
SUBSTITUTE HOUSE BILL 2632

State of Washington

53rd Legislature

1994 Regular Session

By House Committee on Health Care (originally sponsored by Representative Dellwo; by request of Health Care Authority)

Read first time 02/04/94.

1 AN ACT Relating to clarifying health care authority powers and
2 duties; amending RCW 41.05.075, 70.47.020, 70.47.060, and 70.47.130;
3 and reenacting and amending RCW 41.05.021 and 41.05.050.

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

5 **Sec. 1.** RCW 41.05.021 and 1993 c 492 s 215 and 1993 c 386 s 6 are
6 each reenacted and amended to read as follows:

7 (1) The Washington state health care authority is created within
8 the executive branch. The authority shall have an administrator
9 appointed by the governor, with the consent of the senate. The
10 administrator shall serve at the pleasure of the governor. The
11 administrator may employ up to seven staff members, who shall be exempt
12 from chapter 41.06 RCW, and any additional staff members as are
13 necessary to administer this chapter. The administrator may delegate
14 any power or duty vested in him or her by this chapter, including
15 authority to make final decisions and enter final orders in hearings
16 conducted under chapter 34.05 RCW. The primary duties of the authority
17 shall be to administer state employees' insurance benefits and retired
18 or disabled school employees' insurance benefits, study state-purchased
19 health care programs in order to maximize cost containment in these

1 programs while ensuring access to quality health care, and implement
2 state initiatives, joint purchasing strategies, and techniques for
3 efficient administration that have potential application to all state-
4 purchased health services. The authority's duties include, but are not
5 limited to, the following:

6 (a) To administer health care benefit programs for employees and
7 retired or disabled school employees as specifically authorized in RCW
8 41.05.065 and in accordance with the methods described in RCW
9 41.05.075, 41.05.140, and other provisions of this chapter;

10 (b) To analyze state-purchased health care programs and to explore
11 options for cost containment and delivery alternatives for those
12 programs that are consistent with the purposes of those programs,
13 including, but not limited to:

14 (i) Creation of economic incentives for the persons for whom the
15 state purchases health care to appropriately utilize and purchase
16 health care services, including the development of flexible benefit
17 plans to offset increases in individual financial responsibility;

18 (ii) Utilization of provider arrangements that encourage cost
19 containment, including but not limited to prepaid delivery systems,
20 utilization review, and prospective payment methods, and that ensure
21 access to quality care, including assuring reasonable access to local
22 providers, especially for employees residing in rural areas;

23 (iii) Coordination of state agency efforts to purchase drugs
24 effectively as provided in RCW 70.14.050;

25 (iv) Development of recommendations and methods for purchasing
26 medical equipment and supporting services on a volume discount basis;
27 and

28 (v) Development of data systems to obtain utilization data from
29 state-purchased health care programs in order to identify cost centers,
30 utilization patterns, provider and hospital practice patterns, and
31 procedure costs, utilizing the information obtained pursuant to RCW
32 41.05.031;

33 (c) To analyze areas of public and private health care interaction;

34 (d) To provide information and technical and administrative
35 assistance to the board;

36 (e) To review and approve or deny applications from counties,
37 municipalities, and other political subdivisions of the state to
38 provide state-sponsored insurance or self-insurance programs to their
39 employees in accordance with the provisions of RCW 41.04.205, setting

1 the premium contribution for approved groups as outlined in RCW
2 41.05.050;

3 (f) To appoint a health care policy technical advisory committee as
4 required by RCW 41.05.150;

5 (g) To establish billing procedures and collect funds from school
6 districts and educational service districts under RCW 28A.400.400 in a
7 way that minimizes the administrative burden on districts; and

8 (h) To promulgate and adopt rules consistent with this chapter as
9 described in RCW 41.05.160.

10 (2) After July 1, 1995, the public employees' benefits board shall
11 implement strategies to promote managed competition among employee
12 health benefit plans ((by January 1, 1995, including but)) in
13 accordance with the Washington health services commission schedule of
14 employer requirements. Strategies may include but are not limited to:

15 (a) Standardizing the benefit package;

16 (b) Soliciting competitive bids for the benefit package;

17 (c) Limiting the state's contribution to a percent of the lowest
18 priced ((sealed bid of a)) qualified plan within a geographical area.
19 If the state's contribution is less than one hundred percent of the
20 lowest priced ((sealed)) qualified bid, employee financial
21 contributions shall be structured on a sliding-scale basis related to
22 household income;

23 (d) Monitoring the impact of the approach under this subsection
24 with regards to: Efficiencies in health service delivery, cost shifts
25 to subscribers, access to and choice of managed care plans state-wide,
26 and quality of health services. The health care authority shall also
27 advise on the value of administering a benchmark employer-managed plan
28 to promote competition among managed care plans. The health care
29 authority shall report its findings and recommendations to the
30 legislature by January 1, 1997.

31 **Sec. 2.** RCW 41.05.050 and 1993 c 492 s 216 and 1993 c 386 s 7 are
32 each reenacted and amended to read as follows:

33 (1) Every department, division, or separate agency of state
34 government, and such county, municipal, or other political subdivisions
35 as are covered by this chapter, shall provide contributions to
36 insurance and health care plans for its employees and their dependents,
37 the content of such plans to be determined by the authority.
38 Contributions, paid by the county, the municipality, or other political

1 subdivision for their employees, shall include an amount determined by
2 the authority to pay such administrative expenses of the authority as
3 are necessary to administer the plans for employees of those groups.
4 Contributions to be paid by school districts or educational service
5 districts shall be adjusted by the authority to reflect that retired
6 school employees are covered under RCW 41.05.250, and are not covered
7 under RCW 41.05.080. All such contributions will be paid into the
8 public employees' health insurance account.

9 (2) The contributions of any department, division, or separate
10 agency of the state government, and such county, municipal, or other
11 political subdivisions as are covered by this chapter, shall be set by
12 the authority, subject to the approval of the governor for availability
13 of funds as specifically appropriated by the legislature for that
14 purpose. Insurance and health care contributions for ferry employees
15 shall be governed by RCW 47.64.270 until December 31, 1996. On and
16 after January 1, 1997, ferry employees shall enroll with certified
17 health plans under chapter 492, Laws of 1993.

18 (3) (~~The administrator with the assistance of the public~~
19 ~~employees' benefits board shall survey private industry and public~~
20 ~~employers in the state of Washington to determine the average employer~~
21 ~~contribution for group insurance programs under the jurisdiction of the~~
22 ~~authority. Such survey shall be conducted during each even numbered~~
23 ~~year but may be conducted more frequently. The survey shall be~~
24 ~~reported to the authority for its use in setting the amount of the~~
25 ~~recommended employer contribution to the employee insurance benefit~~
26 ~~program covered by this chapter.)) The authority shall transmit a
27 recommendation for the amount of the employer contribution to the
28 governor and the director of financial management for inclusion in the
29 proposed budgets submitted to the legislature.~~

30 **Sec. 3.** RCW 41.05.075 and 1993 c 386 s 10 are each amended to read
31 as follows:

32 (1) The administrator shall provide benefit plans designed by the
33 board through a contract or contracts with insuring entities, through
34 self-funding, self-insurance, or other methods of providing insurance
35 coverage authorized by RCW 41.05.140.

36 (2) The administrator shall establish a contract bidding process
37 that encourages competition among insuring entities, is timely to the

1 state budgetary process, and sets conditions for awarding contracts to
2 any insuring entity.

3 (3) The administrator shall establish a requirement for review of
4 utilization and financial data from participating insuring entities on
5 a quarterly basis.

6 (4) The administrator shall centralize the enrollment files for all
7 employee and retired or disabled school employee health plans offered
8 under chapter 41.05 RCW and develop enrollment demographics on a plan-
9 specific basis.

10 ~~(5) ((The administrator shall establish methods for collecting,~~
11 ~~analyzing, and disseminating to covered individuals information on the~~
12 ~~cost and quality of services rendered by individual health care~~
13 ~~providers.~~

14 ~~(6))~~ All claims data shall be the property of the state. The
15 administrator may require of any insuring entity that submits a bid to
16 contract for coverage all information deemed necessary to fulfill the
17 administrator's duties as set forth in this chapter.

18 ~~((7))~~ (6) All contracts with insuring entities for the provision
19 of health care benefits shall provide that the beneficiaries of such
20 benefit plans may use on an equal participation basis the services of
21 practitioners licensed pursuant to chapters 18.22, 18.25, 18.32, 18.53,
22 18.57, 18.71, 18.74, 18.83, and 18.88 RCW. However, nothing in this
23 subsection may preclude the administrator from establishing appropriate
24 utilization controls approved pursuant to RCW 41.05.065(2) (a)(i), (b),
25 and (d).

26 ~~((8))~~ (7) Beginning in January 1990, and each January thereafter,
27 the administrator shall publish and distribute to each school district
28 a description of health care benefit plans available through the
29 authority and the estimated cost if school district employees were
30 enrolled.

31 **Sec. 4.** RCW 70.47.020 and 1993 c 492 s 209 are each amended to
32 read as follows:

33 As used in this chapter:

34 (1) "Washington basic health plan" or "plan" means the system of
35 enrollment and payment on a prepaid capitated basis for basic health
36 care services, administered by the plan administrator through
37 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 On and after July 1, 1995, "managed health care system" means a
12 certified health plan, as defined in RCW 43.72.010.

13 (4) "Subsidized enrollee" means an individual, or an individual
14 plus the individual's spouse or dependent children, not eligible for
15 medicare, who resides in an area of the state served by a managed
16 health care system participating in the plan, whose gross family income
17 at the time of enrollment does not exceed twice the federal poverty
18 level as adjusted for family size and determined annually by the
19 federal department of health and human services, who the administrator
20 determines ((at the time of application does)) shall not have health
21 insurance more comprehensive than that offered by the plan as of the
22 effective date of enrollment, and who chooses to obtain basic health
23 care coverage from a particular managed health care system in return
24 for periodic payments to the plan.

25 (5) "Nonsubsidized enrollee" means an individual, or an individual
26 plus the individual's spouse or dependent children, not eligible for
27 medicare, who resides in an area of the state served by a managed
28 health care system participating in the plan, who the administrator
29 determines ((at the time of application does)) shall not have health
30 insurance more comprehensive than that offered by the plan as of the
31 effective date of enrollment, and who chooses to obtain basic health
32 care coverage from a particular managed health care system, and who
33 pays or on whose behalf is paid the full costs for participation in the
34 plan, without any subsidy from the plan.

35 (6) "Subsidy" means the difference between the amount of periodic
36 payment the administrator makes to a managed health care system on
37 behalf of a subsidized enrollee plus the administrative cost to the
38 plan of providing the plan to that subsidized enrollee, and the amount

1 determined to be the subsidized enrollee's responsibility under RCW
2 70.47.060(2).

3 (7) "Premium" means a periodic payment, based upon gross family
4 income which an individual, their employer or another financial sponsor
5 makes to the plan as consideration for enrollment in the plan as a
6 subsidized enrollee or a nonsubsidized enrollee.

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

11 **Sec. 5.** RCW 70.47.060 and 1993 c 492 s 212 are each amended to
12 read as follows:

13 The administrator has the following powers and duties:

14 (1) To design and from time to time revise a schedule of covered
15 basic health care services, including physician services, inpatient and
16 outpatient hospital services, prescription drugs and medications, and
17 other services that may be necessary for basic health care, which
18 subsidized and nonsubsidized enrollees in any participating managed
19 health care system under the Washington basic health plan shall be
20 entitled to receive in return for premium payments to the plan. The
21 schedule of services shall emphasize proven preventive and primary
22 health care and shall include all services necessary for prenatal,
23 postnatal, and well-child care. However, with respect to coverage for
24 groups of subsidized enrollees who are eligible to receive prenatal and
25 postnatal services through the medical assistance program under chapter
26 74.09 RCW, the administrator shall not contract for such services
27 except to the extent that such services are necessary over not more
28 than a one-month period in order to maintain continuity of care after
29 diagnosis of pregnancy by the managed care provider. The schedule of
30 services shall also include a separate schedule of basic health care
31 services for children, eighteen years of age and younger, for those
32 subsidized or nonsubsidized enrollees who choose to secure basic
33 coverage through the plan only for their dependent children. In
34 designing and revising the schedule of services, the administrator
35 shall consider the guidelines for assessing health services under the
36 mandated benefits act of 1984, RCW 48.42.080, and such other factors as
37 the administrator deems appropriate. On and after July 1, 1995, the
38 uniform benefits package adopted and from time to time revised by the

1 Washington health services commission pursuant to RCW 43.72.130 shall
2 be implemented by the administrator as the schedule of covered basic
3 health care services. However, with respect to coverage for subsidized
4 enrollees who are eligible to receive prenatal and postnatal services
5 through the medical assistance program under chapter 74.09 RCW, the
6 administrator shall not contract for such services except to the extent
7 that the services are necessary over not more than a one-month period
8 in order to maintain continuity of care after diagnosis of pregnancy by
9 the managed care provider.

10 (2)(a) To design and implement a structure of periodic premiums due
11 the administrator from subsidized enrollees that is based upon gross
12 family income, giving appropriate consideration to family size and the
13 ages of all family members. The enrollment of children shall not
14 require the enrollment of their parent or parents who are eligible for
15 the plan. The structure of periodic premiums shall be applied to
16 subsidized enrollees entering the plan as individuals pursuant to
17 subsection (9) of this section and to the share of the cost of the plan
18 due from subsidized enrollees entering the plan as employees pursuant
19 to subsection (10) of this section.

20 (b) To determine the periodic premiums due the administrator from
21 nonsubsidized enrollees. Premiums due from nonsubsidized enrollees
22 shall be in an amount equal to the cost charged by the managed health
23 care system provider to the state for the plan plus the administrative
24 cost of providing the plan to those enrollees and the ((appropriate))
25 premium tax ((as provided by law)) under RCW 48.14.0201.

26 (c) An employer or other financial sponsor may, with the prior
27 approval of the administrator, pay the premium, rate, or any other
28 amount on behalf of a subsidized or nonsubsidized enrollee, by
29 arrangement with the enrollee and through a mechanism acceptable to the
30 administrator, but in no case shall the payment made on behalf of the
31 enrollee exceed the total premiums due from the enrollee.

32 (3) To design and implement a structure of copayments due a managed
33 health care system from subsidized and nonsubsidized enrollees. The
34 structure shall discourage inappropriate enrollee utilization of health
35 care services, but shall not be so costly to enrollees as to constitute
36 a barrier to appropriate utilization of necessary health care services.
37 On and after July 1, 1995, the administrator shall endeavor to make the
38 copayments structure of the plan consistent with enrollee point of

1 service cost-sharing levels adopted by the Washington health services
2 commission, giving consideration to funding available to the plan.

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

8 (5) To limit the payment of subsidies to subsidized enrollees, as
9 defined in RCW 70.47.020.

10 (6) To adopt a schedule for the orderly development of the delivery
11 of services and availability of the plan to residents of the state,
12 subject to the limitations contained in RCW 70.47.080 or any act
13 appropriating funds for the plan.

14 (7) To solicit and accept applications from managed health care
15 systems, as defined in this chapter, for inclusion as eligible basic
16 health care providers under the plan. The administrator shall endeavor
17 to assure that covered basic health care services are available to any
18 enrollee of the plan from among a selection of two or more
19 participating managed health care systems. In adopting any rules or
20 procedures applicable to managed health care systems and in its
21 dealings with such systems, the administrator shall consider and make
22 suitable allowance for the need for health care services and the
23 differences in local availability of health care resources, along with
24 other resources, within and among the several areas of the state.
25 Contracts with participating managed health care systems shall ensure
26 that basic health plan enrollees who become eligible for medical
27 assistance may, at their option, continue to receive services from
28 their existing providers within the managed health care system if such
29 providers have entered into provider agreements with the department of
30 social and health services.

31 (8) To receive periodic premiums from or on behalf of subsidized
32 and nonsubsidized enrollees, deposit them in the basic health plan
33 operating account, keep records of enrollee status, and authorize
34 periodic payments to managed health care systems on the basis of the
35 number of enrollees participating in the respective managed health care
36 systems.

37 (9) To accept applications from individuals residing in areas
38 served by the plan, on behalf of themselves and their spouses and
39 dependent children, for enrollment in the Washington basic health plan

1 as subsidized or nonsubsidized enrollees, to establish appropriate
2 minimum-enrollment periods for enrollees as may be necessary, and to
3 determine, upon application and at least semiannually thereafter, or at
4 the request of any enrollee, eligibility due to current gross family
5 income for sliding scale premiums. No subsidy may be paid with
6 respect to any enrollee whose current gross family income exceeds twice
7 the federal poverty level or, subject to RCW 70.47.110, who is a
8 recipient of medical assistance or medical care services under chapter
9 74.09 RCW. If, as a result of an eligibility review, the administrator
10 determines that a subsidized enrollee's income exceeds twice the
11 federal poverty level and that the enrollee knowingly failed to inform
12 the plan of such increase in income, the administrator may bill the
13 enrollee for the subsidy paid on the enrollee's behalf during the
14 period of time that the enrollee's income exceeded twice the federal
15 poverty level. If a number of enrollees drop their enrollment for no
16 apparent good cause, the administrator may establish appropriate rules
17 or requirements that are applicable to such individuals before they
18 will be allowed to re-enroll in the plan.

19 (10) To accept applications from business owners on behalf of
20 themselves and their employees, spouses, and dependent children, as
21 subsidized or nonsubsidized enrollees, who reside in an area served by
22 the plan. The administrator may require all or the substantial
23 majority of the eligible employees of such businesses to enroll in the
24 plan and establish those procedures necessary to facilitate the orderly
25 enrollment of groups in the plan and into a managed health care system.
26 The administrator shall require that a business owner pay at least
27 fifty percent of the nonsubsidized premium cost of the plan on behalf
28 of each employee enrolled in the plan. Enrollment is limited to those
29 not eligible for medicare who wish to enroll in the plan and choose to
30 obtain the basic health care coverage and services from a managed care
31 system participating in the plan. The administrator shall adjust the
32 amount determined to be due on behalf of or from all such enrollees
33 whenever the amount negotiated by the administrator with the
34 participating managed health care system or systems is modified or the
35 administrative cost of providing the plan to such enrollees changes.

36 (11) To determine the rate to be paid to each participating managed
37 health care system in return for the provision of covered basic health
38 care services to enrollees in the system. Although the schedule of
39 covered basic health care services will be the same for similar

1 enrollees, the rates negotiated with participating managed health care
2 systems may vary among the systems. In negotiating rates with
3 participating systems, the administrator shall consider the
4 characteristics of the populations served by the respective systems,
5 economic circumstances of the local area, the need to conserve the
6 resources of the basic health plan trust account, and other factors the
7 administrator finds relevant.

8 (12) To monitor the provision of covered services to enrollees by
9 participating managed health care systems in order to assure enrollee
10 access to good quality basic health care, to require periodic data
11 reports concerning the utilization of health care services rendered to
12 enrollees in order to provide adequate information for evaluation, and
13 to inspect the books and records of participating managed health care
14 systems to assure compliance with the purposes of this chapter. In
15 requiring reports from participating managed health care systems,
16 including data on services rendered enrollees, the administrator shall
17 endeavor to minimize costs, both to the managed health care systems and
18 to the plan. The administrator shall coordinate any such reporting
19 requirements with other state agencies, such as the insurance
20 commissioner and the department of health, to minimize duplication of
21 effort.

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

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

29 (15) To provide, consistent with available funding, assistance for
30 rural residents, underserved populations, and persons of color.

31 **Sec. 6.** RCW 70.47.130 and 1987 1st ex.s. c 5 s 15 are each amended
32 to read as follows:

33 The activities and operations of the Washington basic health plan
34 under this chapter, including those of managed health care systems to
35 the extent of their participation in the plan, are exempt from the
36 provisions and requirements of Title 48 RCW, except as provided in RCW

1 70.47.070 and that the premium and prepayment tax imposed under RCW
2 48.14.0201 shall apply to amounts paid to a managed health care system
3 by the basic health plan for participating in the basic health plan and
4 providing health care services for nonsubsidized enrollees in the basic
5 health plan. The purpose of the 1994 amendatory language to this
6 section in chapter . . . , Laws of 1994 (this act) is to clarify the
7 intent of the legislature that premiums paid on behalf of nonsubsidized
8 enrollees in the basic health plan are subject to the premium and
9 prepayment tax. The legislature does not consider this clarifying
10 language to either raise existing taxes nor to impose a tax that did
11 not exist previously.

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