

1 6089 AMS KREI S4392.4

2 **SB 6089** - S AMD TO WM COMM AMD (S-4141.1/92)

3 By Senators Kreidler, Pelz and Niemi

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5 On page 1, after line 1 of the amendment, strike the entire  
6 amendment and title amendment and insert the following:

7 **"SB 6089** - S AMD

8 By Senator

9

10 Strike everything after the enacting clause and insert the  
11 following:

12 **"WASHINGTON HEALTH SERVICES ACT"**

13 "NEW SECTION. **Sec. 1.** FINDINGS, INTENT, AND PRINCIPLES. (1) The  
14 legislature finds that:

15 (a) Despite the significant strides Washington state has made in  
16 addressing the lack of access to health services and rising health  
17 service costs, major system deficiencies still exist. The number of  
18 persons without access or with increasingly limited access to health  
19 services continues to grow at an alarming rate, as health service costs  
20 continue to rise well above the rate of inflation;

21 (b) Problems relating to health service access, assurance of  
22 quality of care, and cost control are likely to have a detrimental  
23 effect on the state's ability to be competitive in the international  
24 economy. Further, growing health service costs and the inability to  
25 purchase insurance have had a particularly harmful effect on small  
26 businesses, families, and individuals;

1 (c) There are significant administrative inefficiencies in the  
2 structure of the current health system, which has numerous payers and  
3 administrators, involving excess paperwork and consuming much of a  
4 health provider's time on nonclinical matters; and that a more unified  
5 financing and administrative structure would reduce overall  
6 administrative costs and increase the amount of time a health service  
7 provider would have available for patient care; and

8 (d) Future reforms must be systemic, addressing total community as  
9 well as individual needs, and encompassing all major components of  
10 health service delivery and finance. Reforms must also result in  
11 appropriate health service coverage for all state residents, promote  
12 quality of care, and include effective cost controls.

13 (2) To address the problems set forth in subsection (1) of this  
14 section, it is the intent of the legislature to implement the following  
15 principles by means of this chapter:

16 (a) The fundamental purpose of the health system should be to  
17 maintain or improve the health of all Washington residents at a  
18 reasonable cost;

19 (b) Because the responsibility for a healthy society lies primarily  
20 with its citizenry, enlightened citizens should play a key role in the  
21 development and oversight of their health services system;

22 (c) Appropriate health services should be available within an  
23 integrated system to all residents of Washington state regardless of  
24 health condition, age, sex, marital status, ethnicity, race, geographic  
25 location, employment, or economic status;

26 (d) The financial burden for providing needed health services  
27 should be equitably shared by government, employers, individuals, and  
28 families;

1 (e) Citizens should have the freedom to choose their health service  
2 provider, with incentives to participate in cost-effective well-managed  
3 health service settings;

4 (f) Health service providers should receive fair compensation for  
5 their services in a timely and uncomplicated manner;

6 (g) Health service providers should have the freedom to choose  
7 their practice settings with incentives to participate in  
8 cost-effective well-managed health service settings and to practice in  
9 areas where there are shortages of providers;

10 (h) Health promotion and illness and injury prevention programs  
11 should be a major part of a health services system;

12 (i) A state health services budget, reflecting the cost of  
13 providing health services through certified health plans and  
14 established in a public and deliberative manner, is essential to  
15 controlling health costs;

16 (j) An efficient health services administrative structure is  
17 essential to reduce costs and streamline service delivery;

18 (k) Quality of care should be promoted through identification of  
19 the most effective health services, with the assistance of health  
20 service providers, health scientists, health economists, health policy  
21 experts and consumers, through implementation of acceptable standards  
22 for the education, credentialing, and disciplining of health service  
23 providers and the operation of health facilities, and through a process  
24 of continued quality improvement and total quality management;

25 (l) The health services system should be sensitive to cultural  
26 differences and recognize the need for access services in eliminating  
27 significant barriers to health services and give special consideration  
28 to the special needs of racial and ethnic minorities and underserved or  
29 inappropriately serviced populations;

1 (m) There should be explicit policy addressing critical issues  
2 related to medical ethics and acceptable use of health service  
3 rationing, which should be developed in an open manner reflecting  
4 community and societal values; and

5 (n) The problems of medical malpractice and health care liability  
6 have a substantial effect upon the efficacy and cost-effectiveness of  
7 a health services system and should be addressed in health services  
8 reform policy."

9 "NEW SECTION. Sec. 2. DEFINITIONS. In this chapter, unless the  
10 context otherwise requires:

11 (1) "Access services" means services that are not necessarily  
12 provided by a provider or facility but are deemed by the commission as  
13 critical for the efficient and effective delivery of health services.

14 (2) "Certified health plan" or "plan" means a disability group  
15 insurer regulated under chapter 48.21 or 48.22 RCW, a health care  
16 service contractor as defined in RCW 48.44.010, a health maintenance  
17 organization as defined in RCW 48.46.020, an entity as identified in  
18 section 5(17) of this act, or two or more of such entities that  
19 contract with the commission to administer or provide the uniform  
20 benefits package consistent with the requirements set forth in sections  
21 5, 6, and 8 of this act. The Washington health care authority created  
22 under chapter 41.05 RCW shall be designated as a certified health plan  
23 pursuant to section 5(2) of this act or for other purposes deemed  
24 appropriate by the commission.

25 (3) "Chair" means the presiding officer and the chief  
26 administrative officer of the commission.

27 (4) "Commission" means the Washington health services commission.

28 (5) "Continuous quality improvement and total quality management"  
29 means a continuous process to improve the quality of health services

1 while reducing the costs of such services, as set forth in section 24  
2 of this act.

3 (6) "Employer" means an employer as defined in RCW 50.04.080; a  
4 corporate officer; a partner in a partnership; a sole proprietor; and  
5 an individual who is an employee for whom an assessment is not  
6 collected or who earns self-employment or partnership income that is  
7 essentially equivalent to wages as defined in RCW 50.04.320.

8 (7) "Employee" means an enrollee who receives uniform benefits  
9 package services and financially participates in the cost of such  
10 services as determined by the commission.

11 (8) "Enrollee" means any person who is a Washington resident  
12 enrolled in a certified health plan.

13 (9) "Enrollee point of service cost-sharing" means fees paid to  
14 certified health plans by enrollees at the time of receiving uniform  
15 benefits package services.

16 (10) "Enrollee premium sharing" means that portion of the premium,  
17 determined by the commission under section 13(1)(f) of this act, that  
18 is paid by enrollees or their family members.

19 (11) "Federal poverty level" means the federal poverty guidelines  
20 determined annually by the United States department of health and human  
21 services or successor agency.

22 (12) "Health service facility" or "facility" means hospices  
23 licensed under chapter 70.127 RCW, hospitals licensed under chapter  
24 70.41 RCW, rural health care facilities as defined in RCW 70.175.020,  
25 psychiatric hospitals licensed under chapter 71.12 RCW, nursing homes  
26 licensed under chapter 18.51 RCW, kidney disease treatment centers  
27 licensed under chapter 70.41 RCW, ambulatory diagnostic, treatment or  
28 surgical facilities licensed under chapter 70.41 RCW, and home health  
29 agencies licensed under chapter 70.127 RCW, and includes such  
30 facilities if owned and operated by a political subdivision or

1 instrumentality of the state and such other facilities as required by  
2 federal law and implementing regulations, but does not include  
3 Christian Science sanatoriums operated, listed, or certified by the  
4 First Church of Christ Scientist, Boston, Massachusetts.

5 (13) "Health service provider" or "provider" means either:

6 (a) Any licensed, certified, or registered health professional  
7 regulated under chapter 18.130 RCW who the commission identifies as  
8 appropriate to provide health services;

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

11 (c) An entity, whether or not incorporated, facility, or  
12 institution employing one or more persons described in (a) of this  
13 subsection, including, but not limited to, a hospital, clinic, health  
14 maintenance organization, or nursing home; or an officer, director,  
15 employee, or agent thereof acting in the course and scope of his or her  
16 employment.

17 (14) "Improper queuing" means a delay in the delivery of health  
18 services, the results of which could be detrimental to the health of an  
19 enrollee.

20 (15) "Maximum enrollee financial participation" means the income-  
21 related total annual payments that may be required of an enrollee per  
22 family member, including both premium sharing and point of service  
23 cost-sharing.

24 (16) "Premium" means the level of payment a certified health plan  
25 receives from the state for all expenses, including administration,  
26 operation, and capital, determined on an annual basis by the  
27 commission, for providing the uniform benefits package to an  
28 individual, either adult or child, or a family.

1 (17) "State health services budget" means total funds identified in  
2 section 13 of this act that may be expended during any fiscal year from  
3 the accounts established pursuant to section 16 of this act.

4 (18) "Technology" means drugs, devices, equipment, and medical or  
5 surgical procedures used in the delivery of health services, and the  
6 organizational or supportive systems within which such services are  
7 provided. It also means sophisticated and complicated machinery  
8 developed as a result of ongoing research in the basic biological and  
9 physical sciences, clinical medicine, electronics and computer  
10 sciences, as well as the growing body of specialized professionals,  
11 medical equipment, procedures, and chemical formulations used for both  
12 diagnostic and therapeutic purposes.

13 (19) "Uniform benefits package" means the subset of appropriate and  
14 effective health services, as defined by the commission pursuant to  
15 section 8 of this act, that must be offered to all Washington residents  
16 through certified health plans.

17 (20) "Washington resident" means a person who has established  
18 permanent residence in the state of Washington and who has not moved to  
19 Washington for the primary purpose of securing health insurance under  
20 this chapter. The confinement of a person in a nursing home, hospital,  
21 or other medical institution in the state shall not by itself be  
22 sufficient to qualify such person as a resident.

23 (21) "Washington state health service supplier certification" means  
24 a process established pursuant to section 24 of this act whereby health  
25 service providers and health service facilities become certified to  
26 provide the uniform benefits package."

27 "NEW SECTION. Sec. 3. CREATION OF COMMISSION--MEMBERSHIP--TERMS  
28 OF OFFICE--VACANCIES--SALARIES. (1) There is created an agency of  
29 state government to be known as the Washington health services

1 commission. The commission shall consist of five members appointed by  
2 the governor with the consent of the senate. One member shall be  
3 designated by the governor as chair and shall serve at the pleasure of  
4 the governor. The other four members shall serve five-year terms. In  
5 making such appointments the governor shall give consideration to the  
6 geographical exigencies, and the interests of consumers, purchasers,  
7 and ethnic groups. Of the initial members, one shall be appointed to  
8 a term of three years, one shall be appointed to a term of four years,  
9 and two shall be appointed to a term of five years. Thereafter,  
10 members shall be appointed to five-year terms. Vacancies shall be  
11 filled by appointment for the remainder of the unexpired term of the  
12 position being vacated.

13 (2) Members of the commission shall have no pecuniary interest in  
14 any business subject to regulation by the commission and shall be  
15 subject to chapter 42.18 RCW, the executive branch conflict of interest  
16 act.

17 (3) Members of the commission shall occupy their positions on a  
18 full-time basis and are exempt from the provisions of chapter 41.06  
19 RCW. Members shall be paid a salary to be fixed by the governor in  
20 accordance with RCW 43.03.040. A majority of the members of the  
21 commission constitutes a quorum for the conduct of business."

22 "NEW SECTION. **Sec. 4.** POWERS AND DUTIES OF THE CHAIR. The chair  
23 shall be the chief administrative officer and the appointing authority  
24 of the commission and has the following powers and duties:

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

28 (2) Employ personnel of the commission, in accordance with chapter  
29 41.06 RCW, and prescribe their duties. With the approval of a majority



1 of the commission, the chair may appoint persons to administer any  
2 entity established pursuant to subsection (8) of this section, and up  
3 to seven additional full-time employees all of whom shall be exempt  
4 from the provisions of chapter 41.06 RCW;

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

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

8 (5) Delegate administrative functions of the commission to  
9 employees of the commission as the chair deems necessary to ensure  
10 efficient administration;

11 (6) Subject to approval of the commission, appoint advisory  
12 committees and undertake studies, research, and analysis necessary to  
13 support activities of the commission;

14 (7) Preside at meetings of the commission;

15 (8) Consistent with policies and rules established by the  
16 commission, establish such administrative divisions, offices, or  
17 programs as are necessary to carry out the purposes of this chapter;  
18 and

19 (9) Perform such other administrative and technical duties as are  
20 consistent with this chapter and the rules and policies of the  
21 commission."

22 "NEW SECTION. Sec. 5. POWERS AND DUTIES OF THE COMMISSION. The  
23 commission has the following powers and duties:

24 (1) Ensure that all residents of Washington state have enrolled in  
25 a certified health plan regardless of age, sex, family structure,  
26 ethnicity, race, health condition, geographic location, employment, or  
27 economic status.

28 (2) Ensure that all residents of Washington state have access to  
29 appropriate and effective health services. In doing so, the commission

1 shall take whatever action is necessary, using the authority set forth  
2 in subsection (17) of this section or contracting with the health care  
3 authority when no other certified health plan is available or capable  
4 of providing the uniform benefits package.

5 (3) Establish a total state health services budget, as provided in  
6 section 13 of this act.

7 (4) Adopt necessary rules in accordance with chapter 34.05 RCW to  
8 carry out the purposes of this chapter, provided that an initial set of  
9 draft rules addressing, at a minimum, the commission's organizational  
10 structure, the uniform benefits package, limits on maximum enrollee  
11 financial participation, methods for developing the state health  
12 services budget, standards for health plan certification, procedures  
13 for monitoring and enforcing health plans certification standards, and  
14 standards for certified health plan and commission grievance  
15 procedures, must be submitted to the legislature by December 1, 1993.

16 (5) Establish the uniform benefits package, as provided in section  
17 8 of this act, which shall be offered to enrollees of a certified  
18 health plan. The uniform benefits package shall be provided at the  
19 premium specified in subsection (6) of this section.

20 (6) Establish for each year, a premium that a certified health plan  
21 may receive from the Washington health services trust fund to provide  
22 the uniform benefits package to enrollees. The premium shall be  
23 determined by the commission, after conducting an analysis of the cost  
24 experience of the state employee health benefit plans for 1992 and  
25 assuming cost savings that may result from: Reductions in cost  
26 shifting; managed health care approaches; cost savings as a result of  
27 the uniform benefits package design process pursuant to section 8(2) of  
28 this act; the continuous quality improvement and total quality  
29 management process set forth in section 24 of this act, and other cost  
30 reduction strategies set forth herein. Thereafter, the commission

1 shall, as soon as possible, limit the rate of increase to no more than  
2 the rate of increase in the United States consumer price index. In no  
3 event shall the rate of increase in the premium be increased by more  
4 than the amount of actual growth in the cost of the uniform benefits  
5 package between 1991 and 1992, as determined by the commission, minus  
6 two percentage points per year for each succeeding year until the  
7 annual rate of increase is no greater than the growth in the United  
8 States consumer price index. The premium paid to a certified health  
9 plan shall be rate-adjusted based on determined demographic and health  
10 status data.

11 (7) Evaluate and monitor the extent to which racial and ethnic  
12 minorities have access to and receive health services within the state.

13 (8) Monitor the actual growth in total annual health services  
14 costs.

15 (9) Establish a maximum annual budget for major capital  
16 expenditures that are included within the premium. A major capital  
17 expenditure is defined as any single expenditure for capital  
18 acquisitions, including medical technological equipment, as defined by  
19 the commission, costing more than one million dollars. Periodically  
20 the commission shall prioritize the proposed projects based on  
21 standards of cost-effectiveness and access. The commission shall then  
22 approve those projects in rank order that are within the limits of the  
23 capital budget.

24 (10) After consultation with certified health plans, health service  
25 providers, purchasers, and consumers of health services, adopt practice  
26 guidelines in specific practice areas, for providers participating in  
27 any certified health plan. Such practice guidelines shall be used to  
28 promote appropriate use of technology, services, drugs, and supplies,  
29 and for cost containment and quality assurance.

1 (11) Develop guidelines to certified health plans for utilization  
2 management, use of technology and methods of payment, such as diagnosis  
3 related groupings and a resource-based relative value scale. Such  
4 guidelines shall be designed to promote improved management of health  
5 services, and improved efficiency and effectiveness within the health  
6 services delivery system.

7 (12) For services provided under the uniform benefits package,  
8 adopt standards for a single billing and claims payment procedure.  
9 Such standards shall ensure that these procedures are performed in a  
10 simplified, streamlined, and economical manner for all parties  
11 concerned. Except to the extent provided in section 7 of this act,  
12 nothing in this subsection authorizes the commission to require any  
13 specific claim or payment level or method.

14 (13) Adopt standards for personal health systems data and  
15 information systems as provided in section 17 of this act.

16 (14) Adopt standards that prevent conflict of interest by health  
17 service providers as provided in section 10 of this act.

18 (15) Certify certified health plans to provide the uniform benefits  
19 package.

20 (16) Contract with certified health plans to provide the uniform  
21 benefits package.

22 (17) When deemed necessary to insure the availability of the  
23 uniform benefits package in a timely manner, contract directly with a  
24 local health department, a community/migrant health center, or any  
25 other private, nonprofit community-based health services agency for all  
26 or any part of the uniform benefits package.

27 (18) Ensure that no certified health plan may charge any additional  
28 fees or balance bill for services included in the uniform benefits  
29 package.

1 (19) Ensure portability of benefits, whereby an enrollee changing  
2 employment or traveling out-of-state continues to be covered. The  
3 commission shall establish a payment schedule for payment of out-of-  
4 state services. The commission also shall endeavor to ensure that  
5 enrollees do not use out-of-state health service providers as regular  
6 sources of health services, but may permit reasonable exceptions.

7 (20) Establish standards for certified health plan grievance and  
8 complaint procedures whereby an enrollee may file a complaint or  
9 grievance regarding any aspect of the plan and such grievance is  
10 addressed expeditiously.

11 (21) Establish an appeal mechanism consistent with the adjudicative  
12 proceedings provisions of chapter 34.05 RCW for enrollees who have  
13 exhausted the certified health plan grievance and complaint procedures  
14 established pursuant to subsection (20) of this section.

15 (22) As of July 1, 1996, prohibit any disability group insurer,  
16 health care service contractor, or health maintenance organization from  
17 independently insuring, contracting for, or providing those health  
18 services provided through the uniform benefits package. Nothing in  
19 this chapter shall preclude such entities from insuring, providing, or  
20 contracting for health services not included in the uniform benefits  
21 package, and nothing in this chapter shall restrict the right of an  
22 employer to offer, an employee representative to negotiate for, or an  
23 individual to purchase services not included in the uniform benefits  
24 package.

25 (23) Develop payment schedules for persons who reside out-of-state,  
26 but who receive services through a certified health plan, and for  
27 persons who reside in Washington state, but are employed by an out-of-  
28 state employer. Such schedules shall reflect the total costs of the  
29 health services provided.

1 (24) In developing the uniform benefits package and other standards  
2 pursuant to this section, consider the likelihood of the establishment  
3 of a national health services plan by the federal government and its  
4 implications.

5 (25) Monitor certified health plans for compliance with standards  
6 established pursuant to this section.

7 (26) Establish standards for enrollment and prohibit discrimination  
8 based upon age, sex, family structure, ethnicity, race, health  
9 condition, geographic location, employment, or economic status in  
10 enrollment by certified health plans.

11 (27) To the extent possible, require at least two certified health  
12 plans to make their uniform benefits package services accessible to all  
13 residents within a designated geographic area of Washington state,  
14 except in rural health professional shortage areas, as designated by  
15 the department of health, where the commission shall require at least  
16 one certified health plan to make their services accessible.

17 To the extent that the exercise of any of the powers and duties  
18 specified in this section may be inconsistent with the powers and  
19 duties of other state agencies, offices, or commissions, the authority  
20 of the commission shall supersede that of such other state agency,  
21 office, or commission, except in matters of health data pursuant to  
22 section 18 of this act, where the department of health shall have  
23 primary responsibility."

24 "NEW SECTION. **Sec. 6.** CERTIFIED HEALTH PLANS--REQUIREMENTS FOR  
25 APPROVAL. The uniform benefits package established pursuant to section  
26 8 of this act shall be provided through certified health plans. To  
27 participate, a plan must meet at least the following requirements:

28 (1) Provide or assure the provision of services in the uniform  
29 benefits package.

1 (2) Bear full financial risk and responsibility for the uniform  
2 benefits package provided to enrollees.

3 (3) Comply with commission standards regarding health data and  
4 certified health plan evaluation.

5 (4) Comply with all other standards established by the commission  
6 pursuant to section 5 of this act."

7 "NEW SECTION. **Sec. 7.** COMMISSION CERTIFICATION ENFORCEMENT  
8 AUTHORITY. (1) Upon a determination by the commission that a certified  
9 health plan is failing, or is at imminent risk of failing, to meet its  
10 obligations to its enrollees or the state during a current  
11 certification or contractual period, the commission may intervene and  
12 assume those functions that are demonstrably necessary to protect the  
13 interests of the plan's enrollees and the state. Such actions may  
14 include, but are not limited to:

15 (a) Approval of provider or facility payment methods or levels;

16 (b) Approval of utilization management procedures or mechanisms to  
17 control the use of technology; and

18 (c) Administration of functions demonstrably related to the  
19 failure, or imminent risk of failure, of the certified health plan to  
20 meet its certification or contractual obligations.

21 (2) The assumption of any certified health plan function by the  
22 commission pursuant to this section shall not absolve such certified  
23 health plan from any of the financial obligations undertaken by it  
24 through its certification or contracts with enrollees.

25 (3) Actions taken by the commission pursuant to this section shall  
26 be limited in duration to the balance of time remaining in the current  
27 certification period of the certified health plan. At or before the  
28 expiration of such time period, the commission shall make a  
29 determination regarding renewal of the plan's certification. If the

1 commission determines that the plan's certification should not be  
2 renewed, the commission shall make every effort to ensure that the  
3 plan's current enrollees experience as minimal a disruption as possible  
4 in their receipt of health services, and in their established  
5 relationships with health service providers. It shall, as soon as  
6 possible, contract with another certified health plan to assume these  
7 responsibilities."

8 "NEW SECTION. Sec. 8. UNIFORM BENEFITS PACKAGE DESIGN. (1) The  
9 commission shall define the uniform benefits package, which shall  
10 include those health services, based on the best available scientific  
11 health information, deemed to be effective and necessary on a societal  
12 basis for the maintenance of the health of the residents of the state,  
13 and weighed against the availability of funding in the state health  
14 services budget.

15 (a) The legislature intends that the uniform benefits package be  
16 sufficiently comprehensive to meet the needs of state residents. As  
17 guidance in developing the package, the commission shall include no  
18 significant reductions in the categories of coverage included in the  
19 state employees health benefits plans, and shall include access  
20 services as defined herein. However, the specific schedule of services  
21 shall be established through the process set forth in subsection (2) of  
22 this section. The categories of coverage shall, at least, include the  
23 following:

24 (i) Personal health services, including inpatient, except to the  
25 extent specifically excluded under section 9 of this act, and  
26 outpatient services for physical, mental, and developmental illnesses  
27 and disabilities including:

28 (A) Diagnosis and assessment, and selection of treatment and care;

29 (B) Clinical preventive services;



1 (C) Emergency health services;  
2 (D) Reproductive and maternity services;  
3 (E) Clinical management and provision of treatment; and  
4 (F) Therapeutic drugs, biologicals, supplies, and equipment; and  
5 (ii) Access services.

6 (b) The commission, through a public process, also shall determine  
7 which services will be excluded. These exclusions shall include at  
8 least the following:

9 (i) Cosmetic surgery except where deemed necessary for normal  
10 functioning or restorative purposes;

11 (ii) Examinations associated with life insurance applications or  
12 legal proceedings; and

13 (iii) Infertility services.

14 (c) The commission shall establish limits on maximum enrollee  
15 financial participation, related to enrollee gross family income.

16 (d) The commission shall evaluate the inclusion or exclusion of  
17 dental services in the uniform benefits package, and make such  
18 inclusions as are deemed appropriate.

19 (e) The uniform benefits package may include other services  
20 determined by the commission to be effective, necessary, and consistent  
21 with the principles set forth in section 1 of this act.

22 (2) The commission shall establish procedures to determine the  
23 specific schedule of health services to be included in the uniform  
24 benefits package categories of coverage. To assist the commission in  
25 this task, it may periodically establish health service review panels  
26 for specified periods of time to review existing information on need,  
27 efficacy, and cost-effectiveness of specific services and treatments.  
28 These panels shall consider the services outcome data provided under  
29 section 17 of this act. These panels also shall take into  
30 consideration available practice guidelines and appropriate use of

1 expensive technology. Their review activities shall be consistent with  
2 the health service rationing policy set forth in section 20 of this  
3 act.

4 (3) In establishing the uniform benefits package, the commission  
5 shall seek the opinions of, and information from, the public. The  
6 commission shall consider results of official public health assessment  
7 and policy development activities, including recommendations of the  
8 state board of health, the department of health, and the state health  
9 report in discharging its responsibilities under this section. It shall  
10 coordinate this activity with the state board of health in its  
11 development of the state health report pursuant to RCW 43.20.050."

12 "NEW SECTION. **Sec. 9.** PROGRAMS INITIALLY EXCLUDED FROM THE  
13 OPERATION OF THIS CHAPTER. Initially, the medical services component  
14 of the worker's compensation program of the department of labor and  
15 industries, institutional services in the developmental disabilities,  
16 mental health and aging and adult services programs of the department  
17 of social and health services, state and federal veterans' health  
18 services, and the civilian health and medical program of the uniformed  
19 services of the federal department of defense and other federal  
20 agencies, shall not be included in the program established by this  
21 chapter, but shall be studied for future inclusion as directed in  
22 section 23 of this act."

23 "NEW SECTION. **Sec. 10.** CONFLICT OF INTEREST STANDARDS. The  
24 commission shall establish standards prohibiting conflict of interest  
25 by health service providers. These standards shall be designed to  
26 control inappropriate behavior by health service providers that results  
27 in financial gain at the expense of consumers or certified health

1 plans. These standards are not intended to inhibit the efficient  
2 operation of certified health plans."

3 "NEW SECTION. **Sec. 11.** REPORTS OF HEALTH CARE COST CONTROL AND  
4 ACCESS COMMISSION. In carrying out its powers and duties under this  
5 chapter, including its responsibilities to develop recommendations  
6 regarding the health care liability system, design the uniform benefits  
7 package, and develop guidelines and standards, the commission shall  
8 consider the reports of the health care cost control and access  
9 commission established under House Concurrent Resolution No. 4443  
10 adopted by the legislature in 1990. Nothing in this chapter requires  
11 the commission, created by section 3 of this act, to follow any  
12 specific recommendation contained in those reports except as it may  
13 also be included in this chapter or other law."

14 "NEW SECTION. **Sec. 12.** IMPROPER QUEUING PROTECTION. It is the  
15 intent of the legislature that all enrollees receive necessary health  
16 services in a timely manner and that every effort be made to avoid  
17 delays in service that could be detrimental to an enrollee's health.  
18 The commission shall develop strategies that will reduce or prevent  
19 improper queuing. Upon the adoption of such strategies in rules by the  
20 commission, funds from the improper queuing reserve account of the  
21 Washington health services trust fund may be used to implement such  
22 strategies."

23 "NEW SECTION. **Sec. 13.** STATE HEALTH SERVICES BUDGET. (1) The  
24 state health services budget shall reflect total expenditures for all  
25 health services financed through this chapter and shall be derived in  
26 an equitable manner from the following sources:

1 (a) Medicare, parts A and B, Title XVIII of the federal social  
2 security act, as amended;

3 (b) Medicaid, Title XIX of the federal social security act, as  
4 amended;

5 (c) Other federal health services funds not explicitly excluded  
6 pursuant to section 9 of this act that are allocated for the purposes  
7 of health services included in the accounts established pursuant to  
8 section 16 of this act;

9 (d) Legislative general fund--state appropriations;

10 (e) Employer assessment, as determined in section 14 of this act;

11 (f) Enrollee premium sharing, as determined in section 14 of this  
12 act; and

13 (g) Enrollee point of service cost-sharing, as determined in  
14 section 14 of this act.

15 (2) The commission shall submit the state health services budget to  
16 the fiscal committees of the legislature for review and comment."

17 "NEW SECTION. **Sec. 14.** FINANCING. (1) The commission shall  
18 determine the most effective and cost efficient methods of financing  
19 the uniform benefits package considering the financial sources  
20 enumerated in section 13 of this act. To determine the most effective  
21 and cost efficient methods, the commission shall use the following  
22 criteria:

23 (a) Provision of the uniform benefits package to all residents;

24 (b) Benefit portability whereby residents can change employment  
25 without loss of benefits or additional costs;

26 (c) Minimal shift of costs from payer to payer;

27 (d) Compliance with health data requirements as set forth in  
28 section 17 of this act;

29 (e) Accessibility by all residents to the uniform benefits package;

1 (f) Efficiency through uniformity in billing, claims, and records  
2 procedures;

3 (g) Propensity to resist inflationary increases on cost;

4 (h) Public accountability;

5 (i) Seamlessness; and

6 (j) Simplicity and ease with which residents can comprehend the  
7 operation of methods.

8 (4) The commission shall report its findings and recommended  
9 methods to the governor and appropriate committees of the legislature  
10 no later than December 1, 1993. No methods of financing shall be used  
11 or amount collected unless expressly authorized in law after January 1,  
12 1994."

13 "NEW SECTION. **Sec. 15.** ADVISORY COMMITTEES. In an effort to  
14 ensure effective participation in the commission's deliberations, the  
15 chair shall appoint an advisory committee with members representing  
16 consumers, business, government, labor, insurers, and health service  
17 providers. The chair may also appoint ad hoc and special committees  
18 for a specified time period.

19 Members of any committee shall serve without compensation for their  
20 services but shall be reimbursed for their expenses while attending  
21 meetings on behalf of the commission in accordance with RCW 43.03.050  
22 and 43.03.060."

23 "NEW SECTION. **Sec. 16.** TRUST FUND AND ACCOUNTS. (1) The  
24 Washington health services trust fund is hereby established in the  
25 state treasury. All funds enumerated in section 13 of this act shall  
26 be deposited in the Washington health services trust fund.  
27 Disbursements from the trust fund shall be on authorization of the  
28 commission or a duly authorized representative thereof. In order to

1 maintain an effective expenditure the Washington health services trust  
2 fund shall be subject in all respects to chapter 43.88 RCW. However, no  
3 appropriation shall be required to permit expenditures and payment of  
4 obligations from such fund. The trust fund shall consist of four  
5 accounts:

6 (a) The personal health services account from which funds shall be  
7 expended for contracts with certified health plans to deliver the  
8 uniform benefits package to enrollees, including access services,  
9 personal health services, capital development, and health professions  
10 education.

11 (b) The public health account from which funds shall be expended to  
12 maintain and improve the health of all Washington residents, by  
13 assuring adequate financing for a public health system to (i) assess  
14 and report on the population's health status; (ii) develop public  
15 policy which promotes and maintains health; and (iii) assure the  
16 availability and delivery of appropriate and effective health  
17 interventions. This public system shall be composed of the state board  
18 of health, state department of health, and local public health  
19 departments and districts. The commission shall assure that no less  
20 than five percent of the state health services budget is used for these  
21 assessment, policy development, and assurance functions, as defined by  
22 the state board of health in rule. These funds may include fees,  
23 federal funds, and general or dedicated state or local tax revenue.  
24 The state board of health shall develop policies regarding the extent  
25 to which local revenue or fees may be used to meet the five percent  
26 requirement. The commission may appropriate funds under its direction  
27 in order to assure that five percent of the state health services  
28 budget is used as required by this subsection. None of the funds shall  
29 be used for any service reimbursable through the uniform benefits  
30 package. The commission shall consider the results of official public

1 health assessment and policy development activities, including  
2 recommendations of the state board of health, the department of health,  
3 and the state health report in discharging its responsibilities,  
4 including the assurance of access to appropriate and effective health  
5 services and the determination of the actual percentage used for core  
6 public health functions. The percent of total health expenditures  
7 required for expenditure on core public health functions shall be  
8 reviewed by the state board of health as part of its state health  
9 report and by the commission as part of any overall evaluation or  
10 assessment which may be required under this chapter.

11 (c) The improper queuing reserve account from which funds shall be  
12 expended to reduce unacceptable delays in the delivery of critical  
13 health care services as set forth in section 12 of this act.

14 (d) The health professions and research account from which funds  
15 shall be expended to:

16 (i) Retain needed health service providers in a manner consistent  
17 with the health professional shortage provisions set forth in chapter  
18 332, Laws of 1991; and

19 (ii) Conduct research relative to the commission's  
20 responsibilities.

21 (2) The commission shall not expend or encumber for an ensuing  
22 biennium amounts exceeding ninety-five percent of the amount  
23 anticipated to accrue in the account during the biennium."

24 "NEW SECTION. **Sec. 17.** HEALTH DATA. The commission shall  
25 develop, in consultation with the department of health, the health data  
26 sources necessary to efficiently implement this chapter. The  
27 commission shall have access to all health data presently available to  
28 the secretary of health, however, the department of health shall be the  
29 designated depository agency for all health data collected pursuant to

1 this chapter. To the extent possible, the commission shall use  
2 existing data systems and coordinate among existing agencies. The  
3 following data sources shall be developed or made available:

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

9 (2) The commission, in coordination with the department of health  
10 and the health science programs of the state universities shall develop  
11 procedures to analyze clinical and other health services outcome data,  
12 and conduct other research necessary for the specific purpose of  
13 assisting in the design of the uniform benefits package under section  
14 8 of this act.

15 (3) The commission shall utilize the capability of the insurance  
16 commissioner's office in conducting actuarial analyses."

17 "NEW SECTION. Sec. 18. A new section is added to chapter 70.170  
18 RCW to read as follows:

19 DEPARTMENT OF HEALTH DATA REQUIREMENTS. (1) The department is  
20 responsible for the implementation and custody of a state-wide personal  
21 health services data and information system. The data elements,  
22 specifications, and other design features of this data system shall be  
23 consistent with criteria adopted by the Washington health services  
24 commission. The department shall provide the commission with  
25 reasonable assistance in the development of these criteria, and shall  
26 provide the commission with periodic progress reports related to the  
27 implementation of the system or systems related to those criteria.

28 (2) The department shall coordinate the development and  
29 implementation of the personal health services data and information



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

11 "NEW SECTION. Sec. 19. LONG-TERM CARE. (1) In order to meet the  
12 health needs of the residents of Washington state, it is critical to  
13 organize the foundation for financing and providing community-based  
14 long-term care and support services through an integrated,  
15 comprehensive system that promotes human dignity and recognizes the  
16 individuality of all functionally disabled persons. This system shall  
17 be available, accessible, and responsive to all residents based upon an  
18 assessment of their functional disabilities. The legislature  
19 recognizes that families, volunteers, and community organizations are  
20 absolutely essential for delivery of effective and efficient community-  
21 based long-term care and support services, and that this private and  
22 public service infrastructure should be supported and strengthened.  
23 Further, it is important to provide secured benefits assurance in  
24 perpetuity without requiring family or program beneficiary  
25 impoverishment for service eligibility.

26 (2) Recognizing that financial stability is essential to the  
27 success of a comprehensive long-term care system and that current and  
28 future demands are exceeding available financial resources, a dedicated  
29 fund comprised of state general funds, matching federal funds, public

1 insurance funds, and sliding fee contributions by program beneficiaries  
2 should be established.

3 (3) It is the intent of this chapter that the Washington state  
4 legislature develop a program and financial structure for the provision  
5 of community-based long-term care and support services for functionally  
6 disabled persons as suggested in this section and adopt the necessary  
7 legislation no later than the adjournment of the 1994 regular session  
8 of the legislature."

9 "NEW SECTION. Sec. 20. HEALTH SERVICE RATIONING POLICY. (1) The  
10 commission shall establish an explicit policy regarding rationing of  
11 health services. This policy shall address rationing in relation to  
12 limitations on financial resources and the availability of anatomical  
13 gifts.

14 The health services rationing policy shall address the following  
15 factors:

- 16 (a) The effectiveness of the specific health service considered;
- 17 (b) The cost-effectiveness of such service;
- 18 (c) The service's ability to significantly improve quality of life;
- 19 (d) The service's ability to improve functioning and independence;
- 20 (e) The equity in providing the service to some persons, but not  
21 others; and
- 22 (f) The service's social value to the health of the community when  
23 weighed against other priorities.

24 (2) The commission shall establish regional health services ethics  
25 committees, composed of persons drawn from a broad cross-section of the  
26 community to provide, based on the health services rationing policy,  
27 guidance to certified health plans in making decisions about the  
28 rationing of health services."

1        "NEW SECTION.   **Sec. 21.**   IMPLEMENTATION SCHEDULE.   This chapter  
2 shall be implemented in developmental phases as follows:

3        (1) By May 1, 1992, the director of the office of financial  
4 management shall constitute a transition team composed of staff of the  
5 department of social and health services, the Washington state health  
6 care authority, the health care cost control and access commission  
7 created by House Concurrent Resolution No. 4443 (1990), the department  
8 of health, the department of labor and industries, the Washington basic  
9 health plan, and the insurance commissioner's office. The director may  
10 request participation of the appropriate legislative committee staff.

11        The transition team shall conduct analyses and identify:

12        (a) The necessary transfer and consolidation of responsibilities  
13 among state agencies to fully implement this chapter;

14        (b) State and federal laws that would need to be repealed, amended,  
15 or waived to fully implement this chapter; and

16        (c) Appropriate guidelines for administrative costs of the plan.

17        The transition team shall report its findings to the director of  
18 financial management, the commission, and appropriate committees of the  
19 legislature by January 1, 1993, and on that date be disbanded.

20        (2) By December 1, 1992, the commission shall be appointed. As  
21 soon as possible thereafter, the commission shall:

22        (a) Hire necessary staff;

23        (b) Develop necessary data sources;

24        (c) Appoint the initial health service review panel; and

25        (d) Develop necessary methods to establish the state health  
26 services budget.

27        (3) By September 1, 1993, the director of the office of financial  
28 management shall submit to appropriate committees of the legislature an  
29 agency transfer and consolidation report, which shall address

1 staffing, equipment, facilities, and funds, along with any necessary  
2 proposed legislation.

3 (4) By September 1, 1993, the commission shall review the result of  
4 the studies conducted as required in section 23(2) of this act.

5 (5) By December 1, 1993, the commission shall submit to the  
6 governor and appropriate committees of the legislature:

7 (a) Draft rules, as provided in section 5(4) of this act;

8 (b) A report on the extent that federal waivers or exemptions have  
9 not been obtained or the extent to which this chapter can be  
10 implemented without receipt of all of such waivers;

11 (c) Recommended financing methods as provided in section 13(2) of  
12 this act; and

13 (d) Proposed recommended uniform benefits package.

14 (6) By July 1, 1994, the commission shall have reviewed the  
15 recommendations of the initial health service review panel.

16 (7) By October 1, 1994, the commission shall have:

17 (a) Determined the uniform benefits package;

18 (b) Identified anti-improper queuing strategies; and

19 (c) Developed procedures regarding enrollment, premiums, enrollee  
20 financial participation, and certified health plan negotiations and  
21 payments.

22 (8) During its 1994 session, the legislature should consider the  
23 material submitted as identified in subsection (5) of this section in  
24 an expeditious manner.

25 (9) By July 1, 1995, consistent with specific appropriations, all  
26 health services provided to recipients of medical assistance, medical  
27 care services, and the limited casualty program, as defined in RCW  
28 74.09.010, all enrollees in the Washington basic health plan, as  
29 established by chapter 70.47 RCW, all state employees eligible for  
30 employee health benefits plans pursuant to chapter 41.05 RCW, and all

1 common school employees eligible for health insurance, or health care  
2 insurance under RCW 28A.400.350 shall be enrolled exclusively with a  
3 certified health plan, consistent with all provisions of this chapter.

4 (10) By July 1, 1996, consistent with specific appropriations and  
5 federal waivers obtained, all provisions of this chapter shall be in  
6 full effect of law."

7 "NEW SECTION. **Sec. 22.** CODE REVISIONS AND WAIVERS. (1) The  
8 Washington health services commission shall consider the analysis of  
9 state and federal laws that would need to be repealed, amended, or  
10 waived to implement sections 1 through 25 of this act, as prepared by  
11 the transition team pursuant to section 21 of this act, and report its  
12 recommendations, with proposed revisions to the Revised Code of  
13 Washington, to the governor and appropriate committees of the  
14 legislature by December 31, 1993.

15 (2) The Washington health services commission shall take the  
16 following steps in an effort to receive waivers or exemptions from  
17 federal statutes necessary to fully implement sections 1 through 25 of  
18 this act:

19 (a) Negotiate with the United States congress to obtain a statutory  
20 exemption from provisions of the employee retirement income security  
21 act that limit the state's ability to enact legislation relating to  
22 employee health benefits plans administered by employers, including  
23 health benefits plans offered by self-insured employers.

24 (b) Negotiate with the United States congress and the federal  
25 department of health and human services, health care financing  
26 administration to obtain a statutory or regulatory waiver of provisions  
27 of the medicaid statute, Title XIX of the federal social security act,  
28 that currently constitute barriers to full implementation of provisions  
29 of sections 1 through 25 of this act related to access to health

1 services for low-income residents of Washington state. Such provisions  
2 may include and are not limited to: Categorical eligibility  
3 restrictions related to age, disability, blindness, or family  
4 structure; income and resource limitations tied to financial  
5 eligibility requirements of the federal aid to families with dependent  
6 children and supplemental security income programs; and limitations on  
7 health service provider payment methods.

8 (c) Negotiate with the United States congress and the federal  
9 department of health and human services, health care financing  
10 administration to obtain a statutory or regulatory waiver of provisions  
11 of the medicare statute, Title XVIII of the federal social security  
12 act, that currently constitute barriers to full implementation of  
13 provisions of sections 1 through 25 of this act related to access to  
14 health services for elderly and disabled residents of Washington state.  
15 Such provisions include and are not limited to: Beneficiary cost-  
16 sharing requirements; restrictions on scope of services and limitations  
17 on health service provider payment methods.

18 (d) Negotiate with the United States congress and the federal  
19 department of health and human services to obtain any statutory or  
20 regulatory waivers of provisions of the United States public health  
21 services act necessary to ensure integration of federally funded  
22 community health clinics and other health services funded through the  
23 public health services act into the health services system established  
24 pursuant to sections 1 through 25 of this act.

25 (3) If the Washington health services commission fails to obtain  
26 approval for all necessary federal statutory changes or regulatory  
27 waivers necessary to fully implement sections 1 through 25 of this act  
28 by January 1, 1996, it shall report to the governor and appropriate  
29 committees of the legislature with a proposal for the implementation of

1 sections 1 through 25 of this act to the extent possible without  
2 receipt of all of such waivers."

3 "NEW SECTION. **Sec. 23.** EVALUATIONS AND STUDIES. The legislative  
4 budget committee, in consultation with the health care policy  
5 committees of the legislature, shall conduct directly or by contract  
6 the following studies or evaluations:

7 (1) A study to determine whether the administrative and service  
8 delivery structure for the Washington health services commission as set  
9 forth in section 3 of this act should be continued. The study shall  
10 analyze the structure as set forth in sections 1 through 25 of this  
11 act, a single administering-agency model, and at least two other  
12 salient organizational models, and recommend a structure that would be  
13 most efficient and effective. The report, including recommendations  
14 and an outline of any needed legislation, shall be submitted to the  
15 governor and the appropriate committees of the legislature by October  
16 1, 1997, for consideration by the legislature during the 1998 session.

17 (2) Studies to determine the desirability and feasibility of  
18 consolidating the following programs, services, and funding sources  
19 into the system established by sections 1 through 25 of this act:

20 (a) Medical services component of the worker's compensation program  
21 of the department of labor and industries;

22 (b) Developmental disabilities, mental health and aging and adult  
23 services institutional programs of the department of social and health  
24 services;

25 (c) State and federal veterans' health services; and

26 (d) Civilian health and medical program of the uniformed services  
27 of the federal department of defense and other federal agencies.

28 The report shall be made to the governor and the appropriate  
29 committees of the legislature and the commission by September 1, 1993.

1 (3) A study to evaluate the implementation of the provisions of  
2 sections 1 through 25 of this act. The study shall determine to what  
3 extent the plan has been implemented consistent with the principles and  
4 elements set forth in chapter 70.-- RCW (sections 1 through 17 and 19  
5 through 21 of this act) and shall report its findings to the governor  
6 and appropriate committees of the legislature by July 1, 1998."

7 "NEW SECTION. Sec. 24. CONTINUOUS QUALITY IMPROVEMENT AND TOTAL  
8 QUALITY MANAGEMENT. To ensure the highest quality health services at  
9 the lowest total cost, the Washington health services commission shall  
10 establish a total quality management system of continuous quality  
11 improvement. Such endeavor shall be based upon the recognized quality  
12 science of continuous quality improvement. The commission shall  
13 impanel a committee composed of persons from the private sector and  
14 related sciences who have broad knowledge and successful experience in  
15 continuous quality improvement and total quality management  
16 applications. It shall be the responsibility of the committee to  
17 develop standards for a Washington state health services supplier  
18 certification process and recommend such standards to the commission  
19 for review and adoption. Once adopted, the commission shall establish  
20 a schedule, with full compliance no later than July 1, 1995, whereby  
21 certified health plans must provide evidence that all health service  
22 providers and health service facilities have been reviewed and meet  
23 these standards prior to providing uniform benefits package services."

24 "NEW SECTION. Sec. 25. RESERVATION OF LEGISLATIVE POWER. The  
25 legislature reserves the right to amend or repeal all or any part of  
26 sections 1 through 25 of this act at any time and there shall be no  
27 vested private right of any kind against such amendment or repeal. All  
28 rights, privileges, or immunities conferred by sections 1 through 24 of



1 this act or any act done pursuant thereto shall exist subject to the  
2 power of the legislature to amend or repeal sections 1 through 24 of  
3 this act at any time."

4 **"INTERIM INSURANCE REFORM"**

5 "NEW SECTION. Sec. 26. The legislature finds that in order to  
6 make the cost of health coverage more affordable and accessible to  
7 individuals and to businesses and their employees, certain marketing  
8 and underwriting practices by disability insurers, health care service  
9 contractors, and health maintenance organizations must be reformed and  
10 more aggressively regulated. Such reforms work in the public interest  
11 and guarantee coverage to individuals, and businesses, their employees  
12 and employees' dependents. Practices that hinder access to,  
13 affordability of, and equity in health insurance coverage are  
14 unacceptable.

15 It is the intent of the legislature to prohibit certain  
16 discriminatory practices, and to require that insurers use community  
17 rating methods, at least for individuals, and small business owners and  
18 their employees, that more broadly pool and distribute risk, which is  
19 a fundamental principle of health insurance coverage."

20 "NEW SECTION. Sec. 27. A new section is added to Title 48 RCW to  
21 read as follows:

22 For the purposes of sections 28, 29, and 30 of this act "small  
23 business entity" means a business that employs less than one hundred  
24 individuals who reside in Washington state and are regularly scheduled  
25 to work at least twenty or more hours per week for at least twenty-six  
26 weeks per year. For purposes of determining the number of employees of  
27 an entity all employees, owners, or principals of all branches and

1 divisions of the principal entity shall be included and may not be  
2 segregated by division, job responsibilities, employment status, or on  
3 any other basis."

4 "NEW SECTION. **Sec. 28.** A new section is added to chapter 48.21  
5 RCW to read as follows:

6 Every disability insurer that provides group disability insurance  
7 for health care services under this chapter shall make available to all  
8 individuals and business entities in this state the opportunity to  
9 enroll as an individual or a group in an insured plan without medical  
10 underwriting except as provided in this section. Such plan shall: (1)  
11 Allow all such individuals and groups to continue participation on a  
12 guaranteed renewable basis; (2) not exclude or discriminate in rate  
13 making or in any other way against any category of business, trade,  
14 occupation, employment skill, or vocational or professional training;  
15 and (3) not exclude or discriminate in rate making or in any other way  
16 against any individual, or employee or dependent within a group on any  
17 basis, including age, sex, or health status or condition. Disability  
18 insurers may adopt a differential rate based only upon actual costs of  
19 providing health care that are identifiable on a major geographical  
20 basis, such as east and west of the Cascades, and may adopt exclusions  
21 for preexisting conditions limited to not more than six months and  
22 applicable only to those individuals who have not been insured in the  
23 previous three months and have not been continuously insured long  
24 enough to satisfy a six-month waiting period. In addition, every  
25 disability insurer shall allow individuals and small business entities  
26 the opportunity to enroll as a group in an insured plan that uses  
27 community rating to establish the premium and may extend to larger  
28 sized businesses a similar opportunity to be included within a  
29 community rated pool.

1 An individual or family member who participates as an employee  
2 member of a group covered under this section for more than six  
3 consecutive months who then terminates his or her employment  
4 relationship and wishes to continue the same amount of health care  
5 coverage in the same plan shall be allowed that opportunity on an  
6 individual or family basis, depending on the coverage provided during  
7 active employment. The cost of such individual conversion or  
8 continuation coverage shall not exceed one hundred five percent of the  
9 rate for active members of the group."

10 "NEW SECTION. Sec. 29. A new section is added to chapter 48.44  
11 RCW to read as follows:

12 Every health care service contractor that provides coverage under  
13 group health care service contracts under this chapter shall make  
14 available to all individuals and business entities in this state the  
15 opportunity to enroll as an individual or a group in a health service  
16 contract without medical underwriting except as provided in this  
17 section. The health service contract shall: (1) Allow all such  
18 individuals and groups to continue participation on a guaranteed  
19 renewable basis; (2) not exclude or discriminate in rate making or in  
20 any other way against any category of business, trade, occupation,  
21 employment skill, or vocational or professional training; and (3) not  
22 exclude or discriminate in rate making or in any other way against any  
23 individual, or employee or employee's dependent within the group on any  
24 basis, including age, sex, or health status or condition. Health care  
25 service contractors may adopt a differential rate based only upon  
26 actual costs of providing health care that are identifiable on a major  
27 geographical basis, such as east and west of the Cascades, and may  
28 adopt exclusions for preexisting conditions limited to not more than  
29 six months and applicable only to those individuals who have not been

1 insured in the previous three months and have not been continuously  
2 insured long enough to satisfy a six-month waiting period. In  
3 addition, every health care service contractor shall allow individuals  
4 and small business entities the opportunity to enroll as a group in an  
5 insured plan that uses community rating to establish the premium and  
6 may extend to larger sized businesses a similar opportunity to be  
7 included within a community rated pool.

8 An individual or family member who participates as an employee  
9 member of a group covered under this section for more than six  
10 consecutive months who then terminates his or her employment  
11 relationship and wishes to continue the same amount of health care  
12 coverage in the same plan shall be allowed that opportunity on an  
13 individual or family basis, depending on the coverage provided during  
14 active employment. The cost of such individual conversion or  
15 continuation coverage shall not exceed one hundred five percent of the  
16 rate for active members of the group."

17 "NEW SECTION. Sec. 30. A new section is added to chapter 48.46  
18 RCW to read as follows:

19 Every health maintenance organization that provides coverage under  
20 group health maintenance organization agreements under this chapter  
21 shall make available to all individuals and business entities in this  
22 state the opportunity to enroll as an individual or a group in a health  
23 maintenance organization agreement without medical underwriting except  
24 as provided in this section. Such agreements shall: (1) Allow all  
25 such individuals and groups to continue participation on a guaranteed  
26 renewable basis; (2) not exclude or discriminate in rate making or in  
27 any other way against any category of business, trade, occupation,  
28 employment skill, or vocational or professional training; and (3) not  
29 exclude or discriminate in rate making or in any other way against any

1 individual, or employee or employee's dependent within the group on any  
2 basis, including age, sex, or health status or condition. Such health  
3 maintenance organizations may adopt a differential rate based only upon  
4 actual costs of providing health care that are identifiable on a major  
5 geographical basis, such as east and west of the Cascades, and may  
6 adopt exclusions for preexisting conditions limited to not more than  
7 six months and applicable only to those individuals who have not been  
8 insured in the previous three months and have not been continuously  
9 insured long enough to satisfy a six-month waiting period. In  
10 addition, every health maintenance organization shall allow individuals  
11 and small business entities the opportunity to enroll as a group in an  
12 insured plan that uses community rating to establish the premium and  
13 may extend to larger sized businesses a similar opportunity to be  
14 included within a community rated pool.

15 An individual or family member who participates as an employee  
16 member of a group covered under this section for more than six  
17 consecutive months who then terminates his or her employment  
18 relationship and wishes to continue the same amount of health care  
19 coverage in the same plan shall be allowed that opportunity on an  
20 individual or family basis, depending on the coverage provided during  
21 active employment. The cost of such continuation or conversion  
22 coverage shall not exceed one hundred five percent of the rate for  
23 active members of the group."

24 "NEW SECTION. Sec. 31. A new section is added to chapter 48.21  
25 RCW to read as follows:

26 Notwithstanding other sections of this chapter, the uniform  
27 benefits package adopted by the legislature pursuant to the  
28 commission's design and recommendation shall become the minimum  
29 benefits package required of any plan under this chapter. The maximum

1 per capita rate approved by the Washington state insurance commissioner  
2 shall become the maximum rate charged for this minimum benefits  
3 package."

4 "NEW SECTION. Sec. 32. A new section is added to chapter 48.44  
5 RCW to read as follows:

6 Notwithstanding other sections of this chapter, the uniform  
7 benefits package adopted by the legislature pursuant to the  
8 commission's design and recommendation shall become the minimum  
9 benefits package required of any plan under this chapter. The maximum  
10 per capita rate approved by the Washington state insurance commissioner  
11 shall become the maximum rate charged for this minimum benefits  
12 package."

13 "NEW SECTION. Sec. 33. A new section is added to chapter 48.46  
14 RCW to read as follows:

15 Notwithstanding other sections of this chapter, the uniform  
16 benefits package adopted by the legislature pursuant to the  
17 commission's design and recommendation shall become the minimum  
18 benefits package required of any plan under this chapter. The maximum  
19 per capita rate approved by the Washington state insurance commissioner  
20 shall become the maximum rate charged for this minimum benefits  
21 package."

22 "NEW SECTION. Sec. 34. A new section is added to Title 48 RCW to  
23 read as follows:

24 The insurance commissioner shall develop a reinsurance mechanism  
25 for certified health plans that does not impact the enrollee, enables  
26 insurers to share risk, and allows those insurers that assume the  
27 entire risk for their enrollees to opt out of the mechanism. The

1 reinsurance mechanism must support itself entirely from funds generated  
2 from the participating insurers."

3 **"BASIC HEALTH PLAN MODIFICATIONS"**

4 "NEW SECTION. Sec. 35. A new section is added to chapter 70.47  
5 RCW to read as follows:

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

11 "NEW SECTION. Sec. 36. All reports, documents, surveys, books,  
12 records, files, papers, or written material in the possession of the  
13 Washington basic health plan shall be delivered to the custody of the  
14 Washington state health care authority. All cabinets, furniture,  
15 office equipment, motor vehicles, and other tangible property used by  
16 the Washington basic health plan shall be made available to the  
17 Washington state health care authority. All funds, credits, or other  
18 assets held by the Washington basic health plan shall be assigned to  
19 the Washington state health care authority.

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

1 purposes of providing health care coverage to any state or other public  
2 employees.

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

9 "NEW SECTION. **Sec. 37.** All employees of the Washington basic  
10 health plan are transferred to the jurisdiction of the Washington state  
11 health care authority. All employees classified under chapter 41.06  
12 RCW, the state civil service law, are assigned to the Washington state  
13 health care authority to perform their usual duties upon the same terms  
14 as formerly, without any loss of rights, subject to any action that may  
15 be appropriate thereafter in accordance with the laws and rules  
16 governing state civil service."

17 "NEW SECTION. **Sec. 38.** All rules and all pending business  
18 before the Washington basic health plan shall be continued and acted  
19 upon by the Washington state health care authority. All existing  
20 contracts and obligations shall remain in full force and shall be  
21 performed by the Washington state health care authority."

22 "NEW SECTION. **Sec. 39.** The transfer of the powers, duties,  
23 functions, and personnel of the Washington basic health plan shall not  
24 affect the validity of any act performed prior to the effective date of  
25 this section."



1           "NEW SECTION.   **Sec. 40.**     If apportionments of budgeted funds are  
2 required because of the transfers directed by sections 36 through 39 of  
3 this act, the director of financial management shall certify the  
4 apportionments to the agencies affected, the state auditor, and the  
5 state treasurer. Each of these shall make the appropriate transfer and  
6 adjustments in funds and appropriation accounts and equipment records  
7 in accordance with the certification."

8           "NEW SECTION.   **Sec. 41.**     Nothing contained in sections 35 through  
9 40 of this act may be construed to alter any existing collective  
10 bargaining unit or the provisions of any existing collective bargaining  
11 agreement until the agreement has expired or until the bargaining unit  
12 has been modified by action of the personnel board as provided by law."

13           "**Sec. 42.**   RCW 70.47.010 and 1987 1st ex.s. c 5 s 3 are each  
14 amended to read as follows:

15           (1) The legislature finds that:

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

19           (b) This lack of basic health care coverage is detrimental to the  
20 health of the individuals lacking coverage and to the public welfare,  
21 and results in substantial expenditures for emergency and remedial  
22 health care, often at the expense of health care providers, health care  
23 facilities, and all purchasers of health care, including the state; and

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

1 (2) The purpose of this chapter is to provide necessary basic  
2 health care services in an appropriate setting to working persons and  
3 others who lack coverage, at a cost to these persons that does not  
4 create barriers to the utilization of necessary health care services.  
5 To that end, this chapter establishes a program to be made available to  
6 those residents under sixty-five years of age not otherwise eligible  
7 for medicare with gross family income at or below two hundred percent  
8 of the federal poverty guidelines who share in the cost of receiving  
9 basic health care services from a managed health care system.

10 (3) It is not the intent of this chapter to provide health care  
11 services for those persons who are presently covered through private  
12 employer-based health plans, nor to replace employer-based health  
13 plans. Further, it is the intent of the legislature to expand,  
14 wherever possible, the availability of private health care coverage and  
15 to discourage the decline of employer-based coverage.

16 (4) ~~((The program authorized under this chapter is strictly limited  
17 in respect to the total number of individuals who may be allowed to  
18 participate and the specific areas within the state where it may be  
19 established. All such restrictions or limitations shall remain in full  
20 force and effect until quantifiable evidence based upon the actual  
21 operation of the program, including detailed cost benefit analysis, has  
22 been presented to the legislature and the legislature, by specific act  
23 at that time, may then modify such limitations))~~ (a) It is the purpose  
24 of this chapter to acknowledge the initial success of this program that  
25 has (i) assisted thousands of families in their search for affordable  
26 health care; (ii) demonstrated that low-income uninsured families are  
27 willing, indeed eager, to pay for their own health care coverage to the  
28 extent of their ability to pay; and (iii) proved that local health care  
29 providers are willing to enter into a public/private partnership as

1 they configure their own professional and business relationships into  
2 a managed health care system.

3 (b) As a consequence, but always limited to the extent to which  
4 funds might be available to subsidize the costs of health services for  
5 those in need, enrollment limitations have been modified and the  
6 program shall be expanded to additional geographic areas of the state.  
7 In addition, the legislature intends to extend an option to enroll to  
8 certain citizens with income above two hundred percent of the federal  
9 poverty guidelines who reside in communities where the plan is  
10 operational and who collectively or individually wish to exercise the  
11 opportunity to purchase health care coverage through the basic health  
12 plan, if it is done at no cost to the state."

13 **"Sec. 43.** RCW 70.47.020 and 1987 1st ex.s. c 5 s 4 are each  
14 amended to read as follows:

15 As used in this chapter:

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

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

23 (3) "Managed health care system" means any health care  
24 organization, including health care providers, insurers, health care  
25 service contractors, health maintenance organizations, or any  
26 combination thereof, that provides directly or by contract basic health  
27 care services, as defined by the administrator and rendered by duly  
28 licensed providers, on a prepaid capitated basis to a defined patient  
29 population enrolled in the plan and in the managed health care system.

1 (4) "Enrollee" means an individual, or an individual plus the  
2 individual's spouse and/or dependent children, (~~all under the age of~~  
3 ~~sixty-five and~~) not (~~otherwise~~) eligible for medicare, who resides  
4 in an area of the state served by a managed health care system  
5 participating in the plan, whose gross family income at the time of  
6 enrollment does not exceed twice the federal poverty level as adjusted  
7 for family size and determined annually by the federal department of  
8 health and human services, who chooses to obtain basic health care  
9 coverage from a particular managed health care system in return for  
10 periodic payments to the plan. Nonsubsidized enrollees shall be  
11 considered enrollees unless otherwise specified.

12 (5) "Nonsubsidized enrollee" means an individual, or an individual  
13 plus the individual's spouse and/or dependent children not eligible for  
14 medicare, who resides in an area of the state served by a managed  
15 health care system participating in the plan, who has a gross family  
16 income of less than three hundred percent of the federal poverty level,  
17 and who chooses to obtain basic health care coverage from a particular  
18 managed health care system at no cost to the state in return for  
19 periodic payments to the plan. "Nonsubsidized enrollee" also includes  
20 any enrollee who originally enrolled subject to the income limitations  
21 specified in subsection (4) of this section, but who subsequently pays  
22 the full unsubsidized premium as set forth in RCW 70.47.060(9).

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

1       (~~(6)~~) (7) "Premium" means a periodic payment, based upon gross  
2 family income and determined under RCW 70.47.060(2), which an enrollee  
3 makes to the plan as consideration for enrollment in the plan.

4       (~~(7)~~) (8) "Rate" means the per capita amount, negotiated by the  
5 administrator with and paid to a participating managed health care  
6 system, that is based upon the enrollment of enrollees in the plan and  
7 in that system."

8       **"Sec. 44.** RCW 70.47.030 and 1991 sp.s. c 13 s 68 and 1991 sp.s. c  
9 4 s 1 are each reenacted and amended to read as follows:

10       (1) The basic health plan trust account is hereby established in  
11 the state treasury. (~~(All)~~) Any nongeneral fund-state funds collected  
12 for this program shall be deposited in the basic health plan trust  
13 account and may be expended without further appropriation. Moneys in  
14 the account shall be used exclusively for the purposes of this chapter,  
15 including payments to participating managed health care systems on  
16 behalf of enrollees in the plan and payment of costs of administering  
17 the plan. After July 1, 1991, the administrator shall not expend or  
18 encumber for an ensuing fiscal period amounts exceeding ninety-five  
19 percent of the amount anticipated to be spent for purchased services  
20 during the fiscal year.

21       (2) The basic health plan subscription account is created in the  
22 custody of the state treasurer. All receipts from amounts due under  
23 RCW 70.47.060 (10) and (11) shall be deposited into the account.  
24 Moneys in the account shall be used exclusively for the purposes of  
25 this chapter, including payments to participating managed health care  
26 systems on behalf of nonsubsidized enrollees in the plan and payment of  
27 costs of administering the plan. The account is subject to allotment  
28 procedures under chapter 43.88 RCW, but no appropriation is required  
29 for expenditures.

1        (3) The administrator shall take every precaution to see that none  
2 of the moneys in the separate account created in this section or that  
3 any premiums paid by either subsidized or nonsubsidized enrollees are  
4 commingled in any way."

5        "Sec. 45. RCW 70.47.040 and 1987 1st ex.s. c 5 s 6 are each  
6 amended to read as follows:

7        (1) The Washington basic health plan is created as an independent  
8 ~~((agency of the state))~~ program within the Washington state health care  
9 authority. The administrative head and appointing authority of the  
10 plan shall be the administrator ~~((who shall be appointed by the~~  
11 ~~governor, with the consent of the senate, and shall serve at the~~  
12 ~~pleasure of the governor. The salary for this office shall be set by~~  
13 ~~the governor pursuant to RCW 43.03.040))~~ of the Washington state health  
14 care authority. The administrator shall appoint a medical director.  
15 The ~~((administrator,))~~ medical director~~((,))~~ and up to five other  
16 employees of the plan shall be exempt from the civil service law,  
17 chapter 41.06 RCW.

18        (2) The administrator shall employ such other staff as are  
19 necessary to fulfill the responsibilities and duties of the  
20 administrator, such staff to be subject to the civil service law,  
21 chapter 41.06 RCW. In addition, the administrator may contract with  
22 third parties for services necessary to carry out its activities where  
23 this will promote economy, avoid duplication of effort, and make best  
24 use of available expertise. Any such contractor or consultant shall be  
25 prohibited from releasing, publishing, or otherwise using any  
26 information made available to it under its contractual responsibility  
27 without specific permission of the plan. The administrator may call  
28 upon other agencies of the state to provide available information as  
29 necessary to assist the administrator in meeting its responsibilities

1 under this chapter, which information shall be supplied as promptly as  
2 circumstances permit.

3 (3) The administrator may appoint such technical or advisory  
4 committees as he or she deems necessary. The administrator shall  
5 appoint a standing technical advisory committee that is representative  
6 of health care professionals, health care providers, and those directly  
7 involved in the purchase, provision, or delivery of health care  
8 services, as well as consumers and those knowledgeable of the ethical  
9 issues involved with health care public policy. Individuals appointed  
10 to any technical or other advisory committee shall serve without  
11 compensation for their services as members, but may be reimbursed for  
12 their travel expenses pursuant to RCW 43.03.050 and 43.03.060.

13 (4) The administrator may apply for, receive, and accept grants,  
14 gifts, and other payments, including property and service, from any  
15 governmental or other public or private entity or person, and may make  
16 arrangements as to the use of these receipts, including the undertaking  
17 of special studies and other projects relating to health care costs and  
18 access to health care.

19 (5) In the design, organization, and administration of the plan  
20 under this chapter, the administrator shall consider the report of the  
21 Washington health care project commission established under chapter  
22 303, Laws of 1986. Nothing in this chapter requires the administrator  
23 to follow any specific recommendation contained in that report except  
24 as it may also be included in this chapter or other law."

25 "**Sec. 46.** RCW 70.47.060 and 1991 sp.s. c 4 s 2 and 1991 c 3 s 339  
26 are each reenacted and amended to read as follows:

27 The administrator has the following powers and duties:

28 (1) To design and from time to time revise a schedule of covered  
29 basic health care services, including physician services, inpatient and

1 outpatient hospital services, and other services that may be necessary  
2 for basic health care, which enrollees in any participating managed  
3 health care system under the Washington basic health plan shall be  
4 entitled to receive in return for premium payments to the plan. The  
5 schedule of services shall emphasize proven preventive and primary  
6 health care, shall include all services necessary for prenatal,  
7 postnatal, and well-child care, and shall include a separate schedule  
8 of basic health care services for children, eighteen years of age and  
9 younger, for those enrollees who choose to secure basic coverage  
10 through the plan only for their dependent children. In designing and  
11 revising the schedule of services, the administrator shall consider the  
12 guidelines for assessing health services under the mandated benefits  
13 act of 1984, RCW 48.42.080, and such other factors as the administrator  
14 deems appropriate.

15 (2)(a) To design and implement a structure of periodic premiums due  
16 the administrator from subsidized enrollees that is based upon gross  
17 family income, giving appropriate consideration to family size as well  
18 as the ages of all family members. The enrollment of children shall  
19 not require the enrollment of their parent or parents who are eligible  
20 for the plan. With approval of the administrator, a third party may  
21 pay the premium, rate, or other amount determined by the administrator  
22 to be due to the plan on behalf of any enrollee, by arrangement with  
23 the enrollee, and through a mechanism approved by the administrator.

24 (b) Any premium, rate, or other amount determined to be due from  
25 nonsubsidized enrollees shall be in an amount equal to the amount  
26 negotiated by the administrator with the participating managed health  
27 care system for the plan plus the administrative cost of providing the  
28 plan to those enrollees.

29 (c) The administrator shall give consideration to any schedule of  
30 premiums, deductibles, copayments, and coinsurance that may be adopted



1 by the Washington health services commission, but in particular  
2 reference to subsidized enrollees the powers, duties, and  
3 responsibilities of the administrator under this section and chapter  
4 shall not be superseded by action of the commission.

5 (3) To design and implement a structure of nominal copayments due  
6 a managed health care system from enrollees. The structure shall  
7 discourage inappropriate enrollee utilization of health care services,  
8 but shall not be so costly to enrollees as to constitute a barrier to  
9 appropriate utilization of necessary health care services.

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

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

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

17 (c) Coinsurance rates that are established based on specific  
18 service and procedure costs and the enrollee's ability to pay for the  
19 care. However, coinsurance rates for families with incomes below one  
20 hundred twenty percent of the federal poverty level shall be nominal.  
21 No coinsurance shall be required for specific proven prevention  
22 programs, such as prenatal care. The coinsurance rate levels shall not  
23 have a measurable negative effect upon the enrollee's health status;  
24 and

25 (d) A case management system that fosters a provider-enrollee  
26 relationship whereby, in an effort to control cost, maintain or improve  
27 the health status of the enrollee, and maximize patient involvement in  
28 her or his health care decision-making process, every effort is made by  
29 the provider to inform the enrollee of the cost of the specific  
30 services and procedures and related health benefits.

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

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

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

16       In the selection of any area of the state for ~~((the initial))~~  
17 operation of the plan, the administrator shall take into account the  
18 levels and rates of unemployment in different areas of the state, the  
19 need to provide basic health care coverage to a population reasonably  
20 representative of the portion of the state's population that lacks such  
21 coverage, and the need for geographic, demographic, and economic  
22 diversity.

23       Before July 1, ~~((1988))~~ 1994, the administrator shall endeavor to  
24 secure participation contracts with managed health care systems in  
25 ~~((discrete geographic areas within at least five))~~ all congressional  
26 districts.

27       (7) To solicit and accept applications from managed health care  
28 systems, as defined in this chapter, for inclusion as eligible basic  
29 health care providers under the plan. The administrator shall endeavor  
30 to assure that covered basic health care services are available to any

1 enrollee of the plan from among a selection of two or more  
2 participating managed health care systems. In adopting any rules or  
3 procedures applicable to managed health care systems and in its  
4 dealings with such systems, the administrator shall consider and make  
5 suitable allowance for the need for health care services and the  
6 differences in local availability of health care resources, along with  
7 other resources, within and among the several areas of the state.

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

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

1 services under chapter 74.09 RCW. If a number of enrollees drop their  
2 enrollment for no apparent good cause, the administrator may establish  
3 appropriate rules or requirements that are applicable to such  
4 individuals before they will be allowed to re-enroll in the plan.

5 (10) To accept applications from small business owners on behalf of  
6 themselves and their employees who reside in an area served by the  
7 plan. Such businesses must have less than one hundred employees and  
8 enrollment shall be limited to those not eligible for medicare, who has  
9 a gross family income of less than three hundred percent of the federal  
10 poverty level, who wish to enroll in the plan at no cost to the state  
11 and choose to obtain basic health care coverage and services from a  
12 managed health care system participating in the plan. The  
13 administrator may require all or a substantial majority of the eligible  
14 employees, as determined by the administrator, of any such business to  
15 enroll in the plan and establish such other procedures as may be  
16 necessary to facilitate the orderly enrollment of such groups in the  
17 plan and into a managed health care system. The administrator shall  
18 adjust the amount determined to be due on behalf of or from all such  
19 enrollees whenever the amount negotiated by the administrator with the  
20 participating managed health care system or systems is modified or the  
21 administrative cost of providing the plan to such enrollees changes.  
22 Any amounts due under this subsection shall be deposited in the basic  
23 health plan subscription account. No enrollee of a small business  
24 group shall be eligible for any subsidy from the plan and at no time  
25 shall the administrator allow the credit of the state or funds from the  
26 trust account to be used or extended on their behalf.

27 (11) On and after July 1, 1994, to accept applications from  
28 individuals residing in areas served by the plan, on behalf of  
29 themselves and their spouses and dependent children not eligible for  
30 medicare who wish to enroll in the plan at no cost to the state and

1 choose to obtain basic health care coverage and services from a managed  
2 health care system participating in the plan. Any such nonsubsidized  
3 enrollee must pay the plan whatever amount is negotiated by the  
4 administrator with the participating managed health care system and the  
5 administrative cost of providing the plan to such enrollees and shall  
6 not be eligible for any subsidy from the plan. Any amounts due under  
7 this subsection shall be deposited in the basic health plan  
8 subscription account.

9 (12) To determine the rate to be paid to each participating managed  
10 health care system in return for the provision of covered basic health  
11 care services to enrollees in the system. Although the schedule of  
12 covered basic health care services will be the same for similar  
13 enrollees, the rates negotiated with participating managed health care  
14 systems may vary among the systems. In negotiating rates with  
15 participating systems, the administrator shall consider the  
16 characteristics of the populations served by the respective systems,  
17 economic circumstances of the local area, the need to conserve the  
18 resources of the basic health plan trust account, and other factors the  
19 administrator finds relevant.

20 ~~((11))~~ (13) To monitor the provision of covered services to  
21 enrollees by participating managed health care systems in order to  
22 assure enrollee access to good quality basic health care, to require  
23 periodic data reports concerning the utilization of health care  
24 services rendered to enrollees in order to provide adequate information  
25 for evaluation, and to inspect the books and records of participating  
26 managed health care systems to assure compliance with the purposes of  
27 this chapter. In requiring reports from participating managed health  
28 care systems, including data on services rendered enrollees, the  
29 administrator shall endeavor to minimize costs, both to the managed  
30 health care systems and to the ~~((administrator))~~ plan. The

1 administrator shall coordinate any such reporting requirements with  
2 other state agencies, such as the insurance commissioner and the  
3 department of health, to minimize duplication of effort.

4 ~~((12))~~ (14) To monitor the access that state residents have to  
5 adequate and necessary health care services, determine the extent of  
6 any unmet needs for such services or lack of access that may exist from  
7 time to time, and make such reports and recommendations to the  
8 legislature as the administrator deems appropriate.

9 ~~((13))~~ (15) To evaluate the effects this chapter has on private  
10 employer-based health care coverage and to take appropriate measures  
11 consistent with state and federal statutes that will discourage the  
12 reduction of such coverage in the state.

13 ~~((14))~~ (16) To develop a program of proven preventive health  
14 measures and to integrate it into the plan wherever possible and  
15 consistent with this chapter.

16 ~~((15))~~ (17) To provide, consistent with available resources,  
17 technical assistance for rural health activities that endeavor to  
18 develop needed health care services in rural parts of the state."

19 **"Sec. 47.** RCW 70.47.080 and 1987 1st ex.s. c 5 s 10 are each  
20 amended to read as follows:

21 On and after July 1, 1988, the administrator shall accept for  
22 enrollment applicants eligible to receive covered basic health care  
23 services from the respective managed health care systems which are then  
24 participating in the plan. ~~((The administrator shall not allow the  
25 total enrollment of those eligible for subsidies to exceed thirty  
26 thousand.))~~

27 Thereafter, ~~((total))~~ average monthly enrollment of those eligible  
28 for subsidies during any biennium shall not exceed the number  
29 established by the legislature in any act appropriating funds to the

1 plan, and total subsidized enrollment shall not result in expenditures  
2 that exceed the total amount that has been made available by the  
3 legislature in any act appropriating funds to the plan.

4 Before July 1, (~~(1988)~~) 1994, the administrator shall endeavor to  
5 secure participation contracts from managed health care systems in  
6 (~~((discrete geographic areas within at least five))~~) all congressional  
7 districts of the state and in such manner as to allow residents of both  
8 urban and rural areas access to enrollment in the plan. The  
9 administrator shall make a special effort to secure agreements with  
10 health care providers in one such area that meets the requirements set  
11 forth in RCW 70.47.060(4).

12 The administrator shall at all times closely monitor growth  
13 patterns of enrollment so as not to exceed that consistent with the  
14 orderly development of the plan as a whole, in any area of the state or  
15 in any participating managed health care system.

16 The annual or biennial enrollment limitations derived from  
17 operation of the plan under this section do not apply to nonsubsidized  
18 enrollees as defined in RCW 70.47.020(5)."

19 "**Sec. 48.** RCW 70.47.120 and 1987 1st ex.s. c 5 s 14 are each  
20 amended to read as follows:

21 In addition to the powers and duties specified in RCW 70.47.040 and  
22 70.47.060, the administrator has the power to enter into contracts for  
23 the following functions and services:

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

28 (2) With public or private agencies, to provide technical or  
29 professional assistance to health care providers, particularly public

1 or private nonprofit organizations and providers serving rural areas,  
2 who show serious intent and apparent capability to participate in the  
3 plan as managed health care systems.

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

16 **"MISCELLANEOUS"**

17 "NEW SECTION. Sec. 49. The following acts or parts of acts are  
18 each repealed:

19 (1) RCW 43.131.355 and 1987 1st ex.s. c 5 s 24; and

20 (2) RCW 43.131.356 and 1987 1st ex.s. c 5 s 25."

21 "NEW SECTION. Sec. 50. SEVERABILITY. If any provision of this  
22 act or its application to any person or circumstance is held invalid,  
23 the remainder of the act or the application of the provision to other  
24 persons or circumstances is not affected."

25 "NEW SECTION. Sec. 51. SAVINGS CLAUSE. The enactment of this act  
26 does not have the effect of terminating, or in any way modifying, any



1 obligation or any liability, civil or criminal, which was already in  
2 existence on the effective date of this section."

3 "NEW SECTION. Sec. 52. CODIFICATION DIRECTIONS. Sections 1  
4 through 17 and 19 through 21 of this act shall constitute a new chapter  
5 in Title 70 RCW."

6 "NEW SECTION. Sec. 53. CAPTIONS. Captions used in this act do  
7 not constitute any part of the law."

8 "NEW SECTION. Sec. 54. SHORT TITLE. This act may be known and  
9 cited as the Washington health services act."

10 "NEW SECTION. Sec. 55. EMERGENCY CLAUSE. Sections 1 through 25,  
11 50, and 51 of this act are necessary for the immediate preservation of  
12 the public peace, health, or safety, or support of the state government  
13 and its existing public institutions, and shall take effect  
14 immediately."

15 "NEW SECTION. Sec. 56. (1) Sections 26 through 30 and 34  
16 through 49 of this act shall take effect July 1, 1992.

17 (2) Sections 31 through 33 of this act shall take effect January 1,  
18 1994."

19 "NEW SECTION. Sec. 57. Sections 26 through 34 of this act shall  
20 expire on July 1, 1996."

1 **SB 6089** - S AMD TO WM COMM AMD (S-4141.1/92)

2 By Senators Kreidler, Pelz and Niemi

3

4 On page 1, line 1 of the title, after "care;" strike the remainder  
5 of the title and insert "amending RCW 70.47.010, 70.47.020, 70.47.040,  
6 70.47.080, and 70.47.120; reenacting and amending RCW 70.47.030 and  
7 70.47.060; adding new sections to Title 48 RCW; adding new sections to  
8 chapter 48.21 RCW; adding new sections to chapter 48.44 RCW; adding new  
9 sections to chapter 48.46 RCW; adding a new section to chapter 70.47  
10 RCW; adding a new section to chapter 70.170 RCW; adding a new chapter  
11 to Title 70 RCW; creating new sections; repealing RCW 43.131.355 and  
12 43.131.356; providing effective dates; providing an expiration date;  
13 and declaring an emergency." "