming to such  
15 county, (~~first class city~~) combined department, or district for  
16 public health purposes.

17       (~~"Health district" as used herein may mean all territory~~  
18 ~~consisting of one or more counties and all cities with a population of~~  
19 ~~one hundred thousand or less, and towns therein.))~~

20       **Sec. 242.** RCW 70.12.050 and 1945 c 46 s 3 are each amended to read  
21 as follows:

22       All expenditures in connection with salaries, wages and operations  
23 incurred in carrying on the health department of the county, (~~first~~  
24 ~~class city~~) combined city-county health department, or health district  
25 shall be paid out of such fund.

26       **Sec. 243.** RCW 70.46.020 and 1967 ex.s. c 51 s 6 are each amended  
27 to read as follows:

28       Health districts consisting of two or more counties may be created  
29 whenever two or more boards of county commissioners shall by resolution  
30 establish a district for such purpose. Such a district shall consist  
31 of all the area of the combined counties (~~including all cities and~~  
32 ~~towns except cities of over one hundred thousand population)). The~~  
33 district board of health of such a district shall consist of not less  
34 than seven members, including two representatives from each county who  
35 are members of the board of county commissioners and who are appointed  
36 by the board of county commissioners of each county within the

1 district, and shall have a jurisdiction coextensive with the combined  
2 boundaries. (~~The remaining members shall be representatives of the~~  
3 ~~cities and towns in the district selected by mutual agreement of the~~  
4 ~~legislative bodies of the cities and towns concerned from their~~  
5 ~~membership, taking into consideration the financial contribution of~~  
6 ~~such cities and towns and representation from the several~~  
7 ~~classifications of cities and towns.))~~

8 At the first meeting of a district board of health the members  
9 shall elect a (~~chairman~~) chair to serve for a period of one year.

10 **Sec. 244.** RCW 70.46.060 and 1967 ex.s. c 51 s 11 are each amended  
11 to read as follows:

12 The district board of health shall constitute the local board of  
13 health for all the territory included in the health district, and shall  
14 supersede and exercise all the powers and perform all the duties by law  
15 vested in the county (~~or city or town~~) board of health of any  
16 county(~~(, city or town)~~) included in the health district(~~(, except as~~  
17 ~~otherwise in chapter 70.05 RCW and RCW 70.46.020 through 70.46.090~~  
18 ~~provided))~~).

19 **Sec. 245.** RCW 70.46.080 and 1971 ex.s. c 85 s 10 are each amended  
20 to read as follows:

21 Each health district shall establish a fund to be designated as the  
22 "district health fund", in which shall be placed all sums received by  
23 the district from any source, and out of which shall be expended all  
24 sums disbursed by the district. (~~The county treasurer of the county~~  
25 ~~in the district embracing only one county; or,~~) In a district composed  
26 of more than one county the county treasurer of the county having the  
27 largest population shall be the custodian of the fund, and the county  
28 auditor of said county shall keep the record of the receipts and  
29 disbursements, and shall draw and the county treasurer shall honor and  
30 pay all warrants, which shall be approved before issuance and payment  
31 as directed by the board(~~(: PROVIDED, That in local health departments~~  
32 ~~wherein a city of over one hundred thousand population is a part of~~  
33 ~~said department, the local board of health may pool the funds available~~  
34 ~~for public health purposes in the office of the city treasurer in a~~  
35 ~~special pooling fund to be established and which shall be expended as~~  
36 ~~set forth above))~~).

1 Each county(~~(, city or town)~~) which is included in the district  
2 shall contribute such sums towards the expense for maintaining and  
3 operating the district as shall be agreed upon between it and the local  
4 board of health in accordance with guidelines established by the state  
5 board of health (~~(after consultation with the Washington state~~  
6 ~~association of counties and the association of Washington cities. In~~  
7 ~~the event that no agreement can be reached between the district board~~  
8 ~~of health and the county, city or town, the matter shall be resolved by~~  
9 ~~a board of arbitrators to consist of a representative of the district~~  
10 ~~board of health, a representative from the county, city or town~~  
11 ~~involved, and a third representative to be appointed by the two~~  
12 ~~representatives, but if they are unable to agree, a representative~~  
13 ~~shall be appointed by a judge in the county in which the city or town~~  
14 ~~is located. The determination of the proportionate share to be paid by~~  
15 ~~a county, city or town shall be binding on all parties. Payments into~~  
16 ~~the fund of the district may be made by the county or city or town~~  
17 ~~members during the first year of membership in said district from any~~  
18 ~~funds of the respective county, city or town as would otherwise be~~  
19 ~~available for expenditures for health facilities and services, and~~  
20 ~~thereafter the members shall include items in their respective budgets~~  
21 ~~for payments to finance the health district))).~~

22 **Sec. 246.** RCW 70.46.085 and 1967 ex.s. c 51 s 20 are each amended  
23 to read as follows:

24 The expense of providing public health services shall be borne by  
25 each county(~~(, city or town)~~) within the health district(~~(, and the~~  
26 ~~local health officer shall certify the amount agreed upon or as~~  
27 ~~determined pursuant to RCW 70.46.080, and remaining unpaid by each~~  
28 ~~county, city or town to the fiscal or warrant issuing officer of such~~  
29 ~~county, city or town.~~

30 If the expense as certified is not paid by any county, city or town  
31 within thirty days after the end of the fiscal year, the local health  
32 officer shall certify the amount due to the auditor of the county in  
33 which the governmental unit is situated who shall promptly issue his  
34 warrant on the county treasurer payable out of the current expense fund  
35 of the county, which fund shall be reimbursed by the county auditor out  
36 of the money due said governmental unit at the next monthly settlement  
37 or settlements of the collection of taxes and shall be transferred to  
38 the current expense fund)).

1       **Sec. 247.** RCW 70.46.090 and 1967 ex.s. c 51 s 21 are each amended  
2 to read as follows:

3       Any county (~~(or any city or town)~~) may withdraw from membership in  
4 said health district any time after it has been within the district for  
5 a period of two years, but no withdrawal shall be effective except at  
6 the end of the calendar year in which the county(~~(, city or town)~~)  
7 gives at least six months' notice of its intention to withdraw at the  
8 end of the calendar year. No withdrawal shall entitle any member to a  
9 refund of any moneys paid to the district nor relieve it of any  
10 obligations to pay to the district all sums for which it obligated  
11 itself due and owing by it to the district for the year at the end of  
12 which the withdrawal is to be effective: PROVIDED, That any county(~~(, city or town)~~)  
13 which withdraws from membership in said health district  
14 shall immediately establish a health department or provide health  
15 services which shall meet the standards for health services promulgated  
16 by the state board of health: PROVIDED FURTHER, That no local health  
17 department shall be deemed to provide adequate public health services  
18 unless there is at least one full time professionally trained and  
19 qualified physician as set forth in RCW 70.05.050.

20       **Sec. 248.** RCW 70.46.120 and 1963 c 121 s 1 are each amended to  
21 read as follows:

22       In addition to all other powers and duties, health districts shall  
23 have the power to charge fees in connection with the issuance or  
24 renewal of a license or permit required by law: PROVIDED, That the  
25 fees charged shall not exceed the actual cost involved in issuing or  
26 renewing the license or permit(~~(: PROVIDED FURTHER, That no fees shall~~  
27 ~~be charged pursuant to this section within the corporate limits of any~~  
28 ~~city or town which prior to the enactment of this section charged fees~~  
29 ~~in connection with the issuance or renewal of a license or permit~~  
30 ~~pursuant to city or town ordinance and where said city or town makes a~~  
31 ~~direct contribution to said health district, unless such city or town~~  
32 ~~expressly consents thereto)).~~

33       **Sec. 249.** RCW 82.44.110 and 1991 c 199 s 221 are each amended to  
34 read as follows:

35       The county auditor shall regularly, when remitting license fee  
36 receipts, pay over and account to the director of licensing for the  
37 excise taxes collected under the provisions of this chapter. The

1 director shall forthwith transmit the excise taxes to the state  
2 treasurer.

3 (1) The state treasurer shall deposit the excise taxes collected  
4 under RCW 82.44.020(1) as follows:

5 (a) 1.60 percent into the motor vehicle fund to defray  
6 administrative and other expenses incurred by the department in the  
7 collection of the excise tax.

8 (b) 8.15 percent into the Puget Sound capital construction account  
9 in the motor vehicle fund.

10 (c) 4.07 percent into the Puget Sound ferry operations account in  
11 the motor vehicle fund.

12 (d) (~~(8.83)~~) 5.88 percent into the general fund to be distributed  
13 under RCW 82.44.155.

14 (e) 4.75 percent into the municipal sales and use tax equalization  
15 account in the general fund created in RCW 82.14.210.

16 (f) 1.60 percent into the county sales and use tax equalization  
17 account in the general fund created in RCW 82.14.200.

18 (g) 62.6440 percent into the general fund through June 30, 1993,  
19 57.6440 percent into the general fund beginning July 1, 1993, and 66  
20 percent into the general fund beginning January 1, 1994.

21 (h) 5 percent into the transportation fund created in RCW 82.44.180  
22 beginning July 1, 1993.

23 (i) 5.9686 percent into the county criminal justice assistance  
24 account created in RCW 82.14.310 through December 31, 1993.

25 (j) 1.1937 percent into the municipal criminal justice assistance  
26 account for distribution under RCW 82.14.320 through December 31, 1993.

27 (k) 1.1937 percent into the municipal criminal justice assistance  
28 account for distribution under RCW 82.14.330 through December 31, 1993.

29 (l) 2.95 percent into the general fund to be distributed by the  
30 state treasurer to county health departments to be used exclusively for  
31 public health. The state treasurer shall distribute these funds  
32 proportionately among the counties based on population as determined by  
33 the most recent United States census.

34 (2) The state treasurer shall deposit the excise taxes collected  
35 under RCW 82.44.020(2) into the transportation fund.

36 (3) The state treasurer shall deposit the excise tax imposed by RCW  
37 82.44.020(3) into the air pollution control account created by RCW  
38 70.94.015.

1       **Sec. 250.** RCW 82.44.155 and 1991 c 199 s 223 are each amended to  
2 read as follows:

3       When distributions are made under RCW 82.44.150, the state  
4 treasurer shall apportion and distribute the motor vehicle excise taxes  
5 deposited into the general fund under RCW 82.44.110(~~(+4)~~)(1)(d) to the  
6 cities and towns ratably on the basis of population as last determined  
7 by the office of financial management. When so apportioned, the amount  
8 payable to each such city and town shall be transmitted to the city  
9 treasurer thereof, and shall be used by the city or town for the  
10 purposes of police and fire protection (~~and the preservation of the~~  
11 ~~public health~~) in the city or town, and not otherwise. If it is  
12 adjudged that revenue derived from the excise taxes imposed by RCW  
13 82.44.020 (1) and (2) cannot lawfully be apportioned or distributed to  
14 cities or towns, all moneys directed by this section to be apportioned  
15 and distributed to cities and towns shall be credited and transferred  
16 to the state general fund.

17       NEW SECTION.   **Sec. 251.** RCW 70.08.010, as amended by this act,  
18 shall be recodified in chapter 70.05 RCW.

19       NEW SECTION.   **Sec. 252.** The following acts or parts of acts are  
20 each repealed:

- 21       (1) RCW 70.05.005 and 1989 1st ex.s. c 9 s 243;
- 22       (2) RCW 70.05.020 and 1967 ex.s. c 51 s 2;
- 23       (3) RCW 70.05.132 and 1984 c 25 s 9 & 1983 1st ex.s. c 39 s 6;
- 24       (4) RCW 70.05.145 and 1983 1st ex.s. c 39 s 5;
- 25       (5) RCW 70.08.005 and 1989 1st ex.s. c 9 s 244;
- 26       (6) RCW 70.08.020 and 1985 c 124 s 2 & 1949 c 46 s 2;
- 27       (7) RCW 70.08.030 and 1985 c 124 s 3, 1984 c 25 s 3, & 1949 c 46 s  
28 3;
- 29       (8) RCW 70.08.040 and 1985 c 124 s 4, 1980 c 57 s 1, & 1949 c 46 s  
30 4;
- 31       (9) RCW 70.08.050 and 1991 c 3 s 314, 1979 c 141 s 85, & 1949 c 46  
32 s 8;
- 33       (10) RCW 70.08.060 and 1961 ex.s. c 5 s 4 & 1949 c 46 s 9;
- 34       (11) RCW 70.08.070 and 1982 c 203 s 1, 1980 c 57 s 2, & 1949 c 46  
35 s 5;
- 36       (12) RCW 70.08.080 and 1980 c 57 s 3 & 1949 c 46 s 6;
- 37       (13) RCW 70.08.090 and 1949 c 46 s 7;

- 1 (14) RCW 70.08.100 and 1949 c 46 s 10;  
2 (15) RCW 70.08.110 and 1949 c 46 s 11;  
3 (16) RCW 70.08.900 and 1980 c 57 s 4;  
4 (17) RCW 70.12.005 and 1989 1st ex.s. c 9 s 245;  
5 (18) RCW 70.46.030 and 1991 c 363 s 141, 1969 ex.s. c 70 s 1, 1967  
6 ex.s. c 51 s 5, & 1945 c 183 s 3;  
7 (19) RCW 70.46.040 and 1967 ex.s. c 51 s 7 & 1945 c 183 s 4; and  
8 (20) RCW 70.46.050 and 1967 ex.s. c 51 s 8, 1957 c 100 s 1, & 1945  
9 c 183 s 5.

10 NEW SECTION. **Sec. 253.** It is hereby requested that the governing  
11 authorities of the association of Washington cities, the Washington  
12 state association of counties, and the Washington association of county  
13 officials jointly initiate a study and develop consensus  
14 recommendations regarding implementation of the provisions of sections  
15 230 through 252 of this act. The study and recommendations should at  
16 a minimum include consideration of the fiscal impact of these sections  
17 on counties, the desirability of maintaining a process whereby city  
18 officials can effectively communicate concerns regarding the delivery  
19 of public health services to both the counties and the state, the need  
20 for larger cities to be able to continue to provide supplemental health  
21 care services when needed, and other matters as the three associations  
22 agree are of substance in the implementation of sections 230 through  
23 252 of this act. The agreed upon recommendations shall be presented to  
24 the senate health and human services and house of representatives  
25 health care committees prior to December 31, 1993.

26 **F. DATA COLLECTION**

27 **Sec. 254.** RCW 70.170.100 and 1990 c 269 s 12 are each amended to  
28 read as follows:

29 (1) To promote the public interest consistent with the purposes of  
30 chapter . . . , Laws of 1993 (this act), the department is responsible  
31 for the development, implementation, and custody of a state-wide  
32 ((hospital)) health care data system, with policy direction and  
33 oversight to be provided by the Washington health services commission.  
34 As part of the design stage for development of the system, the  
35 department shall undertake a needs assessment of the types of, and  
36 format for, ((hospital)) health care data needed by consumers,

1 purchasers, health care payers, ((hospitals)) providers, and state  
2 government as consistent with the intent of chapter . . . , Laws of 1993  
3 (this act) ((chapter)). The department shall identify a set of  
4 ((hospital)) health care data elements and report specifications which  
5 satisfy these needs. The ((council)) Washington health services  
6 commission, created by section 303 of this act, shall review the design  
7 of the data system ((and)) may ((direct the department to)) establish  
8 a technical advisory committee on health data and may recommend that  
9 the department contract with a private vendor for assistance in the  
10 design of the data system or for any part of the work to be performed  
11 under this section. The data elements, specifications, and other  
12 ((design)) distinguishing features of this data system shall be made  
13 available for public review and comment and shall be published, with  
14 comments, as the department's first data plan by ((January 1, 1990))  
15 July 1, 1994.

16 (2) Subsequent to the initial development of the data system as  
17 published as the department's first data plan, revisions to the data  
18 system shall be considered ((through the department's development of a  
19 biennial data plan, as proposed to,)) with the oversight and policy  
20 guidance of the Washington health services commission or its technical  
21 advisory committee and funded by((7)) the legislature through the  
22 biennial appropriations process with funds appropriated to the state  
23 health services trust account. ((Costs of data activities outside of  
24 these data plans except for special studies shall be funded through  
25 legislative appropriations.

26 (3)) In designing the state-wide ((hospital)) health care data  
27 system and any data plans, the department shall identify ((hospital))  
28 health care data elements relating to ((both hospital finances)) health  
29 care costs, the quality of health care services, the outcomes of health  
30 care services, and ((the)) use of ((services by patients)) health care  
31 by consumers. Data elements ((relating to hospital finances)) shall be  
32 reported ((by hospitals)) as the Washington health services commission  
33 directs by reporters in conformance with a uniform ((system of))  
34 reporting ((as specified by the department and shall)) system  
35 established by the department, which shall be adopted by reporters.  
36 "Reporter" means an individual or business entity, other than a  
37 hospital, required to be registered with the department of revenue for  
38 payment of taxes imposed under chapter 82.04 RCW or Title 48 RCW, that  
39 is primarily engaged in furnishing or insuring for medical, surgical,

1 and other health services to persons. In the case of hospitals this  
2 includes data elements identifying each hospital's revenues, expenses,  
3 contractual allowances, charity care, bad debt, other income, total  
4 units of inpatient and outpatient services, and other financial  
5 information reasonably necessary to fulfill the purposes of chapter  
6 . . . , Laws of 1993 (this ((chapter)) act), for hospital activities as  
7 a whole and, as feasible and appropriate, for specified classes of  
8 hospital purchasers and payers. Data elements relating to use of  
9 hospital services by patients shall, at least initially, be the same as  
10 those currently compiled by hospitals through inpatient discharge  
11 abstracts ((and reported to the Washington state hospital commission)).  
12 The commission and the department shall encourage and permit reporting  
13 by electronic transmission or hard copy as is practical and economical  
14 to reporters.

15 ~~((4))~~ (3) The state-wide ~~((hospital))~~ health care data system  
16 shall be uniform in its identification of reporting requirements for  
17 ~~((hospitals))~~ reporters across the state to the extent that such  
18 uniformity is ((necessary)) useful to fulfill the purposes of chapter  
19 . . . , Laws of 1993 (this ((chapter)) act). Data reporting  
20 requirements may reflect differences ((in hospital size; urban or rural  
21 location; scope, type, and method of providing service; financial  
22 structure; or other pertinent distinguishing factors)) that involve  
23 pertinent distinguishing features as determined by the Washington  
24 health services commission by rule. So far as ((possible)) is  
25 practical, the data system shall be coordinated with any requirements  
26 of the trauma care data registry as authorized in RCW 70.168.090, the  
27 federal department of health and human services in its administration  
28 of the medicare program, ((and)) the state in its role of gathering  
29 public health statistics, or any other payer program of consequence so  
30 as to minimize any unduly burdensome reporting requirements imposed on  
31 ~~((hospitals))~~ reporters.

32 ~~((5))~~ (4) In identifying financial reporting requirements under  
33 the state-wide ~~((hospital))~~ health care data system, the department may  
34 require both annual reports and condensed quarterly reports from  
35 reporters, so as to achieve both accuracy and timeliness in reporting,  
36 but shall craft such requirements with due regard of the data reporting  
37 burdens of reporters.

38 ~~((6))~~ In designing the initial state-wide hospital data system as  
39 published in the department's first data plan, the department shall

1 ~~review all existing systems of hospital financial and utilization~~  
2 ~~reporting used in this state to determine their usefulness for the~~  
3 ~~purposes of this chapter, including their potential usefulness as~~  
4 ~~revised or simplified.~~

5 ~~(7) Until such time as the state wide hospital data system and~~  
6 ~~first data plan are developed and implemented and hospitals are able to~~  
7 ~~comply with reporting requirements, the department shall require~~  
8 ~~hospitals to continue to submit the hospital financial and patient~~  
9 ~~discharge information previously required to be submitted to the~~  
10 ~~Washington state hospital commission. Upon publication of the first~~  
11 ~~data plan, hospitals shall have a reasonable period of time to comply~~  
12 ~~with any new reporting requirements and, even in the event that new~~  
13 ~~reporting requirements differ greatly from past requirements, shall~~  
14 ~~comply within two years of July 1, 1989.~~

15 ~~(8))~~ (5) The ((hospital)) health care data collected ((and)),  
16 maintained, and studied by the department or the Washington health  
17 services commission shall only be available for retrieval in original  
18 or processed form to public and private requestors and shall be  
19 available within a reasonable period of time after the date of request.  
20 The cost of retrieving data for state officials and agencies shall be  
21 funded through the state general appropriation. The cost of retrieving  
22 data for individuals and organizations engaged in research or private  
23 use of data or studies shall be funded by a fee schedule developed by  
24 the department which reflects the direct cost of retrieving the data or  
25 study in the requested form.

26 (6) All persons subject to chapter . . . , Laws of 1993 (this act)  
27 shall comply with departmental or commission requirements established  
28 by rule in the acquisition of data.

29 **Sec. 255.** RCW 70.170.110 and 1989 1st ex.s. c 9 s 511 are each  
30 amended to read as follows:

31 The department shall provide, or may contract with a private entity  
32 to provide, ~~((hospital)) analyses and reports~~ or any studies it chooses  
33 to conduct consistent with the purposes of chapter . . . , Laws of 1993  
34 (this ((chapter)) act). Subject to the availability of funds and any  
35 policy direction that may be given by the Washington health services  
36 commission. ((Prior to release, the department shall provide affected  
37 hospitals with an opportunity to review and comment on reports which  
38 identify individual hospital data with respect to accuracy and

1 completeness, and otherwise shall focus on aggregate reports of  
2 hospital performance.)) These studies, analyses, or reports shall  
3 include:

4 (1) Consumer guides on purchasing (~~hospital care services and~~) or  
5 consuming health care and publications providing verifiable and useful  
6 aggregate comparative information to (~~consumers on hospitals and~~  
7 ~~hospital services~~) the public on health care services, their cost, and  
8 the quality of health care providers who participate in certified  
9 health plans;

10 (2) Reports for use by classes of purchasers, who purchase from  
11 certified health plans, health care payers, and providers as specified  
12 for content and format in the state-wide data system and data plan;  
13 (~~and~~)

14 (3) Reports on relevant (~~hospital~~) health care policy (~~issues~~)  
15 including the distribution of hospital charity care obligations among  
16 hospitals; absolute and relative rankings of Washington and other  
17 states, regions, and the nation with respect to expenses, net revenues,  
18 and other key indicators; (~~hospital~~) provider efficiencies; and the  
19 effect of medicare, medicaid, and other public health care programs on  
20 rates paid by other purchasers of (~~hospital~~) health care; and

21 (4) Any other reports the commission or department deems useful to  
22 assist the public or purchasers of certified health plans in  
23 understanding the prudent and cost-effective use of certified health  
24 plan services.

25 NEW SECTION. Sec. 256. A new section is added to chapter 70.170  
26 RCW to read as follows:

27 Notwithstanding the provisions of chapter 42.17 RCW, any material  
28 contained within the state-wide health care data system or in the files  
29 of either the department or the Washington health services commission  
30 shall be subject to the following limitations: (1) Records obtained,  
31 reviewed by, or on file that contain information concerning medical  
32 treatment of individuals shall be exempt from public inspection and  
33 copying; and (2) any actuarial formulas, statistics, and assumptions  
34 submitted by a certified health plan to the commission or department  
35 upon request shall be exempt from public inspection and copying in  
36 order to preserve trade secrets or prevent unfair competition.

37 All persons and any public or private agencies or entities  
38 whatsoever subject to this chapter shall comply with any requirements

1 established by rule relating to the acquisition or use of health  
2 services data and maintain the confidentiality of any information which  
3 may, in any manner, identify individual persons.

4 NEW SECTION. **Sec. 257.** A new section is added to chapter 70.170  
5 RCW to read as follows:

6 The Washington health services commission shall have access to all  
7 health data presently available to the secretary of health. To the  
8 extent possible, the commission shall use existing data systems and  
9 coordinate among existing agencies. The department of health shall be  
10 the designated depository agency for all health data collected pursuant  
11 to chapter . . ., Laws of 1993 (this act). The following data sources  
12 shall be developed or made available:

13 (1) The commission shall coordinate with the secretary of health to  
14 utilize data collected by the state center for health statistics,  
15 including hospital charity care and related data, rural health data,  
16 epidemiological data, ethnicity data, social and economic status data,  
17 and other data relevant to the commission's responsibilities.

18 (2) The commission, in coordination with the department of health  
19 and the health science programs of the state universities shall develop  
20 procedures to analyze clinical and other health services outcome data,  
21 and conduct other research necessary for the specific purpose of  
22 assisting in the design of the uniform benefit package under chapter  
23 . . ., Laws of 1993 (this act).

24 (3) The commission shall establish cost data sources and shall  
25 require each certified health plan to provide the commission and the  
26 department of health with enrollee care and cost information, to  
27 include: (a) Enrollee identifier, including date of birth, sex, and  
28 ethnicity; (b) provider identifier; (c) diagnosis; (d) health care  
29 services or procedures provided; (e) provider charges, if any; and (f)  
30 amount paid. The department shall establish by rule confidentiality  
31 standards to safeguard the information from inappropriate use or  
32 release.

33 NEW SECTION. **Sec. 258.** A new section is added to chapter 70.170  
34 RCW to read as follows:

35 (1) The department is responsible for the implementation and  
36 custody of a state-wide personal health services data and information  
37 system. The data elements, specifications, and other design features

1 of this data system shall be consistent with criteria adopted by the  
2 Washington health services commission. The department shall provide  
3 the commission with reasonable assistance in the development of these  
4 criteria, and shall provide the commission with periodic progress  
5 reports related to the implementation of the system or systems related  
6 to those criteria.

7 (2) The department shall coordinate the development and  
8 implementation of the personal health services data and information  
9 system with related private activities and with the implementation  
10 activities of the data sources identified by the commission. Data  
11 shall include: (a) Enrollee identifier, including date of birth, sex,  
12 and ethnicity; (b) provider identifier; (c) diagnosis; (d) health  
13 services or procedures provided; (e) provider charges, if any; and (f)  
14 amount paid. The commission shall establish by rule, confidentiality  
15 standards to safeguard the information from inappropriate use or  
16 release. The department shall assist the commission in establishing  
17 reasonable time frames for the completion of the system development and  
18 system implementation.

19 **G. HEALTH PROFESSIONAL SHORTAGES**

20 NEW SECTION. **Sec. 259.** LEGISLATIVE INTENT. The legislature finds  
21 that the successful implementation of health care reform will depend on  
22 a sufficient availability of primary health care providers throughout  
23 the state. Many rural and medically underserved urban areas lack  
24 primary health care providers and because of this basic health care  
25 services are limited or unavailable to populations living in these  
26 areas. The legislature has in recent years initiated new programs to  
27 address these provider shortage needs but funding has been insufficient  
28 and additional specific providers shortage needs still remain.

29 **Sec. 260.** RCW 28B.125.010 and 1991 c 332 s 5 are each amended to  
30 read as follows:

31 (1) The higher education coordinating board, the state board for  
32 community ~~((college—education))~~ and technical colleges, the  
33 superintendent of public instruction, the state department of health,  
34 the Washington health services commission, and the state department of  
35 social and health services, to be known for the purposes of this  
36 section as the committee, shall establish a state-wide health personnel

1 resource plan. The governor shall appoint a lead agency from one of  
2 the agencies on the committee.

3 In preparing the state-wide plan the committee shall consult with  
4 the training and education institutions affected by this chapter,  
5 health care providers, employers of health care providers, insurers,  
6 consumers of health care, and other appropriate entities.

7 Should a successor agency or agencies be authorized or created by  
8 the legislature with planning, coordination, or administrative  
9 authority over vocational-technical schools, community colleges, or  
10 four-year higher education institutions, the governor shall grant  
11 membership on the committee to such agency or agencies and remove the  
12 member or members it replaces.

13 The committee shall appoint subcommittees for the purpose of  
14 assisting in the development of the institutional plans required under  
15 this chapter. Such subcommittees shall at least include those  
16 committee members that have statutory responsibility for planning,  
17 coordination, or administration of the training and education  
18 institutions for which the institutional plans are being developed. In  
19 preparing the institutional plans for four-year institutes of higher  
20 education, the subcommittee shall be composed of at least the higher  
21 education coordinating board and the state's four-year higher education  
22 institutions. The appointment of subcommittees to develop portions of  
23 the state-wide plan shall not relinquish the committee's responsibility  
24 for assuring overall coordination, integration, and consistency of the  
25 state-wide plan.

26 In establishing and implementing the state-wide health personnel  
27 resource plan the committee shall, to the extent possible, utilize  
28 existing data and information, personnel, equipment, and facilities and  
29 shall minimize travel and take such other steps necessary to reduce the  
30 administrative costs associated with the preparation and implementation  
31 of the plan.

32 (2) The state-wide health resource plan shall include at least the  
33 following:

34 (a)(i) Identification of the type, number, and location of the  
35 health care professional work force necessary to meet health care needs  
36 of the state.

37 (ii) A description and analysis of the composition and numbers of  
38 the potential work force available for meeting health care service  
39 needs of the population to be used for recruitment purposes. This

1 should include a description of the data, methodology, and process used  
2 to make such determinations.

3 (b) A centralized inventory of the numbers of student applications  
4 to higher education and vocational-technical training and education  
5 programs, yearly enrollments, yearly degrees awarded, and numbers on  
6 waiting lists for all the state's publicly funded health care training  
7 and education programs. The committee shall request similar  
8 information for incorporation into the inventory from private higher  
9 education and vocational-technical training and education programs.

10 (c) A description of state-wide and local specialized provider  
11 training needs to meet the health care needs of target populations and  
12 a plan to meet such needs in a cost-effective and accessible manner.

13 (d) A description of how innovative, cost-effective technologies  
14 such as telecommunications can and will be used to provide higher  
15 education, vocational-technical, continued competency, and skill  
16 maintenance and enhancement education and training to placebound  
17 students who need flexible programs and who are unable to attend  
18 institutions for training.

19 (e) A strategy for assuring higher education and vocational-  
20 technical educational and training programming is sensitive to the  
21 changing work force such as reentry workers, women, minorities, and the  
22 disabled.

23 (f) A strategy and coordinated state-wide policy developed by the  
24 subcommittees authorized in subsection (1) of this section for  
25 increasing the number of graduates intending to serve in shortage areas  
26 after graduation, including such strategies as the establishment of  
27 preferential admissions and designated enrollment slots.

28 (g) Guidelines and policies developed by the subcommittees  
29 authorized in subsection (1) of this section for allowing academic  
30 credit for on-the-job experience such as internships, volunteer  
31 experience, apprenticeships, and community service programs.

32 (h) A strategy developed by the subcommittees authorized in  
33 subsection (1) of this section for making required internships and  
34 residency programs available that are geographically accessible and  
35 sufficiently diverse to meet both general and specialized training  
36 needs as identified in the plan when such programs are required.

37 (i) A description of the need for multiskilled health care  
38 professionals and an implementation plan to restructure educational and  
39 training programming to meet these needs.

1 (j) An analysis of the types and estimated numbers of health care  
2 personnel that will need to be recruited from out-of-state to meet the  
3 health professional needs not met by in-state trained personnel.

4 (k) An analysis of the need for educational articulation within the  
5 various health care disciplines and a plan for addressing the need.

6 (l) An analysis of the training needs of those members of the long-  
7 term care profession that are not regulated and that have no formal  
8 training requirements. Programs to meet these needs should be  
9 developed in a cost-effective and a state-wide accessible manner that  
10 provide for the basic training needs of these individuals.

11 (m) A designation of the professions and geographic locations in  
12 which loan repayment and scholarships should be available based upon  
13 objective data-based forecasts of health professional shortages. A  
14 description of the criteria used to select professions and geographic  
15 locations shall be included. Designations of professions and  
16 geographic locations may be amended by the department of health when  
17 circumstances warrant as provided for in RCW 28B.115.070.

18 (n) A description of needed changes in regulatory laws governing  
19 the credentialing of health professionals.

20 (o) A description of linguistic and cultural training needs of  
21 foreign-trained health care professionals to assure safe and effective  
22 practice of their health care profession.

23 (p) A plan to implement the recommendations of the state-wide  
24 nursing plan authorized by RCW 74.39.040.

25 (q) A description of criteria and standards that institutional  
26 plans provided for in this section must address in order to meet the  
27 requirements of the state-wide health personnel resource plan,  
28 including funding requirements to implement the plans. The committee  
29 shall also when practical identify specific outcome measures to measure  
30 progress in meeting the requirements of this plan. The criteria and  
31 standards shall be established in a manner as to provide flexibility to  
32 the institutions in meeting state-wide plan requirements. The  
33 committee shall establish required submission dates for the  
34 institutional plans that permit inclusion of funding requests into the  
35 institutions budget requests to the state.

36 (r) A description of how the higher education coordinating board,  
37 state board for community (~~college education~~) and technical colleges,  
38 superintendent of public instruction, department of health, and  
39 department of social and health services coordinated in the creation

1 and implementation of the state plan including the areas of  
2 responsibility each agency shall assume. The plan should also include  
3 a description of the steps taken to assure participation by the groups  
4 that are to be consulted with.

5 (s) A description of the estimated fiscal requirements for  
6 implementation of the state-wide health resource plan that include a  
7 description of cost saving activities that reduce potential costs by  
8 avoiding administrative duplication, coordinating programming  
9 activities, and other such actions to control costs.

10 (3) The committee may call upon other agencies of the state to  
11 provide available information to assist the committee in meeting the  
12 responsibilities under this chapter. This information shall be  
13 supplied as promptly as circumstances permit.

14 (4) State agencies involved in the development and implementation  
15 of the plan shall to the extent possible utilize existing personnel and  
16 financial resources in the development and implementation of the state-  
17 wide health personnel resource plan.

18 (5) The state-wide health personnel resource plan shall be  
19 submitted to the governor by July 1, 1992, and updated by July 1 of  
20 each even-numbered year. The governor, no later than December 1 of  
21 that year, shall approve, approve with modifications, or disapprove the  
22 state-wide health resource plan.

23 (6) The approved state-wide health resource plan shall be submitted  
24 to the senate and house of representatives committees on health care,  
25 higher education, and ways and means or appropriations by December 1 of  
26 each even-numbered year.

27 (7) Implementation of the state-wide plan shall begin by July 1,  
28 1993.

29 (8) Notwithstanding subsections (5) and (7) of this section, the  
30 committee shall prepare and submit to the higher education coordinating  
31 board by June 1, 1992, the analysis necessary for the initial  
32 implementation of the health professional loan repayment and  
33 scholarship program created in chapter 28B.115 RCW.

34 (9) Each publicly funded two-year and four-year institute of higher  
35 education authorized under Title 28B RCW and vocational-technical  
36 institution authorized under Title 28A RCW that offers health training  
37 and education programs shall biennially prepare and submit an  
38 institutional plan to the committee. The institutional plan shall  
39 identify specific programming and activities of the institution that

1 meet the requirements of the state-wide health professional resource  
2 plan.

3 The committee shall review and assess whether the institutional  
4 plans meet the requirements of the state-wide health personnel resource  
5 plan and shall prepare a report with its determination. The report  
6 shall become part of the institutional plan and shall be submitted to  
7 the governor and the legislature.

8 The institutional plan shall be included with the institution's  
9 biennial budget submission. The institution's budget shall identify  
10 proposed spending to meet the requirements of the institutional plan.  
11 Each vocational-technical institution, college, or university shall be  
12 responsible for implementing its institutional plan.

13 **Sec. 261.** RCW 28B.115.080 and 1991 c 332 s 21 are each amended to  
14 read as follows:

15 After June 1, 1992, the board, in consultation with the department  
16 and the department of social and health services, shall:

17 (1) Establish the annual award amount for each credentialed health  
18 care profession which shall be based upon an assessment of reasonable  
19 annual eligible expenses involved in training and education for each  
20 credentialed health care profession. The annual award amount may be  
21 established at a level less than annual eligible expenses. The annual  
22 award amount shall ~~((not be more than fifteen thousand dollars per  
23 year))~~ be established by the board for each eligible health profession.  
24 The awards shall not be paid for more than a maximum of five years per  
25 individual;

26 (2) Determine any scholarship awards for prospective physicians in  
27 such a manner to require the recipients declare an interest in serving  
28 in rural areas of the state of Washington. Preference for scholarships  
29 shall be given to students who reside in a rural physician shortage  
30 area or a nonshortage rural area of the state prior to admission to the  
31 eligible education and training program in medicine. Highest  
32 preference shall be given to students seeking admission who are  
33 recommended by sponsoring communities and who declare the intent of  
34 serving as a physician in a rural area. The board may require the  
35 sponsoring community located in a nonshortage rural area to financially  
36 contribute to the eligible expenses of a medical student if the student  
37 will serve in the nonshortage rural area;

1 (3) Establish the required service obligation for each credentialed  
2 health care profession, which shall be no less than three years or no  
3 more than five years. The required service obligation may be based  
4 upon the amount of the scholarship or loan repayment award such that  
5 higher awards involve longer service obligations on behalf of the  
6 participant;

7 (4) Determine eligible education and training programs for purposes  
8 of the scholarship portion of the program;

9 (5) Honor loan repayment and scholarship contract terms negotiated  
10 between the board and participants prior to May 21, 1991, concerning  
11 loan repayment and scholarship award amounts and service obligations  
12 authorized under chapter ((18.150)) 28B.115, 28B.104, or 70.180 RCW.

13 **Sec. 262.** RCW 70.185.030 and 1991 c 332 s 9 are each amended to  
14 read as follows:

15 (1) The department ((shall)) may, subject to funding, establish  
16 ((up to three)) community-based recruitment and retention project sites  
17 to provide financial and technical assistance to participating  
18 communities. The goal of the project is to help assure the  
19 availability of health care providers in rural areas of Washington  
20 state.

21 (2) Administrative costs necessary to implement this project shall  
22 be kept at a minimum to insure the maximum availability of funds for  
23 participants.

24 (3) The secretary may contract with third parties for services  
25 necessary to carry out activities to implement this chapter where this  
26 will promote economy, avoid duplication of effort, and make the best  
27 use of available expertise.

28 (4) The secretary may apply for, receive, and accept gifts and  
29 other payments, including property and service, from any governmental  
30 or other public or private entity or person, and may make arrangements  
31 as to the use of these receipts, including the undertaking of special  
32 studies and other projects related to the delivery of health care in  
33 rural areas.

34 (5) In designing and implementing the project the secretary shall  
35 coordinate the project with the Washington rural health system project  
36 as authorized under chapter 70.175 RCW to consolidate administrative  
37 duties and reduce costs.

1        NEW SECTION.    **Sec. 263.**    A new section is added to chapter 70.185  
2 RCW to read as follows:

3        (1) The department may develop a mechanism for underserved rural or  
4 urban communities to contract with education and training programs for  
5 student positions above the full time equivalent lids.    The goal of  
6 this program is to provide additional capacity, educating students who  
7 will practice in underserved communities.

8        (2) Eligible education and training programs are those programs  
9 approved by the department that lead to eligibility for a credential as  
10 a credentialed health care professional.    Eligible professions are  
11 those licensed under chapters 18.36A, 18.57, 18.57A, 18.71, and 18.71A  
12 RCW and advanced registered nurse practitioners and certified nurse  
13 midwives licensed under chapter 18.88 RCW, and may include other  
14 providers identified as needed in the health personnel resource plan.

15        (3) Students participating in the community contracted educational  
16 positions shall meet all applicable educational program requirements  
17 and provide assurances, acceptable to the community, that they will  
18 practice in the sponsoring community following completion of education  
19 and necessary licensure.

20        (4) Participants in the program incur an obligation to repay any  
21 contracted funds with interest set by state law, unless they serve at  
22 least three years in the sponsoring community.

23        (5) The department may provide funds to communities for use in  
24 contracting.

25        NEW SECTION.    **Sec. 264.**    A new section is added to chapter 70.185  
26 RCW to read as follows:

27        AREA HEALTH EDUCATION CENTERS.    The secretary may establish and  
28 contract with area health education centers in the eastern and western  
29 parts of the state.    Consistent with the recruitment and retention  
30 objectives of this chapter, the centers shall provide or facilitate the  
31 provision of health professional educational and continuing education  
32 programs that strengthen the delivery of primary health care services  
33 in rural and medically underserved urban areas of the state.    The  
34 center shall assist in the development and operation of health  
35 personnel recruitment and retention programs that are consistent with  
36 activities authorized under this chapter.    The centers shall further  
37 provide technical expertise in the development of well managed health

1 care delivery systems in rural Washington consistent with the goals and  
2 objectives of chapter . . . , Laws of 1993 (this act).

3 **Sec. 265.** RCW 43.70.460 and 1992 c 113 s 2 are each amended to  
4 read as follows:

5 (1) The department may establish a program to purchase and maintain  
6 liability malpractice insurance for retired ((~~physicians~~)) primary care  
7 providers who provide primary health care services at community  
8 clinics. The following conditions apply to the program:

9 (a) Primary health care services shall be provided at community  
10 clinics that are public or private tax-exempt corporations;

11 (b) Primary health care services provided at the clinics shall be  
12 offered to low-income patients based on their ability to pay;

13 (c) Retired ((~~physicians~~)) primary care providers providing health  
14 care services shall not receive compensation for their services; and

15 (d) The department shall contract only with a liability insurer  
16 authorized to offer liability malpractice insurance in the state.

17 (2) This section and RCW 43.70.470 shall not be interpreted to  
18 require a liability insurer to provide coverage to a ((~~physician~~))  
19 primary care provider should the insurer determine that coverage should  
20 not be offered to a physician because of past claims experience or for  
21 other appropriate reasons.

22 (3) The state and its employees who operate the program shall be  
23 immune from any civil or criminal action involving claims against  
24 clinics or physicians that provided health care services under this  
25 section and RCW 43.70.470. This protection of immunity shall not  
26 extend to any clinic or ((~~physician~~)) primary care provider  
27 participating in the program.

28 (4) The department may monitor the claims experience of retired  
29 physicians covered by liability insurers contracting with the  
30 department.

31 (5) The department may provide liability insurance under chapter  
32 113, Laws of 1992 only to the extent funds are provided for this  
33 purpose by the legislature.

34 **Sec. 266.** RCW 43.70.470 and 1992 c 113 s 3 are each amended to  
35 read as follows:

36 The department may establish by rule the conditions of  
37 participation in the liability insurance program by retired

1 ((physicians)) primary care providers at clinics utilizing retired  
2 physicians for the purposes of this section and RCW 43.70.460. These  
3 conditions shall include, but not be limited to, the following:

4 (1) The participating ((physician)) primary care provider  
5 associated with the clinic shall hold a valid license in this state to  
6 practice ((medicine and surgery in this state and otherwise)) as a  
7 physician under chapter 18.71 or 18.57 RCW, a physician assistant under  
8 chapter 18.71A or 18.57A RCW, an advanced registered nurse practitioner  
9 under chapter 18.88 RCW, a dentist under chapter 18.32 RCW, or other  
10 health professionals as may be deemed in short supply in the health  
11 personnel resource plan under chapter 28B.125 RCW. All primary care  
12 providers must be in conformity with current requirements for licensure  
13 as a retired ((physician)) primary care health care provider, including  
14 continuing education requirements;

15 (2) The participating ((physician)) primary care health care  
16 provider shall limit the scope of practice in the clinic to primary  
17 care. Primary care shall be limited to noninvasive procedures and  
18 shall not include obstetrical care, or any specialized care and  
19 treatment. Noninvasive procedures include injections, suturing of  
20 minor lacerations, and incisions of boils or superficial abscesses.  
21 Primary dental care shall be limited to diagnosis, oral hygiene,  
22 restoration, and extractions and shall not include orthodontia, or  
23 other specialized care and treatment;

24 (3) The provision of liability insurance coverage shall not extend  
25 to acts outside the scope of rendering medical services pursuant to  
26 this section and RCW 43.70.460;

27 (4) The participating ((physician)) primary care health care  
28 provider shall limit the provision of health care services to low-  
29 income persons provided that clinics may, but are not required to,  
30 provide means tests for eligibility as a condition for obtaining health  
31 care services;

32 (5) The participating ((physician)) primary care health care  
33 provider shall not accept compensation for providing health care  
34 services from patients served pursuant to this section and RCW  
35 43.70.460, nor from clinics serving these patients. "Compensation"  
36 shall mean any remuneration of value to the participating ((physician))  
37 primary care health care provider for services provided by the  
38 ((physician)) primary care health care provider, but shall not be  
39 construed to include any nominal copayments charged by the clinic, nor

1 reimbursement of related expenses of a participating ((physician))  
2 primary care health care provider authorized by the clinic in advance  
3 of being incurred; and

4 (6) The use of mediation or arbitration for resolving questions of  
5 potential liability may be used, however any mediation or arbitration  
6 agreement format shall be expressed in terms clear enough for a person  
7 with a sixth grade level of education to understand, and on a form no  
8 longer than one page in length.

9 NEW SECTION. Sec. 267. MEDICAL SCHOOL GRADUATES SERVING IN RURAL  
10 AND MEDICALLY UNDERSERVED AREAS OF THE STATE--LEGISLATIVE INTENT. The  
11 legislature finds that the shortage of primary care physicians  
12 practicing in rural and medically underserved areas of the state has  
13 created a severe public health and safety problem. If unaddressed,  
14 this problem is expected to worsen with health care reform since an  
15 increased demand for primary care services will only contribute further  
16 to these shortages.

17 The legislature further finds that the medical training program at  
18 the University of Washington is an important and well respected  
19 resource to the people of this state in the training of primary care  
20 physicians. Currently, only a small proportion of medical school  
21 graduates are Washington residents who serve as primary care  
22 practitioners in certain parts of this state.

23 NEW SECTION. Sec. 268. MEDICAL SCHOOL PRIMARY CARE PHYSICIAN  
24 SHORTAGE PLAN DEVELOPMENT. The University of Washington medical school  
25 shall prepare a primary care physician shortage plan. The plan shall  
26 identify specific activities that the school of medicine will pursue to  
27 increase the number of Washington residents serving as primary care  
28 physicians in rural and medically underserved urban areas of the state.  
29 A goal of the plan shall be to assure that by 2000 no fewer than fifty  
30 percent of all medical school graduates who are Washington state  
31 residents at the time of matriculation will enter into primary care  
32 residencies, to the extent possible, in Washington state. The plan  
33 shall also assure that the medical school will establish as among its  
34 highest training priorities the distribution of primary care physician  
35 graduates from the school, and its associated postgraduate residencies,  
36 to rural and medically underserved urban areas. Pursuant to this, the  
37 school shall establish the goal of assuring that by 1995 the annual

1 number of graduates from the family practice residency network entering  
2 rural or medically underserved practices shall be increased by forty  
3 percent over a baseline period from 1988 to 1990. A further goal shall  
4 be to establish and make operational by 1997 at least two additional  
5 family practice residency programs within the state in geographic areas  
6 identified by the plan as underserved in family practice. The  
7 geographic areas identified by the plan as being underserved by family  
8 practice physicians shall be consistent with any such similar  
9 designations as may be made in the health personnel resource plan as  
10 authorized under chapter 28B.125 RCW. The plan shall be submitted to  
11 the health policy committees of the legislature no later than December  
12 1, 1993, and shall be implemented within current biennial  
13 appropriations for the University of Washington school of medicine.  
14 Expansions of the family practice residency network shall be made  
15 subject to additional appropriations, including appropriations made in  
16 this act.

17 NEW SECTION. **Sec. 269.** TRANSFER OF AUTHORITY TO PURCHASE SERVICES  
18 FROM COMMUNITY HEALTH CENTERS. (1) State general funds appropriated to  
19 the department of health for the purposes of funding community health  
20 centers to provide primary medical and dental care services, migrant  
21 health services, and maternity health care services shall be  
22 transferred to the state health care authority. Any related  
23 administrative funds expended by the department of health for this  
24 purpose shall also be transferred to the health care authority. The  
25 health care authority shall exclusively expend these funds through  
26 contracts with community health centers to provide primary medical and  
27 dental care services, migrant health services, and maternity care  
28 services. The administrator of the health care authority shall  
29 establish requirements necessary to assure community health centers  
30 provide quality health care services that are appropriate and effective  
31 and are delivered in a cost-efficient manner. The administrator shall  
32 further assure community health centers have appropriate referral  
33 arrangements for acute care and medical specialty services not provided  
34 by the community health centers.

35 (2) To further the intent of chapter . . . , Laws of 1993 (this  
36 act), the health care authority, in consultation with the department of  
37 health, shall evaluate the organization and operation of the state's  
38 community health centers and propose recommendations to the health

1 services commission and the health policy committees of the legislature  
2 by November 30, 1994, that identify changes to permit community health  
3 centers to form certified health plans or other innovative health care  
4 delivery arrangements that help insure access to primary health care  
5 services to low-income, migrant, refugee populations consistent with  
6 the purposes of chapter . . . , Laws of 1993 (this act).

7 **H. JOINT UNDERWRITING AUTHORITY FOR LONG-TERM CARE**

8 NEW SECTION. **Sec. 270.** A new section is added to Title 48 RCW to  
9 read as follows:

10 The insurance commissioner shall by July 1997 create a joint  
11 underwriting authority for long-term care.

12 **I. TAXES**

13 **Sec. 271.** RCW 82.24.020 and 1989 c 271 s 504 are each amended to  
14 read as follows:

15 (1) There is levied and there shall be collected as hereinafter  
16 provided, a tax upon the sale, use, consumption, handling, possession  
17 or distribution of all cigarettes, in an amount equal to the rate of  
18 eleven and one-half mills per cigarette.

19 (2) Until July 1, 1995, an additional tax is imposed upon the sale,  
20 use, consumption, handling, possession, or distribution of all  
21 cigarettes, in an amount equal to the rate of one and one-half mills  
22 per cigarette. All revenues collected during any month from this  
23 additional tax shall be deposited in the drug enforcement and education  
24 account under RCW 69.50.520 by the twenty-fifth day of the following  
25 month.

26 (3) An additional tax is imposed upon the sale, use, consumption,  
27 handling, possession, or distribution of all cigarettes, in an amount  
28 equal to the rate of ten mills per cigarette through June 30, 1994,  
29 eleven and one-fourth mills per cigarette for the period July 1, 1994,  
30 through June 30, 1995, twenty mills per cigarette for the period July  
31 1, 1995, through June 30, 1996, and twenty and one-half mills per  
32 cigarette thereafter. All revenues collected during any month from  
33 this additional tax shall be deposited in the Washington health  
34 services trust account created under section 358 of this act.

1       (4) Wholesalers and retailers subject to the payment of this tax  
2 may, if they wish, absorb one-half mill per cigarette of the tax and  
3 not pass it on to purchasers without being in violation of this section  
4 or any other act relating to the sale or taxation of cigarettes.

5       (~~(4)~~) (5) For purposes of this chapter, "possession" shall mean  
6 both (a) physical possession by the purchaser and, (b) when cigarettes  
7 are being transported to or held for the purchaser or his or her  
8 designee by a person other than the purchaser, constructive possession  
9 by the purchaser or his designee, which constructive possession shall  
10 be deemed to occur at the location of the cigarettes being so  
11 transported or held.

12       **Sec. 272.** RCW 82.24.080 and 1972 ex.s. c 157 s 4 are each amended  
13 to read as follows:

14       It is the intent and purpose of this chapter to levy a tax on all  
15 of the articles taxed herein, sold, used, consumed, handled, possessed,  
16 or distributed within this state and to collect the tax from the person  
17 who first sells, uses, consumes, handles, possesses (either physically  
18 or constructively, in accordance with RCW 82.24.020) or distributes  
19 them in the state. It is further the intent and purpose of this  
20 chapter that whenever any of the articles herein taxed is given away  
21 for advertising or any other purpose, it shall be taxed in the same  
22 manner as if it were sold, used, consumed, handled, possessed, or  
23 distributed in this state.

24       It is also the intent and purpose of this chapter that the tax  
25 shall be imposed at the time and place of the first taxable event  
26 occurring within this state: PROVIDED, HOWEVER, That failure to pay  
27 the tax with respect to a taxable event shall not prevent tax liability  
28 from arising by reason of a subsequent taxable event.

29       In the event of an increase in the rate of the tax imposed under  
30 this chapter, it is the intent of the legislature that the first person  
31 who sells, uses, consumes, handles, possesses, or distributes  
32 previously taxed articles after the effective date of the rate increase  
33 shall be liable for the additional tax represented by the rate  
34 increase, but the failure to pay the additional tax with respect to the  
35 first taxable event after the effective date of a rate increase shall  
36 not prevent tax liability for the additional tax from arising from a  
37 subsequent taxable event.

1       **Sec. 273.** RCW 82.26.020 and 1983 2nd ex.s. c 3 s 16 are each  
2 amended to read as follows:

3       (1) (~~From and after June 1, 1971,~~) There is levied and there  
4 shall be collected a tax upon the sale, use, consumption, handling, or  
5 distribution of all tobacco products in this state at the rate of  
6 forty-five percent of the wholesale sales price of such tobacco  
7 products. (~~Such tax~~)

8       (2) Taxes under this section shall be imposed at the time the  
9 distributor (a) brings, or causes to be brought, into this state from  
10 without the state tobacco products for sale, (b) makes, manufactures,  
11 or fabricates tobacco products in this state for sale in this state, or  
12 (c) ships or transports tobacco products to retailers in this state, to  
13 be sold by those retailers.

14       (~~(+2)~~) (3) An additional tax is imposed equal to (~~the rate~~  
15 ~~specified in RCW 82.02.030~~) seven percent multiplied by the tax  
16 payable under subsection (1) of this section.

17       (4) An additional tax is imposed equal to the tax payable under  
18 subsection (1) of this section multiplied by the rate of eighty-five  
19 percent through June 30, 1994, ninety-five percent for the period July  
20 1, 1994, through June 30, 1995, one hundred seventy percent for the  
21 period July 1, 1995, through June 30, 1996, and one hundred seventy-  
22 five percent thereafter. The moneys collected under this subsection  
23 shall be deposited in the Washington health services trust account  
24 created under section 358 of this act.

25       **Sec. 274.** RCW 82.08.150 and 1989 c 271 s 503 are each amended to  
26 read as follows:

27       (1) There is levied and shall be collected a tax upon each retail  
28 sale of spirits, or strong beer in the original package at the rate of  
29 fifteen percent of the selling price. The tax imposed in this  
30 subsection shall apply to all such sales including sales by the  
31 Washington state liquor stores and agencies, but excluding sales to  
32 class H licensees.

33       (2) There is levied and shall be collected a tax upon each sale of  
34 spirits, or strong beer in the original package at the rate of ten  
35 percent of the selling price on sales by Washington state liquor stores  
36 and agencies to class H licensees.

37       (3) There is levied and shall be collected an additional tax upon  
38 each retail sale of spirits in the original package at the rate of one

1 dollar and seventy-two cents per liter. The additional tax imposed in  
2 this subsection shall apply to all such sales including sales by  
3 Washington state liquor stores and agencies, and including sales to  
4 class H licensees.

5 (4) An additional tax is imposed equal to (~~the rate specified in~~  
6 ~~RCW 82.02.030~~) fourteen percent multiplied by the taxes payable under  
7 subsections (1), (2), and (3) of this section.

8 (5) Until July 1, 1995, an additional tax is imposed upon each  
9 retail sale of spirits in the original package at the rate of seven  
10 cents per liter. The additional tax imposed in this subsection shall  
11 apply to all such sales including sales by Washington state liquor  
12 stores and agencies, and including sales to class H licensees. All  
13 revenues collected during any month from this additional tax shall be  
14 deposited in the drug enforcement and education account under RCW  
15 69.50.520 by the twenty-fifth day of the following month.

16 (6) An additional tax is imposed equal to the taxes payable under  
17 subsections (1), (2), and (3) of this section multiplied by the rate of  
18 eight and eight-tenths percent through June 30, 1995, fifty percent for  
19 the period July 1, 1995, through June 30, 1997, and seventy-five  
20 percent thereafter. All revenues collected during any month from this  
21 additional tax shall be deposited in the Washington health services  
22 trust account created under section 358 of this act.

23 (7) The tax imposed in RCW 82.08.020, as now or hereafter amended,  
24 shall not apply to sales of spirits or strong beer in the original  
25 package.

26 (~~(7)~~) (8) The taxes imposed in this section shall be paid by the  
27 buyer to the seller, and each seller shall collect from the buyer the  
28 full amount of the tax payable in respect to each taxable sale under  
29 this section. The taxes required by this section to be collected by  
30 the seller shall be stated separately from the selling price and for  
31 purposes of determining the tax due from the buyer to the seller, it  
32 shall be conclusively presumed that the selling price quoted in any  
33 price list does not include the taxes imposed by this section.

34 (~~(8)~~) (9) As used in this section, the terms, "spirits," "strong  
35 beer," and "package" shall have the meaning ascribed to them in chapter  
36 66.04 RCW.

37 **Sec. 275.** RCW 82.02.030 and 1990 c 42 s 319 are each amended to  
38 read as follows:

1       (~~(1)~~) The rate of the additional taxes under RCW 54.28.020(2),  
2 54.28.025(2), 66.24.210(2), 66.24.290(2), 82.04.2901, 82.16.020(2),  
3 (~~(82.26.020(2),~~) 82.27.020(5), and 82.29A.030(2) shall be seven  
4 percent(~~(; and~~

5       ~~(2) The rate of the additional taxes under RCW 82.08.150(4) shall~~  
6 ~~be fourteen percent)~~.

7       NEW SECTION.   **Sec. 276.** A new section is added to chapter 82.04  
8 RCW to read as follows:

9       This chapter does not apply to any health maintenance organization  
10 in respect to prepayments for health care services that are taxable  
11 under section 277 of this act, to any health care service contractor in  
12 respect to prepayments for health care services that are taxable under  
13 section 278 of this act, or to any certified health plan in respect to  
14 premiums that are taxable under section 279 of this act.

15       NEW SECTION.   **Sec. 277.** A new section is added to chapter 48.14  
16 RCW to read as follows:

17       (1) Each health maintenance organization, as defined in RCW  
18 48.46.020, shall pay a tax on or before the first day of March of each  
19 year to the state treasurer through the insurance commissioner's office  
20 on amounts received or collected by the health maintenance organization  
21 during the preceding calendar year as prepayments for comprehensive  
22 health care services.

23       (2) The amount of the tax shall be equal to the total amount of all  
24 prepayments for comprehensive health care services received by the  
25 health maintenance organization during the calendar year multiplied by  
26 the rate of seven one-hundredths percent for the period January 1,  
27 1994, through December 31, 1994, six-tenths percent for the period  
28 January 1, 1995, through December 31, 1995, one percent for the period  
29 January 1, 1996, through December 31, 1997, and one and one-tenth  
30 percent thereafter. The tax on prepayments for health care services  
31 established by this section shall not be applied to amounts received or  
32 collected by a health maintenance organization from the United States  
33 or any instrumentality of the United States as prepayments for  
34 comprehensive health care services provided under Title XVIII,  
35 medicare, of the social security act or the federal employees benefits  
36 plan.

1 (3) Health maintenance organizations shall prepay their tax  
2 liability. The minimum amount of the prepayments shall be percentages  
3 of the health maintenance organization's tax obligation for the  
4 preceding calendar year recomputed using the rate in effect for the  
5 current year. For the prepayment of taxes due during calendar year  
6 1994, the minimum amount of the prepayments shall be percentages of the  
7 health maintenance organization's tax obligation that would have been  
8 due had the tax been in effect during calendar year 1993. The tax  
9 prepayments shall be paid to the state treasurer through the  
10 commissioner's office by the due dates and in the following amounts:

- 11 (a) On or before June 15, forty-five percent;
- 12 (b) On or before September 15, twenty-five percent;
- 13 (c) On or before December 15, twenty-five percent.

14 For good cause demonstrated in writing, the commissioner may  
15 approve an amount smaller than the preceding calendar year's tax  
16 obligation as recomputed for calculating the health maintenance  
17 organization's prepayment obligations for the current tax year.

18 (4) One hundred percent of the moneys collected under this section  
19 shall be deposited in the Washington health services trust account  
20 created under section 358 of this act.

21 NEW SECTION. **Sec. 278.** A new section is added to chapter 48.14  
22 RCW to read as follows:

23 (1) Each health care service contractor, as defined in RCW  
24 48.44.010, shall pay a tax on or before the first day of March of each  
25 year to the state treasurer through the insurance commissioner's office  
26 on amounts received or collected by the health care service contractor  
27 during the preceding calendar year as prepayments for health care  
28 services.

29 (2) The amount of the tax shall be equal to the total amount of all  
30 prepayments for health care services received by the health care  
31 service contractor during the calendar year multiplied by the rate of  
32 seven one-hundredths percent for the period January 1, 1994, through  
33 December 31, 1994, six-tenths percent for the period January 1, 1995,  
34 through December 31, 1995, one percent for the period January 1, 1996,  
35 through December 31, 1997, and one and one-tenth percent thereafter.  
36 The tax on prepayments for health care services established by this  
37 section shall not be applied to amounts received or collected by a  
38 health care service contractor from the United States or any

1 instrumentality of the United States as prepayments for comprehensive  
2 health care services provided under Title XVIII, medicare, of the  
3 social security act or the federal employees benefits plan.

4 (3) Health care service contractors shall prepay their tax  
5 liability. The minimum amount of the prepayments shall be percentages  
6 of the health care service contractor's tax obligation for the  
7 preceding calendar year recomputed using the rate in effect for the  
8 current year. For the prepayment of taxes due during calendar year  
9 1994, the minimum amount of the prepayments shall be percentages of the  
10 health care service contractor's tax obligation that would have been  
11 due had the tax been in effect during calendar year 1993. The tax  
12 prepayments shall be paid to the state treasurer through the  
13 commissioner's office by the due dates and in the following amounts:

- 14 (a) On or before June 15, forty-five percent;
- 15 (b) On or before September 15, twenty-five percent;
- 16 (c) On or before December 15, twenty-five percent.

17 For good cause demonstrated in writing, the commissioner may  
18 approve an amount smaller than the preceding calendar year's tax  
19 obligation as recomputed for calculating the health care service  
20 contractor's prepayment obligations for the current tax year.

21 (4) One hundred percent of the moneys collected under this section  
22 shall be deposited in the Washington health services trust account  
23 created under section 358 of this act.

24 NEW SECTION. **Sec. 279.** A new section is added to chapter 48.14  
25 RCW to read as follows:

26 (1) Each certified health plan, as defined by section 302 of this  
27 act, shall pay a tax on or before the first day of March of each year  
28 to the state treasurer through the insurance commissioner's office on  
29 premiums received or collected by the certified health plan during the  
30 preceding calendar year.

31 (2) The amount of the tax shall be equal to the total amount of all  
32 premiums collected or received by the certified health plan during the  
33 calendar year multiplied by the rate of seven one-hundredths percent  
34 for the period January 1, 1994, through December 31, 1994, six-tenths  
35 percent for the period January 1, 1995, through December 31, 1995, one  
36 percent for the period January 1, 1996, through December 31, 1997, and  
37 one and one-tenth percent thereafter. The tax on prepayments for  
38 health care services established by this section shall not be applied

1 to amounts received or collected by a certified health plan from the  
2 United States or any instrumentality of the United States as  
3 prepayments for comprehensive health care services provided under Title  
4 XVIII, medicare, of the social security act or the federal employees  
5 benefits plan.

6 (3) Certified health plans shall prepay their tax liability. The  
7 minimum amount of the prepayments shall be percentages of the certified  
8 health plan's tax obligation for the preceding calendar year recomputed  
9 using the rate in effect for the current year: PROVIDED, That for the  
10 prepayment of taxes due during calendar year 1994, the minimum amount  
11 of the prepayments shall be percentages of the certified health plan's  
12 tax obligation that would have been due had the tax been in effect  
13 during calendar year 1993. The tax prepayments shall be paid to the  
14 state treasurer through the commissioner's office by the due dates and  
15 in the following amounts:

- 16 (a) On or before June 15, forty-five percent;
- 17 (b) On or before September 15, twenty-five percent;
- 18 (c) On or before December 15, twenty-five percent.

19 For good cause demonstrated in writing, the commissioner may  
20 approve an amount smaller than the preceding calendar year's tax  
21 obligation as recomputed for calculating the certified health plan's  
22 prepayment obligations for the current tax year.

23 (4) One hundred percent of the moneys collected under this section  
24 shall be deposited in the Washington health services trust account  
25 created under section 358 of this act.

26 **Sec. 280.** RCW 82.04.260 and 1991 c 272 s 15 are each amended to  
27 read as follows:

28 (1) Upon every person engaging within this state in the business of  
29 buying wheat, oats, dry peas, dry beans, lentils, triticale, corn, rye  
30 and barley, but not including any manufactured or processed products  
31 thereof, and selling the same at wholesale; the tax imposed shall be  
32 equal to the gross proceeds derived from such sales multiplied by the  
33 rate of one one-hundredth of one percent.

34 (2) Upon every person engaging within this state in the business of  
35 manufacturing wheat into flour, barley into pearl barley, soybeans into  
36 soybean oil, or sunflower seeds into sunflower oil; as to such persons  
37 the amount of tax with respect to such business shall be equal to the

1 value of the flour, pearl barley, or oil manufactured, multiplied by  
2 the rate of one-eighth of one percent.

3 (3) Upon every person engaging within this state in the business of  
4 splitting or processing dried peas; as to such persons the amount of  
5 tax with respect to such business shall be equal to the value of the  
6 peas split or processed, multiplied by the rate of one-quarter of one  
7 percent.

8 (4) Upon every person engaging within this state in the business of  
9 manufacturing seafood products which remain in a raw, raw frozen, or  
10 raw salted state at the completion of the manufacturing by that person;  
11 as to such persons the amount of tax with respect to such business  
12 shall be equal to the value of the products manufactured, multiplied by  
13 the rate of one-eighth of one percent.

14 (5) Upon every person engaging within this state in the business of  
15 manufacturing by canning, preserving, freezing or dehydrating fresh  
16 fruits and vegetables; as to such persons the amount of tax with  
17 respect to such business shall be equal to the value of the products  
18 canned, preserved, frozen or dehydrated multiplied by the rate of  
19 three-tenths of one percent.

20 (6) Upon every nonprofit corporation and nonprofit association  
21 engaging within this state in research and development, as to such  
22 corporations and associations, the amount of tax with respect to such  
23 activities shall be equal to the gross income derived from such  
24 activities multiplied by the rate of forty-four one-hundredths of one  
25 percent.

26 (7) Upon every person engaging within this state in the business of  
27 slaughtering, breaking and/or processing perishable meat products  
28 and/or selling the same at wholesale only and not at retail; as to such  
29 persons the tax imposed shall be equal to the gross proceeds derived  
30 from such sales multiplied by the rate of twenty-five one-hundredths of  
31 one percent through June 30, 1986, and one-eighth of one percent  
32 thereafter.

33 (8) Upon every person engaging within this state in the business of  
34 making sales, at retail or wholesale, of nuclear fuel assemblies  
35 manufactured by that person, as to such persons the amount of tax with  
36 respect to such business shall be equal to the gross proceeds of sales  
37 of the assemblies multiplied by the rate of twenty-five one-hundredths  
38 of one percent.

1 (9) Upon every person engaging within this state in the business of  
2 manufacturing nuclear fuel assemblies, as to such persons the amount of  
3 tax with respect to such business shall be equal to the value of the  
4 products manufactured multiplied by the rate of twenty-five one-  
5 hundredths of one percent.

6 (10) Upon every person engaging within this state in the business  
7 of acting as a travel agent; as to such persons the amount of the tax  
8 with respect to such activities shall be equal to the gross income  
9 derived from such activities multiplied by the rate of twenty-five one-  
10 hundredths of one percent.

11 (11) Upon every person engaging within this state in business as an  
12 international steamship agent, international customs house broker,  
13 international freight forwarder, vessel and/or cargo charter broker in  
14 foreign commerce, and/or international air cargo agent; as to such  
15 persons the amount of the tax with respect to only international  
16 activities shall be equal to the gross income derived from such  
17 activities multiplied by the rate of thirty-three one-hundredths of one  
18 percent.

19 (12) Upon every person engaging within this state in the business  
20 of stevedoring and associated activities pertinent to the movement of  
21 goods and commodities in waterborne interstate or foreign commerce; as  
22 to such persons the amount of tax with respect to such business shall  
23 be equal to the gross proceeds derived from such activities multiplied  
24 by the rate of thirty-three one hundredths of one percent. Persons  
25 subject to taxation under this subsection shall be exempt from payment  
26 of taxes imposed by chapter 82.16 RCW for that portion of their  
27 business subject to taxation under this subsection. Stevedoring and  
28 associated activities pertinent to the conduct of goods and commodities  
29 in waterborne interstate or foreign commerce are defined as all  
30 activities of a labor, service or transportation nature whereby cargo  
31 may be loaded or unloaded to or from vessels or barges, passing over,  
32 onto or under a wharf, pier, or similar structure; cargo may be moved  
33 to a warehouse or similar holding or storage yard or area to await  
34 further movement in import or export or may move to a consolidation  
35 freight station and be stuffed, unstuffed, containerized, separated or  
36 otherwise segregated or aggregated for delivery or loaded on any mode  
37 of transportation for delivery to its consignee. Specific activities  
38 included in this definition are: Wharfage, handling, loading,  
39 unloading, moving of cargo to a convenient place of delivery to the

1 consignee or a convenient place for further movement to export mode;  
2 documentation services in connection with the receipt, delivery,  
3 checking, care, custody and control of cargo required in the transfer  
4 of cargo; imported automobile handling prior to delivery to consignee;  
5 terminal stevedoring and incidental vessel services, including but not  
6 limited to plugging and unplugging refrigerator service to containers,  
7 trailers, and other refrigerated cargo receptacles, and securing ship  
8 hatch covers.

9 (13) Upon every person engaging within this state in the business  
10 of disposing of low-level waste, as defined in RCW 43.145.010; as to  
11 such persons the amount of the tax with respect to such business shall  
12 be equal to the gross income of the business, excluding any fees  
13 imposed under chapter 43.200 RCW, multiplied by the rate of fifteen  
14 percent.

15 (a) The rate specified in this subsection shall be reduced to ten  
16 percent on May 20, 1991.

17 (b) The rate specified in this subsection shall be further reduced  
18 to five percent on January 1, 1992.

19 (c) The rate specified in this subsection shall be further reduced  
20 to three percent on July 1, 1993.

21 If the gross income of the taxpayer is attributable to activities  
22 both within and without this state, the gross income attributable to  
23 this state shall be determined in accordance with the methods of  
24 apportionment required under RCW 82.04.460.

25 (14) Upon every person engaging within this state as an insurance  
26 agent, insurance broker, or insurance solicitor licensed under chapter  
27 48.17 RCW; as to such persons, the amount of the tax with respect to  
28 such licensed activities shall be equal to the gross income of such  
29 business multiplied by the rate of one percent.

30 (15) Upon every person engaging within this state in business as a  
31 hospital, as defined in chapter 70.41 RCW, as to such persons, the  
32 amount of tax with respect to such activities shall be equal to the  
33 gross income of the business multiplied by the rate of five-tenths of  
34 one percent through June 30, 1995, and one and five-tenths percent  
35 thereafter. The moneys collected under this subsection shall be  
36 deposited in the Washington health services trust account created under  
37 section 358 of this act.



1 (3) The sum of six million five hundred thousand dollars, or as  
2 much thereof as may be necessary, is appropriated for the biennium  
3 ending June 30, 1995, from the Washington health services trust account  
4 to the health professions, data systems, and research account for the  
5 purposes of section 358(2)(c) of this act.

6 (4) The sum of four million dollars, or as much thereof as may be  
7 necessary, is appropriated for the biennium ending June 30, 1995, from  
8 the Washington health services trust account to the department of  
9 health for the following purposes: Four hundred thousand dollars for  
10 preparation of the health personnel resource plan under chapter 28B.125  
11 RCW, one million dollars for community-based health professional  
12 recruitment and retention activities under chapter 70.185 RCW, two  
13 hundred thousand dollars for the malpractice insurance program under  
14 RCW 43.70.460 and 43.70.470, one million eight hundred thousand dollars  
15 for training of volunteer emergency medical services personnel under  
16 chapter 70.168 RCW, and four hundred thousand dollars to be distributed  
17 as needed for the studies authorized in sections 365 and 366 of this  
18 act.

19 (5) The sum of two million three hundred thousand dollars, or as  
20 much thereof as may be necessary, is appropriated for the biennium  
21 ending June 30, 1995, from the Washington health services trust account  
22 to the University of Washington for the following purposes: Two  
23 million dollars for the state-wide family medicine program authorized  
24 under chapter 70.112 RCW and three hundred thousand dollars for the  
25 training of physician assistants.

26 (6) The sum of two million dollars, or as much thereof as may be  
27 necessary, is appropriated for the biennium ending June 30, 1995, from  
28 the Washington health services trust account to the higher education  
29 coordinating board for the purposes of making awards through the health  
30 professional scholarship and loan repayment under chapter 28B.115 RCW.

31 (7) The sum of five million dollars, or as much thereof as may be  
32 necessary, is appropriated for the biennium ending June 30, 1995, from  
33 the Washington health services trust account to the health care  
34 authority exclusively for the purposes of increasing the number of  
35 migrant, homeless, refugee, and other persons receiving primary health  
36 care services through community health centers. These funds are  
37 intended as an increase over the funding levels provided for in the  
38 biennium ending June 30, 1993. These funds shall not be used to

1 supplant existing funds received by the community health centers from  
2 federal, state, local government, private, and other sources.

3 **PART III. HEALTH AND MEDICAL SYSTEM REFORM**

4 NEW SECTION. **Sec. 301.** INTENT. The legislature intends that  
5 chapter . . . , Laws of 1993 (this act) establish structures, processes,  
6 and specific financial limits to stabilize the overall cost of medical  
7 care within the economy, to reduce the demand for unneeded medical  
8 care, to provide universal access to essential health and medical  
9 services, from all health care providers licensed in this state to  
10 provide such services to improve public health, and to ensure that  
11 medical system costs do not undermine the financial viability of  
12 nonmedical care businesses.

13 NEW SECTION. **Sec. 302.** DEFINITIONS. In this chapter and sections  
14 317 through 340 and 347 through 352 of this act, unless the context  
15 otherwise requires:

16 (1) "Certified health plan" or "plan" means an entity certified by  
17 the insurance commissioner according to the provisions of section 320  
18 of this act.

19 (2) "Chair" means the presiding officer of the Washington health  
20 services commission.

21 (3) "Commission" means the Washington health services commission.

22 (4) "Continuous quality improvement and total quality management"  
23 means a continuous process to improve health services while reducing  
24 costs.

25 (5) "Employee" means a person who is in the employment of an  
26 employer, as defined by chapter 50.04 RCW. A full-time employee is an  
27 employee who is employed at least eighty hours during a calendar month.  
28 A part-time employee is an employee that works for an employer less  
29 than eighty hours during a calendar month or two hundred forty hours in  
30 a quarter or nine hundred sixty hours during a calendar year.

31 (6) "Employers' cooperative health purchasing group" or "purchasing  
32 group" means a single group of employers in each of two distinct  
33 geographical regions separated by the crest of the Cascade mountains  
34 that: (a) Has as its purpose the purchase of uniform health benefits  
35 on a group basis from certified health plans; (b) purchases the  
36 benefits only for its members' employees and dependents; (c) is

1 composed of members whose businesses or activities are principally  
2 located in that geographical region; and (d) does not deny  
3 participation to any business, partnership, or corporation within its  
4 geographical region.

5 (7) "Enrollee" means any person who is a Washington resident  
6 enrolled in a certified health plan.

7 (8) "Enrollee point of service cost-sharing" means fees paid to  
8 certified health plans by enrollees for receipt of specific uniform  
9 benefit package services, and may include deductibles all within limits  
10 established by the commission.

11 (9) "Enrollee premium sharing" means that portion of the premium  
12 that is paid by enrollees or their family members.

13 (10) "Federal poverty level" means the federal poverty guidelines  
14 determined annually by the United States department of health and human  
15 services or successor agency.

16 (11) "Health care facility" or "facility" means hospices licensed  
17 under chapter 70.127 RCW, hospitals licensed under chapter 70.41 RCW,  
18 rural health facilities as defined in RCW 70.175.020, psychiatric  
19 hospitals licensed under chapter 71.12 RCW, nursing homes licensed  
20 under chapter 18.51 RCW, kidney disease treatment centers licensed  
21 under chapter 70.41 RCW, ambulatory diagnostic, treatment or surgical  
22 facilities licensed under chapter 70.41 RCW, drug and alcohol treatment  
23 facilities licensed under chapter 70.96A RCW, and home health agencies  
24 licensed under chapter 70.127 RCW, and includes such facilities if  
25 owned and operated by a political subdivision or instrumentality of the  
26 state and such other facilities as required by federal law and  
27 implementing regulations, but does not include Christian Science  
28 sanatoriums operated, listed, or certified by the First Church of  
29 Christ Scientist, Boston, Massachusetts.

30 (12) "Health care provider" or "provider" means either:

31 (a) A physician or any other licensed, certified, or registered  
32 health professional regulated under chapter 18.130 RCW whom the  
33 commission identifies as appropriate to provide health services;

34 (b) An employee or agent of a person described in (a) of this  
35 subsection, acting in the course and scope of his or her employment; or

36 (c) An entity, whether or not incorporated, facility, or  
37 institution employing one or more persons described in (a) of this  
38 subsection, including, but not limited to, a hospital, clinic, health  
39 maintenance organization, or nursing home; or an officer, director,

1 employee, or agent thereof acting in the course and scope of his or her  
2 employment.

3 (13) "Long-term care" means institutional, residential, outpatient,  
4 or community-based services that meet the individual needs of persons  
5 of all ages who are limited in their functional capacities or have  
6 disabilities and require assistance with performing two or more  
7 activities of daily living for an extended or indefinite period of  
8 time. These services include case management, in-home care, nursing  
9 services, convalescent, custodial, chronic, and terminally ill care.

10 (14) "Maximum enrollee financial participation" means the income-  
11 related total annual payments that may be required of an enrollee per  
12 family who chooses the lowest priced plans in a geographic region  
13 including both premium-sharing and enrollee point of service cost-  
14 sharing.

15 (15) "Premium" means the level of payment a certified health plan  
16 receives from all sources for all expenses, including administration,  
17 operation, and capital, determined on an annual basis by the commission  
18 for providing the uniform benefit package to an individual, either  
19 adult or child, or a family.

20 (16) "State health services budget" means total funds that may be  
21 included during any fiscal year within a document developed pursuant to  
22 section 357 of this act.

23 (17) "Technology" means the drugs, devices, equipment, and medical  
24 or surgical procedures used in the delivery of health services, and the  
25 organizational or supportive systems within which such services are  
26 provided. It also means sophisticated and complicated machinery  
27 developed as a result of ongoing research in the basic biological and  
28 physical sciences, clinical medicine, electronics, and computer  
29 sciences, as well as specialized professionals, medical equipment,  
30 procedures, and chemical formulations used for both diagnostic and  
31 therapeutic purposes.

32 (18) "Uniform benefit package" means those appropriate and  
33 effective health services, defined by the commission under section 348  
34 of this act, that must be offered to all Washington residents through  
35 certified health plans.

36 (19) "Washington resident" or "resident" means a person who intends  
37 to reside in the state permanently or indefinitely and who did not move  
38 to Washington for the primary purpose of securing health services under  
39 sections 317 through 340 and 347 through 352 of this act. "Washington

1 resident" also includes people and their accompanying family members  
2 who are in the state for the purpose of engaging in employment for at  
3 least one month, who did not enter the state for the primary purpose of  
4 obtaining health services. The confinement of a person in a nursing  
5 home, hospital, or other medical institution in the state shall not by  
6 itself be sufficient to qualify such person as a resident.

7 **A. THE WASHINGTON HEALTH SERVICES COMMISSION**

8 NEW SECTION. **Sec. 303.** CREATION OF COMMISSION--MEMBERSHIP--TERMS  
9 OF OFFICE--VACANCIES--SALARIES. (1) There is created an agency of  
10 state government to be known as the Washington health services  
11 commission. The commission shall consist of the insurance  
12 commissioner, the state health officer and three other members  
13 appointed by the governor with the consent of the senate. One member,  
14 who may not be either the insurance commissioner or the state health  
15 officer, shall be designated by the governor as chair and shall serve  
16 at the pleasure of the governor. Of the initial members, one shall be  
17 appointed to a term of three years, one shall be appointed to a term of  
18 four years, and one shall be appointed to a term of five years.  
19 Thereafter, members shall be appointed to five-year terms. Vacancies  
20 shall be filled by appointment for the remainder of the unexpired term  
21 of the position being vacated.

22 (2) Members of the commission shall have no pecuniary interest in  
23 any business subject to regulation by the commission and shall be  
24 subject to chapter 42.18 RCW, the executive branch conflict of interest  
25 act.

26 (3) Except for the insurance commissioner and the state health  
27 officer, members of the commission shall occupy their positions on a  
28 full-time basis and are exempt from the provisions of chapter 41.06  
29 RCW. Commission members and the professional commission staff are  
30 subject to the public disclosure provisions of chapter 42.17 RCW.  
31 Members shall be paid a salary to be fixed by the governor in  
32 accordance with RCW 43.03.040. A majority of the members of the  
33 commission constitutes a quorum for the conduct of business.

34 NEW SECTION. **Sec. 304.** ADVISORY COMMITTEES. (1) The commission  
35 shall establish a standing technical advisory committee with balanced  
36 representation including physicians, hospitals, seniors, researchers,

1 allied health professions, business, labor, insurers, and consumers.  
2 The commission may establish ad hoc technical advisory task forces to  
3 provide advice on specific issues.

4 (2) The commission shall establish a "service effectiveness  
5 advisory committee" to provide technical guidance to the commission.  
6 The advisory committee shall be composed of ten to fifteen technical  
7 experts, such as general practitioners, specialty health care  
8 providers, health service researchers, health ethicists,  
9 epidemiologists, and public health experts, who reflect the state's  
10 ethnic and cultural diversity. The advisory committee shall perform  
11 several functions, such as assessing the effectiveness of the uniform  
12 benefit package based on the health status of the population.

13 (3) Committee members shall serve without compensation for their  
14 services but shall be reimbursed for their expenses while attending  
15 meetings on behalf of the commission in accordance with RCW 43.03.050  
16 and 43.03.060.

17 NEW SECTION. **Sec. 305.** POWERS AND DUTIES OF THE CHAIR. The chair  
18 shall be the chief administrative officer and the appointing authority  
19 of the commission and has the following powers and duties:

20 (1) Direct and supervise the commission's administrative and  
21 technical activities in accordance with the provisions of this chapter  
22 and rules and policies adopted by the commission;

23 (2) Employ personnel of the commission, in accordance with chapter  
24 41.06 RCW, and prescribe their duties. With the approval of a majority  
25 of the commission, the chair may appoint persons to administer any  
26 entity established pursuant to subsection (8) of this section, and up  
27 to seven additional employees all of whom shall be exempt from the  
28 provisions of chapter 41.06 RCW;

29 (3) Enter into contracts on behalf of the commission;

30 (4) Accept and expend gifts, donations, grants, and other funds  
31 received by the commission;

32 (5) Delegate administrative functions of the commission to  
33 employees of the commission as the chair deems necessary to ensure  
34 efficient administration;

35 (6) Subject to approval of the commission, appoint advisory  
36 committees and undertake studies, research, and analysis necessary to  
37 support activities of the commission;

38 (7) Preside at meetings of the commission;

1 (8) Consistent with policies and rules established by the  
2 commission, establish such administrative divisions, offices, or  
3 programs as are necessary to carry out the purposes of chapter . . . ,  
4 Laws of 1993 (this act); and

5 (9) Perform such other administrative and technical duties as are  
6 consistent with chapter . . . , Laws of 1993 (this act) and the rules  
7 and policies of the commission.

8 NEW SECTION. **Sec. 306.** POWERS AND DUTIES OF THE COMMISSION. The  
9 commission has the following powers and duties:

10 (1) Ensure that all residents of Washington state are enrolled in  
11 a certified health plan, regardless of age, sex, family structure,  
12 ethnicity, race, health condition, geographic location, employment, or  
13 economic status.

14 (2) Ensure that all residents of Washington state have access to  
15 appropriate and effective health services. If certified health plans  
16 are insufficient or unable to meet a population's needs for access to  
17 certified health plan services, authorize appropriate state agencies,  
18 local health departments, community or migrant health centers, public  
19 hospital districts, or other nonprofit health service entities to take  
20 actions necessary to assure such access. This may include authority to  
21 contract for or to directly deliver services described within the  
22 uniform benefit package to special populations.

23 (3) Develop a total state health services budget, according to the  
24 requirements of section 357 of this act.

25 (4) Adopt necessary rules in accordance with chapter 34.05 RCW to  
26 carry out the purposes of chapter . . . , Laws of 1993 (this act),  
27 provided that an initial set of draft rules establishing at least the  
28 commission's organization structure, the uniform benefit package,  
29 limits on maximum enrollee financial participation, methods for  
30 developing the state health services budget, and standards for  
31 certified health plan and health care purchasing cooperative  
32 certification, must be submitted in draft form to the legislature by  
33 January 1995.

34 (5) Establish, and from time to time modify, the uniform benefit  
35 package, as provided in section 348 of this act, which shall be offered  
36 to enrollees of a certified health plan. The benefit package shall be  
37 provided at no more than the maximum premium specified in subsection  
38 (7) of this section.

1 (6) Adopt rules related to coordination of benefits where a  
2 resident or any dependents have duplicate coverage. The rules shall  
3 not have the effect of eliminating enrollee premium sharing or point of  
4 service cost-sharing. The commission shall endeavor to assure an  
5 equitable distribution, among both employers and employees, of the  
6 costs of coverage for those households composed of more than one member  
7 in the work force.

8 (7) Establish for each year a strictly community-rated maximum  
9 premium for the uniform benefit package that a certified health plan  
10 may receive. The premium cost of the uniform benefit package in 1994  
11 shall be based upon the actuarially determined cost of providing the  
12 uniform benefit package in view of the best observed practice of  
13 managed care plans operating in Washington between 1990 and 1993. The  
14 cost of the uniform benefit package in 1994 shall be allowed to  
15 increase by a rate no greater than the average growth rate in the cost  
16 of the package between 1990 and 1993 as actuarially determined.  
17 Beginning in 1995, the growth rate of the premium shall be reduced by  
18 two percentage points per year until the growth rate is no greater than  
19 growth in the Washington consumer price index, as determined by the  
20 office of financial management. If the commission adds services or  
21 benefits to the uniform benefit package in subsequent years, it may  
22 increase the maximum premium to reflect the actual cost experience of  
23 a sample of the state's lowest cost providers of that service, adjusted  
24 actuarially. The addition of services or benefits shall not result in  
25 a redetermination of the entire cost of the uniform benefit package.

26 (8) Monitor the actual growth in total annual health services  
27 costs.

28 (9) Establish standards for capital expenditures by certified  
29 health plans, health care facilities, or providers. A major capital  
30 expenditure is defined as any single expenditure for capital  
31 acquisitions, including medical technological equipment, as defined by  
32 the commission, costing more than one million dollars. Periodically  
33 the commission shall prioritize the proposed projects based on  
34 standards of cost-effectiveness and access. The commission shall then  
35 approve those projects in rank order that are within the limits of the  
36 capital budget. The Washington health care facilities authority  
37 authorized in chapter 70.37 RCW may not approve financing for a major  
38 capital expenditure unless it has been approved by the commission under  
39 this subsection.

1 (10) Establish maximum enrollee financial participation according  
2 to chapter . . . , Laws of 1993 (this act).

3 (11) For health services provided under the uniform benefit  
4 package, adopt standards for enrollment, billing, and claims  
5 processing. The standards shall ensure that these procedures are  
6 performed in a simplified, economical, and equitable manner for all  
7 parties concerned. Subject to federal approval or phase-in schedules  
8 whenever necessary or appropriate, the standards shall also apply to  
9 health services purchased by the department of social and health  
10 services, the department of labor and industries, the department of  
11 health, the health care authority, the basic health plan, and plans  
12 that provide the uniform benefit package to local governments and  
13 public school employees.

14 (12) Propose or require that certified health plans have certain  
15 practice indicators or risk management protocols for quality assurance,  
16 utilization review, or provider payment. The commission may consider  
17 indicators or protocols recommended according to section 310 of this  
18 act for these purposes.

19 (13) Propose or require other guidelines to certified health plans  
20 for utilization management, use of technology and methods of payment,  
21 such as diagnosis-related groups and a resource-based relative value  
22 scale. Such guidelines may be voluntary, but shall be mandatory if the  
23 commission determines that their uniform implementation will promote  
24 improved management of care, and provide incentives for improved  
25 efficiency and effectiveness within the delivery system.

26 (14) Monitor the availability of health services to both  
27 populations and geographic areas, to determine whether there are  
28 residents lacking in access to necessary services. In the case where  
29 individuals or populations may appear to be denied access to certified  
30 health plans, the commission shall notify both the plan and the  
31 commissioner of such a determination. In the case of finding a  
32 geographic area with an appreciable number of residents unable to  
33 access appropriate and effective health services the commission shall  
34 adopt by rule standards by which the insurance commissioner may, in  
35 such event, then require certified health plans in closest proximity to  
36 such persons to extend their catchment areas to such persons and offer  
37 them enrollment.

38 (15) Adopt standards and oversee and develop policy for a state-  
39 wide health care data system as provided in chapter 70.170 RCW.

1 (16) Adopt standards that prevent conflict of interest by health  
2 care providers as provided in RCW 19.68.010 and section 228 of this  
3 act.

4 (17) Develop standards for the certification process to certify  
5 health plans to provide the uniform benefit package, according to the  
6 provisions for certified health plans under chapter . . . , Laws of 1993  
7 (this act).

8 (18) Adopt standards applicable to all certified health plans that  
9 will assure health care providers within the service area of a plan an  
10 opportunity to negotiate on an equal basis the terms and conditions of  
11 their professional relationship with the plan; to work cooperatively in  
12 the development of any utilization review procedures, risk management  
13 protocols for quality assurance, and practice indicators that might be  
14 unique to a plan or local community; and such other professional issues  
15 as the parties may need to pursue in the furtherance of the goals of  
16 chapter . . . , Laws of 1993 (this act). The standards shall include  
17 a dispute resolution process for the plan and providers. The providers  
18 are authorized to organize and communicate for the purposes of the  
19 negotiations under this section.

20 (19) Develop standards for the employer's cooperative health care  
21 purchasing group certification process according to the provisions of  
22 this chapter.

23 (20) 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 joint employee-employer entities are  
26 organized; and make appropriate recommendations to the governor and the  
27 legislature about how these trusts can be brought under the provisions  
28 of chapter . . . , Laws of 1993 (this act) when it is fully implemented.

29 (21) In developing the uniform benefit package and other standards  
30 pursuant to this section, consider the likelihood of the establishment  
31 of a national health services plan adopted by the federal government  
32 and its implications.

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

1 (23) Establish guidelines for providers dealing with terminal or  
2 static conditions, taking into consideration the ethics of providers,  
3 patient and family wishes, costs, and survival possibilities.

4 (24) Develop rules for implementation of individual and employer  
5 participation under sections 350 and 351 of this act specifically  
6 applicable to persons who work in this state but do not live in the  
7 state or persons who live in this state but work outside of the state.  
8 The rules shall be designed so that these persons receive coverage and  
9 financial requirements that are comparable to that received by persons  
10 who both live and work in the state.

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

19 NEW SECTION. **Sec. 307.** After consultation with the state health  
20 officer and the insurance commissioner, and on the basis of evidence  
21 established by independent actuarial analysis, if the governor finds  
22 that the economic viability of a significant portion of the state's  
23 certified health plans is seriously threatened, the governor may  
24 increase the maximum premium by an amount that is no more than one  
25 hundred fifty percent of the state average rate of growth in personal  
26 income, and must immediately thereafter submit to the legislature a  
27 proposal for a new formula for adjusting the maximum premium that must  
28 be approved by each house of the legislature by a sixty percent vote.

29 NEW SECTION. **Sec. 308.** CONTINUOUS QUALITY IMPROVEMENT AND TOTAL  
30 QUALITY MANAGEMENT. To ensure the highest quality health services at  
31 the lowest total cost, the commission shall establish a total quality  
32 management system of continuous quality improvement. Such endeavor  
33 shall be based upon the recognized quality science for continuous  
34 quality improvement. The commission shall impanel a committee composed  
35 of persons from the private sector and related sciences who have broad  
36 knowledge and successful experiences in continuous quality improvement  
37 and total quality management applications. It shall be the

1 responsibility of the committee to develop standards for a Washington  
2 state health services supplier certification process and recommend such  
3 standards to the commission for review and adoption. Once adopted, the  
4 commission shall establish a schedule, with full compliance no later  
5 than July 1, 1996, whereby all health service providers and health  
6 service facilities shall be certified prior to providing uniform  
7 benefit package services. In conjunction with the commission's total  
8 quality management efforts, the department of health shall develop a  
9 regulatory system that supports the development and maintenance of  
10 quality assurance plans throughout the medical community.

11 NEW SECTION. **Sec. 309.** Sections 301 through 308 of this act shall  
12 constitute a new chapter in Title 43 RCW.

13 **B. PRACTICE INDICATORS**

14 NEW SECTION. **Sec. 310.** A new section is added to chapter 43.70  
15 RCW to read as follows:

16 PRACTICE INDICATORS. The department of health shall consult with  
17 health care providers, purchasers, health professional regulatory  
18 authorities under RCW 18.130.040, appropriate research and clinical  
19 experts, and consumers of health care services to identify specific  
20 practice areas where practice indicators and risk management protocols  
21 have been developed. Practice indicators shall be based upon expert  
22 consensus and best available scientific evidence. The department  
23 shall:

24 (1) Develop a definition of expert consensus and best available  
25 scientific evidence so that practice indicators can serve as a standard  
26 for excellence in the provision of health care services.

27 (2) Establish a process to identify and evaluate practice  
28 indicators and risk management protocols as they are developed by the  
29 appropriate professional, scientific, and clinical communities.

30 (3) Recommend the use of practice indicators and risk management  
31 protocols in quality assurance, utilization review, or provider payment  
32 to the health services commission.

33 **C. HEALTH CARE LIABILITY REFORMS**

1        NEW SECTION.    **Sec. 311.**    A new section is added to Title 48 RCW to  
2 read as follows:

3        MEDICAL MALPRACTICE PROVISIONS FOR CERTIFIED HEALTH PLAN  
4 PARTICIPANTS.    (1) No policy for medical malpractice that insures,  
5 indemnifies, or otherwise protects a certified health plan or a  
6 provider caring for patients according to a certified health plan  
7 contract from medical malpractice may maintain a ratio of losses to  
8 gross income from premiums that is less than eighty-five percent.

9        (2) Neither a certified health plan nor a health care provider  
10 caring for patients according to a certified health plan contract shall  
11 be subject to liability for harm under this chapter for health care  
12 provided in accordance with a practice indicator adopted by the health  
13 services commission unless the claimant establishes by a preponderance  
14 of the evidence that the provider's application or execution of the  
15 practice indicator was a failure to follow the accepted standard of  
16 care.

17        (3) A certified health plan shall be subrogated to a participant's  
18 claim under chapter 7.70 RCW against a health care provider and shall  
19 have a lien against any recovery based on such claim as provided in  
20 this section. The right of subrogation and the lien granted by this  
21 section is limited to payments made by the plan for health care  
22 relating to the claim. The lien shall be enforceable only if the  
23 recovery fully compensates the participant for his or her loss.

24        (4) No health care provider or facility may deliver care covered by  
25 a certified health plan without first presenting evidence of  
26 malpractice insurance in at least the amount specified by the  
27 commission.

28        **Sec. 312.**    RCW 18.130.160 and 1986 c 259 s 8 are each amended to  
29 read as follows:

30        FINDING OF UNPROFESSIONAL CONDUCT--ORDERS--SANCTIONS--STAY--COSTS.  
31 Upon a finding that a license holder or applicant has committed  
32 unprofessional conduct or is unable to practice with reasonable skill  
33 and safety due to a physical or mental condition, the disciplining  
34 authority may issue an order providing for one or any combination of  
35 the following:

- 36        (1) Revocation of the license;  
37        (2) Suspension of the license for a fixed or indefinite term;  
38        (3) Restriction or limitation of the practice;

1 (4) Requiring the satisfactory completion of a specific program of  
2 remedial education or treatment;

3 (5) The monitoring of the practice by a supervisor approved by the  
4 disciplining authority;

5 (6) Censure or reprimand;

6 (7) Compliance with conditions of probation for a designated period  
7 of time;

8 (8) Payment of a fine for each violation of this chapter, not to  
9 exceed (~~one~~) five thousand dollars per violation. Funds received  
10 shall be placed in the health professions account;

11 (9) Denial of the license request;

12 (10) Corrective action;

13 (11) Refund of fees billed to and collected from the consumer.

14 Any of the actions under this section may be totally or partly  
15 stayed by the disciplining authority. In determining what action is  
16 appropriate, the disciplining authority must first consider what  
17 sanctions are necessary to protect or compensate the public. Only  
18 after such provisions have been made may the disciplining authority  
19 consider and include in the order requirements designed to rehabilitate  
20 the license holder or applicant. All costs associated with compliance  
21 with orders issued under this section are the obligation of the license  
22 holder or applicant.

23 **Sec. 313.** RCW 18.130.190 and 1991 c 3 s 271 are each amended to  
24 read as follows:

25 PRACTICE WITHOUT LICENSE--INVESTIGATION OF COMPLAINTS--TEMPORARY  
26 CEASE AND DESIST ORDERS--INJUNCTIONS--PENALTY. (1) The secretary shall  
27 investigate complaints concerning practice by unlicensed persons of a  
28 profession or business for which a license is required by the chapters  
29 specified in RCW 18.130.040. In the investigation of the complaints,  
30 the secretary shall have the same authority as provided the secretary  
31 under RCW 18.130.050. The secretary shall issue a cease and desist  
32 order to a person after notice and hearing and upon a determination  
33 that the person has violated this subsection. If the secretary makes  
34 a written finding of fact that the public interest will be irreparably  
35 harmed by delay in issuing an order, the secretary may issue a  
36 temporary cease and desist order. The cease and desist order shall not  
37 relieve the person so practicing or operating a business without a  
38 license from criminal prosecution therefor, but the remedy of a cease

1 and desist order shall be in addition to any criminal liability. The  
2 cease and desist order is conclusive proof of unlicensed practice and  
3 may be enforced under RCW 7.21.060. This method of enforcement of the  
4 cease and desist order may be used in addition to, or as an alternative  
5 to, any provisions for enforcement of agency orders set out in chapter  
6 34.05 RCW.

7 (2) The attorney general, a county prosecuting attorney, the  
8 secretary, a board, or any person may in accordance with the laws of  
9 this state governing injunctions, maintain an action in the name of  
10 this state to enjoin any person practicing a profession or business for  
11 which a license is required by the chapters specified in RCW 18.130.040  
12 without a license from engaging in such practice or operating such  
13 business until the required license is secured. However, the  
14 injunction shall not relieve the person so practicing or operating a  
15 business without a license from criminal prosecution therefor, but the  
16 remedy by injunction shall be in addition to any criminal liability.

17 (3) Unlicensed practice of a profession or operating a business for  
18 which a license is required by the chapters specified in RCW  
19 18.130.040, unless otherwise exempted by law, constitutes a gross  
20 misdemeanor. All fees, fines, forfeitures, and penalties collected or  
21 assessed by a court because of a violation of this section shall be  
22 remitted to the health professions account.

23 (4) In addition to the remedies provided in this section, the  
24 secretary is authorized to impose a civil penalty of up to five  
25 thousand dollars on any person engaged, without a license, in a  
26 profession or business for which a license is required by the chapters  
27 specified in RCW 18.130.040. The imposition of such civil penalty  
28 shall occur only subsequent to a hearing in conformance with the  
29 provisions of chapter 34.05 RCW in any case in which the secretary  
30 finds that there has been a failure or refusal to comply with the  
31 provisions of any chapters specified in RCW 18.130.040.

32 NEW SECTION. Sec. 314. A new section is added to Title 70 RCW to  
33 read as follows:

34 RISK MANAGEMENT TRAINING WITHIN HEALTH FACILITIES. Effective July  
35 1, 1994, each health care provider, facility, or health maintenance  
36 organization that self-insures for liability risks related to medical  
37 malpractice and employs physicians or other independent health care  
38 practitioners in Washington state shall condition each physician's and

1 practitioner's liability coverage by that entity upon that physician's  
2 or practitioner's participation in risk management training offered by  
3 the provider, facility, or health maintenance organization to its  
4 employees. The risk management training shall provide information  
5 related to avoiding adverse health outcomes resulting from substandard  
6 practice and minimizing damages associated with those adverse health  
7 outcomes that occur. For purposes of this section, "independent health  
8 care practitioner" means those health care practitioner licensing  
9 classifications designated by the department of health in rule under  
10 this section. On or before January 1, 1994, the department shall  
11 designate by rule:

12 (1) Those health professions whose scope of practice includes  
13 independent practice;

14 (2) For each health profession whose scope of practice includes  
15 independent practice, whether malpractice insurance is available; and

16 (3) If such insurance is available, the appropriate minimum level  
17 of mandated coverage.

18 NEW SECTION. **Sec. 315.** A new section is added to chapter 48.22  
19 RCW to read as follows:

20 RISK MANAGEMENT TRAINING OF INDEPENDENT HEALTH CARE PRACTITIONERS.  
21 Effective July 1, 1994, a casualty insurer's issuance of a new medical  
22 malpractice policy or renewal of an existing medical malpractice  
23 policy, to a physician or other independent health care practitioner,  
24 shall be conditioned upon that practitioner's participation in, and  
25 completion of, health care liability risk management training offered  
26 by the insurer. The risk management training shall provide information  
27 related to avoiding adverse health outcomes resulting from substandard  
28 practice and minimizing damages associated with those adverse health  
29 outcomes that occur. For purposes of this section, "independent health  
30 care practitioners" means those health care practitioner licensing  
31 classifications designated by the department of health in rule pursuant  
32 to section 314 of this act.

33 **Sec. 316.** RCW 70.41.200 and 1991 c 3 s 336 are each amended to  
34 read as follows:

35 MEDICAL MALPRACTICE PREVENTION PROGRAM--QUALITY ASSURANCE  
36 COMMITTEE--SANCTION AND GRIEVANCE PROCEDURES--INFORMATION COLLECTION  
37 AND REPORTING. (1) Every hospital shall maintain a coordinated program

1 for the identification and prevention of medical malpractice. The  
2 program shall include at least the following:

3 (a) The establishment of a quality assurance committee with the  
4 responsibility to review the services rendered in the hospital in order  
5 to improve the quality of medical care of patients and to prevent  
6 medical malpractice. The committee shall oversee and coordinate the  
7 medical malpractice prevention program and shall insure that  
8 information gathered pursuant to the program is used to review and to  
9 revise hospital policies and procedures. At least one member of the  
10 committee shall be a member of the governing board of the hospital who  
11 is not otherwise affiliated with the hospital in an employment or  
12 contractual capacity;

13 (b) A medical staff privileges sanction procedure through which  
14 credentials, physical and mental capacity, and competence in delivering  
15 health care services are periodically reviewed as part of an evaluation  
16 of staff privileges;

17 (c) The periodic review of the credentials, physical and mental  
18 capacity, and competence in delivering health care services of all  
19 persons who are employed or associated with the hospital;

20 (d) A procedure, including but not limited to, mediation, for the  
21 prompt resolution of grievances by patients or their representatives  
22 related to accidents, injuries, treatment, and other events that may  
23 result in claims of medical malpractice;

24 (e) The maintenance and continuous collection of information  
25 concerning the hospital's experience with negative health care outcomes  
26 and incidents injurious to patients, patient grievances, professional  
27 liability premiums, settlements, awards, costs incurred by the hospital  
28 for patient injury prevention, and safety improvement activities;

29 (f) The maintenance of relevant and appropriate information  
30 gathered pursuant to (a) through (e) of this subsection concerning  
31 individual physicians within the physician's personnel or credential  
32 file maintained by the hospital;

33 (g) Education programs dealing with patient safety, injury  
34 prevention, staff responsibility to report professional misconduct, the  
35 legal aspects of patient care, improved communication with patients,  
36 and causes of malpractice claims for staff personnel engaged in patient  
37 care activities; and

38 (h) Policies to ensure compliance with the reporting requirements  
39 of this section.

1 (2) Any person who, in substantial good faith, provides information  
2 to further the purposes of the medical malpractice prevention program,  
3 or who, in substantial good faith, participates on the quality  
4 assurance committee, or who, in substantial good faith, assists in a  
5 broader scope of quality assurance by health care service providers  
6 shall not be subject to an action for civil damages or other relief as  
7 a result of such activity.

8 (3) Information and documents, including complaints and incident  
9 reports, created, collected, and maintained about health care providers  
10 arising out of the matters that are under review or have been evaluated  
11 by a review committee conducting quality assurance reviews or that are  
12 related to general quality assurance activities are not subject to  
13 discovery or introduction into evidence in any civil action, and no  
14 person who was in attendance at a meeting of such committee or board or  
15 quality assurance activities shall be permitted or required to testify  
16 in any civil action as to the content of such proceedings or  
17 activities. This subsection does not preclude: (a) In any civil  
18 action, the testimony of any person concerning the facts which form the  
19 basis for the institution of such proceedings of which the person had  
20 personal knowledge acquired independently of such proceedings; (b) in  
21 any civil action by a health care provider regarding the restriction or  
22 revocation of that individual's clinical or staff privileges,  
23 introduction into evidence information collected and maintained by  
24 quality assurance committees regarding such health care provider; (c)  
25 in any civil action, disclosure of the fact that staff privileges were  
26 terminated or restricted, including the specific restrictions imposed,  
27 if any; or (d) in any civil action, discovery and introduction into  
28 evidence of the patient's medical records required by regulation of the  
29 department of health to be made regarding the care and treatment  
30 received.

31 (4) The department of health shall adopt such rules as are deemed  
32 appropriate to effectuate the purposes of this section.

33 (5) The medical disciplinary board or the board of osteopathic  
34 medicine and surgery, as appropriate, may review and audit the records  
35 of committee decisions in which a physician's privileges are terminated  
36 or restricted. Each hospital shall produce and make accessible to the  
37 board the appropriate records and otherwise facilitate the review and  
38 audit. Information so gained shall not be subject to the discovery  
39 process and confidentiality shall be respected as required by

1 subsection (3) of this section. Failure of a hospital to comply with  
2 this subsection is punishable by a civil penalty not to exceed two  
3 hundred fifty dollars.

4 (6) Violation of this section shall not be considered negligence  
5 per se.

6 **Sec. 317.** RCW 7.70.030 and 1975-'76 2nd ex.s. c 56 s 8 are each  
7 amended to read as follows:

8 No award shall be made in any action or arbitration for damages for  
9 injury occurring as the result of health care which is provided after  
10 June 25, 1976, unless the plaintiff establishes one or more of the  
11 following propositions:

12 (1) That injury resulted from the failure of a health care provider  
13 to follow the accepted standard of care provided, however, that a  
14 health care provider, as a matter of law, follows the accepted standard  
15 of care if he or she follows a course of treatment accepted by  
16 recognized and competent health care professionals experienced in the  
17 treatment at issue, even if other recognized and competent health care  
18 professionals do not accept the course of treatment followed by the  
19 health care provider;

20 (2) That a health care provider promised the patient or his  
21 representative that the injury suffered would not occur;

22 (3) That injury resulted from health care to which the patient or  
23 his representative did not consent.

24 Unless otherwise provided in this chapter, the plaintiff shall have  
25 the burden of proving each fact essential to an award by a  
26 preponderance of the evidence.

27 **D. CERTIFIED HEALTH PLANS**

28 NEW SECTION. **Sec. 318.** CERTIFIED HEALTH PLANS--REGISTRATION  
29 REQUIRED--PENALTY. (1) No person or entity in this state shall, by  
30 mail or otherwise, act or hold himself or herself out to be a certified  
31 health plan as defined by section 302 of this act without being  
32 registered with the insurance commissioner.

33 (2) Any one violating subsection (1) of this section is liable for  
34 a fine not to exceed ten thousand dollars and imprisonment not to  
35 exceed six months for each instance of such violation.

1        NEW SECTION.    **Sec. 319.**    PROVIDER ELIGIBILITY TO PARTICIPATE IN  
2 PLANS.    All certified health plans and other health care coverage  
3 programs, irrespective of whether insured or self-insured, funded by  
4 state and local governments or private entities, subject to the  
5 jurisdiction of the state of Washington, may establish terms and  
6 conditions to be met by providers wishing to enter into an agreement  
7 with the plan to provide services to the plan's enrollees. No plan or  
8 agent of a plan may deny a provider the right to enter into such an  
9 agreement if the provider is willing and able to meet the  
10 qualifications and conditions established in that agreement. Plans may  
11 terminate providers in accordance with the agreement's terms.  
12 Providers terminated by a plan under any agreement need not be accepted  
13 by the plan into its other or subsequent agreements.

14        NEW SECTION.    **Sec. 320.**    ELIGIBILITY REQUIREMENTS FOR CERTIFICATE  
15 OF REGISTRATION--APPLICATION REQUIREMENTS.        Any corporation,  
16 cooperative group, partnership, association or groups of health  
17 professionals licensed by the state of Washington, public hospital  
18 district, or public institutions of higher education shall be entitled  
19 to a certificate from the insurance commissioner as a certified health  
20 plan if it:

21        (1) Provides the benefits prescribed by the uniform benefit package  
22 to enrolled Washington residents on a prepaid per capita basis for a  
23 total cost, which may not exceed the maximum premium established by the  
24 commission and provides such health services either directly or through  
25 arrangements with institutions, entities, and persons that its enrolled  
26 population might reasonably require in accordance with the rules  
27 established by the health services commission;

28        (2) Accepts for enrollment any state resident working or residing  
29 in the area of the state serviced by the plan, and provides or assures  
30 the provision of all services within the uniform benefit package  
31 regardless of age, sex, family structure, ethnicity, race, health  
32 condition, geographic location within the plan's service area as filed  
33 with the insurance commissioner, employment status, or other condition  
34 or situation, however, the commissioner may grant a temporary exemption  
35 from this subsection, if, upon application by a certified health  
36 plan, the commissioner finds that the clinical, financial, or  
37 administrative capacity to serve existing enrollees will be impaired if

1 a certified health plan is required to continue enrollment of  
2 additional eligible individuals;

3 (3) Demonstrates to the satisfaction of the insurance commissioner  
4 in consultation with the department of health and the health services  
5 commission that its facilities and personnel are adequate to provide  
6 the benefits prescribed in the uniform benefit package to enrolled  
7 Washington residents, and that it is financially capable of providing  
8 such residents with, or has made adequate contractual arrangements with  
9 health care providers and facilities to provide the residents with such  
10 services, including assuring reasonable access to local providers,  
11 especially for enrollees residing in rural areas;

12 (4) Complies with administrative rules prescribed by the health  
13 services commission, the insurance commissioner, and other appropriate  
14 state agencies governing the conduct of the certified health plans;

15 (5) Submits an application for certification as a certified health  
16 plan, which shall be verified by an officer or authorized  
17 representative of the applicant, being in a form as the insurance  
18 commissioner prescribes in consultation with the health services  
19 commission;

20 (6) Meets the minimum net worth requirements set forth in section  
21 332 of this act and the funding reserve requirements set forth in  
22 section 333 of this act;

23 (7) With the exception of employer self-funded health insurance  
24 arrangements, offers a policy for long-term care services defined by  
25 the health services commission that are not included in the uniform  
26 benefit package. Such offering shall be made to all plan enrollees  
27 wishing to purchase such a plan on a guaranteed-issue basis without  
28 underwriting;

29 (8) Discloses to patients the charity care requirements under  
30 chapter 70.170 RCW; and

31 (9) Provides all enrollees with instruction and informational  
32 materials to increase individual and family awareness of injury and  
33 illness prevention; encourages assumption of personal responsibility  
34 for protecting personal health; and stimulates discussion about the use  
35 and limits of medical care in improving the health of individuals and  
36 communities.

37 A certified health plan may establish the geographic boundaries in  
38 which they will obligate themselves to deliver the services required  
39 under the uniform benefit package and include such information in their

1 application for certification, but the commissioner shall review such  
2 boundaries and may disapprove, in conformance to guidelines adopted by  
3 the commission, those which have been clearly drawn to be exclusionary  
4 within a health care catchment area.

5 NEW SECTION. **Sec. 321.** Nothing in this chapter precludes an  
6 entity from insuring, providing, contracting, or receiving payment for  
7 health services or levels of services not included in the uniform  
8 benefit package, nor does anything in this chapter restrict an employer  
9 from offering, an employee representative from negotiating for, or an  
10 individual from purchasing, services or levels of service not included  
11 in the uniform benefit package directly.

12 NEW SECTION. **Sec. 322.** DENTAL HEALTH CARE SERVICE. If a  
13 corporation or cooperative group meets all requirements as a certified  
14 health plan under chapter . . ., Laws of 1993 (this act), except those  
15 in section 320(7) of this act, the commissioner may waive the  
16 requirement that such certified health plan provide all services within  
17 the uniform benefit package except dental services. The commissioner  
18 shall adopt rules necessary to implement this section.

19 NEW SECTION. **Sec. 323.** No health care provider may be required by  
20 law or contract in any circumstances to participate in the provision of  
21 any uniform benefit if she or he objects to so doing for reason of  
22 conscience or religion. No person may be discriminated against in  
23 employment or professional privileges because of such objection.

24 The provisions of this section are not intended to result in an  
25 enrollee being denied access to any service within the uniform benefit  
26 package. The commission shall establish procedures that certified  
27 health plans must follow to inform enrollees if any provider within the  
28 certified health plan may refuse to perform a uniform benefit package  
29 service out of conscience. The procedures shall include written  
30 information that lists the services that a provider may refuse to  
31 perform, and the name of a provider within the certified health plan  
32 who will provide each such service.

33 NEW SECTION. **Sec. 324.** ISSUANCE OF CERTIFICATE--GROUNDS FOR  
34 REFUSAL. The commissioner shall issue a certificate as a certified  
35 health plan to an applicant within one hundred twenty days of such

1 filing unless the commissioner notifies the applicant within such time  
2 that such application is not complete and the reasons therefor; or that  
3 the commissioner is not satisfied that:

4 (1) The basic organization document of the applicant permits the  
5 applicant to conduct business as a certified health plan;

6 (2) The applicant has demonstrated the intent and ability to assure  
7 that the health services will be provided in a manner to assure both  
8 their availability and accessibility;

9 (3) The organization is financially responsible and may be  
10 reasonably expected to meet its obligations to its enrolled  
11 participants. In making this determination, the commissioner shall  
12 consider among other relevant factors:

13 (a) Any agreements with a casualty insurer, a government agency, or  
14 any other organization paying or insuring payment for health care  
15 services;

16 (b) Any agreements with providers for the provision of health care  
17 services; and

18 (c) Any arrangements for liability and malpractice insurance  
19 coverage.

20 (4) The procedures for offering health care services are reasonable  
21 and equitable; and

22 (5) Procedures have been established to:

23 (a) Monitor the quality of care provided by the certified health  
24 plan including standards and guidelines provided by the health services  
25 commission and other appropriate state agencies;

26 (b) Operate internal peer review mechanisms; and

27 (c) Resolve complaints and grievances in accordance with section  
28 337 of this act and rules established by the insurance commissioner in  
29 consultation with the commission.

30 NEW SECTION. **Sec. 325.** A certified health plan may not  
31 discriminate against a health care provider in offering health care  
32 services to beneficiaries under chapter . . . , Laws of 1993 (this act)  
33 where (1) the services are within the scope of practice of the health  
34 care provider; and (2) the benefit authorized by the commission is one  
35 that is provided by the certified health plan. Nothing in this section  
36 shall affect the ability of the certified health plan to utilize the  
37 most cost-effective and clinically efficacious treatment modalities.

1        NEW SECTION.    **Sec. 326.**    PREMIUMS AND ENROLLEE PAYMENT AMOUNTS--  
2 FILING OF PREMIUMS AND ENROLLEE PAYMENT AMOUNTS--ADDITIONAL CHARGES  
3 PROHIBITED.    (1) The insurance commissioner shall verify that the  
4 certified health plan and its providers are charging no more than the  
5 maximum premiums and enrollee financial participation amounts during  
6 the course of financial and market conduct examinations or more  
7 frequently if justified in the opinion of the insurance commissioner or  
8 upon request by the health services commission.

9        (2) The certified health plans shall file the premium schedules  
10 including employer contributions, enrollee premium sharing, and  
11 enrollee point of service cost sharing amounts with the insurance  
12 commissioner, within thirty days of establishment by the health  
13 services commission.

14        (3) No certified health plan or its provider may charge any fees,  
15 assessments, or charges in addition to the premium amount or in excess  
16 of the maximum enrollee financial participation limits established by  
17 the health services commission.    The certified health plan that  
18 directly provides health care services may charge and collect the  
19 enrollee point of service cost sharing fees as established in the  
20 uniform benefit package or other approved benefit plan.

21        NEW SECTION.    **Sec. 327.**    ANNUAL STATEMENT FILING--CONTENTS--PENALTY  
22 FOR FAILURE TO FILE--ACCURACY REQUIRED.    (1) Every certified health  
23 plan shall annually not later than March 1 of the calendar year, file  
24 with the insurance commissioner a statement verified by at least two of  
25 its principal officers showing its financial condition as of December  
26 31 of the preceding year.

27        (2) Such annual report shall be in such form as the insurance  
28 commissioner shall prescribe and shall include:

29        (a) A financial statement of the certified health plan, including  
30 its balance sheet and receipts and disbursements for the preceding  
31 year, which reflects at a minimum;

32        (i) All prepayments and other payments received for health care  
33 services rendered pursuant to certified health plan benefit packages;

34        (ii) Expenditures to all categories of health care facilities,  
35 providers, and organizations with which the plan has contracted to  
36 fulfill obligations to enrolled residents arising out of the uniform  
37 benefit package and other approved supplemental benefit agreements,

1 together with all other direct expenses including depreciation,  
2 enrollment, and commission; and

3 (iii) Expenditures for capital improvements, or additions thereto,  
4 including but not limited to construction, renovation, or purchase of  
5 facilities and capital equipment;

6 (b) A report of the names and addresses of all officers, directors,  
7 or trustees of the certified health plan during the preceding year, and  
8 the amount of wages, expense reimbursements, or other payments to such  
9 individuals. For partnership and professional service corporations, a  
10 report shall be made for partners or shareholders as to any  
11 compensation or expense reimbursement received by them for services,  
12 other than for services and expenses relating directly for patient  
13 care;

14 (c) The number of residents enrolled and terminated during the  
15 report period. Additional information regarding the enrollment and  
16 termination pattern for a certified health plan may be required by the  
17 commissioner to demonstrate compliance with the open enrollment and  
18 free access requirements of chapter . . ., Laws of 1993 (this act).  
19 The insurance commissioner shall specify additional information to be  
20 reported which may include but not be limited to age, sex, location,  
21 and health status information.

22 (d) Such other information relating to the performance of the  
23 certified health plan or the health care facilities or providers with  
24 which it has contracted as reasonably necessary to the proper and  
25 effective administration of this chapter in accordance with rules and  
26 regulations;

27 (e) Disclosure of any financial interests held by officers and  
28 directors in any providers associated with the certified health plan or  
29 provider of the certified health plan;

30 (3) The commissioner may require quarterly reporting of financial  
31 information, such information to be furnished in a format prescribed by  
32 the commissioner in consultation with the commission.

33 (4) The commissioner may for good reason allow a reasonable  
34 extension of time within which such annual statement shall be filed.

35 (5) The commissioner may suspend or revoke the certificate of a  
36 certified health plan for failing to file its annual statement when due  
37 or during any extension of time therefor which the commissioner, for  
38 good cause, may grant.

1 (6) The commission shall publish and make available to the health  
2 services commission and the major newspapers of the state an annual  
3 summary report of at least the information required in subsections (2)  
4 and (3) of this section.

5 (7) No person shall knowingly file with any public official or  
6 knowingly make, publish, or disseminate any financial statement of a  
7 certified health plan that does not accurately state the certified  
8 health plan's financial conditions.

9 NEW SECTION. **Sec. 328.** COVERAGE NOT DENIED--ENROLLMENT LIMITED TO  
10 ONE CERTIFIED HEALTH PLAN. No certified health plan may deny coverage  
11 to a resident residing within the service area of the certified health  
12 plan. No Washington resident may be enrolled in more than one  
13 certified health plan at any one time. An enrollee of a certified  
14 health plan who changes their place of employment or residence may  
15 remain enrolled with that plan. Coverage shall be transferable from  
16 one certified health plan to another certified health plan upon thirty  
17 days' written notice. Such transfer shall be without penalty or  
18 waiting period. Accidents and sickness that commenced under the prior  
19 certified health plan shall be covered by the replacement certified  
20 health plan from the effective date of coverage under the replacement  
21 certified health plan.

22 NEW SECTION. **Sec. 329.** MISREPRESENTATIONS TO INDUCE TERMINATION  
23 OR RETENTION OF ENROLLMENT PROHIBITED. No certified health plan or any  
24 person representing a certified health plan may make misrepresentation  
25 or misleading comparisons to induce or attempt to induce any enrollee  
26 or employer group to terminate or retain membership in a certified  
27 health plan.

28 NEW SECTION. **Sec. 330.** PENALTY FOR VIOLATIONS. A certified  
29 health plan which, or person who, violates any provision of this  
30 chapter is guilty of a gross misdemeanor, unless the penalty is  
31 otherwise specifically provided.

32 NEW SECTION. **Sec. 331.** PROVIDER CONTRACTS--ENROLLED RESIDENT'S  
33 LIABILITY, COMMISSIONER'S REVIEW. (1) Subject to subsection (2) of  
34 this section, every contract between a certified health plan and its  
35 providers of health care services shall be in writing and shall set

1 forth that in the event the certified health plan fails to pay for  
2 health care services as set forth in the uniform benefit package, the  
3 enrollee is not liable to the provider for any sums owed by the  
4 certified health plan. Every such contract shall provide that this  
5 requirement shall survive termination of the contract.

6 (2) The provisions of subsection (1) of this section shall not  
7 apply to emergency care from a provider who is not a contracting  
8 provider with the certified health plan, or to emergent and urgently  
9 needed out-of-area services.

10 (3) The insurance commissioner in consultation with the health  
11 services commission shall adopt rules governing the content and  
12 structure of the provider contracts.

13 (4) The certified health plan shall file the contracts with the  
14 insurance commissioner for approval thirty days prior to use.

15 NEW SECTION. **Sec. 332.** MINIMUM NET WORTH--REQUIREMENTS TO  
16 MAINTAIN--DETERMINATION OF AMOUNT. (1) Every certified health plan  
17 must maintain a minimum net worth equal to the greater of:

18 (a) One million dollars; or

19 (b) Two percent of annual premium revenues as reported on the most  
20 recent annual financial statement filed with the insurance commissioner  
21 on the first one hundred fifty million dollars of premium and one  
22 percent of annual premium on the premium in excess of one hundred fifty  
23 million dollars; or

24 (c) An amount equal to the sum of three months' uncovered  
25 expenditures as reported on the most recent financial statement filed  
26 with the commissioner.

27 (2) Every health care service contractor, health maintenance  
28 organization, or disability insurance company that has a valid  
29 certificate of registration or certificate of authority issued prior to  
30 the effective date of this section, shall demonstrate to the insurance  
31 commissioner that it has achieved the minimum net worth standards set  
32 forth in subsection (1) of this section not later than January 1, 1994.

33 (3)(a) In determining net worth, no debt shall be considered fully  
34 subordinated unless the subordination clause is in a form acceptable to  
35 the commissioner. An interest obligation relating to the repayment of  
36 a subordinated debt must be similarly subordinated.

37 (b) The interest expenses relating to the repayment of a fully  
38 subordinated debt shall not be considered uncovered expenditures.

1 (c) A subordinated debt incurred by a note meeting the requirements  
2 of this section, and otherwise acceptable to the insurance  
3 commissioner, shall not be considered a liability and shall be recorded  
4 as equity.

5 (4) Every certified health plan shall, in determining liabilities,  
6 include an amount estimated in the aggregate to provide for unearned  
7 premiums and for the payment of claims for health care expenditures  
8 that have been incurred, whether reported or unreported, which are  
9 unpaid and for which such organization is or may be liable and to  
10 provide for the expense of adjustment or settlement of such claims.

11 The claims shall be computed in accordance with rules adopted by  
12 the insurance commissioner in consultation with the health services  
13 commission.

14 NEW SECTION. **Sec. 333.** FUNDED RESERVE REQUIREMENTS. (1) Each  
15 certified health plan obtaining certification from the insurance  
16 commissioner shall provide and maintain a funded reserve of one hundred  
17 fifty thousand dollars. The funded reserve shall be deposited with the  
18 insurance commissioner or with any organization acceptable to the  
19 commissioner in the form of cash, securities eligible for investment  
20 under chapter 48.13 RCW, approved surety bond, or any combination of  
21 these, and must be equal to or exceed one hundred fifty thousand  
22 dollars. The funded reserve shall be established as an assurance that  
23 the uncovered expenditures obligations of the certified health plan to  
24 the enrolled Washington residents shall be performed.

25 (2) All income from reserves on deposit with the commissioner shall  
26 belong to the depositing certified health plan and shall be paid to it  
27 as it becomes available.

28 (3) Funded reserves required by this section shall be considered an  
29 asset in determining the plan's net worth.

30 NEW SECTION. **Sec. 334.** EXAMINATION OF CERTIFIED HEALTH PLANS,  
31 POWERS OF COMMISSIONER, DUTIES OF PLANS, INDEPENDENT AUDIT REPORTS.  
32 (1) The insurance commissioner shall make an examination of the  
33 operations of a certified health plan as often as the commissioner  
34 deems it necessary in order to assure the financial security and health  
35 and safety of the enrolled residents. The insurance commissioner shall  
36 make an examination of a certified health plan not less than once every  
37 three calendar years.

1 (2) Every certified health plan shall submit its books and records  
2 relating to its operation for financial condition and market conduct  
3 examinations and in every way facilitate them. The quality or  
4 appropriateness of medical services and systems shall be examined by  
5 the department of health except that the insurance commissioner may  
6 review such areas to the extent that such items impact the financial  
7 condition or the market conduct of the certified health plan. For the  
8 purpose of the examinations the insurance commissioner may issue  
9 subpoenas, administer oaths, and examine the officers and principals of  
10 the certified health plans concerning their business.

11 (3) The insurance commissioner may elect to accept and rely on  
12 audit reports made by an independent certified public accountant for  
13 the certified health plan in the course of that part of the insurance  
14 commissioner's examination covering the same general subject matter as  
15 the audit. The commissioner may incorporate the audit report in his or  
16 her report of the examination.

17 (4) Certified health plans shall be equitably assessed to cover the  
18 cost of financial conditional and market conduct examinations, the  
19 costs of adopting rules, and the costs of enforcing the provisions of  
20 this chapter. The assessments shall be levied not less frequently  
21 than once every twelve months and shall be in an amount expected to  
22 fund the examinations, adoption of rules, and enforcement of the  
23 provisions of this chapter including a reasonable margin for cost  
24 variations. The assessments shall be established by rules adopted by  
25 the commissioner in consultation with the health services commission  
26 but shall not exceed five and one-half cents per month per resident  
27 enrolled in the certified health plan. The minimum assessment shall be  
28 one thousand dollars. Assessment receipts shall be deposited in the  
29 insurance commissioner's regulatory account in the state treasury and  
30 shall be used for the purpose of funding the examinations authorized in  
31 subsection (1) of this section. Assessments received shall be used to  
32 pay a pro rata share of the costs, including overhead of regulating  
33 certified health plans. Amounts remaining in the separate account at  
34 the end of a biennium shall be applied to reduce the assessments in  
35 succeeding biennia.

36 NEW SECTION. **Sec. 335.** INSOLVENCY--COMMISSIONER'S DUTIES,  
37 CONTINUATION OF BENEFITS, ALLOCATION OF COVERAGE. (1) In the event of  
38 insolvency of a certified health plan and upon order of the

1 commissioner, all other certified health plans shall offer the enrolled  
2 Washington residents of the insolvent certified health plan the  
3 opportunity to enroll in a solvent certified health plan. Enrollment  
4 shall be without prejudice for any preexisting condition and shall be  
5 continuous provided the resident enrolls in the new certified health  
6 plan within thirty days of the date of insolvency and otherwise  
7 complies with the certified health plan's managed care procedures  
8 within the thirty-day open enrollment period.

9 (2) The insurance commissioner, in consultation with the health  
10 services commission, shall establish guidelines for the equitable  
11 distribution of the insolvent certified health plan's enrollees to the  
12 remaining certified health plans. Such guidelines may include  
13 limitations to enrollment based on financial conditions, provider  
14 delivery network, administrative capabilities of the certified health  
15 plan, and other reasonable measures of the certified health plan's  
16 ability to provide benefits to the newly enrolled residents.

17 (3) Each certified health plan shall have a plan for handling  
18 insolvency that allows for continuation of benefits for the duration of  
19 the coverage period for which premiums have been paid and continuation  
20 of benefits to enrolled Washington residents who are confined on the  
21 date of insolvency in an inpatient facility until their discharge or  
22 transfer to a new certified health plan as provided in subsection (1)  
23 of this section. Such plan shall be approved by the insurance  
24 commissioner at the time of certification and shall be submitted for  
25 review and approval on an annual basis. The commissioner shall approve  
26 such a plan if it includes:

27 (a) Insurance to cover the expenses to be paid for continued  
28 benefits after insolvency;

29 (b) Provisions in provider contracts that obligate the provider to  
30 provide services for the duration of the period after the certified  
31 health plan's insolvency for which premium payment has been made and  
32 until the enrolled participant is transferred to a new certified health  
33 plan in accordance with subsection (1) of this section. Such extension  
34 of coverage shall not obligate the provider of service beyond thirty  
35 days following the date of insolvency;

36 (c) Use of the funded reserve requirements as provided under  
37 section 333 of this act;

38 (d) Acceptable letters of credit or approved surety bonds; or

1 (e) Other arrangements the insurance commissioner and certified  
2 health plan mutually agree are appropriate to assure that benefits are  
3 continued.

4 NEW SECTION. **Sec. 336.** FINANCIAL FAILURE, SUPERVISION OF  
5 COMMISSIONER--PRIORITY OF DISTRIBUTION OF ASSETS. (1) Any  
6 rehabilitation, liquidation, or conservation of a certified health plan  
7 shall be deemed to be the rehabilitation, liquidation, or conservation  
8 of an insurance company and shall be conducted under the supervision of  
9 the insurance commissioner under the law governing the rehabilitation,  
10 liquidation, or conservation of insurance companies. The insurance  
11 commissioner may apply for an order directing the insurance  
12 commissioner to rehabilitate, liquidate, or conserve a certified health  
13 plan upon one or more of the grounds set forth in RCW 48.31.030,  
14 48.31.050, and 48.31.080. Enrolled residents shall have the same  
15 priority in the event of liquidation or rehabilitation as the law  
16 provides to policyholders of an insurer.

17 (2) For purposes of determining the priority of distribution of  
18 general assets, claims of enrolled residents and their dependents shall  
19 have the same priority as established by RCW 48.31.280 for  
20 policyholders and their dependents of insurance companies. If an  
21 enrolled resident is liable to a provider for services under and  
22 covered by a certified health plan, that liability shall have the  
23 status of an enrolled resident claim for distribution of general  
24 assets.

25 (3) A provider who is obligated by statute or agreement to hold  
26 enrolled residents harmless from liability for services provided under  
27 and covered by a certified health plan shall have a priority of  
28 distribution of the general assets immediately following that of  
29 enrolled residents and enrolled residents' dependents as described in  
30 this section, and immediately proceeding the priority of distribution  
31 described in RCW 48.31.280(2)(e).

32 NEW SECTION. **Sec. 337.** GRIEVANCE PROCEDURE. A certified health  
33 plan shall establish and maintain a grievance procedure approved by the  
34 commissioner, to provide a reasonable and effective resolution of  
35 complaints initiated by enrolled Washington residents concerning any  
36 matter relating to the provision of benefits under the uniform benefit  
37 package, access to health care services, and quality of services. Each

1 certified health plan shall respond to complaints filed with the  
2 insurance commissioner within twenty working days. The insurance  
3 commissioner in consultation with the health care commission shall  
4 establish standards for grievance procedures and resolution.

5 **E. EMPLOYERS' COOPERATIVE HEALTH CARE PURCHASING GROUPS**

6 NEW SECTION. **Sec. 338.** EMPLOYERS' COOPERATIVE HEALTH CARE  
7 PURCHASING GROUP--DEFINITION, OPEN ACCESS, REGISTRATION. A purchasing  
8 group that intends to purchase health care coverage from a certified  
9 health plan shall furnish notice to the commissioner which shall: (1)  
10 Identify the principal name and address of the purchasing group, (2)  
11 furnish the names and addresses of the officers of the purchasing  
12 group, (3) include copies of letters of agreement for participation in  
13 the purchasing group including minimum term of participation, and (4)  
14 provide any other information as prescribed by the insurance  
15 commissioner in consultation with the health services commission to  
16 verify that the purchasing group is qualified and managed by competent  
17 and trustworthy individuals.

18 NEW SECTION. **Sec. 339.** ENFORCEMENT AUTHORITY OF COMMISSIONER.  
19 For the purposes of this chapter, the insurance commissioner shall have  
20 the same powers and duties of enforcement as are provided in RCW  
21 48.02.080.

22 NEW SECTION. **Sec. 340.** ANNUAL REPORT BY THE INSURANCE  
23 COMMISSIONER TO THE HEALTH SERVICES COMMISSION. (1) The insurance  
24 commissioner shall report annually to the health services commission on  
25 the compliance of certified health plans and employers' cooperative  
26 health care purchasing groups with the provisions of chapter . . . ,  
27 Laws of 1993 (this act). The report shall include information on (a)  
28 compliance with this act's open enrollment and antidiscrimination  
29 provisions, (b) financial solvency requirements, (c) the mix of  
30 enrollee characteristics within and among plans and groups including  
31 age, sex, ethnicity, and any easily obtainable information related to  
32 medical risk, (d) the geographic distribution of plans and groups, and  
33 (e) other information which the commission may request consistent with  
34 the goals of chapter . . . , Laws of 1993 (this act).

1 (2) Certified health plans and employers' cooperative health care  
2 purchasing groups shall comply with any request by the insurance  
3 commissioner to obtain information for the purposes of this section.

4 **F. DISCLOSURE OF HOSPITAL, NURSING HOME, AND PHARMACY CHARGES**

5 NEW SECTION. **Sec. 341.** A new section is added to chapter 70.41  
6 RCW to read as follows:

7 (1) The legislature finds that the spiraling costs of health care  
8 continue to surmount efforts to contain them, increasing at  
9 approximately twice the inflationary rate. The causes of this  
10 phenomenon are complex. By making physicians and other health care  
11 providers with hospital admitting privileges more aware of the cost  
12 consequences of health care services for consumers, these providers may  
13 be inclined to exercise more restraint in providing only the most  
14 relevant and cost-beneficial hospital services, with a potential for  
15 reducing the utilization of those services. The requirement of the  
16 hospital to inform physicians and other health care providers of the  
17 charges of the health care services that they order may have a positive  
18 effect on containing health costs. Further, the option of the  
19 physician or other health care provider to inform the patient of these  
20 charges may strengthen the necessary dialogue in the provider-patient  
21 relationship that tends to be diminished by intervening third-party  
22 payers.

23 (2) The chief executive officer of a hospital licensed under this  
24 chapter and the superintendent of a state hospital shall establish and  
25 maintain a procedure for disclosing to physicians and other health care  
26 providers with admitting privileges the charges of all health care  
27 services ordered for their patients. Copies of hospital charges shall  
28 be made available to any physician and/or other health care provider  
29 ordering care in hospital inpatient/outpatient services. The physician  
30 and/or other health care provider may inform the patient of these  
31 charges and may specifically review them. Hospitals are also directed  
32 to study methods for making daily charges available to prescribing  
33 physicians through the use of interactive software and/or computerized  
34 information thereby allowing physicians and other health care providers  
35 to review not only the costs of present and past services but also  
36 future contemplated costs for additional diagnostic studies and  
37 therapeutic medications.

1        NEW SECTION.    **Sec. 342.**    A new section is added to chapter 71.12  
2    RCW to read as follows:

3        (1) The legislature finds that the spiraling costs of health care  
4    continue to surmount efforts to contain them, increasing at  
5    approximately twice the inflationary rate.    The causes of this  
6    phenomenon are complex.    By making physicians and other health care  
7    providers with hospital admitting privileges more aware of the cost  
8    consequences of health care services for consumers, these providers may  
9    be inclined to exercise more restraint in providing only the most  
10   relevant and cost-beneficial hospital services, with a potential for  
11   reducing the utilization of those services.    The requirement of the  
12   hospital to inform physicians and other health care providers of the  
13   charges of the health care services that they order may have a positive  
14   effect on containing health costs.    Further, the option of the  
15   physician or other health care provider to inform the patient of these  
16   charges may strengthen the necessary dialogue in the provider-patient  
17   relationship that tends to be diminished by intervening third-party  
18   payors.

19        (2) The chief executive officer of a hospital licensed under this  
20   chapter and the superintendent of a state hospital shall establish and  
21   maintain a procedure for disclosing to physicians and other health care  
22   providers with admitting privileges the charges of all health care  
23   services ordered for their patients.    Copies of hospital charges shall  
24   be made available to any physician and/or other health care provider  
25   ordering care in hospital inpatient/outpatient services.    The physician  
26   and/or other health care provider may inform the patient of these  
27   charges and may specifically review them.    Hospitals are also directed  
28   to study methods for making daily charges available to prescribing  
29   physicians through the use of interactive software and/or computerized  
30   information thereby allowing physicians and other health care providers  
31   to review not only the costs of present and past services but also  
32   future contemplated costs for additional diagnostic studies and  
33   therapeutic medications.

34        NEW SECTION.    **Sec. 343.**    A new section is added to chapter 18.68  
35    RCW to read as follows:

36        The legislature finds that the spiraling costs of health care  
37    continue to surmount efforts to contain them, increasing at  
38    approximately twice the inflationary rate.    One of the fastest growing

1 segments of the health care expenditure involves prescription  
2 medications. By making physicians and other health care providers with  
3 prescriptive authority more aware of the cost consequences of health  
4 care treatments for consumers, these providers may be inclined to  
5 exercise more restraint in providing only the most relevant and cost-  
6 beneficial drug and medication treatments. The requirement of the  
7 pharmacy to inform physicians and other health care providers of the  
8 charges of prescription drugs and medications that they order may have  
9 a positive effect on containing health costs. Further, the option of  
10 the physician or other health care provider to inform the patient of  
11 these charges may strengthen the necessary dialogue in the provider-  
12 patient relationship that tends to be diminished by intervening third-  
13 party payers.

14 NEW SECTION. **Sec. 344.** A new section is added to chapter 18.68  
15 RCW to read as follows:

16 The registered or licensed pharmacist of this chapter shall  
17 establish and maintain a procedure for disclosing to physicians and  
18 other health care providers with prescriptive authority information  
19 detailed by prescriber, of the cost and dispensation of all  
20 prescriptive medications prescribed by him or her for his or her  
21 patients on request. These charges should be made available on at  
22 least a quarterly basis for all requested patients and should include  
23 medication, dosage, number dispensed, and the cost of the prescription.  
24 Pharmacies may provide this information in a summary form for each  
25 prescribing physician for all patients rather than as individually  
26 itemized reports. All efforts should be made to utilize the existing  
27 computerized records and software to provide this information in the  
28 least costly format.

29 NEW SECTION. **Sec. 345.** A new section is added to chapter 18.51  
30 RCW to read as follows:

31 (1) The legislature finds that the spiraling costs of nursing home  
32 care continue to surmount efforts to contain them, increasing at  
33 approximately twice the inflationary rate. The causes of this  
34 phenomenon are complex. By making nursing home facilities and care  
35 providers more aware of the cost consequences of care services for  
36 consumers, these providers may be inclined to exercise more restraint  
37 in providing only the most relevant and cost-beneficial services and

1 care, with a potential for reducing the utilization of those services.  
2 The requirement of the nursing home to inform physicians, consumers,  
3 and other care providers of the charges of the services that they order  
4 may have a positive effect on containing health costs.

5 (2) The chief executive officer of a nursing home licensed under  
6 this chapter shall establish and maintain a procedure for disclosing to  
7 physicians, consumers, and other care providers the charges of all  
8 services to be ordered for residents. These charges shall be posted on  
9 the resident's bill and shall include total charges to date and an  
10 itemization of charges for each month.

11 NEW SECTION. **Sec. 346.** The department of health shall report to  
12 the legislature by December 31, 1994, with recommendations on any  
13 necessary revisions to sections 341 through 345 of this act, including  
14 their continued necessity and the appropriateness of their repeal.

15 **G. STATE AND FEDERAL ANTI-TRUST IMMUNITY**

16 NEW SECTION. **Sec. 347.** STATE AND FEDERAL ANTI-TRUST IMMUNITY.  
17 (1) The legislature finds that competition in the health services and  
18 insurance markets is not in the public interest unless it operates  
19 within publicly established constraints that seek to (a) contain the  
20 aggregate cost of most health services, (b) promote the comparability  
21 of health insurance products, (c) improve the cost-effectiveness of  
22 those products relative to health promotion, disease prevention, and  
23 the amelioration or cure of illness, (d) assure universal access to a  
24 publicly determined, uniform package of health benefits, and (e) create  
25 reasonable equity in the distribution of funds, treatment, and medical  
26 risk among purchasing groups, insurance groups, health care providers,  
27 and Washington residents.

28 (2) The legislature recognizes that chapter . . . , Laws of 1993  
29 (this act) may result in a reduction of competition in the provision of  
30 health services or insurance.

31 (3) The legislature intends that reductions in health services or  
32 insurance competition occur as a result of chapter . . . , Laws of 1993  
33 (this act) for the purposes stated in this section and elsewhere in  
34 chapter . . . , Laws of 1993 (this act). To these ends, any lawful  
35 actions taken by any entity created or regulated by chapter . . . , Laws  
36 of 1993 (this act) are declared to be taken pursuant to state statute

1 and in furtherance of the public purposes of the state of Washington.  
2 Such actions are exempt from state and federal anti-trust statutes and  
3 shall be treated as state-authorized actions. However, such actions do  
4 not include practices, services, entities, plans, benefits, premiums,  
5 and other activities of certified health plans, health care purchasers,  
6 purchasing groups, health care providers, or Washington residents which  
7 amount to:

8 (a) Agreeing or conspiring to agree on the price two or more  
9 certified health plans charge for the uniform benefit package or any  
10 other service;

11 (b) Agreeing or conspiring to agree on the geographic boundaries  
12 which will be served by one or more certified health plans or  
13 purchasing groups in order to avoid financial risk, or to discriminate  
14 against any Washington resident, employer, or their duly authorized  
15 agents; or

16 (c) Agreeing or conspiring to agree on ways of attracting or  
17 discouraging enrollment by any resident or group of residents in any  
18 certified health plan or purchasing group because of the actual or  
19 perceived cost of providing the uniform benefit package to that  
20 resident or group.

21 (4) The legislature further finds that incentives should be  
22 provided for all of those who purchase, insure, or deliver health  
23 services to operate in ways that promote the purposes of chapter . . . ,  
24 Laws of 1993 (this act). To this end, chapter . . . , Laws of 1993  
25 (this act) extends certain rights and privileges to self-funded  
26 employer health insurance arrangements who voluntarily participate in  
27 achieving and maintaining standards required of certified health plans.

28 (5) The legislature finds that the goals of controlling health care  
29 costs and improving the quality of and access to health care services  
30 would be significantly enhanced by more extensive cooperation among  
31 health care providers, including especially physicians and hospitals.  
32 The legislature further finds that growth in cooperative activities is  
33 impeded by certain governmental policies, including state and federal  
34 antitrust laws that impose marketplace competition as the sole means  
35 for structuring and allocating resources offered by health care  
36 providers. The legislature directs the state attorney general, in  
37 conjunction with provider representatives, to study and make  
38 recommendations to the legislature on a process for state regulation of  
39 prohibited provider cooperative activities that would justify a grant

1 of immunity from state antitrust laws and protection from federal  
2 antitrust laws through the state action doctrine.

3 **H. THE UNIFORM BENEFIT PACKAGE**

4 NEW SECTION. **Sec. 348.** UNIFORM BENEFIT PACKAGE DESIGN--  
5 LEGISLATIVE VETO. (1) The Washington health services commission shall  
6 define the uniform benefit package, which shall include those health  
7 services based on the best available scientific health information,  
8 deemed to be effective and necessary on a societal basis for the  
9 maintenance of the health of citizens of the state, and weighed against  
10 the availability of funding in the state health services budget.

11 (a) The legislature intends that the uniform benefit package be  
12 comparable in scope to health benefits plans offered to employees of  
13 state agencies, and that it be sufficiently comprehensive to meet the  
14 health needs of residents of the state.

15 The uniform benefit package shall include at least inpatient and  
16 outpatient services for physical, mental, and developmental illnesses  
17 and disabilities including some measure of the following:

18 (i) Diagnosis/assessment and selection of treatment/care;

19 (ii) Clinical preventive services;

20 (iii) Emergency health services, including ground and air ambulance  
21 services;

22 (iv) Except as otherwise provided by state law, reproductive and  
23 maternity services;

24 (v) Clinical management and provision of treatment;

25 (vi) Therapeutic drugs, biologicals, supplies, and equipment;

26 (vii) Vision, hearing, and dental care;

27 (viii) Inpatient and outpatient mental health and chemical  
28 dependency treatments;

29 (ix) Inpatient and outpatient hospital and surgical services;

30 (x) Organ transplants;

31 (xi) Rehabilitative services, including physical, occupational, and  
32 speech therapies; and

33 (xii) Long-term care services, as defined in section 302(13) of  
34 this act.

35 (b) Uniform benefit package services shall not include:

36 (i) Cosmetic surgery and related services;

1 (ii) Examinations associated with life insurance applications or  
2 legal proceedings, except as may be required for workers' compensation;  
3 and

4 (iii) Infertility services.

5 (c) The Washington health services commission shall establish  
6 limits on maximum enrollee financial participation, related to enrollee  
7 household income, such that financial considerations are not a barrier  
8 to access for low-income persons, but that, for those of means, the  
9 uniform benefit package provides for moderate point of service cost-  
10 sharing.

11 (d) The uniform benefit package may include other services  
12 determined by the commission to be effective, necessary, and consistent  
13 with the goals and intent of chapter . . . , Laws of 1993 (this act).

14 (2) The Washington health services commission shall determine the  
15 specific schedule of health services within the uniform benefit  
16 package, including limitations on scope and duration of services. To  
17 assist the commission in this task, it may periodically establish  
18 health service review panels for specified periods of time to review  
19 existing information on need, efficacy, and cost-effectiveness of  
20 specific services and treatments. These panels shall use any services  
21 outcome data that may be available. These panels shall take into  
22 consideration available practice indicators, and appropriate use of  
23 expensive technology.

24 (3) In determining the uniform benefit package, the Washington  
25 health services commission shall endeavor to seek the opinions of and  
26 information from the public. The commission shall consider the results  
27 of official public health assessment and policy development activities  
28 including recommendations of the department of health in discharging  
29 its responsibilities under this section.

30 (4) The Washington health services commission shall submit its  
31 initial uniform benefit package and any changes it may wish to make to  
32 the legislature. The legislature may disapprove of the uniform benefit  
33 package by a majority vote in the house of representatives and in the  
34 senate at any time prior to the close of its regular annual legislative  
35 session. If such disapproval action is taken, the commission shall  
36 with all deliberate speed resubmit a modified uniform benefit package,  
37 which may be disapproved within thirty days of submittal to the  
38 legislature.



1        NEW SECTION.    **Sec. 350.**    INDIVIDUAL PARTICIPATION.    (1) It is the  
2 responsibility of individuals to participate in available and  
3 affordable health insurance.

4        (2) All residents of the state of Washington shall be provided the  
5 opportunity to participate in the basic health plan or a certified  
6 health plan no later than July 1, 1997.

7        (3) The Washington health services commission shall monitor the  
8 enrollment of individuals into certified health plans and shall make  
9 public periodic reports concerning the number of persons enrolled and  
10 not enrolled, the reasons why individuals are not enrolled, and  
11 recommendations to reduce the number of persons not enrolled.

12       NEW SECTION.    **Sec. 351.**    EMPLOYER PARTICIPATION.    (1) On July 1,  
13 1995, every employer employing more than five hundred full-time  
14 employees shall offer a choice of certified health plans to all full-  
15 time or part-time employees. The employer shall be required to pay no  
16 less than fifty percent and no more than ninety-five percent of the  
17 premium cost of the lowest cost certified health plan offered by the  
18 employer. On July 1, 1996, all dependents of full-time employees of  
19 these firms shall be offered a choice of certified health plans with  
20 the employer paying no less than fifty percent and no more than ninety-  
21 five percent of the premium of the lowest cost certified health plan  
22 offered by the employer.

23        (2) By July 1, 1996, every employer employing more than one hundred  
24 full-time employees shall offer a choice of certified health plans to  
25 all full-time employees. The employer shall be required to pay no less  
26 than fifty percent and no more than ninety-five percent of the premium  
27 cost of the lowest cost certified health plan offered by the employer.  
28 For employees working less than full time the employer is required to  
29 pay a premium payment that equals a pro rata share of a full time  
30 employee's premium, based on the hours the part-time employee worked.  
31 On July 1, 1997, all dependents of full-time employees in these firms  
32 shall be offered a choice of certified health plans with the employer  
33 paying no less than fifty percent and no more than ninety-five percent  
34 of the premium of the lowest cost certified health plan offered by the  
35 employer.

36        (3) By July 1, 1997, every employer shall offer a choice of  
37 certified health plans to all full-time employees. The employer shall

1 be required to pay no less than fifty percent and no more than ninety-  
2 five percent of the premium cost of the lowest cost certified health  
3 plan offered by the employer. For employees working less than full  
4 time the employer is required to pay a premium payment that equals a  
5 pro rata share of a full time employee's premium, based on the hours  
6 the part-time employee worked. On July 1, 1998, all dependents of  
7 full-time employees in all firms shall be offered a choice of certified  
8 health plans with the employer paying no less than fifty percent and no  
9 more than ninety-five percent of the premium of the lowest cost  
10 certified health plan offered by the employer.

11 (4) In lieu of offering certified health plan coverage for  
12 employees and their dependents, an employer may combine the employer  
13 contribution with that of the employee's contribution and pay the full  
14 cost of the basic health plan benefit, plus the administrative cost to  
15 the plan of providing the plan to the employees, to the basic health  
16 plan within guidelines set by the plan administrator. The  
17 administrator of the basic health plan may require all or a substantial  
18 majority of the eligible employees of such businesses to enroll in the  
19 plan and establish those procedures necessary to facilitate the orderly  
20 enrollment of groups in the plan and into a managed health care system.  
21 Enrollment in the basic health plan is authorized via the mechanism  
22 under this subsection, notwithstanding the provisions of RCW 70.47.060  
23 concerning the maximum size of firms allowed to enroll.

24 (5) If a full-time employee is already enrolled with a certified  
25 health plan with which their employer does not have a relationship and  
26 the employee wishes to remain enrolled in that plan, the employer shall  
27 make payments to that plan on behalf of such an employee. The amount  
28 such an employer pays on behalf of such an employee shall be the same  
29 as the amount that employer pays certified health plans for other  
30 employees.

31 NEW SECTION. **Sec. 352.** Under the guidance and direction of the  
32 Washington health services commission not more than two depositories  
33 will be established where the pro rata share payments made by employers  
34 on behalf of less than full-time employees may be held in safekeeping  
35 for the benefit of such individuals. The commission shall establish,  
36 after consultation with representatives of employers and employees,  
37 especially those engaged in part-time or seasonal type businesses or  
38 occupations, appropriate procedures whereby such payments under section

1 351 of this act will be properly deposited to the credit of such  
2 persons on an individual basis, which they in turn may then access to  
3 their personal or family benefit in the purchase of coverage from the  
4 basic health plan or a certified health plan of their choice.

5 NEW SECTION. **Sec. 353.** A new section is added to chapter 82.04  
6 RCW to read as follows:

7 (1) On or after July 1, 1997, in computing tax under this chapter,  
8 employers with less than twenty-five full-time or part-time employees,  
9 or a combination of full and part-time employees, who comply with the  
10 requirements of section 351 of this act, may have credited against the  
11 amount of tax the following amount: The portion of the cost of the  
12 premium contributions made on behalf of employees and their dependents  
13 whose gross family incomes do not exceed limits established for  
14 subsidized enrollments in the basic health plan, chapter 70.47 RCW, on  
15 the basis of that sum multiplied by the percentage that amount equals  
16 in relation to the total premiums due such certified health plans or  
17 the basic health plan.

18 (2) The average annual tax credit per state resident under this  
19 section shall not exceed four hundred dollars in 1997, and may be  
20 adjusted periodically by a factor equal to the inflation allowed for  
21 the uniform benefit package premium under chapter . . . , Laws of 1993  
22 (this act), and established by the department of revenue in rule. The  
23 department shall establish a schedule of tax credits for employees and  
24 their dependents considering the income, family size, and geographic  
25 area in which such employees and their dependents reside.

26 (3) The department of revenue shall, on an annual basis, advise the  
27 Washington health services commission and the fiscal committees of the  
28 legislature of the aggregate total of the tax credits allowed under  
29 this section. The legislature shall then reimburse the general fund in  
30 an amount equal to such credits by an appropriation from the health  
31 services trust account.

32 NEW SECTION. **Sec. 354.** (1) Sections 317 through 340 of this act  
33 shall constitute a new chapter in Title 48 RCW.

34 (2) Sections 347 through 352 of this act shall constitute a new  
35 chapter in Title 43 RCW.



1 health programs needed to address urgent needs, such as those cited in  
2 subsection (6) of this section.

3 (4) By December 1, 1994, the department shall present the public  
4 health services plan to the legislature, with specific recommendations  
5 for each element of the plan to be implemented over the period from  
6 1995 through 1997.

7 (5) Thereafter, the department shall update the public health  
8 services improvement plan for presentation to the legislature prior to  
9 the beginning of a new biennium.

10 (6) Among the specific population-based public health activities to  
11 be considered in the public health services improvement plan are:  
12 Health data assessment and chronic and infectious disease surveillance;  
13 rapid response to outbreaks of communicable disease; efforts to prevent  
14 and control specific communicable diseases, such as tuberculosis and  
15 acquired immune deficiency syndrome; health education to promote  
16 healthy behaviors and to reduce the prevalence of chronic disease, such  
17 as those linked to the use of tobacco; access to primary care; programs  
18 to ensure children are born as healthy as possible and they receive  
19 immunizations and adequate nutrition; efforts to prevent intentional  
20 and unintentional injury; programs to ensure the safety of drinking  
21 water and food supplies; poison control; trauma services; and other  
22 activities that have the potential to improve the health of the  
23 population or special populations and reduce the need for or cost of  
24 health services.

25 **K. STATE HEALTH SERVICES BUDGET, TRUST FUND, AND ACCOUNTS**

26 NEW SECTION. **Sec. 357.** STATE HEALTH SERVICES BUDGET. The state  
27 health services budget shall reflect total expenditures for all health  
28 services either funded by the state or federal government, regulated  
29 pursuant to chapter . . . , Laws of 1993 (this act), or voluntarily  
30 placed under the provisions of chapter . . . , Laws of 1993 (this act)  
31 by self-insured employers. The commission shall submit the state  
32 health services budget, which shall include estimated amounts in each  
33 of these categories as part of the governor's biennial budget request.

34 NEW SECTION. **Sec. 358.** TRUST ACCOUNTS. (1) The Washington health  
35 services trust account is hereby established in the state treasury.  
36 All public funds regulated by chapter . . . , Laws of 1993 (this act) or

1 new revenues raised pursuant to chapter . . . , Laws of 1993 (this act)  
2 shall be deposited in the Washington health services trust account and  
3 shall be allocated in a manner consistent with state and federal laws,  
4 rules of the commission, and any waivers from federal laws or  
5 regulations that the state may receive consistent with the provisions  
6 of chapter . . . , Laws of 1993 (this act). The earnings on any surplus  
7 balances in the Washington health services trust account shall be  
8 credited to the account. These funds shall include at least:

9 (a) Medicare, parts A and B, Title XVIII of the federal social  
10 security act, as amended;

11 (b) Medicaid, Title XIX of the federal social security act, as  
12 amended;

13 (c) Other federal funds that are allocated for the purposes of  
14 health services included in the accounts established pursuant to this  
15 section; and

16 (d) Legislative general fund--state appropriations for any health  
17 services purchased by the state on behalf of any state resident  
18 including state, local, or school district employees, those who are  
19 poor or near poor or those who are chronically disabled, elderly, or  
20 who, for any other reason, are dependent upon the state to finance  
21 their health services, and for any health system, data collection, data  
22 analysis, or regulatory activities required by chapter . . . , Laws of  
23 1993 (this act) to include funds for the state health services  
24 commission and the state insurance commissioner.

25 (2) The trust account shall consist of three subsidiary accounts:

26 (a) The personal health services account from which funds shall be  
27 allocated to appropriate agencies for contracts with certified health  
28 plans to deliver the uniform benefit package and other health services  
29 authorized by state or federal law to public employees and all persons  
30 eligible for public subsidies.

31 (b) The public health account from which funds shall be expended to  
32 maintain and improve the health of all Washington residents, by  
33 assuring adequate financing for a public system to: (i) Assess and  
34 report on the population's health status; (ii) develop public policy  
35 that promotes and maintains health; and (iii) assure the availability  
36 and delivery of appropriate and effective health interventions. This  
37 public system shall be composed of the state board of health, state  
38 department of health, and local public health departments and  
39 districts. The office of financial management shall assure that no

1 less than three percent of the state health services budget is used for  
2 these assessment, policy development, and assurance functions as  
3 defined by the state board of health in rule through this system by  
4 June 30, 1997, and no less than five percent of the state health  
5 services budget is used for the functions by June 30, 1999. These  
6 funds may include fees, federal funds, and general or dedicated state  
7 or local tax revenue. The state board of health shall develop policies  
8 regarding the extent to which local revenue or fees may be used to meet  
9 the five-percent requirement. The office of financial management may  
10 allocate funds under its direction in order to assure that five percent  
11 of the state health services budget is used as required by this  
12 subsection. None of the funds shall be used for any service  
13 reimbursable through the uniform benefit package. The office of  
14 financial management shall consider the results of official public  
15 health assessment and policy development including recommendations of  
16 the state board of health, the department of health, and the state  
17 health report in discharging its responsibilities, including the  
18 assurance of access to appropriate and effective health services and  
19 the determination of the actual percentage used for core public health  
20 functions.

21 (c) The health professions, data systems, health systems regulation  
22 and research account from which funds shall be expended to:

23 (i) Retain needed health care providers in a manner consistent with  
24 the health professional shortage provisions set forth in chapter 332,  
25 Laws of 1991;

26 (ii) Conduct research as may be needed on the operation of  
27 certified health plans, conduct the operations and activities of the  
28 commission, as required by this act, or to conduct research on public  
29 health consistent with the principles set forth in chapter . . . , Laws  
30 of 1993 (this act); and

31 (iii) Finance the development, operation, and maintenance of the  
32 health data system according to chapter 70.170 RCW to support the  
33 purposes of chapter . . . , Laws of 1993 (this act).

34

#### **L. IMPLEMENTATION SCHEDULE**

35 NEW SECTION. **Sec. 359.** IMPLEMENTATION SCHEDULE. Chapter . . . ,  
36 Laws of 1993 (this act) shall be implemented in developmental phases as  
37 follows:

1 (1) By August 1, 1993, the director of the office of financial  
2 management shall constitute a transition team composed of staff of the  
3 department of social and health services, the Washington state health  
4 care authority, the department of health, the department of labor and  
5 industries, the Washington basic health plan, and the insurance  
6 commissioner's office. The director may request participation of the  
7 appropriate legislative staff.

8 The transition team shall conduct analyses and identify:

9 (a) The necessary transfer and consolidation of responsibilities  
10 among state agencies under the state health care purchasing agent or  
11 other agencies to fully implement chapter . . . , Laws of 1993 (this  
12 act);

13 (b) State and federal laws that would need to be repealed, amended,  
14 or waived to implement chapter . . . , Laws of 1993 (this act); and

15 (c) Appropriate guidelines for the administrative cost of the plan.

16 The transition team shall report its findings to the director, the  
17 commission, and appropriate committees of the legislature by January 1,  
18 1994, and on that date be disbanded.

19 (2) By September 1, 1993, the commission shall be appointed. As  
20 soon as possible thereafter, the commission should: (a) Hire the  
21 necessary staff; (b) develop necessary data sources; (c) appoint the  
22 initial health service review panel; and (d) develop the necessary  
23 methods to establish the state health services budget.

24 (3) By December 20, 1993, the director of the office of financial  
25 management shall submit to the appropriate committees of the  
26 legislature an agency transfer and consolidation report, which shall  
27 address staffing, equipment, facilities, and funds, along with drafts  
28 of any necessary legislation. It shall also recommend appropriate cost  
29 guidelines for the administration of the plan.

30 (4) By October 1, 1994, the commission shall:

31 (a) Submit draft rules for review and comment to the legislature,  
32 as provided in chapter . . . , Laws of 1993 (this act); and

33 (b) Report on the extent that revisions of, or waivers from state  
34 and federal laws are needed to fully implement chapter . . . , Laws of  
35 1993 (this act), and the status of its efforts to obtain the necessary  
36 waivers of, or exemptions from federal law, as provided in chapter  
37 . . . , Laws of 1993 (this act).

38 (5) By March 1, 1995, the commission shall have:

39 (a) Determined the uniform benefit package; and

1 (b) Developed standards and guidelines for certified health plans  
2 as required under chapter . . . , Laws of 1993 (this act).

3 (6) By December 20, 1995, consistent with the executive budget  
4 process, the commission shall submit the first state health services  
5 budget to the legislature.

6 (7) By January 1, 1996, if all necessary federal waivers or  
7 exemptions have not been obtained, the commission shall report, as  
8 provided in chapter . . . , Laws of 1993 (this act), on the extent to  
9 which chapter . . . , Laws of 1993 (this act) can be implemented without  
10 receipt of all of such waivers.

11 (8) By July 1, 1996, consistent with specific appropriations, all  
12 health services provided to recipients of medical assistance, medical  
13 care services, and the limited casualty program, as defined in RCW  
14 74.09.010, all state employees eligible for employee health benefits  
15 plans pursuant to chapter 41.05 RCW, and all common school employees  
16 eligible for health, or health care insurance under RCW 28A.400.350  
17 shall be enrolled exclusively with a certified health plan, consistent  
18 with all provisions of chapter . . . , Laws of 1993 (this act).

19 (9) By July 1, 1997, consistent with specific appropriations, all  
20 remaining provisions of chapter . . . , Laws of 1993 (this act) shall be  
21 in full effect of law.

22 **M. INITIAL EXCLUSIONS, STUDIES, AND ADMINISTRATIVE DIRECTIVES**

23 NEW SECTION. **Sec. 360.** CODE REVISIONS AND WAIVERS. (1) The  
24 commission shall consider the analysis of state and federal laws that  
25 would need to be repealed, amended, or waived to implement chapter  
26 . . . , Laws of 1993 (this act), as prepared by the transition team  
27 pursuant to chapter . . . , Laws of 1993 (this act), and report its  
28 recommendations, with proposed revisions to the Revised Code of  
29 Washington, to the governor, and appropriate committees of the  
30 legislature by January 1, 1994.

31 (2) The commission in consultation with the governor shall take the  
32 following steps in an effort to receive waivers or exemptions from  
33 federal statutes necessary to fully implement chapter . . . , Laws of  
34 1993 (this act):

35 (a) Negotiate with the United States congress and the federal  
36 department of health and human services, health care financing  
37 administration to obtain a statutory or regulatory waiver of provisions

1 of the medicaid statute, Title XIX of the federal social security act  
2 that currently constitute barriers to full implementation of provisions  
3 of chapter . . . , Laws of 1993 (this act) related to access to health  
4 services for low-income residents of Washington state. Such waivers  
5 shall include any waiver needed to implement managed care programs.  
6 Waived provisions may include and are not limited to: Categorical  
7 eligibility restrictions related to age, disability, blindness, or  
8 family structure; income and resource limitations tied to financial  
9 eligibility requirements of the federal aid to families with dependent  
10 children and supplemental security income programs; administrative  
11 requirements regarding single state agencies, choice of providers, and  
12 fee for service reimbursement programs; and other limitations on health  
13 services provider payment methods.

14 (b) Negotiate with the United States congress and the federal  
15 department of health and human services, health care financing  
16 administration to obtain a statutory or regulatory waiver of provisions  
17 of the medicare statute, Title XVIII of the federal social security act  
18 that currently constitute barriers to full implementation of provisions  
19 of chapter . . . , Laws of 1993 (this act) related to access to health  
20 services for elderly and disabled residents of Washington state. Such  
21 waivers shall include any waivers needed to implement managed care  
22 programs. Waived provisions include and are not limited to:  
23 Beneficiary cost-sharing requirements; restrictions on scope of  
24 services; and limitations on health services provider payment methods.

25 (c) Negotiate with the United States congress and the federal  
26 department of health and human services to obtain any statutory or  
27 regulatory waivers of provisions of the United States public health  
28 services act necessary to ensure integration of federally funded  
29 community health clinics and other health services funded through the  
30 public health services act into the health services system established  
31 pursuant to chapter . . . , Laws of 1993 (this act).

32 If the commission fails to obtain all necessary federal statutory  
33 changes or regulatory waivers necessary to fully implement chapter  
34 . . . , Laws of 1993 (this act) by January 1, 1996, it shall report to  
35 the governor and appropriate committees of the legislature on the  
36 extent to which chapter . . . , Laws of 1993 (this act) can be  
37 implemented without receipt of all of such waivers.

1        NEW SECTION.        **Sec. 361.**        SELF-INSURED EMPLOYERS--EMPLOYEE  
2 RETIREMENT INCOME SECURITY ACT OF 1974. Employers who provide self-  
3 insured coverage now regulated by the employee retirement income  
4 security act of 1974 shall be subject to the requirements in this  
5 chapter.

6        The governor with the assistance of the commission shall seek  
7 changes in the employee retirement income security act of 1974 to  
8 ensure that all employees and their dependents in the state comply with  
9 the requirement to enroll in and have their employers participate in  
10 financing their enrollment in certified health plans.

11        NEW SECTION.        **Sec. 362.**        PROGRAMS INITIALLY EXCLUDED FROM THE  
12 OPERATION OF CHAPTER . . . , LAWS OF 1993 (THIS ACT). Initially, the  
13 medical services of the workers' compensation program of the department  
14 of labor and industries, the residential portions of the mental health,  
15 developmental disabilities, and long-term care programs within the  
16 department of social and health services, including nursing homes,  
17 state mental hospitals and residential habilitation centers, state and  
18 federal veterans' health services, and the civilian health and medical  
19 program of the uniformed services (CHAMPUS) of the federal department  
20 of defense and other federal agencies, shall not be included in the  
21 program established by chapter . . . , Laws of 1993 (this act), but  
22 shall be studied for future inclusion.

23        NEW SECTION.        **Sec. 363.**        REPORTS OF HEALTH CARE COST CONTROL AND  
24 ACCESS COMMISSION. In carrying out its powers and duties under chapter  
25 . . . , Laws of 1993 (this act), the design of the uniform benefit  
26 package, and the development of guidelines and standards, the  
27 commission shall consider the reports of the health care cost control  
28 and access commission established under House Concurrent Resolution No.  
29 4443 adopted by the legislature in 1990. Nothing in chapter . . . ,  
30 Laws of 1993 (this act) requires the commission to follow any specific  
31 recommendation contained in those reports except as it may also be  
32 included in chapter . . . , Laws of 1993 (this act) or other law.

33        NEW SECTION.        **Sec. 364.**        EVALUATIONS, PLANS, AND STUDIES. (1) By  
34 July 1, 1997, the legislative budget committee either directly or by  
35 contract shall conduct studies to determine the desirability and

1 feasibility of consolidating the following programs, services, and  
2 funding sources into the certified health plans:

3 (a) Developmental disabilities, mental health, and long-term care  
4 programs of the department of social and health services whose services  
5 are not included in the uniform benefit package as of July 1995;

6 (b) State and federal veterans' health services; and

7 (c) Civilian health and medical program of the uniformed services  
8 (CHAMPUS) of the federal department of defense and other federal  
9 agencies.

10 (2) The legislative budget committee shall evaluate the  
11 implementation of the provisions of chapter . . . , Laws of 1993 (this  
12 act). The study shall determine to what extent chapter . . . , Laws of  
13 1993 (this act) has been implemented consistent with the principles and  
14 elements set forth in chapter . . . , Laws of 1993 (this act) and shall  
15 report its findings to the governor and appropriate committees of the  
16 legislature by July 1, 2003.

17 NEW SECTION. **Sec. 365.** A new section is added to chapter 70.170  
18 RCW to read as follows:

19 HOSPITAL REGULATION STUDY. The department, through a competitive  
20 bidding process restricted to those with suitable expertise to conduct  
21 such a study, shall contract for an examination of local, state, and  
22 federal regulations that apply to hospitals and shall report to the  
23 health care policy committees of the legislature by July 1, 1994, on  
24 the following:

25 (1) An inventory of health and safety regulations that apply to  
26 hospitals;

27 (2) A description of the costs to local, state, and federal  
28 agencies for operating the regulatory programs;

29 (3) An estimate of the costs to hospitals to comply with the  
30 regulations;

31 (4) A description of whether regulatory functions are duplicated  
32 among different regulatory programs;

33 (5) An analysis of the effectiveness of regulatory programs in  
34 meeting their safety and health objectives;

35 (6) An analysis of hospital charity care requirements under RCW  
36 70.170.060 and their relevance under the health care reforms created  
37 under chapter . . . , Laws of 1993 (this act);

1 (7) Recommendations on elimination or consolidation of unnecessary  
2 or duplicative regulatory activities that would not result in a  
3 reduction in the health and safety objectives.

4 NEW SECTION. **Sec. 366.** A new section is added to chapter 70.170  
5 RCW to read as follows:

6 NURSING HOME STUDY. The department, through a competitive bidding  
7 process restricted to those with suitable expertise to conduct such a  
8 study, shall contract for an examination of local, state, and federal  
9 regulations that apply to nursing homes and shall report to the health  
10 care policy committees of the legislature by July 1, 1994, on the  
11 following:

12 (1) An inventory of health and safety regulations that apply to  
13 nursing homes;

14 (2) A description of the costs to local, state, and federal  
15 agencies for operating the regulatory programs;

16 (3) An estimate of the costs to nursing homes to comply with the  
17 regulations;

18 (4) A description of whether regulatory functions are duplicated  
19 among different regulatory programs;

20 (5) An analysis of the effectiveness of regulatory programs in  
21 meeting their safety and health objectives;

22 (6) Recommendations on elimination or consolidation of unnecessary  
23 or duplicative regulatory activities that would not result in a  
24 reduction in the health and safety objectives.

25 NEW SECTION. **Sec. 367.** The Washington health services commission  
26 shall study and report to the legislature on the feasibility of  
27 offering employer-funded medical care savings account arrangements and  
28 reduced cost qualified higher deductible insurance policies as a choice  
29 to K-12 system, state, and local government employees in meeting their  
30 health care obligations.

## 31 **N. WORKERS' COMPENSATION**

32 NEW SECTION. **Sec. 368.** WORKERS' COMPENSATION MEDICAL BENEFITS.

33 (1) An employer who self-insures for employee medical benefits or  
34 workers' compensation benefits and who meets the requirements for a  
35 certified health plan under section 320 of this act, may apply to the

1 department of labor and industries for an exemption from the  
2 requirements of Title 51 RCW regarding the medical portion of the  
3 workers' compensation program.

4 (2) The director of the department of labor and industries shall  
5 grant such an exemption if he or she finds that (a) the applicant  
6 employer has a record of no less than two years of compliance with the  
7 requirements to be a certified health plan, (b) the uniform benefit  
8 package provided by the certified health plan that would assume  
9 workers' compensation responsibilities include medically necessary  
10 services available under the workers' compensation program in 1992,  
11 including payments for disability determinations, (c) the state has  
12 achieved access by no less than ninety-seven percent of all state  
13 residents to coverage for the uniform benefit package, (d) there is no  
14 reasonable expectation that granting such an exemption will result in  
15 a reduction in needed time loss awards or rehabilitative services, (e)  
16 the employees' share of workers' compensation medical aid fund  
17 contributions are returned to the employee as increased wages, and (f)  
18 a majority of employees in the employer's company do not object to the  
19 exemption.

20 (3) If, after periodic review of exemptions granted under this  
21 section, the director of labor and industries finds that the conditions  
22 in subsection (2) of this section are not present, he or she may  
23 withdraw the exemption and immediately require the employer to  
24 reestablish a separate workers' compensation medical aid fund program.

25 (4) In consultation with representatives of organized labor and the  
26 large and small business communities of the state, and consistent with  
27 chapter . . . , Laws of 1993 (this act), the statutory workers'  
28 compensation advisory committee and the department of labor and  
29 industries shall propose a plan and timeline for including the medical  
30 services of the workers' compensation program of the department of  
31 labor and industries in the services offered by certified health plans.  
32 No plan or timeline may take effect until at least ninety-seven percent  
33 of state residents have access to the uniform benefit package as  
34 required in chapter . . . , Laws of 1993 (this act). No plan or  
35 timeline may be proposed that does not assure that (a) the uniform  
36 benefit package provides benefits which are medically necessary under  
37 the workers' compensation program in 1993, including payment for  
38 medical determinations of disability under chapter . . . . RCW, (b)  
39 statutory assurances are provided that time loss benefits and

1 rehabilitative services will not be reduced as a result of the  
2 transfer, (c) employers who self-fund for health insurance or workers'  
3 compensation and who do not choose to become certified health plans  
4 under chapter . . . , Laws of 1993 (this act), will continue to be  
5 required to provide workers' compensation benefits as required under  
6 1993 law, (d) the employees' share of the workers' compensation medical  
7 aid fund contribution is returned to employees as increased wages, and  
8 (e) a majority of employees in the employer's company do not object to  
9 the change.

10 The medical aid fund portion of the workers' compensation program  
11 affected by this section shall not be less than the percentage of the  
12 medical aid portion of the workers' compensation program in 1992.

13 To help in developing this plan the department of labor and  
14 industries may immediately implement pilot projects to assess the  
15 effects of this consolidation on the cost, quality comparability, and  
16 employer/employee satisfaction with various consolidation proposals.

17 The plan and timeline required under this subsection shall be  
18 presented to the governor and the appropriate committees of the  
19 legislature by January 1, 1995. The timeline shall include full  
20 implementation of needed rules by July 1, 1997.

21 **O. MISCELLANEOUS**

22 NEW SECTION. **Sec. 369.** SHORT TITLE. This act may be known and  
23 cited as the Washington health system reform act of 1993.

24 **Sec. 370.** RCW 42.17.2401 and 1991 c 200 s 404 are each amended to  
25 read as follows:

26 For the purposes of RCW 42.17.240, the term "executive state  
27 officer" includes:

28 (1) The chief administrative law judge, the director of  
29 agriculture, the administrator of the office of marine safety, the  
30 administrator of the Washington basic health plan, the director of the  
31 department of services for the blind, the director of the state system  
32 of community and technical colleges, the director of community  
33 development, the secretary of corrections, the director of ecology, the  
34 commissioner of employment security, the chairman of the energy  
35 facility site evaluation council, the director of the energy office,  
36 the secretary of the state finance committee, the director of financial

1 management, the director of fisheries, the executive secretary of the  
2 forest practices appeals board, the director of the gambling  
3 commission, the director of general administration, the secretary of  
4 health, the administrator of the Washington state health care  
5 authority, the executive secretary of the health care facilities  
6 authority, the executive secretary of the higher education facilities  
7 authority, the director of the higher education personnel board, the  
8 executive secretary of the horse racing commission, the executive  
9 secretary of the human rights commission, the executive secretary of  
10 the indeterminate sentence review board, the director of the department  
11 of information services, the director of the interagency committee for  
12 outdoor recreation, the executive director of the state investment  
13 board, the director of labor and industries, the director of licensing,  
14 the director of the lottery commission, the director of the office of  
15 minority and women's business enterprises, the director of parks and  
16 recreation, the director of personnel, the executive director of the  
17 public disclosure commission, the director of retirement systems, the  
18 director of revenue, the secretary of social and health services, the  
19 chief of the Washington state patrol, the executive secretary of the  
20 board of tax appeals, the director of trade and economic development,  
21 the secretary of transportation, the secretary of the utilities and  
22 transportation commission, the director of veterans affairs, the  
23 director of wildlife, the president of each of the regional and state  
24 universities and the president of The Evergreen State College, each  
25 district and each campus president of each state community college;

26 (2) Each professional staff member of the office of the governor;

27 (3) Each professional staff member of the legislature; and

28 (4) Central Washington University board of trustees, board of  
29 trustees of each community college, each member of the state board for  
30 community and technical colleges (~~(education)~~), state convention and  
31 trade center board of directors, committee for deferred compensation,  
32 Eastern Washington University board of trustees, Washington economic  
33 development finance authority, The Evergreen State College board of  
34 trustees, forest practices appeals board, forest practices board,  
35 gambling commission, Washington health care facilities authority, each  
36 member of the Washington health services commission, higher education  
37 coordinating board, higher education facilities authority, higher  
38 education personnel board, horse racing commission, state housing  
39 finance commission, human rights commission, indeterminate sentence

1 review board, board of industrial insurance appeals, information  
2 services board, interagency committee for outdoor recreation, state  
3 investment board, liquor control board, lottery commission, marine  
4 oversight board, oil and gas conservation committee, Pacific Northwest  
5 electric power and conservation planning council, parks and recreation  
6 commission, personnel appeals board, personnel board, board of pilotage  
7 (~~(commissioners))~~) commissioners, pollution control hearings board,  
8 public disclosure commission, public pension commission, shorelines  
9 hearing board, state employees' benefits board, board of tax appeals,  
10 transportation commission, University of Washington board of regents,  
11 utilities and transportation commission, Washington state maritime  
12 commission, Washington public power supply system executive board,  
13 Washington State University board of regents, Western Washington  
14 University board of trustees, and wildlife commission.

15 NEW SECTION. **Sec. 371.** A new section is added to Title 48 RCW to  
16 read as follows:

17 (1) After July 1, 1999, no insurance policy that covers a home,  
18 automobile, other motor vehicle, marine vessel, commercial  
19 establishment, industrial establishment, or any other vehicle,  
20 conveyance, or location may contain coverage for medical payments  
21 related to personal injury or liability arising out of an event,  
22 incident, or occurrence in the state of Washington.

23 (2) The insurance commissioner shall determine the projected  
24 consumer cost of coverage for medical payments for personal injury  
25 protection and liability as described in this section on July 1, 1999.  
26 The insurance commissioner may, within reasonable limits, require any  
27 information from insurance companies needed to comply with this  
28 requirement.

29 (3) The insurance commissioner shall require rate reductions or  
30 cash rebates by insurers to all policy holders of insurance that  
31 contained coverage for medical payments for personal injury protection  
32 or arising from claims of liability from July 1, 1998, to July 1, 1999.  
33 Such rate reductions or rebates shall, as nearly as possible, equal the  
34 consumer cost of this coverage during the July 1, 1998, to July 1,  
35 1999, period.

36 **Sec. 372.** RCW 43.20.030 and 1984 c 287 s 75 are each amended to  
37 read as follows:

1 The state board of health shall be composed of ten members. These  
2 shall be the secretary or the secretary's designee and nine other  
3 persons to be appointed by the governor, including four persons  
4 experienced in matters of health and sanitation, (~~an elected city~~  
5 ~~official who is a member of a local health board, an~~) two elected  
6 county officials who (~~is a~~) are members of a local health board, a  
7 local health officer, and two persons representing the consumers of  
8 health care. (~~Before appointing the city official, the governor shall~~  
9 ~~consider any recommendations submitted by the association of Washington~~  
10 ~~cities.~~) Before appointing the county official, the governor shall  
11 consider any recommendations submitted by the Washington state  
12 association of counties. Before appointing the local health officer,  
13 the governor shall consider any recommendations submitted by the  
14 Washington state association of local public health officials. Before  
15 appointing one of the two consumer representatives, the governor shall  
16 consider any recommendations submitted by the state council on aging.  
17 The chairman shall be selected by the governor from among the nine  
18 appointed members. The department (~~of social and health services~~)  
19 shall provide necessary technical staff support to the board. The  
20 board may employ an executive director and a confidential secretary,  
21 each of whom shall be exempt from the provisions of the state civil  
22 service law, chapter 41.06 RCW.

23 Members of the board shall be compensated in accordance with RCW  
24 43.03.240 and shall be reimbursed for their travel expenses in  
25 accordance with RCW 43.03.050 and 43.03.060.

26 **Sec. 373.** RCW 43.20.050 and 1992 c 34 s 4 are each amended to read  
27 as follows:

28 (1) The state board of health shall provide a forum for the  
29 development of public health policy in Washington state. It is  
30 authorized to recommend to the secretary means for obtaining  
31 appropriate citizen and professional involvement in all public health  
32 policy formulation and other matters related to the powers and duties  
33 of the department. It is further empowered to hold hearings and  
34 explore ways to improve the health status of the citizenry.

35 (a) At least every five years, the state board shall convene  
36 regional forums to gather citizen input on public health issues.

37 (b) Every two years, in coordination with the development of the  
38 state biennial budget, the state board shall prepare the state public

1 health report that outlines the health priorities of the ensuing  
2 biennium. The report shall:

3 (i) Consider the citizen input gathered at the ((health)) forums;

4 (ii) Be developed with the assistance of local health departments;

5 (iii) Be based on the best available information collected and  
6 reviewed according to RCW 43.70.050 and recommendations from the  
7 council;

8 (iv) Be developed with the input of state health care agencies. At  
9 least the following directors of state agencies shall provide timely  
10 recommendations to the state board on suggested health priorities for  
11 the ensuing biennium: The secretary of social and health services, the  
12 health care authority administrator, the insurance commissioner, the  
13 administrator of the basic health plan, the superintendent of public  
14 instruction, the director of labor and industries, the director of  
15 ecology, and the director of agriculture;

16 (v) Be used by state health care agency administrators in preparing  
17 proposed agency budgets and executive request legislation;

18 (vi) Be submitted by the state board to the governor by June 1 of  
19 each even-numbered year for adoption by the governor. The governor, no  
20 later than September 1 of that year, shall approve, modify, or  
21 disapprove the state public health report.

22 (c) In fulfilling its responsibilities under this subsection, the  
23 state board ((shall)) may create ad hoc committees or other such  
24 committees of limited duration as necessary. ((Membership should  
25 include legislators, providers, consumers, bioethicists, medical  
26 economics experts, legal experts, purchasers, and insurers, as  
27 necessary.))

28 (2) In order to protect public health, the state board of health  
29 shall:

30 (a) Adopt rules necessary to assure safe and reliable public  
31 drinking water and to protect the public health. Such rules shall  
32 establish requirements regarding:

33 (i) The design and construction of public water system facilities,  
34 including proper sizing of pipes and storage for the number and type of  
35 customers;

36 (ii) Drinking water quality standards, monitoring requirements, and  
37 laboratory certification requirements;

38 (iii) Public water system management and reporting requirements;

1 (iv) Public water system planning and emergency response  
2 requirements;

3 (v) Public water system operation and maintenance requirements;

4 (vi) Water quality, reliability, and management of existing but  
5 inadequate public water systems; and

6 (vii) Quality standards for the source or supply, or both source  
7 and supply, of water for bottled water plants.

8 (b) Adopt rules and standards for prevention, control, and  
9 abatement of health hazards and nuisances related to the disposal of  
10 wastes, solid and liquid, including but not limited to sewage, garbage,  
11 refuse, and other environmental contaminants; adopt standards and  
12 procedures governing the design, construction, and operation of sewage,  
13 garbage, refuse and other solid waste collection, treatment, and  
14 disposal facilities;

15 (c) Adopt rules controlling public health related to environmental  
16 conditions including but not limited to heating, lighting, ventilation,  
17 sanitary facilities, cleanliness and space in all types of public  
18 facilities including but not limited to food service establishments,  
19 schools, institutions, recreational facilities and transient  
20 accommodations and in places of work;

21 (d) Adopt rules for the imposition and use of isolation and  
22 quarantine;

23 (e) Adopt rules for the prevention and control of infectious and  
24 noninfectious diseases, including food and vector borne illness, and  
25 rules governing the receipt and conveyance of remains of deceased  
26 persons, and such other sanitary matters as admit of and may best be  
27 controlled by universal rule; and

28 (f) Adopt rules for accessing existing data bases for the purposes  
29 of performing health related research.

30 (3) The state board may delegate any of its rule-adopting authority  
31 to the secretary and rescind such delegated authority.

32 (4) All local boards of health, health authorities and officials,  
33 officers of state institutions, police officers, sheriffs, constables,  
34 and all other officers and employees of the state, or any county, city,  
35 or township thereof, shall enforce all rules adopted by the state board  
36 of health. In the event of failure or refusal on the part of any  
37 member of such boards or any other official or person mentioned in this  
38 section to so act, he shall be subject to a fine of not less than fifty

1 dollars, upon first conviction, and not less than one hundred dollars  
2 upon second conviction.

3 (5) The state board may advise the secretary on health policy  
4 issues pertaining to the department of health and the state.

5 **Sec. 374.** RCW 43.84.092 and 1992 c 235 s 4 are each amended to  
6 read as follows:

7 (1) All earnings of investments of surplus balances in the state  
8 treasury shall be deposited to the treasury income account, which  
9 account is hereby established in the state treasury.

10 (2) Monthly, the state treasurer shall distribute the earnings  
11 credited to the treasury income account. The state treasurer shall  
12 credit the general fund with all the earnings credited to the treasury  
13 income account except:

14 (a) The following accounts and funds shall receive their  
15 proportionate share of earnings based upon each account's and fund's  
16 average daily balance for the period: The capitol building  
17 construction account, the Cedar River channel construction and  
18 operation account, the Central Washington University capital projects  
19 account, the charitable, educational, penal and reformatory  
20 institutions account, the common school construction fund, the county  
21 criminal justice assistance account, the county sales and use tax  
22 equalization account, the data processing building construction  
23 account, the deferred compensation administrative account, the deferred  
24 compensation principal account, the department of retirement systems  
25 expense account, the Eastern Washington University capital projects  
26 account, the federal forest revolving account, the industrial insurance  
27 premium refund account, the judges' retirement account, the judicial  
28 retirement administrative account, the judicial retirement principal  
29 account, the local leasehold excise tax account, the local sales and  
30 use tax account, the medical aid account, the municipal criminal  
31 justice assistance account, the municipal sales and use tax  
32 equalization account, the natural resources deposit account, the  
33 perpetual surveillance and maintenance account, the public employees'  
34 retirement system plan I account, the public employees' retirement  
35 system plan II account, the Puyallup tribal settlement account, the  
36 resource management cost account, the site closure account, the special  
37 wildlife account, the state employees' insurance account, the state  
38 employees' insurance reserve account, the state investment board

1 expense account, the state investment board commingled trust fund  
2 accounts, the supplemental pension account, the teachers' retirement  
3 system plan I account, the teachers' retirement system plan II account,  
4 the University of Washington bond retirement fund, the University of  
5 Washington building account, the volunteer fire fighters' relief and  
6 pension principal account, the volunteer fire fighters' relief and  
7 pension administrative account, the Washington health services trust  
8 account, the Washington judicial retirement system account, the  
9 Washington law enforcement officers' and fire fighters' system plan I  
10 retirement account, the Washington law enforcement officers' and fire  
11 fighters' system plan II retirement account, the Washington state  
12 patrol retirement account, the Washington State University building  
13 account, the Washington State University bond retirement fund, and the  
14 Western Washington University capital projects account. Earnings  
15 derived from investing balances of the agricultural permanent fund, the  
16 normal school permanent fund, the permanent common school fund, the  
17 scientific permanent fund, and the state university permanent fund  
18 shall be allocated to their respective beneficiary accounts. All  
19 earnings to be distributed under this subsection (2)(a) shall first be  
20 reduced by the allocation to the state treasurer's service fund  
21 pursuant to RCW 43.08.190.

22 (b) The following accounts and funds shall receive eighty percent  
23 of their proportionate share of earnings based upon each account's or  
24 fund's average daily balance for the period: The central Puget Sound  
25 public transportation account, the city hardship assistance account,  
26 the county arterial preservation account, the economic development  
27 account, the essential rail assistance account, the essential rail  
28 banking account, the ferry bond retirement fund, the grade crossing  
29 protective fund, the high capacity transportation account, the highway  
30 bond retirement fund, the highway construction stabilization account,  
31 the highway safety account, the motor vehicle fund, the motorcycle  
32 safety education account, the pilotage account, the public  
33 transportation systems account, the Puget Sound capital construction  
34 account, the Puget Sound ferry operations account, the recreational  
35 vehicle account, the rural arterial trust account, the special category  
36 C account, the state patrol highway account, the transfer relief  
37 account, the transportation capital facilities account, the  
38 transportation equipment fund, the transportation fund, the

1 transportation improvement account, and the urban arterial trust  
2 account.

3 (3) In conformance with Article II, section 37 of the state  
4 Constitution, no treasury accounts or funds shall be allocated earnings  
5 without the specific affirmative directive of this section.

6 NEW SECTION. **Sec. 375.** SEVERABILITY. If any provision of this  
7 act or its application to any person or circumstance is held invalid,  
8 the remainder of the act or the application of the provision to other  
9 persons or circumstances is not affected.

10 NEW SECTION. **Sec. 376.** SAVINGS CLAUSE. The enactment of this act  
11 does not have the effect of terminating, or in any way modifying, any  
12 obligation or any liability, civil or criminal, which was already in  
13 existence on the effective date of this act.

14 NEW SECTION. **Sec. 377.** CAPTIONS. Captions used in this act do  
15 not constitute any part of the law.

16 NEW SECTION. **Sec. 378.** EFFECTIVE DATE CLAUSE. (1) Sections 101  
17 and 102, 201 through 229, 254 through 268, and 301 through 365 of this  
18 act are necessary for the immediate preservation of the public peace,  
19 health, or safety, or support of the state government and its existing  
20 public institutions, and shall take effect immediately.

21 (2) Sections 253, 270 through 275, and 280 through 283 of this act  
22 are necessary for the immediate preservation of the public peace,  
23 health, or safety, or support of the state government and its existing  
24 public institutions, and shall take effect July 1, 1993.

25 (3) Sections 230 through 252 and 276 through 279 of this act shall  
26 take effect January 1, 1994.

--- END ---