

---

HOUSE BILL 2076

---

State of Washington                      52nd Legislature                      1991 Regular Session

By Representatives Cantwell, Braddock and Anderson.

Read first time February 21, 1991. Referred to Committee on Health Care.

1            AN ACT Relating to the basic health plan; amending RCW 70.47.020,  
2 70.47.030, 70.47.060, 70.47.080, and 43.131.355; reenacting and  
3 amending RCW 43.131.356; adding a new section to chapter 70.47 RCW;  
4 creating new sections; and providing an effective date.

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

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

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

1        NEW SECTION.    **Sec. 2.**        All reports, documents, surveys, books,  
2 records, files, papers, or written material in the possession of the  
3 Washington basic health plan shall be delivered to the custody of the  
4 Washington health care authority. All cabinets, furniture, office  
5 equipment, motor vehicles, and other tangible property employed by the  
6 Washington basic health plan shall be made available to the Washington  
7 health care authority. All funds, credits, or other assets held by the  
8 Washington basic health plan shall be assigned to the Washington health  
9 care authority.

10        Any appropriations made to the Washington basic health plan shall,  
11 on the effective date of this section, be transferred and credited to  
12 the Washington health care authority.

13        Whenever any question arises as to the transfer of any personnel,  
14 funds, books, documents, records, papers, files, equipment, or other  
15 tangible property used or held in the exercise of the powers and the  
16 performance of the duties and functions transferred, the director of  
17 financial management shall make a determination as to the proper  
18 allocation and certify the same to the state agencies concerned.

19        NEW SECTION.    **Sec. 3.**        All employees of the Washington basic  
20 health plan are transferred to the jurisdiction of the Washington  
21 health care authority. All employees classified under chapter 41.06  
22 RCW, the state civil service law, are assigned to the Washington health  
23 care authority to perform their usual duties upon the same terms as  
24 formerly, without any loss of rights, subject to any action that may be  
25 appropriate thereafter in accordance with the laws and rules governing  
26 state civil service.

27        NEW SECTION.    **Sec. 4.**        All rules and all pending business  
28 before the Washington basic health plan shall be continued and acted

1 upon by the Washington health care authority. All existing contracts  
2 and obligations shall remain in full force and shall be performed by  
3 the Washington health care authority.

4 NEW SECTION. **Sec. 5.** The transfer of the powers, duties,  
5 functions, and personnel of the Washington basic health plan shall not  
6 affect the validity of any act performed prior to the effective date of  
7 this section.

8 NEW SECTION. **Sec. 6.** If apportionments of budgeted funds are  
9 required because of the transfers directed by sections 2 through 5 of  
10 this act, the director of financial management shall certify the  
11 apportionments to the agencies affected, the state auditor, and the  
12 state treasurer. Each of these shall make the appropriate transfer and  
13 adjustments in funds and appropriation accounts and equipment records  
14 in accordance with the certification.

15 NEW SECTION. **Sec. 7.** Nothing contained in sections 1 through  
16 6 of this act may be construed to alter any existing collective  
17 bargaining unit or the provisions of any existing collective bargaining  
18 agreement until the agreement has expired or until the bargaining unit  
19 has been modified by action of the personnel board as provided by law.

20 **Sec. 8.** RCW 70.47.020 and 1987 1st ex.s. c 5 s 4 are each amended  
21 to read as follows:

22 As used in this chapter:

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

1 (2) "Administrator" means the Washington basic health plan  
2 administrator.

3 (3) "Managed health care system" means any health care  
4 organization, including health care providers, insurers, health care  
5 service contractors, health maintenance organizations, or any  
6 combination thereof, that provides directly or by contract basic health  
7 care services, as defined by the administrator and rendered by duly  
8 licensed providers, on a prepaid capitated basis to a defined patient  
9 population enrolled in the plan and in the managed health care system.

10 (4) "Enrollee" means an individual, or an individual plus the  
11 individual's spouse (~~and/or~~) and dependent children, all under the  
12 age of sixty-five and not otherwise eligible for medicare, who resides  
13 in an area of the state served by a managed health care system  
14 participating in the plan, whose gross family income at the time of  
15 enrollment does not exceed twice the federal poverty level as adjusted  
16 for family size and determined annually by the federal department of  
17 health and human services, who chooses to obtain basic health care  
18 coverage from a particular managed health care system in return for  
19 periodic payments to the plan. Nonsubsidized enrollees shall be  
20 considered enrollees as restricted in this section.

21 (5) "Nonsubsidized enrollee" means an individual and, when  
22 requested, members of the individual's family, if the individual (a) is  
23 employed by a business licensed in the state of Washington not  
24 employing more than twenty-five full-time employees for more than six  
25 consecutive months during the immediately preceding calendar year as  
26 determined by the administrator, (b) resides in an area of the state  
27 serviced by a managed health care system participating in the plan, and  
28 (c) chooses to obtain health care coverage from a managed health care  
29 system participating in the plan in return for periodic payments paid

1 by the individual, or her or his employer, covering the total cost of  
2 care.

3 (6) "Subsidy" means the difference between the amount of periodic  
4 payment the administrator makes, from funds appropriated from the basic  
5 health plan trust account, to a managed health care system on behalf of  
6 an enrollee and the amount determined to be the enrollee's  
7 responsibility under RCW 70.47.060(2).

8 ~~((6))~~ (7) "Premium" means a periodic payment, based upon gross  
9 family income and determined under RCW 70.47.060(2), which an enrollee  
10 makes to the plan as consideration for enrollment in the plan.

11 ~~((7))~~ (8) "Rate" means the per capita amount, negotiated by the  
12 administrator with and paid to a participating managed health care  
13 system, that is based upon the enrollment of enrollees in the plan and  
14 in that system.

15 **Sec. 9.** RCW 70.47.030 and 1987 1st ex.s. c 5 s 5 are each amended  
16 to read as follows:

17 The basic health plan trust account is hereby established in the  
18 state treasury. All funds appropriated for this chapter shall be  
19 deposited in the basic health plan trust account and may be expended  
20 without further appropriation. Disbursements from other moneys in the  
21 account shall be made pursuant to appropriation and upon warrants drawn  
22 by the Washington basic health plan administrator. Moneys in the  
23 account shall be used exclusively for the purposes of this chapter,  
24 including payments to participating managed health care systems on  
25 behalf of enrollees in the plan and payment of costs of administering  
26 the plan. The earnings on any surplus balances in the basic health  
27 plan trust account shall be credited to the account, notwithstanding  
28 RCW 43.84.090. After January 1, 1988, the administrator shall not  
29 expend or encumber for an ensuing fiscal period amounts exceeding

1 ninety percent of the amounts anticipated to accrue in the account  
2 during the fiscal period. No funds from the trust account or from  
3 enrollee premiums or other types of enrollee financial participation  
4 shall be used or expended to underwrite any part of nonsubsidized  
5 enrollees' coverage.

6 **Sec. 10.** RCW 70.47.060 and 1987 1st ex.s. c 5 s 8 are each amended  
7 to read as follows:

8 The administrator has the following powers and duties:

9 (1) To design and from time to time revise a schedule of covered  
10 basic health care services, including physician services, inpatient and  
11 outpatient hospital services, and other services that may be necessary  
12 for basic health care, which enrollees in any participating managed  
13 health care system under the Washington basic health plan shall be  
14 entitled to receive in return for premium payments to the plan. The  
15 schedule of services shall emphasize proven preventive and primary  
16 health care, shall include all services necessary for prenatal,  
17 postnatal, and well-child care, and shall include a separate schedule  
18 of basic health care services for children, eighteen years of age and  
19 younger, for those enrollees who choose to secure basic coverage  
20 through the plan only for their dependent children. In designing and  
21 revising the schedule of services, the administrator shall consider the  
22 guidelines for assessing health services under the mandated benefits  
23 act of 1984, RCW 48.42.080, and such other factors as the administrator  
24 deems appropriate.

25 (2) To design and implement a structure of periodic premiums due  
26 the administrator from enrollees that is based upon gross family  
27 income, giving appropriate consideration to family size as well as the  
28 ages of all family members. The enrollment of children shall not  
29 require the enrollment of their parent or parents who are eligible for

1 the plan. Premiums due from nonsubsidized enrollees, who are not  
2 otherwise eligible to be enrollees, shall be in an amount equal to the  
3 rates charged by the plan to the managed health care system.

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

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

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

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

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

24 (d) A case management system that fosters a provider-enrollee  
25 relationship whereby, in an effort to control cost, maintain or improve  
26 the health status of the enrollee, and maximize patient involvement in  
27 her or his health care decision-making process, every effort is made by  
28 the provider to inform the enrollee of the cost of the specific  
29 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 operation  
17 of the plan, the administrator shall take into account the levels and  
18 rates of unemployment in different areas of the state, the need to  
19 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, the administrator shall endeavor to secure  
24 participation contracts with managed health care systems in discrete  
25 geographic areas within at least five congressional districts.

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



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

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

12 (9) To accept applications from individuals residing in areas  
13 served by the plan, on behalf of themselves and their spouses and  
14 dependent children, for enrollment in the Washington basic health plan,  
15 to establish appropriate minimum-enrollment periods for enrollees as  
16 may be necessary, and to determine, upon application and at least  
17 annually thereafter, or at the request of any enrollee, eligibility due  
18 to current gross family income for sliding scale premiums. An enrollee  
19 who remains current in payment of the sliding-scale premium, as  
20 determined under subsection (2) of this section, and whose gross family  
21 income has risen above twice the federal poverty level, may continue  
22 enrollment unless and until the enrollee's gross family income has  
23 remained above twice the poverty level for six consecutive months, by  
24 making payment at the unsubsidized rate required for the managed health  
25 care system in which he or she may be enrolled. No subsidy may be paid  
26 with respect to any enrollee whose current gross family income exceeds  
27 twice the federal poverty level or, subject to RCW 70.47.110, who is a  
28 recipient of medical assistance or medical care services under chapter  
29 74.09 RCW. If a number of enrollees drop their enrollment for no  
30 apparent good cause, the administrator may establish appropriate rules

1 or requirements that are applicable to such individuals before they  
2 will be allowed to re-enroll in the plan.

3 (10) To require that prospective enrollees who may be eligible for  
4 categorically needy medical coverage under RCW 74.09.510 or whose  
5 income does not exceed the medically needy income level under RCW  
6 74.09.700 apply for such coverage, but the administrator shall enroll  
7 the individuals in the plan pending the determination of eligibility  
8 under chapter 74.09 RCW.

9 (11) 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 (12) To monitor the provision of covered services to enrollees by  
21 participating managed health care systems in order to assure enrollee  
22 access to good quality basic health care, to require periodic data  
23 reports concerning the utilization of health care services rendered to  
24 enrollees in order to provide adequate information for evaluation, and  
25 to inspect the books and records of participating managed health care  
26 systems to assure compliance with the purposes of this chapter. In  
27 requiring reports from participating managed health care systems,  
28 including data on services rendered enrollees, the administrator shall  
29 endeavor to minimize costs, both to the managed health care systems and  
30 to the administrator. The administrator shall coordinate any such

1 reporting requirements with other state agencies, such as the insurance  
2 commissioner and the ((hospital commission)) department of health, to  
3 minimize duplication of effort.

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

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

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

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

19 **Sec. 11.** 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 total  
25 enrollment of those eligible for subsidies to exceed thirty thousand.

26 Thereafter, total enrollment shall not exceed the number  
27 established by the legislature in any act appropriating funds to the  
28 plan.

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

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

12 The enrollment limitations set forth in this section do not apply  
13 to nonsubsidized enrollees as defined in RCW 70.47.020(5).

14 NEW SECTION. **Sec. 12.** The school of public health and  
15 community medicine of the University of Washington shall, consistent  
16 with its ongoing evaluation of the basic health plan and in  
17 consultation with the legislative budget committee, submit an interim  
18 report on the plan to the governor and appropriate committees of the  
19 legislature by December 1, 1991. The report shall address, at least:  
20 A description of enrollees; enrollment and disenrollment patterns;  
21 utilization rates; costs; and issues of implementation.

22 **Sec. 13.** RCW 43.131.355 and 1987 1st ex.s. c 5 s 24 are each  
23 amended to read as follows:

24 The Washington basic health plan ((administrator)) under the  
25 authority of the Washington health care authority and its powers and  
26 duties shall be terminated on June 30, ((1992)) 1994, as provided in  
27 RCW 43.131.356.

1       **Sec. 14.**   RCW 43.131.356 and 1987 1st ex.s. c 5 s 25 are each  
2 reenacted and amended to read as follows:

3       The following acts or parts of acts, as now existing or hereafter  
4 amended, are each repealed, effective June 30, (~~(1993)~~) 1995:

- 5       (1) RCW 70.47.900 and 1987 1st ex.s. c 5 s 1;
- 6       (2) RCW 70.47.140 and 1987 1st ex.s. c 5 s 2;
- 7       (3) RCW 70.47.010 and 1987 1st ex.s. c 5 s 3;
- 8       (4) RCW 70.47.020 and 1987 1st ex.s. c 5 s 4;
- 9       (5) RCW 70.47.030 and 1987 1st ex.s. c 5 s 5;
- 10      (6) RCW 70.47.040 and 1987 1st ex.s. c 5 s 6;
- 11      (7) RCW 70.47.050 and 1987 1st ex.s. c 5 s 7;
- 12      (8) RCW 70.47.060 and 1987 1st ex.s. c 5 s 8;
- 13      (9) RCW 70.47.070 and 1987 1st ex.s. c 5 s 9;
- 14      (10) RCW 70.47.080 and 1987 1st ex.s. c 5 s 10;
- 15      (11) RCW 70.47.090 and 1987 1st ex.s. c 5 s 11;
- 16      (12) RCW 70.47.100 and 1987 1st ex.s. c 5 s 12;
- 17      (13) RCW 70.47.110 and 1987 1st ex.s. c 5 s 13;
- 18      (14) RCW 70.47.120 and 1987 1st ex.s. c 5 s 14;
- 19      (15) RCW 70.47.130 and 1987 1st ex.s. c 5 s 15;
- 20      (16) RCW 50.20.210 and 1987 1st ex.s. c 5 s 16;
- 21      (17) RCW 51.28.090 and 1987 1st ex.s. c 5 s 17; and
- 22      (18) RCW 74.04.033 and 1987 1st ex.s. c 5 s 18.

23       NEW SECTION.   **Sec. 15.**       Sections 1 through 7 of this act shall  
24 take effect July 1, 1992.