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**Health Care & Wellness Committee**

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**HB 1026**

**Brief Description:** Requiring the submission of a waiver to the federal government to create the Washington health security trust.

**Sponsors:** Representatives Appleton, Tharinger, Robinson, Stanford, Lytton, Ormsby, Jinkins, Wylie, Goodman, Sells, Farrell, Doglio, Riccelli, Fey, Pollet, Fitzgibbon, Dolan, Chapman and Frame.

**Brief Summary of Bill**

- Creates the Washington Health Security Trust to provide health coverage to all Washington residents.

**Hearing Date:** 2/27/18

**Staff:** Jim Morishima (786-7191).

**Background:**

Federal Health Care Reform.

Beginning in 2014, under the federal Patient Protection and Affordable Care Act (ACA), all United States citizens and legal residents will be required to have health insurance coverage or pay a tax penalty. The tax penalty was repealed by recently enacted federal legislation. The ACA gives the states the option to expand their Medicaid programs to cover individuals up to 133 percent of the federal poverty level. The law also establishes state-based insurance exchanges in which individuals and small businesses may compare and purchase health insurance. Premium assistance and cost-sharing subsidies are also available in the Health Benefit Exchange (Exchange) on a sliding scale for persons between 134 and 400 percent of the federal poverty level.

The ACA authorizes states to apply to the Secretary of Health and Human Services and the Secretary of the Treasury for a waiver from certain provisions of the ACA for plan years

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beginning in 2017. A waiver may be granted if the state plan will provide coverage that is at least as comprehensive and affordable as coverage under the ACA to at least a comparable number of people, without increasing the federal deficit. The application must include a description of the state legislation, a program to implement a plan meeting the requirements for a waiver, and a 10-year budget plan that is budget neutral for the federal government.

### The Joint Select Committee on Health Care Oversight.

The Joint Select Committee on Health Care Oversight (JSCHCO) provides oversight between the Health Care Authority (HCA), the Exchange, the Office of the Insurance Commissioner, the Department of Health, and the Department of Social and Health Services. The JSCHCO has 10 legislative members appointed by the House of Representatives and the Senate, including the chairs of the House of Representatives Health Care and Wellness Committee and the Senate Health Care Committee.

### **Summary of Bill:**

The Washington Health Security Trust (WHST) is created to provide health coverage to all Washington residents (non-residents are covered for emergency services and transportation only). The WHST is governed by a board of trustees (Board) consisting of nine members with expertise in health care financing and delivery and representing Washington citizens, business, labor, and health professions. The trustees must include individuals with knowledge of the health care needs of diverse populations, including low-income, Native American, undocumented, non-English speaking, disabled, rural, and other minority populations.

Members of the Board are appointed by the Governor. Four of the appointments must be from lists of names submitted by the caucuses of the House of Representatives and the Senate. Members of the Board may have no pecuniary interest in any business subject to Board regulation and may be removed by the Governor for failing to perform or for conflict with the public interest. The Board must appoint a financial advisory committee, a citizens' advisory committee, and a technical advisory committee. The HCA provides staff support to the Board.

The Board must:

- establish a benefits package that constitutes minimum essential coverage under the ACA, which must include:
  - hospital care;
  - outpatient, home-based, and office-based care;
  - rehabilitative services;
  - mental health services and substance abuse treatment;
  - hospice care;
  - prescription drugs and nutrition;
  - vision and hearing care;
  - diagnostic testing;
  - durable medical equipment;
  - preventive care; and
  - any other benefits deemed "essential health benefits" under the ACA;
- expand the package to include long-term care, subject to funding;

- seek waivers to ensure that all current state and federal payments for health services are paid to the WHST;
- request legislation needed for financing the WHST, including legislation authorizing health security assessments and premiums;
- develop a statewide, anonymous health care data system for quality assurance and cost containment;
- develop health care practice guidelines and quality standards;
- develop policies to protect patient confidentiality;
- make eligibility rules;
- develop a uniform claims processing system;
- develop an appeals process;
- integrate functions with other state agencies;
- balance benefits and provider payments with revenues and develop cost-control measures;
- address non-financial barriers to access;
- monitor population migration into Washington based on health care access;
- develop an annual budget;
- submit an annual report to the Governor and the Legislature on changes in health care costs and the financial position and status of the WHST;
- submit a report to the Governor and the Legislature on dental benefits;
- submit a proposal to integrate current and future federally qualified trusts that choose to participate in the WHST;
- require pharmaceutical and durable medical equipment manufacturers to provide their products to Washington at the lowest rate offered to federal and other governmental entities;
- negotiate payment schedules with providers and hospitals (on a fee-for-service basis); and
- have operating expenses of no more than 11 percent of the WHST's annual budget.

The JSCHCO must contract for an actuarial analysis of the funding needs of the WHST and recommend a funding mechanism to the appropriate standing committees of the Legislature by November 15, 2017. Prior to making its recommendations, the JSCHCO must conduct at least six public hearings in different geographic regions of the state seeking public input or comment on the recommended funding mechanism. The funding mechanism must contain the following elements:

- a health security assessment to be paid by all Washington employers;
- a monthly security premium to be paid by Washington residents with incomes over 200 percent of the federal poverty level, subject to exemptions for children and Medicare and Medicaid beneficiaries; and
- re-directed tax revenue.

Three new accounts are created: the Reserve Account, the Displaced Worker Training Account, and the Benefits Account. Moneys from the Reserve Account may only be used for health care services and the maintenance of the WHST. Moneys from the Displaced Worker Training Account may only be used for retraining and job placement of workers displaced by the transition to the WHST. Moneys from the Benefits Account may only be used for health care services and the maintenance of the WHST. The Governor, in consultation with the Board and the sovereign tribal governments, must take steps to receive waivers or exemptions from federal

statutes necessary to establish the WHST. The WHST, in coordination with the Department of Labor and Industries, must submit a report to the Legislature on the provision of medical benefits for injured workers by the WHST.

No later than January 1, 2019, the HCA must apply for a waiver from the ACA to:

- suspend the operation of the Exchange;
- enable the state to receive federal funding in lieu of the federal premium tax credits, federal cost-sharing subsidies, and other federal payments and tax credits that will no longer be necessary due to the suspension of the Exchange;
- ensure the operation of the WHST; and
- enable the state to provide equitable coverage for all Washington residents, including those covered through Medicaid and Medicare, and maximize the use of appropriate federal funding in the WHST.

The HCA must submit annual progress reports to the Legislature beginning November 15, 2017. The 2018 report must contain a list of statutory changes necessary to implement the waiver. The provisions establishing the WHST become effective following the receipt of the waiver.

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.