
HOUSE BILL 2205

State of Washington 52nd Legislature 1991 1st Special Session

By Representatives Braddock, Anderson, Spanel, Brekke and Jacobsen.

Read first time June 10, 1991. Referred to Committee on Health Care.

1 AN ACT Relating to health care; adding a new chapter to Title 70
2 RCW; creating new sections; providing for submission of this act to a
3 vote of the people; and providing an effective date.

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

5 NEW SECTION. **Sec. 1.** FINDINGS, INTENT, AND PRINCIPLES. (1) The
6 legislature finds that:

7 (a) Despite the significant strides Washington state has made in
8 addressing the lack of access to health care services and rising health
9 care service costs, major system deficiencies still exist. The number
10 of persons without access or with increasingly limited access to health
11 care services continues to grow at an alarming rate as health care
12 service costs continue to rise well above the rate of inflation;

13 (b) Problems relating to health care service access, assurance of
14 quality of care, and cost control are likely to have a detrimental
15 effect on the state's ability to be competitive in the international

1 economy. Further, growing health care costs and the inability to
2 purchase insurance have had a particularly harmful effect on small
3 businesses, families, and individuals;

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

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

16 (2) To address the problems set forth in subsection (1) of this
17 section, it is the intent of the legislature to establish the
18 Washington healthcare plan based on the following principles:

19 (a) 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 care system;

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

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

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

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

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

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

12 (h) A state healthcare budget, reflecting the cost of providing
13 health care services provided through the Washington healthcare plan
14 and established in a public and deliberative manner, is essential for
15 controlling health costs;

16 (i) A unified health care administrative structure is essential to
17 reduce costs and streamline the service delivery;

18 (j) Quality of care should be promoted through establishment and
19 provision of the most effective health care services developed with the
20 participation of health care providers, health scientists, health
21 economists, health policy experts, and consumers, and through
22 implementation of acceptable standards for the education,
23 credentialing, and disciplining of health care providers and the
24 operation of health care facilities;

25 (k) The health care service system should be sensitive to cultural
26 differences and recognize the need for nonmedical services in
27 eliminating significant barriers to health care services; and

28 (l) There should be explicit policy that covers critical issues
29 related to medical ethics and acceptable use of health care rationing,

1 which shall be developed in an open manner reflecting community and
2 societal values.

3 NEW SECTION. **Sec. 2.** DEFINITIONS. Unless the context clearly
4 requires otherwise, the definitions in this section apply throughout
5 this chapter.

6 (1) "Alternative plan" means a health care plan that is offered
7 separately from the Washington healthcare plan and meets the conditions
8 set forth in section 7 of this act.

9 (2) "Board of governors" or "board" means the Washington healthcare
10 service board of governors created under section 3 of this act or the
11 successor body, if any, created under section 16 of this act.

12 (3) "Critical health care services" means services identified
13 through the process established in section 10 of this act, and
14 addressed in the improper queuing provisions set forth in section 13 of
15 this act.

16 (4) "Enrollee" or "resident" means any person who is a resident of
17 Washington state and who is enrolled in the Washington healthcare plan
18 or an alternative plan.

19 (5) "Executive officer" means the executive officer of the
20 Washington healthcare service created under section 3 of this act or
21 the successor entity, if any, created under section 16 of this act.

22 (6) "Federal poverty level" means the federal poverty guidelines
23 determined annually by the United States department of health and human
24 services or successor agency.

25 (7) "Health care facility" or "facility" means a hospital licensed
26 under chapter 70.41 RCW, a rural health care facility as defined in RCW
27 70.175.020, or other facilities licensed by the state that the board of
28 governors identify as appropriate to provide healthcare plan services.

1 (8) "Health care provider" or "provider" means a physician licensed
2 under chapter 18.71 or 18.57 RCW or other licensed health professionals
3 regulated under chapter 18.130 RCW, and whom the board of governors
4 identify as appropriate to provide services through the healthcare
5 plan.

6 (9) "Health care referendum" means a process, set forth in section
7 15 of this act, whereby residents, by United States congressional
8 district, may petition for exclusion from participation in the plan, or
9 subsequently petition for inclusion in the plan.

10 (10) "Health care services" means a set of comprehensive basic
11 health care services defined under section 10 of this act and provided
12 by the Washington healthcare plan or an alternative plan.

13 (11) "Improper queuing" means an enrollee's waiting period to
14 receive critical health care services in excess of acceptable standards
15 and guidelines as established by the board of governors under section
16 10 of this act.

17 (12) "Insuring entity" means a disability group insurer regulated
18 under chapter 48.21 or 48.22 RCW, a health care service contractor as
19 defined in RCW 48.44.010, or a health maintenance organization as
20 defined in RCW 48.46.020.

21 (13) "Managed health care services" means health care services,
22 certified by the board of governors, and provided within a system
23 designed to monitor and control utilization and quality of care using
24 a defined network of health care facilities and health care providers
25 who agree to abide by the system's practices, payment levels, and other
26 requirements.

27 (14) "Nonmedical services" means services that are not necessarily
28 provided by a provider or facility but are deemed by the board of
29 governors as critical for the efficient and effective delivery of

1 health care services, and may include, but is not limited to,
2 transportation, child care, and language translation services.

3 (15) "Nonparticipating resident" means any person who is a resident
4 of Washington state and who legally resides in a United States
5 congressional district that is excluded from the healthcare plan or an
6 alternative plan under section 15 of this act.

7 (16) "State healthcare budget" or "healthcare budget" means a
8 budget that finances the total amount of health care services provided
9 in the healthcare plan or an alternative plan with funds enumerated in
10 section 5 of this act.

11 (17) "Washington healthcare service" or "service" means the public
12 corporate entity established under section 3 of this act.

13 (18) "Washington healthcare plan," "healthcare plan," or "plan"
14 means the health care plan provided under section 10 this act. For the
15 purposes of requirements and benefits, it also means an alternative
16 plan provided in section 7 of this act.

17 (19) "Utilization fee" means a fee paid by certain enrollees, as
18 determined by the board of governors, at the time of receiving health
19 care services.

20 NEW SECTION. **Sec. 3.** PUBLIC CORPORATION CREATED. (1) The
21 Washington healthcare service is hereby created as a public corporation
22 in the state of Washington to implement and administer the Washington
23 healthcare plan. The corporation shall be governed solely by this
24 chapter, subsequent revisions to the Revised Code of Washington, and
25 related adopted rules. The public corporation and health care services
26 provided under this chapter shall be exempt from Title 48 RCW.

27 (2) Pending revision resulting from the administrative evaluation
28 performed under section 16 of this act, the public corporation shall be
29 governed by a board of governors composed of nine members.

1 (a) Six members shall be appointed by the governor with the consent
2 of the senate as follows:

3 (i) One member shall represent employers;

4 (ii) One member shall represent employee organizations;

5 (iii) One member shall represent the health care industry;

6 (iv) One member shall represent insuring entities; and

7 (v) Two members shall represent consumers and shall have no direct
8 involvement with government, employers, employee organizations, or the
9 provision of health services, one of whom shall also represent citizens
10 who are experiencing significant barriers to health care access.

11 The governor shall appoint two members to one-year terms, two
12 members to two-year terms, and two members to three-year terms. All
13 subsequent terms shall be for three years with no member serving more
14 than six consecutive years. Appointed members shall be compensated in
15 accordance with RCW 43.03.250 and shall be reimbursed for their travel
16 expenses while on official business in accordance with RCW 43.03.050
17 and 43.03.060.

18 (b) Three members shall be permanent ex officio voting members as
19 follows:

20 (i) The administrator of the Washington state health care
21 authority, to be replaced by the executive officer of the Washington
22 healthcare service on July 1, 1994;

23 (ii) The secretary of social and health services; and

24 (iii) The secretary of health.

25 (3) The governor shall appoint the chair of the board of governors
26 from among its members, who shall serve in that position at the
27 governor's pleasure.

28 (4) The board of governors shall hire an executive officer who
29 shall be the chief operating officer for the Washington healthcare
30 plan. The executive officer's salary shall be set pursuant to RCW

1 43.03.040. The executive officer may hire up to nine employees who
2 shall be exempt from the civil service requirements of chapter 41.06
3 RCW.

4 NEW SECTION. **Sec. 4.** WASHINGTON HEALTHCARE SERVICE CORPORATION
5 RESPONSIBILITIES. Notwithstanding other provisions of law, it is the
6 responsibility of the Washington healthcare service board of governors
7 to implement the provisions of this chapter so that, except for
8 exclusion of participation as provided in section 15 of this act, all
9 residents shall be enrolled in the healthcare plan or an alternative
10 plan by July 1, 1996. The plan shall incorporate the following
11 elements:

12 (1) All residents of Washington state shall have the right to
13 participate in the Washington healthcare plan regardless of age, sex,
14 ethnicity, race, health condition, geographic location, employment, or
15 economic status.

16 (2) A uniform set of appropriate health care services, developed
17 under section 10 of this act, that adhere to the principles set forth
18 in section 1 of this act shall be available to all enrollees. Health
19 care services shall be provided in an efficient and timely manner.

20 (3) The Washington healthcare service shall be developed based on
21 the concept of a unified administrative organizational structure,
22 having complete operational control over all aspects of the healthcare
23 plan including budgeting, healthcare plan benefit design, data
24 collection, negotiation, contracting, and payment. The board of
25 governors may contract with insuring entities or other appropriate
26 organizations to act as regional administrative entities or provide
27 other administrative services.

1 (4) A state healthcare budget, as defined in section 2 of this act,
2 derived from sources identified in section 5 of this act, shall be
3 established.

4 (5) Health care facilities that provide health care services
5 through the plan shall be funded by an annual health care facility
6 budget negotiated by the executive officer, reflecting the total cost
7 of health care services provided through the plan, based on data
8 adjusted for age and sex of patients, updated at least annually, and
9 considering regional variations, if any. This budget shall enumerate
10 specific cost of capital expenditures and medical education.

11 (6) Each health care provider shall have the option of payment that
12 is negotiated on the basis of fee-for-service, annual budget, or
13 capitation. Payments shall be set within each specialty or scope of
14 practice in the manner prescribed by the board of governors. These
15 fees shall be based on the principles set forth in the federal
16 resource-based relative value scale with incentives to provide wellness
17 services and least-intrusive procedures for the prevention or treatment
18 of illnesses or injuries. Except for regional variations authorized
19 under section 6 of this act or other actuarially based variations,
20 capitation rates shall be uniformly based on the number of enrollees
21 with the insuring entity. If such insuring entity chooses to be
22 reimbursed through an annual budget, the amount shall be determined in
23 a manner similar to a health care facility annual budget. The board of
24 governors shall develop incentives for health care providers to
25 participate in managed health care services organizations that are
26 cost-effective.

27 (7) The board of governors may contract directly with local health
28 departments or districts, public or private not-for-profit health
29 clinics, health care facilities, or other appropriate governmental
30 agencies to provide healthcare plan services.

1 (8) No health care facility or health care provider may charge any
2 additional fees or balance bill for services included in the healthcare
3 plan or an alternative plan that are provided to enrollees.

4 (9) Health care providers, as defined in section 2 of this act,
5 shall not be discriminated against in offering plan services limited to
6 the scope of the provider's practice.

7 (10) The plan shall include necessary nonmedical services to
8 eliminate barriers to needed health care services.

9 (11) The plan shall include portability provisions, whereby an
10 enrollee traveling out-of-state continues to be covered under the plan.
11 The board shall establish a payment schedule for payment of out-of-
12 state services. The board shall also endeavor to ensure that enrollees
13 do not use out-of-state health care providers as regular sources of
14 health care services, but may permit reasonable exceptions.

15 (12) Initially, the medical services of the worker's compensation
16 program of the department of labor and industries, the nursing facility
17 services program of the department of social and health services, state
18 and federal veterans' health care services, and the civilian health and
19 medical program of the uniformed services (CHAMPUS) of the federal
20 department of defense and other federal agencies shall not be included
21 in the healthcare plan, but shall be studied for future inclusion as
22 directed in section 16 of this act.

23 (13) The plan shall include payment schedules for persons from out-
24 of-state and nonparticipating residents who receive services through
25 the plan. Such schedules shall reflect the total cost of the health
26 care service provided.

27 (14) Long-term care and support services for functionally disabled
28 persons shall be provided under chapter --, Laws of 1992 (House Bill
29 No. 1569). The community-based, long-term care secured benefit program
30 board, as created in chapter --, Laws of 1992 (House Bill No. 1569)

1 shall be coordinated with the board of governors, as deemed necessary,
2 to insure efficient delivery of services provided through the two
3 programs.

4 (15) As of July 1, 1996, except as provided in section 7 of this
5 act, no insuring entity may independently insure, contract for, or
6 provide those health care services provided through the Washington
7 healthcare plan or an alternative plan. Nothing in this chapter shall
8 preclude such an insuring entity from insuring, providing, or
9 contracting for health care services not included in the healthcare
10 plan or alternative plans, nor restrict the right of an employer to
11 offer, or employee representative from negotiating for, services not
12 included in the plan.

13 (16) An insuring entity providing managed health care services may
14 offer enhanced benefits not included in the plan, if, through
15 organizational and administrative efficiencies, plan services can be
16 provided for less than the contracted amount.

17 (17) In developing the plan, the board of governors should consider
18 the likelihood of the establishment of a national health care plan
19 adopted by the federal government and its implications.

20 NEW SECTION. **Sec. 5.** FUNDING SOURCES. (1) The state healthcare
21 budget shall reflect the total expenditure of the healthcare plan and
22 alternative plans. The board of governors shall develop the state
23 healthcare budget based on state economic and revenue indicators and
24 other forecasting methods. The state healthcare budget shall be
25 comprised of the sources identified in subsection (2) of this section.
26 The board of governors shall submit the state healthcare budget, which
27 shall include estimated amounts of each trust fund account as set forth
28 in section 12 of this act, as part of the governor's biennial budget
29 request. The legislature's powers regarding the healthcare budget

1 shall be limited to adoption, rejection, reduction in the total amount,
2 and advisement regarding individual amounts in each trust fund account.

3 (2) The state healthcare budget shall include funds to be obtained
4 from the following sources:

5 (a) Medicare, parts A and B, Title XVIII of the federal Social
6 Security Act, as amended, except for nursing facility services funding
7 and other federal funding available for services provided through the
8 community-based long-term care secured benefit program as created in
9 chapter --, Laws of 1992 (House Bill No. 1569);

10 (b) Medicaid, Title XIX of the federal Social Security Act, as
11 amended, except for nursing facility services funding and other federal
12 funding available for services provided through the community-based
13 long-term care secured benefit program as created in chapter --, Laws
14 of 1992 (House Bill No. 1569);

15 (c) Nonmedicare and nonmedicaid federal funds that are allocated to
16 the state for services provided by the plan;

17 (d) Legislative general fund--state appropriations for the plan;

18 (e) An assessment on each employer, as defined in RCW 50.04.080, of
19 percent for each employee up to percent of that employee's
20 gross wages. However, the assessment on employers with twenty-five or
21 less full-time equivalent employees may be set at a lower percentage
22 level. The board of governors may establish an assessment on each
23 employee in an amount not greater than twenty-five percent of the
24 employer's assessment for such employee. Employers may pay employee
25 assessments;

26 (f) An assessment of percent for each corporate officer,
27 partner in a partnership, sole proprietor, or individual who is an
28 employee for whom an assessment is not collected under (e) of this
29 subsection or who earns self-employment or partnership income that is
30 essentially equivalent to wages as defined in RCW 50.04.320;

1 (g) Individual premiums which may be paid by the individual
2 directly or through her or his employer. An enrollee with a household
3 income at one hundred percent or less of the federal poverty level
4 shall not pay premiums. An enrollee with income over that level shall
5 pay premiums based on family size at a maximum rate established by the
6 board of governors, however premiums for enrollees with household
7 incomes between one hundred and two hundred percent of the federal
8 poverty level shall be based on family size and income level. The
9 annual cumulative amount obtained through premiums, shall not exceed
10 percent of the annual state healthcare budget;

11 (h) Utilization fees if determined to be appropriate by the board
12 of governors, but in no case if it is deemed that such fees would be a
13 significant barrier to appropriate health care service access.

14 (3) Except as authorized in section 7 of this act, all state
15 healthcare budget funds shall be deposited in the Washington healthcare
16 service trust account created in section 12 of this act.

17 NEW SECTION. **Sec. 6.** REGIONAL ORGANIZATIONS. The board of
18 governors may create Washington healthcare service regions upon the
19 determination that differences in demographics, geography, population
20 density, cost-of-living, economic status, availability of health care
21 facilities and health care providers, or other relevant factors require
22 some variation in the administration and service delivery of the
23 healthcare plan. In such case, the board of governors shall designate
24 regional boundaries that best reflect the differences and may appoint
25 a regional administrative entity to operate the plan within the
26 designated region. The number of regions shall not exceed the number
27 of United States congressional districts in the state. All
28 organizational and service delivery variations must be consistent with

1 the Washington healthcare plan elements set forth in section 4 of this
2 act.

3 NEW SECTION. **Sec. 7.** ALTERNATIVE PLANS. The board of governors
4 may adopt rules permitting one or more insuring entities to provide
5 alternatives to the healthcare plan. Such alternative plans may be
6 administered separately from the healthcare plan. While the funds for
7 an alternative plan need to be reflected in the state healthcare
8 budget, they need not be necessarily deposited in the Washington
9 healthcare service trust fund. An alternative plan may be authorized
10 by the board of governors only if it is determined that its operation
11 will not result in an increase in the cost of the overall state health
12 care expenditure and that services to citizens will not be
13 significantly reduced. An alternative plan shall be operated
14 consistent with the principles of this chapter and the elements of the
15 healthcare plan and meet the following conditions:

16 (1) After an initial start-up period, maintain an average monthly
17 enrollment of three hundred fifty thousand enrollees;

18 (2) Be administered by the insuring entity for a continuous period
19 of at least five years;

20 (3) Not discriminate against those enrollees who are likely to
21 utilize services or preselect enrollees who are less likely to utilize
22 services;

23 (4) Maintain enrollee profile similar to that of the healthcare
24 plan;

25 (5) Offer health care services that are the same as in the
26 healthcare plan, including the improper queuing protections set forth
27 in section 13 of this act;

28 (6) Comply with procedures set forth by the board of governors
29 regarding data collection and receipt and distribution of funds; and

1 (7) Alternative plan rates and related costs must be at or below
2 those of the healthcare plan.

3 NEW SECTION. **Sec. 8.** HEALTH CARE RATIONING POLICY. (1) The board
4 of governors shall establish an explicit policy regarding rationing of
5 health care services. This policy shall address rationing in relation
6 to limitations in financial resources and availability of anatomical
7 gifts.

8 The health care rationing policy shall address the following
9 factors:

10 (a) The effectiveness of the specific health care service
11 considered;

12 (b) The cost-effectiveness of such service;

13 (c) The service's ability to significantly improve the quality of
14 life;

15 (d) The service's ability to improve functioning and independence;

16 (e) The equity in providing the service to some persons, but not
17 others; and

18 (f) The service's social value to the health of the community when
19 weighted against other priorities.

20 (2) The board of governors shall establish regional health care
21 ethics committees, composed of persons drawn from a broad cross-section
22 of the community. These committees shall provide, based on the
23 healthcare rationing policy, guidance to health care providers in
24 making decisions about the rationing of health care services.

25 NEW SECTION. **Sec. 9.** IMPLEMENTATION SCHEDULE. The Washington
26 healthcare plan shall be implemented in developmental phases as
27 follows:

1 (1) By March 1, 1993, the director of the office of financial
2 management shall constitute a transitional team composed of staff of
3 the department of social and health services, the Washington state
4 health care authority, the department of health, the Washington basic
5 health plan, and the insurance commissioner's office. The director may
6 request participation of the appropriate legislative committee staff.

7 The transition team shall conduct analyses and identify:

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

10 (b) State and federal laws that would need to be repealed, amended,
11 or waived to implement this chapter.

12 The transitional team shall report its findings to the director and
13 board by October 1, 1993, and on that date be disbanded.

14 (2) By April 1, 1993, the board of governors shall be appointed.
15 As soon as possible thereafter, the board should: (a) Appoint the
16 executive officer; (b) hire the necessary staff; (c) develop necessary
17 data sources; (d) appoint the initial health care service review panel;
18 and (e) develop the necessary methods to establish the state healthcare
19 budget.

20 (3) By December 1, 1993, the director of the office of financial
21 management shall submit to the appropriate committees of the
22 legislature an agency transfer and consolidation report, which shall
23 address staffing, equipment, facilities, and funds. It shall also
24 include drafts of any necessary legislation.

25 (4) By December 1, 1993, the board shall, as required in section 11
26 of this act:

27 (a) Report to the extent that statutory revisions are needed; and

28 (b) Submit requests for necessary federal waivers to implement this
29 act.

1 (5) By March 1, 1994, the board of governors shall review the
2 report of the legislative budget committee as required in section 16(2)
3 of this act.

4 (6) By July 1, 1994, the board shall have:

5 (a) Reviewed recommendations of the initial health care service
6 review panel; and

7 (b) Established healthcare service regions, if deemed necessary.

8 (7) By October 1, 1994, the board of governors shall have:

9 (a) Determined plan benefits;

10 (b) Defined schedule of critical health care services;

11 (c) Identified anti-improper queuing strategies;

12 (d) Developed procedures regarding enrollment, premiums, and
13 facility and provider negotiations and payments; and

14 (e) Determined utilization fees, if any.

15 (8) By December 1, 1994, the board shall report, if necessary,
16 regarding implementation of the plan without federal waivers as
17 required in section 11 of this act.

18 (9) By December 20, 1994, consistent with the executive budget
19 process, the board of governors shall submit the first state healthcare
20 budget to the legislature.

21 (10) During its 1995 session, the legislature should consider the
22 material submitted as identified in subsections (4), (5)(a), and (9) of
23 this section in an expeditious manner.

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

1 under RCW 28A.400.350 shall be enrolled exclusively with the Washington
2 healthcare plan or an alternative plan, consistent with all provisions
3 of this chapter.

4 (12) By July 1, 1996, consistent with specific appropriations, all
5 provisions of this chapter shall be in full effect of law.

6 NEW SECTION. **Sec. 10.** HEALTHCARE PLAN BENEFIT DESIGN. (1) The
7 board of governors shall define the healthcare plan benefits, which
8 shall include those health care services based on the best available
9 scientific health information, deemed to be effective and necessary on
10 a societal basis for the maintenance of the health of citizens of the
11 state, and weighed against the availability of funding in the state
12 healthcare budget.

13 (a) The healthcare plan shall include, at least, the following
14 categories of coverage:

- 15 (i) Clinical preventive health care;
- 16 (ii) Health care provider services;
- 17 (iii) Inpatient health care facility services;
- 18 (iv) Testing and diagnostic services;
- 19 (v) Prescription drugs; and
- 20 (vi) Nonmedical services.

21 (b) Healthcare plan benefits shall not include:

- 22 (i) Cosmetic surgery and related services; and
- 23 (ii) Examinations associated with life insurance or legal
24 proceedings.

25 (c) The healthcare plan may include other coverage determined by
26 the board of governors to be effective, necessary, and consistent with
27 the principles set forth in section 1 of this act.

1 The specific schedule of health care services associated with the
2 above categories of coverage shall be developed by the board of
3 governors under (2) of this subsection.

4 (2) The board of governors shall establish procedures to determine
5 what specific schedule of health care services shall be covered in the
6 plan. To assist in this task, it shall periodically establish a health
7 care service review panel for a specified period of time to review
8 existing information on need, efficacy, and cost-effectiveness of
9 specific services and treatments. This panel shall use the service
10 outcome data provided in section 14(2) of this act. These procedures
11 shall take into consideration national practice guidelines, if
12 developed, and address the appropriate use of expensive medical
13 technology and be consistent with the health care rationing policy set
14 forth in section 8 of this act. The board of governors shall endeavor
15 to develop a schedule of critical health care services that are high
16 priority and related time guidelines for delivery of such services or
17 treatment; the schedules and guidelines shall be the basis for
18 expending funds from the improper queuing reserve account established
19 in section 13 of this act.

20 (3) In determining the healthcare plan benefits, the board of
21 governors shall endeavor to seek the opinions of and information from
22 the public. It shall coordinate this activity with the state board of
23 health in the development of the state health report under RCW
24 43.20.050.

25 NEW SECTION. **Sec. 11.** CODE REVISIONS AND WAIVERS. (1) The board
26 of governors shall consider the analysis of all state and federal laws
27 that would need to be repealed, amended, or waived to implement this
28 chapter, as conducted by the transitional team as constituted in
29 section 9 of this act, and report its recommendations along with

1 proposed revisions to the Revised Code of Washington, to the governor
2 and appropriate committees of the legislature by December 1, 1993.

3 (2) The board of governors shall by January 1, 1994, apply to the
4 federal health care financing administration and work with the state's
5 congressional delegation for the necessary waivers to implement this
6 chapter. If the board of governors fails to obtain the necessary
7 waivers, by January 1, 1995, it shall report to the appropriate
8 committees of the legislature on the extent to which this chapter can
9 be implemented without waivers.

10 NEW SECTION. **Sec. 12.** TRUST FUND AND ACCOUNTS. The Washington
11 healthcare service trust fund is hereby established in the state
12 treasury. Except as permitted in section 7 of this act, all funds
13 enumerated in section 5 of this act shall be deposited in the
14 Washington healthcare service trust fund and shall be expended in a
15 manner consistent with rules adopted by the board of governors. The
16 trust fund shall consist of five accounts:

17 (1) The healthcare services account from which funds shall be
18 expended for healthcare plan services in accordance with rates,
19 budgets, and contracts negotiated with health care facilities and
20 health care providers, payments for remnant uncompensated care, and
21 nonmedical services.

22 (2) The capital development account from which funds shall be
23 expended for expansion and improvement of health facilities and the
24 acquisition of major medical equipment as defined by the board of
25 governors by rule. Annual expenditure from this account shall not
26 exceed percent of the annual state healthcare budget. The board
27 shall establish categories of capital expenditures that do not require
28 board approval.

1 (3) The public health account from which funds shall be expended
2 for health promotion and illness and injury prevention services and
3 other public health services in a manner that addresses the related
4 priority health goals set forth in the state health report prepared by
5 the state board of health under RCW 43.20.050. Annual expenditures
6 from this account shall be at least percent of the annual state
7 healthcare budget. Funds from this account shall be allocated to the
8 department of health, the state board of health, local health
9 departments or districts, or other appropriate not-for-profit entities
10 in a manner prescribed by the board of governors by rule.

11 (4) 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 13 of this act.

14 (5) The health professional education and research account from
15 which funds shall be expended to train needed health care providers and
16 conduct research relative to the operation of the plan consistent with
17 the principles set forth in this chapter.

18 NEW SECTION. **Sec. 13.** IMPROPER QUEUING PROTECTION. It is the
19 intent of the legislature that all enrollees receive necessary health
20 care services in a timely manner and that every effort be made to avoid
21 delays in service that could be detrimental to enrollee health. The
22 board of governors shall develop strategies that will reduce or prevent
23 improper queuing for critical health care services, as defined in
24 section 2 of this act. Upon the development of such strategies and the
25 adoption of related rules, funds from the improper queuing reserve
26 account of the Washington healthcare service trust fund may be used to
27 implement such strategies.

1 NEW SECTION. **Sec. 14.** HEALTH DATA. The board of governors shall
2 develop the health data sources necessary to efficiently implement and
3 operate the Washington healthcare plan. The board of governors shall
4 have access to all health data presently available to the secretary of
5 health. To the extent possible, the board of governors shall use
6 existing data systems and coordinate among existing agencies. The
7 following sources shall be developed or made available:

8 (1) The board of governors shall coordinate with the secretary of
9 health to utilize data collected by the state center for health
10 statistics, including hospital charity care and related data, rural
11 health data, epidemiological data, ethnicity data, social and economic
12 status data, and other data relevant to the board's responsibilities.

13 (2) The board of governors, in coordination with the department of
14 health and the health science programs of the state universities shall
15 develop procedures to analyze clinical and other service outcome data
16 for the specific purpose of assisting in the design of the healthcare
17 plan benefits under section 10 of this act.

18 (3) The board of governors shall establish cost data sources and
19 shall require each insuring entity to provide the board with patient
20 care and cost information, to include: (a) Patient identifier,
21 including date of birth, sex, and ethnicity; (b) provider identifier;
22 (c) diagnosis; (d) health care services or procedures provided; (e)
23 provider charges; and (f) amount paid. The board shall establish by
24 rule confidentiality standards to safeguard the information from
25 inappropriate use or release.

26 NEW SECTION. **Sec. 15.** EXCLUSION FROM THE PLAN BY REFERENDUM. (1)
27 Upon enactment of this chapter, residents of the state, voting by
28 United States congressional districts, may petition to exclude
29 themselves from the provisions of this chapter by way of a health care

1 referendum. The requirements for balloting shall be the same as the
2 referendum procedure that permits voters to reject a measure that has
3 been enacted by the legislature as set forth in Article II, section 1
4 of the state Constitution, as amended. If a majority of the referendum
5 vote is for exclusion, no residents of that congressional district
6 shall participate in the healthcare plan or an alternative plan or pay
7 plan assessments. The board of governors shall adopt rules and payment
8 schedules whereby nonparticipating residents from excluded
9 congressional districts shall be charged for the full cost of care if
10 he or she receives health care services through the provisions of this
11 chapter.

12 (2) Nonparticipating residents may petition to change the
13 congressional districts participation status through a healthcare
14 referendum in the manner prescribed in subsection (1) of this section.
15 Such petition shall be permitted only after a four-year period of
16 nonparticipation. The board of governors shall, by rule, develop a
17 process to phase-in such participation.

18 (3) Upon congressional redistricting, if a new congressional
19 district includes a majority of residents who were not participating in
20 the plan prior to redistricting, the issue shall be placed on the
21 ballot at the next general election. If a majority of the residents of
22 a new congressional district are residents participating in the plan,
23 all residents shall be enrolled without a vote.

24 (4) The secretary of state shall establish by rule the necessary
25 procedure for health care referendum balloting.

26 NEW SECTION. **Sec. 16.** EVALUATIONS AND STUDIES. The following
27 studies or evaluations shall be conducted by the legislative budget
28 committee either directly or by contract:

1 (1) A study to determine whether the administrative structure for
2 the Washington healthcare service as set forth in section 3 of this act
3 should be continued. The study shall analyze the existing structure,
4 a single administering-agency model, and at least one other salient
5 organizational model, and recommend a structure that would be most
6 efficient and effective. The report, including recommendations and an
7 outline of any needed legislation, shall be submitted to the governor
8 and the appropriate committees of the legislature by October 1, 1997,
9 for consideration by the legislature during the 1998 session.

10 (2) Studies to determine the desirability and feasibility of
11 consolidating the following programs, services, and funding sources
12 into the Washington healthcare plan:

13 (a) Medical services of the worker's compensation program of the
14 department of labor and industries;

15 (b) Nursing facility services program of the department of social
16 and health services;

17 (c) State and federal veterans' health care services; and

18 (d) Civilian health and medical program of the uniformed services
19 (CHAMPUS) of the federal department of defense and other federal
20 agencies.

21 The report shall be made to the governor and the appropriate
22 committees of the legislature by January 1, 1994.

23 NEW SECTION. **Sec. 17.** RULE MAKING. The board of governors shall
24 adopt rules consistent with this chapter for the administration of the
25 Washington healthcare service. All rules shall be adopt in accordance
26 with chapter 34.05 RCW.

27 NEW SECTION. **Sec. 18.** RESERVATION OF LEGISLATIVE POWER. The
28 legislature reserves the right to amend or repeal all or any part of

1 this chapter at any time and there shall be no vested private right of
2 any kind against such amendment or repeal. All rights, privileges, or
3 immunities conferred by this chapter on any act done pursuant thereto
4 shall exist subject to the power of the legislature to amend or repeal
5 this chapter at any time.

6 NEW SECTION. **Sec. 19.** SHORT TITLE. This chapter may be known and
7 cited as the Washington healthcare service act.

8 NEW SECTION. **Sec. 20.** REFERENDUM CLAUSE. This act shall be
9 submitted to the people for their adoption and ratification, or
10 rejection, at the next succeeding general election to be held in this
11 state, in accordance with Article II, section 1 of the state
12 Constitution, as amended, and the laws adopted to facilitate the
13 operation thereof.

14 NEW SECTION. **Sec. 21.** SEVERABILITY CLAUSE. If any provision of
15 this act or its application to any person or circumstance is held
16 invalid, the remainder of the act or the application of the provision
17 to other persons or circumstances is not affected.

18 NEW SECTION. **Sec. 22.** SAVINGS CLAUSE. The enactment of this
19 chapter does not have the effect of terminating, or in any way
20 modifying, any obligation or any liability, civil or criminal, which
21 was already in existence on the effective date of this chapter.

22 NEW SECTION. **Sec. 23.** CODIFICATION DIRECTIONS. Sections 1
23 through 15 and 17 through 19 of this act shall constitute a new chapter
24 in Title 70 RCW.

1 NEW SECTION. **Sec. 24.** CAPTIONS. Captions used in this act do not
2 constitute part of the law.

3 NEW SECTION. **Sec. 25.** EFFECTIVE DATE CLAUSE. This act shall take
4 effect January 1, 1993.