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**SUBSTITUTE HOUSE BILL 2994**

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**State of Washington                      52nd Legislature                      1992 Regular Session**

**By** House Committee on Appropriations (originally sponsored by Representatives Orr, Locke, Rayburn and Roland)

Read first time 03/02/92.

1            AN ACT Relating to the basic health plan; amending RCW 70.47.020,  
2 70.47.040, and 74.47.115; reenacting and amending RCW 70.47.030 and  
3 70.47.060; adding a new section to chapter 70.47 RCW; creating new  
4 sections; repealing RCW 43.131.355 and 43.131.356; and providing an  
5 effective date.

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

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

9            As used in this chapter:

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

1 (2) "Administrator" means the Washington basic health plan  
2 administrator who also holds the position of administrator of the  
3 Washington state health care authority.

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

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

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

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

29 (7) "Rate" means the per capita amount, negotiated by the  
30 administrator with and paid to a participating managed health care

1 system, that is based upon the enrollment of enrollees in the plan and  
2 in that system.

3 **Sec. 2.** RCW 70.47.030 and 1991 sp.s. c 13 s 68 and 1991 sp.s. c 4  
4 s 1 are each reenacted and amended to read as follows:

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

16 **Sec. 3.** RCW 70.47.040 and 1987 1st ex.s. c 5 s 6 are each amended  
17 to read as follows:

18 (1) The Washington basic health plan is created as an independent  
19 (~~agency of the state~~) program within the Washington state health care  
20 authority. The administrative head and appointing authority of the  
21 plan shall be the administrator (~~who shall be appointed by the~~  
22 ~~governor, with the consent of the senate, and shall serve at the~~  
23 ~~pleasure of the governor. The salary for this office shall be set by~~  
24 ~~the governor pursuant to RCW 43.03.040~~) of the Washington state health  
25 care authority. The administrator shall appoint a medical director.  
26 The (~~administrator,~~) medical director(~~,~~) and up to five other  
27 employees of the plan shall be exempt from the civil service law,  
28 chapter 41.06 RCW.

1       (2) The administrator shall employ such other staff as are  
2 necessary to fulfill the responsibilities and duties of the  
3 administrator, such staff to be subject to the civil service law,  
4 chapter 41.06 RCW. In addition, the administrator may contract with  
5 third parties for services necessary to carry out its activities where  
6 this will promote economy, avoid duplication of effort, and make best  
7 use of available expertise. Any such contractor or consultant shall be  
8 prohibited from releasing, publishing, or otherwise using any  
9 information made available to it under its contractual responsibility  
10 without specific permission of the plan. The administrator may call  
11 upon other agencies of the state to provide available information as  
12 necessary to assist the administrator in meeting its responsibilities  
13 under this chapter, which information shall be supplied as promptly as  
14 circumstances permit.

15       (3) The administrator may appoint such technical or advisory  
16 committees as he or she deems necessary. The administrator shall  
17 appoint a standing technical advisory committee that is representative  
18 of health care professionals, health care providers, and those directly  
19 involved in the purchase, provision, or delivery of health care  
20 services, as well as consumers and those knowledgeable of the ethical  
21 issues involved with health care public policy. Individuals appointed  
22 to any technical or other advisory committee shall serve without  
23 compensation for their services as members, but may be reimbursed for  
24 their travel expenses pursuant to RCW 43.03.050 and 43.03.060.

25       (4) The administrator may apply for, receive, and accept grants,  
26 gifts, and other payments, including property and service, from any  
27 governmental or other public or private entity or person, and may make  
28 arrangements as to the use of these receipts, including the undertaking  
29 of special studies and other projects relating to health care costs and  
30 access to health care.

1 (5) In the design, organization, and administration of the plan  
2 under this chapter, the administrator shall consider the report of the  
3 Washington health care project commission established under chapter  
4 303, Laws of 1986. Nothing in this chapter requires the administrator  
5 to follow any specific recommendation contained in that report except  
6 as it may also be included in this chapter or other law.

7 **Sec. 4.** RCW 70.47.060 and 1991 sp.s. c 4 s 2 and 1991 c 3 s 339  
8 are each reenacted and amended to read as follows:

9 The administrator has the following powers and duties:

10 (1) To design and from time to time revise a schedule of covered  
11 basic health care services, including physician services, inpatient and  
12 outpatient hospital services, and other services that may be necessary  
13 for basic health care, which enrollees in any participating managed  
14 health care system under the Washington basic health plan shall be  
15 entitled to receive in return for premium payments to the plan. The  
16 schedule of services shall emphasize proven preventive and primary  
17 health care(~~(7)~~) and shall include all services necessary for prenatal,  
18 postnatal, and well-child care(~~(7 and shall)~~). However, with respect  
19 to coverage for groups of subsidized enrollees, the administrator shall  
20 not contract for prenatal or postnatal services that are provided under  
21 the medical assistance program under chapter 74.09 RCW except to the  
22 extent that such services are necessary over not more than a one-month  
23 period in order to maintain continuity of care after diagnosis of  
24 pregnancy by the managed care provider, or except to provide any such  
25 services associated with pregnancies diagnosed by the managed care  
26 provider before July 1, 1992. The schedule of services shall also  
27 include a separate schedule of basic health care services for children,  
28 eighteen years of age and younger, for those enrollees who choose to  
29 secure basic coverage through the plan only for their dependent

1 children. In designing and revising the schedule of services, the  
2 administrator shall consider the guidelines for assessing health  
3 services under the mandated benefits act of 1984, RCW 48.42.080, and  
4 such other factors as the administrator deems appropriate.

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

11 (3) To design and implement a structure of nominal copayments due  
12 a managed health care system from enrollees. The structure shall  
13 discourage inappropriate enrollee utilization of health care services,  
14 but shall not be so costly to enrollees as to constitute a barrier to  
15 appropriate utilization of necessary health care services.

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

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

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

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

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

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

14 (5) To limit enrollment of persons who qualify for subsidies so as  
15 to prevent an overexpenditure of appropriations for such purposes.  
16 Whenever the administrator finds that there is danger of such an  
17 overexpenditure, the administrator shall close enrollment until the  
18 administrator finds the danger no longer exists.

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

22 In the selection of any area of the state for the initial operation  
23 of the plan, the administrator shall take into account the levels and  
24 rates of unemployment in different areas of the state, the need to  
25 provide basic health care coverage to a population reasonably  
26 representative of the portion of the state's population that lacks such  
27 coverage, and the need for geographic, demographic, and economic  
28 diversity.

1 Before July 1, 1988, the administrator shall endeavor to secure  
2 participation contracts with managed health care systems in discrete  
3 geographic areas within at least five congressional districts.

4 (7) To solicit and accept applications from managed health care  
5 systems, as defined in this chapter, for inclusion as eligible basic  
6 health care providers under the plan. The administrator shall endeavor  
7 to assure that covered basic health care services are available to any  
8 enrollee of the plan from among a selection of two or more  
9 participating managed health care systems. In adopting any rules or  
10 procedures applicable to managed health care systems and in its  
11 dealings with such systems, the administrator shall consider and make  
12 suitable allowance for the need for health care services and the  
13 differences in local availability of health care resources, along with  
14 other resources, within and among the several areas of the state.

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

20 (9) To accept applications from individuals residing in areas  
21 served by the plan, on behalf of themselves and their spouses and  
22 dependent children, for enrollment in the Washington basic health plan,  
23 to establish appropriate minimum-enrollment periods for enrollees as  
24 may be necessary, and to determine, upon application and at least  
25 annually thereafter, or at the request of any enrollee, eligibility due  
26 to current gross family income for sliding scale premiums. An enrollee  
27 who remains current in payment of the sliding-scale premium, as  
28 determined under subsection (2) of this section, and whose gross family  
29 income has risen above twice the federal poverty level, may continue  
30 enrollment unless and until the enrollee's gross family income has



1 remained above twice the poverty level for six consecutive months, by  
2 making payment at the unsubsidized rate required for the managed health  
3 care system in which he or she may be enrolled. No subsidy may be paid  
4 with respect to any enrollee whose current gross family income exceeds  
5 twice the federal poverty level or, subject to RCW 70.47.110, who is a  
6 recipient of medical assistance or medical care services under chapter  
7 74.09 RCW. If a number of enrollees drop their enrollment for no  
8 apparent good cause, the administrator may establish appropriate rules  
9 or requirements that are applicable to such individuals before they  
10 will be allowed to re-enroll in the plan.

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

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

1 endeavor to minimize costs, both to the managed health care systems and  
2 to the administrator. The administrator shall coordinate any such  
3 reporting requirements with other state agencies, such as the insurance  
4 commissioner and the department of health, to minimize duplication of  
5 effort.

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

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

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

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

21 **Sec. 5.** RCW 70.47.115 and 1991 c 315 s 22 are each amended to read  
22 as follows:

23 (1) The administrator, when specific funding is provided and where  
24 feasible, shall make the basic health plan available (~~((to dislocated  
25 forest products workers and their families))~~) in timber impact areas.  
26 The administrator shall prioritize making the plan available under this  
27 section to the timber impact areas meeting the following criteria, as  
28 determined by the employment security department: (a) A lumber and  
29 wood products employment location quotient at or above the state

1 average; (b) a direct lumber and wood products job loss of one hundred  
2 positions or more; and (c) an annual unemployment rate twenty percent  
3 above the state average.

4 (2) (~~(Dislocated forest products workers)~~) Persons assisted under  
5 this section shall meet the requirements of enrollee as defined in RCW  
6 70.47.020(4).

7 (3) For purposes of this section, (~~((a) "dislocated forest products~~  
8 ~~worker" means a forest products worker who: (i)(A) Has been terminated~~  
9 ~~or received notice of termination from employment and is unlikely to~~  
10 ~~return to employment in the individual's principal occupation or~~  
11 ~~previous industry because of a diminishing demand for his or her skills~~  
12 ~~in that occupation or industry; or (B) is self-employed and has been~~  
13 ~~displaced from his or her business because of the diminishing demand~~  
14 ~~for the business's services or goods; and (ii) at the time of last~~  
15 ~~separation from employment, resided in or was employed in a timber~~  
16 ~~impact area; (b) "forest products worker" means a worker in the forest~~  
17 ~~products industries affected by the reduction of forest fiber~~  
18 ~~enhancement, transportation, or production. The workers included~~  
19 ~~within this definition shall be determined by the employment security~~  
20 ~~department, but shall include workers employed in the industries~~  
21 ~~assigned the major group standard industrial classification codes "24"~~  
22 ~~and "26" and the industries involved in the harvesting and management~~  
23 ~~of logs, transportation of logs and wood products, processing of wood~~  
24 ~~products, and the manufacturing and distribution of wood processing and~~  
25 ~~logging equipment.~~

26 The commissioner may adopt rules further interpreting these  
27 definitions. For the purposes of this subsection, "standard industrial  
28 classification code" means the code identified in RCW 50.29.025(6)(c);  
29 and (c)) "timber impact area" means a county having a population of  
30 less than five hundred thousand, or a city or town located within a

1 county having a population of less than five hundred thousand, and  
2 meeting two of the following three criteria, as determined by the  
3 employment security department, for the most recent year such data is  
4 available: (i) A lumber and wood products employment location quotient  
5 at or above the state average; (ii) projected or actual direct lumber  
6 and wood products job losses of one hundred positions or more, except  
7 counties having a population greater than two hundred thousand but less  
8 than five hundred thousand must have direct lumber and wood products  
9 job losses of one thousand positions or more; or (iii) an annual  
10 unemployment rate twenty percent or more above the state average.

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

13 The powers, duties, and functions of the Washington basic health  
14 plan are hereby transferred to the Washington state health care  
15 authority. All references to the administrator of the Washington basic  
16 health plan in the Revised Code of Washington shall be construed to  
17 mean the administrator of the Washington state health care authority.

18 NEW SECTION. **Sec. 7.** All reports, documents, surveys, books,  
19 records, files, papers, or written material in the possession of the  
20 Washington basic health plan shall be delivered to the custody of the  
21 Washington state health care authority. All cabinets, furniture,  
22 office equipment, motor vehicles, and other tangible property used by  
23 the Washington basic health plan shall be made available to the  
24 Washington state health care authority. All funds, credits, or other  
25 assets held by the Washington basic health plan shall be assigned to  
26 the Washington state health care authority.

27 Any appropriations made to the Washington basic health plan shall,  
28 on the effective date of this section, be transferred and credited to

1 the Washington state health care authority. At no time may those funds  
2 in the basic health plan trust account, any funds appropriated for the  
3 subsidy of any enrollees or any premium payments or other sums made or  
4 received on behalf of any enrollees in the basic health plan be  
5 commingled with any appropriated funds designated or intended for the  
6 purposes of providing health care coverage to any state or other public  
7 employees.

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

14 NEW SECTION. **Sec. 8.** All employees of the Washington basic  
15 health plan are transferred to the jurisdiction of the Washington state  
16 health care authority. All employees classified under chapter 41.06  
17 RCW, the state civil service law, are assigned to the Washington state  
18 health care authority to perform their usual duties upon the same terms  
19 as formerly, without any loss of rights, subject to any action that may  
20 be appropriate thereafter in accordance with the laws and rules  
21 governing state civil service.

22 NEW SECTION. **Sec. 9.** All rules and all pending business  
23 before the Washington basic health plan shall be continued and acted  
24 upon by the Washington state health care authority. All existing  
25 contracts and obligations shall remain in full force and shall be  
26 performed by the Washington state health care authority.

1        NEW SECTION.    **Sec. 10.**        The transfer of the powers, duties,  
2 functions, and personnel of the Washington basic health plan shall not  
3 affect the validity of any act performed prior to the effective date of  
4 this section.

5        NEW SECTION.    **Sec. 11.**        If apportionments of budgeted funds are  
6 required because of the transfers directed by sections 7 through 10 of  
7 this act, the director of financial management shall certify the  
8 apportionments to the agencies affected, the state auditor, and the  
9 state treasurer. Each of these shall make the appropriate transfer and  
10 adjustments in funds and appropriation accounts and equipment records  
11 in accordance with the certification.

12       NEW SECTION.    **Sec. 12.**        Nothing contained in sections 6 through  
13 11 of this act may be construed to alter any existing collective  
14 bargaining unit or the provisions of any existing collective bargaining  
15 agreement until the agreement has expired or until the bargaining unit  
16 has been modified by action of the personnel board as provided by law.

17       NEW SECTION.    **Sec. 13.**        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. 14.**        This act shall take effect June 30,  
22 1992.