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ENGROSSED SUBSTITUTE SENATE BILL 5386

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State of Washington

54th Legislature

1995 Regular Session

By Senate Committee on Health & Long-Term Care (originally sponsored by Senators Quigley, Franklin, C. Anderson and Wojahn; by request of Health Care Authority)

Read first time 02/20/95.

1 AN ACT Relating to the basic health plan; amending RCW 70.47.060  
2 and 70.47.020; adding new sections to chapter 70.47 RCW; repealing RCW  
3 70.47.065; providing an effective date; and declaring an emergency.

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

5 NEW SECTION. **Sec. 1.** A new section is added to chapter 70.47 RCW  
6 to read as follows:

7 (1) The legislature finds that the basic health plan has been an  
8 effective program in providing health coverage for uninsured residents.  
9 Further, since 1993, substantial amounts of public funds have been  
10 allocated for subsidized basic health plan enrollment.

11 (2) It is the intent of the legislature that the basic health plan  
12 enrollment be expanded expeditiously, consistent with funds available  
13 in the health services account, with the goal of two hundred fifty  
14 thousand adult subsidized basic health plan enrollees and two hundred  
15 fifty thousand children covered through expanded medical assistance  
16 services by June 30, 1997, with the priority of providing needed health  
17 services to children in conjunction with other public programs.

1       **Sec. 2.** RCW 70.47.060 and 1994 c 309 s 5 are each amended to read  
2 as follows:

3       The administrator has the following powers and duties:

4       (1) To design and from time to time revise a schedule of covered  
5 basic health care services, including physician services, inpatient and  
6 outpatient hospital services, prescription drugs and medications, and  
7 other services that may be necessary for basic health care, which  
8 subsidized and nonsubsidized enrollees in any participating managed  
9 health care system under the Washington basic health plan shall be  
10 entitled to receive in return for premium payments to the plan. The  
11 schedule of services shall emphasize proven preventive and primary  
12 health care and shall include all services necessary for prenatal,  
13 postnatal, and well-child care. However, with respect to coverage for  
14 groups of subsidized enrollees who are eligible to receive prenatal and  
15 postnatal services through the medical assistance program under chapter  
16 74.09 RCW, the administrator shall not contract for such services  
17 except to the extent that such services are necessary over not more  
18 than a one-month period in order to maintain continuity of care after  
19 diagnosis of pregnancy by the managed care provider. The schedule of  
20 services shall also include a separate schedule of basic health care  
21 services for children, eighteen years of age and younger, for those  
22 subsidized or nonsubsidized enrollees who choose to secure basic  
23 coverage through the plan only for their dependent children. In  
24 designing and revising the schedule of services, the administrator  
25 shall consider the guidelines for assessing health services under the  
26 mandated benefits act of 1984, RCW 48.42.080, and such other factors as  
27 the administrator deems appropriate. On and after (~~July 1, 1995~~) the  
28 first plan year anniversary date after February 1, 1996, the uniform  
29 benefits package adopted and from time to time revised by the  
30 Washington health services commission pursuant to RCW 43.72.130 shall  
31 be implemented by the administrator as the schedule of covered basic  
32 health care services. However, with respect to coverage for subsidized  
33 enrollees who are eligible to receive prenatal and postnatal services  
34 through the medical assistance program under chapter 74.09 RCW, the  
35 administrator shall not contract for such services except to the extent  
36 that the services are necessary over not more than a one-month period  
37 in order to maintain continuity of care after diagnosis of pregnancy by  
38 the managed care provider.

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

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

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

23 (3) To design and implement a structure of ~~((copayments))~~ enrollee  
24 cost sharing due a managed health care system from subsidized and  
25 nonsubsidized enrollees. The structure shall discourage inappropriate  
26 enrollee utilization of health care services, and may utilize  
27 copayments, deductibles, and other cost-sharing mechanisms, but shall  
28 not be so costly to enrollees as to constitute a barrier to appropriate  
29 utilization of necessary health care services. On and after ~~((July 1,~~  
30 ~~1995))~~ the first plan year anniversary date after February 1, 1996, the  
31 administrator shall endeavor to make the ~~((copayments))~~ cost-sharing  
32 structure of the plan consistent with enrollee point of service cost-  
33 sharing levels adopted by the Washington health services commission,  
34 giving 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. The level of subsidy provided to persons who  
3 qualify shall be based on the lowest cost plans, as defined by the  
4 administrator.

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

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

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

32 (9) To accept applications from individuals residing in areas  
33 served by the plan, on behalf of themselves and their spouses and  
34 dependent children, for enrollment in the Washington basic health plan  
35 as subsidized or nonsubsidized enrollees, to establish appropriate  
36 minimum-enrollment periods for enrollees as may be necessary, and to  
37 determine, upon application and ~~((at least semiannually thereafter))~~ on  
38 a reasonable schedule defined by the authority, or at the request of  
39 any enrollee, eligibility due to current gross family income for

1 sliding scale premiums. No subsidy may be paid with respect to any  
2 enrollee whose current gross family income exceeds twice the federal  
3 poverty level or, subject to RCW 70.47.110, who is a recipient of  
4 medical assistance or medical care services under chapter 74.09 RCW.  
5 If, as a result of an eligibility review, the administrator determines  
6 that a subsidized enrollee's income exceeds twice the federal poverty  
7 level and that the enrollee knowingly failed to inform the plan of such  
8 increase in income, the administrator may bill the enrollee for an  
9 amount equal to twice the subsidy paid on the enrollee's behalf during  
10 the period of time that the enrollee's income exceeded twice the  
11 federal poverty level. If a number of enrollees drop their enrollment  
12 for no apparent good cause, the administrator may establish appropriate  
13 rules or requirements that are applicable to such individuals before  
14 they will be allowed to re-enroll in the plan.

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

33 (11) To determine the rate to be paid to each participating managed  
34 health care system in return for the provision of covered basic health  
35 care services to enrollees in the system. Although the schedule of  
36 covered basic health care services will be the same for similar  
37 enrollees, the rates negotiated with participating managed health care  
38 systems may vary among the systems. In negotiating rates with  
39 participating systems, the administrator shall consider the

1 characteristics of the populations served by the respective systems,  
2 economic circumstances of the local area, the need to conserve the  
3 resources of the basic health plan trust account, and other factors the  
4 administrator finds relevant.

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

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

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

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

28 (16) No later than July 1, 1996, the administrator shall implement  
29 procedures whereby hospitals licensed under chapters 70.41 and 71.12  
30 RCW, rural health care facilities regulated under chapter 70.175 RCW,  
31 and community and migrant health centers funded under RCW 41.05.220,  
32 may, at no remuneration, expeditiously assist patients and their  
33 families in applying for basic health plan or medical assistance  
34 coverage, and in submitting such applications directly to the health  
35 care authority or the department of social and health services. The  
36 health care authority and the department of social and health services

1 shall make every effort to simplify and expedite the application and  
2 enrollment process.

3 NEW SECTION. **Sec. 3.** A new section is added to chapter 70.47 RCW  
4 to read as follows:

5 Insurance brokers and agents who hold the proper license pursuant  
6 to chapter 43.17 RCW shall be entitled to sell the basic health plan  
7 and shall receive from the health care authority a three percent  
8 commission for each individual sale of the basic health plan to anyone  
9 not previously signed up and a one percent commission for each group  
10 sale of the basic health plan. No commission shall be provided upon a  
11 renewal. Commissions shall be determined based on the estimated annual  
12 cost of the basic health plan. The health care authority shall use  
13 moneys in the basic health plan trust account for this purpose.

14 **Sec. 4.** RCW 70.47.020 and 1994 c 309 s 4 are each amended to read  
15 as follows:

16 As used in this chapter:

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

21 (2) "Administrator" means the Washington basic health plan  
22 administrator, who also holds the position of administrator of the  
23 Washington state health care authority.

24 (3) "Managed health care system" means any health care  
25 organization, including health care providers, insurers, health care  
26 service contractors, health maintenance organizations, or any  
27 combination thereof, that provides directly or by contract basic health  
28 care services, as defined by the administrator and rendered by duly  
29 licensed providers, on a prepaid capitated basis to a defined patient  
30 population enrolled in the plan and in the managed health care system.  
31 On and after (~~July 1, 1995~~) February 1, 1997, "managed health care  
32 system" means a certified health plan, as defined in RCW 43.72.010.

33 (4) "Subsidized enrollee" means an individual, or an individual  
34 plus the individual's spouse or dependent children, not eligible for  
35 medicare, who resides in an area of the state served by a managed  
36 health care system participating in the plan, whose gross family income  
37 at the time of enrollment does not exceed twice the federal poverty

1 level as adjusted for family size and determined annually by the  
2 federal department of health and human services, who the administrator  
3 determines shall not have, or shall not have voluntarily relinquished  
4 health insurance more comprehensive than that offered by the plan as of  
5 the effective date of enrollment, and who chooses to obtain basic  
6 health care coverage from a particular managed health care system in  
7 return for periodic payments to the plan.

8 (5) "Nonsubsidized enrollee" means an individual, or an individual  
9 plus the individual's spouse or dependent children, not eligible for  
10 medicare, who resides in an area of the state served by a managed  
11 health care system participating in the plan, who the administrator  
12 determines shall not have, or shall not have voluntarily relinquished  
13 health insurance more comprehensive than that offered by the plan as of  
14 the effective date of enrollment, and who chooses to obtain basic  
15 health care coverage from a particular managed health care system, and  
16 who pays or on whose behalf is paid the full costs for participation in  
17 the plan, without any subsidy from the plan.

18 (6) "Subsidy" means the difference between the amount of periodic  
19 payment the administrator makes to a managed health care system on  
20 behalf of a subsidized enrollee plus the administrative cost to the  
21 plan of providing the plan to that subsidized enrollee, and the amount  
22 determined to be the subsidized enrollee's responsibility under RCW  
23 70.47.060(2).

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

28 (8) "Rate" means the per capita amount, negotiated by the  
29 administrator with and paid to a participating managed health care  
30 system, that is based upon the enrollment of subsidized and  
31 nonsubsidized enrollees in the plan and in that system.

32 NEW SECTION. **Sec. 5.** RCW 70.47.065 and 1993 c 494 s 6 are each  
33 repealed.

34 NEW SECTION. **Sec. 6.** This act is necessary for the immediate  
35 preservation of the public peace, health, or safety, or support of the

1 state government and its existing public institutions, and shall take  
2 effect July 1, 1995.

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