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**HOUSE BILL 1114**

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**State of Washington****54th Legislature****1995 Regular Session****By** Representatives Campbell, Smith, Sheldon, Schoesler and Sherstad

Read first time 01/13/95. Referred to Committee on Health Care.

1       AN ACT Relating to health services; amending RCW 70.47.010,  
2 70.47.020, 70.47.060, 41.05.011, 41.05.065, 41.05.190, 47.64.270,  
3 41.05.022, 41.05.220, 48.01.210, 48.14.0201, 82.04.322, 18.130.320,  
4 18.130.330, 43.70.510, 43.70.520, 43.72.810, 82.24.020, 82.08.150,  
5 66.24.290, and 70.41.250; reenacting and amending RCW 42.17.2401;  
6 adding new sections to chapter 43.131 RCW; adding a new section to  
7 Title 48 RCW; repealing RCW 18.130.330, 28B.125.010, 41.05.200,  
8 70.170.100, 70.170.110, 70.170.120, 70.170.130, 70.170.140, 48.01.200,  
9 43.70.510, 43.70.520, 43.72.005, 43.72.010, 43.72.020, 43.72.060,  
10 43.72.030, 43.72.040, 43.72.050, 43.72.070, 43.72.080, 48.43.160,  
11 43.72.090, 43.72.100, 43.72.110, 43.72.120, 48.43.170, 48.43.010,  
12 48.43.020, 48.43.030, 48.43.040, 48.43.050, 48.43.060, 48.43.070,  
13 48.43.080, 48.43.090, 48.43.100, 48.43.110, 48.43.120, 48.43.130,  
14 48.43.140, 48.43.150, 43.72.300, 43.72.310, 43.72.130, 43.72.140,  
15 43.72.150, 43.72.160, 43.72.170, 43.72.180, 43.72.190, 43.72.200,  
16 43.72.800, 43.72.210, 43.72.220, 43.72.230, 43.72.240, 43.72.810,  
17 43.72.820, 43.72.830, 43.72.840, 43.72.850, and 43.72.870; repealing  
18 1993 c 492 s 101 (uncodified); repealing 1993 c 492 s 102 (uncodified);  
19 repealing 1993 c 492 s 264 (uncodified); repealing 1993 c 492 s 482  
20 (uncodified); and repealing 1993 c 492 s 484 (uncodified).

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

2       **Sec. 1.** RCW 70.47.010 and 1993 c 492 s 208 are each amended to  
3 read as follows:

4           (1) The legislature finds that:

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

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

13           (c) The use of ((managed)) health care systems has significant  
14 potential to reduce the growth of health care costs incurred by the  
15 people of this state generally, and by low-income pregnant women, and  
16 at-risk children and adolescents who need greater access to ((managed))  
17 health care.

18           (2) The purpose of this chapter is to provide or make more readily  
19 available necessary basic health care services in an appropriate  
20 setting to working persons and others who lack coverage, at a cost to  
21 these persons that does not create barriers to the utilization of  
22 necessary health care services. To that end, this chapter establishes  
23 a program to be made available to those residents not eligible for  
24 medicare who share in a portion of the cost or who pay the full cost of  
25 receiving basic health care services from a ((managed)) health care  
26 system.

27           (3) It is not the intent of this chapter to provide health care  
28 services for those persons who are presently covered through private  
29 employer-based health plans, nor to replace employer-based health  
30 plans. However, the legislature recognizes that cost-effective and  
31 affordable health plans may not always be available to small business  
32 employers. Further, it is the intent of the legislature to expand,  
33 wherever possible, the availability of private health care coverage and  
34 to discourage the decline of employer-based coverage.

35           (4)(a) It is the purpose of this chapter to acknowledge the initial  
36 success of this program that has (i) assisted thousands of families in  
37 their search for affordable health care; (ii) demonstrated that low-  
38 income, uninsured families are willing to pay for their own health care

1 coverage to the extent of their ability to pay; and (iii) proved that  
2 local health care providers are willing to enter into a public-private  
3 partnership as a ((managed)) care system.

4 (b) As a consequence, the legislature intends to extend an option  
5 to enroll to certain citizens above two hundred percent of the federal  
6 poverty guidelines within the state who reside in communities where the  
7 plan is operational and who collectively or individually wish to  
8 exercise the opportunity to purchase health care coverage through the  
9 basic health plan if the purchase is done at no cost to the state. It  
10 is also the intent of the legislature to allow employers and other  
11 financial sponsors to financially assist such individuals to purchase  
12 health care through the program ((so long as such purchase does not  
result in a lower standard of coverage for employees)).

14 (c) The legislature intends that, to the extent of available funds,  
15 the program be available throughout Washington state to subsidized and  
16 nonsubsidized enrollees. It is also the intent of the legislature to  
17 enroll subsidized enrollees first, to the maximum extent feasible.

18 (d) The legislature directs that the basic health plan  
19 administrator identify enrollees who are likely to be eligible for  
20 medical assistance and assist these individuals in applying for and  
21 receiving medical assistance. The administrator and the department of  
22 social and health services shall implement a seamless system to  
23 coordinate eligibility determinations and benefit coverage for  
24 enrollees of the basic health plan and medical assistance recipients.

25 **Sec. 2.** RCW 70.47.020 and 1994 c 309 s 4 are each amended to read  
26 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 ((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  
4 system. ((On and after July 1, 1995, "managed health care system"  
5 means a certified health plan, as defined in RCW 43.72.010.))

6 (4) "Subsidized enrollee" means an individual, or an individual  
7 plus the individual's spouse or dependent children, not eligible for  
8 medicare, who resides in an area of the state served by a ((managed))  
9 health care system participating in the plan, whose gross family income  
10 at the time of enrollment does not exceed twice the federal poverty  
11 level as adjusted for family size and determined annually by the  
12 federal department of health and human services, who the administrator  
13 determines shall not have, or shall not have voluntarily relinquished  
14 health insurance more comprehensive than that offered by the plan as of  
15 the effective date of enrollment, and who chooses to obtain basic  
16 health care coverage from a particular ((managed)) health care system  
17 in return for periodic payments to the plan.

18 (5) "Nonsubsidized enrollee" means an individual, or an individual  
19 plus the individual's spouse or dependent children, not eligible for  
20 medicare, who resides in an area of the state served by a ((managed))  
21 health care system participating in the plan, who the administrator  
22 determines shall not have, or shall not have voluntarily relinquished  
23 health insurance more comprehensive than that offered by the plan as of  
24 the effective date of enrollment, and who chooses to obtain basic  
25 health care coverage from a particular ((managed)) health care system,  
26 and who pays or on whose behalf is paid the full costs for  
27 participation in the plan, without any subsidy from the plan.

28 (6) "Subsidy" means the difference between the amount of periodic  
29 payment the administrator makes to a ((managed)) health care system on  
30 behalf of a subsidized enrollee plus the administrative cost to the  
31 plan of providing the plan to that subsidized enrollee, and the amount  
32 determined to be the subsidized enrollee's responsibility under RCW  
33 70.47.060(2).

34 (7) "Premium" means a periodic payment, based upon gross family  
35 income which an individual, their employer or another financial sponsor  
36 makes to the plan as consideration for enrollment in the plan as a  
37 subsidized enrollee or a nonsubsidized enrollee.

38 (8) "Rate" means the per capita amount, negotiated by the  
39 administrator with and paid to a participating ((managed)) health care

1 system, that is based upon the enrollment of subsidized and  
2 nonsubsidized enrollees in the plan and in that system.

3       **Sec. 3.** RCW 70.47.060 and 1994 c 309 s 5 are each amended to read  
4 as follows:

5           The administrator has the following powers and duties:  
6           (1) To design and from time to time revise a schedule of covered  
7 basic health care services, including physician services, inpatient and  
8 outpatient hospital services, prescription drugs and medications, and  
9 other services that may be necessary for basic health care, which  
10 subsidized and nonsubsidized enrollees in any participating ((managed))  
11 health care system under the Washington basic health plan shall be  
12 entitled to receive in return for premium payments to the plan. The  
13 schedule of services shall emphasize proven preventive and primary  
14 health care and shall include all services necessary for prenatal,  
15 postnatal, and well-child care. However, with respect to coverage for  
16 groups of subsidized enrollees who are eligible to receive prenatal and  
17 postnatal services through the medical assistance program under chapter  
18 74.09 RCW, the administrator shall not contract for such services  
19 except to the extent that such services are necessary over not more  
20 than a one-month period in order to maintain continuity of care after  
21 diagnosis of pregnancy by the ((managed)) care provider. The schedule  
22 of services shall also include a separate schedule of basic health care  
23 services for children, eighteen years of age and younger, for those  
24 subsidized or nonsubsidized enrollees who choose to secure basic  
25 coverage through the plan only for their dependent children. In  
26 designing and revising the schedule of services, the administrator  
27 shall consider the guidelines for assessing health services under the  
28 mandated benefits act of 1984, RCW 48.42.080, and such other factors as  
29 the administrator deems appropriate. ((On and after July 1, 1995, the  
30 uniform benefits package adopted and from time to time revised by the  
31 Washington health services commission pursuant to RCW 43.72.130 shall  
32 be implemented by the administrator as the schedule of covered basic  
33 health care services.)) However, with respect to coverage for  
34 subsidized enrollees who are eligible to receive prenatal and postnatal  
35 services through the medical assistance program under chapter 74.09  
36 RCW, the administrator shall not contract for such services except to  
37 the extent that the services are necessary over not more than a one-

1 month period in order to maintain continuity of care after diagnosis of  
2 pregnancy by the ((managed)) care provider.

3 (2)(a) To design and implement a structure of periodic premiums due  
4 the administrator from subsidized enrollees that is based upon gross  
5 family income, giving appropriate consideration to family size and the  
6 ages of all family members. The enrollment of children shall not  
7 require the enrollment of their parent or parents who are eligible for  
8 the plan. The structure of periodic premiums shall be applied to  
9 subsidized enrollees entering the plan as individuals pursuant to  
10 subsection (9) of this section and to the share of the cost of the plan  
11 due from subsidized enrollees entering the plan as employees pursuant  
12 to subsection (10) of this section.

13 (b) To determine the periodic premiums due the administrator from  
14 nonsubsidized enrollees. Premiums due from nonsubsidized enrollees  
15 shall be in an amount equal to the cost charged by the ((managed))  
16 health care system provider to the state for the plan plus the  
17 administrative cost of providing the plan to those enrollees and the  
18 premium tax under RCW 48.14.0201.

19 (c) An employer or other financial sponsor may, with the prior  
20 approval of the administrator, pay the premium, rate, or any other  
21 amount on behalf of a subsidized or nonsubsidized enrollee, by  
22 arrangement with the enrollee and through a mechanism acceptable to the  
23 administrator, but in no case shall the payment made on behalf of the  
24 enrollee exceed the total premiums due from the enrollee.

25 (3) To design and implement, if deemed appropriate, a structure of  
26 copayments due a ((managed)) health care system from subsidized and  
27 nonsubsidized enrollees. The structure shall discourage inappropriate  
28 enrollee utilization of health care services, but shall not be so  
29 costly to enrollees as to constitute a barrier to appropriate  
30 utilization of necessary health care services. ((On and after July 1,  
31 1995, the administrator shall endeavor to make the copayments structure  
32 of the plan consistent with enrollee point of service cost sharing  
33 levels adopted by the Washington health services commission, giving  
34 consideration to funding available to the plan.))

35 (4) To limit enrollment of persons who qualify for subsidies so as  
36 to prevent an overexpenditure of appropriations for such purposes.  
37 Whenever the administrator finds that there is danger of such an  
38 overexpenditure, the administrator shall close enrollment until the  
39 administrator finds the danger no longer exists.

1       (5) To limit the payment of subsidies to subsidized enrollees, as  
2 defined in RCW 70.47.020.

3       (6) To adopt a schedule for the orderly development of the delivery  
4 of services and availability of the plan to residents of the state,  
5 subject to the limitations contained in RCW 70.47.080 or any act  
6 appropriating funds for the plan.

7       (7) To solicit and accept applications from ((managed)) health care  
8 systems, as defined in this chapter, for inclusion as eligible basic  
9 health care providers under the plan. The administrator shall endeavor  
10 to assure that covered basic health care services are available to any  
11 enrollee of the plan from among a selection of two or more  
12 participating ((managed)) health care systems. In adopting any rules  
13 or procedures applicable to ((managed)) health care systems and in its  
14 dealings with such systems, the administrator shall consider and make  
15 suitable allowance for the need for health care services and the  
16 differences in local availability of health care resources, along with  
17 other resources, within and among the several areas of the state.  
18 Contracts with participating ((managed)) health care systems shall  
19 ensure that basic health plan enrollees who become eligible for medical  
20 assistance may, at their option, continue to receive services from  
21 their existing providers within the ((managed)) health care system if  
22 such providers have entered into provider agreements with the  
23 department of social and health services.

24      (8) To receive periodic premiums from or on behalf of subsidized  
25 and nonsubsidized enrollees, deposit them in the basic health plan  
26 operating account, keep records of enrollee status, and authorize  
27 periodic payments to ((managed)) health care systems on the basis of  
28 the number of enrollees participating in the respective ((managed))  
29 health care systems.

30      (9) To accept applications from individuals residing in areas  
31 served by the plan, on behalf of themselves and their spouses and  
32 dependent children, for enrollment in the Washington basic health plan  
33 as subsidized or nonsubsidized enrollees, to establish appropriate  
34 minimum-enrollment periods for enrollees as may be necessary, and to  
35 determine, upon application and at least semiannually thereafter, or at  
36 the request of any enrollee, eligibility due to current gross family  
37 income for sliding scale premiums. No subsidy may be paid with  
38 respect to any enrollee whose current gross family income exceeds twice  
39 the federal poverty level or, subject to RCW 70.47.110, who is a

1 recipient of medical assistance or medical care services under chapter  
2 74.09 RCW. If, as a result of an eligibility review, the administrator  
3 determines that a subsidized enrollee's income exceeds twice the  
4 federal poverty level and that the enrollee knowingly failed to inform  
5 the plan of such increase in income, the administrator may bill the  
6 enrollee for the subsidy paid on the enrollee's behalf during the  
7 period of time that the enrollee's income exceeded twice the federal  
8 poverty level. If a number of enrollees drop their enrollment for no  
9 apparent good cause, the administrator may establish appropriate rules  
10 or requirements that are applicable to such individuals before they  
11 will be allowed to re-enroll in the plan.

12 (10) To accept applications from business owners on behalf of  
13 themselves and their employees, spouses, and dependent children, as  
14 subsidized or nonsubsidized enrollees, who reside in an area served by  
15 the plan. The administrator may require all or the substantial  
16 majority of the eligible employees of such businesses to enroll in the  
17 plan and establish those procedures necessary to facilitate the orderly  
18 enrollment of groups in the plan and into a ((managed)) health care  
19 system. The administrator shall require that a business owner pay at  
20 least fifty percent of the nonsubsidized premium cost of the plan on  
21 behalf of each employee enrolled in the plan. Enrollment is limited to  
22 those not eligible for medicare who wish to enroll in the plan and  
23 choose to obtain the basic health care coverage and services from a  
24 ((managed)) care system participating in the plan. The administrator  
25 shall adjust the amount determined to be due on behalf of or from all  
26 such enrollees whenever the amount negotiated by the administrator with  
27 the participating ((managed)) health care system or systems is modified  
28 or the administrative cost of providing the plan to such enrollees  
29 changes.

30 (11) To determine the rate to be paid to each participating  
31 ((managed)) health care system in return for the provision of covered  
32 basic health care services to enrollees in the system. Although the  
33 schedule of covered basic health care services will be the same for  
34 similar enrollees, the rates negotiated with participating ((managed))  
35 health care systems may vary among the systems. In negotiating rates  
36 with 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       (12) To monitor the provision of covered services to enrollees by  
4 participating ((managed)) health care systems in order to assure  
5 enrollee access to good quality basic health care, to require periodic  
6 data reports concerning the utilization of health care services  
7 rendered to enrollees in order to provide adequate information for  
8 evaluation, and to inspect the books and records of participating  
9 ((managed)) health care systems to assure compliance with the purposes  
10 of this chapter. In requiring reports from participating ((managed))  
11 health 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 plan. 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       (13) To evaluate the effects this chapter has on private employer-  
18 based health care coverage and to take appropriate measures consistent  
19 with state and federal statutes that will discourage the reduction of  
20 such coverage in the state.

21       (14) To develop a program of proven preventive health measures and  
22 to integrate it into the plan wherever possible and consistent with  
23 this chapter.

24       (15) To provide, consistent with available funding, assistance for  
25 rural residents, underserved populations, and persons of color.

26       **Sec. 4.** RCW 41.05.011 and 1994 c 153 s 2 are each amended to read  
27 as follows:

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

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

31       (2) "State purchased health care" or "health care" means medical  
32 and health care, pharmaceuticals, and medical equipment purchased with  
33 state and federal funds by the department of social and health  
34 services, the department of health, the basic health plan, the state  
35 health care authority, the department of labor and industries, the  
36 department of corrections, the department of veterans affairs, and  
37 local school districts.

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

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

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

10     (6) "Employee" includes all full-time and career seasonal employees  
11 of the state, whether or not covered by civil service; elected and  
12 appointed officials of the executive branch of government, including  
13 full-time members of boards, commissions, or committees; and includes  
14 any or all part-time and temporary employees under the terms and  
15 conditions established under this chapter by the authority; justices of  
16 the supreme court and judges of the court of appeals and the superior  
17 courts; and members of the state legislature or of the legislative  
18 authority of any county, city, or town who are elected to office after  
19 February 20, 1970. "Employee" also includes: (a) By October 1, 1995,  
20 all employees of school districts and educational service districts.  
21 Between October 1, 1994, and September 30, 1995, "employee" includes  
22 employees of those school districts and educational service districts  
23 for whom the authority has undertaken the purchase of insurance  
24 benefits. The transition to insurance benefits purchasing by the  
25 authority may not disrupt existing insurance contracts between school  
26 district or educational service district employees and insurers.  
27 However, except to the extent provided in RCW 28A.400.200, any such  
28 contract that provides for health insurance benefits coverage after  
29 October 1, 1995, shall be void as of that date if the contract was  
30 entered into, renewed, or extended after July 1, 1993. Prior to  
31 October 1, 1994, "employee" includes employees of a school district if  
32 the board of directors of the school district seeks and receives the  
33 approval of the authority to provide any of its insurance programs by  
34 contract with the authority; (b) employees of a county, municipality,  
35 or other political subdivision of the state if the legislative  
36 authority of the county, municipality, or other political subdivision  
37 of the state seeks and receives the approval of the authority to  
38 provide any of its insurance programs by contract with the authority,  
39 as provided in RCW 41.04.205; (c) employees of employee organizations

1 representing state civil service employees, at the option of each such  
2 employee organization, and, effective October 1, 1995, employees of  
3 employee organizations currently pooled with employees of school  
4 districts for the purpose of purchasing insurance benefits, at the  
5 option of each such employee organization.

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

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

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

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

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

20 **Sec. 5.** RCW 41.05.065 and 1994 c 153 s 5 are each amended to read  
21 as follows:

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

29 (2) The public employees' benefits board shall develop employee  
30 benefit plans that include comprehensive health care benefits for all  
31 employees. In developing these plans, the board shall consider the  
32 following elements:

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

35 (b) Development of provider arrangements that encourage cost  
36 containment and ensure access to quality care, ((including)) that may  
37 include, but not be limited to, prepaid delivery systems and  
38 prospective payment methods;

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

4       (d) Utilization review procedures including, but not limited to  
5 prior authorization of services, hospital inpatient length of stay  
6 review, requirements for use of outpatient surgeries and second  
7 opinions for surgeries, review of invoices or claims submitted by  
8 service providers, and performance audit of providers;

9       (e) Effective coordination of benefits;

10      (f) Minimum standards for insuring entities; and

11      (g) Minimum scope and content of standard benefit plans to be  
12 offered to enrollees participating in the employee health benefit  
13 plans. ((On and after July 1, 1995, the uniform benefits package shall  
14 constitute the minimum level of health benefits offered to employees.  
15 To maintain the comprehensive nature of employee health care benefits,  
16 employee eligibility criteria related to the number of hours worked and  
17 the benefits provided to employees shall be substantially equivalent to  
18 the state employees' health benefits plan and eligibility criteria in  
19 effect on January 1, 1993.))

20      (3) The board shall design benefits and determine the terms and  
21 conditions of employee participation and coverage, including  
22 establishment of eligibility criteria.

23      (4) The board shall attempt to achieve enrollment of all employees  
24 and retirees in ((managed)) health care systems by July ((1994)) 1995.

25      The board may authorize premium contributions for an employee and  
26 the employee's dependents in a manner that encourages the use of cost-  
27 efficient ((managed)) health care systems.

28      (5) Employees shall choose participation in one of the health care  
29 benefit plans developed by the board.

30      (6) The board shall review plans proposed by insurance carriers  
31 that desire to offer property insurance and/or accident and casualty  
32 insurance to state employees through payroll deduction. The board may  
33 approve any such plan for payroll deduction by carriers holding a valid  
34 certificate of authority in the state of Washington and which the board  
35 determines to be in the best interests of employees and the state. The  
36 board shall promulgate rules setting forth criteria by which it shall  
37 evaluate the plans.

1       **Sec. 6.** RCW 41.05.190 and 1993 c 492 s 221 are each amended to  
2 read as follows:

3       The administrator, in consultation with the public employees'  
4 benefits board, shall design a self-insured medicare supplemental  
5 insurance plan for retired and disabled employees eligible for  
6 medicare. ((For the purpose of determining the appropriate scope of  
7 the self funded medicare supplemental plan, the administrator shall  
8 consider the differences in the scope of health services available  
9 under the uniform benefits package and the medicare program.)) The  
10 proposed plan shall be submitted to appropriate committees of the  
11 legislature by December 1, 1993. The administrator shall revise the  
plan by December 1, 1995, to reflect the abolishment of the health  
services commission and the uniform benefits package.

14      **Sec. 7.** RCW 47.64.270 and 1993 c 492 s 224 are each amended to  
15 read as follows:

16      Until December 31, 1996, absent a collective bargaining agreement  
17 to the contrary, the department of transportation shall provide  
18 contributions to insurance and health care plans for ferry system  
19 employees and dependents, as determined by the state health care  
20 authority, under chapter 41.05 RCW; and the ferry system management and  
21 employee organizations may collectively bargain for other insurance and  
22 health care plans, and employer contributions may exceed that of other  
23 state agencies as provided in RCW 41.05.050, subject to RCW 47.64.180.  
24 ((On January 1, 1997, ferry employees shall enroll in certified health  
25 plans under the provisions of chapter 492, Laws of 1993.)) To the  
26 extent that ferry employees by bargaining unit have absorbed the  
27 required offset of wage increases by the amount that the employer's  
28 contribution for employees' and dependents' insurance and health care  
29 plans exceeds that of other state general government employees in the  
30 1985-87 fiscal biennium, employees shall not be required to absorb a  
31 further offset except to the extent the differential between employer  
32 contributions for those employees and all other state general  
33 government employees increases during any subsequent fiscal biennium.  
34 If such differential increases in the 1987-89 fiscal biennium or the  
35 1985-87 offset by bargaining unit is insufficient to meet the required  
36 deduction, the amount available for compensation shall be reduced by  
37 bargaining unit by the amount of such increase or the 1985-87 shortage

1 in the required offset. Compensation shall include all wages and  
2 employee benefits.

3       **Sec. 8.** RCW 41.05.022 and 1994 c 153 s 3 are each amended to read  
4 as follows:

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

7           (2) On and after January 1, 1995, at least the following state-  
8 purchased health services programs shall be merged into a single,  
9 community-rated risk pool: Health benefits for employees of school  
10 districts and educational service districts; health benefits for state  
11 employees; health benefits for eligible retired or disabled school  
12 employees not eligible for parts A and B of medicare; and health  
13 benefits for eligible state retirees not eligible for parts A and B of  
14 medicare. Beginning July 1, 1995, the basic health plan shall be  
15 included in the risk pool. The administrator may develop mechanisms to  
16 ensure that the cost of comparable benefits packages does not vary  
17 widely across the risk pools before they are merged. At the earliest  
18 opportunity the governor shall seek necessary federal waivers and state  
19 legislation to place the medical and acute care components of the  
20 medical assistance program, the limited casualty program, and the  
21 medical care services program of the department of social and health  
22 services in this single risk pool. ((Long term care services that are  
23 provided under the medical assistance program shall not be placed in  
24 the single risk pool until such services have been added to the uniform  
25 benefits package.)) On or before January 1, 1997, the governor shall  
26 submit necessary legislation to place the purchasing of health benefits  
27 for persons incarcerated in institutions administered by the department  
28 of corrections into the single community-rated risk pool effective on  
29 and after July 1, 1997.

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

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

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

10      (e))) Strive to integrate purchasing for all publicly sponsored  
11 health services in order to maximize the cost control potential and  
12 promote the most efficient methods of financing and coordinating  
13 services;

14      ((+d))) (c) Annually suggest changes in state and federal law and  
15 rules to bring all publicly funded health programs in compliance with  
16 the goals and intent of ((chapter 492, Laws of 1993)) this chapter;

17      ((+e))) (d) Consult regularly with the governor, the legislature,  
18 and state agency directors whose operations are affected by the  
19 implementation of this section.

20      **Sec. 9.** RCW 41.05.220 and 1993 c 492 s 232 are each amended to  
21 read as follows:

22      (1) State general funds appropriated to the department of health  
23 for the purposes of funding community health centers to provide primary  
24 health and dental care services, migrant health services, and maternity  
25 health care services shall be transferred to the state health care  
26 authority. Any related administrative funds expended by the department  
27 of health for this purpose shall also be transferred to the health care  
28 authority. The health care authority shall exclusively expend these  
29 funds through contracts with community health centers to provide  
30 primary health and dental care services, migrant health services, and  
31 maternity health care services. The administrator of the health care  
32 authority shall establish requirements necessary to assure community  
33 health centers provide quality health care services that are  
34 appropriate and effective and are delivered in a cost-efficient manner.  
35 The administrator shall further assure that community health centers  
36 have appropriate referral arrangements for acute care and medical  
37 specialty services not provided by the community health centers.

1       (2) To further the intent of chapter 492, Laws of 1993 as amended  
2 by chapter ...., Laws of 1995 (this act), the health care authority, in  
3 consultation with the department of health, shall evaluate the  
4 organization and operation of the federal and state-funded community  
5 health centers and other not-for-profit health care organizations and  
6 propose recommendations to the ((~~health services commission and the~~))  
7 health policy committees of the legislature by November 30, 1994, that  
8 identify changes to permit community health centers and other not-for-  
9 profit health care organizations to form ((~~certified health plans or~~  
10 ~~other~~)) innovative health care delivery arrangements that help ensure  
11 access to primary health care services consistent with the purposes of  
12 chapter 492, Laws of 1993 as amended by chapter ...., Laws of 1995 (this  
13 act).

14     (3) The authority, in consultation with the department of health,  
15 shall work with community and migrant health clinics and other  
16 providers of care to underserved populations, to ensure that the number  
17 of people of color and underserved people receiving access to  
18 ((~~managed~~)) care is expanded in proportion to need, based upon  
19 demographic data.

20     **Sec. 10.** RCW 48.01.210 and 1993 c 462 s 51 are each amended to  
21 read as follows:

22     (1) An insurer, health care service contractor, or health  
23 maintenance organization that offers coverage for dental services and  
24 is in full compliance with all applicable laws under chapter 48.05,  
25 48.44, or 48.46 RCW governing the financial supervision and solvency of  
26 such organizations, including but not limited to laws concerning  
27 capital and surplus requirements, reserves, deposits, bonds, and  
28 indemnities, may provide coverage for dental services, to individuals  
29 and to employers for the benefit of employees or for the benefit of  
30 employees and their dependents, by separate policy, contract, or rider.  
31 ((If an individual or an employer purchases coverage for dental  
32 services from such a company and the coverage is part of the uniform  
33 benefits package designed by the Washington health services commission,  
34 the certified health plan covering the individual, employees, or  
35 employees and dependents need not provide dental services under the  
36 uniform benefits package. A certified health plan may subcontract with  
37 such a company to provide any dental services required under the  
38 uniform benefits package.))

1       (2) An insurer, health care service contractor, or health  
2 maintenance organization described in subsection (1) of this section is  
3 deemed certified and registered as a certified health plan under RCW  
4 43.72.090 and 48.43.010 for the delivery of coverage for dental  
5 services. The ((Washington health services commission and the))  
6 commissioner shall adopt standards and procedures to permit, upon  
7 request, the prompt certification and registration of such a company.  
8 ((Such a company may offer coverage for dental services supplemental to  
9 the uniform benefits package, but the supplemental benefits are not  
10 subject to RCW 43.72.100, 43.72.160, and 43.72.170.))

11       **Sec. 11.** RCW 48.14.0201 and 1993 sp.s. c 25 s 601 are each amended  
12 to read as follows:

13       (1) As used in this section, "taxpayer" means a health maintenance  
14 organization, as defined in RCW 48.46.020((,)) or a health care service  
15 contractor, as defined in RCW 48.44.010((, or a certified health plan  
16 certified under RCW 48.43.030)).

17       (2) Each taxpayer shall pay a tax on or before the first day of  
18 March of each year to the state treasurer through the insurance  
19 commissioner's office. The tax shall be equal to the total amount of  
20 all premiums and prepayments for health care services received by the  
21 taxpayer during the preceding calendar year multiplied by the rate of  
22 two percent.

23       (3) Taxpayers shall prepay their tax obligations under this  
24 section. The minimum amount of the prepayments shall be percentages of  
25 the taxpayer's tax obligation for the preceding calendar year  
26 recomputed using the rate in effect for the current year. For the  
27 prepayment of taxes due during the first calendar year, the minimum  
28 amount of the prepayments shall be percentages of the taxpayer's tax  
29 obligation that would have been due had the tax been in effect during  
30 the previous calendar year. The tax prepayments shall be paid to the  
31 state treasurer through the commissioner's office by the due dates and  
32 in the following amounts:

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

36       (4) For good cause demonstrated in writing, the commissioner may  
37 approve an amount smaller than the preceding calendar year's tax  
38 obligation as recomputed for calculating the health maintenance

1 organization's(()) or health care service contractor's((, or certified  
2 ~~health plan's~~)) prepayment obligations for the current tax year.

3 (5) Moneys collected under this section shall be deposited in the  
4 general fund through March 31, 1996, and in the health services account  
5 under RCW 43.72.900 after March 31, 1996.

6 (6) The taxes imposed in this section do not apply to:

7 (a) Amounts received by any taxpayer from the United States or any  
8 instrumentality thereof as prepayments for health care services  
9 provided under Title XVIII (medicare) of the federal social security  
10 act. This exemption shall expire July 1, 1997.

11 (b) Amounts received by any health care service contractor, as  
12 defined in RCW 48.44.010, as prepayments for health care services  
13 included within the definition of practice of dentistry under RCW  
14 18.32.020. ((This exemption does not apply to amounts received under  
15 a certified health plan certified under RCW 48.43.030.))

16 **Sec. 12.** RCW 82.04.322 and 1993 c 492 s 303 are each amended to  
17 read as follows:

18 This chapter does not apply to any health maintenance  
19 organization(()) or health care service contractor((, or certified  
20 ~~health plan~~)) in respect to premiums or prepayments that are taxable  
21 under RCW 48.14.0201.

22 **Sec. 13.** RCW 18.130.320 and 1993 c 492 s 408 are each amended to  
23 read as follows:

24 The ((Washington health services commission established by RCW  
25 43.72.020, in consultation with the)) secretary of health, and the  
26 health care disciplinary authorities under RCW 18.130.040(2)(b)(())  
27 shall establish (1) standards to require health care providers to  
28 disclose their financial and family interests in any health care  
29 facility or service to which they are referring the patient and (2)  
30 monetary penalties ((in rule prohibiting provider investments and  
31 referrals that present a conflict of interest resulting from  
32 inappropriate financial gain for the provider or his or her immediate  
33 family)). These standards are not intended to inhibit the efficient  
34 operation of ((managed)) health care systems ((or certified health  
35 plans. The commission shall report to the health policy committees of  
36 the senate and house of representatives by December 1, 1994, on the

1 development of the standards and any recommended statutory changes  
2 necessary to implement the standards)).

3       **Sec. 14.** RCW 18.130.330 and 1994 c 102 s 1 are each amended to  
4 read as follows:

5           (1) Except to the extent that liability insurance is not available,  
6 every licensed, certified, or registered health care practitioner whose  
7 services are included in the ((uniform benefits package)) basic health  
8 plan, as determined by RCW 43.72.130, and whose scope of practice  
9 includes independent practice, shall, as a condition of licensure and  
10 re licensure, be required to provide evidence of a minimum level of  
11 malpractice insurance coverage of a type satisfactory to the department  
12 before July 1, 1995.

13           The department shall designate by rule:

14           (a) Those health professions whose scope of practice includes  
15 independent practice;

16           (b) For each health profession whose scope of practice includes  
17 independent practice, whether malpractice insurance is available;

18           (c) If such insurance is available, the appropriate minimum level  
19 of mandated coverage; and

20           (d) The types of malpractice insurance coverage that will satisfy  
21 the requirements of this section.

22           (2) By December 1, 1994, the department of health shall submit  
23 recommendations to appropriate committees of the legislature regarding  
24 implementation of this section. The report shall address at least the  
25 following issues:

26           (a) Whether exemption of a health care practitioner from the  
27 requirements of this section, including but not limited to health care  
28 practitioners employed by the federal government and retired health  
29 care practitioners, is appropriate; and

30           (b) Whether malpractice coverage provided by an employer should be  
31 recognized as satisfying the requirements of this section.

32       **Sec. 15.** RCW 43.70.510 and 1993 c 492 s 417 are each amended to  
33 read as follows:

34           (1)(a) Health care institutions and medical facilities, other than  
35 hospitals, that are licensed by the department, and professional  
36 societies or organizations((, and certified health plans approved  
37 pursuant to RCW 43.72.100)) may maintain a coordinated quality

1 improvement program for the improvement of the quality of health care  
2 services rendered to patients and the identification and prevention of  
3 medical malpractice as set forth in RCW 70.41.200.

4 (b) All such programs shall comply with the requirements of RCW  
5 70.41.200(1)(a), (c), (d), (e), (f), (g), and (h) as modified to  
6 reflect the structural organization of the institution, facility,  
7 professional societies or organizations, ((or certified health plan,))  
8 unless an alternative quality improvement program substantially  
9 equivalent to RCW 70.41.200(1)(a) is developed. All such programs,  
10 whether complying with the requirement set forth in RCW 70.41.200(1)(a)  
11 or in the form of an alternative program, must be approved by the  
12 department before the discovery limitations provided in subsections (3)  
13 and (4) of this section shall apply. In reviewing plans submitted by  
14 licensed entities that are associated with physicians' offices, the  
15 department shall ensure that the discovery limitations of this section  
16 are applied only to information and documents related specifically to  
17 quality improvement activities undertaken by the licensed entity.

18 (2) Health care provider groups of ten or more providers may  
19 maintain a coordinated quality improvement program for the improvement  
20 of the quality of health care services rendered to patients and the  
21 identification and prevention of medical malpractice as set forth in  
22 RCW 70.41.200. All such programs shall comply with the requirements of  
23 RCW 70.41.200(1)(a), (c), (d), (e), (f), (g), and (h) as modified to  
24 reflect the structural organization of the health care provider group.  
25 All such programs must be approved by the department before the  
26 discovery limitations provided in subsections (3) and (4) of this  
27 section shall apply.

28 (3) Any person who, in substantial good faith, provides information  
29 to further the purposes of the quality improvement and medical  
30 malpractice prevention program or who, in substantial good faith,  
31 participates on the quality improvement committee shall not be subject  
32 to an action for civil damages or other relief as a result of such  
33 activity.

34 (4) Information and documents, including complaints and incident  
35 reports, created specifically for, and collected, and maintained by a  
36 quality improvement committee are not subject to discovery or  
37 introduction into evidence in any civil action, and no person who was  
38 in attendance at a meeting of such committee or who participated in the  
39 creation, collection, or maintenance of information or documents

1 specifically for the committee shall be permitted or required to  
2 testify in any civil action as to the content of such proceedings or  
3 the documents and information prepared specifically for the committee.  
4 This subsection does not preclude: (a) In any civil action, the  
5 discovery of the identity of persons involved in the medical care that  
6 is the basis of the civil action whose involvement was independent of  
7 any quality improvement activity; (b) in any civil action, the  
8 testimony of any person concerning the facts that form the basis for  
9 the institution of such proceedings of which the person had personal  
10 knowledge acquired independently of such proceedings; (c) in any civil  
11 action by a health care provider regarding the restriction or  
12 revocation of that individual's clinical or staff privileges,  
13 introduction into evidence information collected and maintained by  
14 quality improvement committees regarding such health care provider; (d)  
15 in any civil action, disclosure of the fact that staff privileges were  
16 terminated or restricted, including the specific restrictions imposed,  
17 if any and the reasons for the restrictions; or (e) in any civil  
18 action, discovery and introduction into evidence of the patient's  
19 medical records required by rule of the department of health to be made  
20 regarding the care and treatment received.

21 (5) The department of health shall adopt rules as are necessary to  
22 implement this section.

23 **Sec. 16.** RCW 43.70.520 and 1993 c 492 s 467 are each amended to  
24 read as follows:

25 (1) The legislature finds that the public health functions of  
26 community assessment, policy development, and assurance of service  
27 delivery are essential elements in achieving the objectives of health  
28 reform in Washington state. The legislature further finds that the  
29 population-based services provided by state and local health  
30 departments are cost-effective and are a critical strategy for the  
31 long-term containment of health care costs. The legislature further  
32 finds that the public health system in the state lacks the capacity to  
33 fulfill these functions consistent with the needs of a reformed health  
34 care system.

35 (2) The department of health shall develop, in consultation with  
36 local health departments and districts, the state board of health,  
37 ((the health services commission,)) area Indian health service, and  
38 other state agencies, health services providers, and citizens concerned

1 about public health, a public health services improvement plan. The  
2 plan shall provide a detailed accounting of deficits in the core  
3 functions of assessment, policy development, assurance of the current  
4 public health system, how additional public health funding would be  
5 used, and describe the benefits expected from expanded expenditures.

6 (3) The plan shall include:

7 (a) Definition of minimum standards for public health protection  
8 through assessment, policy development, and assurances:

9 (i) Enumeration of communities not meeting those standards;

10 (ii) A budget and staffing plan for bringing all communities up to  
11 minimum standards;

12 (iii) An analysis of the costs and benefits expected from adopting  
13 minimum public health standards for assessment, policy development, and  
14 assurances;

15 (b) Recommended strategies and a schedule for improving public  
16 health programs throughout the state, including((~~:~~

17 (i) ~~Strategies for transferring personal health care services from~~  
18 ~~the public health system, into the uniform benefits package where~~  
19 ~~feasible; and~~

20 (ii))) timing of increased funding for public health services  
21 linked to specific objectives for improving public health; and

22 (c) A recommended level of dedicated funding for public health  
23 services to be expressed in terms of a percentage of total health  
24 service expenditures in the state or a set per person amount; such  
25 recommendation shall also include methods to ensure that such funding  
26 does not supplant existing federal, state, and local funds received by  
27 local health departments, and methods of distributing funds among local  
28 health departments.

29 (4) The department shall coordinate this planning process with the  
30 study activities required in section 258, chapter 492, Laws of 1993.

31 (5) By March 1, 1994, the department shall provide initial  
32 recommendations of the public health services improvement plan to the  
33 legislature regarding minimum public health standards, and public  
34 health programs needed to address urgent needs, such as those cited in  
35 subsection (7) of this section.

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

1       (7) Thereafter, the department shall update the public health  
2 services improvement plan for presentation to the legislature prior to  
3 the beginning of a new biennium.

4       (8) Among the specific population-based public health activities to  
5 be considered in the public health services improvement plan are:  
6 Health data assessment and chronic and infectious disease surveillance;  
7 rapid response to outbreaks of communicable disease; efforts to prevent  
8 and control specific communicable diseases, such as tuberculosis and  
9 acquired immune deficiency syndrome; health education to promote  
10 healthy behaviors and to reduce the prevalence of chronic disease, such  
11 as those linked to the use of tobacco; access to primary care in  
12 coordination with existing community and migrant health clinics and  
13 other not for profit health care organizations; programs to ensure  
14 children are born as healthy as possible and they receive immunizations  
15 and adequate nutrition; efforts to prevent intentional and  
16 unintentional injury; programs to ensure the safety of drinking water  
17 and food supplies; poison control; trauma services; and other  
18 activities that have the potential to improve the health of the  
19 population or special populations and reduce the need for or cost of  
20 health services.

21       **Sec. 17.** RCW 43.72.810 and 1993 c 492 s 474 are each amended to  
22 read as follows:

23       (1) The ((commission)) governor shall determine the state and  
24 federal laws that would need to be repealed, amended, or waived to  
25 implement chapter 492, Laws of 1993 as amended by chapter . . . , Laws  
26 of 1995 (this act), and report its recommendations, with proposed  
27 revisions to the Revised Code of Washington, to the ((governor, and))  
28 appropriate committees of the legislature by July 1, 1994.

29       (2) The governor((, ~~in consultation with the commission,~~)) shall  
30 take the following steps in an effort to receive waivers or exemptions  
31 from federal statutes necessary to fully implement chapter 492, Laws of  
32 1993 as amended by chapter . . . , Laws of 1995 (this act) to include,  
33 but not be limited to:

34       (a) Negotiate with the United States congress and the federal  
35 department of health and human services, health care financing  
36 administration to obtain a statutory or regulatory waiver of provisions  
37 of the medical assistance statute, Title XIX of the federal social  
38 security act that currently constitute barriers to full implementation

1 of provisions of chapter 492, Laws of 1993 as amended by chapter . . . ,  
2 Laws of 1995 (this act) related to access to health services for low-  
3 income residents of Washington state. Such waivers shall include any  
4 waiver needed to require that((+ (i))) medical assistance recipients  
5 enroll in ((managed)) health care systems, as defined in ((chapter 492,  
6 Laws of 1993; and (ii) enrollee point of service, cost sharing levels  
7 adopted pursuant to RCW 43.72.130 be applied to medical assistance  
recipients)) chapter 70.47 RCW. In negotiating the waiver,  
9 consideration shall be given to the degree to which supplemental  
10 benefits should be offered to medicaid recipients, if at all. Waived  
11 provisions may include and are not limited to: Categorical eligibility  
12 restrictions related to age, disability, blindness, or family  
13 structure; income and resource limitations tied to financial  
14 eligibility requirements of the federal aid to families with dependent  
15 children and supplemental security income programs; administrative  
16 requirements regarding single state agencies, choice of providers, and  
17 fee for service reimbursement; and other limitations on health services  
18 provider payment methods.

19 (b) Negotiate with the United States congress and the federal  
20 department of health and human services, health care financing  
21 administration to obtain a statutory or regulatory waiver of provisions  
22 of the medicare statute, Title XVIII of the federal social security act  
23 that currently constitute barriers to full implementation of provisions  
24 of chapter 492, Laws of 1993 as amended by chapter . . . , Laws of 1995  
25 (this act) related to access to health services for elderly and  
26 disabled residents of Washington state. Such waivers shall include any  
27 waivers needed to implement ((managed)) care programs. Waived  
28 provisions include and are not limited to: Beneficiary cost-sharing  
29 requirements; restrictions on scope of services; and limitations on  
30 health services provider payment methods.

31 (c) Negotiate with the United States congress and the federal  
32 department of health and human services to obtain any statutory or  
33 regulatory waivers of provisions of the United States public health  
34 services act necessary to ensure integration of federally funded  
35 community and migrant health clinics and other health services funded  
36 through the public health services act into the health services system  
37 established pursuant to chapter 492, Laws of 1993 as amended by chapter  
38 . . . , Laws of 1995 (this act). The ((commission)) governor shall  
39 request in the waiver that funds from these sources continue to be

1 allocated to federally funded community and migrant health clinics to  
2 the extent that such clinics' patients are not yet enrolled in  
3 ((certified health plans)) the basic health plan.

4 (d) ((Negotiate with the United States congress to obtain a  
5 statutory exemption from provisions of the employee retirement income  
6 security act that limit the state's ability to ensure that all  
7 employees and their dependents in the state comply with the requirement  
8 to enroll in certified health plans, and have their employers  
9 participate in financing their enrollment in such plans.

10 (e))) Request that the United States congress amend the internal  
11 revenue code to treat employee premium contributions to plans, such as  
12 the basic health plan ((or the uniform benefits package offered through  
13 a certified health plan)), as fully deductible from adjusted gross  
14 income.

15 (3) On or before December 1, 1995, the ((commission)) governor  
16 shall report the following to the appropriate committees of the  
17 legislature:

18 (a) The status of its efforts to obtain the waivers provided in  
19 subsection (2) of this section;

20 (b) If all federal statutory or regulatory waivers necessary to  
21 fully implement chapter 492, Laws of 1993 as amended by chapter . . . ,  
22 Laws of 1995 (this act) have not been obtained:

23 (i) The extent to which chapter 492, Laws of 1993 as amended by  
24 chapter . . . , Laws of 1995 (this act) can be implemented without  
25 receipt of all of such waivers; and

26 (ii) Changes in chapter 492, Laws of 1993 as amended by chapter  
27 . . . , Laws of 1995 (this act) necessary to implement a residency-based  
28 health services system using one or a limited number of sponsors, or an  
29 alternative system that will ensure access to care and control health  
30 services costs.

31 **Sec. 18.** RCW 42.17.2401 and 1993 sp.s. c 2 s 18, 1993 c 492 s 488,  
32 and 1993 c 281 s 43 are each reenacted and amended to read as follows:

33 For the purposes of RCW 42.17.240, the term "executive state  
34 officer" includes:

35 (1) The chief administrative law judge, the director of  
36 agriculture, the administrator of the office of marine safety, the  
37 administrator of the Washington basic health plan, the director of the  
38 department of services for the blind, the director of the state system

1 of community and technical colleges, the director of community, trade,  
2 and economic development, the secretary of corrections, the director of  
3 ecology, the commissioner of employment security, the chairman of the  
4 energy facility site evaluation council, the director of the energy  
5 office, the secretary of the state finance committee, the director of  
6 financial management, the director of fish and wildlife, the executive  
7 secretary of the forest practices appeals board, the director of the  
8 gambling commission, the director of general administration, the  
9 secretary of health, the administrator of the Washington state health  
10 care authority, the executive secretary of the health care facilities  
11 authority, the executive secretary of the higher education facilities  
12 authority, the executive secretary of the horse racing commission, the  
13 executive secretary of the human rights commission, the executive  
14 secretary of the indeterminate sentence review board, the director of  
15 the department of information services, the director of the interagency  
16 committee for outdoor recreation, the executive director of the state  
17 investment board, the director of labor and industries, the director of  
18 licensing, the director of the lottery commission, the director of the  
19 office of minority and women's business enterprises, the director of  
20 parks and recreation, the director of personnel, the executive director  
21 of the public disclosure commission, the director of retirement  
22 systems, the director of revenue, the secretary of social and health  
23 services, the chief of the Washington state patrol, the executive  
24 secretary of the board of tax appeals, ((the director of trade and  
25 economic development,)) the secretary of transportation, the secretary  
26 of the utilities and transportation commission, the director of  
27 veterans affairs, the president of each of the regional and state  
28 universities and the president of The Evergreen State College, each  
29 district and each campus president of each state community college;

30 (2) Each professional staff member of the office of the governor;

31 (3) Each professional staff member of the legislature; and

32 (4) Central Washington University board of trustees, board of  
33 trustees of each community college, each member of the state board for  
34 community and technical colleges, state convention and trade center  
35 board of directors, committee for deferred compensation, Eastern  
36 Washington University board of trustees, Washington economic  
37 development finance authority, The Evergreen State College board of  
38 trustees, forest practices appeals board, forest practices board,  
39 gambling commission, Washington health care facilities authority,

1 ((each member of the Washington health services commission,)) higher  
2 education coordinating board, higher education facilities authority,  
3 horse racing commission, state housing finance commission, human rights  
4 commission, indeterminate sentence review board, board of industrial  
5 insurance appeals, information services board, interagency committee  
6 for outdoor recreation, state investment board, liquor control board,  
7 lottery commission, marine oversight board, oil and gas conservation  
8 committee, Pacific Northwest electric power and conservation planning  
9 council, parks and recreation commission, personnel appeals board,  
10 board of pilotage commissioners, pollution control hearings board,  
11 public disclosure commission, public pension commission, shorelines  
12 hearing board, public employees' benefits board, board of tax appeals,  
13 transportation commission, University of Washington board of regents,  
14 utilities and transportation commission, Washington state maritime  
15 commission, Washington personnel resources board, Washington public  
16 power supply system executive board, Washington State University board  
17 of regents, Western Washington University board of trustees, and fish  
18 and wildlife commission.

19       **Sec. 19.** RCW 82.24.020 and 1994 sp.s. c 7 s 904 are each amended  
20 to read as follows:

21       (1) There is levied and there shall be collected as provided in  
22 this chapter, a tax upon the sale, use, consumption, handling,  
23 possession or distribution of all cigarettes, in an amount equal to the  
24 rate of eleven and one-half mills per cigarette.

25       (2) An additional tax is imposed upon the sale, use, consumption,  
26 handling, possession, or distribution of all cigarettes, in an amount  
27 equal to the rate of five and one-fourth mills per cigarette. All  
28 revenues collected during any month from this additional tax shall be  
29 deposited in the violence reduction and drug enforcement account under  
30 RCW 69.50.520 by the twenty-fifth day of the following month.

31       (3) An additional tax is imposed upon the sale, use, consumption,  
32 handling, possession, or distribution of all cigarettes, in an amount  
33 equal to the rate of ten mills per cigarette through June 30, 1994, and  
34 eleven and one-fourth mills per cigarette ((for the period July 1,  
35 1994, through June 30, 1995, twenty mills per cigarette for the period  
36 July 1, 1995, through June 30, 1996, and twenty and one-half mills per  
37 cigarette)) thereafter. All revenues collected during any month from  
38 this additional tax shall be deposited in the health services account

1 created under RCW 43.72.900 by the twenty-fifth day of the following  
2 month.

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

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

14 **Sec. 20.** RCW 82.08.150 and 1994 sp.s. c 7 s 903 are each amended  
15 to read as follows:

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

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

26 (3) There is levied and shall be collected an additional tax upon  
27 each retail sale of spirits in the original package at the rate of one  
28 dollar and seventy-two cents per liter. The additional tax imposed in  
29 this subsection shall apply to all such sales including sales by  
30 Washington state liquor stores and agencies, and including sales to  
31 class H licensees.

32 (4) An additional tax is imposed equal to fourteen percent  
33 multiplied by the taxes payable under subsections (1), (2), and (3) of  
34 this section.

35 (5) An additional tax is imposed upon each retail sale of spirits  
36 in the original package at the rate of seven cents per liter. The  
37 additional tax imposed in this subsection shall apply to all such sales  
38 including sales by Washington state liquor stores and agencies, and

1 including sales to class H licensees. All revenues collected during  
2 any month from this additional tax shall be deposited in the violence  
3 reduction and drug enforcement account under RCW 69.50.520 by the  
4 twenty-fifth day of the following month.

5 (6)(a) An additional tax is imposed upon retail sale of spirits in  
6 the original package at the rate of one and seven-tenths percent of the  
7 selling price ((through June 30, 1995, two and six tenths percent of  
8 the selling price for the period July 1, 1995, through June 30, 1997,  
9 and three and four tenths of the selling price thereafter)). This  
10 additional tax applies to all such sales including sales by Washington  
11 state liquor stores and agencies, but excluding sales to class H  
12 licensees.

13 (b) An additional tax is imposed upon retail sale of spirits in the  
14 original package at the rate of one and one-tenth percent of the  
15 selling price ((through June 30, 1995, one and seven-tenths percent of  
16 the selling price for the period July 1, 1995, through June 30, 1997,  
17 and two and three tenths of the selling price thereafter)). This  
18 additional tax applies to all such sales to class H licensees.

19 (c) An additional tax is imposed upon each retail sale of spirits  
20 in the original package at the rate of twenty cents per liter ((through  
21 June 30, 1995, thirty cents per liter for the period July 1, 1995,  
22 through June 30, 1997, and forty one cents per liter thereafter)).  
23 This additional tax applies to all such sales including sales by  
24 Washington state liquor stores and agencies, and including sales to  
25 class H licensees.

26 (d) All revenues collected during any month from additional taxes  
27 under this subsection shall be deposited in the health services account  
28 created under RCW 43.72.900 by the twenty-fifth day of the following  
29 month.

30 (7) The tax imposed in RCW 82.08.020 shall not apply to sales of  
31 spirits or strong beer in the original package.

32 (8) The taxes imposed in this section shall be paid by the buyer to  
33 the seller, and each seller shall collect from the buyer the full  
34 amount of the tax payable in respect to each taxable sale under this  
35 section. The taxes required by this section to be collected by the  
36 seller shall be stated separately from the selling price and for  
37 purposes of determining the tax due from the buyer to the seller, it  
38 shall be conclusively presumed that the selling price quoted in any  
39 price list does not include the taxes imposed by this section.

1       (9) As used in this section, the terms, "spirits," "strong beer,"  
2 and "package" shall have the meaning ascribed to them in chapter 66.04  
3 RCW.

4       **Sec. 21.** RCW 66.24.290 and 1994 sp.s. c 7 s 902 are each amended  
5 to read as follows:

6       (1) Any brewer or beer wholesaler licensed under this title may  
7 sell and deliver beer to holders of authorized licenses direct, but to  
8 no other person, other than the board; and every such brewer or beer  
9 wholesaler shall report all sales to the board monthly, pursuant to the  
10 regulations, and shall pay to the board as an added tax for the  
11 privilege of manufacturing and selling the beer within the state a tax  
12 of two dollars and sixty cents per barrel of thirty-one gallons on  
13 sales to licensees within the state and on sales to licensees within  
14 the state of bottled and canned beer shall pay a tax computed in  
15 gallons at the rate of two dollars and sixty cents per barrel of  
16 thirty-one gallons. Any brewer or beer wholesaler whose applicable tax  
17 payment is not postmarked by the twentieth day following the month of  
18 sale will be assessed a penalty at the rate of two percent per month or  
19 fraction thereof. Each such brewer or wholesaler shall procure from  
20 the board revenue stamps representing such tax in form prescribed by  
21 the board and shall affix the same to the barrel or package in such  
22 manner and in such denominations as required by the board, and shall  
23 cancel the same prior to commencing delivery from his or her place of  
24 business or warehouse of such barrels or packages. Beer shall be sold  
25 by brewers and wholesalers in sealed barrels or packages. The revenue  
26 stamps provided under this section need not be affixed and canceled in  
27 the making of resales of barrels or packages already taxed by the  
28 affixation and cancellation of stamps as provided in this section.

29       (2) An additional tax is imposed equal to seven percent multiplied  
30 by the tax payable under subsection (1) of this section. All revenues  
31 collected during any month from this additional tax shall be  
32 transferred to the state general fund by the twenty-fifth day of the  
33 following month.

34       (3) An additional tax is imposed on all beer subject to tax under  
35 subsection (1) of this section. The additional tax is equal to two  
36 dollars per barrel of thirty-one gallons. All revenues collected  
37 during any month from this additional tax shall be deposited in the

1 violence reduction and drug enforcement account under RCW 69.50.520 by  
2 the twenty-fifth day of the following month.

3 (4)(a) An additional tax is imposed on all beer subject to tax  
4 under subsection (1) of this section. The additional tax is equal to  
5 ninety-six cents per barrel of thirty-one gallons ((through June 30,  
6 1995, two dollars and thirty nine cents per barrel of thirty one  
7 gallons for the period July 1, 1995, through June 30, 1997, and four  
8 dollars and seventy eight cents per barrel of thirty one gallons  
9 thereafter)).

10 (b) The additional tax imposed under this subsection does not apply  
11 to the sale of the first sixty thousand barrels of beer each year by  
12 breweries that are entitled to a reduced rate of tax under 26 U.S.C.  
13 Sec. 5051, as existing on July 1, 1993, or such subsequent date as may  
14 be provided by the board by rule consistent with the purposes of this  
15 exemption.

16 (c) All revenues collected from the additional tax imposed under  
17 this subsection (4) shall be deposited in the health services account  
18 under RCW 43.72.900.

19 (5) The tax imposed under this section shall not apply to "strong  
20 beer" as defined in this title.

21 **Sec. 22.** RCW 70.41.250 and 1993 c 492 s 265 are each amended to  
22 read as follows:

23 (1) The legislature finds that the spiraling costs of health care  
24 continue to surmount efforts to contain them, increasing at  
25 approximately twice the inflationary rate. The causes of this  
26 phenomenon are complex. By making physicians ((and)), other health  
27 care providers with hospital admitting privileges, and consumers more  
28 aware of the cost consequences of health care services for consumers,  
29 these providers may be inclined to exercise more restraint in providing  
30 only the most relevant and cost-beneficial hospital services, with a  
31 potential for reducing the utilization of those services. The  
32 requirement of the hospital to inform physicians and other health care  
33 providers of the charges of the health care services that they order  
34 may have a positive effect on containing health costs. Further, the  
35 option of the physician or other health care provider to inform the  
36 patient of these charges may strengthen the necessary dialogue in the  
37 provider-patient relationship that tends to be diminished by  
38 intervening third-party payers.

1       (2) The chief executive officer of a hospital licensed under this  
2 chapter and the superintendent of a state hospital shall establish and  
3 maintain a procedure for disclosing to physicians and other health care  
4 providers with admitting privileges the charges of all health care  
5 services ordered for their patients. Copies of hospital charges shall  
6 be made available to any physician and/or other health care provider  
7 ordering care in hospital inpatient/outpatient services. ((The  
8 physician and/or other health care provider may inform the patient of  
9 these charges and may specifically review them.)) Hospitals are also  
10 directed to study methods for making daily charges available to  
11 prescribing physicians through the use of interactive software and/or  
12 computerized information thereby allowing physicians and other health  
13 care providers to review not only the costs of present and past  
14 services but also future contemplated costs for additional diagnostic  
15 studies and therapeutic medications.

16       (3) Physicians and other health care providers shall, upon the  
17 request of the patient, disclose all charges of all health care  
18 services ordered for that patient.

19       NEW SECTION. **Sec. 23.** A new section is added to Title 48 RCW to  
20 read as follows:

21       (1) The legislature recognizes that:

22       (a) The costs of health care are increasing rapidly and most  
23 consumers are removed from participating in the purchase of their  
24 health care.

25       (b) As the population ages, there will be an ever-increasing demand  
26 on the state to provide long-term care for those individuals with  
27 functional disabilities who need medical care and assistance with  
28 activities of daily living.

29       (2) As a result, it becomes critical to identify solutions to  
30 alleviate the demand for diminishing state resources. In response to  
31 these increasing costs in health care spending, medical care savings  
32 accounts shall be established as a health care option to all residents,  
33 to provide incentives to eliminate unnecessary medical treatment and  
34 paperwork, and to encourage consumers to be in charge of their health  
35 care spending. To alleviate the impoverishment of residents requiring  
36 long-term care, medical care savings accounts shall be established to  
37 promote saving for long-term care and to provide incentives for

1 individuals to protect themselves from financial hardship due to a  
2 long-term health care need.

3 (3) By contributing money to a medical care savings account:

4 (a) Residents can ensure both routine and major medical services  
5 and long-term care through employer or individual-funded medical care  
6 savings account arrangements and lower-cost qualified higher deductible  
7 insurance policies.

8 (b) Employees can change jobs, using the medical care savings  
9 account to provide health care for themselves and their families.

10 (c) Individuals and families will continue to have the freedom to  
11 choose their own health service providers.

12 (d) Early retirees will have moneys saved to continue health  
13 coverage.

14 (e) Health care costs and spending increases will be reduced by  
15 comparative shopping by consumers for quality health care services.

16 (f) The problem of long-term care financing will be substantially  
17 reduced by empowering residents to save for their future needs.

18 (4) Insurance carriers licensed pursuant to this title are  
19 authorized to administer medical care savings accounts consistent with  
20 rules adopted by the insurance commissioner.

21 **NEW SECTION.** **Sec. 24.** A new section is added to chapter 43.131  
22 RCW to read as follows:

23 Health care studies and accounts and related powers and duties  
24 shall terminate on June 30, 1999, as provided in section 32 of this  
25 act.

26 **NEW SECTION.** **Sec. 25.** A new section is added to chapter 43.131  
27 RCW to read as follows:

28 The following acts or parts of acts, as now existing or hereafter  
29 amended, are each repealed, effective June 30, 2000:

30 (1) RCW 43.72.810 and 1993 c 492 s 474;

31 (2) RCW 43.72.860 and 1993 c 492 s 486;

32 (3) RCW 43.72.900 and 1993 c 492 s 469;

33 (4) RCW 43.72.902 and 1993 c 492 s 470;

34 (5) RCW 43.72.904 and 1993 c 492 s 471; and

35 (6) RCW 43.72.906 and 1993 c 492 s 472.

1        NEW SECTION.    **Sec. 26.**    The following acts or parts of acts are  
2 each repealed:  
3            (1) 1993 c 492 s 101 (uncodified);  
4            (2) 1993 c 492 s 102 (uncodified);  
5            (3) RCW 18.130.330 and 1994 c 102 s 1 & 1993 c 492 s 412;  
6            (4) RCW 28B.125.010 and 1993 c 492 s 270 & 1991 c 332 s 5;  
7            (5) RCW 41.05.200 and 1993 c 492 s 228;  
8            (6) RCW 70.170.100 and 1993 c 492 s 259, 1990 c 269 s 12, & 1989  
9 1st ex.s. c 9 s 510;  
10          (7) RCW 70.170.110 and 1993 c 492 s 260 & 1989 1st ex.s. c 9 s 511;  
11          (8) RCW 70.170.120 and 1993 c 492 s 261;  
12          (9) RCW 70.170.130 and 1993 c 492 s 262;  
13          (10) RCW 70.170.140 and 1993 c 492 s 263;  
14          (11) 1993 c 492 s 264 (uncodified);  
15          (12) RCW 48.01.200 and 1993 c 492 s 294;  
16          (13) RCW 43.70.510 and 1993 c 492 s 417;  
17          (14) RCW 43.70.520 and 1993 c 492 s 467;  
18          (15) RCW 43.72.005 and 1993 c 492 s 401;  
19          (16) RCW 43.72.010 and 1994 c 4 s 1, 1993 c 494 s 1, & 1993 c 492  
20 s 402;  
21          (17) RCW 43.72.020 and 1994 c 154 s 311 & 1993 c 492 s 403;  
22          (18) RCW 43.72.060 and 1994 c 4 s 2 & 1993 c 492 s 404;  
23          (19) RCW 43.72.030 and 1993 c 492 s 405;  
24          (20) RCW 43.72.040 and 1994 c 4 s 3, 1993 c 494 s 2, & 1993 c 492  
25 s 406;  
26          (21) RCW 43.72.050 and 1993 c 492 s 407;  
27          (22) RCW 43.72.070 and 1993 c 492 s 409;  
28          (23) RCW 43.72.080 and 1993 c 492 s 425;  
29          (24) RCW 48.43.160 and 1993 c 492 s 426;  
30          (25) RCW 43.72.090 and 1993 c 492 s 427;  
31          (26) RCW 43.72.100 and 1993 c 492 s 428;  
32          (27) RCW 43.72.110 and 1993 c 492 s 429;  
33          (28) RCW 43.72.120 and 1993 c 492 s 430;  
34          (29) RCW 48.43.170 and 1993 c 492 s 431;  
35          (30) RCW 48.43.010 and 1993 c 492 s 432;  
36          (31) RCW 48.43.020 and 1993 c 492 s 433;  
37          (32) RCW 48.43.030 and 1993 c 492 s 434;  
38          (33) RCW 48.43.040 and 1993 c 492 s 435;  
39          (34) RCW 48.43.050 and 1993 c 492 s 436;

1           (35) RCW 48.43.060 and 1993 c 492 s 437;  
2           (36) RCW 48.43.070 and 1993 c 492 s 438;  
3           (37) RCW 48.43.080 and 1993 c 492 s 439;  
4           (38) RCW 48.43.090 and 1993 c 492 s 440;  
5           (39) RCW 48.43.100 and 1993 c 492 s 441;  
6           (40) RCW 48.43.110 and 1993 c 492 s 442;  
7           (41) RCW 48.43.120 and 1993 c 492 s 443;  
8           (42) RCW 48.43.130 and 1993 c 492 s 444;  
9           (43) RCW 48.43.140 and 1993 c 492 s 445;  
10          (44) RCW 48.43.150 and 1993 c 492 s 446;  
11          (45) RCW 43.72.300 and 1993 c 492 s 447;  
12          (46) RCW 43.72.310 and 1993 c 492 s 448;  
13          (47) RCW 43.72.130 and 1993 c 492 s 449;  
14          (48) RCW 43.72.140 and 1993 c 492 s 450;  
15          (49) RCW 43.72.150 and 1993 c 492 s 451;  
16          (50) RCW 43.72.160 and 1993 c 492 s 452;  
17          (51) RCW 43.72.170 and 1993 c 492 s 453;  
18          (52) RCW 43.72.180 and 1993 c 492 s 454;  
19          (53) RCW 43.72.190 and 1993 c 492 s 455;  
20          (54) RCW 43.72.200 and 1993 c 492 s 456;  
21          (55) RCW 43.72.800 and 1993 c 492 s 457;  
22          (56) RCW 43.72.210 and 1993 c 492 s 463;  
23          (57) RCW 43.72.220 and 1993 c 494 s 3 & 1993 c 492 s 464;  
24          (58) RCW 43.72.230 and 1993 c 492 s 465;  
25          (59) RCW 43.72.240 and 1993 c 494 s 4 & 1993 c 492 s 466;  
26          (60) RCW 43.72.810 and 1993 c 492 s 474;  
27          (61) RCW 43.72.820 and 1993 c 492 s 475;  
28          (62) RCW 43.72.830 and 1993 c 492 s 476;  
29          (63) RCW 43.72.840 and 1993 c 492 s 478;  
30          (64) RCW 43.72.850 and 1993 c 492 s 485;  
31          (65) 1993 c 492 s 482 (uncodified);  
32          (66) 1993 c 492 s 484 (uncodified); and  
33          (67) RCW 43.72.870 and 1993 c 494 s 5.

--- END ---