
SENATE BILL 6110

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By Senators M. Kreidler, Gaspard, Snyder, McMullen, Skratek, Pelz, A. Smith, Rinehart, Murray, Wojahn, Niemi, Bauer, Madsen, Williams, Vognild, Stratton, Conner and Sutherland

Read first time 01/15/92. Referred to Committee on Health & Long-Term Care.

1 AN ACT Relating to health care; adding a new section to chapter
2 50.44 RCW; adding a new section to chapter 70.170 RCW; adding a new
3 chapter to Title 70 RCW; creating new sections; prescribing penalties;
4 providing effective dates; and declaring an emergency.

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

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

8 (a) The failure of our current system of health care to deliver
9 appropriate and effective services to all Washington residents at a
10 reasonable cost and quality is affecting our ability to be competitive
11 in the international economy. Rapidly escalating health care costs and
12 the inability to purchase insurance have had a particularly harmful
13 effect on small businesses, families, and individuals.

1 (b) The current financing and payment systems for health care
2 services involve numerous payers and administrators that results in
3 excess paperwork and consume much of a health provider's time on
4 nonclinical matters. More uniform financing and administrative
5 structures would reduce overall administrative costs and increase the
6 amount of time a health provider would have available for patient care.

7 (c) Systemic reform of our health care system is needed to address
8 the total community as well as individual needs, and to encompass all
9 major components of health care service delivery and finance. Reforms
10 must also result in appropriate health care service coverage for all
11 state residents, promote quality of care, and include effective cost
12 controls.

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

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

19 (b) The health system must balance the competing priorities of
20 extending the lives of individuals and improving the collective health
21 of our society.

22 (c) There should be fundamental reform of the health system with
23 due consideration for the strengths of the existing system.

24 (d) Reforms of the health system should consider the special needs
25 of underserved populations.

26 (e) All Washington residents shall be guaranteed access to a
27 comprehensive, uniform, and affordable set of confidential,
28 appropriate, and effective health services regardless of their ability
29 to pay or preexisting health conditions.

1 (f) All residents should be assured that their health problems will
2 not result in their financial impoverishment.

3 (g) Individuals and communities should assume greater
4 responsibility for maintaining and improving their own health by
5 minimizing unhealthy behaviors, taking appropriate preventive measures,
6 and making informed, cost-effective decisions about the use of health
7 services.

8 (h) Financing the uniform set of health services and controlling
9 health system costs are the shared responsibility of all members of
10 society.

11 (i) The costs of health services borne by individuals should not be
12 a barrier to universal access to appropriate, effective, and affordable
13 health services, but they should discourage inappropriate use of those
14 services.

15 (j) Health service costs should be controlled in significant part
16 by techniques and incentives to reduce the provision and use of
17 inappropriate and ineffective health services.

18 (k) Public policy should shift the state's population into
19 integrated delivery systems that manage care and collectively assume
20 financial risk for providing a uniform benefits package to all state
21 residents. The vast majority of health service costs should be
22 included within the uniform benefit package, which should be regulated
23 as to its cost.

24 (l) Negligent health care practices should be minimized, and
25 residents who are injured as a result of such practices should be
26 compensated appropriately.

27 (m) All individuals and communities should have the right to the
28 health information they need, and the right to make reasonable choices
29 about their health and the health service providers they use. This
30 should include the right to purchase health services in addition to

1 those provided through a regulated, uniform benefits package from any
2 qualified provider.

3 (n) There should be broad public participation in developing and
4 implementing fundamental health system reform, including participation
5 from business, labor, health service providers, insurers, government,
6 consumers, and other members of the public.

7 NEW SECTION. **Sec. 2.** DEFINITIONS. In this chapter, unless the
8 context otherwise requires:

9 (1) "Certified health plan" or "plan" means a disability group
10 insurer regulated under chapter 48.21 or 48.22 RCW, a health care
11 services contractor, as defined in RCW 48.44.010, a health maintenance
12 organization as defined in RCW 48.46.020, or two or more of such
13 entities that contract with the commission to administer or provide the
14 uniform benefit package according to the requirements of this chapter.

15 (2) "Chair" means the presiding officer and the chief
16 administrative officer of the Washington health services commission.

17 (3) "Commission" means the Washington health services commission.

18 (4) "Continuous quality improvement and total quality management"
19 means a continuous process to improve health services while reducing
20 costs.

21 (5) "Enrollee" means any person who is a Washington resident
22 enrolled in a certified health plan.

23 (6) "Enrollee point of service cost-sharing" means fees paid to
24 certified health plans by enrollees for receipt of specific uniform
25 benefit package services, shall include co-pays and may include
26 deductibles all within limits established by the commission.

27 (7) "Enrollee premium sharing" means that portion of the premium,
28 determined by the commission, that is paid by enrollees or their family
29 members to the state.

1 (8) "Federal poverty level" means the federal poverty guidelines
2 determined annually by the United States department of health and human
3 services or successor agency.

4 (9) "Health care facility" or "facility" means hospices licensed
5 under chapter 70.127 RCW, hospitals licensed under chapter 70.41 RCW,
6 rural health facilities as defined in RCW 70.175.020, psychiatric
7 hospitals licensed under chapter 71.12 RCW, nursing homes licensed
8 under chapter 18.51 RCW, kidney disease treatment centers licensed
9 under chapter 70.41 RCW, ambulatory diagnostic, treatment or surgical
10 facilities licensed under chapter 70.41 RCW, and home health agencies
11 licensed under chapter 70.127 RCW, and includes such facilities if
12 owned and operated by a political subdivision or instrumentality of the
13 state and such other facilities as required by federal law and
14 implementing regulations, but does not include Christian Science
15 sanatoriums operated, listed, or certified by the First Church of
16 Christ Scientist, Boston, Massachusetts.

17 (10) "Health care provider" or "provider" means either:

18 (a) A physician licensed under chapter 18.71 or 18.57 RCW or any
19 other licensed, certified; or registered health professional regulated
20 under chapter 18.130 RCW whom the commission identifies as appropriate
21 to provide health services;

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

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

1 (11) "Maximum enrollee financial participation" means the income-
2 related total annual payments that may be required of an enrollee per
3 family member including both premium sharing and enrollee point of
4 service cost-sharing.

5 (12) "Premium" means the level of payment a certified health plan
6 receives from the state for all expenses, including administration,
7 operation, and capital, determined on an annual basis by the commission
8 for providing the uniform benefit package to an individual, either
9 adult or child, or a family.

10 (13) "State health services budget" means total funds that may be
11 expended during any fiscal year from the accounts established pursuant
12 to section 14 of this act.

13 (14) "Technology" means the drugs, devices, equipment, and medical
14 or surgical procedures used in the delivery of health services, and the
15 organizational or supportive systems within which such services are
16 provided. It also means sophisticated and complicated machinery
17 developed as a result of ongoing research in the basic biological and
18 physical sciences, clinical medicine, electronics, and computer
19 sciences, as well as the growing body of specialized professionals,
20 medical equipment, procedures, and chemical formulations used for both
21 diagnostic and therapeutic purposes.

22 (15) "Uniform benefit package" means the subset of appropriate and
23 effective health services, as defined by the commission, that must be
24 offered to all Washington residents through certified health plans.

25 (16) "Washington resident" means a person who has established
26 permanent residence in the state of Washington and who did not move to
27 Washington for the sole purpose of securing health insurance under this
28 chapter. The confinement of a person in a nursing home, hospital, or
29 other medical institution in the state shall not by itself be
30 sufficient to qualify such person as a resident.

1 NEW SECTION. **Sec. 3.** CREATION OF COMMISSION--MEMBERSHIP--

2 TERMS OF OFFICE--VACANCIES--SALARIES. (1) There is created an agency
3 of state government to be known as the Washington health services
4 commission. The commission shall consist of five members appointed by
5 the governor with the consent of the senate. One member shall be
6 designated by the governor as chair and shall serve at the pleasure of
7 the governor. The other four members shall serve five-year terms. Of
8 the initial members, one shall be appointed to a term of three years,
9 one shall be appointed to a term of four years, and two shall be
10 appointed to a term of five years. Thereafter, members shall be
11 appointed to five-year terms. Vacancies shall be filled by appointment
12 for the remainder of the unexpired term of the position being vacated.

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

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

21 NEW SECTION. **Sec. 4.** POWERS AND DUTIES OF THE CHAIR. The chair

22 shall be the chief administrative officer and the appointing authority
23 of the commission and has the following powers and duties:

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

27 (2) Employ personnel of the commission, in accordance with chapter
28 41.06 RCW, and prescribe their duties. With the approval of a majority
29 of the commission, the chair may appoint persons to administer any

1 entity established pursuant to subsection (8) of this section, and up
2 to seven additional employees all of whom shall be exempt from the
3 provisions of chapter 41.06 RCW;

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

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

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

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

13 (7) Preside at meetings of the commission;

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

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

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

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

27 (2) Ensure that all residents of Washington state have access to
28 appropriate and effective health services.

1 (3) Propose a total state health services budget, as provided in
2 section 12 of this act.

3 (4) Adopt necessary rules in accordance with chapter 34.05 RCW to
4 carry out the purposes of this chapter, provided that an initial set of
5 draft rules establishing at least the commission's organization
6 structure, the uniform benefit package, limits on maximum enrollee
7 financial participation, methods for developing the state health
8 services budget, standards for certification, procedures for monitoring
9 and enforcing requirements of certified health plans, and standards for
10 certified health plan and commission grievance procedures, must be
11 submitted in draft form to the legislature by January 1994.

12 (5) Establish the uniform benefit package, as provided in section
13 8 of this act, that shall be offered to enrollees of a certified health
14 plan. The benefit package shall be provided at the premium specified
15 in subsection (6) of this section.

16 (6) Establish for each year a premium that a certified health plan
17 may receive from the state to provide the uniform benefit package to
18 enrollees. The premium shall be the actual cost of providing the
19 uniform benefit package of services per individual, based on the cost
20 experience of the state employee health benefit plan in 1992.
21 Thereafter, the commission shall, as soon as possible, limit the rate
22 of increase to no more than the rate of increase in the United States
23 consumer price index. In no event shall the rate of increase in the
24 premium be increased by more than the amount of actual growth in the
25 cost of the uniform benefit package between 1991 and 1992, as
26 determined by the commission, minus two percentage points per year for
27 each succeeding year until the annual rate of increase is no greater
28 than the growth in the United States consumer price index.

29 (7) Monitor the actual growth in total annual health services
30 costs.

1 (8) Establish a maximum annual budget for major capital
2 expenditures that are included within the premium. A major capital
3 expenditure is defined as any single expenditure for capital
4 acquisitions, including medical technological equipment, as defined by
5 the commission, costing more than one million dollars. Periodically
6 the commission shall prioritize the proposed projects based on
7 standards of cost-effectiveness and access. The commission shall then
8 approve those projects in rank order that are within the limits of the
9 capital budget.

10 (9) After consultation with certified health plans, health care
11 providers, purchasers, and consumers of health services, adopt practice
12 guidelines in specific practice areas, for health care providers
13 receiving reimbursement under any certified health plan. Such practice
14 guidelines shall be used to determine appropriate use of technology,
15 services, drugs, and supplies, for cost containment and quality
16 assurance, and for use in the malpractice demonstration projects
17 provided for in subsection (14) of this section.

18 (10) Suggest guidelines to certified health plans for utilization
19 management, use of technology and methods of payment, such as
20 diagnosis-related groups and a resource-based relative value scale.
21 Such guidelines shall be designed to promote improved management of
22 care, and provide incentives for improved efficiency and effectiveness
23 within the delivery system.

24 (11) For services provided under the uniform benefit package, adopt
25 standards for enrollment, billing for services and claims payment.
26 Such standards shall ensure that these procedures are performed in a
27 simplified, streamlined, and economical manner for all parties
28 concerned.

29 (12) Adopt standards for personal health systems data and
30 information systems as provided in section 16 of this act.

1 (13) Adopt standards that prevent conflict of interest by health
2 care providers as provided in section 10 of this act.

3 (14) Design one or more demonstration projects on the use of
4 practice guidelines in specific practice areas as a standard of care in
5 malpractice suits, make other recommendations regarding the health care
6 liability system, and report back to the legislature by January 1994.

7 (15) Certify and contract with certified health plans to provide
8 the uniform benefit package.

9 (16) Ensure that no certified health plan may charge any additional
10 fees or balance bill for services included in the uniform benefit
11 package.

12 (17) Ensure portability of benefits, whereby an enrollee changing
13 employment or traveling out-of-state continues to be covered. The
14 commission shall establish a payment schedule for payment of out-of-
15 state services. The commission also shall endeavor to ensure that
16 enrollees do not use out-of-state health care providers as regular
17 sources of health services, but may permit reasonable exceptions.

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

22 (19) Establish an appeal mechanism consistent with the adjudicative
23 proceedings provisions of chapter 34.05 RCW for enrollees who have
24 exhausted the certified health plan grievance and complaint procedures
25 established pursuant to subsection (18) of this section.

26 (20) As of July 1, 1995, prohibit any disability group insurer,
27 health care service contractor, or health maintenance organization from
28 independently insuring, contracting for, or providing those health
29 services provided through the uniform benefit package. Nothing in this
30 chapter shall preclude such entities from insuring, providing, or

1 contracting for health services not included in the uniform benefit
2 package, nor restrict the right of an employer to offer, an employee
3 representative to negotiate for, or an individual to purchase services
4 not included in the uniform benefit package.

5 (21) Develop payment schedules for persons who reside out-of-state,
6 but who receive services through a certified health plan, and for
7 persons who reside in Washington state, but are employed by an out-of-
8 state employer. Such schedules shall reflect the total costs of the
9 health services provided.

10 (22) In developing the uniform benefit package and other standards
11 pursuant to this section, consider the likelihood of the establishment
12 of a national health services plan adopted by the federal government
13 and its implications.

14 (23) Monitor certified health plans for compliance with standards
15 established pursuant to this section.

16 (24) Prohibit discrimination based upon age, sex, family structure,
17 ethnicity, race, health condition, geographic location, employment, or
18 economic status in enrollment by certified health plans.

19 (25) Require at least two certified health plans to make their
20 uniform benefit package services accessible to all residents within a
21 designated geographic area of Washington state, except in rural health
22 professional shortage areas, as designated by the department of health
23 when the commission shall require at least one certified health plan to
24 make their services accessible.

25 To the extent that the exercise of any of the powers and duties
26 specified in this section may be inconsistent with the powers and
27 duties of other state agencies, offices; or commissions, the authority
28 of the commission shall supersede that of such other state agency,
29 office or commission, except in manners of health data pursuant to

1 section 15 of this act, where the department of health shall have
2 primary responsibility.

3 NEW SECTION. **Sec. 6.** CERTIFIED HEALTH PLANS--REQUIREMENTS FOR
4 APPROVAL. The uniform benefit package established under section 5(5)
5 of this act, shall be provided through certified health plans. To
6 participate, a plan must meet at least the following requirements:

7 (1) Provide or assure the provision of all services within the
8 uniform benefit package.

9 (2) Bear full financial responsibility for the uniform benefit
10 package provided to enrollees.

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

13 (4) Comply with all other standards established by the commission
14 under section 5 of this act.

15 NEW SECTION. **Sec. 7.** COMMISSION CONTRACT ENFORCEMENT AUTHORITY.
16 Upon a determination by the commission that a certified health plan is
17 failing, or is at imminent risk of failing, to meet its contractual
18 obligations to its enrollees or the state during a current contractual
19 period, the commission may intervene and assume those certified health
20 plan functions that are demonstrably necessary to protect the interests
21 of the plan's enrollees and the state. Such actions may include, but
22 are not limited to:

23 (1) Approval of provider or facility payment methods or levels;

24 (2) Approval of utilization management procedures or mechanisms to
25 control the use of technology; and

26 (3) Administration of contract functions demonstrably related to
27 the failure, or imminent risk of failure, of the certified health plan
28 to meet its contractual obligations.

1 NEW SECTION. **Sec. 8.** UNIFORM BENEFIT PACKAGE DESIGN. (1) The

2 commission shall define the uniform benefit package, which shall
3 include those health services based on the best available scientific
4 health information, deemed to be effective and necessary on a societal
5 basis for the maintenance of the health of citizens of the state, and
6 weighed against the availability of funding in the state health
7 services budget.

8 (a) The legislature intends that the uniform benefit package be
9 comparable in scope to health benefits plans offered to employees of
10 state and local governmental agencies, school districts, and Washington
11 businesses with one hundred or more employees in 1992, and that it be
12 sufficiently comprehensive to meet the basic health needs of residents
13 of the state. The uniform benefit package shall include at least the
14 following categories of coverage:

15 (i) Personal health services, including inpatient and outpatient
16 services for physical, mental, and developmental illnesses and
17 disabilities including:

18 (A) Diagnosis/assessment and selection of treatment/care;

19 (B) Clinical preventive services;

20 (C) Emergency health services;

21 (D) Reproductive and maternity services;

22 (E) Clinical management and provision of treatment; and

23 (F) Therapeutic drugs, biologicals, supplies and equipment;

24 (ii) Access services, which are services that are not necessarily
25 provided by a provider or facility but are deemed by the commission as
26 critical for the efficient and effective delivery of uniform benefit
27 package services, and may include, but are not limited to
28 transportation, child care, and language translation services.

29 (b) Uniform benefit package services shall not include:

30 (i) Cosmetic surgery and related services;

1 (ii) Examinations associated with life insurance applications or
2 legal proceedings; and

3 (iii) Infertility services.

4 (c) The commission shall establish limits on maximum enrollee
5 financial participation, related to enrollee household income.

6 (d) The commission shall evaluate the need to include coverage of
7 dental services in the uniform benefit package, and make such
8 inclusions as are deemed appropriate.

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

12 (2) The commission shall establish procedures to determine the
13 specific schedule of health services within the uniform benefit
14 package. To assist the commission in this task, it may periodically
15 establish health service review panels for specified periods of time to
16 review existing information on need, efficacy, and cost-effectiveness
17 of specific services and treatments. These panels shall use the
18 services outcome data provided under section 15 of this act. These
19 panels shall take into consideration available practice guidelines, and
20 appropriate use of expensive technology.

21 (3) In determining the uniform benefit package, the commission
22 shall endeavor to seek the opinions of and information from the public.
23 The commission shall consider the results of official public health
24 assessment and policy development activities including recommendations
25 of the state board of health, the department of health, and the state
26 health report in discharging its responsibilities under this section.
27 The commission shall coordinate this activity with the state board of
28 health in the board's development of the state health report pursuant
29 to RCW 43.20.050.

1 NEW SECTION. **Sec. 9.** PROGRAMS INITIALLY EXCLUDED FROM THE
2 OPERATION OF THIS ACT. Initially, the medical services of the workers'
3 compensation program of the department of labor and industries, the
4 long-term care programs of the department of social and health
5 services, including nursing homes, mental health and developmental
6 disabilities, state and federal veterans' health services, and the
7 civilian health and medical program of the uniformed services (CHAMPUS)
8 of the federal department of defense and other federal agencies, shall
9 not be included in the program established by this chapter, but shall
10 be studied for future inclusion as directed in section 20 of this act.

11 NEW SECTION. **Sec. 10.** CONFLICT OF INTEREST STANDARDS. The
12 commission shall establish standards prohibiting conflict of interest
13 by health care providers. These standards shall be designed to control
14 inappropriate behavior by health care providers that results in
15 financial gain at the expense of consumers or certified health plans.
16 These standards are not meant to inhibit the efficient operation of
17 managed care systems.

18 NEW SECTION. **Sec. 11.** REPORTS OF HEALTH CARE COST CONTROL AND
19 ACCESS COMMISSION. In carrying out its powers and duties under this
20 chapter, including its responsibility to develop recommendations
21 regarding the health care liability system, the design of the uniform
22 benefit package, and the development of guidelines and standards, the
23 commission shall consider the reports of the health care cost control
24 and access commission established under House Concurrent Resolution No.
25 4443 adopted by the legislature in 1990. Nothing in this chapter
26 requires the commission to follow any specific recommendation contained
27 in those reports except as it may also be included in this chapter or
28 other law.

1 NEW SECTION. **Sec. 12.** STATE HEALTH SERVICES BUDGET. (1) The
2 state health services budget shall reflect total expenditures for all
3 health services financed through the accounts established pursuant to
4 section 14 of this act. The commission shall submit the state health
5 services budget, which shall include estimated amounts of each trust
6 fund account as set forth in section 14 of this act, as part of the
7 governor's biennial budget request. The legislature's powers regarding
8 the state health services budget shall be limited to adoption of the
9 budget, rejection of the budget, reduction in the total amount of the
10 budget, or advisement regarding individual amounts in each trust fund
11 account of the budget.

12 (2) Funds deposited in the Washington health services trust fund
13 established pursuant to section 14 of this act shall include:

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

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

18 (c) Other federal health services funds not explicitly excluded
19 pursuant to section 14 of this act that are allocated for the purposes
20 of health services included in the accounts established pursuant to
21 section 14 of this act;

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

23 (e) Revenues generated according to section 13 of this act;

24 (f) Enrollee premium sharing, which may be paid by the individual
25 directly or through her or his employer. An enrollee with a household
26 income at one hundred percent of the federal poverty level shall not be
27 required to pay premiums. An enrollee with income over that level shall
28 pay premiums based on family size at a maximum rate established by the
29 commission, however, enrollee premium sharing for enrollees with
30 household incomes between one hundred and two hundred percent of the

1 federal poverty level shall be based on family size and household
2 income level. The annual cumulative amount obtained through premiums
3 shall not exceed an amount or a percent of the annual state health
4 services budget to be determined by the commission.

5 NEW SECTION. **Sec. 13.** A new section is added to chapter 50.44 RCW
6 to read as follows:

7 REVENUE. (1) All receipts from sources specified in this section
8 shall be deposited in the Washington health services trust fund
9 established according to section 14 of this act, and may only be used
10 for purposes specified for that trust.

11 (2) These sources shall consist of the insurance contributions
12 specified in this section and payable by each employer as defined in
13 RCW 50.04.080 and an amount equivalent to the insurance contributions
14 specified in this section payable by each corporate officer, partner in
15 a partnership, sole proprietor, or individual who is an employee for
16 whom an insurance contribution is not required under this title or who
17 earns self-employment or partnership income which is essentially
18 equivalent to wages as defined in RCW 50.04.320. The department of
19 revenue shall provide to the employment security department such
20 taxpayer registration information as requested to assist the employment
21 security department in the identification of persons subject to this
22 section.

23 (3)(a) Insurance contributions under subsection (2) of this section
24 shall become due and be paid under rules adopted by the commissioner of
25 the employment security department. Contributions shall be collected
26 on a quarterly basis, with the first period consisting of the three
27 calendar months ending March 31 of each calendar year. Enrollee
28 premium sharing as defined in section 2 of this act may be deducted
29 from the remuneration of individuals in the employ of the employer and

1 transmitted to the state in order to aid employees in complying with
2 their financial obligations under this section and chapter 70.--- RCW
3 (sections 1 through 12, 14, 15, 17 through 19, and 21 of this act).
4 Any such deduction from employee remuneration in excess of limits
5 established by the commission, and any such deduction that is not
6 transmitted to the state to satisfy an employee's financial obligations
7 under this section and chapter 70.--- RCW (sections 1 through 12, 14,
8 15, 17 through 19, and 21 of this act) is in violation of this section
9 and is unlawful, and is subject to penalty under this title for an
10 unlawful deduction.

11 (b) For employers described in RCW 50.44.010 and 50.44.030 who have
12 properly elected to make payments in lieu of contributions, employers
13 who are required to make payments in lieu of contributions, and
14 employers paying contributions under RCW 50.44.035, the contributions
15 shall be paid according to rules adopted by the commissioner.

16 (c) The insurance contribution of each corporate officer, partner
17 in a partnership, sole proprietor, or individual who is an employee for
18 whom an insurance contribution is not required under this title or who
19 earns self-employment or partnership income that is essentially
20 equivalent to wages as defined in RCW 50.04.320 shall be determined
21 according to rules adopted by the commissioner of the employment
22 security department. The rules shall include provisions that require
23 contributions on remuneration that is comparable to the wages subject
24 to contributions under subsection (4) of this section. If the
25 individual's remuneration is subject to contribution under more than
26 one subsection of this section, the total remuneration subject to
27 contribution shall not exceed fifty-three thousand four hundred dollars
28 or the adjusted amount, annually, as provided in subsection (4) of this
29 section.

1 (4)(a) The amount of wages subject to insurance contributions under
2 subsection (2) of this section shall be fifty-three thousand four
3 hundred dollars in 1993, and annually thereafter the amount shall be
4 adjusted by the department by using that year's average consumer price
5 index--Seattle, Washington area for urban wage earners and clerical
6 workers, all items, compiled by the bureau of labor statistics, United
7 States department of labor. The contribution rates applicable to wages
8 paid shall be proposed by the commission by January 1, 1994, and acted
9 upon by the legislature. The commission shall propose varying rates on
10 classes of employers that reflect their number of employees, their
11 profitability, their tenure in business, and other factors that may
12 affect the contribution's impact on the viability of the employer's
13 business. Proposed varying contributions rates may not be based upon
14 any factor relating to the actual or projected health status of an
15 employer's employees.

16 (b) For the purposes of this subsection:

17 (i) The number of employees of an employer is the average number of
18 employees by the employer over the prior calendar year.

19 (ii) "New employer" means an employer, as defined in RCW 50.04.080,
20 located in this state that first registered, or that was first legally
21 required to register, with the department within the five-year period
22 preceding the year in which insurance contributions are required under
23 this section. For out-of-state entities first engaging in business in
24 this state, "new employer" means an employer, as defined in RCW
25 50.04.080, located outside this state that first registered, or that
26 was first legally required to register, for tax purposes with any state
27 or federal agency within the five-year period preceding the year in
28 which insurance contributions are required under this section.

29 "New employer" does not include a preexisting employer, as defined
30 in RCW 50.04.080, that is restructured, reorganized, or sold, unless

1 the business to be conducted after restructuring, reorganization, or
2 sale is significantly different from the business previously conducted.
3 "New employer" does not include a successor employer as defined in RCW
4 50.04.320. "New employer" does not include the establishment of a new
5 branch location or other facility except by an existing out-of-state
6 entity first doing business in this state.

7 (iii) "Wages" include all remuneration for contribution purposes as
8 defined under RCW 50.04.320.

9 (5) In the payment of any insurance contribution under this
10 section, a fractional part of a cent shall be disregarded unless it
11 amounts to one-half cent or more, in which case it shall be increased
12 to one cent.

13 (6) Late reports or contributions, and penalties and interest shall
14 be determined and administered as provided under this title. In
15 administering this section, the commissioner of the employment security
16 department shall have the same authority as is provided for
17 administering and enforcing the collection of contributions under this
18 title.

19 NEW SECTION. **Sec. 14.** TRUST FUND AND ACCOUNTS. (1) The
20 Washington health services trust fund is hereby established in the
21 state treasury. All funds enumerated in section 13 of this act shall
22 be deposited in the Washington health services trust fund and shall be
23 expended in a manner consistent with rules adopted by the commission.

24 The trust fund shall consist of three accounts:

25 (a) The personal health services account from which funds shall be
26 expended for contracts with certified health plans to deliver the
27 uniform benefit package to enrollees for access services and personal
28 health services, capital development, and health professions education.

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

1 (c) The health professions and research account from which funds
2 shall be expended to:

3 (i) Retain needed health care providers in a manner consistent with
4 the health professional shortage provisions set forth in chapter 332,
5 Laws of 1991; and

6 (ii) Conduct research relative to the operation of certified health
7 plans, activities of the commission, or public health consistent with
8 the principles set forth in this chapter.

9 (2) The commission shall not expend or encumber for an ensuing
10 biennium amounts exceeding ninety-five percent of the amount
11 anticipated to accrue in the trust during the biennium.

12 NEW SECTION. **Sec. 15.** HEALTH DATA. The commission shall develop
13 in consultation with the department of health, the health data sources
14 necessary to efficiently implement this chapter. The commission shall
15 have access to all health data presently available to the secretary of
16 health. To the extent possible, the commission shall use existing data
17 systems and coordinate among existing agencies. The department of
18 health shall be the designated depository agency for all health data
19 collected pursuant to this chapter. The following data sources shall be
20 developed or made available:

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

26 (2) The commission, in coordination with the department of health
27 and the health science programs of the state universities shall develop
28 procedures to analyze clinical and other health services outcome data,
29 and conduct other research necessary for the specific purpose of

1 assisting in the design of the uniform benefit package under section 8
2 of this act.

3 (3) The commission shall establish cost data sources and shall
4 require each certified health plan to provide the commission with
5 enrollee care and cost information, to include: (a) Enrollee
6 identifier, including date of birth, sex, and ethnicity; (b) provider
7 identifier; (c) diagnosis; (d) health care services or procedures
8 provided; (e) provider charges; and (f) amount paid. The commission
9 shall establish by rule confidentiality standards to safeguard the
10 information from inappropriate use or release.

11 NEW SECTION. **Sec. 16.** A new section is added to chapter 70.170
12 RCW to read as follows:

13 **PERSONAL HEALTH SERVICES DATA AND INFORMATION SYSTEM.** (1) The
14 department is responsible for the implementation and custody of a
15 state-wide personal health services data and information system. The
16 data elements, specifications, and other design features of this data
17 system shall be consistent with criteria adopted by the Washington
18 health services commission. The department shall provide the
19 commission with reasonable assistance in the development of these
20 criteria, and shall provide the commission with periodic progress
21 reports related to the implementation of the system or systems related
22 to those criteria.

23 (2) The department shall coordinate the development and
24 implementation of the personal health services data and information
25 system with related private activities and with the implementation
26 activities of the data sources identified by the commission. Data
27 shall include: (a) Enrollee identifier, including date of birth, sex,
28 and ethnicity; (b) provider identifier; (c) diagnosis; (d) health
29 services or procedures provided; (e) provider charges; and (f) amount

1 paid. The commission shall establish by rule, confidentiality
2 standards to safeguard the information from inappropriate use or
3 release. The department shall assist the commission in establishing
4 reasonable time frames for the completion of the system development and
5 system implementation.

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

21 (2) Recognizing that financial stability is essential to success of
22 a comprehensive long-term care system and that current and future
23 demands are exceeding available financial resources, a dedicated fund
24 comprised of state general funds, matching federal funds, public
25 insurance funds, and sliding fee contributions by program beneficiaries
26 needs be established.

27 (3) It is the intent of this chapter that the Washington state
28 legislature develop a program and financial structure for the
29 functionally disabled as suggested in this section and adopt the

1 necessary legislation no later than the adjournment of the 1994 regular
2 session of the legislature.

3 NEW SECTION. **Sec. 18.** IMPLEMENTATION SCHEDULE. This chapter
4 shall be implemented in developmental phases as follows:

5 (1) By May 1, 1992, the director of the office of financial
6 management shall constitute a transition team composed of staff of the
7 department of social and health services, the Washington state health
8 care authority, the department of health, the department of labor and
9 industries, the Washington basic health plan, and the insurance
10 commissioner's office. The director may request participation of the
11 appropriate legislative staff.

12 The transition team shall conduct analyses and identify:

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

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

17 (c) Appropriate guidelines for the administrative cost of the plan.

18 The transition team shall report its findings to the director, the
19 commission, and appropriate committees of the legislature by January 1,
20 1993, and on that date be disbanded.

21 (2) By April 1, 1993, the commission shall be appointed. As soon
22 as possible thereafter, the commission should: (a) Hire the necessary
23 staff; (b) develop necessary data sources; (c) appoint the initial
24 health service review panel; and (d) develop the necessary methods to
25 establish the state health services budget.

26 (3) By December 1, 1993, the director of the office of financial
27 management shall submit to the appropriate committees of the
28 legislature an agency transfer and consolidation report, which shall
29 address staffing, equipment, facilities, and funds, along with drafts

1 of any necessary legislation. It shall also recommend appropriate cost
2 guidelines for the administration of the plan.

3 (4) By January 1, 1994, the commission shall:

4 (a) Submit draft rules for review and comment to the legislature,
5 as provided in section 5(4) of this act;

6 (b) Report on the extent that revisions of, or waivers from state
7 and federal laws are needed to fully implement this chapter, and the
8 status of its efforts to obtain the necessary waivers of, or exemptions
9 from federal law, as provided in section 19 of this act; and

10 (c) Report its recommendations regarding the health care liability
11 system as required in section 5(14) of this act.

12 (5) By September 1, 1993, the commission shall review the report of
13 the legislative budget committee as required in section 20(2) of this
14 act.

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

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

18 (a) Determined the uniform benefit package; and

19 (b) Developed standards and guidelines for certified health plans
20 as required under section 5 of this act.

21 (8) By December 20, 1994, consistent with the executive budget
22 process, the commission shall submit the first state health services
23 budget to the legislature.

24 (9) By January 1, 1995, if all necessary federal waivers or
25 exemptions have not been obtained, the commission shall report, as
26 provided in section 19 of this act, on the extent to which this chapter
27 can be implemented without receipt of all of such waivers.

28 (10) During the 1994 and 1995 sessions, the legislature should
29 consider the material submitted as identified in subsections (4), (5),
30 and (9) of this section in an expeditious manner.

1 (11) By July 1, 1995, consistent with specific appropriations, all
2 health services provided to recipients of medical assistance, medical
3 care services, and the limited casualty program, as defined in RCW
4 74.09.010, all enrollees in the Washington basic health plan, as
5 established by chapter 70.47 RCW, all state employees eligible for
6 employee health benefits plans pursuant to chapter 41.05 RCW, and all
7 common school employees eligible for health, or health care insurance
8 under RCW 28A.400.350 shall be enrolled exclusively with a certified
9 health plan, consistent with all provisions of this chapter.

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

12 NEW SECTION. **Sec. 19.** CODE REVISIONS AND WAIVERS. (1) The
13 commission shall consider the analysis of state and federal laws that
14 would need to be repealed, amended, or waived to implement this
15 chapter, as prepared by the transition team pursuant to section 18 of
16 this act, and report its recommendations, with proposed revisions to
17 the Revised Code of Washington, to the governor and appropriate
18 committees of the legislature by January 1, 1994.

19 (2) The commission shall take the following steps in an effort to
20 receive waivers or exemptions from federal statutes necessary to fully
21 implement this chapter:

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

27 (b) Negotiate with the United States congress and the federal
28 department of health and human services, health care financing
29 administration to obtain a statutory or regulatory waiver of provisions

1 of the medicaid statute, Title XIX of the federal social security act
2 that currently constitute barriers to full implementation of provisions
3 of this chapter related to access to health services for low-income
4 residents of Washington state. Such provisions may include and are not
5 limited to: Categorical eligibility restrictions related to age,
6 disability, blindness, or family structure; income and resource
7 limitations tied to financial eligibility requirements of the federal
8 aid to families with dependent children and supplemental security
9 income programs; administrative requirements regarding single state
10 agencies, choice of providers, fee for service reimbursement programs;
11 and other limitations on health services provider payment methods.

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

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

29 If the commission fails to obtain all necessary federal statutory
30 changes or regulatory waivers necessary to fully implement this chapter

1 by January 1, 1995, it shall report to the governor and appropriate
2 committees of the legislature on the extent to which this chapter can
3 be implemented without receipt of all of such waivers.

4 NEW SECTION. **Sec. 20.** EVALUATIONS AND STUDIES. The following
5 studies or evaluations shall be conducted by the legislative budget
6 committee either directly or by contract:

7 (1) A study to determine whether the administrative structure for
8 the Washington health services commission as set forth in section 3 of
9 this act should be continued. The study shall analyze the structure as
10 set forth in this chapter, a single administering agency model, and at
11 least one other salient organizational model, and recommend a structure
12 that would be most efficient and effective. The report, including
13 recommendations and an outline of any needed legislation, shall be
14 submitted to the governor and the appropriate committees of the
15 legislature by October 1, 1995, for consideration by the legislature
16 during the 1996 session.

17 (2) Studies to determine the desirability and feasibility of
18 consolidating the following programs, services, and funding sources
19 into the certified health plans:

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

22 (b) Developmental disabilities, mental health, and long-term care
23 programs of the department of social and health services;

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

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

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

1 (3) A study to evaluate the implementation of the provisions of
2 this act. The study shall determine to what extent this act has been
3 implemented consistent with the principles and elements set forth in
4 chapter 70.--- RCW (sections 1 through 12, 14, 15, 17 through 19, and
5 21 of this act) and shall report its findings to the governor and
6 appropriate committees of the legislature by July 1, 2000.

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

23 NEW SECTION. **Sec. 22.** RESERVATION OF LEGISLATIVE POWER. The
24 legislature reserves the right to amend or repeal all or any part of
25 this chapter at any time and there shall be no vested private right of
26 any kind against such amendment or repeal. All rights, privileges, or
27 immunities conferred by this chapter on any act done pursuant thereto

1 shall exist subject to the power of the legislature to amend or repeal
2 this chapter at any time.

3 NEW SECTION. **Sec. 23.** SHORT TITLE. Sections 1 through 12, 14,
4 15, 17 through 19, and 21 of this act may be known and cited as the
5 Washington health services act.

6 NEW SECTION. **Sec. 24.** SEVERABILITY CLAUSE. If any provision of
7 this act or its application to any person or circumstance is held
8 invalid, the remainder of the act or the application of the provision
9 to other persons or circumstances is not affected.

10 NEW SECTION. **Sec. 25.** SAVINGS CLAUSE. The enactment of this act
11 does not have the effect of terminating, or in any way modifying, any
12 obligation or any liability, civil or criminal, which was already in
13 existence on the effective date of this act.

14 NEW SECTION. **Sec. 26.** CODIFICATION DIRECTIONS. Sections 1
15 through 12, 14, 15, 17 through 19, and 21 of this act shall constitute
16 a new chapter in Title 70 RCW.

17 NEW SECTION. **Sec. 27.** CAPTIONS. Captions used in this act do not
18 constitute part of the law.

19 NEW SECTION. **Sec. 28.** EFFECTIVE DATE CLAUSE. This act shall take
20 effect January 1, 1993, except for section 13 of this act which shall
21 take effect July 1, 1994, and section 18 of this act which is necessary
22 for the immediate preservation of the public peace, health, or safety,
23 or support of the state government and its existing public
24 institutions, and shall take effect immediately.