
SUBSTITUTE SENATE BILL 5653

State of Washington**65th Legislature****2017 Regular Session**

By Senate Ways & Means (originally sponsored by Senators Becker, Braun, Brown, Bailey, Padden, Zeiger, King, Wilson, O'Ban, Rossi, Walsh, Hawkins, and Fain)

READ FIRST TIME 02/24/17.

1 AN ACT Relating to administration of the public employees'
2 benefits program; amending RCW 41.05.013, 41.05.014, 41.05.015,
3 41.05.017, 41.05.021, 41.05.022, 41.05.023, 41.05.026, 41.05.033,
4 41.05.035, 41.05.036, 41.05.039, 41.05.046, 41.05.055, 41.05.065,
5 41.05.074, 41.05.075, 41.05.085, 41.05.123, 41.05.130, 41.05.140,
6 41.05.143, 41.05.160, 41.05.165, 41.05.175, 41.05.177, 41.05.180,
7 41.05.183, 41.05.195, 41.05.205, 41.05.220, 41.05.310, 41.05.400,
8 41.05.520, 41.05.540, 41.05.550, 41.05.600, 41.05.601, 41.05.630,
9 41.05.655, 41.05.660, 28A.400.350, 28A.400.410, 28B.50.8742,
10 28B.50.8744, and 70.14.080; reenacting and amending RCW 41.05.011 and
11 41.05.120; adding a new section to chapter 41.05 RCW; adding a new
12 chapter to Title 43 RCW; creating a new section; recodifying RCW
13 41.05.014, 41.05.015, 41.05.021, 41.05.023, 41.05.036, 41.05.037,
14 41.05.068, 41.05.220, 41.05.230, 41.05.400, 41.05.520, 41.05.530,
15 41.05.550, 41.05.600, 41.05.601, 41.05.650, 41.05.651, 41.05.660,
16 41.05.670, 41.05.680, 41.05.690, 41.05.730, 41.05.735, 41.05.800,
17 41.05A.005, 41.05A.010, 41.05A.030, 41.05A.040, 41.05A.050,
18 41.05A.060, 41.05A.070, 41.05A.080, 41.05A.090, 41.05A.100,
19 41.05A.110, 41.05A.120, 41.05A.130, 41.05A.140, 41.05A.150,
20 41.05A.160, 41.05A.170, 41.05A.180, 41.05A.190, 41.05A.200,
21 41.05A.210, 41.05A.220, 41.05A.230, 41.05A.240, 41.05A.250,
22 41.05A.260, 41.05A.270, and 41.05A.280; decodifying RCW 41.05.019;

1 repealing RCW 41.05.006 and 41.05.280; and providing an effective
2 date.

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

4 NEW SECTION. **Sec. 1.** The legislature finds that in 2011, the
5 medical assistance program was moved out of the department of social
6 and health services to the health care authority. Prior to that, the
7 health care authority consisted solely of the public employees'
8 benefit and basic health plan programs. Prior to that time,
9 additional public entitlement programs, such as behavioral health and
10 substance use disorder programs, had been combined with medical
11 assistance programs, making the primary duties of what is now the
12 health care authority related primarily to the administration of
13 entitlement programs. It is again being contemplated to combine
14 behavioral health and substance use disorder programs with the
15 medical assistance program. The legislature further finds that the
16 nature of the work related to entitlements is very different than
17 providing benefits to public employees and this difference has caused
18 inefficiencies in the way services are provided and inconsistencies
19 in the way employee benefits should be managed. The legislature
20 further finds that separating these duties will allow for more
21 transparency in the way the programs are administered and allow each
22 program to appropriately conduct its work.

23 Therefore, it is the intent of the legislature to create the
24 office of public employee benefits and to move the public employees'
25 benefits board out of the health care authority.

26 NEW SECTION. **Sec. 2.** A new section is added to chapter 41.05
27 RCW to read as follows:

28 (1) All powers, duties, and functions of the health care
29 authority pertaining to the public employees' benefits board are
30 transferred to the office of public employee benefits created under
31 RCW 41.05.055.

32 (2)(a) All reports, documents, surveys, books, records, files,
33 papers, or written material in the possession of the health care
34 authority pertaining to the powers, functions, and duties transferred
35 shall be delivered to the custody of the office of public employee
36 benefits. All funds, credits, or other assets held in connection with

1 the powers, functions, and duties transferred shall be assigned to
2 the office of public employee benefits.

3 (b) Whenever any question arises as to the transfer of any funds,
4 books, documents, records, papers, files, or other tangible property
5 used or held in the exercise of the powers and the performance of the
6 duties and functions transferred, the director of financial
7 management shall make a determination as to the proper allocation and
8 certify the same to the state agencies concerned.

9 (c) All employees of the health care authority engaged in
10 performing the powers, duties, and functions transferred are
11 transferred to the jurisdiction of the office of public employee
12 benefits. All employees classified under chapter 41.06 RCW, the state
13 civil service law, are assigned to the office of public employee
14 benefits to perform their usual duties upon the same terms as
15 formerly, without any loss of rights, subject to any action that may
16 be appropriate thereafter in accordance with the laws and rules
17 governing state civil service.

18 (3) All rules and all pending business before the health care
19 authority pertaining to the powers, functions, and duties transferred
20 shall be continued and acted upon by the office of public employee
21 benefits. All existing contracts and obligations shall remain in full
22 force and shall be performed by the office of public employee
23 benefits.

24 (4) The transfer of the powers, duties, and functions of the
25 health care authority shall not affect the validity of any act
26 performed before the effective date of this section.

27 (5)(a) The bargaining units of employees at the health care
28 authority on the effective date of this section that are transferred
29 to the office of public employee benefits shall be considered
30 separate appropriate units within the office of public employee
31 benefits unless and until modified by the public employment relations
32 commission pursuant to Title 391 WAC. The exclusive bargaining
33 representatives recognized as representing the bargaining units of
34 employees at the health care authority on the effective date of this
35 section shall continue as the exclusive bargaining representatives of
36 the transferred bargaining units without the necessity of an
37 election.

38 (b) The public employment relations commission may review the
39 appropriateness of the collective bargaining units that are a result
40 of the transfer from the health care authority to the office of

1 public employee benefits under this act. The employer or the
2 exclusive bargaining representative may petition the public
3 employment relations commission to review the bargaining units in
4 accordance with this section.

5 **Sec. 3.** RCW 41.05.011 and 2016 c 241 s 136 and 2016 c 67 s 2 are
6 each reenacted and amended to read as follows:

7 The definitions in this section apply throughout this chapter
8 unless the context clearly requires otherwise.

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

10 (2) "Board" means the public employees' benefits board
11 established under RCW 41.05.055.

12 (3) "Dependent care assistance program" means a benefit plan
13 whereby state and public employees may pay for certain employment
14 related dependent care with pretax dollars as provided in the salary
15 reduction plan under this chapter pursuant to 26 U.S.C. Sec. 129 or
16 other sections of the internal revenue code.

17 (4) "Director" means the director of the (~~authority~~) office.

18 (5) "Emergency service personnel killed in the line of duty"
19 means law enforcement officers and firefighters as defined in RCW
20 41.26.030, members of the Washington state patrol retirement fund as
21 defined in RCW 43.43.120, and reserve officers and firefighters as
22 defined in RCW 41.24.010 who die as a result of injuries sustained in
23 the course of employment as determined consistent with Title 51 RCW
24 by the department of labor and industries.

25 (6) "Employee" includes all employees of the state, whether or
26 not covered by civil service; elected and appointed officials of the
27 executive branch of government, including full-time members of
28 boards, commissions, or committees; justices of the supreme court and
29 judges of the court of appeals and the superior courts; and members
30 of the state legislature. Pursuant to contractual agreement with the
31 (~~authority~~) office, "employee" may also include: (a) Employees of a
32 county, municipality, or other political subdivision of the state and
33 members of the legislative authority of any county, city, or town who
34 are elected to office after February 20, 1970, if the legislative
35 authority of the county, municipality, or other political subdivision
36 of the state submits application materials to the authority to
37 provide any of its insurance programs by contract with the authority,
38 as provided in RCW 41.04.205 and 41.05.021(~~(+1)(g)~~) (as recodified
39 by this act); (b) employees of employee organizations representing

1 state civil service employees, at the option of each such employee
2 organization, and, effective October 1, 1995, employees of employee
3 organizations currently pooled with employees of school districts for
4 the purpose of purchasing insurance benefits, at the option of each
5 such employee organization; (c) employees of a school district if the
6 ((~~authority~~)) office agrees to provide any of the school districts'
7 insurance programs by contract with the ((~~authority~~)) director as
8 provided in RCW 28A.400.350; (d) employees of a tribal government, if
9 the governing body of the tribal government seeks and receives the
10 approval of the ((~~authority~~)) director to provide any of its
11 insurance programs by contract with the authority, as provided in RCW
12 41.05.021(~~((1))~~(~~f~~) and (~~g~~)) (as recodified by this act); (e)
13 employees of the Washington health benefit exchange if the governing
14 board of the exchange established in RCW 43.71.020 seeks and receives
15 approval of the ((~~authority~~)) director to provide any of its
16 insurance programs by contract with the authority, as provided in RCW
17 41.05.021(~~((1))~~(~~g~~) and (~~n~~)) (as recodified by this act); and (f)
18 employees of a charter school established under chapter 28A.710 RCW.
19 "Employee" does not include: Adult family home providers; unpaid
20 volunteers; patients of state hospitals; inmates; employees of the
21 Washington state convention and trade center as provided in RCW
22 41.05.110; students of institutions of higher education as determined
23 by their institution; and any others not expressly defined as
24 employees under this chapter or by the ((~~authority~~)) office under
25 this chapter.

26 (7) "Employer" means the state of Washington.

27 (8) "Employer group" means those counties, municipalities,
28 political subdivisions, the Washington health benefit exchange,
29 tribal governments, school districts, and educational service
30 districts, and employee organizations representing state civil
31 service employees, obtaining employee benefits through a contractual
32 agreement with the ((~~authority~~)) office.

33 (9) "Employing agency" means a division, department, or separate
34 agency of state government, including an institution of higher
35 education; a county, municipality, school district, educational
36 service district, or other political subdivision; charter school; and
37 a tribal government covered by this chapter.

38 (10) "Faculty" means an academic employee of an institution of
39 higher education whose workload is not defined by work hours but
40 whose appointment, workload, and duties directly serve the

1 institution's academic mission, as determined under the authority of
2 its enabling statutes, its governing body, and any applicable
3 collective bargaining agreement.

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

8 (12) "Insuring entity" means an insurer as defined in chapter
9 48.01 RCW, a health care service contractor as defined in chapter
10 48.44 RCW, or a health maintenance organization as defined in chapter
11 48.46 RCW.

12 (13) "Medical flexible spending arrangement" means a benefit plan
13 whereby state and public employees may reduce their salary before
14 taxes to pay for medical expenses not reimbursed by insurance as
15 provided in the salary reduction plan under this chapter pursuant to
16 26 U.S.C. Sec. 125 or other sections of the internal revenue code.

17 (14) "Office" means the office of public employee benefits.

18 (15) "Participant" means an individual who fulfills the
19 eligibility and enrollment requirements under the salary reduction
20 plan.

21 ~~((+15+))~~ (16) "Plan year" means the time period established by
22 the ~~((authority))~~ office of public employee benefits.

23 ~~((+16+))~~ (17) "Premium payment plan" means a benefit plan whereby
24 state and public employees may pay their share of group health plan
25 premiums with pretax dollars as provided in the salary reduction plan
26 under this chapter pursuant to 26 U.S.C. Sec. 125 or other sections
27 of the internal revenue code.

28 ~~((+17+))~~ (18) "Retired or disabled school employee" means:

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

32 (b) Persons who separate from employment with a school district,
33 educational service district, or charter school on or after October
34 1, 1993, and immediately upon separation receive a retirement
35 allowance under chapter 41.32, 41.35, or 41.40 RCW;

36 (c) Persons who separate from employment with a school district,
37 educational service district, or charter school due to a total and
38 permanent disability, and are eligible to receive a deferred
39 retirement allowance under chapter 41.32, 41.35, or 41.40 RCW.

1 ~~((18))~~ (19) "Salary" means a state employee's monthly salary or
2 wages.

3 ~~((19))~~ (20) "Salary reduction plan" means a benefit plan
4 whereby state and public employees may agree to a reduction of salary
5 on a pretax basis to participate in the dependent care assistance
6 program, medical flexible spending arrangement, or premium payment
7 plan offered pursuant to 26 U.S.C. Sec. 125 or other sections of the
8 internal revenue code.

9 ~~((20))~~ (21) "Seasonal employee" means an employee hired to work
10 during a recurring, annual season with a duration of three months or
11 more, and anticipated to return each season to perform similar work.

12 ~~((21))~~ (22) "Separated employees" means persons who separate
13 from employment with an employer as defined in:

- 14 (a) RCW 41.32.010(17) on or after July 1, 1996; or
15 (b) RCW 41.35.010 on or after September 1, 2000; or
16 (c) RCW 41.40.010 on or after March 1, 2002;

17 and who are at least age fifty-five and have at least ten years of
18 service under the teachers' retirement system plan 3 as defined in
19 RCW 41.32.010(33), the Washington school employees' retirement system
20 plan 3 as defined in RCW 41.35.010, or the public employees'
21 retirement system plan 3 as defined in RCW 41.40.010.

22 ~~((22))~~ (23) "State purchased health care" or "health care"
23 means medical and health care, pharmaceuticals, and medical equipment
24 purchased with state and federal funds by the department of social
25 and health services, the department of health, the basic health plan,
26 the state health care authority, the department of labor and
27 industries, the department of corrections, the department of veterans
28 affairs, and local school districts.

29 ~~((23))~~ (24) "Tribal government" means an Indian tribal
30 government as defined in section 3(32) of the employee retirement
31 income security act of 1974, as amended, or an agency or
32 instrumentality of the tribal government, that has government offices
33 principally located in this state.

34 **Sec. 4.** RCW 41.05.013 and 2006 c 307 s 8 are each amended to
35 read as follows:

36 (1) The ~~((authority))~~ office shall coordinate state agency
37 efforts to develop and implement uniform policies across state
38 purchased health care programs that will ensure prudent, cost-
39 effective health services purchasing, maximize efficiencies in

1 administration of state purchased health care programs, improve the
2 quality of care provided through state purchased health care
3 programs, and reduce administrative burdens on health care providers
4 participating in state purchased health care programs. The policies
5 adopted should be based, to the extent possible, upon the best
6 available scientific and medical evidence and shall endeavor to
7 address:

8 (a) Methods of formal assessment, such as a health technology
9 assessment under RCW 70.14.080 through 70.14.130. Consideration of
10 the best available scientific evidence does not preclude
11 consideration of experimental or investigational treatment or
12 services under a clinical investigation approved by an institutional
13 review board;

14 (b) Monitoring of health outcomes, adverse events, quality, and
15 cost-effectiveness of health services;

16 (c) Development of a common definition of medical necessity; and

17 (d) Exploration of common strategies for disease management and
18 demand management programs, including asthma, diabetes, heart
19 disease, and similar common chronic diseases. Strategies to be
20 explored include individual asthma management plans. On January 1,
21 2007, and January 1, 2009, the authority shall issue a status report
22 to the legislature summarizing any results it attains in exploring
23 and coordinating strategies for asthma, diabetes, heart disease, and
24 other chronic diseases.

25 (2) The (~~administrator~~) director may invite health care
26 provider organizations, carriers, other health care purchasers, and
27 consumers to participate in efforts undertaken under this section.

28 (3) For the purposes of this section "best available scientific
29 and medical evidence" means the best available clinical evidence
30 derived from systematic research.

31 **Sec. 5.** RCW 41.05.014 and 2009 c 201 s 2 are each amended to
32 read as follows:

33 (1) The (~~administrator~~) director may require applications,
34 enrollment forms, and eligibility certification documents for
35 benefits that are administered by the (~~authority~~) office under this
36 chapter and chapters 70.47 and 70.47A RCW to be signed by the person
37 submitting them. The (~~administrator~~) director may accept electronic
38 signatures.

1 (2) For the purpose of this section, "electronic signature" means
2 a signature in electronic form attached to or logically associated
3 with an electronic record including, but not limited to, a digital
4 signature.

5 **Sec. 6.** RCW 41.05.015 and 2011 1st sp.s. c 15 s 55 are each
6 amended to read as follows:

7 The director shall designate a medical director who is licensed
8 under chapter 18.57 or 18.71 RCW. (~~The director shall also appoint
9 such professional personnel and other assistants and employees,
10 including professional medical screeners, as may be reasonably
11 necessary to carry out the provisions of this chapter and chapter
12 74.09 RCW. The medical screeners must be supervised by one or more
13 physicians whom the director or the director's designee shall
14 appoint.~~)

15 **Sec. 7.** RCW 41.05.017 and 2016 c 139 s 4 are each amended to
16 read as follows:

17 Each health plan that provides medical insurance offered under
18 this chapter or chapter 43.--- RCW (the new chapter created in
19 section 57 of this act), including plans created by insuring
20 entities, plans not subject to the provisions of Title 48 RCW, and
21 plans created under RCW 41.05.140, are subject to the provisions of
22 RCW 48.43.500, 70.02.045, 48.43.505 through 48.43.535, 48.43.537,
23 48.43.545, 48.43.550, 70.02.110, 70.02.900, 48.43.190, and 48.43.083.

24 **Sec. 8.** RCW 41.05.021 and 2012 c 87 s 23 are each amended to
25 read as follows:

26 ~~((1))~~ The Washington state health care authority is created
27 within the executive branch. The authority shall have a director
28 appointed by the governor, with the consent of the senate. The
29 director shall serve at the pleasure of the governor. The director
30 may employ a deputy director, and such assistant directors and
31 special assistants as may be needed to administer the authority, who
32 shall be exempt from chapter 41.06 RCW, and any additional staff
33 members as are necessary to administer this chapter. The director may
34 delegate any power or duty vested in him or her by law, including
35 authority to make final decisions and enter final orders in hearings
36 conducted under chapter 34.05 RCW. The primary duties of the
37 authority shall be to: Administer ~~((state employees' insurance~~

1 ~~benefits and retired or disabled school employees' insurance~~
2 ~~benefits; administer~~) the basic health plan pursuant to chapter
3 70.47 RCW; administer the children's health program pursuant to
4 chapter 74.09 RCW; ~~((study state purchased health care programs in~~
5 ~~order to maximize cost containment in these programs while ensuring~~
6 ~~access to quality health care; implement state initiatives, joint~~
7 ~~purchasing strategies, and techniques for efficient administration~~
8 ~~that have potential application to all state purchased health~~
9 ~~services;)) and administer grants that further the mission and goals
10 of the authority. The authority's duties include, but are not limited
11 to, the following:~~

12 ~~((a) To administer health care benefit programs for employees~~
13 ~~and retired or disabled school employees as specifically authorized~~
14 ~~in RCW 41.05.065 and in accordance with the methods described in RCW~~
15 ~~41.05.075, 41.05.140, and other provisions of this chapter;~~

16 ~~(b))~~ (1) To analyze state purchased health care programs and to
17 explore options for cost containment and delivery alternatives for
18 those programs that are consistent with the purposes of those
19 programs, including, but not limited to:

20 ~~((i))~~ (a) Creation of economic incentives for the persons for
21 whom the state purchases health care to appropriately utilize and
22 purchase health care services, including the development of flexible
23 benefit plans to offset increases in individual financial
24 responsibility;

25 ~~((ii))~~ (b) Utilization of provider arrangements that encourage
26 cost containment, including but not limited to prepaid delivery
27 systems, utilization review, and prospective payment methods, and
28 that ensure access to quality care, including assuring reasonable
29 access to local providers, especially for employees residing in rural
30 areas;

31 ~~((iii))~~ (c) Coordination of state agency efforts to purchase
32 drugs effectively as provided in RCW 70.14.050;

33 ~~((iv))~~ (d) Development of recommendations and methods for
34 purchasing medical equipment and supporting services on a volume
35 discount basis;

36 ~~((v) Development of data systems to obtain utilization data from~~
37 ~~state purchased health care programs in order to identify cost~~
38 ~~centers, utilization patterns, provider and hospital practice~~
39 ~~patterns, and procedure costs, utilizing the information obtained~~
40 ~~pursuant to RCW 41.05.031; and~~

1 ~~(vi))~~ (e) In collaboration with other state agencies that
2 administer state purchased health care programs, private health care
3 purchasers, health care facilities, providers, and carriers:

4 ~~((A))~~ (i) Use evidence-based medicine principles to develop
5 common performance measures and implement financial incentives in
6 contracts with insuring entities, health care facilities, and
7 providers that:

8 ~~((I))~~ (A) Reward improvements in health outcomes for
9 individuals with chronic diseases, increased utilization of
10 appropriate preventive health services, and reductions in medical
11 errors; and

12 ~~((II))~~ (B) Increase, through appropriate incentives to insuring
13 entities, health care facilities, and providers, the adoption and use
14 of information technology that contributes to improved health
15 outcomes, better coordination of care, and decreased medical errors;

16 ~~((B))~~ (ii) Through state health purchasing, reimbursement, or
17 pilot strategies, promote and increase the adoption of health
18 information technology systems, including electronic medical records,
19 by hospitals as defined in RCW 70.41.020~~((4))~~ (7), integrated
20 delivery systems, and providers that:

21 ~~((I))~~ (A) Facilitate diagnosis or treatment;

22 ~~((II))~~ (B) Reduce unnecessary duplication of medical tests;

23 ~~((III))~~ (C) Promote efficient electronic physician order entry;

24 ~~((IV))~~ (D) Increase access to health information for consumers
25 and their providers; and

26 ~~((V))~~ (E) Improve health outcomes;

27 ~~((C))~~ (iii) Coordinate a strategy for the adoption of health
28 information technology systems using the final health information
29 technology report and recommendations developed under chapter 261,
30 Laws of 2005;

31 ~~((e))~~ (2) To analyze areas of public and private health care
32 interaction;

33 ~~((d) To provide information and technical and administrative
34 assistance to the board;~~

35 ~~(e) To review and approve or deny applications from counties,
36 municipalities, and other political subdivisions of the state to
37 provide state-sponsored insurance or self-insurance programs to their
38 employees in accordance with the provisions of RCW 41.04.205 and (g)
39 of this subsection, setting the premium contribution for approved
40 groups as outlined in RCW 41.05.050;~~

1 ~~(f) To review and approve or deny the application when the~~
2 ~~governing body of a tribal government applies to transfer their~~
3 ~~employees to an insurance or self-insurance program administered~~
4 ~~under this chapter. In the event of an employee transfer pursuant to~~
5 ~~this subsection (1)(f), members of the governing body are eligible to~~
6 ~~be included in such a transfer if the members are authorized by the~~
7 ~~tribal government to participate in the insurance program being~~
8 ~~transferred from and subject to payment by the members of all costs~~
9 ~~of insurance for the members. The authority shall: (i) Establish the~~
10 ~~conditions for participation; (ii) have the sole right to reject the~~
11 ~~application; and (iii) set the premium contribution for approved~~
12 ~~groups as outlined in RCW 41.05.050. Approval of the application by~~
13 ~~the authority transfers the employees and dependents involved to the~~
14 ~~insurance, self-insurance, or health care program approved by the~~
15 ~~authority;~~

16 ~~(g) To ensure the continued status of the employee insurance or~~
17 ~~self-insurance programs administered under this chapter as a~~
18 ~~governmental plan under section 3(32) of the employee retirement~~
19 ~~income security act of 1974, as amended, the authority shall limit~~
20 ~~the participation of employees of a county, municipal, school~~
21 ~~district, educational service district, or other political~~
22 ~~subdivision, the Washington health benefit exchange, or a tribal~~
23 ~~government, including providing for the participation of those~~
24 ~~employees whose services are substantially all in the performance of~~
25 ~~essential governmental functions, but not in the performance of~~
26 ~~commercial activities;~~

27 ~~(h) To establish billing procedures and collect funds from school~~
28 ~~districts in a way that minimizes the administrative burden on~~
29 ~~districts;~~

30 ~~(i) To publish and distribute to nonparticipating school~~
31 ~~districts and educational service districts by October 1st of each~~
32 ~~year a description of health care benefit plans available through the~~
33 ~~authority and the estimated cost if school districts and educational~~
34 ~~service district employees were enrolled;~~

35 ~~(j)) (3) To apply for, receive, and accept grants, gifts, and~~
36 ~~other payments, including property and service, from any governmental~~
37 ~~or other public or private entity or person, and make arrangements as~~
38 ~~to the use of these receipts to implement initiatives and strategies~~
39 ~~developed under this section;~~

1 ~~((k))~~ (4) To issue, distribute, and administer grants that
2 further the mission and goals of the authority;

3 ~~((l))~~ ~~To adopt rules consistent with this chapter as described in~~
4 ~~RCW 41.05.160 including, but not limited to:~~

5 ~~(i)~~ ~~Setting forth the criteria established by the board under RCW~~
6 ~~41.05.065 for determining whether an employee is eligible for~~
7 ~~benefits;~~

8 ~~(ii)~~ ~~Establishing an appeal process in accordance with chapter~~
9 ~~34.05 RCW by which an employee may appeal an eligibility~~
10 ~~determination;~~

11 ~~(iii)~~ ~~Establishing a process to assure that the eligibility~~
12 ~~determinations of an employing agency comply with the criteria under~~
13 ~~this chapter, including the imposition of penalties as may be~~
14 ~~authorized by the board;~~

15 ~~(m)(i))~~ (5)(a) To administer the medical services programs
16 established under chapter 74.09 RCW as the designated single state
17 agency for purposes of Title XIX of the federal social security act;

18 ~~((ii))~~ (b) To administer the state children's health insurance
19 program under chapter 74.09 RCW for purposes of Title XXI of the
20 federal social security act;

21 ~~((iii))~~ (c) To enter into agreements with the department of
22 social and health services for administration of medical care
23 services programs under Titles XIX and XXI of the social security
24 act. The agreements shall establish the division of responsibilities
25 between the authority and the department with respect to mental
26 health, chemical dependency, and long-term care services, including
27 services for persons with developmental disabilities. The agreements
28 shall be revised as necessary, to comply with the final
29 implementation plan adopted under section 116, chapter 15, Laws of
30 2011 1st sp. sess.;

31 ~~((iv))~~ (d) To adopt rules to carry out the purposes of chapter
32 74.09 RCW;

33 ~~((v))~~ (e) To appoint such advisory committees or councils as
34 may be required by any federal statute or regulation as a condition
35 to the receipt of federal funds by the authority. The director may
36 appoint statewide committees or councils in the following subject
37 areas: ~~((A))~~ (i) Health facilities; ~~((B))~~ (ii) children and youth
38 services; ~~((C))~~ (iii) blind services; ~~((D))~~ (iv) medical and
39 health care; ~~((E))~~ (v) drug abuse and alcoholism; ~~((F))~~ (vi)
40 rehabilitative services; and ~~((G))~~ (vii) such other subject matters

1 as are or come within the authority's responsibilities. The statewide
2 councils shall have representation from both major political parties
3 and shall have substantial consumer representation. Such committees
4 or councils shall be constituted as required by federal law or as the
5 director in his or her discretion may determine. The members of the
6 committees or councils shall hold office for three years except in
7 the case of a vacancy, in which event appointment shall be only for
8 the remainder of the unexpired term for which the vacancy occurs. No
9 member shall serve more than two consecutive terms. Members of such
10 state advisory committees or councils may be paid their travel
11 expenses in accordance with RCW 43.03.050 and 43.03.060 as now
12 existing or hereafter amended;

13 ~~((n))~~ (6) To review and approve or deny the application from
14 the governing board of the Washington health benefit exchange to
15 provide state-sponsored insurance or self-insurance programs to
16 employees of the exchange. The authority shall ~~((i))~~ (a) establish
17 the conditions for participation; ~~((ii))~~ (b) have the sole right to
18 reject an application; and ~~((iii))~~ (c) set the premium contribution
19 for approved groups as outlined in RCW 41.05.050.

20 ~~((2) On and after January 1, 1996, the public employees'~~
21 ~~benefits board may implement strategies to promote managed~~
22 ~~competition among employee health benefit plans. Strategies may~~
23 ~~include but are not limited to:~~

24 ~~(a) Standardizing the benefit package;~~

25 ~~(b) Soliciting competitive bids for the benefit package;~~

26 ~~(c) Limiting the state's contribution to a percent of the lowest~~
27 ~~priced qualified plan within a geographical area;~~

28 ~~(d) Monitoring the impact of the approach under this subsection~~
29 ~~with regards to: Efficiencies in health service delivery, cost shifts~~
30 ~~to subscribers, access to and choice of managed care plans statewide,~~
31 ~~and quality of health services. The health care authority shall also~~
32 ~~advise on the value of administering a benchmark employer-managed~~
33 ~~plan to promote competition among managed care plans.))~~

34 **Sec. 9.** RCW 41.05.022 and 1995 1st sp.s. c 6 s 3 are each
35 amended to read as follows:

36 (1) The ~~((health care authority))~~ office is hereby designated as
37 the single state agent for purchasing health services for public
38 employees.

1 (2) On and after January 1, 1995, at least the following state-
2 purchased health services programs shall be merged into a single,
3 community-rated risk pool: Health benefits for groups of employees of
4 school districts and educational service districts that voluntarily
5 purchase health benefits as provided in RCW 41.05.011; health
6 benefits for state employees; health benefits for eligible retired or
7 disabled school employees not eligible for parts A and B of medicare;
8 and health benefits for eligible state retirees not eligible for
9 parts A and B of medicare.

10 (3) When purchasing health services, at a minimum, and regardless
11 of other legislative enactments, the (~~state health services~~
12 ~~purchasing agent~~) director shall:

13 (a) Require that a public agency that provides subsidies for a
14 substantial portion of services now covered under the basic health
15 plan use uniform eligibility processes, insofar as may be possible,
16 and ensure that multiple eligibility determinations are not required;

17 (b) Require that a health care provider or a health care facility
18 that receives funds from a public program provide care to state
19 residents receiving a state subsidy who may wish to receive care from
20 them, and that an insuring entity that receives funds from a public
21 program accept enrollment from state residents receiving a state
22 subsidy who may wish to enroll with them;

23 (c) Strive to integrate purchasing for all publicly sponsored
24 health services in order to maximize the cost control potential and
25 promote the most efficient methods of financing and coordinating
26 services;

27 (d) Consult regularly with the governor, the legislature, and
28 state agency directors whose operations are affected by the
29 implementation of this section; and

30 (e) Ensure the control of benefit costs under managed competition
31 by adopting rules to prevent employers from entering into an
32 agreement with employees or employee organizations when the agreement
33 would result in increased utilization in public employees' benefits
34 board plans or reduce the expected savings of managed competition.

35 NEW SECTION. **Sec. 10.** The definitions in this section apply
36 throughout this chapter unless the context clearly requires
37 otherwise.

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

39 (2) "Director" means the director of the authority.

1 (3) "Insuring entity" means an insurer as defined in chapter
2 48.01 RCW, a health care service contractor as defined in chapter
3 48.44 RCW, or a health maintenance organization as defined in chapter
4 48.46 RCW.

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

12 (5) "Tribal government" means an Indian tribal government as
13 defined in section 3(32) of the employee retirement income security
14 act of 1974, as amended, or an agency or instrumentality of the
15 tribal government, that has government offices principally located in
16 this state.

17 NEW SECTION. **Sec. 11.** The director shall appoint such
18 professional personnel and other assistants and employees, including
19 professional medical screeners, as may be reasonably necessary to
20 carry out the provisions of this chapter and chapter 74.09 RCW. The
21 medical screeners must be supervised by one or more physicians whom
22 the director or the director's designee shall appoint.

23 NEW SECTION. **Sec. 12.** When purchasing health services, at a
24 minimum, and regardless of other legislative enactments, the
25 authority shall:

26 (1) Require that a health care provider or a health care facility
27 that receives funds from a public program provide care to state
28 residents receiving a state subsidy who may wish to receive care from
29 them, and that an insuring entity that receives funds from a public
30 program accept enrollment from state residents receiving a state
31 subsidy who may wish to enroll with them; and

32 (2) Work with the public employees' benefits board to integrate
33 purchasing for all publicly sponsored health services in order to
34 maximize the cost control potential and promote the most efficient
35 methods of financing and coordinating services.

36 **Sec. 13.** RCW 41.05.023 and 2007 c 259 s 6 are each amended to
37 read as follows:

1 (1) The ((health-care)) authority, in collaboration with the
2 department of health, shall design and implement a chronic care
3 management program for state employees enrolled in the state's self-
4 insured uniform medical plan. Programs must be evidence based,
5 facilitating the use of information technology to improve quality of
6 care and must improve coordination of primary, acute, and long-term
7 care for those enrollees with multiple chronic conditions. The
8 authority shall consider expansion of existing medical home and
9 chronic care management programs. The authority shall use best
10 practices in identifying those employees best served under a chronic
11 care management model using predictive modeling through claims or
12 other health risk information.

13 (2) For purposes of this section:

14 (a) "Medical home" means a site of care that provides
15 comprehensive preventive and coordinated care centered on the patient
16 needs and assures high-quality, accessible, and efficient care.

17 (b) "Chronic care management" means the authority's program that
18 provides care management and coordination activities for health plan
19 enrollees determined to be at risk for high medical costs. "Chronic
20 care management" provides education and training and/or coordination
21 that assist program participants in improving self-management skills
22 to improve health outcomes and reduce medical costs by educating
23 clients to better utilize services.

24 **Sec. 14.** RCW 41.05.026 and 2005 c 274 s 277 are each amended to
25 read as follows:

26 (1) When soliciting proposals for the purpose of awarding
27 contracts for goods or services, the ((~~administrator~~)) director
28 shall, upon written request by the bidder, exempt from public
29 inspection and copying such proprietary data, trade secrets, or other
30 information contained in the bidder's proposal that relate to the
31 bidder's unique methods of conducting business or of determining
32 prices or premium rates to be charged for services under terms of the
33 proposal.

34 (2) When soliciting information for the development, acquisition,
35 or implementation of state purchased health care services, the
36 ((~~administrator~~)) director shall, upon written request by the
37 respondent, exempt from public inspection and copying such
38 proprietary data, trade secrets, or other information submitted by
39 the respondent that relate to the respondent's unique methods of

1 conducting business, data unique to the product or services of the
2 respondent, or to determining prices or rates to be charged for
3 services.

4 (3) Actuarial formulas, statistics, cost and utilization data, or
5 other proprietary information submitted upon request of the
6 (~~administrator~~) director, board, or a technical review committee
7 created to facilitate the development, acquisition, or implementation
8 of state purchased health care under this chapter by a contracting
9 insurer, health care service contractor, health maintenance
10 organization, vendor, or other health services organization may be
11 withheld at any time from public inspection when necessary to
12 preserve trade secrets or prevent unfair competition.

13 (4) The board, or a technical review committee created to
14 facilitate the development, acquisition, or implementation of state
15 purchased health care under this chapter, may hold an executive
16 session in accordance with chapter 42.30 RCW during any regular or
17 special meeting to discuss information submitted in accordance with
18 subsections (1) through (3) of this section.

19 (5) A person who challenges a request for or designation of
20 information as exempt under this section is entitled to seek judicial
21 review pursuant to chapter 42.56 RCW.

22 **Sec. 15.** RCW 41.05.033 and 2007 c 259 s 2 are each amended to
23 read as follows:

24 (1) The legislature finds that there is growing evidence that,
25 for preference-sensitive care involving elective surgery, patient-
26 practitioner communication is improved through the use of
27 high-quality decision aids that detail the benefits, harms, and
28 uncertainty of available treatment options. Improved communication
29 leads to more fully informed patient decisions. The legislature
30 intends to increase the extent to which patients make genuinely
31 informed, preference-based treatment decisions, by promoting public/
32 private collaborative efforts to broaden the development,
33 certification, use, and evaluation of effective decision aids and by
34 recognition of shared decision making and patient decision aids in
35 the state's laws on informed consent.

36 (2) The (~~health care authority~~) office shall implement a shared
37 decision-making demonstration project. The demonstration project
38 shall be conducted at one or more multispecialty group practice sites
39 providing state purchased health care in the state of Washington, and

1 may include other practice sites providing state purchased health
2 care. The demonstration project shall include the following elements:

3 (a) Incorporation into clinical practice of one or more decision
4 aids for one or more identified preference-sensitive care areas
5 combined with ongoing training and support of involved practitioners
6 and practice teams, preferably at sites with necessary supportive
7 health information technology;

8 (b) An evaluation of the impact of the use of shared decision
9 making with decision aids, including the use of preference-sensitive
10 health care services selected for the demonstration project and
11 expenditures for those services, the impact on patients, including
12 patient understanding of the treatment options presented and
13 concordance between patient values and the care received, and patient
14 and practitioner satisfaction with the shared decision-making
15 process; and

16 (c) As a condition of participating in the demonstration project,
17 a participating practice site must bear the cost of selecting,
18 purchasing, and incorporating the chosen decision aids into clinical
19 practice.

20 (3) The (~~health care authority~~) office may solicit and accept
21 funding and in-kind contributions to support the demonstration and
22 evaluation, and may scale the evaluation to fall within resulting
23 resource parameters.

24 **Sec. 16.** RCW 41.05.035 and 2007 c 259 s 10 are each amended to
25 read as follows:

26 (1) The (~~administrator~~) director shall design and pilot a
27 consumer-centric health information infrastructure and the first
28 health record banks that will facilitate the secure exchange of
29 health information when and where needed and shall:

30 (a) Complete the plan of initial implementation, including but
31 not limited to determining the technical infrastructure for health
32 record banks and the account locator service, setting criteria and
33 standards for health record banks, and determining oversight of
34 health record banks;

35 (b) Implement the first health record banks in pilot sites as
36 funding allows;

37 (c) Involve health care consumers in meaningful ways in the
38 design, implementation, oversight, and dissemination of information
39 on the health record bank system; and

1 (d) Promote adoption of electronic medical records and health
2 information exchange through continuation of the Washington health
3 information collaborative, and by working with private payors and
4 other organizations in restructuring reimbursement to provide
5 incentives for providers to adopt electronic medical records in their
6 practices.

7 (2) The (~~administrator~~) director may establish an advisory
8 board, a stakeholder committee, and subcommittees to assist in
9 carrying out the duties under this section. The (~~administrator~~)
10 director may reappoint health information infrastructure advisory
11 board members to assure continuity and shall appoint any additional
12 representatives that may be required for their expertise and
13 experience.

14 (a) The (~~administrator~~) director shall appoint the chair of the
15 advisory board, chairs, and cochairs of the stakeholder committee, if
16 formed;

17 (b) Meetings of the board, stakeholder committee, and any
18 advisory group are subject to chapter 42.30 RCW, the open public
19 meetings act, including RCW 42.30.110(1)(1), which authorizes an
20 executive session during a regular or special meeting to consider
21 proprietary or confidential nonpublished information; and

22 (c) The members of the board, stakeholder committee, and any
23 advisory group:

24 (i) Shall agree to the terms and conditions imposed by the
25 (~~administrator~~) director regarding conflicts of interest as a
26 condition of appointment;

27 (ii) Are immune from civil liability for any official acts
28 performed in good faith as members of the board, stakeholder
29 committee, or any advisory group.

30 (3) Members of the board may be compensated for participation in
31 accordance with a personal services contract to be executed after
32 appointment and before commencement of activities related to the work
33 of the board. Members of the stakeholder committee shall not receive
34 compensation but shall be reimbursed under RCW 43.03.050 and
35 43.03.060.

36 (4) The (~~administrator~~) director may work with public and
37 private entities to develop and encourage the use of personal health
38 records which are portable, interoperable, secure, and respectful of
39 patients' privacy.

1 (5) The (~~administrator~~) director may enter into contracts to
2 issue, distribute, and administer grants that are necessary or proper
3 to carry out this section.

4 **Sec. 17.** RCW 41.05.036 and 2011 1st sp.s. c 15 s 57 are each
5 amended to read as follows:

6 The definitions in this section apply throughout (~~RCW 41.05.039~~
7 ~~through 41.05.046~~) this chapter unless the context clearly requires
8 otherwise.

9 (1) "Director" means the director of the state health care
10 authority under this chapter.

11 (2) "Exchange" means the methods or medium by which health care
12 information may be electronically and securely exchanged among
13 authorized providers, payors, and patients within Washington state.

14 (3) "Health care provider" or "provider" has the same meaning as
15 in RCW 48.43.005.

16 (4) "Health data provider" means an organization that is a
17 primary source for health-related data for Washington residents,
18 including but not limited to:

19 (a) The children's health immunizations linkages and development
20 profile immunization registry provided by the department of health
21 pursuant to chapter 43.70 RCW;

22 (b) Commercial laboratories providing medical laboratory testing
23 results;

24 (c) Prescription drugs clearinghouses, such as the national
25 patient health information network; and

26 (d) Diagnostic imaging centers.

27 (5) "Lead organization" means a private sector organization or
28 organizations designated by the director to lead development of
29 processes, guidelines, and standards under chapter 300, Laws of 2009.

30 (6) "Payor" means public purchasers, as defined in this section,
31 carriers licensed under chapters 48.20, 48.21, 48.44, 48.46, and
32 48.62 RCW, and the Washington state health insurance pool established
33 in chapter 48.41 RCW.

34 (7) "Public purchaser" means the department of social and health
35 services, the department of labor and industries, and the health care
36 authority.

37 (8) "Secretary" means the secretary of the department of health.

1 **Sec. 18.** RCW 41.05.039 and 2009 c 300 s 3 are each amended to
2 read as follows:

3 (1) By August 1, 2009, the (~~administrator~~) director shall
4 designate one or more lead organizations to coordinate development of
5 processes, guidelines, and standards to:

6 (a) Improve patient access to and control of their own health
7 care information and thereby enable their active participation in
8 their own care; and

9 (b) Implement methods for the secure exchange of clinical data as
10 a means to promote:

11 (i) Continuity of care;

12 (ii) Quality of care;

13 (iii) Patient safety; and

14 (iv) Efficiency in medical practices.

15 (2) The lead organization designated by the (~~administrator~~)
16 director under this section shall:

17 (a) Be representative of health care privacy advocates,
18 providers, and payors across the state;

19 (b) Have expertise and knowledge in the major disciplines related
20 to the secure exchange of health data;

21 (c) Be able to support the costs of its work without recourse to
22 state funding. The (~~administrator~~) director and the lead
23 organization are authorized and encouraged to seek federal funds,
24 including funds from the federal American recovery and reinvestment
25 act, as well as solicit, receive, contract for, collect, and hold
26 grants, donations, and gifts to support the implementation of this
27 section and RCW 41.05.042;

28 (d) In collaboration with the (~~administrator~~) director,
29 identify and convene work groups, as needed, to accomplish the goals
30 of this section and RCW 41.05.042;

31 (e) Conduct outreach and communication efforts to maximize the
32 adoption of the guidelines, standards, and processes developed by the
33 lead organization;

34 (f) Submit regular updates to the (~~administrator~~) director on
35 the progress implementing the requirements of this section and RCW
36 41.05.042; and

37 (g) With the (~~administrator~~) director, report to the
38 legislature December 1, 2009, and on December 1st of each year
39 through December 1, 2012, on progress made, the time necessary for

1 completing tasks, and identification of future tasks that should be
2 prioritized for the next improvement cycle.

3 (3) Within available funds as specified in subsection (2)(c) of
4 this section, the ~~((administrator))~~ director shall:

5 (a) Participate in and review the work and progress of the lead
6 organization, including the establishment and operation of work
7 groups for this section and RCW 41.05.042; and

8 (b) Consult with the office of the attorney general to determine
9 whether:

10 (i) An antitrust safe harbor is necessary to enable licensed
11 carriers and providers to develop common rules and standards; and, if
12 necessary, take steps, such as implementing rules or requesting
13 legislation, to establish a safe harbor; and

14 (ii) Legislation is needed to limit provider liability if their
15 health records are missing health information despite their
16 participation in the exchange of health information.

17 (4) The lead organization or organizations shall take steps to
18 minimize the costs that implementation of the processes, guidelines,
19 and standards may have on participating entities, including
20 providers.

21 **Sec. 19.** RCW 41.05.046 and 2009 c 300 s 5 are each amended to
22 read as follows:

23 If any provision in RCW 41.05.036 (as recodified by this act),
24 41.05.039, and 41.05.042 conflicts with existing or new federal
25 requirements, the ~~((administrator))~~ director shall recommend
26 modifications, as needed, to assure compliance with the aims of RCW
27 41.05.036 (as recodified by this act), 41.05.039, and 41.05.042 and
28 federal requirements.

29 **Sec. 20.** RCW 41.05.055 and 2009 c 537 s 6 are each amended to
30 read as follows:

31 (1) The office of public employee~~((s⁺))~~ benefits ~~((board))~~ is
32 created within the ~~((authority))~~ executive branch. The office shall
33 have a director appointed by the governor, with the consent of the
34 senate. The director shall serve at the pleasure of the governor. The
35 function of the ~~((board))~~ office is to design and approve insurance
36 benefit plans for employees and to establish eligibility criteria for
37 participation in insurance benefit plans.

1 (2) The board shall be composed of nine members appointed by the
2 governor as follows:

3 (a) Two representatives of state employees, one of whom shall
4 represent an employee union certified as exclusive representative of
5 at least one bargaining unit of classified employees, and one of whom
6 is retired, is covered by a program under the jurisdiction of the
7 board, and represents an organized group of retired public employees;

8 (b) Two representatives of school district employees, one of whom
9 shall represent an association of school employees and one of whom is
10 retired, and represents an organized group of retired school
11 employees;

12 (c) Four members with experience in health benefit management and
13 cost containment; and

14 (d) The (~~administrator~~) director.

15 (3) The member who represents an association of school employees
16 and one member appointed pursuant to subsection (2)(c) of this
17 section shall be nonvoting members until such time that there are no
18 less than twelve thousand school district employee subscribers
19 enrolled with the authority for health care coverage.

20 (4) The governor shall appoint the initial members of the board
21 to staggered terms not to exceed four years. Members appointed
22 thereafter shall serve two-year terms. Members of the board shall be
23 compensated in accordance with RCW 43.03.250 and shall be reimbursed
24 for their travel expenses while on official business in accordance
25 with RCW 43.03.050 and 43.03.060. The board shall prescribe rules for
26 the conduct of its business. The (~~administrator~~) director shall
27 serve as chair of the board. Meetings of the board shall be at the
28 call of the chair.

29 **Sec. 21.** RCW 41.05.065 and 2015 c 116 s 3 are each amended to
30 read as follows:

31 (1) The board shall study all matters connected with the
32 provision of health care coverage, life insurance, liability
33 insurance, accidental death and dismemberment insurance, and
34 disability income insurance or any of, or a combination of, the
35 enumerated types of insurance for employees and their dependents on
36 the best basis possible with relation both to the welfare of the
37 employees and to the state. However, liability insurance shall not be
38 made available to dependents.

1 (2) The board shall develop employee benefit plans that include
2 comprehensive health care benefits for employees. In developing these
3 plans, the board shall consider the following elements:

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

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

9 (c) Wellness incentives that focus on proven strategies, such as
10 smoking cessation, injury and accident prevention, reduction of
11 alcohol misuse, appropriate weight reduction, exercise, automobile
12 and motorcycle safety, blood cholesterol reduction, and nutrition
13 education;

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

20 (e) Effective coordination of benefits; and

21 (f) Minimum standards for insuring entities.

22 (3) To maintain the comprehensive nature of employee health care
23 benefits, benefits provided to employees shall be substantially
24 equivalent to the state employees' health benefit((s)) plan in effect
25 on January 1, 1993. Nothing in this subsection shall prohibit changes
26 or increases in employee point-of-service payments or employee
27 premium payments for benefits or the administration of a high
28 deductible health plan in conjunction with a health savings account.
29 The board may establish employee eligibility criteria which are not
30 substantially equivalent to employee eligibility criteria in effect
31 on January 1, 1993.

32 (4) Except if bargained for under chapter 41.80 RCW, the board
33 shall design benefits and determine the terms and conditions of
34 employee and retired employee participation and coverage, including
35 establishment of eligibility criteria subject to the requirements of
36 this chapter. Employer groups obtaining benefits through contractual
37 agreement with the ((authority)) office for employees defined in RCW
38 41.05.011(6) (a) through (d) may contractually agree with the
39 ((authority)) office to benefits eligibility criteria which differs
40 from that determined by the board. The eligibility criteria

1 established by the board shall be no more restrictive than the
2 following:

3 (a) Except as provided in (b) through (e) of this subsection, an
4 employee is eligible for benefits from the date of employment if the
5 employing agency anticipates he or she will work an average of at
6 least eighty hours per month and for at least eight hours in each
7 month for more than six consecutive months. An employee determined
8 ineligible for benefits at the beginning of his or her employment
9 shall become eligible in the following circumstances:

10 (i) An employee who works an average of at least eighty hours per
11 month and for at least eight hours in each month and whose
12 anticipated duration of employment is revised from less than or equal
13 to six consecutive months to more than six consecutive months becomes
14 eligible when the revision is made.

15 (ii) An employee who works an average of at least eighty hours
16 per month over a period of six consecutive months and for at least
17 eight hours in each of those six consecutive months becomes eligible
18 at the first of the month following the six-month averaging period.

19 (b) A seasonal employee is eligible for benefits from the date of
20 employment if the employing agency anticipates that he or she will
21 work an average of at least eighty hours per month and for at least
22 eight hours in each month of the season. A seasonal employee
23 determined ineligible at the beginning of his or her employment who
24 works an average of at least eighty hours per month over a period of
25 six consecutive months and at least eight hours in each of those six
26 consecutive months becomes eligible at the first of the month
27 following the six-month averaging period. A benefits-eligible
28 seasonal employee who works a season of less than nine months shall
29 not be eligible for the employer contribution during the off season,
30 but may continue enrollment in benefits during the off season by
31 self-paying for the benefits. A benefits-eligible seasonal employee
32 who works a season of nine months or more is eligible for the
33 employer contribution through the off season following each season
34 worked.

35 (c) Faculty are eligible as follows:

36 (i) Faculty who the employing agency anticipates will work half-
37 time or more for the entire instructional year or equivalent nine-
38 month period are eligible for benefits from the date of employment.
39 Eligibility shall continue until the beginning of the first full
40 month of the next instructional year, unless the employment

1 relationship is terminated, in which case eligibility shall cease the
2 first month following the notice of termination or the effective date
3 of the termination, whichever is later.

4 (ii) Faculty who the employing agency anticipates will not work
5 for the entire instructional year or equivalent nine-month period are
6 eligible for benefits at the beginning of the second consecutive
7 quarter or semester of employment in which he or she is anticipated
8 to work, or has actually worked, half-time or more. Such an employee
9 shall continue to receive uninterrupted employer contributions for
10 benefits if the employee works at least half-time in a quarter or
11 semester. Faculty who the employing agency anticipates will not work
12 for the entire instructional year or equivalent nine-month period,
13 but who actually work half-time or more throughout the entire
14 instructional year, are eligible for summer or off-quarter or off-
15 semester coverage. Faculty who have met the criteria of this
16 subsection (4)(c)(ii), who work at least two quarters or two
17 semesters of the academic year with an average academic year workload
18 of half-time or more for three quarters or two semesters of the
19 academic year, and who have worked an average of half-time or more in
20 each of the two preceding academic years shall continue to receive
21 uninterrupted employer contributions for benefits if he or she works
22 at least half-time in a quarter or semester or works two quarters or
23 two semesters of the academic year with an average academic workload
24 each academic year of half-time or more for three quarters or two
25 semesters. Eligibility under this section ceases immediately if this
26 criteria is not met.

27 (iii) Faculty may establish or maintain eligibility for benefits
28 by working for more than one institution of higher education. When
29 faculty work for more than one institution of higher education, those
30 institutions shall prorate the employer contribution costs, or if
31 eligibility is reached through one institution, that institution will
32 pay the full employer contribution. Faculty working for more than one
33 institution must alert his or her employers to his or her potential
34 eligibility in order to establish eligibility.

35 (iv) The employing agency must provide written notice to faculty
36 who are potentially eligible for benefits under this subsection
37 (4)(c) of their potential eligibility.

38 (v) To be eligible for maintenance of benefits through averaging
39 under (c)(ii) of this subsection, faculty must provide written

1 notification to his or her employing agency or agencies of his or her
2 potential eligibility.

3 (vi) For the purposes of this subsection (4)(c):

4 (A) "Academic year" means summer, fall, winter, and spring
5 quarters or summer, fall, and spring semesters;

6 (B) "Half-time" means one-half of the full-time academic workload
7 as determined by each institution; except that for community and
8 technical college faculty, half-time academic workload is calculated
9 according to RCW 28B.50.489.

10 (d) A legislator is eligible for benefits on the date his or her
11 term begins. All other elected and full-time appointed officials of
12 the legislative and executive branches of state government are
13 eligible for benefits on the date his or her term begins or they take
14 the oath of office, whichever occurs first.

15 (e) A justice of the supreme court and judges of the court of
16 appeals and the superior courts become eligible for benefits on the
17 date he or she takes the oath of office.

18 (f) Except as provided in (c)(i) and (ii) of this subsection,
19 eligibility ceases for any employee the first of the month following
20 termination of the employment relationship.

21 (g) In determining eligibility under this section, the employing
22 agency may disregard training hours, standby hours, or temporary
23 changes in work hours as determined by the ((authority)) office under
24 this section.

25 (h) Insurance coverage for all eligible employees begins on the
26 first day of the month following the date when eligibility for
27 benefits is established. If the date eligibility is established is
28 the first working day of a month, insurance coverage begins on that
29 date.

30 (i) Eligibility for an employee whose work circumstances are
31 described by more than one of the eligibility categories in (a)
32 through (e) of this subsection shall be determined solely by the
33 criteria of the category that most closely describes the employee's
34 work circumstances.

35 (j) Except for an employee eligible for benefits under (b) or
36 (c)(ii) of this subsection, an employee who has established
37 eligibility for benefits under this section shall remain eligible for
38 benefits each month in which he or she is in pay status for eight or
39 more hours, if (i) he or she remains in a benefits-eligible position
40 and (ii) leave from the benefits-eligible position is approved by the

1 employing agency. A benefits-eligible seasonal employee is eligible
2 for the employer contribution in any month of his or her season in
3 which he or she is in pay status eight or more hours during that
4 month. Eligibility ends if these conditions are not met, the
5 employment relationship is terminated, or the employee voluntarily
6 transfers to a noneligible position.

7 (k) For the purposes of this subsection, the board shall define
8 "benefits-eligible position."

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

12 (6)(a) For any open enrollment period following August 24, 2011,
13 the board shall offer a health savings account option for employees
14 that conforms to section 223, Part VII of subchapter B of chapter 1
15 of the internal revenue code of 1986. The board shall comply with all
16 applicable federal standards related to the establishment of health
17 savings accounts.

18 (b) By November 30, 2015, and each year thereafter, the
19 (~~authority~~) office shall submit a report to the relevant
20 legislative policy and fiscal committees that includes the following:

21 (i) Public employees' benefits board health plan cost and service
22 utilization trends for the previous three years, in total and for
23 each health plan offered to employees;

24 (ii) For each health plan offered to employees, the number and
25 percentage of employees and dependents enrolled in the plan, and the
26 age and gender demographics of enrollees in each plan;

27 (iii) Any impact of enrollment in alternatives to the most
28 comprehensive plan, including the high deductible health plan with a
29 health savings account, upon the cost of health benefits for those
30 employees who have chosen to remain enrolled in the most
31 comprehensive plan.

32 (7) Notwithstanding any other provision of this chapter, for any
33 open enrollment period following August 24, 2011, the board shall
34 offer a high deductible health plan in conjunction with a health
35 savings account developed under subsection (6) of this section.

36 (8) Employees shall choose participation in one of the health
37 care benefit plans developed by the board and may be permitted to
38 waive coverage under terms and conditions established by the board.

39 (9) The board shall review plans proposed by insuring entities
40 that desire to offer property insurance and/or accident and casualty

1 insurance to state employees through payroll deduction. The board may
2 approve any such plan for payroll deduction by insuring entities
3 holding a valid certificate of authority in the state of Washington
4 and which the board determines to be in the best interests of
5 employees and the state. The board shall adopt rules setting forth
6 criteria by which it shall evaluate the plans.

7 (10) Before January 1, 1998, the public employees' benefits board
8 shall make available one or more fully insured long-term care
9 insurance plans that comply with the requirements of chapter 48.84
10 RCW. Such programs shall be made available to eligible employees,
11 retired employees, and retired school employees as well as eligible
12 dependents which, for the purpose of this section, includes the
13 parents of the employee or retiree and the parents of the spouse of
14 the employee or retiree. Employees of local governments, political
15 subdivisions, and tribal governments not otherwise enrolled in the
16 public employees' benefits board sponsored medical programs may
17 enroll under terms and conditions established by the
18 ~~((administrator))~~ director, if it does not jeopardize the financial
19 viability of the public employees' benefits board's long-term care
20 offering.

21 (a) Participation of eligible employees or retired employees and
22 retired school employees in any long-term care insurance plan made
23 available by the public employees' benefits board is voluntary and
24 shall not be subject to binding arbitration under chapter 41.56 RCW.
25 Participation is subject to reasonable underwriting guidelines and
26 eligibility rules established by the public employees' benefits board
27 and the ~~((health-care authority))~~ office.

28 (b) The employee, retired employee, and retired school employee
29 are solely responsible for the payment of the premium rates developed
30 by the ~~((health-care authority))~~ office. The ~~((health-care~~
31 ~~authority))~~ board is authorized to charge a reasonable administrative
32 fee in addition to the premium charged by the long-term care insurer,
33 which shall include the ~~((health-care authority's))~~ office's cost of
34 administration, marketing, and consumer education materials prepared
35 by the ~~((health-care authority))~~ office and the office of the
36 insurance commissioner.

37 (c) To the extent administratively possible, the state shall
38 establish an automatic payroll or pension deduction system for the
39 payment of the long-term care insurance premiums.

1 (d) The public employees' benefits board and the ((health-care
2 authority)) office shall establish a technical advisory committee to
3 provide advice in the development of the benefit design and
4 establishment of underwriting guidelines and eligibility rules. The
5 committee shall also advise the board ((and authority)) on effective
6 and cost-effective ways to market and distribute the long-term care
7 product. The technical advisory committee shall be comprised, at a
8 minimum, of representatives of the office of the insurance
9 commissioner, providers of long-term care services, licensed
10 insurance agents with expertise in long-term care insurance,
11 employees, retired employees, retired school employees, and other
12 interested parties determined to be appropriate by the board.

13 (e) The ((health-care authority)) office shall offer employees,
14 retired employees, and retired school employees the option of
15 purchasing long-term care insurance through licensed agents or
16 brokers appointed by the long-term care insurer. The authority, in
17 consultation with the public employees' benefits board, shall
18 establish marketing procedures and may consider all premium
19 components as a part of the contract negotiations with the long-term
20 care insurer.

21 (f) In developing the long-term care insurance benefit designs,
22 the public employees' benefits board shall include an alternative
23 plan of care benefit, including adult day services, as approved by
24 the office of the insurance commissioner.

25 (g) The ((health-care authority)) office, with the cooperation of
26 the office of the insurance commissioner, shall develop a consumer
27 education program for the eligible employees, retired employees, and
28 retired school employees designed to provide education on the
29 potential need for long-term care, methods of financing long-term
30 care, and the availability of long-term care insurance products
31 including the products offered by the board.

32 (11) The board may establish penalties to be imposed by the
33 authority when the eligibility determinations of an employing agency
34 fail to comply with the criteria under this chapter.

35 **Sec. 22.** RCW 41.05.074 and 2015 c 251 s 1 are each amended to
36 read as follows:

37 (1) A health plan offered to public employees and their covered
38 dependents under this chapter that imposes different prior
39 authorization standards and criteria for a covered service among

1 tiers of contracting providers of the same licensed profession in the
2 same health plan shall inform an enrollee which tier an individual
3 provider or group of providers is in by posting the information on
4 its web site in a manner accessible to both enrollees and providers.

5 (2) The health plan may not require prior authorization for an
6 evaluation and management visit or an initial treatment visit with a
7 contracting provider in a new episode of chiropractic, physical
8 therapy, occupational therapy, East Asian medicine, massage therapy,
9 or speech and hearing therapies. Notwithstanding RCW 48.43.515(5)
10 this section may not be interpreted to limit the ability of a health
11 plan to require a referral or prescription for the therapies listed
12 in this section.

13 (3) The (~~health care authority~~) office shall post on its web
14 site and provide upon the request of a covered person or contracting
15 provider any prior authorization standards, criteria, or information
16 the health plan uses for medical necessity decisions.

17 (4) A health care provider with whom the administrator of the
18 health plan consults regarding a decision to deny, limit, or
19 terminate a person's covered health care services must hold a
20 license, certification, or registration, in good standing and must be
21 in the same or related health field as the health care provider being
22 reviewed or of a specialty whose practice entails the same or similar
23 covered health care service.

24 (5) The health plan may not require a provider to provide a
25 discount from usual and customary rates for health care services not
26 covered under the health plan, policy, or other agreement, to which
27 the provider is a party.

28 (6) For purposes of this section:

29 (a) "New episode of care" means treatment for a new or recurrent
30 condition for which the enrollee has not been treated by the provider
31 within the previous ninety days and is not currently undergoing any
32 active treatment.

33 (b) "Contracting provider" does not include providers employed
34 within an integrated delivery system operated by a carrier licensed
35 under chapter 48.44 or 48.46 RCW.

36 **Sec. 23.** RCW 41.05.075 and 2007 c 259 s 34 are each amended to
37 read as follows:

38 (1) The (~~administrator~~) director shall provide benefit plans
39 designed by the board through a contract or contracts with insuring

1 entities, through self-funding, self-insurance, or other methods of
2 providing insurance coverage authorized by RCW 41.05.140.

3 (2) The (~~administrator~~) director shall establish a contract
4 bidding process that:

5 (a) Encourages competition among insuring entities;

6 (b) Maintains an equitable relationship between premiums charged
7 for similar benefits and between risk pools including premiums
8 charged for retired state and school district employees under the
9 separate risk pools established by RCW 41.05.022 and 41.05.080 such
10 that insuring entities may not avoid risk when establishing the
11 premium rates for retirees eligible for medicare;

12 (c) Is timely to the state budgetary process; and

13 (d) Sets conditions for awarding contracts to any insuring
14 entity.

15 (3) The (~~administrator~~) director shall establish a requirement
16 for review of utilization and financial data from participating
17 insuring entities on a quarterly basis.

18 (4) The (~~administrator~~) director shall centralize the
19 enrollment files for all employee and retired or disabled school
20 employee health plans offered under chapter 41.05 RCW and develop
21 enrollment demographics on a plan-specific basis.

22 (5) All claims data shall be the property of the state. The
23 (~~administrator~~) director may require of any insuring entity that
24 submits a bid to contract for coverage all information deemed
25 necessary including:

26 (a) Subscriber or member demographic and claims data necessary
27 for risk assessment and adjustment calculations in order to fulfill
28 the (~~administrator's~~) director's duties as set forth in this
29 chapter; and

30 (b) Subscriber or member demographic and claims data necessary to
31 implement performance measures or financial incentives related to
32 performance under subsection (7) of this section.

33 (6) All contracts with insuring entities for the provision of
34 health care benefits shall provide that the beneficiaries of such
35 benefit plans may use on an equal participation basis the services of
36 practitioners licensed pursuant to chapters 18.22, 18.25, 18.32,
37 18.53, 18.57, 18.71, 18.74, 18.83, and 18.79 RCW, as it applies to
38 registered nurses and advanced registered nurse practitioners.
39 However, nothing in this subsection may preclude the

1 ((~~administrator~~)) director from establishing appropriate utilization
2 controls approved pursuant to RCW 41.05.065(2) (a), (b), and (d).

3 (7) The ((~~administrator~~)) director shall, in collaboration with
4 other state agencies that administer state purchased health care
5 programs, private health care purchasers, health care facilities,
6 providers, and carriers:

7 (a) Use evidence-based medicine principles to develop common
8 performance measures and implement financial incentives in contracts
9 with insuring entities, health care facilities, and providers that:

10 (i) Reward improvements in health outcomes for individuals with
11 chronic diseases, increased utilization of appropriate preventive
12 health services, and reductions in medical errors; and

13 (ii) Increase, through appropriate incentives to insuring
14 entities, health care facilities, and providers, the adoption and use
15 of information technology that contributes to improved health
16 outcomes, better coordination of care, and decreased medical errors;

17 (b) Through state health purchasing, reimbursement, or pilot
18 strategies, promote and increase the adoption of health information
19 technology systems, including electronic medical records, by
20 hospitals as defined in RCW 70.41.020(~~(+4)~~) (7), integrated delivery
21 systems, and providers that:

22 (i) Facilitate diagnosis or treatment;

23 (ii) Reduce unnecessary duplication of medical tests;

24 (iii) Promote efficient electronic physician order entry;

25 (iv) Increase access to health information for consumers and
26 their providers; and

27 (v) Improve health outcomes;

28 (c) Coordinate a strategy for the adoption of health information
29 technology systems using the final health information technology
30 report and recommendations developed under chapter 261, Laws of 2005.

31 (8) The ((~~administrator~~)) director may permit the Washington
32 state health insurance pool to contract to utilize any network
33 maintained by the authority or any network under contract with the
34 ((~~authority~~)) board.

35 **Sec. 24.** RCW 41.05.085 and 2005 c 195 s 3 are each amended to
36 read as follows:

37 (1) Beginning with the appropriations act for the 2005-2007
38 biennium, the legislature shall establish as part of both the state
39 employees' and the school and educational service district employees'

1 insurance benefit allocation the portion of the allocation to be used
2 to provide a prescription drug subsidy to reduce the health care
3 insurance premiums charged to retired or disabled school district and
4 educational service district employees, or retired state employees,
5 who are eligible for parts A and B of medicare. The legislature may
6 also establish a separate health care subsidy to reduce insurance
7 premiums charged to individuals who select a medicare supplemental
8 insurance policy option established in RCW 41.05.195.

9 (2) The amount of any premium reduction shall be established by
10 the board. The amount established shall not result in a premium
11 reduction of more than fifty percent, except as provided in
12 subsection (3) of this section. The board may also determine the
13 amount of any subsidy to be available to spouses and dependents.

14 (3) The amount of the premium reduction in subsection (2) of this
15 section may exceed fifty percent, if the (~~administrator~~) director,
16 in consultation with the office of financial management, determines
17 that it is necessary in order to meet eligibility requirements to
18 participate in the federal employer incentive program as provided in
19 RCW 41.05.068 (as recodified by this act).

20 **Sec. 25.** RCW 41.05.120 and 2005 c 518 s 921 and 2005 c 143 s 3
21 are each reenacted and amended to read as follows:

22 (1) The public employees' and retirees' insurance account is
23 hereby established in the custody of the state treasurer, to be used
24 by the (~~administrator~~) director for the deposit of contributions,
25 the remittance paid by school districts and educational service
26 districts under RCW 28A.400.410, reserves, dividends, and refunds,
27 for payment of premiums for employee and retiree insurance benefit
28 contracts and subsidy amounts provided under RCW 41.05.085, and
29 transfers from the (~~medical~~) flexible spending administrative
30 account as authorized in RCW 41.05.123. Moneys from the account shall
31 be disbursed by the state treasurer by warrants on vouchers duly
32 authorized by the (~~administrator~~) director. Moneys from the account
33 may be transferred to the (~~medical~~) flexible spending
34 administrative account to provide reserves and start-up costs for the
35 operation of the (~~medical~~) flexible spending administrative account
36 program.

37 (2) The state treasurer and the state investment board may invest
38 moneys in the public employees' and retirees' insurance account. All
39 such investments shall be in accordance with RCW 43.84.080 or

1 43.84.150, whichever is applicable. The (~~administrator~~) director
2 shall determine whether the state treasurer or the state investment
3 board or both shall invest moneys in the public employees' (~~and~~
4 ~~retirees'~~) and retirees' insurance account.

5 (~~(3) During the 2005-07 fiscal biennium, the legislature may~~
6 ~~transfer from the public employees' and retirees' insurance account~~
7 ~~such amounts as reflect the excess fund balance of the fund.~~)

8 **Sec. 26.** RCW 41.05.123 and 2008 c 229 s 6 are each amended to
9 read as follows:

10 (1) The flexible spending administrative account is created in
11 the custody of the state treasurer. All receipts from the following
12 must be deposited in the account: (a) Revenues from employing
13 agencies for costs associated with operating the medical flexible
14 spending arrangement program and the dependent care assistance
15 program provided through the salary reduction plan authorized under
16 this chapter; (b) funds transferred from the dependent care
17 administrative account; and (c) unclaimed moneys at the end of the
18 plan year after all timely submitted claims for that plan year have
19 been processed. Expenditures from the account may be used only for
20 administrative and other expenses related to operating the medical
21 flexible spending arrangement program and the dependent care
22 assistance program provided through the salary reduction plan
23 authorized under this chapter. Only the (~~administrator~~) director or
24 the (~~administrator's~~) director's designee may authorize
25 expenditures from the account. The account is subject to allotment
26 procedures under chapter 43.88 RCW, but an appropriation is not
27 required for expenditures.

28 (2) The salary reduction account is established in the state
29 treasury. Employee salary reductions paid to reimburse participants
30 or service providers for benefits provided by the medical flexible
31 spending arrangement program and the dependent care assistance
32 program provided through the salary reduction plan authorized under
33 this chapter shall be paid from the salary reduction account. The
34 funds held by the state to pay for benefits provided by the medical
35 flexible spending arrangement program and the dependent care
36 assistance program provided through the salary reduction plan
37 authorized under this chapter shall be deposited in the salary
38 reduction account. Unclaimed moneys remaining in the salary reduction
39 account at the end of a plan year after all timely submitted claims

1 for that plan year have been processed shall become a part of the
2 flexible spending administrative account. Only the (~~administrator~~)
3 director or the (~~administrator's~~) director's designee may authorize
4 expenditures from the account. The account is not subject to
5 allotment procedures under chapter 43.88 RCW and an appropriation is
6 not required for expenditures.

7 (3) Program claims reserves and money necessary for start-up
8 costs transferred from the public employees' and retirees' insurance
9 account established in RCW 41.05.120 may be deposited in the flexible
10 spending administrative account. Moneys in excess of the amount
11 necessary for administrative and operating expenses of the medical
12 flexible spending arrangement program may be transferred to the
13 public employees' and retirees' insurance account.

14 (4) The authority may periodically bill employing agencies for
15 costs associated with operating the medical flexible spending
16 arrangement program and the dependent care assistance program
17 provided through the salary reduction plan authorized under this
18 chapter.

19 **Sec. 27.** RCW 41.05.130 and 2014 c 221 s 914 are each amended to
20 read as follows:

21 The (~~state health care authority~~) public employees' benefits
22 board administrative account is hereby created in the state treasury.
23 Moneys in the account, including unanticipated revenues under RCW
24 43.79.270, may be spent only after appropriation by statute, and may
25 be used only for operating expenses of the (~~authority~~) office, and
26 during the 2013-2015 fiscal biennium, for health care related
27 analysis provided to the legislature by the office of the state
28 actuary.

29 **Sec. 28.** RCW 41.05.140 and 2013 c 251 s 10 are each amended to
30 read as follows:

31 (1) Except for property and casualty insurance, the (~~authority~~)
32 office may self-fund, self-insure, or enter into other methods of
33 providing insurance coverage for insurance programs under its
34 jurisdiction(~~, including the basic health plan as provided in~~
35 ~~chapter 70.47 RCW)). The (~~authority~~) office shall contract for
36 payment of claims or other administrative services for programs under
37 its jurisdiction. If a program does not require the prepayment of
38 reserves, the authority shall establish such reserves within a~~

1 reasonable period of time for the payment of claims as are normally
2 required for that type of insurance under an insured program. The
3 authority shall endeavor to reimburse basic health plan health care
4 providers under this section at rates similar to the average
5 reimbursement rates offered by the statewide benchmark plan
6 determined through the request for proposal process.

7 (2) Reserves established by the ((authority)) office for employee
8 and retiree benefit programs shall be held in a separate account in
9 the custody of the state treasurer and shall be known as the public
10 employees' and retirees' insurance reserve fund. The state treasurer
11 may invest the moneys in the reserve fund pursuant to RCW 43.79A.040.

12 (3) Any savings realized as a result of a program created for
13 employees and retirees under this section shall not be used to
14 increase benefits unless such use is authorized by statute.

15 (4) Any program created under this section shall be subject to
16 the examination requirements of chapter 48.03 RCW as if the program
17 were a domestic insurer. In conducting an examination, the
18 commissioner shall determine the adequacy of the reserves established
19 for the program.

20 (5) The ((authority)) office shall keep full and adequate
21 accounts and records of the assets, obligations, transactions, and
22 affairs of any program created under this section.

23 (6) The ((authority)) office shall file a quarterly statement of
24 the financial condition, transactions, and affairs of any program
25 created under this section in a form and manner prescribed by the
26 insurance commissioner. The statement shall contain information as
27 required by the commissioner for the type of insurance being offered
28 under the program. A copy of the annual statement shall be filed with
29 the speaker of the house of representatives and the president of the
30 senate.

31 (7) The provisions of this section do not apply to the
32 administration of chapter 74.09 RCW.

33 **Sec. 29.** RCW 41.05.143 and 2007 c 507 s 1 are each amended to
34 read as follows:

35 (1) The uniform medical plan benefits administration account is
36 created in the custody of the state treasurer. Only the
37 ((~~administrator~~)) director or the ((~~administrator's~~)) director's
38 designee may authorize expenditures from the account. Moneys in the
39 account shall be used exclusively for contracted expenditures for

1 uniform medical plan claims administration, data analysis,
2 utilization management, preferred provider administration, and
3 activities related to benefits administration where the level of
4 services provided pursuant to a contract fluctuate as a direct result
5 of changes in uniform medical plan enrollment. Moneys in the account
6 may also be used for administrative activities required to respond to
7 new and unforeseen conditions that impact the uniform medical plan,
8 but only when the authority and the office of financial management
9 jointly agree that such activities must be initiated prior to the
10 next legislative session.

11 (2) Receipts from amounts due from or on behalf of uniform
12 medical plan enrollees for expenditures related to benefits
13 administration, including moneys disbursed from the public employees'
14 and retirees' insurance account, shall be deposited into the account.
15 The account is subject to allotment procedures under chapter 43.88
16 RCW, but no appropriation is required for expenditures. All proposals
17 for allotment increases shall be provided to the house of
18 representatives appropriations committee and to the senate ways and
19 means committee at the same time as they are provided to the office
20 of financial management.

21 (3) The uniform dental plan benefits administration account is
22 created in the custody of the state treasurer. Only the
23 (~~administrator~~) director or the (~~administrator's~~) director's
24 designee may authorize expenditures from the account. Moneys in the
25 account shall be used exclusively for contracted expenditures related
26 to benefits administration for the uniform dental plan as established
27 under RCW 41.05.140. Receipts from amounts due from or on behalf of
28 uniform dental plan enrollees for expenditures related to benefits
29 administration, including moneys disbursed from the public employees'
30 and retirees' insurance account, shall be deposited into the account.
31 The account is subject to allotment procedures under chapter 43.88
32 RCW, but no appropriation is required for expenditures.

33 (4) The public employees' benefits board medical benefits
34 administration account is created in the custody of the state
35 treasurer. Only the (~~administrator~~) director or the
36 (~~administrator's~~) director's designee may authorize expenditures
37 from the account. Moneys in the account shall be used exclusively for
38 contracted expenditures related to claims administration, data
39 analysis, utilization management, preferred provider administration,
40 and other activities related to benefits administration for self-

1 insured medical plans other than the uniform medical plan. Receipts
2 from amounts due from or on behalf of enrollees for expenditures
3 related to benefits administration, including moneys disbursed from
4 the public employees' and retirees' insurance account, shall be
5 deposited into the account. The account is subject to allotment
6 procedures under chapter 43.88 RCW, but an appropriation is not
7 required for expenditures.

8 **Sec. 30.** RCW 41.05.160 and 1988 c 107 s 15 are each amended to
9 read as follows:

10 The (~~administrator~~) director may promulgate and adopt rules
11 consistent with this chapter to carry out the purposes of this
12 chapter. All rules shall be adopted in accordance with chapter 34.05
13 RCW.

14 **Sec. 31.** RCW 41.05.165 and 1998 c 62 s 2 are each amended to
15 read as follows:

16 The (~~authority~~) office shall adopt rules that provide for
17 members of the legislature who choose reimbursement under RCW
18 44.04.230 in lieu of insurance benefits under this chapter.

19 **Sec. 32.** RCW 41.05.175 and 2011 c 159 s 2 are each amended to
20 read as follows:

21 (1) Each health plan offered to public employees and their
22 covered dependents under this chapter, including those subject to the
23 provision of Title 48 RCW, and is issued or renewed beginning January
24 1, 2012, and provides coverage for cancer chemotherapy treatment must
25 provide coverage for prescribed, self-administered anticancer
26 medication that is used to kill or slow the growth of cancerous cells
27 on a basis at least comparable to cancer chemotherapy medications
28 administered by a health care provider or facility as defined in RCW
29 48.43.005 (~~((15) and (16))~~) (22) and (23).

30 (2) Nothing in this section may be interpreted to prohibit a
31 health plan from administering a formulary or preferred drug list,
32 requiring prior authorization, or imposing other appropriate
33 utilization controls in approving coverage for any chemotherapy.

34 **Sec. 33.** RCW 41.05.177 and 2006 c 367 s 1 are each amended to
35 read as follows:

1 (1) Each plan offered to public employees and their covered
2 dependents under this chapter that is not subject to the provisions
3 of Title 48 RCW and is issued or renewed after December 31, 2006,
4 shall provide coverage for prostate cancer screening, provided that
5 the screening is delivered upon the recommendation of the patient's
6 physician, advanced registered nurse practitioner, or physician
7 assistant.

8 (2) This section shall not be construed to prevent the
9 application of standard policy provisions applicable to other
10 benefits, such as deductible or copayment provisions. This section
11 does not limit the authority of the (~~health care authority~~) office
12 to negotiate rates and contract with specific providers for the
13 delivery of prostate cancer screening services. This section shall
14 not apply to medicare supplemental policies or supplemental contracts
15 covering a specified disease or other limited benefits.

16 **Sec. 34.** RCW 41.05.180 and 1994 sp.s. c 9 s 725 are each amended
17 to read as follows:

18 Each health plan offered to public employees and their covered
19 dependents under this chapter that is not subject to the provisions
20 of Title 48 RCW and is established or renewed after January 1, 1990,
21 and that provides benefits for hospital or medical care shall provide
22 benefits for screening or diagnostic mammography services, provided
23 that such services are delivered upon the recommendation of the
24 patient's physician or advanced registered nurse practitioner as
25 authorized by the nursing care quality assurance commission pursuant
26 to chapter 18.79 RCW or physician assistant pursuant to chapter
27 18.71A RCW.

28 This section shall not be construed to prevent the application of
29 standard health plan provisions applicable to other benefits such as
30 deductible or copayment provisions. This section does not limit the
31 authority of the (~~state health care authority~~) office to negotiate
32 rates and contract with specific providers for the delivery of
33 mammography services. This section shall not apply to medicare
34 supplement policies or supplemental contracts covering a specified
35 disease or other limited benefits.

36 **Sec. 35.** RCW 41.05.183 and 2001 c 321 s 1 are each amended to
37 read as follows:

1 (1) Each employee benefit plan offered to public employees that
2 provides coverage for hospital, medical, or ambulatory surgery center
3 services must cover general anesthesia services and related facility
4 charges in conjunction with any dental procedure performed in a
5 hospital or ambulatory surgical center if such anesthesia services
6 and related facility charges are medically necessary because the
7 covered person:

8 (a) Is under the age of seven, or is a person who is physically
9 or developmentally disabled, with a dental condition that cannot be
10 safely and effectively treated in a dental office; or

11 (b) Has a medical condition that the person's physician
12 determines would place the person at undue risk if the dental
13 procedure were performed in a dental office. The procedure must be
14 approved by the person's physician.

15 (2) Each employee benefit plan offered to public employees that
16 provides coverage for dental services must cover general anesthesia
17 services in conjunction with any covered dental procedure performed
18 in a dental office if the general anesthesia services are medically
19 necessary because the covered person is under the age of seven or is
20 a person who is physically or developmentally disabled.

21 (3) This section does not prohibit an employee benefit plan from:

22 (a) Applying cost-sharing requirements, maximum annual benefit
23 limitations, and prior authorization requirements to the services
24 required under this section; or

25 (b) Covering only those services performed by a health care
26 provider, or in a health care facility, that is part of its provider
27 network; nor does it limit the authority in negotiating rates and
28 contracts with specific providers.

29 (4) This section does not apply to medicare supplement policies,
30 or supplemental contracts covering a specified disease or other
31 limited benefits.

32 (5) For the purpose of this section, "general anesthesia
33 services" means services to induce a state of unconsciousness
34 accompanied by a loss of protective reflexes, including the ability
35 to maintain an airway independently and respond purposefully to
36 physical stimulation or verbal command.

37 (6) This section applies to employee benefit plans issued or
38 renewed on or after January 1, 2002.

1 **Sec. 36.** RCW 41.05.195 and 2015 c 116 s 7 are each amended to
2 read as follows:

3 Notwithstanding any other provisions of this chapter or rules or
4 procedures adopted by the (~~authority~~) office, the authority shall
5 make available to retired or disabled employees who are enrolled in
6 parts A and B of medicare one or more medicare supplemental insurance
7 policies that conform to the requirements of chapter 48.66 RCW. The
8 policies shall be chosen in consultation with the public employees'
9 benefits board. These policies shall be made available to retired or
10 disabled state employees; retired or disabled school district
11 employees; retired employees of county, municipal, or other political
12 subdivisions or retired employees of tribal governments eligible for
13 coverage available under the authority; or surviving spouses or
14 surviving state registered domestic partners of emergency service
15 personnel killed in the line of duty.

16 **Sec. 37.** RCW 41.05.205 and 2005 c 46 s 1 are each amended to
17 read as follows:

18 (1) Notwithstanding any other provisions of this chapter or rules
19 or procedures adopted by the (~~authority~~) office under this chapter,
20 the authority may make available a tricare supplemental insurance
21 policy, 32 C.F.R. Sec. 199.17 (2004), to employees who are eligible.
22 This supplemental policy may be offered as one of the board's health
23 coverage options. Employee selection of this supplemental policy is
24 exclusive of selecting any other medical coverage offered through the
25 board. If offered by the board, this supplemental policy shall be
26 made available to employees, and retired or disabled employees,
27 eligible for coverage available under the authority, but not eligible
28 for medicare parts A and B.

29 (2) The (~~administrator~~) director may adopt rules to carry out
30 the purposes of this section.

31 **Sec. 38.** RCW 41.05.220 and 1998 c 245 s 38 are each amended to
32 read as follows:

33 (1) State general funds appropriated to the department of health
34 for the purposes of funding community health centers to provide
35 primary health and dental care services, migrant health services, and
36 maternity health care services shall be transferred to the state
37 health care authority. Any related administrative funds expended by
38 the department of health for this purpose shall also be transferred

1 to the health care authority. The health care authority shall
2 exclusively expend these funds through contracts with community
3 health centers to provide primary health and dental care services,
4 migrant health services, and maternity health care services. The
5 (~~administrator~~) director of the health care authority shall
6 establish requirements necessary to assure community health centers
7 provide quality health care services that are appropriate and
8 effective and are delivered in a cost-efficient manner. The
9 (~~administrator~~) director shall further assure that community health
10 centers have appropriate referral arrangements for acute care and
11 medical specialty services not provided by the community health
12 centers.

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

19 **Sec. 39.** RCW 41.05.310 and 2008 c 229 s 4 are each amended to
20 read as follows:

21 The authority shall have responsibility for the formulation and
22 adoption of a plan, policies, and procedures designed to guide,
23 direct, and administer the salary reduction plan. For the plan year
24 beginning January 1, 1996, the (~~administrator~~) director may
25 establish a premium only plan. Expansion of the salary reduction plan
26 or cafeteria plan during subsequent plan years shall be subject to
27 approval by the director of the office of financial management.

28 (1) A plan document describing the benefits offered under the
29 salary reduction plan shall be adopted and administered by the
30 authority. The authority shall represent the state in all matters
31 concerning the administration of the plan. The state, through the
32 authority, may engage the services of a professional consultant or
33 administrator on a contractual basis to serve as an agent to assist
34 the authority or perform the administrative functions necessary in
35 carrying out the purposes of RCW 41.05.123(~~(7)~~) and 41.05.300 through
36 41.05.350, and 41.05.295.

37 (2) The authority shall formulate and establish policies and
38 procedures for the administration of the salary reduction plan that
39 are consistent with existing state law, the internal revenue code,

1 and the regulations adopted by the internal revenue service as they
2 may apply to the benefits offered to participants under the plan.

3 (3) Every action taken by the authority in administering RCW
4 41.05.123((~~7~~)) and 41.05.300 through 41.05.350, and 41.05.295 shall
5 be presumed to be a fair and reasonable exercise of the authority
6 vested in or the duties imposed upon it. The authority shall be
7 presumed to have exercised reasonable care, diligence, and prudence
8 and to have acted impartially as to all persons interested unless the
9 contrary be proved by clear and convincing affirmative evidence.

10 **Sec. 40.** RCW 41.05.400 and 2000 c 80 s 7 are each amended to
11 read as follows:

12 (1) The ((~~administrator~~)) director shall design and offer a plan
13 of health care coverage as described in subsection (2) of this
14 section, for any person eligible under subsection (3) of this
15 section. The health care coverage shall be designed and offered only
16 to the extent that state funds are specifically appropriated for this
17 purpose.

18 (2) The plan of health care coverage shall have the following
19 components:

20 (a) Services covered more limited in scope than those contained
21 in RCW 48.41.110(3);

22 (b) Enrollee cost-sharing that may include but not be limited to
23 point-of-service cost-sharing for covered services;

24 (c) Deductibles of three thousand dollars on a per person per
25 calendar year basis, and four thousand dollars on a per family per
26 calendar year basis. The deductible shall be applied to the first
27 three thousand dollars, or four thousand dollars, of eligible
28 expenses incurred by the covered person or family, respectively,
29 except that the deductible shall not be applied to clinical
30 preventive services as recommended by the United States public health
31 service. Enrollee out-of-pocket expenses required to be paid under
32 the plan for cost-sharing and deductibles shall not exceed five
33 thousand dollars per person, or six thousand dollars per family;

34 (d) Payment methodologies for network providers may include but
35 are not limited to resource-based relative value fee schedules,
36 capitation payments, diagnostic related group fee schedules, and
37 other similar strategies including risk-sharing arrangements; and

38 (e) Other appropriate care management and cost-containment
39 measures determined appropriate by the ((~~administrator~~)) director,

1 including but not limited to care coordination, provider network
2 limitations, preadmission certification, and utilization review.

3 (3) Any person is eligible for coverage in the plan who resides
4 in a county of the state where no carrier, as defined in RCW
5 48.43.005, or insurer regulated under chapter 48.15 RCW offers to the
6 public an individual health benefit plan as defined in RCW 48.43.005
7 other than a catastrophic health plan as defined in RCW 48.43.005 at
8 the time of application to the (~~administrator~~) director. Such
9 eligibility may terminate pursuant to subsection (8) of this section.

10 (4) The (~~administrator~~) director may not reject an individual
11 for coverage based upon preexisting conditions of the individual or
12 deny, exclude, or otherwise limit coverage for an individual's
13 preexisting health conditions; except that it shall impose a nine-
14 month benefit waiting period for preexisting conditions for which
15 medical advice was given, or for which a health care provider
16 recommended or provided treatment, or for which a prudent layperson
17 would have sought advice or treatment, within six months before the
18 effective date of coverage. The preexisting condition waiting period
19 shall not apply to prenatal care services. Credit against the waiting
20 period shall be provided pursuant to subsections (5) and (6) of this
21 section.

22 (5) Except for persons to whom subsection (6) of this section
23 applies, the (~~administrator~~) director shall credit any preexisting
24 condition waiting period in the plan for a person who was enrolled at
25 any time during the sixty-three day period immediately preceding the
26 date of application for the plan in a group health benefit plan or an
27 individual health benefit plan other than a catastrophic health plan.
28 The (~~administrator~~) director must credit the period of coverage the
29 person was continuously covered under the immediately preceding
30 health plan toward the waiting period of the new health plan. For the
31 purposes of this subsection, a preceding health plan includes an
32 employer-provided self-funded health plan.

33 (6) The (~~administrator~~) director shall waive any preexisting
34 condition waiting period in the plan for a person who is an eligible
35 individual as defined in section 2741(b) of the federal health
36 insurance portability and accountability act of 1996 (42 U.S.C.
37 300gg-41(b)).

38 (7) The (~~administrator~~) director shall set the rates to be
39 charged plan enrollees.

1 (8) When a carrier, as defined in RCW 48.43.005, or an insurer
2 regulated under chapter 48.15 RCW, begins to offer an individual
3 health benefit plan as defined in RCW 48.43.005 in a county where no
4 carrier or insurer had been offering an individual health benefit
5 plan:

6 (a) If the health benefit plan offered is other than a
7 catastrophic health plan as defined in RCW 48.43.005, any person
8 enrolled in the plan under subsection (3) of this section in that
9 county shall no longer be eligible;

10 (b) The (~~administrator~~) director shall provide written notice
11 to any person who is no longer eligible for coverage under the plan
12 within thirty days of the (~~administrator's~~) director's
13 determination that the person is no longer eligible. The notice
14 shall: (i) Indicate that coverage under the plan will cease ninety
15 days from the date that the notice is dated; (ii) describe any other
16 coverage options available to the person; and (iii) describe the
17 enrollment process for the available options.

18 **Sec. 41.** RCW 41.05.520 and 2003 1st sp.s. c 29 s 7 are each
19 amended to read as follows:

20 (1) The (~~administrator~~) director shall establish and advertise
21 a pharmacy connection program through which health care providers and
22 members of the public can obtain information about manufacturer-
23 sponsored prescription drug assistance programs. The
24 (~~administrator~~) director shall ensure that the program has staff
25 available who can assist persons in procuring free or discounted
26 medications from manufacturer-sponsored prescription drug assistance
27 programs by:

28 (a) Determining whether an assistance program is offered for the
29 needed drug or drugs;

30 (b) Evaluating the likelihood of a person obtaining drugs from an
31 assistance program under the guidelines formulated;

32 (c) Assisting persons with the application and enrollment in an
33 assistance program;

34 (d) Coordinating and assisting physicians and others authorized
35 to prescribe medications with communications, including applications,
36 made on behalf of a person to a participating manufacturer to obtain
37 approval of the person in an assistance program; and

38 (e) Working with participating manufacturers to simplify the
39 system whereby eligible persons access drug assistance programs,

1 including development of a single application form and uniform
2 enrollment process.

3 (2) Notice regarding the pharmacy connection program shall
4 initially target senior citizens, but the program shall be available
5 to anyone, and shall include a toll-free telephone number, available
6 during regular business hours, that may be used to obtain
7 information.

8 (3) The (~~administrator~~) director may apply for and accept
9 grants or gifts and may enter into interagency agreements or
10 contracts with other state agencies or private organizations to
11 assist with the implementation of this program including, but not
12 limited to, contracts, gifts, or grants from pharmaceutical
13 manufacturers to assist with the direct costs of the program.

14 (4) The (~~administrator~~) director shall notify pharmaceutical
15 companies doing business in Washington of the pharmacy connection
16 program. Any pharmaceutical company that does business in this state
17 and that offers a pharmaceutical assistance program shall notify the
18 (~~administrator~~) director of the existence of the program, the drugs
19 covered by the program, and all information necessary to apply for
20 assistance under the program.

21 (5) For purposes of this section, "manufacturer-sponsored
22 prescription drug assistance program" means a program offered by a
23 pharmaceutical company through which the company provides a drug or
24 drugs to eligible persons at no charge or at a reduced cost. The term
25 does not include the provision of a drug as part of a clinical trial.

26 **Sec. 42.** RCW 41.05.540 and 2007 c 259 s 40 are each amended to
27 read as follows:

28 (1) The (~~health care authority~~) office, in coordination with
29 the department of health, health plans participating in public
30 employees' benefits board programs, and the University of
31 Washington's center for health promotion, shall establish and
32 maintain a state employee health program focused on reducing the
33 health risks and improving the health status of state employees,
34 dependents, and retirees enrolled in the public employees' benefits
35 board. The program shall use public and private sector best practices
36 to achieve goals of measurable health outcomes, measurable
37 productivity improvements, positive impact on the cost of medical
38 care, and positive return on investment. The program shall establish
39 standards for health promotion and disease prevention activities, and

1 develop a mechanism to update standards as evidence-based research
2 brings new information and best practices forward.

3 (2) The state employee health program shall:

4 (a) Provide technical assistance and other services as needed to
5 wellness staff in all state agencies and institutions of higher
6 education;

7 (b) Develop effective communication tools and ongoing training
8 for wellness staff;

9 (c) Contract with outside vendors for evaluation of program
10 goals;

11 (d) Strongly encourage the widespread completion of online health
12 assessment tools for all state employees, dependents, and retirees.
13 The health assessment tool must be voluntary and confidential. Health
14 assessment data and claims data shall be used to:

15 (i) Engage state agencies and institutions of higher education in
16 providing evidence-based programs targeted at reducing identified
17 health risks;

18 (ii) Guide contracting with third-party vendors to implement
19 behavior change tools for targeted high-risk populations; and

20 (iii) Guide the benefit structure for state employees,
21 dependents, and retirees to include covered services and medications
22 known to manage and reduce health risks.

23 (3) The (~~health care authority~~) office shall report to the
24 legislature in December 2008 and December 2010 on outcome goals for
25 the employee health program.

26 **Sec. 43.** RCW 41.05.550 and 2015 c 161 s 1 are each amended to
27 read as follows:

28 (1) The definitions in this subsection apply throughout this
29 section unless the context clearly requires otherwise.

30 (a) "Federal poverty level" means the official poverty level
31 based on family size established and adjusted under section 673(2) of
32 the omnibus budget reconciliation act of 1981 (P.L. 97-35; 42 U.S.C.
33 Sec. 9902(2), as amended).

34 (b) "Foundation" means the prescription drug assistance
35 foundation established in this section, a nonprofit corporation
36 organized under the laws of this state to provide assistance in
37 accessing prescription drugs to qualified uninsured individuals.

38 (c) "Health insurance coverage including prescription drugs"
39 means prescription drug coverage under a private insurance plan,

1 including a plan offered through the health benefit exchange under
2 chapter 43.71 RCW, the medicaid program, the state children's health
3 insurance program ("SCHIP"), the medicare program, the basic health
4 plan, or any employer-sponsored health plan that includes a
5 prescription drug benefit.

6 (d) "Qualified uninsured individual" means an uninsured person or
7 an underinsured person who is a resident of this state and whose
8 income meets financial criteria established by the foundation.

9 (e) "Underinsured" means an individual who has health insurance
10 coverage including prescription drugs, but for whom the prescription
11 drug coverage is inadequate for their needs.

12 (f) "Uninsured" means an individual who lacks health insurance
13 coverage including prescription drugs.

14 (2)(a) The (~~administrator~~) director shall establish the
15 foundation as a nonprofit corporation, organized under the laws of
16 this state. The foundation shall assist qualified uninsured
17 individuals in obtaining prescription drugs at little or no cost.

18 (b) The foundation shall be administered in a manner that:

19 (i) Begins providing assistance to qualified uninsured
20 individuals by January 1, 2006;

21 (ii) Defines the population that may receive assistance in
22 accordance with this section; and

23 (iii) Complies with the eligibility requirements necessary to
24 obtain and maintain tax-exempt status under federal law.

25 (c) The board of directors of the foundation consists of up to
26 eleven with a minimum of five members appointed by the governor to
27 staggered terms of three years. The governor shall select as members
28 of the board individuals who (i) will represent the interests of
29 persons who lack prescription drug coverage; and (ii) have
30 demonstrated expertise in business management and in the
31 administration of a not-for-profit organization.

32 (d) The foundation shall apply for and comply with all federal
33 requirements necessary to obtain and maintain tax-exempt status with
34 respect to the federal tax obligations of the foundation's donors.

35 (e) The foundation is authorized, subject to the direction and
36 ratification of the board, to receive, solicit, contract for,
37 collect, and hold in trust for the purposes of this section,
38 donations, gifts, grants, and bequests in the form of money paid or
39 promised, services, materials, equipment, or other things tangible or
40 intangible that may be useful for helping the foundation to achieve

1 its purpose. The foundation may use all sources of public and private
2 financing to support foundation activities. No general fund-state
3 funds shall be used for the ongoing operation of the foundation.

4 (f) No liability on the part of, and no cause of action of any
5 nature, shall arise against any member of the board of directors of
6 the foundation or against an employee or agent of the foundation for
7 any lawful action taken by them in the performance of their
8 administrative powers and duties under this section.

9 **Sec. 44.** RCW 41.05.600 and 2005 c 6 s 2 are each amended to read
10 as follows:

11 (1) For the purposes of this section, "mental health services"
12 means medically necessary outpatient and inpatient services provided
13 to treat mental disorders covered by the diagnostic categories listed
14 in the most current version of the diagnostic and statistical manual
15 of mental disorders, published by the American psychiatric
16 association, on July 24, 2005, or such subsequent date as may be
17 provided by the (~~administrator~~) director by rule, consistent with
18 the purposes of chapter 6, Laws of 2005, with the exception of the
19 following categories, codes, and services: (a) Substance related
20 disorders; (b) life transition problems, currently referred to as "V"
21 codes, and diagnostic codes 302 through 302.9 as found in the
22 diagnostic and statistical manual of mental disorders, 4th edition,
23 published by the American psychiatric association; (c) skilled
24 nursing facility services, home health care, residential treatment,
25 and custodial care; and (d) court ordered treatment unless the
26 authority's or contracted insuring entity's medical director
27 determines the treatment to be medically necessary.

28 (2) All health benefit plans offered to public employees and
29 their covered dependents under this chapter that provide coverage for
30 medical and surgical services shall provide:

31 (a) For all health benefit plans established or renewed on or
32 after January 1, 2006, coverage for:

33 (i) Mental health services. The copayment or coinsurance for
34 mental health services may be no more than the copayment or
35 coinsurance for medical and surgical services otherwise provided
36 under the health benefit plan. Wellness and preventive services that
37 are provided or reimbursed at a lesser copayment, coinsurance, or
38 other cost sharing than other medical and surgical services are
39 excluded from this comparison; and

1 (ii) Prescription drugs intended to treat any of the disorders
2 covered in subsection (1) of this section to the same extent, and
3 under the same terms and conditions, as other prescription drugs
4 covered by the health benefit plan.

5 (b) For all health benefit plans established or renewed on or
6 after January 1, 2008, coverage for:

7 (i) Mental health services. The copayment or coinsurance for
8 mental health services may be no more than the copayment or
9 coinsurance for medical and surgical services otherwise provided
10 under the health benefit plan. Wellness and preventive services that
11 are provided or reimbursed at a lesser copayment, coinsurance, or
12 other cost sharing than other medical and surgical services are
13 excluded from this comparison. If the health benefit plan imposes a
14 maximum out-of-pocket limit or stop loss, it shall be a single limit
15 or stop loss for medical, surgical, and mental health services; and

16 (ii) Prescription drugs intended to treat any of the disorders
17 covered in subsection (1) of this section to the same extent, and
18 under the same terms and conditions, as other prescription drugs
19 covered by the health benefit plan.

20 (c) For all health benefit plans established or renewed on or
21 after July 1, 2010, coverage for:

22 (i) Mental health services. The copayment or coinsurance for
23 mental health services may be no more than the copayment or
24 coinsurance for medical and surgical services otherwise provided
25 under the health benefit plan. Wellness and preventive services that
26 are provided or reimbursed at a lesser copayment, coinsurance, or
27 other cost sharing than other medical and surgical services are
28 excluded from this comparison. If the health benefit plan imposes a
29 maximum out-of-pocket limit or stop loss, it shall be a single limit
30 or stop loss for medical, surgical, and mental health services. If
31 the health benefit plan imposes any deductible, mental health
32 services shall be included with medical and surgical services for the
33 purpose of meeting the deductible requirement. Treatment limitations
34 or any other financial requirements on coverage for mental health
35 services are only allowed if the same limitations or requirements are
36 imposed on coverage for medical and surgical services; and

37 (ii) Prescription drugs intended to treat any of the disorders
38 covered in subsection (1) of this section to the same extent, and
39 under the same terms and conditions, as other prescription drugs
40 covered by the health benefit plan.

1 (3) In meeting the requirements of subsection (2)(a) and (b) of
2 this section, health benefit plans may not reduce the number of
3 mental health outpatient visits or mental health inpatient days below
4 the level in effect on July 1, 2002.

5 (4) This section does not prohibit a requirement that mental
6 health services be medically necessary as determined by the medical
7 director or designee, if a comparable requirement is applicable to
8 medical and surgical services.

9 (5) (~~Nothing in~~) This section (~~shall be construed to~~) does
10 not prevent the management of mental health services.

11 (6) The (~~administrator~~) director will consider care management
12 techniques for mental health services, including but not limited to:
13 (a) Authorized treatment plans; (b) preauthorization requirements
14 based on the type of service; (c) concurrent and retrospective
15 utilization review; (d) utilization management practices; (e)
16 discharge coordination and planning; and (f) contracting with and
17 using a network of participating providers.

18 **Sec. 45.** RCW 41.05.601 and 2005 c 6 s 12 are each amended to
19 read as follows:

20 The (~~administrator~~) director may adopt rules to implement RCW
21 41.05.600 (as recodified by this act).

22 **Sec. 46.** RCW 41.05.630 and 2010 c 293 s 1 are each amended to
23 read as follows:

24 Beginning in 2011, the (~~state health care authority~~) office
25 must process as a complaint an enrollee's expression of
26 dissatisfaction about customer service or the quality or availability
27 of a health service. The agency must require that each health plan
28 that provides medical insurance offered under this chapter, including
29 plans created by insuring entities, plans not subject to the
30 provisions of Title 48 RCW, and plans created under RCW 41.05.140
31 must submit a summary of customer service complaints and appeals to
32 the agency to be included in an annual report to the legislature.
33 Each annual report must summarize the complaints and appeals
34 processed by the (~~state health care authority~~) office and
35 contracted carriers in the preceding twelve months, and include an
36 analysis of any trends identified. The report must be complete by
37 September 30th of each year.

1 **Sec. 47.** RCW 41.05.655 and 2012 2nd sp.s. c 3 s 6 are each
2 amended to read as follows:

3 By June 1, 2015, the (~~health care authority~~) office must report
4 to the governor, legislature, and joint legislative audit and review
5 committee the following duties and analyses, based on two years of
6 reports on school district health benefits submitted to it by the
7 office of the insurance commissioner:

8 (1) The director shall establish a specific target to realize the
9 goal of greater equity between premium costs for full family coverage
10 and employee only coverage for the same health benefit plan. In
11 developing this target, the director shall consider the
12 appropriateness of the three-to-one ratio of employee premium costs
13 between full family coverage and employee only coverage, and consider
14 alternatives based on the data and information received from the
15 office of the insurance commissioner.

16 (2) The director shall also study and report the advantages and
17 disadvantages to the state, local school districts, and district
18 employees:

19 (a) Whether better progress on the legislative goals could be
20 achieved through consolidation of school district health insurance
21 purchasing through a single consolidated school employee health
22 benefits purchasing plan;

23 (b) Whether better progress on the legislative goals could be
24 achieved by consolidating K-12 health insurance purchasing through
25 the public employees' benefits board program, and whether
26 consolidation into the public employees' benefits board program would
27 be preferable to the creation of a consolidated school employee
28 health benefits purchasing plan; and

29 (c) Whether certificated or classified employees, as separate
30 groups, would be better served by purchasing health insurance through
31 a single consolidated school employee health benefits purchasing plan
32 or through participation in the public employees' benefits board
33 program(~~and~~).

34 (~~(d)~~) (3) Analyses shall include implications of taking any of
35 the actions described in subsection (a) through (c) of this
36 (~~subsection~~) section to include, at a minimum, the following: The
37 costs for the state and school employees, impacts for existing
38 purchasing programs, a proposed timeline for the implementation of
39 any recommended actions.

1 **Sec. 48.** RCW 41.05.660 and 2009 c 299 s 2 are each amended to
2 read as follows:

3 (1) The community health care collaborative grants shall be
4 awarded on a competitive basis based on a determination of which
5 applicant organization will best serve the purposes of the grant
6 program established in RCW 41.05.650 (as recodified by this act). In
7 making this determination, priority for funding shall be given to the
8 applicants that demonstrate:

9 (a) The initiatives to be supported by the community health care
10 collaborative grant are likely to address, in a measurable fashion,
11 documented health care access and quality improvement goals aligned
12 with state health policy priorities and needs within the region to be
13 served;

14 (b) The applicant organization must document formal, active
15 collaboration among key community partners that includes local
16 governments, school districts, large and small businesses, nonprofit
17 organizations, tribal governments, carriers, private health care
18 providers, public health agencies, and community public health and
19 safety networks, as defined in RCW 70.190.010;

20 (c) The applicant organization will match the community health
21 care collaborative grant with funds from other sources. The health
22 care authority may award grants solely to organizations providing at
23 least two dollars in matching funds for each community health care
24 collaborative grant dollar awarded;

25 (d) The community health care collaborative grant will enhance
26 the long-term capacity of the applicant organization and its members
27 to serve the region's documented health care access needs, including
28 the sustainability of the programs to be supported by the community
29 health care collaborative grant;

30 (e) The initiatives to be supported by the community health care
31 collaborative grant reflect creative, innovative approaches which
32 complement and enhance existing efforts to address the needs of the
33 uninsured and underinsured and, if successful, could be replicated in
34 other areas of the state; and

35 (f) The programs to be supported by the community health care
36 collaborative grant make efficient and cost-effective use of
37 available funds through administrative simplification and
38 improvements in the structure and operation of the health care
39 delivery system.

1 (2) The (~~administrator~~) director of the health care authority
2 shall endeavor to disburse community health care collaborative grant
3 funds throughout the state, supporting collaborative initiatives of
4 differing sizes and scales, serving at-risk populations.

5 (3) Grants shall be disbursed over a two-year cycle, provided the
6 grant recipient consistently provides timely reports that demonstrate
7 the program is satisfactorily meeting the purposes of the grant and
8 the objectives identified in the organization's application. The
9 requirements for the performance reports shall be determined by the
10 health care authority (~~administrator~~) director. The performance
11 measures shall be aligned with the community health care
12 collaborative grant program goals and, where possible, shall be
13 consistent with statewide policy trends and outcome measures required
14 by other public and private grant funders.

15 **Sec. 49.** RCW 28A.400.350 and 2012 2nd sp.s. c 3 s 3 are each
16 amended to read as follows:

17 (1) The board of directors of any of the state's school districts
18 or educational service districts may make available liability, life,
19 health, health care, accident, disability, and salary protection or
20 insurance, direct agreements as defined in chapter 48.150 RCW, or any
21 one of, or a combination of the types of employee benefits enumerated
22 in this subsection, or any other type of insurance or protection, for
23 the members of the boards of directors, the students, and employees
24 of the school district or educational service district, and their
25 dependents. Such coverage may be provided by contracts or agreements
26 with private carriers, with the state health care authority after
27 July 1, 1990, pursuant to the approval of the authority
28 administrator, or through self-insurance or self-funding pursuant to
29 chapter 48.62 RCW, or in any other manner authorized by law. Any
30 direct agreement must comply with RCW 48.150.050.

31 (2) Whenever funds are available for these purposes the board of
32 directors of the school district or educational service district may
33 contribute all or a part of the cost of such protection or insurance
34 for the employees of their respective school districts or educational
35 service districts and their dependents. The premiums on such
36 liability insurance shall be borne by the school district or
37 educational service district.

38 After October 1, 1990, school districts may not contribute to any
39 employee protection or insurance other than liability insurance

1 unless the district's employee benefit plan conforms to RCW
2 28A.400.275 and 28A.400.280.

3 (3) For school board members, educational service district board
4 members, and students, the premiums due on such protection or
5 insurance shall be borne by the assenting school board member,
6 educational service district board member, or student. The school
7 district or educational service district may contribute all or part
8 of the costs, including the premiums, of life, health, health care,
9 accident or disability insurance which shall be offered to all
10 students participating in interschool activities on the behalf of or
11 as representative of their school, school district, or educational
12 service district. The school district board of directors and the
13 educational service district board may require any student
14 participating in extracurricular interschool activities to, as a
15 condition of participation, document evidence of insurance or
16 purchase insurance that will provide adequate coverage, as determined
17 by the school district board of directors or the educational service
18 district board, for medical expenses incurred as a result of injury
19 sustained while participating in the extracurricular activity. In
20 establishing such a requirement, the district shall adopt regulations
21 for waiving or reducing the premiums of such coverage as may be
22 offered through the school district or educational service district
23 to students participating in extracurricular activities, for those
24 students whose families, by reason of their low income, would have
25 difficulty paying the entire amount of such insurance premiums. The
26 district board shall adopt regulations for waiving or reducing the
27 insurance coverage requirements for low-income students in order to
28 assure such students are not prohibited from participating in
29 extracurricular interschool activities.

30 (4) All contracts or agreements for insurance or protection
31 written to take advantage of the provisions of this section shall
32 provide that the beneficiaries of such contracts may utilize on an
33 equal participation basis the services of those practitioners
34 licensed pursuant to chapters 18.22, 18.25, 18.53, 18.57, and 18.71
35 RCW.

36 (5) School districts offering medical, vision, and dental
37 benefits shall:

38 (a) Offer a high deductible health plan option with a health
39 savings account that conforms to section 223, part VII of subchapter
40 1 of the internal revenue code of 1986. School districts shall comply

1 with all applicable federal standards related to the establishment of
2 health savings accounts;

3 (b) Make progress toward employee premiums that are established
4 to ensure that full family coverage premiums are not more than three
5 times the premiums for employees purchasing single coverage for the
6 same coverage plan, unless a subsequent premium differential target
7 is defined as a result of the review and subsequent actions described
8 in RCW 41.05.655;

9 (c) Offer employees at least one health benefit plan that is not
10 a high deductible health plan offered in conjunction with a health
11 savings account in which the employee share of the premium cost for a
12 full-time employee, regardless of whether the employee chooses
13 employee-only coverage or coverage that includes dependents, does not
14 exceed the share of premium cost paid by state employees during the
15 state employee benefits year that started immediately prior to the
16 school year.

17 (6) All contracts or agreements for employee benefits must be
18 held to responsible contracting standards, meaning a fair, prudent,
19 and accountable competitive procedure for procuring services that
20 includes an open competitive process, except where an open process
21 would compromise cost-effective purchasing, with documentation
22 justifying the approach.

23 (7) School districts offering medical, vision, and dental
24 benefits shall also make progress on promoting health care
25 innovations and cost savings and significantly reduce administrative
26 costs.

27 (8) All contracts or agreements for insurance or protection
28 described in this section shall be in compliance with chapter 3, Laws
29 of 2012 2nd sp. sess.

30 (9) Upon notification from the office of the insurance
31 commissioner of a school district's substantial noncompliance with
32 the data reporting requirements of RCW 28A.400.275, and the failure
33 is due to the action or inaction of the school district, and if the
34 noncompliance has occurred for two reporting periods, the
35 superintendent is authorized and required to limit the school
36 district's authority provided in subsection (1) of this section
37 regarding employee health benefits to the provision of health benefit
38 coverage provided by the (~~state health care authority~~) office of
39 public employee benefits.

1 **Sec. 50.** RCW 28A.400.410 and 1995 1st sp.s. c 6 s 1 are each
2 amended to read as follows:

3 (1) In a manner prescribed by the state health care authority,
4 school districts and educational service districts shall remit to the
5 health care authority for deposit in the public employees' and
6 retirees' insurance account established in RCW 41.05.120 the amount
7 specified for remittance in the omnibus appropriations act.

8 (2) The remittance requirements specified in this section shall
9 not apply to employees of a school district or educational service
10 district who receive insurance benefits through contracts with the
11 (~~health care authority~~) office of public employee benefits.

12 **Sec. 51.** RCW 28B.50.8742 and 1995 1st sp.s. c 6 s 10 are each
13 amended to read as follows:

14 Employees of technical colleges who were members of the [a]
15 public employees' benefits trust and as a result of chapter 238, Laws
16 of 1991, were required to enroll in public employees' benefits board-
17 sponsored plans, must decide whether to reenroll in the trust by
18 January 1, 1996, or the expiration of the current collective
19 bargaining agreements, whichever is later. Employees of a bargaining
20 unit or administrative or managerial employees otherwise not included
21 in a bargaining unit shall be required to transfer by group.
22 Administrative or managerial employees shall transfer in accordance
23 with rules established by the (~~health care authority~~) office of
24 public employee benefits. If employee groups elect to transfer, they
25 are eligible to reenroll in the public employees' benefits board-
26 sponsored plans. This one-time reenrollment option in the public
27 employees' benefits board-sponsored plans is available to be
28 exercised in January 2001, or only every five years thereafter, until
29 exercised.

30 **Sec. 52.** RCW 28B.50.8744 and 1995 1st sp.s. c 6 s 19 are each
31 amended to read as follows:

32 (1) In a manner prescribed by the state health care authority,
33 technical colleges who have employees enrolled in a benefits trust
34 shall remit to the health care authority for deposit in the public
35 employees' and retirees' insurance account established in RCW
36 41.05.120 the amount specified for remittance in the omnibus
37 appropriations act.

1 (2) The remittance requirements of this section do not apply to
2 employees of a technical college who receive insurance benefits
3 through contracts with the (~~health care authority~~) office of public
4 employee benefits.

5 **Sec. 53.** RCW 70.14.080 and 2006 c 307 s 1 are each amended to
6 read as follows:

7 The definitions in this section apply throughout RCW 70.14.090
8 through 70.14.130 unless the context clearly requires otherwise.

9 (1) "Administrator" means the (~~administrator~~) director of the
10 Washington state health care authority under chapter 41.05 RCW.

11 (2) "Advisory group" means a group established under RCW
12 70.14.110(2)(c).

13 (3) "Committee" means the health technology clinical committee
14 established under RCW 70.14.090.

15 (4) "Coverage determination" means a determination of the
16 circumstances, if any, under which a health technology will be
17 included as a covered benefit in a state purchased health care
18 program.

19 (5) "Director" means the director of the health care authority.

20 (6) "Health technology" means medical and surgical devices and
21 procedures, medical equipment, and diagnostic tests. Health
22 technologies does not include prescription drugs governed by RCW
23 70.14.050.

24 (~~(6)~~) (7) "Participating agency" means the department of social
25 and health services, the state health care authority, and the
26 department of labor and industries.

27 (~~(7)~~) (8) "Reimbursement determination" means a determination
28 to provide or deny reimbursement for a health technology included as
29 a covered benefit in a specific circumstance for an individual
30 patient who is eligible to receive health care services from the
31 state purchased health care program making the determination.

32 NEW SECTION. **Sec. 54.** (1) RCW 41.05.014, 41.05.015, 41.05.021,
33 41.05.023, 41.05.036, 41.05.037, 41.05.068, 41.05.220, 41.05.230,
34 41.05.400, 41.05.520, 41.05.530, 41.05.550, 41.05.600, 41.05.601,
35 41.05.650, 41.05.651, 41.05.660, 41.05.670, 41.05.680, 41.05.690,
36 41.05.730, 41.05.735, and 41.05.800 are each recodified as sections
37 in chapter 43.--- RCW (the new chapter created in section 57 of this
38 act).

1 (2) RCW 41.05A.005, 41.05A.010, 41.05A.030, 41.05A.040,
2 41.05A.050, 41.05A.060, 41.05A.070, 41.05A.080, 41.05A.090,
3 41.05A.100, 41.05A.110, 41.05A.120, 41.05A.130, 41.05A.140,
4 41.05A.150, 41.05A.160, 41.05A.170, 41.05A.180, 41.05A.190,
5 41.05A.200, 41.05A.210, 41.05A.220, 41.05A.230, 41.05A.240,
6 41.05A.250, 41.05A.260, 41.05A.270, and 41.05A.280 are each
7 recodified as sections in chapter 43.--- RCW (the new chapter created
8 in section 57 of this act).

9 NEW SECTION. **Sec. 55.** The following acts or parts of acts are
10 each repealed:

11 (1) RCW 41.05.006 (Purpose) and 2006 c 299 s 1 & 1988 c 107 s 2;
12 and

13 (2) RCW 41.05.280 (Department of corrections—Inmate health care)
14 and 1998 c 245 s 39 & 1993 c 504 s 3.

15 NEW SECTION. **Sec. 56.** RCW 41.05.019 (Direct patient-provider
16 primary care practices—Plan) is decodified.

17 NEW SECTION. **Sec. 57.** Sections 10 through 12 of this act
18 constitute a new chapter in Title 43 RCW.

19 NEW SECTION. **Sec. 58.** This act takes effect January 1, 2018.

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