
ENGROSSED SENATE BILL 5076

State of Washington

53rd Legislature

1993 Regular Session

By Senators Talmadge, Gaspard, Snyder and Pelz; by request of Governor Gardner

Read first time 01/12/93. Referred to Committee on Health & Human Services.

1 AN ACT Relating to health care reform; amending sections 402, 406,
2 464, and 466 of chapter . . . (Engrossed Second Substitute Senate Bill
3 No. 5304), Laws of 1993; adding a new section to chapter 43.--.--- RCW;
4 adding a new section to chapter 70.47 RCW; providing an effective date;
5 and declaring an emergency.

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

7 **Sec. 1.** Section 402, chapter . . . (Engrossed Second Substitute
8 Senate Bill No. 5304), Laws of 1993 is amended to read as follows:

9 In this chapter, unless the context otherwise requires:

10 (1) "Certified health plan" or "plan" means a disability insurer
11 regulated under chapter 48.20 or 48.21 RCW, a health care service
12 contractor as defined in RCW 48.44.010, a health maintenance
13 organization as defined in RCW 48.46.020, or an entity certified in
14 accordance with sections 433 through 443 of chapter . . . (Engrossed
15 Second Substitute Senate Bill No. 5304), Laws of 1993.

16 (2) "Chair" means the presiding officer of the Washington health
17 services commission.

18 (3) "Commission" or "health services commission" means the
19 Washington health services commission.

1 (4) "Community rate" means the rating method used to establish the
2 premium for the uniform benefits package adjusted to reflect
3 actuarially demonstrated differences in utilization or cost
4 attributable to geographic region and family size as determined by the
5 commission.

6 (5) "Continuous quality improvement and total quality management"
7 means a continuous process to improve health services while reducing
8 costs.

9 (6) "Employee" means a resident who is in the employment of an
10 employer, as defined by chapter 50.04 RCW.

11 (7) "Enrollee" means any person who is a Washington resident
12 enrolled in a certified health plan.

13 (8) "Enrollee point of service cost-sharing" means amounts paid to
14 certified health plans directly providing services, health care
15 providers, or health care facilities by enrollees for receipt of
16 specific uniform benefits package services, and may include copayments,
17 coinsurance, or deductibles, that together must be actuarially
18 equivalent across plans and within overall limits established by the
19 commission.

20 (9) "Enrollee premium sharing" means that portion of the premium
21 that is paid by enrollees or their family members.

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

25 (11) "Health care facility" or "facility" means hospices licensed
26 under chapter 70.127 RCW, hospitals licensed under chapter 70.41 RCW,
27 rural health facilities as defined in RCW 70.175.020, psychiatric
28 hospitals licensed under chapter 71.12 RCW, nursing homes licensed
29 under chapter 18.51 RCW, community mental health centers licensed under
30 chapter 71.05 or 71.24 RCW, kidney disease treatment centers licensed
31 under chapter 70.41 RCW, ambulatory diagnostic, treatment or surgical
32 facilities licensed under chapter 70.41 RCW, drug and alcohol treatment
33 facilities licensed under chapter 70.96A RCW, and home health agencies
34 licensed under chapter 70.127 RCW, and includes such facilities if
35 owned and operated by a political subdivision or instrumentality of the
36 state and such other facilities as required by federal law and
37 implementing regulations, but does not include Christian Science
38 sanatoriums operated, listed, or certified by the First Church of
39 Christ Scientist, Boston, Massachusetts.

1 (12) "Health care provider" or "provider" means:
2 (a) A person regulated under Title 18 RCW and chapter 70.127 RCW,
3 to practice health or health-related services or otherwise practicing
4 health care services in this state consistent with state law; or
5 (b) An employee or agent of a person described in (a) of this
6 subsection, acting in the course and scope of his or her employment.
7 (13) "Health insurance purchasing cooperative" or "cooperative"
8 means a member-owned and governed nonprofit organization certified in
9 accordance with sections 425 and 426 of chapter . . . (Engrossed Second
10 Substitute Senate Bill No. 5304), Laws of 1993.
11 (14) "Long-term care" means institutional, residential, outpatient,
12 or community-based services that meet the individual needs of persons
13 of all ages who are limited in their functional capacities or have
14 disabilities and require assistance with performing two or more
15 activities of daily living for an extended or indefinite period of
16 time. These services include case management, protective supervision,
17 in-home care, nursing services, convalescent, custodial, chronic, and
18 terminally ill care.
19 (15) "Major capital expenditure" means any project or expenditure
20 for capital construction, renovations, or acquisition, including
21 medical technological equipment, as defined by the commission, costing
22 more than one million dollars.
23 (16) "Managed care" means an integrated system of insurance,
24 financing, and health services delivery functions that: (a) Assumes
25 financial risk for delivery of health services and uses a defined
26 network of providers; or (b) assumes financial risk for delivery of
27 health services and promotes the efficient delivery of health services
28 through provider assumption of some financial risk including
29 capitation, prospective payment, resource-based relative value scales,
30 fee schedules, or similar method of limiting payments to health care
31 providers.
32 (17) "Maximum enrollee financial participation" means the income-
33 related total annual payments that may be required of an enrollee per
34 family who chooses one of the three lowest priced uniform benefits
35 packages offered by plans in a geographic region including both premium
36 sharing and enrollee point of service cost-sharing.
37 (18) "Persons of color" means Asians/Pacific Islanders, African,
38 Hispanic, and Native Americans.

1 (19) "Premium" means all sums charged, received, or deposited by a
2 certified health plan as consideration for a uniform benefits package
3 or the continuance of a uniform benefits package. Any assessment, or
4 any "membership," "policy," "contract," "service," or similar fee or
5 charge made by the certified health plan in consideration for the
6 uniform benefits package is deemed part of the premium. "Premium"
7 shall not include amounts paid as enrollee point of service cost-
8 sharing.

9 (20) "Qualified employee" means an employee who is employed at
10 least thirty hours during a week or one hundred twenty hours during a
11 calendar month.

12 (21) "Registered employer health plan" means a health plan
13 established by a private employer of more than seven thousand active
14 employees in this state solely for the benefit of such employees and
15 their dependents and that meets the requirements of section 430 of
16 chapter . . . (Engrossed Second Substitute Senate Bill No. 5304), Laws
17 of 1993. Nothing contained in this subsection shall be deemed to
18 preclude the plan from providing benefits to retirees of the employer.

19 (22) "Seasonal employee" means any person who works:

20 (a) For one or more employers during the calendar year;

21 (b) For six months or less, per year; and

22 (c) For at least half-time per month, during a designated season,
23 within the same industry sector, designated by the commission,
24 including food processing, agricultural production, agricultural
25 harvesting, plantation Christmas tree planting, and tree planting on
26 timber land.

27 (23) "Supplemental benefits" means those appropriate and effective
28 health services that are not included in the uniform benefits package
29 or that expand the type or level of health services available under the
30 uniform benefits package and that are offered to all residents in
31 accordance with the provisions of sections 452 and 453 of chapter . . .
32 (Engrossed Second Substitute Senate Bill No. 5304), Laws of 1993.

33 (~~((23))~~) (24) "Technology" means the drugs, devices, equipment, and
34 medical or surgical procedures used in the delivery of health services,
35 and the organizational or supportive systems within which such services
36 are provided. It also means sophisticated and complicated machinery
37 developed as a result of ongoing research in the basic biological and
38 physical sciences, clinical medicine, electronics, and computer
39 sciences, as well as specialized professionals, medical equipment,

1 procedures, and chemical formulations used for both diagnostic and
2 therapeutic purposes.

3 ~~((24))~~ (25) "Uniform benefits package" or "package" means those
4 appropriate and effective health services, defined by the commission
5 under section 449 of chapter . . . (Engrossed Second Substitute Senate
6 Bill No. 5304), Laws of 1993, that must be offered to all Washington
7 residents through certified health plans.

8 ~~((25))~~ (26) "Washington resident" or "resident" means a person
9 who intends to reside in the state permanently or indefinitely and who
10 did not move to Washington for the primary purpose of securing health
11 services under sections 427 through 466 of chapter . . . (Engrossed
12 Second Substitute Senate Bill No. 5304), Laws of 1993. "Washington
13 resident" also includes people and their accompanying family members
14 who are residing in the state for the purpose of engaging in employment
15 for at least one month, who did not enter the state for the primary
16 purpose of obtaining health services. The confinement of a person in
17 a nursing home, hospital, or other medical institution in the state
18 shall not by itself be sufficient to qualify such person as a resident.

19 **Sec. 2.** Section 406, chapter . . . (Engrossed Second Substitute
20 Senate Bill No. 5304), Laws of 1993 is amended to read as follows:

21 POWERS AND DUTIES OF THE COMMISSION. The commission has the
22 following powers and duties:

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

27 (2) Endeavor to ensure that all residents of Washington state have
28 access to appropriate, timely, confidential, and effective health
29 services, and monitor the degree of access to such services. If the
30 commission finds that individuals or populations lack access to
31 certified health plan services, the commission shall:

32 (a) Authorize appropriate state agencies, local health departments,
33 community or migrant health clinics, public hospital districts, or
34 other nonprofit health service entities to take actions necessary to
35 assure such access. This includes authority to contract for or
36 directly deliver services described within the uniform benefits package
37 to special populations; or

1 (b) Notify appropriate certified health plans and the insurance
2 commissioner of such findings. The commission shall adopt by rule
3 standards by which the insurance commissioner may, in such event,
4 require certified health plans in closest proximity to such individuals
5 and populations to extend their catchment areas to those individuals
6 and populations and offer them enrollment.

7 (3) Adopt necessary rules in accordance with chapter 34.05 RCW to
8 carry out the purposes of chapter . . . (Engrossed Second Substitute
9 Senate Bill No. 5304), Laws of 1993. An initial set of draft rules
10 establishing at least the commission's organization structure, the
11 uniform benefits package, and standards for certified health plan
12 certification, must be submitted in draft form to appropriate
13 committees of the legislature by December 1, 1994.

14 (4) Establish and modify as necessary, in consultation with the
15 state board of health and the department of health, and coordination
16 with the planning process set forth in section 467 of chapter . . .
17 (Engrossed Second Substitute Senate Bill No. 5304), Laws of 1993 a
18 uniform set of health services based on the recommendations of the
19 health care cost control and access commission established under House
20 Concurrent Resolution No. 4443 adopted by the legislature in 1990.

21 (5) Establish and modify as necessary the uniform benefits package
22 as provided in section 449 of chapter . . . (Engrossed Second
23 Substitute Senate Bill No. 5304), Laws of 1993, which shall be offered
24 to enrollees of a certified health plan. The benefit package shall be
25 provided at no more than the maximum premium specified in subsection
26 (6) of this section.

27 (6)(a) Establish for each year a community-rated maximum premium
28 for the uniform benefits package that shall operate to control overall
29 health care costs. The maximum premium cost of the uniform benefits
30 package in the base year 1995 shall be established upon an actuarial
31 determination of the costs of providing the uniform benefits package
32 and such other cost impacts as may be deemed relevant by the
33 commission. Beginning in 1996, the growth rate of the premium cost of
34 the uniform benefits package for each certified health plan shall be
35 allowed to increase by a rate no greater than the average growth rate
36 in the cost of the package between 1990 and 1993 as actuarially
37 determined, reduced by two percentage points per year until the growth
38 rate is no greater than the five-year rolling average of growth in

1 Washington per capita personal income, as determined by the office of
2 financial management.

3 (b) In establishing the community-rated maximum premium under this
4 subsection, ~~((the commission shall develop a composite rate for
5 employees that provides nominal, if any, variance between the rate for
6 individual employees and employees with dependents to minimize any
7 economic incentive to an employer to discriminate between prospective
8 employees based upon whether or not they have dependents for whom
9 coverage would be required. Nothing in this subsection (6)(b) shall
10 preclude the commission from evaluating other methodologies for
11 establishing the community-rated maximum premium and recommending an
12 alternative methodology to the legislature))~~ the commission shall
13 review various methods for establishing the community-rated maximum
14 premium and shall recommend such methods to the legislature by December
15 1, 1994.

16 The commission may develop and recommend a rate for employees that
17 provides nominal, if any, variance between the rate for individual
18 employees and employees with dependents to minimize any economic
19 incentive to an employer to discriminate between prospective employees
20 based upon whether or not they have dependents for whom coverage would
21 be required.

22 (c) If the commission adds or deletes services or benefits to the
23 uniform benefits package in subsequent years, it may increase or
24 decrease the maximum premium to reflect the actual cost experience of
25 a broad sample of providers of that service in the state, considering
26 the factors enumerated in (a) of this subsection and adjusted
27 actuarially. The addition of services or benefits shall not result in
28 a redetermination of the entire cost of the uniform benefits package.

29 (d) The level of state expenditures for the uniform benefits
30 package shall be limited to the appropriation of funds specifically for
31 this purpose.

32 (7) Determine the need for medical risk adjustment mechanisms to
33 minimize financial incentives for certified health plans to enroll
34 individuals who present lower health risks and avoid enrolling
35 individuals who present higher health risks, and to minimize financial
36 incentives for employer hiring practices that discriminate against
37 individuals who present higher health risks. In the design of medical
38 risk distribution mechanisms under this subsection, the commission
39 shall (a) balance the benefits of price competition with the need to

1 protect certified health plans from any unsustainable negative effects
2 of adverse selection; (b) consider the development of a system that
3 creates a risk profile of each certified health plan's enrollee
4 population that does not create disincentives for a plan to control
5 benefit utilization, that requires contributions from plans that enjoy
6 a low-risk enrollee population to plans that have a high-risk enrollee
7 population, and that does not permit an adjustment of the premium
8 charged for the uniform benefits package or supplemental coverage based
9 upon either receipt or contribution of assessments; and (c) consider
10 whether registered employer health plans should be included in any
11 medical risk adjustment mechanism. Proposed medical risk adjustment
12 mechanisms shall be submitted to the legislature as provided in section
13 454 of chapter . . . (Engrossed Second Substitute Senate Bill No.
14 5304), Laws of 1993.

15 (8) Design a mechanism to assure minors have access to confidential
16 health care services as currently provided in RCW 70.24.110 and
17 71.34.030.

18 (9) Monitor the actual growth in total annual health services
19 costs.

20 (10) Monitor the increased application of technology as required by
21 chapter . . . (Engrossed Second Substitute Senate Bill No. 5304), Laws
22 of 1993 and take necessary action to ensure that such application is
23 made in a cost-effective and efficient manner and consistent with
24 existing laws that protect individual privacy.

25 (11) Establish reporting requirements for certified health plans
26 that own or manage health care facilities, health care facilities, and
27 health care providers to periodically report to the commission
28 regarding major capital expenditures of the plans. The commission
29 shall review and monitor such reports and shall report to the
30 legislature regarding major capital expenditures on at least an annual
31 basis. The Washington health care facilities authority and the
32 commission shall develop standards jointly for evaluating and approving
33 major capital expenditure financing through the Washington health care
34 facilities authority, as authorized pursuant to chapter 70.37 RCW. By
35 December 1, 1994, the commission and the authority shall submit jointly
36 to the legislature such proposed standards. The commission and the
37 authority shall, after legislative review, but no later than June 1,
38 1995, publish such standards. Upon publication, the authority may not

1 approve financing for major capital expenditures unless approved by the
2 commission.

3 (12) Establish maximum enrollee financial participation levels.
4 The levels shall be related to enrollee household income.

5 (13) For health services provided under the uniform benefits
6 package and supplemental benefits, adopt standards for enrollment, and
7 standardized billing and claims processing forms. The standards shall
8 ensure that these procedures minimize administrative burdens on health
9 care providers, health care facilities, certified health plans, and
10 consumers. Subject to federal approval or phase-in schedules whenever
11 necessary or appropriate, the standards also shall apply to state-
12 purchased health services, as defined in RCW 41.05.011.

13 (14) Propose that certified health plans adopt certain practice
14 indicators or risk management protocols for quality assurance,
15 utilization review, or provider payment. The commission may consider
16 indicators or protocols recommended according to section 410 of chapter
17 . . . (Engrossed Second Substitute Senate Bill No. 5304), Laws of 1993
18 for these purposes.

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

25 (16) Adopt standards and oversee and develop policy for personal
26 health data and information system as provided in chapter 70.170 RCW.

27 (17) Adopt standards that prevent conflict of interest by health
28 care providers as provided in section 408 of chapter . . . (Engrossed
29 Second Substitute Senate Bill No. 5304), Laws of 1993.

30 (18) At the appropriate juncture and in the fullness of time,
31 consider the extent to which medical research and health professions
32 training activities should be included within the health service system
33 set forth in this chapter . . . (Engrossed Second Substitute Senate
34 Bill No. 5304), Laws of 1993.

35 (19) Evaluate and monitor the extent to which racial and ethnic
36 minorities have access and to receive health services within the state,
37 and develop strategies to address barriers to access.

38 (20) Develop standards for the certification process to certify
39 health plans and employer health plans to provide the uniform benefits

1 package, according to the provisions for certified health plans and
2 registered employer health plans under chapter . . . (Engrossed Second
3 Substitute Senate Bill No. 5304), Laws of 1993.

4 (21) Develop rules for implementation of individual and employer
5 participation under sections 463 and 464 of chapter . . . (Engrossed
6 Second Substitute Senate Bill No. 5304), Laws of 1993 specifically
7 applicable to persons who work in this state but do not live in the
8 state or persons who live in this state but work outside of the state.
9 The rules shall be designed so that these persons receive coverage and
10 financial requirements that are comparable to that received by persons
11 who both live and work in the state.

12 (22) After receiving advice from the health services effectiveness
13 committee, adopt rules that must be used by certified health plans,
14 disability insurers, health care service contractors, and health
15 maintenance organizations to determine whether a procedure, treatment,
16 drug, or other health service is no longer experimental or
17 investigative.

18 (23) Establish a process for purchase of uniform benefits package
19 services by enrollees when they are out-of-state.

20 (24) Develop recommendations to the legislature as to whether state
21 and school district employees, on whose behalf health benefits are or
22 will be purchased by the health care authority pursuant to chapter
23 41.05 RCW, should have the option to purchase health benefits through
24 health insurance purchasing cooperatives on and after July 1, 1997. In
25 developing its recommendations, the commission shall consider:

26 (a) The impact of state or school district employees purchasing
27 through health insurance purchasing cooperatives on the ability of the
28 state to control its health care costs; and

29 (b) Whether state or school district employees purchasing through
30 health insurance purchasing cooperatives will result in inequities in
31 health benefits between or within groups of state and school district
32 employees.

33 (25) Establish guidelines for providers dealing with terminal or
34 static conditions, taking into consideration the ethics of providers,
35 patient and family wishes, costs, and survival possibilities.

36 (26) Evaluate the extent to which Taft-Hartley health care trusts
37 provide benefits to certain individuals in the state; review the
38 federal laws under which these trusts are organized; and make
39 appropriate recommendations to the governor and the legislature on or

1 before December 1, 1994, as to whether these trusts should be brought
2 under the provisions of chapter . . . (Engrossed Second Substitute
3 Senate Bill No. 5304), Laws of 1993 when it is fully implemented, and
4 if the commission recommends inclusion of the trusts, how to implement
5 such inclusion.

6 (27) Make appropriate recommendations to the governor and the
7 legislature on or before December 1, 1994, as to how seasonal workers
8 and their employers may be brought under the provisions of chapter
9 . . . (Engrossed Second Substitute Senate Bill No. 5304), Laws of 1993
10 when it is fully implemented, and with particular attention to the
11 financial impact on seasonal workers and their employers. Until such
12 time this study has been completed and the legislature has taken
13 affirmative action, RCW 43.--.--- (section 464, chapter . . .
14 (Engrossed Second Substitute Senate Bill No. 5304), Laws of 1993, as
15 amended by section 3 of this act) shall not apply to seasonal workers
16 or their employers.

17 (28) Evaluate whether Washington is experiencing a higher
18 percentage in in-migration of residents from other states and
19 territories than would be expected by normal trends as a result of the
20 availability of unsubsidized and subsidized health care benefits for
21 all residents and report to the governor and the legislature their
22 findings.

23 ~~((28))~~ (29) In developing the uniform benefits package and other
24 standards pursuant to this section, consider the likelihood of the
25 establishment of a national health services plan adopted by the federal
26 government and its implications.

27 ~~((29))~~ (30) Evaluate the effect of reforms under chapter . . .
28 (Engrossed Second Substitute Senate Bill No. 5304), Laws of 1993 on
29 access to care and economic development in rural areas.

30 To the extent that the exercise of any of the powers and duties
31 specified in this section may be inconsistent with the powers and
32 duties of other state agencies, offices, or commissions, the authority
33 of the commission shall supersede that of such other state agency,
34 office, or commission, except in matters of personal health data, where
35 the commission shall have primary data system policymaking authority
36 and the department of health shall have primary responsibility for the
37 maintenance and routine operation of personal health data systems.

1 **Sec. 3.** Section 464, chapter . . . (Engrossed Second Substitute
2 Senate Bill No. 5304), Laws of 1993 is amended to read as follows:

3 (1) The legislature recognizes that small businesses play an
4 essential and increasingly important role in the state's economy. The
5 legislature further recognizes that many of the state's small business
6 owners provide health insurance to their employees through small group
7 policies at a cost that directly affects their profitability. Other
8 small business owners are prevented from providing health benefits to
9 their employees by the lack of access to affordable health insurance
10 coverage. The legislature intends that the provisions of chapter . . .
11 (Engrossed Second Substitute Senate Bill No. 5304), Laws of 1993 make
12 health insurance more available and affordable to small businesses in
13 Washington state through strong cost control mechanisms and the option
14 to purchase health benefits through the basic health plan, the
15 Washington state group purchasing association, and health insurance
16 purchasing cooperatives.

17 (2) On July 1, 1995, every employer employing more than five
18 hundred qualified employees shall:

19 (a) Offer a choice of the uniform benefits package as provided by
20 at least three available certified health plans, one of which shall be
21 the lowest cost available package within their geographic region, and
22 for employers who have established a registered employer health plan,
23 one of which may be its own registered employer health plan, to all
24 qualified employees. The employer shall be required to pay no less
25 than fifty percent of the premium cost of the lowest cost available
26 package within their geographic region. On July 1, 1996, all
27 dependents of qualified employees of these firms shall be offered a
28 choice of packages as provided in this section with the employer paying
29 no less than fifty percent of the premium of the lowest cost package
30 within their geographic region.

31 (b) For employees who work fewer than thirty hours during a week or
32 one hundred twenty hours during a calendar month, three hundred sixty
33 hours during a calendar quarter or one thousand four hundred forty
34 hours during a calendar year, and their dependents, pay, for the period
35 of time adopted by the employer under this subsection, the amount
36 resulting from application of the following formula: The number of
37 hours worked by the employee in a month is multiplied by the amount of
38 a qualified employee's premium, and that amount is then divided by one
39 hundred twenty.

1 (c) If an employee under (b) of this subsection is the dependent of
2 a qualified employee, and is therefore covered as a dependent by the
3 qualified employee's employer, then the employer of the employee under
4 (b) of this subsection shall not be required to participate in the cost
5 of the uniform benefits package for that employee.

6 (d) If an employee working on a seasonal basis is a qualified
7 employee of another employer, and therefore has uniform benefits
8 package coverage through that primary employer, then the seasonal
9 employer of the employee shall not be required to participate in the
10 cost of the uniform benefits package for that employee.

11 (3) By July 1, 1996, every employer employing more than one hundred
12 qualified employees shall:

13 (a) Offer a choice of the uniform benefits package as provided by
14 at least three available certified health plans, one of which shall be
15 the lowest cost available package within their geographic region, to
16 all qualified employees. The employer shall be required to pay no less
17 than fifty percent of the premium cost of the lowest cost available
18 package within their geographic region. On July 1, 1997, all
19 dependents of qualified employees in these firms shall be offered a
20 choice of packages as provided in this section with the employer paying
21 no less than fifty percent of the premium of the lowest cost package
22 within their geographic region.

23 (b) For employees who work fewer than thirty hours during a week or
24 one hundred twenty hours during a calendar month, three hundred sixty
25 hours during a calendar quarter or one thousand four hundred forty
26 hours during a calendar year, and their dependents, pay, for the period
27 of time adopted by the employer under this subsection, the amount
28 resulting from application of the following formula: The number of
29 hours worked by the employee in a month is multiplied by the amount of
30 a qualified employee's premium, and that amount is then divided by one
31 hundred twenty.

32 (c) If an employee under (b) of this subsection is the dependent of
33 a qualified employee, and is therefore covered as a dependent by the
34 qualified employee's employer, then the employer of the employee under
35 (b) of this subsection shall not be required to participate in the cost
36 of the uniform benefits package for that employee.

37 (d) If an employee working on a seasonal basis is a qualified
38 employee of another employer, and therefore has uniform benefits
39 package coverage through that primary employer, then the seasonal

1 employer of the employee shall not be required to participate in the
2 cost of the uniform benefits package for that employee.

3 (4) By July 1, 1997, every employer shall:

4 (a) Offer a choice of the uniform benefits package as provided by
5 at least three available certified health plans, one of which shall be
6 the lowest cost available package within their geographic region, to
7 all qualified employees. The employer shall be required to pay no less
8 than fifty percent of the premium cost of the lowest cost available
9 package within their geographic region. On July 1, 1999, all
10 dependents of qualified employees in all firms shall be offered a
11 choice of packages as provided in this section with the employer paying
12 no less than fifty percent of the premium of the lowest cost package
13 within their geographic region.

14 (b) For employees who work fewer than thirty hours during a week or
15 one hundred twenty hours during a calendar month, three hundred sixty
16 hours during a calendar quarter or one thousand four hundred forty
17 hours during a calendar year, and their dependents, pay, for the period
18 of time adopted by the employer under this subsection, the amount
19 resulting from application of the following formula: The number of
20 hours worked by the employee in a month is multiplied by the amount of
21 a qualified employee's premium, and that amount is then divided by one
22 hundred twenty.

23 (c) If an employee under (b) of this subsection is the dependent of
24 a qualified employee, and is therefore covered as a dependent by the
25 qualified employee's employer, then the employer of the employee under
26 (b) of this subsection shall not be required to participate in the cost
27 of the uniform benefits package for that employee.

28 (d) If an employee working on a seasonal basis is a qualified
29 employee of another employer, and therefore has uniform benefits
30 package coverage through that primary employer, then the seasonal
31 employer of the employee shall not be required to participate in the
32 cost of the uniform benefits package for that employee.

33 (5) This employer participation requirement shall be waived if
34 imposition of the requirement would constitute a violation of the
35 freedom of religion provisions of the First Amendment of the United
36 States Constitution or Article I, section 11, of the state
37 Constitution. In such case the employer shall, pursuant to commission
38 rules, set aside an amount equal to the applicable employer

1 contribution level in a manner that would permit his or her employee to
2 fully comply with the requirements of this chapter.

3 (6) In lieu of offering the uniform benefits package to employees
4 and their dependents through direct contracts with certified health
5 plans, an employer may combine the employer contribution with that of
6 the employee's contribution and enroll in the basic health plan as
7 provided in chapter 70.47 RCW or a health insurance purchasing
8 cooperative established under sections 425 and 426 of chapter . . .
9 (Engrossed Second Substitute Senate Bill No. 5304), Laws of 1993. Any
10 subsidy that may be provided according to the provisions of chapter
11 70.47 RCW shall not lessen the employer's obligation to pay a minimum
12 of fifty percent of the premium and the full amount of the direct
13 subsidy shall be for the benefit of the employee or the dependent.

14 (7) For purposes of determining the financial obligation of an
15 employer who enrolls employees or employees and their adult dependents
16 in the basic health plan, the premium shall be the per adult, per
17 month, cost of coverage in the plan, including administration.

18 NEW SECTION. Sec. 4. Section 466, chapter . . . (Engrossed Second
19 Substitute Senate Bill No. 5304), Laws of 1993 is amended to read as
20 follows:

21 SMALL FIRM FINANCIAL ASSISTANCE. (1) Beginning July 1, 1997, firms
22 with fewer than twenty-five workers that face barriers to providing
23 health insurance for their employees may, upon application, be eligible
24 to receive financial assistance with funds set aside from the health
25 services account. Firms with the following characteristics shall be
26 given preference in the distribution of funds: (a) New firms, (b)
27 employers with low average wages, (c) employers with low profits, and
28 (d) firms in economically distressed areas.

29 (2) All employers in existence on or before July 1, 1997, who meet
30 the criteria set forth in this section, and rules adopted under this
31 section, may apply to the health services commission for assistance.
32 Such employers may not receive premium assistance beyond July 1, 2001.
33 New employers, who come into existence after July 1, 1997, may apply
34 for and receive premium assistance for a limited period of time, as
35 determined by the commission.

36 (3) The total funds available for small business assistance shall
37 ((not exceed)) be the lesser of (a) one hundred fifty million dollars
38 or (b) twenty-five percent of the cost of the uniform benefits package

1 per the eligible applicants' insured employee or dependents as the case
2 may be, for the biennium beginning July 1, 1997. Thereafter, the
3 amount of total funds available for premium assistance shall be
4 determined by the office of financial management, based on a forecast
5 of inflation, employment, and the number of eligible firms.

6 (4) By July 1, 1997, the health services commission, with
7 assistance from the small business advisory committee established in
8 section 404 of chapter . . . (Engrossed Second Substitute Senate Bill
9 No. 5304), Laws of 1993, shall develop specific definitions, rules, and
10 procedures governing all aspects of the small business assistance
11 program, including application procedures, thresholds regarding firm
12 size, wages, profits, and age of firm, and rules governing duration of
13 assistance. The health services commission will endeavor to design a
14 system for the distribution of assistance that will create minimal
15 burdens on businesses seeking financial assistance.

16 (5) Final determination of the amount of the premium assistance to
17 be dispensed to an employer shall be made by the commission based on
18 rules, definitions, and procedures developed under this section. If
19 total claims for assistance are above the amount of total funds
20 available for such purposes, the commission shall have the authority to
21 prorate employer claims so that the amount of available funds is not
22 exceeded.

23 (6) The office of financial management, in consultation with the
24 commission, shall establish appropriate criteria for monitoring and
25 evaluating the economic and labor market impacts of the premium
26 assistance program and report its findings to the commission annually
27 through July 1, 2001.

28 NEW SECTION. Sec. 5. No later than January 1, 1997, the
29 commission shall recommend legislation establishing a program for tax
30 credits under chapter 82.04 RCW for employers with fewer than five
31 hundred full-time equivalent employees, that provides a credit against
32 the amount of employer tax. The credit shall be in an amount equal to
33 a proportion of the cost of premium contributions made by such employer
34 on behalf of dependents of employees under chapter . . . (Engrossed
35 Second Substitute Senate Bill No. 5304), Laws of 1993. The proposed
36 legislation shall limit the tax credit based on the criteria set forth
37 in RCW 43.--.--- (section 466, chapter . . . (Engrossed Second
38 Substitute Senate Bill No. 5304), Laws of 1993, as amended by section

1 4 of this act). The tax credit shall not exceed forty percent of the
2 employer's actual premium paid on behalf of dependents of employees.

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

5 The administrator shall continue to use a premium pricing structure
6 substantially equivalent to that used by the plan on January 1, 1993.

7 NEW SECTION. **Sec. 7.** Section 5 of this act is added to chapter
8 43.-- RCW (sections 401 through 407, 409, 425, 427 through 430, and 447
9 through 466 of chapter . . . (Engrossed Second Substitute Senate Bill
10 No. 5304), Laws of 1993.

11 NEW SECTION. **Sec. 8.** This act is necessary for the immediate
12 preservation of the public peace, health, or safety, or support of the
13 state government and its existing public institutions, and shall take
14 effect July 1, 1993.

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