
SECOND SUBSTITUTE SENATE BILL 5304

State of Washington**53rd Legislature****1993 Regular Session**

By Senate Committee on Ways & Means (originally sponsored by Senators Talmadge, Gaspard, Moore, Deccio, Wojahn, Moyer, Snyder, Winsley, Fraser, Haugen, McAuliffe, Drew, Sheldon, Skratek and Pelz)

Read first time 03/08/93.

1 AN ACT Relating to health care; amending RCW 70.47.010, 70.47.020,
2 70.47.030, 70.47.040, 70.47.060, 70.47.080, 70.47.120, 41.05.011,
3 41.05.021, 41.05.050, 41.05.055, 47.64.270, 41.05.065, 41,05.120,
4 41.05.140, 19.68.010, 70.05.010, 70.05.030, 70.05.040, 70.05.050,
5 70.05.070, 70.05.080, 70.05.120, 70.05.130, 70.05.150, 70.08.010,
6 70.12.030, 70.12.050, 70.46.020, 70.46.060, 70.46.080, 70.46.085,
7 70.46.090, 70.46.120, 82.44.110, 82.44.155, 70.170.100, 70.170.110,
8 28B.125.010, 28B.115.080, 70.185.030, 43.70.460, 43.70.470, 82.24.020,
9 82.24.080, 82.26.020, 82.08.150, 66.24.290, 82.02.030, 82.04.260,
10 82.04.4289, 18.130.160, 18.130.190, 70.41.200, 42.17.2401, 43.20.030,
11 43.20.050, and 43.84.092; adding a new section to chapter 70.47 RCW;
12 adding a new section to chapter 74.09 RCW; adding new sections to
13 chapter 41.05 RCW; adding a new section to chapter 18.130 RCW; adding
14 a new section to Title 43 RCW; adding new sections to chapter 70.05
15 RCW; adding new sections to chapter 70.170 RCW; adding new sections to
16 chapter 70.185 RCW; adding new sections to Title 48 RCW; adding new
17 sections to chapter 48.14 RCW; adding a new section to chapter 82.04
18 RCW; adding new sections to chapter 43.70 RCW; adding a new section to
19 Title 70 RCW; adding a new section to chapter 48.22 RCW; adding a new
20 section to chapter 70.41 RCW; adding a new section to chapter 71.12
21 RCW; adding new sections to chapter 18.68 RCW; adding a new section to

1 chapter 18.51 RCW; adding a new chapter to Title 48 RCW; adding new
2 chapters to Title 43 RCW; creating new sections; recodifying RCW
3 70.08.010; repealing RCW 70.05.005, 70.05.020, 70.05.132, 70.05.145,
4 70.08.005, 70.08.020, 70.08.030, 70.08.040, 70.08.050, 70.08.060,
5 70.08.070, 70.08.080, 70.08.090, 70.08.100, 70.08.110, 70.08.900,
6 70.12.005, 70.46.030, 70.46.040, 70.46.050, and 82.04.4288; prescribing
7 penalties; making appropriations; providing effective dates; and
8 declaring an emergency.

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

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PART I. FINDINGS, GOALS, AND INTENT

NEW SECTION. **Sec. 101.** FINDINGS. The legislature finds that our health and financial security are jeopardized by our ever increasing demand for medical care and by current medical insurance and medical system practices. Medical system practices help to encourage public demand for unneeded, ineffective, and sometimes dangerous medical treatments. They often result in unaffordable cost increases that far exceed ordinary inflation for essential care. Current total medical and health care expenditure rates should be sufficient to provide access to essential health and medical care interventions to all within a reformed, efficient system.

Although many have more medical treatment and insurance than they need, the legislature finds that too many of our state's residents are without any medical insurance, that each year many individuals and families are forced into poverty because of serious illness, and that many must leave gainful employment to be eligible for publicly funded medical services. Additionally, thousands of citizens are at risk of losing adequate medical insurance, have had insurance canceled recently, or cannot afford to renew existing coverage.

The legislature finds that businesses can no longer afford to pay for medical insurance and remain competitive in a global economy, and that individuals, the poor, and small businesses bear an inequitable medical insurance burden.

The legislature finds that uncontrolled demand and expenditures for medical care are eroding the ability of families, businesses, communities, and governments to invest in other enterprises that promote health, maintain independence, and ensure continued economic welfare. Housing, nutrition, education, and the environment are all diminished as we invest ever increasing shares of wealth in medical treatments.

The legislature finds that while immediate steps must be taken to alleviate the medical and health care cost and access crisis, a long-term plan of reform is also needed.

NEW SECTION. **Sec. 102.** LEGISLATIVE INTENT AND GOALS. (1) The legislature intends that state government policy stabilize medical and

1 health care costs, assure access to essential services for all
2 residents, improve the public's health, and ensure that unwarranted
3 medical care cost increases do not undermine the viability of
4 nonmedical care businesses.

5 (2) The legislature intends that:

6 (a) Total medical care costs be stabilized and kept within rates of
7 increase similar to the rates of general economic inflation within a
8 publicly regulated, private marketplace that preserves personal choice
9 of licensed health care provider;

10 (b) State residents be enrolled in the certified health plan of
11 their choice that meets state standards regarding affordability,
12 accessibility, cost-effectiveness, and comprehensiveness;

13 (c) Individuals and businesses have the option to purchase any
14 health or medical services they may choose in addition to those
15 contained in any benefit package determined by the state to be
16 essential, so long as such supplemental services are purchased from
17 certified health plans or purchased directly from health care
18 providers;

19 (d) All state residents, businesses, employees, and government
20 participate in payment for health services, with total costs to
21 individuals on a sliding scale based on income to encourage efficient
22 and appropriate utilization of services and to protect individuals from
23 impoverishment because of health care costs; and

24 (e) These goals be accomplished within a reformed system using all
25 licensed private service providers and facilities in a way that allows
26 consumers to choose among competing plans and providers operating
27 within budget limits and other regulations that promote the public
28 good.

29 (3) Accordingly, the legislature intends that chapter . . . , Laws
30 of 1993 (this act) provide both early implementation measures and a
31 long-term plan and process for reform.

32 **PART II. EARLY IMPLEMENTATION MEASURES**

33 NEW SECTION. **Sec. 201.** INTENT. The legislature intends that the
34 provisions within sections 202 through 283 of this act be implemented
35 as soon as possible to promote the proliferation of managed health
36 care, to foster the collection of needed health care data, to expand
37 access to basic health insurance using established programs, and to

1 make other immediate improvements in the health care system that are
2 consistent with the goals of long-term care reform.

3 **A. BASIC HEALTH PLAN EXPANSION**

4 NEW SECTION. **Sec. 202.** A new section is added to chapter 70.47
5 RCW to read as follows:

6 The powers, duties, and functions of the Washington basic health
7 plan are hereby transferred to the Washington state health care
8 authority. All references to the administrator of the Washington basic
9 health plan in the Revised Code of Washington shall be construed to
10 mean the administrator of the Washington state health care authority.

11 NEW SECTION. **Sec. 203.** All reports, documents, surveys, books,
12 records, files, papers, or written material in the possession of the
13 Washington basic health plan shall be delivered to the custody of the
14 Washington state health care authority. All cabinets, furniture,
15 office equipment, motor vehicles, and other tangible property used by
16 the Washington basic health plan shall be made available to the
17 Washington state health care authority. All funds, credits, or other
18 assets held by the Washington basic health plan shall be assigned to
19 the Washington state health care authority.

20 Any appropriations made to the Washington basic health plan shall,
21 on the effective date of this section, be transferred and credited to
22 the Washington state health care authority. At no time may those funds
23 in the basic health plan trust account, any funds appropriated for the
24 subsidy of any enrollees, or any premium payments or other sums made or
25 received on behalf of any enrollees in the basic health plan be
26 commingled with any appropriated funds designated or intended for the
27 purposes of providing health care coverage to any state or other public
28 employees.

29 Whenever any question arises as to the transfer of any personnel,
30 funds, books, documents, records, papers, files, equipment, or other
31 tangible property used or held in the exercise of the powers and the
32 performance of the duties and functions transferred, the director of
33 financial management shall make a determination as to the proper
34 allocation and certify the same to the state agencies concerned.

1 NEW SECTION. **Sec. 204.** All employees of the Washington basic
2 health plan are transferred to the jurisdiction of the Washington state
3 health care authority. All employees classified under chapter 41.06
4 RCW, the state civil service law, are assigned to the Washington state
5 health care authority to perform their usual duties upon the same terms
6 as formerly, without any loss of rights, subject to any action that may
7 be appropriate thereafter in accordance with the laws and rules
8 governing state civil service.

9 NEW SECTION. **Sec. 205.** All rules and all pending business before
10 the Washington basic health plan shall be continued and acted upon by
11 the Washington state health care authority. All existing contracts and
12 obligations shall remain in full force and shall be performed by the
13 Washington state health care authority.

14 NEW SECTION. **Sec. 206.** The transfer of the powers, duties,
15 functions, and personnel of the Washington basic health plan shall not
16 affect the validity of any act performed prior to the effective date of
17 this section.

18 NEW SECTION. **Sec. 207.** If apportionments of budgeted funds are
19 required because of the transfers directed by sections 202 through 206
20 of this act, the director of financial management shall certify the
21 apportionments to the agencies affected, the state auditor, and the
22 state treasurer. Each of these shall make the appropriate transfer and
23 adjustments in funds and appropriation accounts and equipment records
24 in accordance with the certification.

25 NEW SECTION. **Sec. 208.** Nothing contained in sections 202 through
26 207 of this act may be construed to alter any existing collective
27 bargaining unit or the provisions of any existing collective bargaining
28 agreement until the agreement has expired or until the bargaining unit
29 has been modified by action of the personnel board as provided by law.

30 **Sec. 209.** RCW 70.47.010 and 1987 1st ex.s. c 5 s 3 are each
31 amended to read as follows:

32 (1) The legislature finds that:

1 (a) A significant percentage of the population of this state does
2 not have reasonably available insurance or other coverage of the costs
3 of necessary basic health care services;

4 (b) This lack of basic health care coverage is detrimental to the
5 health of the individuals lacking coverage and to the public welfare,
6 and results in substantial expenditures for emergency and remedial
7 health care, often at the expense of health care providers, health care
8 facilities, and all purchasers of health care, including the state; and

9 (c) The use of managed health care systems has significant
10 potential to reduce the growth of health care costs incurred by the
11 people of this state generally, and by low-income pregnant women who
12 are an especially vulnerable population, along with their children, and
13 who need greater access to managed health care.

14 (2) The purpose of this chapter is to provide necessary basic
15 health care services in an appropriate setting to working persons and
16 others who lack coverage, at a cost to these persons that does not
17 create barriers to the utilization of necessary health care services.
18 To that end, this chapter establishes a program to be made available to
19 those residents under sixty-five years of age not otherwise eligible
20 for medicare or medicaid with gross family income at or below ~~((two))~~
21 three hundred percent of the federal poverty guidelines who share in
22 the cost of receiving basic health care services from a managed health
23 care system.

24 (3) It is not the intent of this chapter to provide health care
25 services for those persons who are presently covered to their
26 satisfaction through private employer-based health plans, nor to
27 replace satisfactory employer-based health plans. Further, it is the
28 intent of the legislature to expand, wherever possible, the
29 availability of private health care coverage and to discourage the
30 decline of employer-based coverage by offering a cost-effective plan
31 for those who may not be able to afford privately available coverage
32 that may be purchased by employers at its full cost for employees whose
33 incomes exceed three hundred percent of the federal poverty level.

34 (4) ~~((The program authorized under this chapter is strictly limited~~
35 ~~in respect to the total number of individuals who may be allowed to~~
36 ~~participate and the specific areas within the state where it may be~~
37 ~~established. All such restrictions or limitations shall remain in full~~
38 ~~force and effect until quantifiable evidence based upon the actual~~
39 ~~operation of the program, including detailed cost benefit analysis, has~~

1 ~~been presented to the legislature and the legislature, by specific act~~
2 ~~at that time, may then modify such limitations))~~ (a) It is the purpose
3 of this chapter to acknowledge the initial success of this program that
4 has (i) assisted thousands of families in their search for affordable
5 health care; (ii) demonstrated that low-income uninsured families are
6 willing to pay for their own health care coverage to the extent of
7 their ability to pay; and (iii) proved that local health care providers
8 are willing to enter into a public/private partnership as they
9 configure their own professional and business relationships into a
10 managed care system.

11 (b) As a consequence, the legislature intends to make the program
12 available to individuals in the state with incomes above three hundred
13 percent of the federal poverty level who have no health insurance
14 offering a greater level of coverage than the basic health plan benefit
15 package, and who collectively or individually wish to exercise the
16 opportunity to purchase health care coverage through the program if it
17 is done at no cost to the state. It is also the intent of the
18 legislature to allow employers and other financial sponsors to
19 financially assist such individuals to purchase health care through the
20 program, so long as exercising this system does not result in a lower
21 standard of coverage for employees.

22 (c) The legislature directs that the basic health plan
23 administrator identify enrollees who are eligible for medicaid and
24 assist these individuals in applying for and receiving medicaid.

25 **Sec. 210.** RCW 70.47.020 and 1987 1st ex.s. c 5 s 4 are each
26 amended to read as follows:

27 As used in this chapter:

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

32 (2) "Administrator" means the Washington basic health plan
33 administrator, who also holds the position of administrator of the
34 Washington state health care authority.

35 (3) "Managed health care system" means any health care
36 organization, including health care providers, insurers, health care
37 service contractors, health maintenance organizations, or any
38 combination thereof, that provides directly or by contract basic health

1 care services, as defined by the administrator and rendered by duly
2 licensed providers, on a prepaid capitated basis to a defined patient
3 population enrolled in the plan and in the managed health care system.

4 (4) "Enrollee" means an individual, or an individual plus the
5 individual's spouse and/or dependent children, all under the age of
6 sixty-five and not otherwise eligible for medicare or medicaid, who
7 resides in an area of the state served by a managed health care system
8 participating in the plan, (~~whose gross family income at the time of~~
9 ~~enrollment does not exceed twice the federal poverty level as adjusted~~
10 ~~for family size and determined annually by the federal department of~~
11 ~~health and human services)) who is not a full-time employee or who does
12 not have health insurance equal to or more comprehensive than that
13 offered by the Washington basic health plan, and who chooses to obtain
14 basic health care coverage from a particular managed health care system
15 in return for periodic payments to the plan. Nonsubsidized enrollees
16 shall be considered enrollees unless otherwise specified. The
17 exclusion of full-time employees by this subsection does not apply to
18 persons who are enrollees on the effective date of this section.~~

19 (5) "Nonsubsidized enrollee" means an enrollee for whom the premium
20 for participation in the plan is paid by the individual, their
21 employer, or other financial sponsor, who does not have health
22 insurance equal to or more comprehensive than that offered by the
23 Washington basic health plan, and who shall not be eligible for any
24 subsidy from the plan.

25 (6) "Subsidy" means the difference between the amount of periodic
26 payment the administrator makes, from funds appropriated from the basic
27 health plan trust account, to a managed health care system on behalf of
28 an enrollee plus the administrative cost to the plan of providing the
29 plan to that enrollee, and the amount determined to be the enrollee's
30 responsibility under RCW 70.47.060(2).

31 (~~(+6)~~) (7) "Premium" means a periodic payment, based upon gross
32 family income and determined under RCW 70.47.060(2), which an enrollee,
33 their employer or other financial sponsor makes to the plan as
34 consideration for enrollment in the plan.

35 (~~(+7)~~) (8) "Rate" means the per capita amount, negotiated by the
36 administrator with and paid to a participating managed health care
37 system, that is based upon the enrollment of enrollees in the plan and
38 in that system.

1 **Sec. 211.** RCW 70.47.030 and 1992 c 232 s 907 are each amended to
2 read as follows:

3 (1) The basic health plan trust account is hereby established in
4 the state treasury. ~~((All))~~ Any nongeneral fund-state funds collected
5 for this program shall be deposited in the basic health plan trust
6 account and may be expended without further appropriation. Moneys in
7 the account shall be used exclusively for the purposes of this chapter,
8 including payments to participating managed health care systems on
9 behalf of enrollees in the plan and payment of costs of administering
10 the plan. After July 1, 1993, the administrator shall not expend or
11 encumber for an ensuing fiscal period amounts exceeding ~~((ninety-five))~~
12 ninety-seven percent of the amount anticipated to be spent for
13 purchased services during the fiscal year.

14 (2) The basic health plan subscription account is created in the
15 custody of the state treasurer. All receipts from amounts due under
16 RCW 70.47.060(10) (a) and (b) shall be deposited into the account.
17 Funds in the account shall be used exclusively for the purposes of this
18 chapter, including payments to participating managed health care
19 systems on behalf of enrollees in the plan and payment of costs of
20 administering the plan. The account is subject to allotment
21 procedures under chapter 43.88 RCW, but no appropriation is required
22 for expenditures.

23 (3) The administrator shall take every precaution to see that none
24 of the funds in the separate accounts created in this section or that
25 any premiums paid either by subsidized or nonsubsidized enrollees are
26 commingled in any way, except that the administrator may combine funds
27 designated for administration of the plan into a single administrative
28 account.

29 **Sec. 212.** RCW 70.47.040 and 1987 1st ex.s. c 5 s 6 are each
30 amended to read as follows:

31 (1) The Washington basic health plan is created as ~~((an independent~~
32 ~~agency of the state))~~ a program within the Washington state health care
33 authority. The administrative head and appointing authority of the
34 plan shall be the administrator ((who shall be appointed by the
35 governor, with the consent of the senate, and shall serve at the
36 pleasure of the governor. The salary for this office shall be set by
37 the governor pursuant to RCW 43.03.040)) of the Washington state health
38 care authority. The administrator shall appoint a medical director.

1 The (~~administrator~~) medical director(~~)~~ and up to five other
2 employees of the plan shall be exempt from the civil service law,
3 chapter 41.06 RCW.

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

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

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

34 (~~(5) (In the design, organization, and administration of the plan~~
35 ~~under this chapter, the administrator shall consider the report of the~~
36 ~~Washington health care project commission established under chapter~~
37 ~~303, Laws of 1986. Nothing in this chapter requires the administrator~~
38 ~~to follow any specific recommendation contained in that report except~~
39 ~~as it may also be included in this chapter or other law))~~ Whenever

1 feasible, the administrator shall reduce the administrative cost of
2 operating the program by adopting joint policies or procedures
3 applicable to both the basic health plan and employee health plans.

4 **Sec. 213.** RCW 70.47.060 and 1992 c 232 s 908 are each amended to
5 read as follows:

6 The administrator has the following powers and duties:

7 (1) To design and from time to time revise a schedule of covered
8 basic health care services, including physician services, inpatient and
9 outpatient hospital services, prescription drugs and medications, and
10 other services that may be necessary for basic health care, which
11 enrollees in any participating managed health care system under the
12 Washington basic health plan shall be entitled to receive in return for
13 premium payments to the plan. The schedule of services shall emphasize
14 proven preventive and primary health care and shall include all
15 services necessary for prenatal, postnatal, and well-child care.
16 (~~However, for the period ending June 30, 1993,~~) With respect to
17 coverage for groups of subsidized enrollees, the administrator shall
18 not contract for prenatal or postnatal services that are provided under
19 the medical assistance program under chapter 74.09 RCW except to the
20 extent that such services are necessary over not more than a one-month
21 period in order to maintain continuity of care after diagnosis of
22 pregnancy by the managed care provider, or except to provide any such
23 services associated with pregnancies diagnosed by the managed care
24 provider before July 1, 1992. The schedule of services shall also
25 include a separate schedule of basic health care services for children,
26 eighteen years of age and younger, for those enrollees who choose to
27 secure basic coverage through the plan only for their dependent
28 children. In designing and revising the schedule of services, the
29 administrator shall consider the guidelines for assessing health
30 services under the mandated benefits act of 1984, RCW 48.42.080, and
31 such other factors as the administrator deems appropriate.

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

1 (a) An employer or other financial sponsor may, with the approval
2 of the administrator, pay the premium on behalf of any unsubsidized
3 enrollee, by arrangement with the enrollee and through a mechanism
4 acceptable to the administrator, but in no case shall the contribution
5 made on behalf of the enrollee exceed eighty percent of total premiums
6 due from the enrollee.

7 (b) Premiums due from nonsubsidized enrollees, who are not
8 otherwise eligible to be enrollees, shall be in an amount equal to the
9 cost charged by the managed health care system provider to the state
10 for the plan plus the administrative cost of providing the plan to
11 those enrollees.

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

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

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

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

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

32 ~~(d) A case management system that fosters a provider-enrollee~~
33 ~~relationship whereby, in an effort to control cost, maintain or improve~~
34 ~~the health status of the enrollee, and maximize patient involvement in~~
35 ~~her or his health care decision-making process, every effort is made by~~
36 ~~the provider to inform the enrollee of the cost of the specific~~
37 ~~services and procedures and related health benefits.~~

38 The potential financial liability of the plan to any such providers
39 shall not exceed in the aggregate an amount greater than that which

1 might otherwise have been incurred by the plan on the basis of the
2 number of enrollees multiplied by the average of the prepaid capitated
3 rates negotiated with participating managed health care systems under
4 RCW 70.47.100 and reduced by any sums charged enrollees on the basis of
5 the coinsurance rates that are established under this subsection.

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

11 ~~((6))~~) (5) To limit the payment of a subsidy to an enrollee, as
12 defined in RCW 70.47.020, whose gross family income at the time of
13 enrollment does not exceed that percentage of the federal poverty level
14 adjusted for family size and determined annually by the federal
15 department of health and human services, established in the biennial
16 appropriations act.

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

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

27 ~~((Before July 1, 1988, the administrator shall endeavor to secure~~
28 ~~participation contracts with managed health care systems in discrete~~
29 ~~geographic areas within at least five congressional districts.))~~

30 (7) To solicit and accept applications from managed health care
31 systems, as defined in this chapter, for inclusion as eligible basic
32 health care providers under the plan. The administrator shall endeavor
33 to assure that covered basic health care services are available to any
34 enrollee of the plan from among a selection of two or more
35 participating managed health care systems. In adopting any rules or
36 procedures applicable to managed health care systems and in its
37 dealings with such systems, the administrator shall consider and make
38 suitable allowance for the need for health care services and the

1 differences in local availability of health care resources, along with
2 other resources, within and among the several areas of the state.

3 (8) To receive periodic premiums from enrollees, deposit them in
4 the basic health plan operating account, keep records of enrollee
5 status, and authorize periodic payments to managed health care systems
6 on the basis of the number of enrollees participating in the respective
7 managed health care systems.

8 (9) To accept applications from individuals residing in areas
9 served by the plan, on behalf of themselves and their spouses and
10 dependent children, for enrollment in the Washington basic health plan,
11 to establish appropriate minimum-enrollment periods for enrollees as
12 may be necessary, and to determine, upon application and at least
13 annually thereafter, or at the request of any enrollee, eligibility due
14 to current gross family income for sliding scale premiums. An enrollee
15 who remains current in payment of the sliding-scale premium, as
16 determined under subsection (2) of this section, and whose gross family
17 income has risen above (~~twice~~) that percentage of the federal poverty
18 level established in the current biennial appropriations act, may
19 continue enrollment (~~unless and until the enrollee's gross family~~
20 ~~income has remained above twice the poverty level for six consecutive~~
21 ~~months,~~) by making payment at the unsubsidized rate required for the
22 managed health care system in which he or she may be enrolled plus the
23 administrative cost of providing the plan to that enrollee. No subsidy
24 may be paid with respect to any enrollee whose current gross family
25 income exceeds (~~twice~~) that percentage of the federal poverty level
26 established in the current biennial appropriations act or, subject to
27 RCW 70.47.110, who is a recipient of medical assistance or medical care
28 services under chapter 74.09 RCW. If a number of enrollees drop their
29 enrollment for no apparent good cause, the administrator may establish
30 appropriate rules or requirements that are applicable to such
31 individuals before they will be allowed to re-enroll in the plan.

32 (10)(a) To accept applications from business owners on behalf of
33 themselves and their employees, spouses, and dependent children who
34 reside in an area served by the plan. The administrator may require
35 all or the substantial majority of the eligible employees of such
36 businesses to enroll in the plan and establish those procedures
37 necessary to facilitate the orderly enrollment of groups in the plan
38 and into a managed health care system. For the purposes of this
39 subsection, an employee means an individual who works for the employer.

1 Enrollment under this subsection shall be limited to those not
2 otherwise eligible for medicare or medicaid, whose gross family income
3 is greater than that established for subsidized enrollees, who wish to
4 enroll in the plan at no cost to the state and choose to obtain the
5 basic health care coverage and services from a managed health care
6 system participating in the plan. The administrator shall adjust the
7 amount determined to be due on behalf of or from all such enrollees
8 whenever the amount negotiated by the administrator with the
9 participating managed health care system or systems is modified or the
10 administrative cost of providing the plan to such enrollees changes.
11 No enrollee of a business group enrolled according to this subsection
12 shall be eligible for any subsidy from the plan and at no time shall
13 the administrator allow the credit of the state or funds from the trust
14 account to be used or extended on their behalf.

15 (b) To accept applications from individuals residing in areas
16 serviced by the plan, on behalf of themselves and their spouses and
17 dependent children, under sixty-five years of age and not otherwise
18 eligible for medicare or medicaid, whose gross family income at the
19 time of enrollment exceeds that established for subsidized enrollees,
20 who wish to enroll in the plan at no cost to the state and choose to
21 obtain the basic health care coverage and services from a managed
22 health care system participating in the plan. Any such nonsubsidized
23 enrollees must pay the amount negotiated by the administrator with the
24 participating managed health care system and the administrative cost of
25 providing the plan to such nonsubsidized enrollees and shall not be
26 eligible for any subsidy from the plan.

27 (11) To determine the rate to be paid to each participating managed
28 health care system in return for the provision of covered basic health
29 care services to enrollees in the system. (~~Although the schedule of~~
30 ~~covered basic health care services will be the same for similar~~
31 ~~enrollees,~~) The rates negotiated with participating managed health
32 care systems may vary among the systems. In negotiating rates with
33 participating systems, the administrator shall consider the
34 characteristics of the populations served by the respective systems,
35 economic circumstances of the local area, the need to conserve the
36 resources of the basic health plan trust account, and other factors the
37 administrator finds relevant.

38 (~~(11)~~) (12) To monitor the provision of covered services to
39 enrollees by participating managed health care systems in order to

1 assure enrollee access to good quality basic health care, to require
2 periodic data reports concerning the utilization of health care
3 services rendered to enrollees in order to provide adequate information
4 for evaluation, and to inspect the books and records of participating
5 managed health care systems to assure compliance with the purposes of
6 this chapter. In requiring reports from participating managed health
7 care systems, including data on services rendered enrollees, the
8 administrator shall endeavor to minimize costs, both to the managed
9 health care systems and to the administrator. The administrator shall
10 coordinate any such reporting requirements with other state agencies,
11 such as the insurance commissioner and the department of health, to
12 minimize duplication of effort.

13 ~~((12))~~ (13) To monitor the access that state residents have to
14 adequate and necessary health care services, determine the extent of
15 any unmet needs for such services or lack of access that may exist from
16 time to time, and make such reports and recommendations to the
17 legislature as the administrator deems appropriate.

18 ~~((13))~~ (14) To evaluate the effects this chapter has on private
19 employer-based health care coverage and to take appropriate measures
20 consistent with state and federal statutes that will discourage the
21 reduction of such coverage in the state.

22 ~~((14))~~ (15) To develop a program of proven preventive health
23 measures and to integrate it into the plan wherever possible and
24 consistent with this chapter.

25 ~~((15))~~ (16) To provide, consistent with available resources,
26 technical assistance for rural health activities that endeavor to
27 develop needed health care services in rural parts of the state.

28 **Sec. 214.** RCW 70.47.080 and 1987 1st ex.s. c 5 s 10 are each
29 amended to read as follows:

30 On and after July 1, 1988, the administrator shall accept for
31 enrollment applicants eligible to receive covered basic health care
32 services from the respective managed health care systems which are then
33 participating in the plan. ~~((The administrator shall not allow the
34 total enrollment of those eligible for subsidies to exceed thirty
35 thousand.))~~

36 Thereafter, total enrollment of those eligible for subsidies during
37 any biennium shall not exceed the number established by the legislature
38 in any act appropriating funds to the plan, and total subsidized

1 enrollment shall not result in expenditures that exceed the total
2 amount that has been made available by the legislature in any act
3 appropriating funds to the plan. The legislature shall establish
4 income limits expressed as a percentage of the federal poverty level,
5 for subsidized enrollees in the omnibus appropriations act to ensure
6 the orderly development of the plan.

7 ~~((Before July 1, 1988, the administrator shall endeavor to secure~~
8 ~~participation contracts from managed health care systems in discrete~~
9 ~~geographic areas within at least five congressional districts of the~~
10 ~~state and in such manner as to allow residents of both urban and rural~~
11 ~~areas access to enrollment in the plan. The administrator shall make~~
12 ~~a special effort to secure agreements with health care providers in one~~
13 ~~such area that meets the requirements set forth in RCW 70.47.060(4).))~~

14 The administrator shall at all times closely monitor growth
15 patterns of enrollment so as not to exceed that consistent with the
16 orderly development of the plan as a whole, in any area of the state or
17 in any participating managed health care system. The annual or
18 biennial enrollment limitations derived from operation of the plan
19 under this section do not apply to nonsubsidized enrollees as defined
20 in RCW 70.47.020(5).

21 **Sec. 215.** RCW 70.47.120 and 1987 1st ex.s. c 5 s 14 are each
22 amended to read as follows:

23 In addition to the powers and duties specified in RCW 70.47.040 and
24 70.47.060, the administrator has the power to enter into contracts for
25 the following functions and services:

26 (1) With public or private agencies, to assist the administrator in
27 her or his duties to design or revise the schedule of covered basic
28 health care services, and/or to monitor or evaluate the performance of
29 participating managed health care systems.

30 (2) With public or private agencies, to provide technical or
31 professional assistance to health care providers, particularly public
32 or private nonprofit organizations and providers serving rural areas,
33 who show serious intent and apparent capability to participate in the
34 plan as managed health care systems.

35 (3) With public or private agencies, including health care service
36 contractors registered under RCW 48.44.015, and doing business in the
37 state, for marketing and administrative services in connection with
38 participation of managed health care systems, enrollment of enrollees,

1 billing and collection services to the administrator, and other
2 administrative functions ordinarily performed by health care service
3 contractors, other than insurance except that the administrator may
4 arrange for the purchase of reinsurance, or self-insure for
5 reinsurance, on behalf of its participating managed health care
6 systems. Any activities of a health care service contractor pursuant
7 to a contract with the administrator under this section shall be exempt
8 from the provisions and requirements of Title 48 RCW.

9 NEW SECTION. **Sec. 216.** A new section is added to chapter 74.09
10 RCW to read as follows:

11 FEDERAL WAIVER FOR STATE MEDICAID PROGRAM. (1) The department
12 shall negotiate with the United States congress and the federal
13 department of health and human services to obtain a waiver of
14 provisions of the medicaid statute, Title XIX of the federal social
15 security act to require medicaid-eligible individuals to:

16 (a) Enroll in the state basic health plan and receive the benefits
17 offered to basic health plan enrollees; and

18 (b) Participate financially in purchasing health care benefits
19 through such means as premium sharing, copayments, and deductibles
20 provided that such contributions will be implemented in a manner to
21 encourage the appropriate use of effective medical care services and do
22 not serve as a barrier to receiving necessary medical care services.

23 (2) The department shall report to the appropriate policy and
24 fiscal standing committees of the senate and house of representatives
25 by October 31, 1994, on the progress of such negotiations.

26 **B. EXPANDED MANAGED CARE FOR STATE EMPLOYEES**

27 **Sec. 217.** RCW 41.05.011 and 1990 c 222 s 2 are each amended to
28 read as follows:

29 Unless the context clearly requires otherwise, the definitions in
30 this section shall apply throughout this chapter.

31 (1) "Administrator" means the administrator of the authority.

32 (2) "State purchased health care" or "health care" means medical
33 and health care, pharmaceuticals, and medical equipment purchased with
34 state and federal funds by the department of social and health
35 services, the department of health, the basic health plan, the state
36 health care authority, the department of labor and industries, the

1 department of corrections, the department of veterans affairs, and
2 local school districts.

3 (3) "Authority" means the Washington state health care authority.

4 (4) "Insuring entity" means an insurance carrier as defined in
5 chapter 48.21 or 48.22 RCW, a health care service contractor as defined
6 in chapter 48.44 RCW, or a health maintenance organization as defined
7 in chapter 48.46 RCW.

8 (5) "Flexible benefit plan" means a benefit plan that allows
9 employees to choose the level of health care coverage provided and the
10 amount of employee contributions from among a range of choices offered
11 by the authority.

12 (6) "Employee" includes all full-time and career seasonal employees
13 of the state, whether or not covered by civil service; all employees of
14 school districts; elected and appointed officials of the executive
15 branch of government, including full-time members of boards,
16 commissions, or committees; and includes any or all part-time and
17 temporary employees under the terms and conditions established under
18 this chapter by the authority; justices of the supreme court and judges
19 of the court of appeals and the superior courts; and members of the
20 state legislature or of the legislative authority of any county, city,
21 or town who are elected to office after February 20, 1970. "Employee"
22 also includes employees of a county, municipality, or other political
23 subdivision of the state if the legislative authority of the county,
24 municipality, or other political subdivision of the state seeks and
25 receives the approval of the authority to provide any of its insurance
26 programs by contract with the authority, as provided in RCW
27 41.04.205(~~(, and employees of a school district if the board of~~
28 ~~directors of the school district seeks and receives the approval of the~~
29 ~~authority to provide any of its insurance programs by contract with the~~
30 ~~authority as provided in RCW 28A.400.350))~~).

31 (7) "Board" means the ((state)) public employees' benefits board
32 established under RCW 41.05.055.

33 (8) "Organized delivery system" means an integrated system of
34 insurance-financing functions and delivery system functions, using a
35 defined network of providers who agree to abide by the system's
36 practices, reimbursement levels including cost sharing, quality
37 improvement methods, and other requirements and incentives intended to
38 maximize access to needed health services while providing appropriate
39 services cost-effectively. An organized delivery system would assume

1 financial risk, as well as the responsibility for ensuring acceptable
2 standards of care. On July 1, 1997, "organized delivery system" under
3 this chapter means "certified health plan" under section 319 of this
4 act.

5 **Sec. 218.** RCW 41.05.021 and 1990 c 222 s 3 are each amended to
6 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 primary duties of the
14 authority shall be to administer state employees' insurance benefits
15 ~~((and to))~~, study state-purchased health care programs in order to
16 maximize cost containment in these programs while ensuring access to
17 quality health care, and implement state initiatives, joint purchasing
18 strategies, and techniques for efficient administration that have
19 potential application to all state-purchased health services. The
20 authority's duties include, but are not limited to, the following:

21 ~~((+1))~~ (a) To administer a health care benefit program for
22 employees as specifically authorized in RCW 41.05.065 and in accordance
23 with the methods described in RCW 41.05.075, 41.05.140, and other
24 provisions of this chapter;

25 ~~((+2))~~ (b) To analyze state-purchased health care programs and to
26 explore options for cost containment and delivery alternatives for
27 those programs that are consistent with the purposes of those programs,
28 including, but not limited to:

29 ~~((+a))~~ (i) Creation of economic incentives for the persons for
30 whom the state purchases health care to appropriately utilize and
31 purchase health care services, including the development of flexible
32 benefit plans to offset increases in individual financial
33 responsibility;

34 ~~((+b))~~ (ii) Utilization of provider arrangements that encourage
35 cost containment and ensure access to quality care, including assuring
36 reasonable access to local providers, especially for enrollees residing
37 in rural areas, and also including but not limited to prepaid delivery
38 systems, utilization review, and prospective payment methods;

1 ~~((e))~~ (iii) Coordination of state agency efforts to purchase
2 drugs effectively as provided in RCW 70.14.050;

3 ~~((d))~~ (iv) Development of recommendations and methods for
4 purchasing medical equipment and supporting services on a volume
5 discount basis; and

6 ~~((e))~~ (v) Development of data systems to obtain utilization data
7 from state-purchased health care programs in order to identify cost
8 centers, utilization patterns, provider and hospital practice patterns,
9 and procedure costs, utilizing the information obtained pursuant to RCW
10 41.05.031;

11 ~~((3))~~ (c) To analyze areas of public and private health care
12 interaction;

13 ~~((4))~~ (d) To provide information and technical and administrative
14 assistance to the board;

15 ~~((5))~~ (e) To review and approve or deny applications from
16 counties, municipalities, and other political subdivisions of the
17 state, ~~((and school districts))~~ to provide state-sponsored insurance or
18 self-insurance programs to their employees in accordance with the
19 provisions of RCW 41.04.205 ~~((and 28A.400.350))~~, setting the premium
20 contribution for approved groups as outlined in RCW 41.05.050;

21 ~~((6))~~ (f) To appoint a health care policy technical advisory
22 committee as required by RCW 41.05.150; and

23 ~~((7))~~ (g) To promulgate and adopt rules consistent with this
24 chapter as described in RCW 41.05.160.

25 (2) The public employees benefits board shall implement strategies
26 to promote managed competition among the state employees' benefit plans
27 by July 1, 1994, including but not limited to:

28 (a) Standardizing the benefit package;

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

30 (c) Limiting the state's contribution to a percent of the lowest
31 priced sealed bid of a qualified plan within a geographical area. If
32 the state's contribution is less than one hundred percent of the lowest
33 priced sealed bid, employee financial contributions shall be structured
34 on a sliding-scale basis based upon the income of the employee;

35 (d) Ensuring access to quality health services, including assuring
36 reasonable access to local providers, especially for enrollees residing
37 in rural areas;

38 (e) Monitoring the impact of the approach under this subsection
39 with regards to: Efficiencies in health service delivery, cost shifts

1 to subscribers, access to and choice of managed care plans state-wide,
2 and quality of health services. The health care authority shall also
3 advise on the value of administering a benchmark indemnity plan to
4 promote competition among managed care plans. The health care
5 authority shall report its findings and recommendations to the
6 legislature by January 1, 1996.

7 **Sec. 219.** RCW 41.05.050 and 1988 c 107 s 18 are each amended to
8 read as follows:

9 (1) Every department, division, or separate agency of state
10 government, and such county, municipal, or other political subdivisions
11 as are covered by this chapter, shall provide contributions to
12 insurance and health care plans for its employees and their dependents,
13 the content of such plans to be determined by the authority.
14 Contributions, paid by the county, the municipality, or other political
15 subdivision for their employees, shall include an amount determined by
16 the authority to pay such administrative expenses of the authority as
17 are necessary to administer the plans for employees of those groups.
18 All such contributions will be paid into the ((state)) public
19 employees' health insurance account.

20 (2) The contributions of any department, division, or separate
21 agency of the state government, and such county, municipal, or other
22 political subdivisions as are covered by this chapter, shall be set by
23 the authority, subject to the approval of the governor for availability
24 of funds as specifically appropriated by the legislature for that
25 purpose. ((However,)) Insurance and health care contributions for
26 ferry employees shall be governed by RCW 47.64.270 until December 31,
27 1996. On January 1, 1997, ferry employees shall enroll with certified
28 health plans under chapter . . . , Laws of 1993 (this act).

29 (3) The administrator with the assistance of the ((state)) public
30 employees' benefits board shall survey private industry and public
31 employers in the state of Washington to determine the average employer
32 contribution for group insurance programs under the jurisdiction of the
33 authority. Such survey shall be conducted during each even-numbered
34 year but may be conducted more frequently. The survey shall be
35 reported to the authority for its use in setting the amount of the
36 recommended employer contribution to the employee insurance benefit
37 program covered by this chapter. The authority shall transmit a
38 recommendation for the amount of the employer contribution to the

1 governor and the director of financial management for inclusion in the
2 proposed budgets submitted to the legislature.

3 **Sec. 220.** RCW 41.05.055 and 1989 c 324 s 1 are each amended to
4 read as follows:

5 (1) The ((state)) public employees' benefits board is created
6 within the authority. The function of the board is to design and
7 approve insurance benefit plans for state employees and school district
8 employees.

9 (2) The board shall be composed of ((seven)) nine members appointed
10 by the governor as follows:

11 (a) ((Three)) Two representatives of state employees(~~(, one of whom~~
12 ~~shall represent an employee association certified as exclusive~~
13 ~~representative of at least one bargaining unit of classified~~
14 ~~employees)), one of whom shall represent an employee union certified as
15 exclusive representative of at least one bargaining unit of classified
16 employees, and one of whom is retired, is covered by a program under
17 the jurisdiction of the board, and represents an organized group of
18 retired public employees;~~

19 (b) Two representatives of school district employees, one of whom
20 shall represent the largest state association of school employees and
21 one of who is retired, and represents an organized group of retired
22 school employees;

23 ((Three)) (c) Four members with experience in health benefit
24 management and cost containment; and

25 ((+e)) (d) The administrator.

26 (3) The governor shall appoint the initial members of the board to
27 staggered terms not to exceed four years. Members appointed thereafter
28 shall serve two-year terms. Members of the board shall be compensated
29 in accordance with RCW 43.03.250 and shall be reimbursed for their
30 travel expenses while on official business in accordance with RCW
31 43.03.050 and 43.03.060. The board shall prescribe rules for the
32 conduct of its business. The administrator shall serve as chair of the
33 board. Meetings of the board shall be at the call of the chair.

34 **Sec. 221.** RCW 47.64.270 and 1988 c 107 s 21 are each amended to
35 read as follows:

36 Until December 31, 1996, absent a collective bargaining agreement
37 to the contrary, the department of transportation shall provide

1 contributions to insurance and health care plans for ferry system
2 employees and dependents, as determined by the state health care
3 authority, under chapter 41.05 RCW(~~-~~); and the ferry system
4 management and employee organizations may collectively bargain for
5 other insurance and health care plans, and employer contributions may
6 exceed that of other state agencies as provided in RCW 41.05.050,
7 subject to RCW 47.64.180. On January 1, 1997, ferry employees shall
8 enroll in certified health plans under the provisions of chapter . . . ,
9 Laws of 1993 (this act). To the extent that ferry employees by
10 bargaining unit have absorbed the required offset of wage increases by
11 the amount that the employer's contribution for employees' and
12 dependents' insurance and health care plans exceeds that of other state
13 general government employees in the 1985-87 fiscal biennium, employees
14 shall not be required to absorb a further offset except to the extent
15 the differential between employer contributions for those employees and
16 all other state general government employees increases during any
17 subsequent fiscal biennium. If such differential increases in the
18 1987-89 fiscal biennium or the 1985-87 offset by bargaining unit is
19 insufficient to meet the required deduction, the amount available for
20 compensation shall be reduced by bargaining unit by the amount of such
21 increase or the 1985-87 shortage in the required offset. Compensation
22 shall include all wages and employee benefits.

23 **Sec. 222.** RCW 41.05.065 and 1988 c 107 s 8 are each amended to
24 read as follows:

25 (1) The board shall study all matters connected with the provision
26 of health care coverage, life insurance, liability insurance,
27 accidental death and dismemberment insurance, and disability income
28 insurance or any of, or a combination of, the enumerated types of
29 insurance for employees and their dependents on the best basis possible
30 with relation both to the welfare of the employees and to the state:
31 (~~PROVIDED, That~~) However, liability insurance shall not be made
32 available to dependents.

33 (2) The (~~state~~) public employees' benefits board shall develop
34 employee benefit plans that include comprehensive health care benefits
35 for all employees. In developing these plans, the board shall consider
36 the following elements:

37 (a) Methods of maximizing cost containment while ensuring access to
38 quality health care;

1 (b) Development of provider arrangements that encourage cost
2 containment and ensure access to quality care, including but not
3 limited to prepaid delivery systems and prospective payment methods;

4 (c) Wellness incentives that focus on proven strategies, such as
5 smoking cessation, exercise, ~~((and))~~ automobile and motorcycle safety,
6 blood cholesterol reduction, and nutrition education;

7 (d) Utilization review procedures including, but not limited to
8 prior authorization of services, hospital inpatient length of stay
9 review, requirements for use of outpatient surgeries and second
10 opinions for surgeries, review of invoices or claims submitted by
11 service providers, and performance audit of providers; ~~((and))~~

12 (e) Effective coordination of benefits;

13 (f) Minimum standards for health benefit carriers; and

14 (g) Minimum scope and content of standard benefit plans to be
15 offered to enrollees participating in the employee benefit board plans.
16 On or after July 1, 1995, the uniform benefit package and schedule of
17 premiums and other individual cost-sharing adopted and from time to
18 time revised by the Washington health services commission pursuant to
19 section 347 of this act shall be implemented by the administrator for
20 purposes of employee health benefit plans.

21 (3) The board shall design benefits and determine the terms and
22 conditions of employee participation and coverage, including
23 establishment of eligibility criteria.

24 (4) The board shall utilize financial incentives to encourage
25 employee enrollments in organized delivery systems. To encourage
26 income equity, employee financial contributions shall be structured on
27 a sliding-scale basis based upon the income of the employee. These
28 incentives shall result in a target of at least seventy-five percent
29 enrollment of employees and retirees in organized delivery systems by
30 July 1994.

31 The board may authorize premium contributions for an employee and
32 the employee's dependents in a manner that encourages the use of cost-
33 efficient organized delivery systems. ~~((Such authorization shall~~
34 require a vote of five members of the board for approval.))

35 (5) Employees may choose participation in only one of the health
36 care benefit plans developed by the board.

37 (6) The board shall review plans proposed by insurance carriers
38 that desire to offer property insurance and/or accident and casualty
39 insurance to state employees through payroll deduction. The board may

1 approve any such plan for payroll deduction by carriers holding a valid
2 certificate of authority in the state of Washington and which the board
3 determines to be in the best interests of employees and the state. The
4 board shall promulgate rules setting forth criteria by which it shall
5 evaluate the plans.

6 (7) The board shall report to the appropriate policy and fiscal
7 committees of the legislature by December 1, 1994, on the following:

8 (a) The progress in meeting the organized delivery system target
9 enrollment rate established in subsection (4) of this section and
10 recommendations for increasing future participation above the target
11 rate; and

12 (b) The impact on the growth of public employee benefit costs as
13 the result of establishing organized delivery system target rates and
14 required financial incentives to encourage enrollment in cost-efficient
15 organized delivery systems.

16 NEW SECTION. Sec. 223. A new section is added to chapter 41.05
17 RCW to read as follows:

18 Notwithstanding any other provisions of this title or rules or
19 procedures adopted by the health care authority, the authority shall
20 offer all retired or disabled employees at least two medicare
21 supplemental insurance policies that conform to the requirements of
22 chapter 48.66 RCW. One policy must include coverage for prescription
23 drugs. These policies shall be available to retired or disabled state
24 employees, or employees of county, municipal, or other political
25 subdivisions eligible for coverage available under the authority and
26 all offerings must be made available not later than January 1, 1994.

27 **Sec. 224.** RCW 41.05.120 and 1991 sp.s. c 13 s 100 are each amended
28 to read as follows:

29 (1) The ((state)) public employees' insurance account is hereby
30 established in the custody of the state treasurer, to be used by the
31 administrator for the deposit of contributions, reserves, dividends,
32 and refunds, and for payment of premiums for employee insurance benefit
33 contracts. Moneys from the account shall be disbursed by the state
34 treasurer by warrants on vouchers duly authorized by the administrator.

35 (2) The state treasurer and the state investment board may invest
36 moneys in the ((state)) public employees' insurance account. All such
37 investments shall be in accordance with RCW 43.84.080 or 43.84.150,

1 whichever is applicable. The administrator shall determine whether the
2 state treasurer or the state investment board or both shall invest
3 moneys in the ((state)) public employees' insurance account.

4 **Sec. 225.** RCW 41.05.140 and 1988 c 107 s 12 are each amended to
5 read as follows:

6 (1) The authority may self-fund, self-insure, or enter into other
7 methods of providing insurance coverage for insurance programs under
8 its jurisdiction except property and casualty insurance. The authority
9 shall contract for payment of claims or other administrative services
10 for programs under its jurisdiction. If a program does not require the
11 prepayment of reserves, the authority shall establish such reserves
12 within a reasonable period of time for the payment of claims as are
13 normally required for that type of insurance under an insured program.
14 Reserves established by the authority shall be held in a separate trust
15 fund by the state treasurer and shall be known as the ((state)) public
16 employees' insurance reserve fund. The state investment board shall
17 act as the investor for the funds and, except as provided in RCW
18 43.33A.160, one hundred percent of all earnings from these investments
19 shall accrue directly to the ((state)) public employees' insurance
20 reserve fund.

21 (2) Any savings realized as a result of a program created under
22 this section shall not be used to increase benefits unless such use is
23 authorized by statute.

24 (3) Any program created under this section shall be subject to the
25 examination requirements of chapter 48.03 RCW as if the program were a
26 domestic insurer. In conducting an examination, the commissioner shall
27 determine the adequacy of the reserves established for the program.

28 (4) The authority shall keep full and adequate accounts and records
29 of the assets, obligations, transactions, and affairs of any program
30 created under this section.

31 (5) The authority shall file a quarterly statement of the financial
32 condition, transactions, and affairs of any program created under this
33 section in a form and manner prescribed by the insurance commissioner.
34 The statement shall contain information as required by the commissioner
35 for the type of insurance being offered under the program. A copy of
36 the annual statement shall be filed with the speaker of the house of
37 representatives and the president of the senate.

1 NEW SECTION. **Sec. 226.** A new section is added to chapter 41.05
2 RCW to read as follows:

3 If the governor or the Washington health care commission does not
4 secure a waiver of the medicare statute, Title XVIII of the federal
5 social security act, sufficient to meet the requirements of chapter
6 . . . , Laws of 1993 (this act) on or before January 1, 1995, then the
7 medicare supplemental insurance policies authorized under section 223
8 of this act shall be made available as an offering to any resident of
9 the state eligible for medicare benefits. Except for those state or
10 public retirees already eligible to purchase such medicare supplemental
11 benefits through the authority, those newly authorized to purchase such
12 insurance coverage under this section shall be required to pay the full
13 costs of any such medicare supplemental benefits.

14 **C. HEALTH CARE PROVIDER CONFLICT OF INTEREST STANDARDS**

15 **Sec. 227.** RCW 19.68.010 and 1973 1st ex.s. c 26 s 1 are each
16 amended to read as follows:

17 It shall be unlawful for any person, firm, corporation or
18 association, whether organized as a cooperative, or for profit or
19 nonprofit, to pay, or offer to pay or allow, directly or indirectly, to
20 any person licensed by the state of Washington to engage in the
21 practice of medicine and surgery, drugless treatment in any form,
22 dentistry, or pharmacy and it shall be unlawful for such person to
23 request, receive or allow, directly or indirectly, a rebate, refund,
24 commission, unearned discount or profit by means of a credit or other
25 valuable consideration in connection with the referral of patients to
26 any person, firm, corporation or association, or in connection with the
27 furnishings of medical, surgical or dental care, diagnosis, treatment
28 or service, on the sale, rental, furnishing or supplying of clinical
29 laboratory supplies or services of any kind, drugs, medication, or
30 medical supplies, or any other goods, services or supplies prescribed
31 for medical diagnosis, care or treatment: PROVIDED, That ownership of
32 a financial interest in any firm, corporation or association which
33 furnishes any kind of clinical laboratory or other services prescribed
34 for medical, surgical, or dental diagnosis shall not be prohibited
35 under this section where (1) the referring practitioner affirmatively
36 discloses to the patient in writing, the fact that such practitioner
37 has a financial interest in such firm, corporation, or association; and

1 (2) the referring practitioner provides the patient with a list of
2 effective alternative facilities, informs the patient that he or she
3 has the option to use one of the alternative facilities, and assures
4 the patient that he or she will not be treated differently by the
5 referring practitioner if the patient chooses one of the alternative
6 facilities.

7 Any person violating the provisions of this section is guilty of a
8 misdemeanor.

9 NEW SECTION. Sec. 228. A new section is added to chapter 18.130
10 RCW to read as follows:

11 CONFLICT OF INTEREST STANDARDS. The Washington health services
12 commission established by section 303 of this act, in consultation with
13 the secretary of health, and the health care disciplinary authorities
14 under RCW 18.130.040(2)(b), shall establish standards and monetary
15 penalties in rule prohibiting provider investments and referrals that
16 present a conflict of interest resulting from inappropriate financial
17 gain for the provider or his or her immediate family. These standards
18 are not intended to inhibit the efficient operation of managed health
19 care systems or certified health plans. The commission shall report to
20 the health policy committees of the senate and house of representatives
21 by June 30, 1994, on the development of the standards and any
22 recommended statutory changes necessary to implement the standards.

23 **D. CONSOLIDATED STATE HEALTH CARE PURCHASING AGENT**

24 NEW SECTION. Sec. 229. A new section is added to Title 43 RCW to
25 read as follows:

26 STATE HEALTH CARE PURCHASING AGENT DESIGNATION. (1) The health
27 care authority is designated as the single state agent for purchasing
28 health care. Beginning in January 1994, the governor shall submit
29 necessary legislation to place all state-purchased health care in a
30 strictly community rated, single risk pool under the direct
31 administrative authority of the state purchasing agent by July 1, 1997,
32 including at least the basic health plan, the purchasing of health
33 benefits for K-12 system employees and retirees, ferry employees and
34 retirees, the medical aid fund portion of the workers' compensation
35 program, personal health services purchased through the department of
36 health, and state employee and retiree health benefits. At the

1 earliest opportunity the governor shall seek necessary federal waivers
2 and state legislation to place the medical assistance program of the
3 department of social and health services in this single risk pool after
4 July 1995, but in no event later than July 1997.

5 (2) At a minimum, and regardless of any other legislative
6 enactment, the state health care purchasing agent must:

7 (a) Ensure immediate coverage when any state resident eligible for
8 state-subsidized medical care chooses to receive state-sponsored care;

9 (b) Require that any public agency that provides subsidies for a
10 substantial portion of services now covered under the basic health plan
11 or any uniform benefit package that may be required by the state use
12 uniform eligibility processes, insofar as may be possible, and do not
13 require multiple eligibility determinations;

14 (c) Require that any health care provider, health care facility,
15 health maintenance organization, health care service contractor, group
16 disability insurer, and any certified health plan that receives funds
17 from any public program accept enrollment from any state resident
18 receiving any state subsidy who may wish to enroll with them or receive
19 care from them;

20 (d) Strive to integrate purchasing for all publicly sponsored
21 health care in order to maximize the cost control potential and to
22 promote the most efficient methods of financing and coordinating
23 services;

24 (e) Annually suggest changes in state and federal law and rules to
25 bring all publicly funded health programs in compliance with the goals
26 and intent of chapter . . . , Laws of 1993 (this act);

27 (f) Consult regularly with the governor, the legislature, and state
28 agency directors whose operations are affected by the implementation of
29 this section;

30 (g) Phase-in basic health plan coverage over a four-year period for
31 uninsured subsidized residents consistent with funds and enrollment
32 limitations provided in the omnibus appropriations act. The process
33 shall seek to enroll those persons with the greatest financial need
34 first; and

35 (h) Notwithstanding other provisions of law, assure that any state
36 resident receiving a public subsidy for health care in July 1997 or
37 thereafter, be enrolled in a certified health plan and receive no less
38 than the uniform benefit package as required under chapter . . . , Laws
39 of 1993 (this act).

1 E. PUBLIC HEALTH FINANCING AND GOVERNANCE

2 Sec. 230. RCW 70.05.010 and 1967 ex.s. c 51 s 1 are each amended
3 to read as follows:

4 For the purposes of chapters 70.05 and 70.46 RCW (~~and RCW~~
5 ~~70.46.020 through 70.46.090~~) and unless the context thereof clearly
6 indicates to the contrary:

7 (1) "Local health departments" means the (~~city, town,~~) county or
8 district which provides public health services to persons within the
9 area;

10 (2) "Local health officer" means the legally qualified physician
11 who has been appointed as the health officer for the (~~city, town,~~)
12 county or district public health department;

13 (3) "Local board of health" means the (~~city, town,~~) county or
14 district board of health.

15 (4) "Health district" means (~~all territory encompassed within a~~
16 ~~single county and all cities and towns therein except cities with a~~
17 ~~population of over one hundred thousand, or~~) all the territory
18 consisting of one or more counties (~~and all the cities and towns in~~
19 ~~all of the combined counties except cities of over one hundred thousand~~
20 ~~population which have been combined and~~) organized pursuant to the
21 provisions of chapters 70.05 and 70.46 RCW (~~and RCW 70.46.020 through~~
22 ~~70.46.090: PROVIDED, That cities with a population of over one hundred~~
23 ~~thousand may be included in a health district as provided in RCW~~
24 ~~70.46.040~~)).

25 (5) "Department" means the department of health.

26 Sec. 231. RCW 70.05.030 and 1967 ex.s. c 51 s 3 are each amended
27 to read as follows:

28 In counties without a home rule charter, the board of county
29 commissioners (~~of each and every county in this state, except where~~
30 ~~such county is a part of a health district or is purchasing services~~
31 ~~under a contract as authorized by chapter 70.05 RCW and RCW 70.46.020~~
32 ~~through 70.46.090,~~) shall constitute the local board of health (~~for~~
33 ~~such county, and said local board of health's jurisdiction~~), unless
34 the county is part of a health district pursuant to chapter 70.46 RCW.
35 The jurisdiction of the local board of health shall be coextensive with
36 the boundaries of said county(~~, except that nothing herein contained~~
37 ~~shall give said board jurisdiction in cities of over one hundred~~

1 thousand population or in such other cities and towns as are providing
2 health services which meet health standards pursuant to RCW
3 70.46.090)).

4 **Sec. 232.** RCW 70.05.040 and 1984 c 25 s 1 are each amended to read
5 as follows:

6 The local board of health shall elect a ((chairman)) chair and may
7 appoint an administrative officer. A local health officer shall be
8 appointed pursuant to RCW 70.05.050. Vacancies on the local board of
9 health shall be filled by appointment within thirty days and made in
10 the same manner as was the original appointment. At the first meeting
11 of the local board of health, the members shall elect a ((chairman))
12 chair to serve for a period of one year. ((In home rule charter
13 counties that have a local board of health established under RCW
14 70.05.050, the administrative officer may be appointed by the official
15 designated under the county's charter.))

16 NEW SECTION. **Sec. 233.** A new section is added to chapter 70.05
17 RCW to read as follows:

18 In counties with a home rule charter, the county legislative
19 authority shall establish a local board of health and may prescribe the
20 membership and selection process for the board. The jurisdiction of
21 the local board of health shall be coextensive with the boundaries of
22 the county. The local health officer, as described in RCW 70.05.050,
23 shall be appointed by the official designated under the provisions of
24 the county charter. The same official designated under the provisions
25 of the county charter may appoint an administrative officer, as
26 described in RCW 70.05.045.

27 **Sec. 234.** RCW 70.05.050 and 1984 c 25 s 5 are each amended to read
28 as follows:

29 ((Each local board of health, other than boards which are
30 established under RCW 70.05.030 and which are located in counties
31 having home rule charters, shall appoint a local health officer. In
32 home rule charter counties which have a local board of health
33 established under RCW 70.05.030, the local health officer shall be
34 appointed by the official designated under the provisions of the
35 county's charter.))

1 The local health officer shall be an experienced physician licensed
2 to practice medicine and surgery or osteopathy and surgery in this
3 state and who is qualified or provisionally qualified in accordance
4 with the standards prescribed in RCW 70.05.051 through 70.05.055 to
5 hold the office of local health officer. No term of office shall be
6 established for the local health officer but (~~he~~) the local health
7 officer shall not be removed until after notice is given (~~him~~), and
8 an opportunity for a hearing before the board or official responsible
9 for his or her appointment under this section as to the reason for his
10 or her removal. (~~He~~) The local health officer shall act as executive
11 secretary to, and administrative officer for the local board of health
12 and shall also be empowered to employ such technical and other
13 personnel as approved by the local board of health except where the
14 local board of health has appointed an administrative officer under RCW
15 70.05.040. The local health officer shall be paid such salary and
16 allowed such expenses as shall be determined by the local board of
17 health.

18 **Sec. 235.** RCW 70.05.070 and 1991 c 3 s 309 are each amended to
19 read as follows:

20 The local health officer, acting under the direction of the local
21 board of health or under direction of the administrative officer
22 appointed under RCW 70.05.040 or section 233 of this act, if any,
23 shall:

24 (1) Enforce the public health statutes of the state, rules of the
25 state board of health and the secretary of health, and all local health
26 rules, regulations and ordinances within his or her jurisdiction
27 including imposition of penalties authorized under RCW 70.119A.030 and
28 filing of actions authorized by RCW 43.70.190;

29 (2) Take such action as is necessary to maintain health and
30 sanitation supervision over the territory within his or her
31 jurisdiction;

32 (3) Control and prevent the spread of any dangerous, contagious or
33 infectious diseases that may occur within his or her jurisdiction;

34 (4) Inform the public as to the causes, nature, and prevention of
35 disease and disability and the preservation, promotion and improvement
36 of health within his or her jurisdiction;

37 (5) Prevent, control or abate nuisances which are detrimental to
38 the public health;

1 (6) Attend all conferences called by the secretary of health or his
2 or her authorized representative;

3 (7) Collect such fees as are established by the state board of
4 health or the local board of health for the issuance or renewal of
5 licenses or permits or such other fees as may be authorized by law or
6 by the rules of the state board of health;

7 (8) Inspect, as necessary, expansion or modification of existing
8 public water systems, and the construction of new public water systems,
9 to assure that the expansion, modification, or construction conforms to
10 system design and plans;

11 (9) Take such measures as he or she deems necessary in order to
12 promote the public health, to participate in the establishment of
13 health educational or training activities, and to authorize the
14 attendance of employees of the local health department or individuals
15 engaged in community health programs related to or part of the programs
16 of the local health department.

17 **Sec. 236.** RCW 70.05.080 and 1991 c 3 s 310 are each amended to
18 read as follows:

19 If the local board of health or other official responsible for
20 appointing a local health officer under RCW 70.05.050 refuses or
21 neglects to appoint a local health officer after a vacancy exists, the
22 secretary of health may appoint a local health officer and fix the
23 compensation. The local health officer so appointed shall have the
24 same duties, powers and authority as though appointed under RCW
25 70.05.050. Such local health officer shall serve until a qualified
26 individual is appointed according to the procedures set forth in RCW
27 70.05.050. The board or official responsible for appointing the local
28 health officer under RCW 70.05.050 shall also be authorized to appoint
29 an acting health officer to serve whenever the health officer is absent
30 or incapacitated and unable to fulfill his or her responsibilities
31 under the provisions of chapters 70.05 and 70.46 RCW ((and RCW
32 ~~70.46.020 through 70.46.090~~)).

33 **Sec. 237.** RCW 70.05.120 and 1984 c 25 s 8 are each amended to read
34 as follows:

35 Any local health officer or administrative officer appointed under
36 RCW 70.05.040, if any, who shall refuse or neglect to obey or enforce
37 the provisions of chapters 70.05 and 70.46 RCW ((and RCW ~~70.46.020~~

1 ~~through 70.46.090~~) or the rules, regulations or orders of the state
2 board of health or who shall refuse or neglect to make prompt and
3 accurate reports to the state board of health, may be removed as local
4 health officer or administrative officer by the state board of health
5 and shall not again be reappointed except with the consent of the state
6 board of health. Any person may complain to the state board of health
7 concerning the failure of the local health officer or administrative
8 officer to carry out the laws or the rules and regulations concerning
9 public health, and the state board of health shall, if a preliminary
10 investigation so warrants, call a hearing to determine whether the
11 local health officer or administrative officer is guilty of the alleged
12 acts. Such hearings shall be held pursuant to the provisions of
13 chapter 34.05 RCW, and the rules and regulations of the state board of
14 health adopted thereunder.

15 Any member of a local board of health who shall violate any of the
16 provisions of chapters 70.05 and 70.46 RCW (~~and RCW 70.46.020 through~~
17 ~~70.46.090~~) or refuse or neglect to obey or enforce any of the rules,
18 regulations or orders of the state board of health made for the
19 prevention, suppression or control of any dangerous contagious or
20 infectious disease or for the protection of the health of the people of
21 this state, shall be guilty of a misdemeanor, and upon conviction shall
22 be fined not less than ten dollars nor more than two hundred dollars.
23 Any physician who shall refuse or neglect to report to the proper
24 health officer or administrative officer within twelve hours after
25 first attending any case of contagious or infectious disease or any
26 diseases required by the state board of health to be reported or any
27 case suspicious of being one of such diseases, shall be guilty of a
28 misdemeanor, and upon conviction shall be fined not less than ten
29 dollars nor more than two hundred dollars for each case that is not
30 reported.

31 Any person violating any of the provisions of chapters 70.05 and
32 70.46 RCW (~~and RCW 70.46.020 through 70.46.090~~) or violating or
33 refusing or neglecting to obey any of the rules, regulations or orders
34 made for the prevention, suppression and control of dangerous
35 contagious and infectious diseases by the local board of health or
36 local health officer or administrative officer or state board of
37 health, or who shall leave any isolation hospital or quarantined house
38 or place without the consent of the proper health officer or who evades
39 or breaks quarantine or conceals a case of contagious or infectious

1 disease or assists in evading or breaking any quarantine or concealing
2 any case of contagious or infectious disease, shall be guilty of a
3 misdemeanor, and upon conviction thereof shall be subject to a fine of
4 not less than twenty-five dollars nor more than one hundred dollars or
5 to imprisonment in the county jail not to exceed ninety days or to both
6 fine and imprisonment.

7 **Sec. 238.** RCW 70.05.130 and 1991 c 3 s 313 are each amended to
8 read as follows:

9 All expenses incurred by the state, health district, or county in
10 carrying out the provisions of chapters 70.05 and 70.46 RCW (~~and RCW~~
11 ~~70.46.020 through 70.46.090~~) or any other public health law, or the
12 rules of the (~~state~~) department of health enacted under such laws,
13 shall be paid by the county (~~or city by which or in behalf of which~~
14 ~~such expenses shall have been incurred~~) and such expenses shall
15 constitute a claim against the general fund as provided herein.

16 **Sec. 239.** RCW 70.05.150 and 1967 ex.s. c 51 s 22 are each amended
17 to read as follows:

18 In addition to powers already granted them, any (~~city, town,~~)
19 county, district, or local health department may contract for either
20 the sale or purchase of any or all health services from any local
21 health department: PROVIDED, That such contract shall require the
22 approval of the state board of health.

23 **Sec. 240.** RCW 70.08.010 and 1985 c 124 s 1 are each amended to
24 read as follows:

25 Any city with one hundred thousand or more population and the
26 county in which it is located, are authorized, as shall be agreed upon
27 between the respective governing bodies of such city and said county,
28 to establish and operate a combined city and county health department,
29 and to appoint (~~the director of public health~~) a local health officer
30 for the county served.

31 **Sec. 241.** RCW 70.12.030 and 1945 c 46 s 1 are each amended to read
32 as follows:

33 Any county, (~~first class city~~) combined city-county health
34 department, or health district is hereby authorized and empowered to
35 create a "public health pooling fund", hereafter called the "fund", for

1 the efficient management and control of all moneys coming to such
2 county, (~~(first class city)~~) combined department, or district for
3 public health purposes.

4 (~~("Health district" as used herein may mean all territory
5 consisting of one or more counties and all cities with a population of
6 one hundred thousand or less, and towns therein.)~~)

7 **Sec. 242.** RCW 70.12.050 and 1945 c 46 s 3 are each amended to read
8 as follows:

9 All expenditures in connection with salaries, wages and operations
10 incurred in carrying on the health department of the county, (~~(first
11 class city)~~) combined city-county health department, or health district
12 shall be paid out of such fund.

13 **Sec. 243.** RCW 70.46.020 and 1967 ex.s. c 51 s 6 are each amended
14 to read as follows:

15 Health districts consisting of two or more counties may be created
16 whenever two or more boards of county commissioners shall by resolution
17 establish a district for such purpose. Such a district shall consist
18 of all the area of the combined counties (~~(including all cities and
19 towns except cities of over one hundred thousand population)~~). The
20 district board of health of such a district shall consist of not less
21 than seven members, including two representatives from each county who
22 are members of the board of county commissioners and who are appointed
23 by the board of county commissioners of each county within the
24 district, and shall have a jurisdiction coextensive with the combined
25 boundaries. (~~(The remaining members shall be representatives of the
26 cities and towns in the district selected by mutual agreement of the
27 legislative bodies of the cities and towns concerned from their
28 membership, taking into consideration the financial contribution of
29 such cities and towns and representation from the several
30 classifications of cities and towns.)~~)

31 At the first meeting of a district board of health the members
32 shall elect a (~~(chairman)~~) chair to serve for a period of one year.

33 **Sec. 244.** RCW 70.46.060 and 1967 ex.s. c 51 s 11 are each amended
34 to read as follows:

35 The district board of health shall constitute the local board of
36 health for all the territory included in the health district, and shall

1 supersede and exercise all the powers and perform all the duties by law
2 vested in the county (~~or city or town~~) board of health of any
3 county(~~(, city or town)~~) included in the health district(~~(, except as~~
4 ~~otherwise in chapter 70.05 RCW and RCW 70.46.020 through 70.46.090~~
5 ~~provided)~~).

6 **Sec. 245.** RCW 70.46.080 and 1971 ex.s. c 85 s 10 are each amended
7 to read as follows:

8 Each health district shall establish a fund to be designated as the
9 "district health fund", in which shall be placed all sums received by
10 the district from any source, and out of which shall be expended all
11 sums disbursed by the district. (~~The county treasurer of the county~~
12 ~~in the district embracing only one county; or,~~) In a district composed
13 of more than one county the county treasurer of the county having the
14 largest population shall be the custodian of the fund, and the county
15 auditor of said county shall keep the record of the receipts and
16 disbursements, and shall draw and the county treasurer shall honor and
17 pay all warrants, which shall be approved before issuance and payment
18 as directed by the board(~~(: PROVIDED, That in local health departments~~
19 ~~wherein a city of over one hundred thousand population is a part of~~
20 ~~said department, the local board of health may pool the funds available~~
21 ~~for public health purposes in the office of the city treasurer in a~~
22 ~~special pooling fund to be established and which shall be expended as~~
23 ~~set forth above)~~).

24 Each county(~~(, city or town)~~) which is included in the district
25 shall contribute such sums towards the expense for maintaining and
26 operating the district as shall be agreed upon between it and the local
27 board of health in accordance with guidelines established by the state
28 board of health (~~after consultation with the Washington state~~
29 ~~association of counties and the association of Washington cities. In~~
30 ~~the event that no agreement can be reached between the district board~~
31 ~~of health and the county, city or town, the matter shall be resolved by~~
32 ~~a board of arbitrators to consist of a representative of the district~~
33 ~~board of health, a representative from the county, city or town~~
34 ~~involved, and a third representative to be appointed by the two~~
35 ~~representatives, but if they are unable to agree, a representative~~
36 ~~shall be appointed by a judge in the county in which the city or town~~
37 ~~is located. The determination of the proportionate share to be paid by~~
38 ~~a county, city or town shall be binding on all parties. Payments into~~

1 the fund of the district may be made by the county or city or town
2 members during the first year of membership in said district from any
3 funds of the respective county, city or town as would otherwise be
4 available for expenditures for health facilities and services, and
5 thereafter the members shall include items in their respective budgets
6 for payments to finance the health district)).

7 **Sec. 246.** RCW 70.46.085 and 1967 ex.s. c 51 s 20 are each amended
8 to read as follows:

9 The expense of providing public health services shall be borne by
10 each county(~~(, city or town)~~) within the health district(~~(, and the~~
11 local health officer shall certify the amount agreed upon or as
12 determined pursuant to RCW 70.46.080, and remaining unpaid by each
13 county, city or town to the fiscal or warrant issuing officer of such
14 county, city or town.

15 If the expense as certified is not paid by any county, city or town
16 within thirty days after the end of the fiscal year, the local health
17 officer shall certify the amount due to the auditor of the county in
18 which the governmental unit is situated who shall promptly issue his
19 warrant on the county treasurer payable out of the current expense fund
20 of the county, which fund shall be reimbursed by the county auditor out
21 of the money due said governmental unit at the next monthly settlement
22 or settlements of the collection of taxes and shall be transferred to
23 the current expense fund)).

24 **Sec. 247.** RCW 70.46.090 and 1967 ex.s. c 51 s 21 are each amended
25 to read as follows:

26 Any county (~~(or any city or town)~~) may withdraw from membership in
27 said health district any time after it has been within the district for
28 a period of two years, but no withdrawal shall be effective except at
29 the end of the calendar year in which the county(~~(, city or town)~~)
30 gives at least six months' notice of its intention to withdraw at the
31 end of the calendar year. No withdrawal shall entitle any member to a
32 refund of any moneys paid to the district nor relieve it of any
33 obligations to pay to the district all sums for which it obligated
34 itself due and owing by it to the district for the year at the end of
35 which the withdrawal is to be effective: PROVIDED, That any county(~~(, city or town)~~)
36 which withdraws from membership in said health district
37 shall immediately establish a health department or provide health

1 services which shall meet the standards for health services promulgated
2 by the state board of health: PROVIDED FURTHER, That no local health
3 department shall be deemed to provide adequate public health services
4 unless there is at least one full time professionally trained and
5 qualified physician as set forth in RCW 70.05.050.

6 **Sec. 248.** RCW 70.46.120 and 1963 c 121 s 1 are each amended to
7 read as follows:

8 In addition to all other powers and duties, health districts shall
9 have the power to charge fees in connection with the issuance or
10 renewal of a license or permit required by law: PROVIDED, That the
11 fees charged shall not exceed the actual cost involved in issuing or
12 renewing the license or permit(~~(: PROVIDED FURTHER, That no fees shall~~
13 ~~be charged pursuant to this section within the corporate limits of any~~
14 ~~city or town which prior to the enactment of this section charged fees~~
15 ~~in connection with the issuance or renewal of a license or permit~~
16 ~~pursuant to city or town ordinance and where said city or town makes a~~
17 ~~direct contribution to said health district, unless such city or town~~
18 ~~expressly consents thereto)).~~

19 **Sec. 249.** RCW 82.44.110 and 1991 c 199 s 221 are each amended to
20 read as follows:

21 The county auditor shall regularly, when remitting license fee
22 receipts, pay over and account to the director of licensing for the
23 excise taxes collected under the provisions of this chapter. The
24 director shall forthwith transmit the excise taxes to the state
25 treasurer.

26 (1) The state treasurer shall deposit the excise taxes collected
27 under RCW 82.44.020(1) as follows:

28 (a) 1.60 percent into the motor vehicle fund to defray
29 administrative and other expenses incurred by the department in the
30 collection of the excise tax.

31 (b) 8.15 percent into the Puget Sound capital construction account
32 in the motor vehicle fund.

33 (c) 4.07 percent into the Puget Sound ferry operations account in
34 the motor vehicle fund.

35 (d) (~~(8-83))~~ 5.88 percent into the general fund to be distributed
36 under RCW 82.44.155.

1 (e) 4.75 percent into the municipal sales and use tax equalization
2 account in the general fund created in RCW 82.14.210.

3 (f) 1.60 percent into the county sales and use tax equalization
4 account in the general fund created in RCW 82.14.200.

5 (g) 62.6440 percent into the general fund through June 30, 1993,
6 57.6440 percent into the general fund beginning July 1, 1993, and 66
7 percent into the general fund beginning January 1, 1994.

8 (h) 5 percent into the transportation fund created in RCW 82.44.180
9 beginning July 1, 1993.

10 (i) 5.9686 percent into the county criminal justice assistance
11 account created in RCW 82.14.310 through December 31, 1993.

12 (j) 1.1937 percent into the municipal criminal justice assistance
13 account for distribution under RCW 82.14.320 through December 31, 1993.

14 (k) 1.1937 percent into the municipal criminal justice assistance
15 account for distribution under RCW 82.14.330 through December 31, 1993.

16 (l) 2.95 percent into the general fund to be distributed by the
17 state treasurer to county health departments to be used exclusively for
18 public health. The state treasurer shall distribute these funds
19 proportionately among the counties based on population as determined by
20 the most recent United States census.

21 (2) The state treasurer shall deposit the excise taxes collected
22 under RCW 82.44.020(2) into the transportation fund.

23 (3) The state treasurer shall deposit the excise tax imposed by RCW
24 82.44.020(3) into the air pollution control account created by RCW
25 70.94.015.

26 **Sec. 250.** RCW 82.44.155 and 1991 c 199 s 223 are each amended to
27 read as follows:

28 When distributions are made under RCW 82.44.150, the state
29 treasurer shall apportion and distribute the motor vehicle excise taxes
30 deposited into the general fund under RCW 82.44.110(~~(+4)~~)(1)(d) to the
31 cities and towns ratably on the basis of population as last determined
32 by the office of financial management. When so apportioned, the amount
33 payable to each such city and town shall be transmitted to the city
34 treasurer thereof, and shall be used by the city or town for the
35 purposes of police and fire protection (~~and the preservation of the~~
36 ~~public health~~) in the city or town, and not otherwise. If it is
37 adjudged that revenue derived from the excise taxes imposed by RCW
38 82.44.020 (1) and (2) cannot lawfully be apportioned or distributed to

1 cities or towns, all moneys directed by this section to be apportioned
2 and distributed to cities and towns shall be credited and transferred
3 to the state general fund.

4 NEW SECTION. **Sec. 251.** RCW 70.08.010, as amended by this act,
5 shall be recodified in chapter 70.05 RCW.

6 NEW SECTION. **Sec. 252.** The following acts or parts of acts are
7 each repealed:

8 (1) RCW 70.05.005 and 1989 1st ex.s. c 9 s 243;

9 (2) RCW 70.05.020 and 1967 ex.s. c 51 s 2;

10 (3) RCW 70.05.132 and 1984 c 25 s 9 & 1983 1st ex.s. c 39 s 6;

11 (4) RCW 70.05.145 and 1983 1st ex.s. c 39 s 5;

12 (5) RCW 70.08.005 and 1989 1st ex.s. c 9 s 244;

13 (6) RCW 70.08.020 and 1985 c 124 s 2 & 1949 c 46 s 2;

14 (7) RCW 70.08.030 and 1985 c 124 s 3, 1984 c 25 s 3, & 1949 c 46 s
15 3;

16 (8) RCW 70.08.040 and 1985 c 124 s 4, 1980 c 57 s 1, & 1949 c 46 s
17 4;

18 (9) RCW 70.08.050 and 1991 c 3 s 314, 1979 c 141 s 85, & 1949 c 46
19 s 8;

20 (10) RCW 70.08.060 and 1961 ex.s. c 5 s 4 & 1949 c 46 s 9;

21 (11) RCW 70.08.070 and 1982 c 203 s 1, 1980 c 57 s 2, & 1949 c 46
22 s 5;

23 (12) RCW 70.08.080 and 1980 c 57 s 3 & 1949 c 46 s 6;

24 (13) RCW 70.08.090 and 1949 c 46 s 7;

25 (14) RCW 70.08.100 and 1949 c 46 s 10;

26 (15) RCW 70.08.110 and 1949 c 46 s 11;

27 (16) RCW 70.08.900 and 1980 c 57 s 4;

28 (17) RCW 70.12.005 and 1989 1st ex.s. c 9 s 245;

29 (18) RCW 70.46.030 and 1991 c 363 s 141, 1969 ex.s. c 70 s 1, 1967
30 ex.s. c 51 s 5, & 1945 c 183 s 3;

31 (19) RCW 70.46.040 and 1967 ex.s. c 51 s 7 & 1945 c 183 s 4; and

32 (20) RCW 70.46.050 and 1967 ex.s. c 51 s 8, 1957 c 100 s 1, & 1945
33 c 183 s 5.

34 NEW SECTION. **Sec. 253.** It is hereby requested that the governing
35 authorities of the association of Washington cities, the Washington
36 state association of counties, and the Washington association of county

1 officials jointly initiate a study and develop consensus
2 recommendations regarding implementation of the provisions of sections
3 230 through 252 of this act. The study and recommendations should at
4 a minimum include consideration of the fiscal impact of these sections
5 on counties, the desirability of maintaining a process whereby city
6 officials can effectively communicate concerns regarding the delivery
7 of public health services to both the counties and the state, the need
8 for larger cities to be able to continue to provide supplemental health
9 care services when needed, and other matters as the three associations
10 agree are of substance in the implementation of sections 230 through
11 252 of this act. The agreed upon recommendations shall be presented to
12 the senate health and human services and house of representatives
13 health care committees prior to December 31, 1993.

14

F. DATA COLLECTION

15 **Sec. 254.** RCW 70.170.100 and 1990 c 269 s 12 are each amended to
16 read as follows:

17 (1) To promote the public interest consistent with the purposes of
18 chapter . . . , Laws of 1993 (this act), the department is responsible
19 for the development, implementation, and custody of a state-wide
20 ((hospital)) health care data system, with policy direction and
21 oversight to be provided by the Washington health services commission.
22 As part of the design stage for development of the system, the
23 department shall undertake a needs assessment of the types of, and
24 format for, ((hospital)) health care data needed by consumers,
25 purchasers, health care payers, ((hospitals)) providers, and state
26 government as consistent with the intent of chapter . . . , Laws of 1993
27 (this act) ((chapter)). The department shall identify a set of
28 ((hospital)) health care data elements and report specifications which
29 satisfy these needs. The ((council)) Washington health services
30 commission, created by section 303 of this act, shall review the design
31 of the data system ((and)) may ((direct the department to)) establish
32 a technical advisory committee on health data and may recommend that
33 the department contract with a private vendor for assistance in the
34 design of the data system or for any part of the work to be performed
35 under this section. The data elements, specifications, and other
36 ((design)) distinguishing features of this data system shall be made
37 available for public review and comment and shall be published, with

1 comments, as the department's first data plan by (~~January 1, 1990~~)
2 July 1, 1994.

3 (2) Subsequent to the initial development of the data system as
4 published as the department's first data plan, revisions to the data
5 system shall be considered (~~through the department's development of a~~
6 ~~biennial data plan, as proposed to,~~) with the oversight and policy
7 guidance of the Washington health services commission or its technical
8 advisory committee and funded by(~~(7)~~) the legislature through the
9 biennial appropriations process with funds appropriated to the state
10 health services trust account. (~~Costs of data activities outside of~~
11 ~~these data plans except for special studies shall be funded through~~
12 ~~legislative appropriations.~~

13 (3)) In designing the state-wide (~~hospital~~) health care data
14 system and any data plans, the department shall identify (~~hospital~~)
15 health care data elements relating to (~~both hospital finances~~) health
16 care costs, the quality of health care services, the outcomes of health
17 care services, and (~~the~~) use of (~~services by patients~~) health care
18 by consumers. Data elements (~~relating to hospital finances~~) shall be
19 reported (~~by hospitals~~) as the Washington health services commission
20 directs by reporters in conformance with a uniform (~~system of~~)
21 reporting (~~as specified by the department and shall~~) system
22 established by the department, which shall be adopted by reporters.
23 "Reporter" means an individual or business entity, other than a
24 hospital, required to be registered with the department of revenue for
25 payment of taxes imposed under chapter 82.04 RCW or Title 48 RCW, that
26 is primarily engaged in furnishing or insuring for medical, surgical,
27 and other health services to persons. In the case of hospitals this
28 includes data elements identifying each hospital's revenues, expenses,
29 contractual allowances, charity care, bad debt, other income, total
30 units of inpatient and outpatient services, and other financial
31 information reasonably necessary to fulfill the purposes of chapter
32 . . . , Laws of 1993 (this (~~chapter~~) act), for hospital activities as
33 a whole and, as feasible and appropriate, for specified classes of
34 hospital purchasers and payers. Data elements relating to use of
35 hospital services by patients shall, at least initially, be the same as
36 those currently compiled by hospitals through inpatient discharge
37 abstracts (~~and reported to the Washington state hospital commission~~).
38 The commission and the department shall encourage and permit reporting

1 by electronic transmission or hard copy as is practical and economical
2 to reporters.

3 ~~((4))~~ (3) The state-wide ~~((hospital))~~ health care data system
4 shall be uniform in its identification of reporting requirements for
5 ~~((hospitals))~~ reporters across the state to the extent that such
6 uniformity is ~~((necessary))~~ useful to fulfill the purposes of chapter
7 . . . , Laws of 1993 (this ((chapter)) act). Data reporting
8 requirements may reflect differences ~~((in hospital size; urban or rural~~
9 ~~location; scope, type, and method of providing service; financial~~
10 ~~structure; or other pertinent distinguishing factors))~~ that involve
11 pertinent distinguishing features as determined by the Washington
12 health services commission by rule. So far as ~~((possible))~~ is
13 practical, the data system shall be coordinated with any requirements
14 of the trauma care data registry as authorized in RCW 70.168.090, the
15 federal department of health and human services in its administration
16 of the medicare program, ~~((and))~~ the state in its role of gathering
17 public health statistics, or any other payer program of consequence so
18 as to minimize any unduly burdensome reporting requirements imposed on
19 ~~((hospitals))~~ reporters.

20 ~~((5))~~ (4) In identifying financial reporting requirements under
21 the state-wide ~~((hospital))~~ health care data system, the department may
22 require both annual reports and condensed quarterly reports from
23 reporters, so as to achieve both accuracy and timeliness in reporting,
24 but shall craft such requirements with due regard of the data reporting
25 burdens of reporters.

26 ~~((6))~~ In designing the initial state-wide hospital data system as
27 published in the department's first data plan, the department shall
28 review all existing systems of hospital financial and utilization
29 reporting used in this state to determine their usefulness for the
30 purposes of this chapter, including their potential usefulness as
31 revised or simplified.

32 (7) ~~Until such time as the state wide hospital data system and~~
33 ~~first data plan are developed and implemented and hospitals are able to~~
34 ~~comply with reporting requirements, the department shall require~~
35 ~~hospitals to continue to submit the hospital financial and patient~~
36 ~~discharge information previously required to be submitted to the~~
37 ~~Washington state hospital commission. Upon publication of the first~~
38 ~~data plan, hospitals shall have a reasonable period of time to comply~~
39 ~~with any new reporting requirements and, even in the event that new~~

1 ~~reporting requirements differ greatly from past requirements, shall~~
2 ~~comply within two years of July 1, 1989.~~

3 ~~(8))~~ (5) ~~The ((hospital))~~ health care data collected ((and)),
4 maintained, and studied by the department or the Washington health
5 services commission shall only be available for retrieval in original
6 or processed form to public and private requestors and shall be
7 available within a reasonable period of time after the date of request.
8 The cost of retrieving data for state officials and agencies shall be
9 funded through the state general appropriation. The cost of retrieving
10 data for individuals and organizations engaged in research or private
11 use of data or studies shall be funded by a fee schedule developed by
12 the department which reflects the direct cost of retrieving the data or
13 study in the requested form.

14 (6) All persons subject to chapter . . . , Laws of 1993 (this act)
15 shall comply with departmental or commission requirements established
16 by rule in the acquisition of data.

17 **Sec. 255.** RCW 70.170.110 and 1989 1st ex.s. c 9 s 511 are each
18 amended to read as follows:

19 The department shall provide, or may contract with a private entity
20 to provide, ~~((hospital))~~ analyses and reports or any studies it chooses
21 to conduct consistent with the purposes of chapter . . . , Laws of 1993
22 (this ((chapter)) act). Subject to the availability of funds and any
23 policy direction that may be given by the Washington health services
24 commission. ((Prior to release, the department shall provide affected
25 hospitals with an opportunity to review and comment on reports which
26 identify individual hospital data with respect to accuracy and
27 completeness, and otherwise shall focus on aggregate reports of
28 hospital performance.)) These studies, analyses, or reports shall
29 include:

30 (1) Consumer guides on purchasing ((hospital care services and)) or
31 consuming health care and publications providing verifiable and useful
32 aggregate comparative information to ((consumers on hospitals and
33 hospital services)) the public on health care services, their cost, and
34 the quality of health care providers who participate in certified
35 health plans;

36 (2) Reports for use by classes of purchasers, who purchase from
37 certified health plans, health care payers, and providers as specified

1 for content and format in the state-wide data system and data plan;
2 ((and))

3 (3) Reports on relevant ((hospital)) health care policy ((issues))
4 including the distribution of hospital charity care obligations among
5 hospitals; absolute and relative rankings of Washington and other
6 states, regions, and the nation with respect to expenses, net revenues,
7 and other key indicators; ((hospital)) provider efficiencies; and the
8 effect of medicare, medicaid, and other public health care programs on
9 rates paid by other purchasers of ((hospital)) health care; and

10 (4) Any other reports the commission or department deems useful to
11 assist the public or purchasers of certified health plans in
12 understanding the prudent and cost-effective use of certified health
13 plan services.

14 NEW SECTION. Sec. 256. A new section is added to chapter 70.170
15 RCW to read as follows:

16 Notwithstanding the provisions of chapter 42.17 RCW, any material
17 contained within the state-wide health care data system or in the files
18 of either the department or the Washington health services commission
19 shall be subject to the following limitations: (1) Records obtained,
20 reviewed by, or on file that contain information concerning medical
21 treatment of individuals shall be exempt from public inspection and
22 copying; and (2) any actuarial formulas, statistics, and assumptions
23 submitted by a certified health plan to the commission or department
24 upon request shall be exempt from public inspection and copying in
25 order to preserve trade secrets or prevent unfair competition.

26 All persons and any public or private agencies or entities
27 whatsoever subject to this chapter shall comply with any requirements
28 established by rule relating to the acquisition or use of health
29 services data and maintain the confidentiality of any information which
30 may, in any manner, identify individual persons.

31 NEW SECTION. Sec. 257. A new section is added to chapter 70.170
32 RCW to read as follows:

33 The Washington health services commission shall have access to all
34 health data presently available to the secretary of health. To the
35 extent possible, the commission shall use existing data systems and
36 coordinate among existing agencies. The department of health shall be
37 the designated depository agency for all health data collected pursuant

1 to chapter . . . , Laws of 1993 (this act). The following data sources
2 shall be developed or made available:

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

8 (2) The commission, in coordination with the department of health
9 and the health science programs of the state universities shall develop
10 procedures to analyze clinical and other health services outcome data,
11 and conduct other research necessary for the specific purpose of
12 assisting in the design of the uniform benefit package under chapter
13 . . . , Laws of 1993 (this act).

14 (3) The commission shall establish cost data sources and shall
15 require each certified health plan to provide the commission and the
16 department of health with enrollee care and cost information, to
17 include: (a) Enrollee identifier, including date of birth, sex, and
18 ethnicity; (b) provider identifier; (c) diagnosis; (d) health care
19 services or procedures provided; (e) provider charges, if any; and (f)
20 amount paid. The department shall establish by rule confidentiality
21 standards to safeguard the information from inappropriate use or
22 release.

23 NEW SECTION. **Sec. 258.** A new section is added to chapter 70.170
24 RCW to read as follows:

25 (1) The department is responsible for the implementation and
26 custody of a state-wide personal health services data and information
27 system. The data elements, specifications, and other design features
28 of this data system shall be consistent with criteria adopted by the
29 Washington health services commission. The department shall provide
30 the commission with reasonable assistance in the development of these
31 criteria, and shall provide the commission with periodic progress
32 reports related to the implementation of the system or systems related
33 to those criteria.

34 (2) The department shall coordinate the development and
35 implementation of the personal health services data and information
36 system with related private activities and with the implementation
37 activities of the data sources identified by the commission. Data
38 shall include: (a) Enrollee identifier, including date of birth, sex,

1 and ethnicity; (b) provider identifier; (c) diagnosis; (d) health
2 services or procedures provided; (e) provider charges, if any; and (f)
3 amount paid. The commission shall establish by rule, confidentiality
4 standards to safeguard the information from inappropriate use or
5 release. The department shall assist the commission in establishing
6 reasonable time frames for the completion of the system development and
7 system implementation.

8 **G. HEALTH PROFESSIONAL SHORTAGES**

9 NEW SECTION. **Sec. 259.** LEGISLATIVE INTENT. The legislature finds
10 that the successful implementation of health care reform will depend on
11 a sufficient availability of primary health care providers throughout
12 the state. Many rural and medically underserved urban areas lack
13 primary health care providers and because of this basic health care
14 services are limited or unavailable to populations living in these
15 areas. The legislature has in recent years initiated new programs to
16 address these provider shortage needs but funding has been insufficient
17 and additional specific providers shortage needs still remain.

18 **Sec. 260.** RCW 28B.125.010 and 1991 c 332 s 5 are each amended to
19 read as follows:

20 (1) The higher education coordinating board, the state board for
21 community ~~((college—education))~~ and technical colleges, the
22 superintendent of public instruction, the state department of health,
23 the Washington health services commission, and the state department of
24 social and health services, to be known for the purposes of this
25 section as the committee, shall establish a state-wide health personnel
26 resource plan. The governor shall appoint a lead agency from one of
27 the agencies on the committee.

28 In preparing the state-wide plan the committee shall consult with
29 the training and education institutions affected by this chapter,
30 health care providers, employers of health care providers, insurers,
31 consumers of health care, and other appropriate entities.

32 Should a successor agency or agencies be authorized or created by
33 the legislature with planning, coordination, or administrative
34 authority over vocational-technical schools, community colleges, or
35 four-year higher education institutions, the governor shall grant

1 membership on the committee to such agency or agencies and remove the
2 member or members it replaces.

3 The committee shall appoint subcommittees for the purpose of
4 assisting in the development of the institutional plans required under
5 this chapter. Such subcommittees shall at least include those
6 committee members that have statutory responsibility for planning,
7 coordination, or administration of the training and education
8 institutions for which the institutional plans are being developed. In
9 preparing the institutional plans for four-year institutes of higher
10 education, the subcommittee shall be composed of at least the higher
11 education coordinating board and the state's four-year higher education
12 institutions. The appointment of subcommittees to develop portions of
13 the state-wide plan shall not relinquish the committee's responsibility
14 for assuring overall coordination, integration, and consistency of the
15 state-wide plan.

16 In establishing and implementing the state-wide health personnel
17 resource plan the committee shall, to the extent possible, utilize
18 existing data and information, personnel, equipment, and facilities and
19 shall minimize travel and take such other steps necessary to reduce the
20 administrative costs associated with the preparation and implementation
21 of the plan.

22 (2) The state-wide health resource plan shall include at least the
23 following:

24 (a)(i) Identification of the type, number, and location of the
25 health care professional work force necessary to meet health care needs
26 of the state.

27 (ii) A description and analysis of the composition and numbers of
28 the potential work force available for meeting health care service
29 needs of the population to be used for recruitment purposes. This
30 should include a description of the data, methodology, and process used
31 to make such determinations.

32 (b) A centralized inventory of the numbers of student applications
33 to higher education and vocational-technical training and education
34 programs, yearly enrollments, yearly degrees awarded, and numbers on
35 waiting lists for all the state's publicly funded health care training
36 and education programs. The committee shall request similar
37 information for incorporation into the inventory from private higher
38 education and vocational-technical training and education programs.

1 (c) A description of state-wide and local specialized provider
2 training needs to meet the health care needs of target populations and
3 a plan to meet such needs in a cost-effective and accessible manner.

4 (d) A description of how innovative, cost-effective technologies
5 such as telecommunications can and will be used to provide higher
6 education, vocational-technical, continued competency, and skill
7 maintenance and enhancement education and training to placebound
8 students who need flexible programs and who are unable to attend
9 institutions for training.

10 (e) A strategy for assuring higher education and vocational-
11 technical educational and training programming is sensitive to the
12 changing work force such as reentry workers, women, minorities, and the
13 disabled.

14 (f) A strategy and coordinated state-wide policy developed by the
15 subcommittees authorized in subsection (1) of this section for
16 increasing the number of graduates intending to serve in shortage areas
17 after graduation, including such strategies as the establishment of
18 preferential admissions and designated enrollment slots.

19 (g) Guidelines and policies developed by the subcommittees
20 authorized in subsection (1) of this section for allowing academic
21 credit for on-the-job experience such as internships, volunteer
22 experience, apprenticeships, and community service programs.

23 (h) A strategy developed by the subcommittees authorized in
24 subsection (1) of this section for making required internships and
25 residency programs available that are geographically accessible and
26 sufficiently diverse to meet both general and specialized training
27 needs as identified in the plan when such programs are required.

28 (i) A description of the need for multiskilled health care
29 professionals and an implementation plan to restructure educational and
30 training programming to meet these needs.

31 (j) An analysis of the types and estimated numbers of health care
32 personnel that will need to be recruited from out-of-state to meet the
33 health professional needs not met by in-state trained personnel.

34 (k) An analysis of the need for educational articulation within the
35 various health care disciplines and a plan for addressing the need.

36 (l) An analysis of the training needs of those members of the long-
37 term care profession that are not regulated and that have no formal
38 training requirements. Programs to meet these needs should be

1 developed in a cost-effective and a state-wide accessible manner that
2 provide for the basic training needs of these individuals.

3 (m) A designation of the professions and geographic locations in
4 which loan repayment and scholarships should be available based upon
5 objective data-based forecasts of health professional shortages. A
6 description of the criteria used to select professions and geographic
7 locations shall be included. Designations of professions and
8 geographic locations may be amended by the department of health when
9 circumstances warrant as provided for in RCW 28B.115.070.

10 (n) A description of needed changes in regulatory laws governing
11 the credentialing of health professionals.

12 (o) A description of linguistic and cultural training needs of
13 foreign-trained health care professionals to assure safe and effective
14 practice of their health care profession.

15 (p) A plan to implement the recommendations of the state-wide
16 nursing plan authorized by RCW 74.39.040.

17 (q) A description of criteria and standards that institutional
18 plans provided for in this section must address in order to meet the
19 requirements of the state-wide health personnel resource plan,
20 including funding requirements to implement the plans. The committee
21 shall also when practical identify specific outcome measures to measure
22 progress in meeting the requirements of this plan. The criteria and
23 standards shall be established in a manner as to provide flexibility to
24 the institutions in meeting state-wide plan requirements. The
25 committee shall establish required submission dates for the
26 institutional plans that permit inclusion of funding requests into the
27 institutions budget requests to the state.

28 (r) A description of how the higher education coordinating board,
29 state board for community (~~college education~~) and technical colleges,
30 superintendent of public instruction, department of health, and
31 department of social and health services coordinated in the creation
32 and implementation of the state plan including the areas of
33 responsibility each agency shall assume. The plan should also include
34 a description of the steps taken to assure participation by the groups
35 that are to be consulted with.

36 (s) A description of the estimated fiscal requirements for
37 implementation of the state-wide health resource plan that include a
38 description of cost saving activities that reduce potential costs by

1 avoiding administrative duplication, coordinating programming
2 activities, and other such actions to control costs.

3 (3) The committee may call upon other agencies of the state to
4 provide available information to assist the committee in meeting the
5 responsibilities under this chapter. This information shall be
6 supplied as promptly as circumstances permit.

7 (4) State agencies involved in the development and implementation
8 of the plan shall to the extent possible utilize existing personnel and
9 financial resources in the development and implementation of the state-
10 wide health personnel resource plan.

11 (5) The state-wide health personnel resource plan shall be
12 submitted to the governor by July 1, 1992, and updated by July 1 of
13 each even-numbered year. The governor, no later than December 1 of
14 that year, shall approve, approve with modifications, or disapprove the
15 state-wide health resource plan.

16 (6) The approved state-wide health resource plan shall be submitted
17 to the senate and house of representatives committees on health care,
18 higher education, and ways and means or appropriations by December 1 of
19 each even-numbered year.

20 (7) Implementation of the state-wide plan shall begin by July 1,
21 1993.

22 (8) Notwithstanding subsections (5) and (7) of this section, the
23 committee shall prepare and submit to the higher education coordinating
24 board by June 1, 1992, the analysis necessary for the initial
25 implementation of the health professional loan repayment and
26 scholarship program created in chapter 28B.115 RCW.

27 (9) Each publicly funded two-year and four-year institute of higher
28 education authorized under Title 28B RCW and vocational-technical
29 institution authorized under Title 28A RCW that offers health training
30 and education programs shall biennially prepare and submit an
31 institutional plan to the committee. The institutional plan shall
32 identify specific programming and activities of the institution that
33 meet the requirements of the state-wide health professional resource
34 plan.

35 The committee shall review and assess whether the institutional
36 plans meet the requirements of the state-wide health personnel resource
37 plan and shall prepare a report with its determination. The report
38 shall become part of the institutional plan and shall be submitted to
39 the governor and the legislature.

1 The institutional plan shall be included with the institution's
2 biennial budget submission. The institution's budget shall identify
3 proposed spending to meet the requirements of the institutional plan.
4 Each vocational-technical institution, college, or university shall be
5 responsible for implementing its institutional plan.

6 **Sec. 261.** RCW 28B.115.080 and 1991 c 332 s 21 are each amended to
7 read as follows:

8 After June 1, 1992, the board, in consultation with the department
9 and the department of social and health services, shall:

10 (1) Establish the annual award amount for each credentialed health
11 care profession which shall be based upon an assessment of reasonable
12 annual eligible expenses involved in training and education for each
13 credentialed health care profession. The annual award amount may be
14 established at a level less than annual eligible expenses. The annual
15 award amount shall ~~((not be more than fifteen thousand dollars per~~
16 year)) be established by the board for each eligible health profession.
17 The awards shall not be paid for more than a maximum of five years per
18 individual;

19 (2) Determine any scholarship awards for prospective physicians in
20 such a manner to require the recipients declare an interest in serving
21 in rural areas of the state of Washington. Preference for scholarships
22 shall be given to students who reside in a rural physician shortage
23 area or a nonshortage rural area of the state prior to admission to the
24 eligible education and training program in medicine. Highest
25 preference shall be given to students seeking admission who are
26 recommended by sponsoring communities and who declare the intent of
27 serving as a physician in a rural area. The board may require the
28 sponsoring community located in a nonshortage rural area to financially
29 contribute to the eligible expenses of a medical student if the student
30 will serve in the nonshortage rural area;

31 (3) Establish the required service obligation for each credentialed
32 health care profession, which shall be no less than three years or no
33 more than five years. The required service obligation may be based
34 upon the amount of the scholarship or loan repayment award such that
35 higher awards involve longer service obligations on behalf of the
36 participant;

37 (4) Determine eligible education and training programs for purposes
38 of the scholarship portion of the program;

1 (5) Honor loan repayment and scholarship contract terms negotiated
2 between the board and participants prior to May 21, 1991, concerning
3 loan repayment and scholarship award amounts and service obligations
4 authorized under chapter (~~(18.150)~~) 28B.115, 28B.104, or 70.180 RCW.

5 **Sec. 262.** RCW 70.185.030 and 1991 c 332 s 9 are each amended to
6 read as follows:

7 (1) The department (~~(shall)~~) may, subject to funding, establish
8 (~~(up to three)~~) community-based recruitment and retention project sites
9 to provide financial and technical assistance to participating
10 communities. The goal of the project is to help assure the
11 availability of health care providers in rural areas of Washington
12 state.

13 (2) Administrative costs necessary to implement this project shall
14 be kept at a minimum to insure the maximum availability of funds for
15 participants.

16 (3) The secretary may contract with third parties for services
17 necessary to carry out activities to implement this chapter where this
18 will promote economy, avoid duplication of effort, and make the best
19 use of available expertise.

20 (4) The secretary may apply for, receive, and accept gifts and
21 other payments, including property and service, from any governmental
22 or other public or private entity or person, and may make arrangements
23 as to the use of these receipts, including the undertaking of special
24 studies and other projects related to the delivery of health care in
25 rural areas.

26 (5) In designing and implementing the project the secretary shall
27 coordinate the project with the Washington rural health system project
28 as authorized under chapter 70.175 RCW to consolidate administrative
29 duties and reduce costs.

30 NEW SECTION. **Sec. 263.** A new section is added to chapter 70.185
31 RCW to read as follows:

32 (1) The department may develop a mechanism for underserved rural or
33 urban communities to contract with education and training programs for
34 student positions above the full time equivalent lids. The goal of
35 this program is to provide additional capacity, educating students who
36 will practice in underserved communities.

1 (2) Eligible education and training programs are those programs
2 approved by the department that lead to eligibility for a credential as
3 a credentialed health care professional. Eligible professions are
4 those licensed under chapters 18.57, 18.57A, 18.71, and 18.71A RCW and
5 advanced registered nurse practitioners and certified nurse midwives
6 licensed under chapter 18.88 RCW, and may include other providers
7 identified as needed in the health personnel resource plan.

8 (3) Students participating in the community contracted educational
9 positions shall meet all applicable educational program requirements
10 and provide assurances, acceptable to the community, that they will
11 practice in the sponsoring community following completion of education
12 and necessary licensure.

13 (4) Participants in the program incur an obligation to repay any
14 contracted funds with interest set by state law, unless they serve at
15 least three years in the sponsoring community.

16 (5) The department may provide funds to communities for use in
17 contracting.

18 NEW SECTION. **Sec. 264.** A new section is added to chapter 70.185
19 RCW to read as follows:

20 AREA HEALTH EDUCATION CENTERS. The secretary may establish and
21 contract with area health education centers in the eastern and western
22 parts of the state. Consistent with the recruitment and retention
23 objectives of this chapter, the centers shall provide or facilitate the
24 provision of health professional educational and continuing education
25 programs that strengthen the delivery of primary health care services
26 in rural and medically underserved urban areas of the state. The
27 center shall assist in the development and operation of health
28 personnel recruitment and retention programs that are consistent with
29 activities authorized under this chapter. The centers shall further
30 provide technical expertise in the development of well managed health
31 care delivery systems in rural Washington consistent with the goals and
32 objectives of chapter . . . , Laws of 1993 (this act).

33 **Sec. 265.** RCW 43.70.460 and 1992 c 113 s 2 are each amended to
34 read as follows:

35 (1) The department may establish a program to purchase and maintain
36 liability malpractice insurance for retired (~~physicians~~) primary care

1 providers who provide primary health care services at community
2 clinics. The following conditions apply to the program:

3 (a) Primary health care services shall be provided at community
4 clinics that are public or private tax-exempt corporations;

5 (b) Primary health care services provided at the clinics shall be
6 offered to low-income patients based on their ability to pay;

7 (c) Retired (~~((physicians))~~) primary care providers providing health
8 care services shall not receive compensation for their services; and

9 (d) The department shall contract only with a liability insurer
10 authorized to offer liability malpractice insurance in the state.

11 (2) This section and RCW 43.70.470 shall not be interpreted to
12 require a liability insurer to provide coverage to a (~~((physician))~~)
13 primary care provider should the insurer determine that coverage should
14 not be offered to a physician because of past claims experience or for
15 other appropriate reasons.

16 (3) The state and its employees who operate the program shall be
17 immune from any civil or criminal action involving claims against
18 clinics or physicians that provided health care services under this
19 section and RCW 43.70.470. This protection of immunity shall not
20 extend to any clinic or (~~((physician))~~) primary care provider
21 participating in the program.

22 (4) The department may monitor the claims experience of retired
23 physicians covered by liability insurers contracting with the
24 department.

25 (5) The department may provide liability insurance under chapter
26 113, Laws of 1992 only to the extent funds are provided for this
27 purpose by the legislature.

28 **Sec. 266.** RCW 43.70.470 and 1992 c 113 s 3 are each amended to
29 read as follows:

30 The department may establish by rule the conditions of
31 participation in the liability insurance program by retired
32 (~~((physicians))~~) primary care providers at clinics utilizing retired
33 physicians for the purposes of this section and RCW 43.70.460. These
34 conditions shall include, but not be limited to, the following:

35 (1) The participating (~~((physician))~~) primary care provider
36 associated with the clinic shall hold a valid license to practice
37 (~~((medicine and surgery))~~) as a physician under chapter 18.71 or 18.57
38 RCW, a physician assistant under chapter 18.71A or 18.57A RCW, or an

1 advanced registered nurse practitioner under chapter 18.88 RCW in this
2 state and otherwise be in conformity with current requirements for
3 licensure as a retired ((physician)) primary care health care provider,
4 including continuing education requirements;

5 (2) The participating ((physician)) primary care health care
6 provider shall limit the scope of practice in the clinic to primary
7 care. Primary care shall be limited to noninvasive procedures and
8 shall not include obstetrical care, or any specialized care and
9 treatment. Noninvasive procedures include injections, suturing of
10 minor lacerations, and incisions of boils or superficial abscesses;

11 (3) The provision of liability insurance coverage shall not extend
12 to acts outside the scope of rendering medical services pursuant to
13 this section and RCW 43.70.460;

14 (4) The participating ((physician)) primary care health care
15 provider shall limit the provision of health care services to low-
16 income persons provided that clinics may, but are not required to,
17 provide means tests for eligibility as a condition for obtaining health
18 care services;

19 (5) The participating ((physician)) primary care health care
20 provider shall not accept compensation for providing health care
21 services from patients served pursuant to this section and RCW
22 43.70.460, nor from clinics serving these patients. "Compensation"
23 shall mean any remuneration of value to the participating ((physician))
24 primary care health care provider for services provided by the
25 ((physician)) primary care health care provider, but shall not be
26 construed to include any nominal copayments charged by the clinic, nor
27 reimbursement of related expenses of a participating ((physician))
28 primary care health care provider authorized by the clinic in advance
29 of being incurred; and

30 (6) The use of mediation or arbitration for resolving questions of
31 potential liability may be used, however any mediation or arbitration
32 agreement format shall be expressed in terms clear enough for a person
33 with a sixth grade level of education to understand, and on a form no
34 longer than one page in length.

35 NEW SECTION. Sec. 267. MEDICAL SCHOOL GRADUATES SERVING IN RURAL
36 AND MEDICALLY UNDERSERVED AREAS OF THE STATE--LEGISLATIVE INTENT. The
37 legislature finds that the shortage of primary care physicians
38 practicing in rural and medically underserved areas of the state has

1 created a severe public health and safety problem. If unaddressed,
2 this problem is expected to worsen with health care reform since an
3 increased demand for primary care services will only contribute further
4 to these shortages.

5 The legislature further finds that the medical training program at
6 the University of Washington is an important and well respected
7 resource to the people of this state in the training of primary care
8 physicians. Currently, only a small proportion of medical school
9 graduates are Washington residents who serve as primary care
10 practitioners in certain parts of this state.

11 NEW SECTION. **Sec. 268.** MEDICAL SCHOOL PRIMARY CARE PHYSICIAN
12 SHORTAGE PLAN DEVELOPMENT. The University of Washington medical school
13 shall prepare a primary care physician shortage plan. The plan shall
14 identify specific activities that the school of medicine will pursue to
15 increase the number of Washington residents serving as primary care
16 physicians in rural and medically underserved urban areas of the state.
17 A goal of the plan shall be to assure that by 2000 no fewer than fifty
18 percent of all medical school graduates who are Washington state
19 residents at the time of matriculation will enter into primary care
20 residencies, to the extent possible, in Washington state. The plan
21 shall also assure that the medical school will establish as among its
22 highest training priorities the distribution of primary care physician
23 graduates from the school, and its associated postgraduate residencies,
24 to rural and medically underserved urban areas. Pursuant to this, the
25 school shall establish the goal of assuring that by 1995 the annual
26 number of graduates from the family practice residency network entering
27 rural or medically underserved practices shall be increased by forty
28 percent over a baseline period from 1988 to 1990. A further goal shall
29 be to establish and make operational by 1997 at least two additional
30 family practice residency programs within the state in geographic areas
31 identified by the plan as underserved in family practice. The
32 geographic areas identified by the plan as being underserved by family
33 practice physicians shall be consistent with any such similar
34 designations as may be made in the health personnel resource plan as
35 authorized under chapter 28B.125 RCW. The plan shall be submitted to
36 the health policy committees of the legislature no later than December
37 1, 1993, and shall be implemented within current biennial
38 appropriations for the University of Washington school of medicine.

1 Expansions of the family practice residency network shall be made
2 subject to additional appropriations, including appropriations made in
3 this act.

4 NEW SECTION. **Sec. 269.** TRANSFER OF AUTHORITY TO PURCHASE SERVICES
5 FROM COMMUNITY HEALTH CENTERS. (1) State general funds appropriated to
6 the department of health for the purposes of funding community health
7 centers to provide primary medical and dental care services, migrant
8 health services, and maternity health care services shall be
9 transferred to the state health care authority. Any related
10 administrative funds expended by the department of health for this
11 purpose shall also be transferred to the health care authority. The
12 health care authority shall exclusively expend these funds through
13 contracts with community health centers to provide primary medical and
14 dental care services, migrant health services, and maternity care
15 services. The administrator of the health care authority shall
16 establish requirements necessary to assure community health centers
17 provide quality health care services that are appropriate and effective
18 and are delivered in a cost-efficient manner. The administrator shall
19 further assure community health centers have appropriate referral
20 arrangements for acute care and medical specialty services not provided
21 by the community health centers.

22 (2) To further the intent of chapter . . . , Laws of 1993 (this
23 act), the health care authority, in consultation with the department of
24 health, shall evaluate the organization and operation of the state's
25 community health centers and propose recommendations to the health
26 services commission and the health policy committees of the legislature
27 by November 30, 1994, that identify changes to permit community health
28 centers to form certified health plans or other innovative health care
29 delivery arrangements that help insure access to primary health care
30 services to low-income, migrant, refugee populations consistent with
31 the purposes of chapter . . . , Laws of 1993 (this act).

32 **H. JOINT UNDERWRITING AUTHORITY FOR LONG-TERM CARE**

33 NEW SECTION. **Sec. 270.** A new section is added to Title 48 RCW to
34 read as follows:

35 The insurance commissioner shall by July 1997 create a joint
36 underwriting authority for long-term care.

I. TAXES

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Sec. 271. RCW 82.24.020 and 1989 c 271 s 504 are each amended to read as follows:

(1) There is levied and there shall be collected as hereinafter provided, a tax upon the sale, use, consumption, handling, possession or distribution of all cigarettes, in an amount equal to the rate of eleven and one-half mills per cigarette.

(2) Until July 1, 1995, an additional tax is imposed upon the sale, use, consumption, handling, possession, or distribution of all cigarettes, in an amount equal to the rate of one and one-half mills per cigarette. All revenues collected during any month from this additional tax shall be deposited in the drug enforcement and education account under RCW 69.50.520 by the twenty-fifth day of the following month.

(3) An additional tax is imposed upon the sale, use, consumption, handling, possession, or distribution of all cigarettes, in an amount equal to the rate of ten mills per cigarette through June 30, 1994, eleven and one-fourth mills per cigarette for the period July 1, 1994, through June 30, 1995, twenty mills per cigarette for the period July 1, 1995, through June 30, 1996, and twenty and one-half mills per cigarette thereafter. All revenues collected during any month from this additional tax shall be deposited in the Washington health services trust account created under section 356 of this act.

(4) Wholesalers and retailers subject to the payment of this tax may, if they wish, absorb one-half mill per cigarette of the tax and not pass it on to purchasers without being in violation of this section or any other act relating to the sale or taxation of cigarettes.

~~((+4))~~ (5) For purposes of this chapter, "possession" shall mean both (a) physical possession by the purchaser and, (b) when cigarettes are being transported to or held for the purchaser or his or her designee by a person other than the purchaser, constructive possession by the purchaser or his designee, which constructive possession shall be deemed to occur at the location of the cigarettes being so transported or held.

Sec. 272. RCW 82.24.080 and 1972 ex.s. c 157 s 4 are each amended to read as follows:

1 It is the intent and purpose of this chapter to levy a tax on all
2 of the articles taxed herein, sold, used, consumed, handled, possessed,
3 or distributed within this state and to collect the tax from the person
4 who first sells, uses, consumes, handles, possesses (either physically
5 or constructively, in accordance with RCW 82.24.020) or distributes
6 them in the state. It is further the intent and purpose of this
7 chapter that whenever any of the articles herein taxed is given away
8 for advertising or any other purpose, it shall be taxed in the same
9 manner as if it were sold, used, consumed, handled, possessed, or
10 distributed in this state.

11 It is also the intent and purpose of this chapter that the tax
12 shall be imposed at the time and place of the first taxable event
13 occurring within this state: PROVIDED, HOWEVER, That failure to pay
14 the tax with respect to a taxable event shall not prevent tax liability
15 from arising by reason of a subsequent taxable event.

16 In the event of an increase in the rate of the tax imposed under
17 this chapter, it is the intent of the legislature that the first person
18 who sells, uses, consumes, handles, possesses, or distributes
19 previously taxed articles after the effective date of the rate increase
20 shall be liable for the additional tax represented by the rate
21 increase, but the failure to pay the additional tax with respect to the
22 first taxable event after the effective date of a rate increase shall
23 not prevent tax liability for the additional tax from arising from a
24 subsequent taxable event.

25 **Sec. 273.** RCW 82.26.020 and 1983 2nd ex.s. c 3 s 16 are each
26 amended to read as follows:

27 (1) (~~From and after June 1, 1971,~~) There is levied and there
28 shall be collected a tax upon the sale, use, consumption, handling, or
29 distribution of all tobacco products in this state at the rate of
30 forty-five percent of the wholesale sales price of such tobacco
31 products. (~~Such tax~~)

32 (2) Taxes under this section shall be imposed at the time the
33 distributor (a) brings, or causes to be brought, into this state from
34 without the state tobacco products for sale, (b) makes, manufactures,
35 or fabricates tobacco products in this state for sale in this state, or
36 (c) ships or transports tobacco products to retailers in this state, to
37 be sold by those retailers.

1 (~~(2)~~) (3) An additional tax is imposed equal to (~~the rate~~
2 ~~specified in RCW 82.02.030~~) seven percent multiplied by the tax
3 payable under subsection (1) of this section.

4 (4) An additional tax is imposed equal to the tax payable under
5 subsection (1) of this section multiplied by the rate of eighty-five
6 percent through June 30, 1994, ninety-five percent for the period July
7 1, 1994, through June 30, 1995, one hundred seventy percent for the
8 period July 1, 1995, through June 30, 1996, and one hundred seventy-
9 five percent thereafter. The moneys collected under this subsection
10 shall be deposited in the Washington health services trust account
11 created under section 356 of this act.

12 **Sec. 274.** RCW 82.08.150 and 1989 c 271 s 503 are each amended to
13 read as follows:

14 (1) There is levied and shall be collected a tax upon each retail
15 sale of spirits, or strong beer in the original package at the rate of
16 fifteen percent of the selling price. The tax imposed in this
17 subsection shall apply to all such sales including sales by the
18 Washington state liquor stores and agencies, but excluding sales to
19 class H licensees.

20 (2) There is levied and shall be collected a tax upon each sale of
21 spirits, or strong beer in the original package at the rate of ten
22 percent of the selling price on sales by Washington state liquor stores
23 and agencies to class H licensees.

24 (3) There is levied and shall be collected an additional tax upon
25 each retail sale of spirits in the original package at the rate of one
26 dollar and seventy-two cents per liter. The additional tax imposed in
27 this subsection shall apply to all such sales including sales by
28 Washington state liquor stores and agencies, and including sales to
29 class H licensees.

30 (4) An additional tax is imposed equal to (~~the rate specified in~~
31 ~~RCW 82.02.030~~) fourteen percent multiplied by the taxes payable under
32 subsections (1), (2), and (3) of this section.

33 (5) Until July 1, 1995, an additional tax is imposed upon each
34 retail sale of spirits in the original package at the rate of seven
35 cents per liter. The additional tax imposed in this subsection shall
36 apply to all such sales including sales by Washington state liquor
37 stores and agencies, and including sales to class H licensees. All
38 revenues collected during any month from this additional tax shall be

1 deposited in the drug enforcement and education account under RCW
2 69.50.520 by the twenty-fifth day of the following month.

3 (6) An additional tax is imposed equal to the taxes payable under
4 subsections (1), (2), and (3) of this section multiplied by the rate of
5 eight and eight-tenths percent through June 30, 1995, fifty percent for
6 the period July 1, 1995, through June 30, 1997, and seventy-five
7 percent thereafter. All revenues collected during any month from this
8 additional tax shall be deposited in the Washington health services
9 trust account created under section 356 of this act.

10 (7) The tax imposed in RCW 82.08.020, as now or hereafter amended,
11 shall not apply to sales of spirits or strong beer in the original
12 package.

13 ~~((+7))~~ (8) The taxes imposed in this section shall be paid by the
14 buyer to the seller, and each seller shall collect from the buyer the
15 full amount of the tax payable in respect to each taxable sale under
16 this section. The taxes required by this section to be collected by
17 the seller shall be stated separately from the selling price and for
18 purposes of determining the tax due from the buyer to the seller, it
19 shall be conclusively presumed that the selling price quoted in any
20 price list does not include the taxes imposed by this section.

21 ~~((+8))~~ (9) As used in this section, the terms, "spirits," "strong
22 beer," and "package" shall have the meaning ascribed to them in chapter
23 66.04 RCW.

24 **Sec. 275.** RCW 66.24.290 and 1989 c 271 s 502 are each amended to
25 read as follows:

26 (1) Any brewer or beer wholesaler licensed under this title may
27 sell and deliver beer to holders of authorized licenses direct, but to
28 no other person, other than the board; and every such brewer or beer
29 wholesaler shall report all sales to the board monthly, pursuant to the
30 regulations, and shall pay to the board as an added tax for the
31 privilege of manufacturing and selling the beer within the state a tax
32 of two dollars and sixty cents per barrel of thirty-one gallons on
33 sales to licensees within the state and on sales to licensees within
34 the state of bottled and canned beer shall pay a tax computed in
35 gallons at the rate of two dollars and sixty cents per barrel of
36 thirty-one gallons. Any brewer or beer wholesaler whose applicable tax
37 payment is not postmarked by the twentieth day following the month of
38 sale will be assessed a penalty at the rate of two percent per month or

1 fraction thereof. Each such brewer or wholesaler shall procure from
2 the board revenue stamps representing such tax in form prescribed by
3 the board and shall affix the same to the barrel or package in such
4 manner and in such denominations as required by the board, and shall
5 cancel the same prior to commencing delivery from his or her place of
6 business or warehouse of such barrels or packages. Beer shall be sold
7 by brewers and wholesalers in sealed barrels or packages. The revenue
8 stamps herein provided for need not be affixed and canceled in the
9 making of resales of barrels or packages already taxed by the
10 affixation and cancellation of stamps as provided in this section.

11 (2) An additional tax is imposed equal to (~~the rate specified in~~
12 ~~RCW 82.02.030~~) seven percent multiplied by the tax payable under
13 subsection (1) of this section. All revenues collected during any
14 month from this additional tax shall be transferred to the state
15 general fund by the twenty-fifth day of the following month.

16 (3) Until July 1, 1995, an additional tax is imposed on all beer
17 subject to tax under subsection (1) of this section. The additional
18 tax is equal to two dollars per barrel of thirty-one gallons. All
19 revenues collected during any month from this additional tax shall be
20 deposited in the drug enforcement and education account under RCW
21 69.50.520 by the twenty-fifth day of the following month.

22 (4) An additional tax is imposed equal to the tax payable under
23 subsection (1) of this section multiplied by eight and eight-tenths
24 percent through June 30, 1995, fifty percent for the period July 1,
25 1995, through June 30, 1997, and seventy-five percent thereafter. The
26 additional tax imposed under this subsection does not apply to the sale
27 of the first sixty thousand barrels of beer each year by breweries that
28 are entitled to a reduced rate of tax under 26 U.S.C. Sec. 5051, as
29 existing on the effective date of this section or such subsequent date
30 as may be provided by the board by rule. All revenues collected from
31 the additional tax imposed under this subsection shall be deposited in
32 the Washington health services trust account created under section 356
33 of this act.

34 (5) The tax imposed under this section shall not apply to "strong
35 beer" as defined in this title.

36 **Sec. 276.** RCW 82.02.030 and 1990 c 42 s 319 are each amended to
37 read as follows:

1 (~~(1)~~) The rate of the additional taxes under RCW 54.28.020(2),
2 54.28.025(2), 66.24.210(2), (~~(66.24.290(2),~~) 82.04.2901, 82.16.020(2),
3 (~~(82.26.020(2),~~) 82.27.020(5), and 82.29A.030(2) shall be seven
4 percent(~~(; and~~

5 ~~(2) The rate of the additional taxes under RCW 82.08.150(4) shall~~
6 ~~be fourteen percent)~~.

7 NEW SECTION. **Sec. 277.** A new section is added to chapter 82.04
8 RCW to read as follows:

9 This chapter does not apply to any health maintenance organization
10 in respect to prepayments for health care services that are taxable
11 under section 278 of this act, to any health care service contractor in
12 respect to prepayments for health care services that are taxable under
13 section 279 of this act, or to any certified health plan in respect to
14 premiums that are taxable under section 280 of this act.

15 NEW SECTION. **Sec. 278.** A new section is added to chapter 48.14
16 RCW to read as follows:

17 (1) Each health maintenance organization, as defined in RCW
18 48.46.020, shall pay a tax on or before the first day of March of each
19 year to the state treasurer through the insurance commissioner's office
20 on amounts received or collected by the health maintenance organization
21 during the preceding calendar year as prepayments for comprehensive
22 health care services.

23 (2) The amount of the tax shall be equal to the total amount of all
24 prepayments for comprehensive health care services received by the
25 health maintenance organization during the calendar year multiplied by
26 the rate of six-tenths percent for the period January 1, 1995, through
27 December 31, 1995, and one percent thereafter.

28 (3) Health maintenance organizations shall prepay their tax
29 liability. The minimum amount of the prepayments shall be percentages
30 of the health maintenance organization's tax obligation for the
31 preceding calendar year recomputed using the rate in effect for the
32 current year. For the prepayment of taxes due during calendar year
33 1995, the minimum amount of the prepayments shall be percentages of the
34 health maintenance organization's tax obligation that would have been
35 due had the tax been in effect during calendar year 1994. The tax
36 prepayments shall be paid to the state treasurer through the
37 commissioner's office by the due dates and in the following amounts:

- 1 (a) On or before June 15, forty-five percent;
- 2 (b) On or before September 15, twenty-five percent;
- 3 (c) On or before December 15, twenty-five percent.

4 For good cause demonstrated in writing, the commissioner may
5 approve an amount smaller than the preceding calendar year's tax
6 obligation as recomputed for calculating the health maintenance
7 organization's prepayment obligations for the current tax year.

8 (4) One hundred percent of the moneys collected under this section
9 shall be deposited in the Washington health services trust account
10 created under section 356 of this act.

11 NEW SECTION. **Sec. 279.** A new section is added to chapter 48.14
12 RCW to read as follows:

13 (1) Each health care service contractor, as defined in RCW
14 48.44.010, shall pay a tax on or before the first day of March of each
15 year to the state treasurer through the insurance commissioner's office
16 on amounts received or collected by the health care service contractor
17 during the preceding calendar year as prepayments for health care
18 services.

19 (2) The amount of the tax shall be equal to the total amount of all
20 prepayments for health care services received by the health care
21 service contractor during the calendar year multiplied by the rate of
22 six-tenths percent for the period January 1, 1995, through December 31,
23 1995, and one percent thereafter.

24 (3) Health care service contractors shall prepay their tax
25 liability. The minimum amount of the prepayments shall be percentages
26 of the health care service contractor's tax obligation for the
27 preceding calendar year recomputed using the rate in effect for the
28 current year. For the prepayment of taxes due during calendar year
29 1995, the minimum amount of the prepayments shall be percentages of the
30 health care service contractor's tax obligation that would have been
31 due had the tax been in effect during calendar year 1994. The tax
32 prepayments shall be paid to the state treasurer through the
33 commissioner's office by the due dates and in the following amounts:

- 34 (a) On or before June 15, forty-five percent;
- 35 (b) On or before September 15, twenty-five percent;
- 36 (c) On or before December 15, twenty-five percent.

37 For good cause demonstrated in writing, the commissioner may
38 approve an amount smaller than the preceding calendar year's tax

1 obligation as recomputed for calculating the health care service
2 contractor's prepayment obligations for the current tax year.

3 (4) One hundred percent of the moneys collected under this section
4 shall be deposited in the Washington health services trust account
5 created under section 356 of this act.

6 NEW SECTION. **Sec. 280.** A new section is added to chapter 48.14
7 RCW to read as follows:

8 (1) Each certified health plan, as defined by section 302 of this
9 act, shall pay a tax on or before the first day of March of each year
10 to the state treasurer through the insurance commissioner's office on
11 premiums received or collected by the certified health plan during the
12 preceding calendar year.

13 (2) The amount of the tax shall be equal to the total amount of all
14 premiums collected or received by the certified health plan during the
15 calendar year multiplied by the rate of six-tenths percent for the
16 period January 1, 1995, through December 31, 1995, and one percent
17 thereafter.

18 (3) Certified health plans shall prepay their tax liability. The
19 minimum amount of the prepayments shall be percentages of the certified
20 health plan's tax obligation for the preceding calendar year recomputed
21 using the rate in effect for the current year: PROVIDED, That for the
22 prepayment of taxes due during calendar year 1995, the minimum amount
23 of the prepayments shall be percentages of the certified health plan's
24 tax obligation that would have been due had the tax been in effect
25 during calendar year 1994. The tax prepayments shall be paid to the
26 state treasurer through the commissioner's office by the due dates and
27 in the following amounts:

- 28 (a) On or before June 15, forty-five percent;
- 29 (b) On or before September 15, twenty-five percent;
- 30 (c) On or before December 15, twenty-five percent.

31 For good cause demonstrated in writing, the commissioner may
32 approve an amount smaller than the preceding calendar year's tax
33 obligation as recomputed for calculating the certified health plan's
34 prepayment obligations for the current tax year.

35 (4) One hundred percent of the moneys collected under this section
36 shall be deposited in the Washington health services trust account
37 created under section 356 of this act.

1 **Sec. 281.** RCW 82.04.260 and 1991 c 272 s 15 are each amended to
2 read as follows:

3 (1) Upon every person engaging within this state in the business of
4 buying wheat, oats, dry peas, dry beans, lentils, triticale, corn, rye
5 and barley, but not including any manufactured or processed products
6 thereof, and selling the same at wholesale; the tax imposed shall be
7 equal to the gross proceeds derived from such sales multiplied by the
8 rate of one one-hundredth of one percent.

9 (2) Upon every person engaging within this state in the business of
10 manufacturing wheat into flour, barley into pearl barley, soybeans into
11 soybean oil, or sunflower seeds into sunflower oil; as to such persons
12 the amount of tax with respect to such business shall be equal to the
13 value of the flour, pearl barley, or oil manufactured, multiplied by
14 the rate of one-eighth of one percent.

15 (3) Upon every person engaging within this state in the business of
16 splitting or processing dried peas; as to such persons the amount of
17 tax with respect to such business shall be equal to the value of the
18 peas split or processed, multiplied by the rate of one-quarter of one
19 percent.

20 (4) Upon every person engaging within this state in the business of
21 manufacturing seafood products which remain in a raw, raw frozen, or
22 raw salted state at the completion of the manufacturing by that person;
23 as to such persons the amount of tax with respect to such business
24 shall be equal to the value of the products manufactured, multiplied by
25 the rate of one-eighth of one percent.

26 (5) Upon every person engaging within this state in the business of
27 manufacturing by canning, preserving, freezing or dehydrating fresh
28 fruits and vegetables; as to such persons the amount of tax with
29 respect to such business shall be equal to the value of the products
30 canned, preserved, frozen or dehydrated multiplied by the rate of
31 three-tenths of one percent.

32 (6) Upon every nonprofit corporation and nonprofit association
33 engaging within this state in research and development, as to such
34 corporations and associations, the amount of tax with respect to such
35 activities shall be equal to the gross income derived from such
36 activities multiplied by the rate of forty-four one-hundredths of one
37 percent.

38 (7) Upon every person engaging within this state in the business of
39 slaughtering, breaking and/or processing perishable meat products

1 and/or selling the same at wholesale only and not at retail; as to such
2 persons the tax imposed shall be equal to the gross proceeds derived
3 from such sales multiplied by the rate of twenty-five one-hundredths of
4 one percent through June 30, 1986, and one-eighth of one percent
5 thereafter.

6 (8) Upon every person engaging within this state in the business of
7 making sales, at retail or wholesale, of nuclear fuel assemblies
8 manufactured by that person, as to such persons the amount of tax with
9 respect to such business shall be equal to the gross proceeds of sales
10 of the assemblies multiplied by the rate of twenty-five one-hundredths
11 of one percent.

12 (9) Upon every person engaging within this state in the business of
13 manufacturing nuclear fuel assemblies, as to such persons the amount of
14 tax with respect to such business shall be equal to the value of the
15 products manufactured multiplied by the rate of twenty-five one-
16 hundredths of one percent.

17 (10) Upon every person engaging within this state in the business
18 of acting as a travel agent; as to such persons the amount of the tax
19 with respect to such activities shall be equal to the gross income
20 derived from such activities multiplied by the rate of twenty-five one-
21 hundredths of one percent.

22 (11) Upon every person engaging within this state in business as an
23 international steamship agent, international customs house broker,
24 international freight forwarder, vessel and/or cargo charter broker in
25 foreign commerce, and/or international air cargo agent; as to such
26 persons the amount of the tax with respect to only international
27 activities shall be equal to the gross income derived from such
28 activities multiplied by the rate of thirty-three one-hundredths of one
29 percent.

30 (12) Upon every person engaging within this state in the business
31 of stevedoring and associated activities pertinent to the movement of
32 goods and commodities in waterborne interstate or foreign commerce; as
33 to such persons the amount of tax with respect to such business shall
34 be equal to the gross proceeds derived from such activities multiplied
35 by the rate of thirty-three one hundredths of one percent. Persons
36 subject to taxation under this subsection shall be exempt from payment
37 of taxes imposed by chapter 82.16 RCW for that portion of their
38 business subject to taxation under this subsection. Stevedoring and
39 associated activities pertinent to the conduct of goods and commodities

1 in waterborne interstate or foreign commerce are defined as all
2 activities of a labor, service or transportation nature whereby cargo
3 may be loaded or unloaded to or from vessels or barges, passing over,
4 onto or under a wharf, pier, or similar structure; cargo may be moved
5 to a warehouse or similar holding or storage yard or area to await
6 further movement in import or export or may move to a consolidation
7 freight station and be stuffed, unstuffed, containerized, separated or
8 otherwise segregated or aggregated for delivery or loaded on any mode
9 of transportation for delivery to its consignee. Specific activities
10 included in this definition are: Wharfage, handling, loading,
11 unloading, moving of cargo to a convenient place of delivery to the
12 consignee or a convenient place for further movement to export mode;
13 documentation services in connection with the receipt, delivery,
14 checking, care, custody and control of cargo required in the transfer
15 of cargo; imported automobile handling prior to delivery to consignee;
16 terminal stevedoring and incidental vessel services, including but not
17 limited to plugging and unplugging refrigerator service to containers,
18 trailers, and other refrigerated cargo receptacles, and securing ship
19 hatch covers.

20 (13) Upon every person engaging within this state in the business
21 of disposing of low-level waste, as defined in RCW 43.145.010; as to
22 such persons the amount of the tax with respect to such business shall
23 be equal to the gross income of the business, excluding any fees
24 imposed under chapter 43.200 RCW, multiplied by the rate of fifteen
25 percent.

26 (a) The rate specified in this subsection shall be reduced to ten
27 percent on May 20, 1991.

28 (b) The rate specified in this subsection shall be further reduced
29 to five percent on January 1, 1992.

30 (c) The rate specified in this subsection shall be further reduced
31 to three percent on July 1, 1993.

32 If the gross income of the taxpayer is attributable to activities
33 both within and without this state, the gross income attributable to
34 this state shall be determined in accordance with the methods of
35 apportionment required under RCW 82.04.460.

36 (14) Upon every person engaging within this state as an insurance
37 agent, insurance broker, or insurance solicitor licensed under chapter
38 48.17 RCW; as to such persons, the amount of the tax with respect to

1 such licensed activities shall be equal to the gross income of such
2 business multiplied by the rate of one percent.

3 (15) Upon every person engaging within this state in business as a
4 hospital, as defined in chapter 70.41 RCW, as to such persons, the
5 amount of tax with respect to such activities shall be equal to the
6 gross income of the business multiplied by the rate of five-tenths of
7 one percent through June 30, 1995, and one and five-tenths percent
8 thereafter. The moneys collected under this subsection shall be
9 deposited in the Washington health services trust account created under
10 section 356 of this act.

11 **Sec. 282.** RCW 82.04.4289 and 1981 c 178 s 2 are each amended to
12 read as follows:

13 ~~((In computing tax there may be deducted from the measure of tax))~~
14 This chapter does not apply to amounts derived as compensation for
15 services rendered to patients or from sales of prescription drugs as
16 defined in RCW 82.08.0281 furnished as an integral part of services
17 rendered to patients by ((a hospital, as defined in chapter 70.41 RCW,
18 which is operated as a nonprofit corporation,)) a kidney dialysis
19 facility operated as a nonprofit corporation, ((whether or not operated
20 in connection with a hospital,)) nursing homes, and homes for unwed
21 mothers operated as religious or charitable organizations, but only if
22 no part of the net earnings received by such an institution inures
23 directly or indirectly, to any person other than the institution
24 entitled to deduction hereunder. ((In no event shall any such
25 deduction be allowed, unless the hospital building is entitled to
26 exemption from taxation under the property tax laws of this state.))

27 NEW SECTION. Sec. 283. RCW 82.04.4288 and 1980 c 37 s 9 are each
28 repealed.

29 **J. APPROPRIATIONS**

30 NEW SECTION. Sec. 284. (1) The sum of one hundred seventy-three
31 million nine hundred thousand dollars, or as much thereof as may be
32 necessary, is appropriated for the biennium ending June 30, 1995, from
33 the Washington health services trust account to the personal health
34 services account for the purposes of continuing and expanding the basic

1 health plan to state residents with incomes below two hundred percent
2 of poverty by June 30, 1995.

3 (2) The sum of twenty million dollars, or as much thereof as may be
4 necessary, is appropriated for the biennium ending June 30, 1995, from
5 the Washington health services trust account to the public health
6 account to be used for the purposes of the public health services
7 improvement plan in section 356(2)(b) of this act and to meet the need
8 for immediate improvements in public health programs including reducing
9 the use of tobacco by minors and adults, containing and eradicating
10 tuberculosis, reducing the incidences of sexually transmitted diseases,
11 reducing teen pregnancy, and slowing the spread of HIV infection.

12 (3) The sum of six million five hundred thousand dollars, or as
13 much thereof as may be necessary, is appropriated for the biennium
14 ending June 30, 1995, from the Washington health services trust account
15 to the health professions, data systems, and research account for the
16 purposes of section 356(2)(c) of this act.

17 (4) The sum of four million dollars, or as much thereof as may be
18 necessary, is appropriated for the biennium ending June 30, 1995, from
19 the Washington health services trust account to the department of
20 health for the following purposes: Four hundred thousand dollars for
21 preparation of the health personnel resource plan under chapter 28B.125
22 RCW, one million dollars for community-based health professional
23 recruitment and retention activities under chapter 70.185 RCW, two
24 hundred thousand dollars for the malpractice insurance program under
25 RCW 43.70.460 and 43.70.470, one million eight hundred thousand dollars
26 for training of volunteer emergency medical services personnel under
27 chapter 70.168 RCW, and six hundred thousand dollars to be distributed
28 as needed for the studies authorized in sections 363, 364, and 365 of
29 this act.

30 (5) The sum of two million three hundred thousand dollars, or as
31 much thereof as may be necessary, is appropriated for the biennium
32 ending June 30, 1995, from the Washington health services trust account
33 to the University of Washington for the following purposes: Two
34 million dollars for the state-wide family medicine program authorized
35 under chapter 70.112 RCW and three hundred thousand dollars for the
36 training of physician assistants.

37 (6) The sum of two million dollars, or as much thereof as may be
38 necessary, is appropriated for the biennium ending June 30, 1995, from
39 the Washington health services trust account to the higher education

1 coordinating board for the purposes of making awards through the health
2 professional scholarship and loan repayment under chapter 28B.115 RCW.

3 (7) The sum of five million dollars, or as much thereof as may be
4 necessary, is appropriated for the biennium ending June 30, 1995, from
5 the Washington health services trust account to the health care
6 authority exclusively for the purposes of increasing the number of
7 migrant, homeless, refugee, and other persons receiving primary health
8 care services through community health centers. These funds are
9 intended as an increase over the funding levels provided for in the
10 biennium ending June 30, 1993. These funds shall not be used to
11 supplant existing funds received by the community health centers from
12 federal, state, local government, private, and other sources.

13 **PART III. HEALTH AND MEDICAL SYSTEM REFORM**

14 NEW SECTION. **Sec. 301.** INTENT. The legislature intends that
15 chapter . . . , Laws of 1993 (this act) establish structures, processes,
16 and specific financial limits to stabilize the overall cost of medical
17 care within the economy, to reduce the demand for unneeded medical
18 care, to provide universal access to essential health and medical
19 services, from all health care providers licensed in this state to
20 provide such services to improve public health, and to ensure that
21 medical system costs do not undermine the financial viability of
22 nonmedical care businesses.

23 NEW SECTION. **Sec. 302.** DEFINITIONS. In this chapter and sections
24 317 through 339 and 346 through 351 of this act, unless the context
25 otherwise requires:

26 (1) "Certified health plan" or "plan" means an entity certified by
27 the insurance commissioner according to the provisions of section 319
28 of this act.

29 (2) "Chair" means the presiding officer of the Washington health
30 services commission.

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

32 (4) "Continuous quality improvement and total quality management"
33 means a continuous process to improve health services while reducing
34 costs.

35 (5) "Employee" means a person who is in the employment of an
36 employer, as defined by chapter 50.04 RCW. A full-time employee is an

1 employee who is employed at least eighty hours during a calendar month.
2 A part-time employee is an employee that works less than eighty hours
3 during a calendar month.

4 (6) "Employers' cooperative health purchasing group" or "purchasing
5 group" means a single group of employers in each of two distinct
6 geographical regions separated by the crest of the Cascade mountains
7 that: (a) Has as its purpose the purchase of uniform health benefits
8 on a group basis from certified health plans; (b) purchases the
9 benefits only for its members' employees and dependents; (c) is
10 composed of members whose businesses or activities are principally
11 located in that geographical region; and (d) does not deny
12 participation to any business, partnership, or corporation within its
13 geographical region.

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

16 (8) "Enrollee point of service cost-sharing" means fees paid to
17 certified health plans by enrollees for receipt of specific uniform
18 benefit package services, and may include deductibles all within limits
19 established by the 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, kidney disease treatment centers licensed
30 under chapter 70.41 RCW, ambulatory diagnostic, treatment or surgical
31 facilities licensed under chapter 70.41 RCW, drug and alcohol treatment
32 facilities licensed under chapter 70.96A RCW, and home health agencies
33 licensed under chapter 70.127 RCW, and includes such facilities if
34 owned and operated by a political subdivision or instrumentality of the
35 state and such other facilities as required by federal law and
36 implementing regulations, but does not include Christian Science
37 sanatoriums operated, listed, or certified by the First Church of
38 Christ Scientist, Boston, Massachusetts.

39 (12) "Health care provider" or "provider" means either:

1 (a) A physician or any other licensed, certified, or registered
2 health professional regulated under chapter 18.130 RCW whom the
3 commission identifies as appropriate to provide health services;

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

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

12 (13) "Long-term care" means institutional, residential, outpatient,
13 or community-based services that meet the individual needs of persons
14 of all ages who are limited in their functional capacities or have
15 disabilities and require assistance with performing two or more
16 activities of daily living for an extended or indefinite period of
17 time. These services include case management, in-home care, nursing
18 services, convalescent, custodial, chronic, and terminally ill care.

19 (14) "Maximum enrollee financial participation" means the income-
20 related total annual payments that may be required of an enrollee per
21 family who chooses the lowest priced plans in a geographic region
22 including both premium-sharing and enrollee point of service cost-
23 sharing.

24 (15) "Premium" means the level of payment a certified health plan
25 receives from all sources for all expenses, including administration,
26 operation, and capital, determined on an annual basis by the commission
27 for providing the uniform benefit package to an individual, either
28 adult or child, or a family.

29 (16) "State health services budget" means total funds that may be
30 included during any fiscal year within a document developed pursuant to
31 section 355 of this act.

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

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

3 (18) "Uniform benefit package" means those appropriate and
4 effective health services, defined by the commission under section 347
5 of this act, that must be offered to all Washington residents through
6 certified health plans.

7 (19) "Washington resident" or "resident" means a person who intends
8 to reside in the state permanently or indefinitely and who did not move
9 to Washington for the primary purpose of securing health services under
10 sections 317 through 339 and 346 through 351 of this act. "Washington
11 resident" also includes people and their accompanying family members
12 who are in the state for the purpose of engaging in employment for at
13 least one month, who did not enter the state for the primary purpose of
14 obtaining health services. The confinement of a person in a nursing
15 home, hospital, or other medical institution in the state shall not by
16 itself be sufficient to qualify such person as a resident.

17 **A. THE WASHINGTON HEALTH SERVICES COMMISSION**

18 NEW SECTION. **Sec. 303.** CREATION OF COMMISSION--MEMBERSHIP--TERMS
19 OF OFFICE--VACANCIES--SALARIES. (1) There is created an agency of
20 state government to be known as the Washington health services
21 commission. The commission shall consist of the insurance
22 commissioner, the state health officer and three other members
23 appointed by the governor with the consent of the senate. One member,
24 who may not be either the insurance commissioner or the state health
25 officer, shall be designated by the governor as chair and shall serve
26 at the pleasure of the governor. Of the initial members, one shall be
27 appointed to a term of three years, one shall be appointed to a term of
28 four years, and one shall be appointed to a term of five years.
29 Thereafter, members shall be appointed to five-year terms. Vacancies
30 shall be filled by appointment for the remainder of the unexpired term
31 of the position being vacated.

32 (2) Members of the commission shall have no pecuniary interest in
33 any business subject to regulation by the commission and shall be
34 subject to chapter 42.18 RCW, the executive branch conflict of interest
35 act.

36 (3) Except for the insurance commissioner and the state health
37 officer, members of the commission shall occupy their positions on a

1 full-time basis and are exempt from the provisions of chapter 41.06
2 RCW. Commission members and the professional commission staff are
3 subject to the public disclosure provisions of chapter 42.17 RCW.
4 Members shall be paid a salary to be fixed by the governor in
5 accordance with RCW 43.03.040. A majority of the members of the
6 commission constitutes a quorum for the conduct of business.

7 NEW SECTION. **Sec. 304.** ADVISORY COMMITTEES. (1) The commission
8 shall establish a standing technical advisory committee with balanced
9 representation including physicians, hospitals, seniors, researchers,
10 allied health professions, business, labor, insurers, and consumers.
11 The commission may establish ad hoc technical advisory task forces to
12 provide advice on specific issues.

13 (2) The commission shall establish a "service effectiveness
14 advisory committee" to provide technical guidance to the commission.
15 The advisory committee shall be composed of ten to fifteen technical
16 experts, such as general practitioners, specialty health care
17 providers, health service researchers, health ethicists,
18 epidemiologists, and public health experts, who reflect the state's
19 ethnic and cultural diversity. The advisory committee shall perform
20 several functions, such as assessing the effectiveness of the uniform
21 benefit package based on the health status of the population.

22 (3) Committee members shall serve without compensation for their
23 services but shall be reimbursed for their expenses while attending
24 meetings on behalf of the commission in accordance with RCW 43.03.050
25 and 43.03.060.

26 NEW SECTION. **Sec. 305.** POWERS AND DUTIES OF THE CHAIR. The chair
27 shall be the chief administrative officer and the appointing authority
28 of the commission and has the following powers and duties:

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

32 (2) Employ personnel of the commission, in accordance with chapter
33 41.06 RCW, and prescribe their duties. With the approval of a majority
34 of the commission, the chair may appoint persons to administer any
35 entity established pursuant to subsection (8) of this section, and up
36 to seven additional employees all of whom shall be exempt from the
37 provisions of chapter 41.06 RCW;

- 1 (3) Enter into contracts on behalf of the commission;
- 2 (4) Accept and expend gifts, donations, grants, and other funds
3 received by the commission;
- 4 (5) Delegate administrative functions of the commission to
5 employees of the commission as the chair deems necessary to ensure
6 efficient administration;
- 7 (6) Subject to approval of the commission, appoint advisory
8 committees and undertake studies, research, and analysis necessary to
9 support activities of the commission;
- 10 (7) Preside at meetings of the commission;
- 11 (8) Consistent with policies and rules established by the
12 commission, establish such administrative divisions, offices, or
13 programs as are necessary to carry out the purposes of chapter . . . ,
14 Laws of 1993 (this act); and
- 15 (9) Perform such other administrative and technical duties as are
16 consistent with chapter . . . , Laws of 1993 (this act) and the rules
17 and policies of the commission.

18 NEW SECTION. **Sec. 306.** POWERS AND DUTIES OF THE COMMISSION. The
19 commission has the following powers and duties:

- 20 (1) Ensure that all residents of Washington state are enrolled in
21 a certified health plan, regardless of age, sex, family structure,
22 ethnicity, race, health condition, geographic location, employment, or
23 economic status.
- 24 (2) Ensure that all residents of Washington state have access to
25 appropriate and effective health services. If certified health plans
26 are insufficient or unable to meet a population's needs for access to
27 certified health plan services, authorize appropriate state agencies,
28 local health departments, community or migrant health centers, public
29 hospital districts, or other nonprofit health service entities to take
30 actions necessary to assure such access. This may include authority to
31 contract for or to directly deliver services described within the
32 uniform benefit package to special populations.
- 33 (3) Develop a total state health services budget, according to the
34 requirements of section 355 of this act.
- 35 (4) Adopt necessary rules in accordance with chapter 34.05 RCW to
36 carry out the purposes of chapter . . . , Laws of 1993 (this act),
37 provided that an initial set of draft rules establishing at least the
38 commission's organization structure, the uniform benefit package,

1 limits on maximum enrollee financial participation, methods for
2 developing the state health services budget, and standards for
3 certified health plan and health care purchasing cooperative
4 certification, must be submitted in draft form to the legislature by
5 January 1995.

6 (5) Establish, and from time to time modify, the uniform benefit
7 package, as provided in section 347 of this act, which shall be offered
8 to enrollees of a certified health plan. The benefit package shall be
9 provided at no more than the maximum premium specified in subsection
10 (7) of this section.

11 (6) Adopt rules related to coordination of benefits where a
12 resident has duplicate coverage. The rules shall not have the effect
13 of eliminating enrollee premium sharing or point of service cost-
14 sharing.

15 (7) Establish for each year a strictly community-rated maximum
16 premium for the uniform benefit package that a certified health plan
17 may receive. The premium cost of the uniform benefit package in 1994
18 shall be based upon the actuarially determined cost of providing the
19 uniform benefit package in view of the best observed practice of
20 managed care plans operating in Washington between 1990 and 1993. The
21 cost of the uniform benefit package in 1994 shall be allowed to
22 increase by a rate no greater than the average growth rate in the cost
23 of the package between 1990 and 1993 as actuarially determined.
24 Beginning in 1995, the growth rate of the premium shall be reduced by
25 two percentage points per year until the growth rate is no greater than
26 growth in the Washington consumer price index, as determined by the
27 office of financial management. If the commission adds services or
28 benefits to the uniform benefit package in subsequent years, it may
29 increase the maximum premium to reflect the actual cost experience of
30 a sample of the state's lowest cost providers of that service, adjusted
31 actuarially. The addition of services or benefits shall not result in
32 a redetermination of the entire cost of the uniform benefit package.

33 (8) Monitor the actual growth in total annual health services
34 costs.

35 (9) Establish standards for capital expenditures by certified
36 health plans, health care facilities, or providers. A major capital
37 expenditure is defined as any single expenditure for capital
38 acquisitions, including medical technological equipment, as defined by
39 the commission, costing more than one million dollars. Periodically

1 the commission shall prioritize the proposed projects based on
2 standards of cost-effectiveness and access. The commission shall then
3 approve those projects in rank order that are within the limits of the
4 capital budget. The Washington health care facilities authority
5 authorized in chapter 70.37 RCW may not approve financing for a major
6 capital expenditure unless it has been approved by the commission under
7 this subsection.

8 (10) Establish maximum enrollee financial participation according
9 to chapter . . . , Laws of 1993 (this act).

10 (11) For health services provided under the uniform benefit
11 package, adopt standards for enrollment, billing, and claims
12 processing. The standards shall ensure that these procedures are
13 performed in a simplified, economical, and equitable manner for all
14 parties concerned. Subject to federal approval or phase-in schedules
15 whenever necessary or appropriate, the standards shall also apply to
16 health services purchased by the department of social and health
17 services, the department of labor and industries, the department of
18 health, the health care authority, the basic health plan, and plans
19 that provide the uniform benefit package to local governments and
20 public school employees.

21 (12) Propose or require that certified health plans have certain
22 practice indicators or risk management protocols for quality assurance,
23 utilization review, or provider payment. The commission may consider
24 indicators or protocols recommended according to section 310 of this
25 act for these purposes.

26 (13) Propose or require other guidelines to certified health plans
27 for utilization management, use of technology and methods of payment,
28 such as diagnosis-related groups and a resource-based relative value
29 scale. Such guidelines may be voluntary, but shall be mandatory if the
30 commission determines that their uniform implementation will promote
31 improved management of care, and provide incentives for improved
32 efficiency and effectiveness within the delivery system.

33 (14) Monitor the availability of health services to both
34 populations and geographic areas, to determine whether there are
35 residents lacking in access to necessary services. In the case where
36 individuals or populations may appear to be denied access to certified
37 health plans, the commission shall notify both the plan and the
38 commissioner of such a determination. In the case of finding a
39 geographic area with an appreciable number of residents unable to

1 access appropriate and effective health services the commission shall
2 adopt by rule standards by which the insurance commissioner may, in
3 such event, then require certified health plans in closest proximity to
4 such persons to extend their catchment areas to such persons and offer
5 them enrollment.

6 (15) Adopt standards and oversee and develop policy for a state-
7 wide health care data system as provided in chapter 70.170 RCW.

8 (16) Adopt standards that prevent conflict of interest by health
9 care providers as provided in RCW 19.68.010 and section 228 of this
10 act.

11 (17) Develop standards for the certification process to certify
12 health plans to provide the uniform benefit package, according to the
13 provisions for certified health plans under chapter . . . , Laws of 1993
14 (this act).

15 (18) Adopt standards applicable to all certified health plans that
16 will assure health care providers within the service area of a plan an
17 opportunity to negotiate on an equal basis the terms and conditions of
18 their professional relationship with the plan; to work cooperatively in
19 the development of any utilization review procedures, risk management
20 protocols for quality assurance, and practice indicators that might be
21 unique to a plan or local community; and such other professional issues
22 as the parties may need to pursue in the furtherance of the goals of
23 chapter . . . , Laws of 1993 (this act). The standards shall include
24 a dispute resolution process for the plan and providers. The providers
25 are authorized to organize and communicate for the purposes of the
26 negotiations under this section.

27 (19) Develop standards for the employer's cooperative health care
28 purchasing group certification process according to the provisions of
29 this chapter.

30 (20) In developing the uniform benefit package and other standards
31 pursuant to this section, consider the likelihood of the establishment
32 of a national health services plan adopted by the federal government
33 and its implications.

34 (21) Evaluate whether Washington is experiencing a higher
35 percentage in in-migration of residents from other states and
36 territories than would be expected by normal trends as a result of the
37 availability of comprehensive subsidized health care benefits for all
38 residents and report to the governor and the legislature their
39 findings.

1 To the extent that the exercise of any of the powers and duties
2 specified in this section may be inconsistent with the powers and
3 duties of other state agencies, offices, or commissions, the authority
4 of the commission shall supersede that of such other state agency,
5 office, or commission, except in matters of personal health data, where
6 the commission shall have primary data system policy-making authority
7 and the department of health shall have primary responsibility for the
8 maintenance and routine operation of personal health data systems.

9 NEW SECTION. **Sec. 307.** After consultation with the state health
10 officer and the insurance commissioner, and on the basis of evidence
11 established by independent actuarial analysis, if the governor finds
12 that the economic viability of a significant portion of the state's
13 certified health plans is seriously threatened, the governor may
14 increase the maximum premium by an amount that is no more than one
15 hundred fifty percent of the state average rate of growth in personal
16 income, and must immediately thereafter submit to the legislature a
17 proposal for a new formula for adjusting the maximum premium that must
18 be approved by each house of the legislature by a sixty percent vote.

19 NEW SECTION. **Sec. 308.** CONTINUOUS QUALITY IMPROVEMENT AND TOTAL
20 QUALITY MANAGEMENT. To ensure the highest quality health services at
21 the lowest total cost, the commission shall establish a total quality
22 management system of continuous quality improvement. Such endeavor
23 shall be based upon the recognized quality science for continuous
24 quality improvement. The commission shall impanel a committee composed
25 of persons from the private sector and related sciences who have broad
26 knowledge and successful experiences in continuous quality improvement
27 and total quality management applications. It shall be the
28 responsibility of the committee to develop standards for a Washington
29 state health services supplier certification process and recommend such
30 standards to the commission for review and adoption. Once adopted, the
31 commission shall establish a schedule, with full compliance no later
32 than July 1, 1996, whereby all health service providers and health
33 service facilities shall be certified prior to providing uniform
34 benefit package services. In conjunction with the commission's total
35 quality management efforts, the department of health shall develop a
36 regulatory system that supports the development and maintenance of
37 quality assurance plans throughout the medical community.

1 services commission unless the claimant establishes by a preponderance
2 of the evidence that the provider's application or execution of the
3 practice indicator was a failure to follow the accepted standard of
4 care.

5 (3) A certified health plan shall be subrogated to a participant's
6 claim under chapter 7.70 RCW against a health care provider and shall
7 have a lien against any recovery based on such claim as provided in
8 this section. The right of subrogation and the lien granted by this
9 section is limited to payments made by the plan for health care
10 relating to the claim. The lien shall be enforceable only if the
11 recovery fully compensates the participant for his or her loss.

12 (4) No health care provider or facility may deliver care covered by
13 a certified health plan without first presenting evidence of
14 malpractice insurance in at least the amount specified by the
15 commission.

16 **Sec. 312.** RCW 18.130.160 and 1986 c 259 s 8 are each amended to
17 read as follows:

18 FINDING OF UNPROFESSIONAL CONDUCT--ORDERS--SANCTIONS--STAY--COSTS.
19 Upon a finding that a license holder or applicant has committed
20 unprofessional conduct or is unable to practice with reasonable skill
21 and safety due to a physical or mental condition, the disciplining
22 authority may issue an order providing for one or any combination of
23 the following:

- 24 (1) Revocation of the license;
- 25 (2) Suspension of the license for a fixed or indefinite term;
- 26 (3) Restriction or limitation of the practice;
- 27 (4) Requiring the satisfactory completion of a specific program of
28 remedial education or treatment;
- 29 (5) The monitoring of the practice by a supervisor approved by the
30 disciplining authority;
- 31 (6) Censure or reprimand;
- 32 (7) Compliance with conditions of probation for a designated period
33 of time;
- 34 (8) Payment of a fine for each violation of this chapter, not to
35 exceed (~~one~~) five thousand dollars per violation. Funds received
36 shall be placed in the health professions account;
- 37 (9) Denial of the license request;
- 38 (10) Corrective action;

1 (11) Refund of fees billed to and collected from the consumer.
2 Any of the actions under this section may be totally or partly
3 stayed by the disciplining authority. In determining what action is
4 appropriate, the disciplining authority must first consider what
5 sanctions are necessary to protect or compensate the public. Only
6 after such provisions have been made may the disciplining authority
7 consider and include in the order requirements designed to rehabilitate
8 the license holder or applicant. All costs associated with compliance
9 with orders issued under this section are the obligation of the license
10 holder or applicant.

11 **Sec. 313.** RCW 18.130.190 and 1991 c 3 s 271 are each amended to
12 read as follows:

13 PRACTICE WITHOUT LICENSE--INVESTIGATION OF COMPLAINTS--TEMPORARY
14 CEASE AND DESIST ORDERS--INJUNCTIONS--PENALTY. (1) The secretary shall
15 investigate complaints concerning practice by unlicensed persons of a
16 profession or business for which a license is required by the chapters
17 specified in RCW 18.130.040. In the investigation of the complaints,
18 the secretary shall have the same authority as provided the secretary
19 under RCW 18.130.050. The secretary shall issue a cease and desist
20 order to a person after notice and hearing and upon a determination
21 that the person has violated this subsection. If the secretary makes
22 a written finding of fact that the public interest will be irreparably
23 harmed by delay in issuing an order, the secretary may issue a
24 temporary cease and desist order. The cease and desist order shall not
25 relieve the person so practicing or operating a business without a
26 license from criminal prosecution therefor, but the remedy of a cease
27 and desist order shall be in addition to any criminal liability. The
28 cease and desist order is conclusive proof of unlicensed practice and
29 may be enforced under RCW 7.21.060. This method of enforcement of the
30 cease and desist order may be used in addition to, or as an alternative
31 to, any provisions for enforcement of agency orders set out in chapter
32 34.05 RCW.

33 (2) The attorney general, a county prosecuting attorney, the
34 secretary, a board, or any person may in accordance with the laws of
35 this state governing injunctions, maintain an action in the name of
36 this state to enjoin any person practicing a profession or business for
37 which a license is required by the chapters specified in RCW 18.130.040
38 without a license from engaging in such practice or operating such

1 business until the required license is secured. However, the
2 injunction shall not relieve the person so practicing or operating a
3 business without a license from criminal prosecution therefor, but the
4 remedy by injunction shall be in addition to any criminal liability.

5 (3) Unlicensed practice of a profession or operating a business for
6 which a license is required by the chapters specified in RCW
7 18.130.040, unless otherwise exempted by law, constitutes a gross
8 misdemeanor. All fees, fines, forfeitures, and penalties collected or
9 assessed by a court because of a violation of this section shall be
10 remitted to the health professions account.

11 (4) In addition to the remedies provided in this section, the
12 secretary is authorized to impose a civil penalty of up to five
13 thousand dollars on any person engaged, without a license, in a
14 profession or business for which a license is required by the chapters
15 specified in RCW 18.130.040. The imposition of such civil penalty
16 shall occur only subsequent to a hearing in conformance with the
17 provisions of chapter 34.05 RCW in any case in which the secretary
18 finds that there has been a failure or refusal to comply with the
19 provisions of any chapters specified in RCW 18.130.040.

20 NEW SECTION. Sec. 314. A new section is added to Title 70 RCW to
21 read as follows:

22 RISK MANAGEMENT TRAINING WITHIN HEALTH FACILITIES. Effective July
23 1, 1994, each health care provider, facility, or health maintenance
24 organization that self-insures for liability risks related to medical
25 malpractice and employs physicians or other independent health care
26 practitioners in Washington state shall condition each physician's and
27 practitioner's liability coverage by that entity upon that physician's
28 or practitioner's participation in risk management training offered by
29 the provider, facility, or health maintenance organization to its
30 employees. The risk management training shall provide information
31 related to avoiding adverse health outcomes resulting from substandard
32 practice and minimizing damages associated with those adverse health
33 outcomes that occur. For purposes of this section, "independent health
34 care practitioner" means those health care practitioner licensing
35 classifications designated by the department of health in rule under
36 this section. On or before January 1, 1994, the department shall
37 designate by rule:

1 (1) Those health professions whose scope of practice includes
2 independent practice;

3 (2) For each health profession whose scope of practice includes
4 independent practice, whether malpractice insurance is available; and

5 (3) If such insurance is available, the appropriate minimum level
6 of mandated coverage.

7 NEW SECTION. **Sec. 315.** A new section is added to chapter 48.22
8 RCW to read as follows:

9 RISK MANAGEMENT TRAINING OF INDEPENDENT HEALTH CARE PRACTITIONERS.
10 Effective July 1, 1994, a casualty insurer's issuance of a new medical
11 malpractice policy or renewal of an existing medical malpractice
12 policy, to a physician or other independent health care practitioner,
13 shall be conditioned upon that practitioner's participation in, and
14 completion of, health care liability risk management training offered
15 by the insurer. The risk management training shall provide information
16 related to avoiding adverse health outcomes resulting from substandard
17 practice and minimizing damages associated with those adverse health
18 outcomes that occur. For purposes of this section, "independent health
19 care practitioners" means those health care practitioner licensing
20 classifications designated by the department of health in rule pursuant
21 to section 314 of this act.

22 **Sec. 316.** RCW 70.41.200 and 1991 c 3 s 336 are each amended to
23 read as follows:

24 MEDICAL MALPRACTICE PREVENTION PROGRAM--QUALITY ASSURANCE
25 COMMITTEE--SANCTION AND GRIEVANCE PROCEDURES--INFORMATION COLLECTION
26 AND REPORTING. (1) Every hospital shall maintain a coordinated program
27 for the identification and prevention of medical malpractice. The
28 program shall include at least the following:

29 (a) The establishment of a quality assurance committee with the
30 responsibility to review the services rendered in the hospital in order
31 to improve the quality of medical care of patients and to prevent
32 medical malpractice. The committee shall oversee and coordinate the
33 medical malpractice prevention program and shall insure that
34 information gathered pursuant to the program is used to review and to
35 revise hospital policies and procedures. At least one member of the
36 committee shall be a member of the governing board of the hospital who

1 is not otherwise affiliated with the hospital in an employment or
2 contractual capacity;

3 (b) A medical staff privileges sanction procedure through which
4 credentials, physical and mental capacity, and competence in delivering
5 health care services are periodically reviewed as part of an evaluation
6 of staff privileges;

7 (c) The periodic review of the credentials, physical and mental
8 capacity, and competence in delivering health care services of all
9 persons who are employed or associated with the hospital;

10 (d) A procedure, including but not limited to, mediation, for the
11 prompt resolution of grievances by patients or their representatives
12 related to accidents, injuries, treatment, and other events that may
13 result in claims of medical malpractice;

14 (e) The maintenance and continuous collection of information
15 concerning the hospital's experience with negative health care outcomes
16 and incidents injurious to patients, patient grievances, professional
17 liability premiums, settlements, awards, costs incurred by the hospital
18 for patient injury prevention, and safety improvement activities;

19 (f) The maintenance of relevant and appropriate information
20 gathered pursuant to (a) through (e) of this subsection concerning
21 individual physicians within the physician's personnel or credential
22 file maintained by the hospital;

23 (g) Education programs dealing with patient safety, injury
24 prevention, staff responsibility to report professional misconduct, the
25 legal aspects of patient care, improved communication with patients,
26 and causes of malpractice claims for staff personnel engaged in patient
27 care activities; and

28 (h) Policies to ensure compliance with the reporting requirements
29 of this section.

30 (2) Any person who, in substantial good faith, provides information
31 to further the purposes of the medical malpractice prevention program,
32 or who, in substantial good faith, participates on the quality
33 assurance committee, or who, in substantial good faith, assists in a
34 broader scope of quality assurance by health care service providers
35 shall not be subject to an action for civil damages or other relief as
36 a result of such activity.

37 (3) Information and documents, including complaints and incident
38 reports, created, collected, and maintained about health care providers
39 arising out of the matters that are under review or have been evaluated

1 by a review committee conducting quality assurance reviews or that are
2 related to general quality assurance activities are not subject to
3 discovery or introduction into evidence in any civil action, and no
4 person who was in attendance at a meeting of such committee or board or
5 quality assurance activities shall be permitted or required to testify
6 in any civil action as to the content of such proceedings or
7 activities. This subsection does not preclude: (a) In any civil
8 action, the testimony of any person concerning the facts which form the
9 basis for the institution of such proceedings of which the person had
10 personal knowledge acquired independently of such proceedings; (b) in
11 any civil action by a health care provider regarding the restriction or
12 revocation of that individual's clinical or staff privileges,
13 introduction into evidence information collected and maintained by
14 quality assurance committees regarding such health care provider; (c)
15 in any civil action, disclosure of the fact that staff privileges were
16 terminated or restricted, including the specific restrictions imposed,
17 if any; or (d) in any civil action, discovery and introduction into
18 evidence of the patient's medical records required by regulation of the
19 department of health to be made regarding the care and treatment
20 received.

21 (4) The department of health shall adopt such rules as are deemed
22 appropriate to effectuate the purposes of this section.

23 (5) The medical disciplinary board or the board of osteopathic
24 medicine and surgery, as appropriate, may review and audit the records
25 of committee decisions in which a physician's privileges are terminated
26 or restricted. Each hospital shall produce and make accessible to the
27 board the appropriate records and otherwise facilitate the review and
28 audit. Information so gained shall not be subject to the discovery
29 process and confidentiality shall be respected as required by
30 subsection (3) of this section. Failure of a hospital to comply with
31 this subsection is punishable by a civil penalty not to exceed two
32 hundred fifty dollars.

33 (6) Violation of this section shall not be considered negligence
34 per se.

35 **D. CERTIFIED HEALTH PLANS**

36 NEW SECTION. **Sec. 317.** CERTIFIED HEALTH PLANS--REGISTRATION
37 REQUIRED--PENALTY. (1) No person or entity in this state shall, by

1 mail or otherwise, act or hold himself or herself out to be a certified
2 health plan as defined by section 302 of this act without being
3 registered with the insurance commissioner.

4 (2) Any one violating subsection (1) of this section is liable for
5 a fine not to exceed ten thousand dollars and imprisonment not to
6 exceed six months for each instance of such violation.

7 NEW SECTION. **Sec. 318.** PROVIDER ELIGIBILITY TO PARTICIPATE IN
8 PLANS. All certified health plans and other health care coverage
9 programs, irrespective of whether insured or self-insured, funded by
10 state and local governments or private entities, subject to the
11 jurisdiction of the state of Washington, may establish terms and
12 conditions to be met by providers wishing to enter into an agreement
13 with the plan to provide services to the plan's enrollees. No plan or
14 agent of a plan may deny a provider the right to enter into such an
15 agreement if the provider is willing and able to meet the
16 qualifications and conditions established in that agreement. Plans may
17 terminate providers in accordance with the agreement's terms.
18 Providers terminated by a plan under any agreement need not be accepted
19 by the plan into its other or subsequent agreements.

20 NEW SECTION. **Sec. 319.** ELIGIBILITY REQUIREMENTS FOR CERTIFICATE
21 OF REGISTRATION--APPLICATION REQUIREMENTS. Any corporation,
22 cooperative group, partnership, association or groups of health
23 professionals licensed by the state of Washington, public hospital
24 district, or public institutions of higher education shall be entitled
25 to a certificate from the insurance commissioner as a certified health
26 plan if it:

27 (1) Provides the benefits prescribed by the uniform benefit package
28 to enrolled Washington residents on a prepaid per capita basis for a
29 total cost, which may not exceed the maximum premium established by the
30 commission and provides such health services either directly or through
31 arrangements with institutions, entities, and persons that its enrolled
32 population might reasonably require in accordance with the rules
33 established by the health services commission;

34 (2) Accepts for enrollment any state resident working or residing
35 in the area of the state serviced by the plan, and provides or assures
36 the provision of all services within the uniform benefit package
37 regardless of age, sex, family structure, ethnicity, race, health

1 condition, geographic location within the plan's service area as filed
2 with the insurance commissioner, employment status, or other condition
3 or situation, however, the commissioner may grant a temporary exemption
4 from this subsection, if, upon application by a certified health
5 plan, the commissioner finds that the clinical, financial, or
6 administrative capacity to serve existing enrollees will be impaired if
7 a certified health plan is required to continue enrollment of
8 additional eligible individuals;

9 (3) Demonstrates to the satisfaction of the insurance commissioner
10 in consultation with the department of health and the health services
11 commission that its facilities and personnel are adequate to provide
12 the benefits prescribed in the uniform benefit package to enrolled
13 Washington residents, and that it is financially capable of providing
14 such residents with, or has made adequate contractual arrangements with
15 health care providers and facilities to provide the residents with such
16 services, including assuring reasonable access to local providers,
17 especially for enrollees residing in rural areas;

18 (4) Complies with administrative rules prescribed by the health
19 services commission, the insurance commissioner, and other appropriate
20 state agencies governing the conduct of the certified health plans;

21 (5) Submits an application for certification as a certified health
22 plan, which shall be verified by an officer or authorized
23 representative of the applicant, being in a form as the insurance
24 commissioner prescribes in consultation with the health services
25 commission;

26 (6) Meets the minimum net worth requirements set forth in section
27 331 of this act and the funding reserve requirements set forth in
28 section 332 of this act;

29 (7) With the exception of employer self-funded health insurance
30 arrangements, offers a policy for long-term care services defined by
31 the health services commission that are not included in the uniform
32 benefit package. Such offering shall be made to all plan enrollees
33 wishing to purchase such a plan on a guaranteed-issue basis without
34 underwriting;

35 (8) Discloses to patients the charity care requirements under
36 chapter 70.170 RCW; and

37 (9) Provides all enrollees with instruction and informational
38 materials to increase individual and family awareness of injury and
39 illness prevention; encourages assumption of personal responsibility

1 for protecting personal health; and stimulates discussion about the use
2 and limits of medical care in improving the health of individuals and
3 communities.

4 A certified health plan may establish the geographic boundaries in
5 which they will obligate themselves to deliver the services required
6 under the uniform benefit package and include such information in their
7 application for certification, but the commissioner shall review such
8 boundaries and may disapprove, in conformance to guidelines adopted by
9 the commission, those which have been clearly drawn to be exclusionary
10 within a health care catchment area.

11 NEW SECTION. **Sec. 320.** Nothing in this chapter precludes an
12 entity from insuring, providing, contracting, or receiving payment for
13 health services or levels of services not included in the uniform
14 benefit package, nor does anything in this chapter restrict an employer
15 from offering, an employee representative from negotiating for, or an
16 individual from purchasing, services or levels of service not included
17 in the uniform benefit package directly.

18 NEW SECTION. **Sec. 321.** DENTAL HEALTH CARE SERVICE. If a
19 corporation or cooperative group meets all requirements as a certified
20 health plan under chapter . . . , Laws of 1993 (this act), except those
21 in section 319(7) of this act, the commissioner may waive the
22 requirement that such certified health plan provide all services within
23 the uniform benefit package except dental services. The commissioner
24 shall adopt rules necessary to implement this section.

25 NEW SECTION. **Sec. 322.** No health care provider may be required by
26 law or contract in any circumstances to participate in the provision of
27 any uniform benefit if she or he objects to so doing for reason of
28 conscience or religion. No person may be discriminated against in
29 employment or professional privileges because of such objection.

30 The provisions of this section are not intended to result in an
31 enrollee being denied access to any service within the uniform benefit
32 package. The commission shall establish procedures that certified
33 health plans must follow to inform enrollees if any provider within the
34 certified health plan may refuse to perform a uniform benefit package
35 service out of conscience. The procedures shall include written
36 information that lists the services that a provider may refuse to

1 perform, and the name of a provider within the certified health plan
2 who will provide each such service.

3 NEW SECTION. **Sec. 323.** ISSUANCE OF CERTIFICATE--GROUNDS FOR
4 REFUSAL. The commissioner shall issue a certificate as a certified
5 health plan to an applicant within one hundred twenty days of such
6 filing unless the commissioner notifies the applicant within such time
7 that such application is not complete and the reasons therefor; or that
8 the commissioner is not satisfied that:

9 (1) The basic organization document of the applicant permits the
10 applicant to conduct business as a certified health plan;

11 (2) The applicant has demonstrated the intent and ability to assure
12 that the health services will be provided in a manner to assure both
13 their availability and accessibility;

14 (3) The organization is financially responsible and may be
15 reasonably expected to meet its obligations to its enrolled
16 participants. In making this determination, the commissioner shall
17 consider among other relevant factors:

18 (a) Any agreements with a casualty insurer, a government agency, or
19 any other organization paying or insuring payment for health care
20 services;

21 (b) Any agreements with providers for the provision of health care
22 services; and

23 (c) Any arrangements for liability and malpractice insurance
24 coverage.

25 (4) The procedures for offering health care services are reasonable
26 and equitable; and

27 (5) Procedures have been established to:

28 (a) Monitor the quality of care provided by the certified health
29 plan including standards and guidelines provided by the health services
30 commission and other appropriate state agencies;

31 (b) Operate internal peer review mechanisms; and

32 (c) Resolve complaints and grievances in accordance with section
33 336 of this act and rules established by the insurance commissioner in
34 consultation with the commission.

35 NEW SECTION. **Sec. 324.** A certified health plan may not
36 discriminate against a health care provider in offering health care
37 services to beneficiaries under chapter . . . , Laws of 1993 (this act)

1 where (1) the services are within the scope of practice of the health
2 care provider; and (2) the benefit authorized by the commission is one
3 that is provided by the certified health plan. Nothing in this section
4 shall affect the ability of the certified health plan to utilize the
5 most cost-effective and clinically efficacious treatment modalities.

6 NEW SECTION. **Sec. 325.** PREMIUMS AND ENROLLEE PAYMENT AMOUNTS--
7 FILING OF PREMIUMS AND ENROLLEE PAYMENT AMOUNTS--ADDITIONAL CHARGES
8 PROHIBITED. (1) The insurance commissioner shall verify that the
9 certified health plan and its providers are charging no more than the
10 maximum premiums and enrollee financial participation amounts during
11 the course of financial and market conduct examinations or more
12 frequently if justified in the opinion of the insurance commissioner or
13 upon request by the health services commission.

14 (2) The certified health plans shall file the premium schedules
15 including employer contributions, enrollee premium sharing, and
16 enrollee point of service cost sharing amounts with the insurance
17 commissioner, within thirty days of establishment by the health
18 services commission.

19 (3) No certified health plan or its provider may charge any fees,
20 assessments, or charges in addition to the premium amount or in excess
21 of the maximum enrollee financial participation limits established by
22 the health services commission. The certified health plan that
23 directly provides health care services may charge and collect the
24 enrollee point of service cost sharing fees as established in the
25 uniform benefit package or other approved benefit plan.

26 NEW SECTION. **Sec. 326.** ANNUAL STATEMENT FILING--CONTENTS--PENALTY
27 FOR FAILURE TO FILE--ACCURACY REQUIRED. (1) Every certified health
28 plan shall annually not later than March 1 of the calendar year, file
29 with the insurance commissioner a statement verified by at least two of
30 its principal officers showing its financial condition as of December
31 31 of the preceding year.

32 (2) Such annual report shall be in such form as the insurance
33 commissioner shall prescribe and shall include:

34 (a) A financial statement of the certified health plan, including
35 its balance sheet and receipts and disbursements for the preceding
36 year, which reflects at a minimum;

1 (i) All prepayments and other payments received for health care
2 services rendered pursuant to certified health plan benefit packages;

3 (ii) Expenditures to all categories of health care facilities,
4 providers, and organizations with which the plan has contracted to
5 fulfill obligations to enrolled residents arising out of the uniform
6 benefit package and other approved supplemental benefit agreements,
7 together with all other direct expenses including depreciation,
8 enrollment, and commission; and

9 (iii) Expenditures for capital improvements, or additions thereto,
10 including but not limited to construction, renovation, or purchase of
11 facilities and capital equipment;

12 (b) A report of the names and addresses of all officers, directors,
13 or trustees of the certified health plan during the preceding year, and
14 the amount of wages, expense reimbursements, or other payments to such
15 individuals. For partnership and professional service corporations, a
16 report shall be made for partners or shareholders as to any
17 compensation or expense reimbursement received by them for services,
18 other than for services and expenses relating directly for patient
19 care;

20 (c) The number of residents enrolled and terminated during the
21 report period. Additional information regarding the enrollment and
22 termination pattern for a certified health plan may be required by the
23 commissioner to demonstrate compliance with the open enrollment and
24 free access requirements of chapter . . ., Laws of 1993 (this act).
25 The insurance commissioner shall specify additional information to be
26 reported which may include but not be limited to age, sex, location,
27 and health status information.

28 (d) Such other information relating to the performance of the
29 certified health plan or the health care facilities or providers with
30 which it has contracted as reasonably necessary to the proper and
31 effective administration of this chapter in accordance with rules and
32 regulations;

33 (e) Disclosure of any financial interests held by officers and
34 directors in any providers associated with the certified health plan or
35 provider of the certified health plan;

36 (3) The commissioner may require quarterly reporting of financial
37 information, such information to be furnished in a format prescribed by
38 the commissioner in consultation with the commission.

1 (4) The commissioner may for good reason allow a reasonable
2 extension of time within which such annual statement shall be filed.

3 (5) The commissioner may suspend or revoke the certificate of a
4 certified health plan for failing to file its annual statement when due
5 or during any extension of time therefor which the commissioner, for
6 good cause, may grant.

7 (6) The commission shall publish and make available to the health
8 services commission and the major newspapers of the state an annual
9 summary report of at least the information required in subsections (2)
10 and (3) of this section.

11 (7) No person shall knowingly file with any public official or
12 knowingly make, publish, or disseminate any financial statement of a
13 certified health plan that does not accurately state the certified
14 health plan's financial conditions.

15 NEW SECTION. **Sec. 327.** COVERAGE NOT DENIED--ENROLLMENT LIMITED TO
16 ONE CERTIFIED HEALTH PLAN. No certified health plan may deny coverage
17 to a resident residing within the service area of the certified health
18 plan. No Washington resident may be enrolled in more than one
19 certified health plan at any one time. An enrollee of a certified
20 health plan who changes their place of employment or residence may
21 remain enrolled with that plan. Coverage shall be transferable from
22 one certified health plan to another certified health plan upon thirty
23 days' written notice. Such transfer shall be without penalty or
24 waiting period. Accidents and sickness that commenced under the prior
25 certified health plan shall be covered by the replacement certified
26 health plan from the effective date of coverage under the replacement
27 certified health plan.

28 NEW SECTION. **Sec. 328.** MISREPRESENTATIONS TO INDUCE TERMINATION
29 OR RETENTION OF ENROLLMENT PROHIBITED. No certified health plan or any
30 person representing a certified health plan may make misrepresentation
31 or misleading comparisons to induce or attempt to induce any enrollee
32 or employer group to terminate or retain membership in a certified
33 health plan.

34 NEW SECTION. **Sec. 329.** PENALTY FOR VIOLATIONS. A certified
35 health plan which, or person who, violates any provision of this

1 chapter is guilty of a gross misdemeanor, unless the penalty is
2 otherwise specifically provided.

3 NEW SECTION. **Sec. 330.** PROVIDER CONTRACTS--ENROLLED RESIDENT'S
4 LIABILITY, COMMISSIONER'S REVIEW. (1) Subject to subsection (2) of
5 this section, every contract between a certified health plan and its
6 providers of health care services shall be in writing and shall set
7 forth that in the event the certified health plan fails to pay for
8 health care services as set forth in the uniform benefit package, the
9 enrollee is not liable to the provider for any sums owed by the
10 certified health plan. Every such contract shall provide that this
11 requirement shall survive termination of the contract.

12 (2) The provisions of subsection (1) of this section shall not
13 apply to emergency care from a provider who is not a contracting
14 provider with the certified health plan, or to emergent and urgently
15 needed out-of-area services.

16 (3) The insurance commissioner in consultation with the health
17 services commission shall adopt rules governing the content and
18 structure of the provider contracts.

19 (4) The certified health plan shall file the contracts with the
20 insurance commissioner for approval thirty days prior to use.

21 NEW SECTION. **Sec. 331.** MINIMUM NET WORTH--REQUIREMENTS TO
22 MAINTAIN--DETERMINATION OF AMOUNT. (1) Every certified health plan
23 must maintain a minimum net worth equal to the greater of:

24 (a) One million dollars; or

25 (b) Two percent of annual premium revenues as reported on the most
26 recent annual financial statement filed with the insurance commissioner
27 on the first one hundred fifty million dollars of premium and one
28 percent of annual premium on the premium in excess of one hundred fifty
29 million dollars; or

30 (c) An amount equal to the sum of three months' uncovered
31 expenditures as reported on the most recent financial statement filed
32 with the commissioner.

33 (2) Every health care service contractor, health maintenance
34 organization, or disability insurance company that has a valid
35 certificate of registration or certificate of authority issued prior to
36 the effective date of this section, shall demonstrate to the insurance

1 commissioner that it has achieved the minimum net worth standards set
2 forth in subsection (1) of this section not later than January 1, 1994.

3 (3)(a) In determining net worth, no debt shall be considered fully
4 subordinated unless the subordination clause is in a form acceptable to
5 the commissioner. An interest obligation relating to the repayment of
6 a subordinated debt must be similarly subordinated.

7 (b) The interest expenses relating to the repayment of a fully
8 subordinated debt shall not be considered uncovered expenditures.

9 (c) A subordinated debt incurred by a note meeting the requirements
10 of this section, and otherwise acceptable to the insurance
11 commissioner, shall not be considered a liability and shall be recorded
12 as equity.

13 (4) Every certified health plan shall, in determining liabilities,
14 include an amount estimated in the aggregate to provide for unearned
15 premiums and for the payment of claims for health care expenditures
16 that have been incurred, whether reported or unreported, which are
17 unpaid and for which such organization is or may be liable and to
18 provide for the expense of adjustment or settlement of such claims.

19 The claims shall be computed in accordance with rules adopted by
20 the insurance commissioner in consultation with the health services
21 commission.

22 NEW SECTION. **Sec. 332.** FUNDED RESERVE REQUIREMENTS. (1) Each
23 certified health plan obtaining certification from the insurance
24 commissioner shall provide and maintain a funded reserve of one hundred
25 fifty thousand dollars. The funded reserve shall be deposited with the
26 insurance commissioner or with any organization acceptable to the
27 commissioner in the form of cash, securities eligible for investment
28 under chapter 48.13 RCW, approved surety bond, or any combination of
29 these, and must be equal to or exceed one hundred fifty thousand
30 dollars. The funded reserve shall be established as an assurance that
31 the uncovered expenditures obligations of the certified health plan to
32 the enrolled Washington residents shall be performed.

33 (2) All income from reserves on deposit with the commissioner shall
34 belong to the depositing certified health plan and shall be paid to it
35 as it becomes available.

36 (3) Funded reserves required by this section shall be considered an
37 asset in determining the plan's net worth.

1 NEW SECTION. **Sec. 333.** EXAMINATION OF CERTIFIED HEALTH PLANS,

2 POWERS OF COMMISSIONER, DUTIES OF PLANS, INDEPENDENT AUDIT REPORTS.

3 (1) The insurance commissioner shall make an examination of the
4 operations of a certified health plan as often as the commissioner
5 deems it necessary in order to assure the financial security and health
6 and safety of the enrolled residents. The insurance commissioner shall
7 make an examination of a certified health plan not less than once every
8 three calendar years.

9 (2) Every certified health plan shall submit its books and records
10 relating to its operation for financial condition and market conduct
11 examinations and in every way facilitate them. The quality or
12 appropriateness of medical services and systems shall be examined by
13 the department of health except that the insurance commissioner may
14 review such areas to the extent that such items impact the financial
15 condition or the market conduct of the certified health plan. For the
16 purpose of the examinations the insurance commissioner may issue
17 subpoenas, administer oaths, and examine the officers and principals of
18 the certified health plans concerning their business.

19 (3) The insurance commissioner may elect to accept and rely on
20 audit reports made by an independent certified public accountant for
21 the certified health plan in the course of that part of the insurance
22 commissioner's examination covering the same general subject matter as
23 the audit. The commissioner may incorporate the audit report in his or
24 her report of the examination.

25 (4) Certified health plans shall be equitably assessed to cover the
26 cost of financial conditional and market conduct examinations, the
27 costs of adopting rules, and the costs of enforcing the provisions of
28 this chapter. The assessments shall be levied not less frequently
29 than once every twelve months and shall be in an amount expected to
30 fund the examinations, adoption of rules, and enforcement of the
31 provisions of this chapter including a reasonable margin for cost
32 variations. The assessments shall be established by rules adopted by
33 the commissioner in consultation with the health services commission
34 but shall not exceed five and one-half cents per month per resident
35 enrolled in the certified health plan. The minimum assessment shall be
36 one thousand dollars. Assessment receipts shall be deposited in the
37 insurance commissioner's regulatory account in the state treasury and
38 shall be used for the purpose of funding the examinations authorized in
39 subsection (1) of this section. Assessments received shall be used to

1 pay a pro rata share of the costs, including overhead of regulating
2 certified health plans. Amounts remaining in the separate account at
3 the end of a biennium shall be applied to reduce the assessments in
4 succeeding biennia.

5 NEW SECTION. **Sec. 334.** INSOLVENCY--COMMISSIONER'S DUTIES,
6 CONTINUATION OF BENEFITS, ALLOCATION OF COVERAGE. (1) In the event of
7 insolvency of a certified health plan and upon order of the
8 commissioner, all other certified health plans shall offer the enrolled
9 Washington residents of the insolvent certified health plan the
10 opportunity to enroll in a solvent certified health plan. Enrollment
11 shall be without prejudice for any preexisting condition and shall be
12 continuous provided the resident enrolls in the new certified health
13 plan within thirty days of the date of insolvency and otherwise
14 complies with the certified health plan's managed care procedures
15 within the thirty-day open enrollment period.

16 (2) The insurance commissioner, in consultation with the health
17 services commission, shall establish guidelines for the equitable
18 distribution of the insolvent certified health plan's enrollees to the
19 remaining certified health plans. Such guidelines may include
20 limitations to enrollment based on financial conditions, provider
21 delivery network, administrative capabilities of the certified health
22 plan, and other reasonable measures of the certified health plan's
23 ability to provide benefits to the newly enrolled residents.

24 (3) Each certified health plan shall have a plan for handling
25 insolvency that allows for continuation of benefits for the duration of
26 the coverage period for which premiums have been paid and continuation
27 of benefits to enrolled Washington residents who are confined on the
28 date of insolvency in an inpatient facility until their discharge or
29 transfer to a new certified health plan as provided in subsection (1)
30 of this section. Such plan shall be approved by the insurance
31 commissioner at the time of certification and shall be submitted for
32 review and approval on an annual basis. The commissioner shall approve
33 such a plan if it includes:

34 (a) Insurance to cover the expenses to be paid for continued
35 benefits after insolvency;

36 (b) Provisions in provider contracts that obligate the provider to
37 provide services for the duration of the period after the certified
38 health plan's insolvency for which premium payment has been made and

1 until the enrolled participant is transferred to a new certified health
2 plan in accordance with subsection (1) of this section. Such extension
3 of coverage shall not obligate the provider of service beyond thirty
4 days following the date of insolvency;

5 (c) Use of the funded reserve requirements as provided under
6 section 332 of this act;

7 (d) Acceptable letters of credit or approved surety bonds; or

8 (e) Other arrangements the insurance commissioner and certified
9 health plan mutually agree are appropriate to assure that benefits are
10 continued.

11 NEW SECTION. **Sec. 335.** FINANCIAL FAILURE, SUPERVISION OF
12 COMMISSIONER--PRIORITY OF DISTRIBUTION OF ASSETS. (1) Any
13 rehabilitation, liquidation, or conservation of a certified health plan
14 shall be deemed to be the rehabilitation, liquidation, or conservation
15 of an insurance company and shall be conducted under the supervision of
16 the insurance commissioner under the law governing the rehabilitation,
17 liquidation, or conservation of insurance companies. The insurance
18 commissioner may apply for an order directing the insurance
19 commissioner to rehabilitate, liquidate, or conserve a certified health
20 plan upon one or more of the grounds set forth in RCW 48.31.030,
21 48.31.050, and 48.31.080. Enrolled residents shall have the same
22 priority in the event of liquidation or rehabilitation as the law
23 provides to policyholders of an insurer.

24 (2) For purposes of determining the priority of distribution of
25 general assets, claims of enrolled residents and their dependents shall
26 have the same priority as established by RCW 48.31.280 for
27 policyholders and their dependents of insurance companies. If an
28 enrolled resident is liable to a provider for services under and
29 covered by a certified health plan, that liability shall have the
30 status of an enrolled resident claim for distribution of general
31 assets.

32 (3) A provider who is obligated by statute or agreement to hold
33 enrolled residents harmless from liability for services provided under
34 and covered by a certified health plan shall have a priority of
35 distribution of the general assets immediately following that of
36 enrolled residents and enrolled residents' dependents as described in
37 this section, and immediately preceding the priority of distribution
38 described in RCW 48.31.280(2)(e).

1 NEW SECTION. **Sec. 336.** GRIEVANCE PROCEDURE. A certified health
2 plan shall establish and maintain a grievance procedure approved by the
3 commissioner, to provide a reasonable and effective resolution of
4 complaints initiated by enrolled Washington residents concerning any
5 matter relating to the provision of benefits under the uniform benefit
6 package, access to health care services, and quality of services. Each
7 certified health plan shall respond to complaints filed with the
8 insurance commissioner within twenty working days. The insurance
9 commissioner in consultation with the health care commission shall
10 establish standards for grievance procedures and resolution.

11 **E. EMPLOYERS' COOPERATIVE HEALTH CARE PURCHASING GROUPS**

12 NEW SECTION. **Sec. 337.** EMPLOYERS' COOPERATIVE HEALTH CARE
13 PURCHASING GROUP--DEFINITION, OPEN ACCESS, REGISTRATION. A purchasing
14 group that intends to purchase health care coverage from a certified
15 health plan shall furnish notice to the commissioner which shall: (1)
16 Identify the principal name and address of the purchasing group, (2)
17 furnish the names and addresses of the officers of the purchasing
18 group, (3) include copies of letters of agreement for participation in
19 the purchasing group including minimum term of participation, and (4)
20 provide any other information as prescribed by the insurance
21 commissioner in consultation with the health services commission to
22 verify that the purchasing group is qualified and managed by competent
23 and trustworthy individuals.

24 NEW SECTION. **Sec. 338.** ENFORCEMENT AUTHORITY OF COMMISSIONER.
25 For the purposes of this chapter, the insurance commissioner shall have
26 the same powers and duties of enforcement as are provided in RCW
27 48.02.080.

28 NEW SECTION. **Sec. 339.** ANNUAL REPORT BY THE INSURANCE
29 COMMISSIONER TO THE HEALTH SERVICES COMMISSION. (1) The insurance
30 commissioner shall report annually to the health services commission on
31 the compliance of certified health plans and employers' cooperative
32 health care purchasing groups with the provisions of chapter . . . ,
33 Laws of 1993 (this act). The report shall include information on (a)
34 compliance with this act's open enrollment and antidiscrimination
35 provisions, (b) financial solvency requirements, (c) the mix of

1 enrollee characteristics within and among plans and groups including
2 age, sex, ethnicity, and any easily obtainable information related to
3 medical risk, (d) the geographic distribution of plans and groups, and
4 (e) other information which the commission may request consistent with
5 the goals of chapter . . . , Laws of 1993 (this act).

6 (2) Certified health plans and employers' cooperative health care
7 purchasing groups shall comply with any request by the insurance
8 commissioner to obtain information for the purposes of this section.

9 **F. DISCLOSURE OF HOSPITAL, NURSING HOME, AND PHARMACY CHARGES**

10 NEW SECTION. **Sec. 340.** A new section is added to chapter 70.41
11 RCW to read as follows:

12 (1) The legislature finds that the spiraling costs of health care
13 continue to surmount efforts to contain them, increasing at
14 approximately twice the inflationary rate. The causes of this
15 phenomenon are complex. By making physicians and other health care
16 providers with hospital admitting privileges more aware of the cost
17 consequences of health care services for consumers, these providers may
18 be inclined to exercise more restraint in providing only the most
19 relevant and cost-beneficial hospital services, with a potential for
20 reducing the utilization of those services. The requirement of the
21 hospital to inform physicians and other health care providers of the
22 charges of the health care services that they order may have a positive
23 effect on containing health costs. Further, the option of the
24 physician or other health care provider to inform the patient of these
25 charges may strengthen the necessary dialogue in the provider-patient
26 relationship that tends to be diminished by intervening third-party
27 payers.

28 (2) The chief executive officer of a hospital licensed under this
29 chapter and the superintendent of a state hospital shall establish and
30 maintain a procedure for disclosing to physicians and other health care
31 providers with admitting privileges the charges of all health care
32 services ordered for their patients. Copies of hospital charges shall
33 be made available to any physician and/or other health care provider
34 ordering care in hospital inpatient/outpatient services. The physician
35 and/or other health care provider may inform the patient of these
36 charges and may specifically review them. Hospitals are also directed
37 to study methods for making daily charges available to prescribing

1 physicians through the use of interactive software and/or computerized
2 information thereby allowing physicians and other health care providers
3 to review not only the costs of present and past services but also
4 future contemplated costs for additional diagnostic studies and
5 therapeutic medications.

6 NEW SECTION. **Sec. 341.** A new section is added to chapter 71.12
7 RCW to read as follows:

8 (1) The legislature finds that the spiraling costs of health care
9 continue to surmount efforts to contain them, increasing at
10 approximately twice the inflationary rate. The causes of this
11 phenomenon are complex. By making physicians and other health care
12 providers with hospital admitting privileges more aware of the cost
13 consequences of health care services for consumers, these providers may
14 be inclined to exercise more restraint in providing only the most
15 relevant and cost-beneficial hospital services, with a potential for
16 reducing the utilization of those services. The requirement of the
17 hospital to inform physicians and other health care providers of the
18 charges of the health care services that they order may have a positive
19 effect on containing health costs. Further, the option of the
20 physician or other health care provider to inform the patient of these
21 charges may strengthen the necessary dialogue in the provider-patient
22 relationship that tends to be diminished by intervening third-party
23 payors.

24 (2) The chief executive officer of a hospital licensed under this
25 chapter and the superintendent of a state hospital shall establish and
26 maintain a procedure for disclosing to physicians and other health care
27 providers with admitting privileges the charges of all health care
28 services ordered for their patients. Copies of hospital charges shall
29 be made available to any physician and/or other health care provider
30 ordering care in hospital inpatient/outpatient services. The physician
31 and/or other health care provider may inform the patient of these
32 charges and may specifically review them. Hospitals are also directed
33 to study methods for making daily charges available to prescribing
34 physicians through the use of interactive software and/or computerized
35 information thereby allowing physicians and other health care providers
36 to review not only the costs of present and past services but also
37 future contemplated costs for additional diagnostic studies and
38 therapeutic medications.

1 NEW SECTION. **Sec. 342.** A new section is added to chapter 18.68
2 RCW to read as follows:

3 The legislature finds that the spiraling costs of health care
4 continue to surmount efforts to contain them, increasing at
5 approximately twice the inflationary rate. One of the fastest growing
6 segments of the health care expenditure involves prescription
7 medications. By making physicians and other health care providers with
8 prescriptive authority more aware of the cost consequences of health
9 care treatments for consumers, these providers may be inclined to
10 exercise more restraint in providing only the most relevant and cost-
11 beneficial drug and medication treatments. The requirement of the
12 pharmacy to inform physicians and other health care providers of the
13 charges of prescription drugs and medications that they order may have
14 a positive effect on containing health costs. Further, the option of
15 the physician or other health care provider to inform the patient of
16 these charges may strengthen the necessary dialogue in the provider-
17 patient relationship that tends to be diminished by intervening third-
18 party payers.

19 NEW SECTION. **Sec. 343.** A new section is added to chapter 18.68
20 RCW to read as follows:

21 The registered or licensed pharmacist of this chapter shall
22 establish and maintain a procedure for disclosing to physicians and
23 other health care providers with prescriptive authority information
24 detailed by prescriber, of the cost and dispensation of all
25 prescriptive medications prescribed by him or her for his or her
26 patients on request. These charges should be made available on at
27 least a quarterly basis for all requested patients and should include
28 medication, dosage, number dispensed, and the cost of the prescription.
29 Pharmacies may provide this information in a summary form for each
30 prescribing physician for all patients rather than as individually
31 itemized reports. All efforts should be made to utilize the existing
32 computerized records and software to provide this information in the
33 least costly format.

34 NEW SECTION. **Sec. 344.** A new section is added to chapter 18.51
35 RCW to read as follows:

36 (1) The legislature finds that the spiraling costs of nursing home
37 care continue to surmount efforts to contain them, increasing at

1 approximately twice the inflationary rate. The causes of this
2 phenomenon are complex. By making nursing home facilities and care
3 providers more aware of the cost consequences of care services for
4 consumers, these providers may be inclined to exercise more restraint
5 in providing only the most relevant and cost-beneficial services and
6 care, with a potential for reducing the utilization of those services.
7 The requirement of the nursing home to inform physicians, consumers,
8 and other care providers of the charges of the services that they order
9 may have a positive effect on containing health costs.

10 (2) The chief executive officer of a nursing home licensed under
11 this chapter shall establish and maintain a procedure for disclosing to
12 physicians, consumers, and other care providers the charges of all
13 services to be ordered for residents. These charges shall be posted on
14 the resident's bill and shall include total charges to date and an
15 itemization of charges for each month.

16 NEW SECTION. **Sec. 345.** The department of health shall report to
17 the legislature by December 31, 1994, with recommendations on any
18 necessary revisions to sections 340 through 344 of this act, including
19 their continued necessity and the appropriateness of their repeal.

20 **G. STATE AND FEDERAL ANTI-TRUST IMMUNITY**

21 NEW SECTION. **Sec. 346.** STATE AND FEDERAL ANTI-TRUST IMMUNITY.

22 (1) The legislature finds that competition in the health services and
23 insurance markets is not in the public interest unless it operates
24 within publicly established constraints that seek to (a) contain the
25 aggregate cost of most health services, (b) promote the comparability
26 of health insurance products, (c) improve the cost-effectiveness of
27 those products relative to health promotion, disease prevention, and
28 the amelioration or cure of illness, (d) assure universal access to a
29 publicly determined, uniform package of health benefits, and (e) create
30 reasonable equity in the distribution of funds, treatment, and medical
31 risk among purchasing groups, insurance groups, health care providers,
32 and Washington residents.

33 (2) The legislature recognizes that chapter . . . , Laws of 1993
34 (this act) may result in a reduction of competition in the provision of
35 health services or insurance.

1 (3) The legislature intends that reductions in health services or
2 insurance competition occur as a result of chapter . . . , Laws of 1993
3 (this act) for the purposes stated in this section and elsewhere in
4 chapter . . . , Laws of 1993 (this act). To these ends, any lawful
5 actions taken by any entity created or regulated by chapter . . . , Laws
6 of 1993 (this act) are declared to be taken pursuant to state statute
7 and in furtherance of the public purposes of the state of Washington.
8 Such actions are exempt from state and federal anti-trust statutes and
9 shall be treated as state-authorized actions. However, such actions do
10 not include practices, services, entities, plans, benefits, premiums,
11 and other activities of certified health plans, health care purchasers,
12 purchasing groups, health care providers, or Washington residents which
13 amount to:

14 (a) Agreeing or conspiring to agree on the price two or more
15 certified health plans charge for the uniform benefit package or any
16 other service;

17 (b) Agreeing or conspiring to agree on the geographic boundaries
18 which will be served by one or more certified health plans or
19 purchasing groups in order to avoid financial risk, or to discriminate
20 against any Washington resident, employer, or their duly authorized
21 agents; or

22 (c) Agreeing or conspiring to agree on ways of attracting or
23 discouraging enrollment by any resident or group of residents in any
24 certified health plan or purchasing group because of the actual or
25 perceived cost of providing the uniform benefit package to that
26 resident or group.

27 (4) The legislature further finds that incentives should be
28 provided for all of those who purchase, insure, or deliver health
29 services to operate in ways that promote the purposes of chapter . . . ,
30 Laws of 1993 (this act). To this end, chapter . . . , Laws of 1993
31 (this act) extends certain rights and privileges to self-funded
32 employer health insurance arrangements who voluntarily participate in
33 achieving and maintaining standards required of certified health plans.

34 (5) The legislature finds that the goals of controlling health care
35 costs and improving the quality of and access to health care services
36 would be significantly enhanced by more extensive cooperation among
37 health care providers, including especially physicians and hospitals.
38 The legislature further finds that growth in cooperative activities is
39 impeded by certain governmental policies, including state and federal

1 antitrust laws that impose marketplace competition as the sole means
2 for structuring and allocating resources offered by health care
3 providers. The legislature directs the state attorney general, in
4 conjunction with provider representatives, to study and make
5 recommendations to the legislature on a process for state regulation of
6 prohibited provider cooperative activities that would justify a grant
7 of immunity from state antitrust laws and protection from federal
8 antitrust laws through the state action doctrine.

9

H. THE UNIFORM BENEFIT PACKAGE

10 NEW SECTION. **Sec. 347.** UNIFORM BENEFIT PACKAGE DESIGN--
11 LEGISLATIVE VETO. (1) The Washington health services commission shall
12 define the uniform benefit package, which shall include those health
13 services based on the best available scientific health information,
14 deemed to be effective and necessary on a societal basis for the
15 maintenance of the health of citizens of the state, and weighed against
16 the availability of funding in the state health services budget.

17 (a) The legislature intends that the uniform benefit package be
18 comparable in scope to health benefits plans offered to employees of
19 state agencies, and that it be sufficiently comprehensive to meet the
20 health needs of residents of the state.

21 The uniform benefit package shall include at least inpatient and
22 outpatient services for physical, mental, and developmental illnesses
23 and disabilities including some measure of the following:

24 (i) Diagnosis/assessment and selection of treatment/care;

25 (ii) Clinical preventive services;

26 (iii) Emergency health services, including ground and air ambulance
27 services;

28 (iv) Except as otherwise provided by state law, reproductive and
29 maternity services;

30 (v) Clinical management and provision of treatment;

31 (vi) Therapeutic drugs, biologicals, supplies, and equipment;

32 (vii) Vision, hearing, and dental care;

33 (viii) Inpatient and outpatient mental health and chemical
34 dependency treatments;

35 (ix) Inpatient and outpatient hospital and surgical services;

36 (x) Organ transplants;

1 (xi) Rehabilitative services, including physical, occupational, and
2 speech therapies; and

3 (xii) Long-term care services, as defined in section 302(13) of
4 this act.

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

6 (i) Cosmetic surgery and related services;

7 (ii) Examinations associated with life insurance applications or
8 legal proceedings, except as may be required for workers' compensation;
9 and

10 (iii) Infertility services.

11 (c) The Washington health services commission shall establish
12 limits on maximum enrollee financial participation, related to enrollee
13 household income, such that financial considerations are not a barrier
14 to access for low-income persons, but that, for those of means, the
15 uniform benefit package provides for moderate point of service cost-
16 sharing.

17 (d) The uniform benefit package may include other services
18 determined by the commission to be effective, necessary, and consistent
19 with the goals and intent of chapter . . . , Laws of 1993 (this act).

20 (2) The Washington health services commission shall determine the
21 specific schedule of health services within the uniform benefit
22 package, including limitations on scope and duration of services. To
23 assist the commission in this task, it may periodically establish
24 health service review panels for specified periods of time to review
25 existing information on need, efficacy, and cost-effectiveness of
26 specific services and treatments. These panels shall use any services
27 outcome data that may be available. These panels shall take into
28 consideration available practice indicators, and appropriate use of
29 expensive technology.

30 (3) In determining the uniform benefit package, the Washington
31 health services commission shall endeavor to seek the opinions of and
32 information from the public. The commission shall consider the results
33 of official public health assessment and policy development activities
34 including recommendations of the department of health in discharging
35 its responsibilities under this section.

36 (4) The Washington health services commission shall submit its
37 initial uniform benefit package and any changes it may wish to make to
38 the legislature. The legislature may disapprove of the uniform benefit
39 package by a majority vote in the house of representatives and in the

1 senate at any time prior to the close of its regular annual legislative
2 session. If such disapproval action is taken, the commission shall
3 with all deliberate speed resubmit a modified uniform benefit package,
4 which may be disapproved within thirty days of submittal to the
5 legislature.

6 NEW SECTION. **Sec. 348.** LONG-TERM CARE INTEGRATION PLAN. (1) To
7 meet the health needs of the residents of Washington state, it is
8 critical to finance and provide long-term care and support services
9 through an integrated, comprehensive systems that promotes human
10 dignity and recognizes the individuality of all functionally disabled
11 persons. This system shall be available, accessible, and responsive to
12 all residents based upon an assessment of their functional
13 disabilities. The governor and the legislature recognize that
14 families, volunteers, and community organizations are essential for the
15 delivery of effective and efficient long-term care and support
16 services, and that this private and public service infrastructure
17 should be supported and strengthened. Further, it is important to
18 provide benefits in perpetuity without requiring family or program
19 beneficiary impoverishment for service eligibility.

20 (2) To realize the need for a strong long-term care system and to
21 carry out the November 30, 1992, final recommendations of the
22 Washington health care commission related to long-term care, the
23 commission shall:

24 (a) Engage in a planning process, in conjunction with an advisory
25 and technical assistance committee appointed for this purpose, for the
26 inclusion of long-term care services in the uniform benefit package
27 established under section 347 of this act as soon as possible, but not
28 later than July 1, 1997.

29 (b) Include in its planning process consideration of the scope of
30 services to be covered, the cost of and financing of such coverage, and
31 the means through which existing long-term care programs and delivery
32 systems can be coordinated and integrated.

33 (3) The commission shall submit recommendations concerning any
34 necessary statutory changes or modifications of public policy to the
35 governor and the legislature by January 1, 1995.

36 (4) The departments of health, retirement systems, revenue, social
37 and health services, and veterans' affairs, and the offices of
38 financial management, insurance commissioner, and state actuary, along

1 with the health care authority, shall participate in the review of the
2 long-term care needs enumerated in this section and provide necessary
3 supporting documentation and staff expertise as requested by the
4 commission.

5 **I. STATE RESIDENT AND EMPLOYER PARTICIPATION**

6 NEW SECTION. **Sec. 349.** INDIVIDUAL PARTICIPATION. (1) All
7 residents must participate in a health system so that access may be
8 improved and so that costs may be controlled. It is the responsibility
9 of individuals to participate in available and affordable health
10 insurance.

11 (2) All residents of the state of Washington are required to
12 participate in the basic health plan or a certified health plan no
13 later than July 1, 1997.

14 (3) The Washington health services commission shall monitor the
15 enrollment of individuals into certified health plans and shall make
16 public periodic reports concerning the number of persons enrolled and
17 not enrolled, the reasons why individuals are not enrolled,
18 recommendations to reduce the number of persons not enrolled, and
19 recommendations regarding enforcement of this provision.

20 NEW SECTION. **Sec. 350.** EMPLOYER PARTICIPATION. (1) On July 1,
21 1995, every employer employing more than five hundred full-time
22 employees shall offer a choice of certified health plans to all full-
23 time or part-time employees. The employer shall be required to pay no
24 less than fifty percent and no more than ninety-five percent of the
25 premium cost of the lowest cost certified health plan offered by the
26 employer. On July 1, 1996, all dependents of full-time employees of
27 these firms shall be offered a choice of certified health plans with
28 the employer paying no less than fifty percent and no more than ninety-
29 five percent of the premium of the lowest cost certified health plan
30 offered by the employer.

31 (2) By July 1, 1996, every employer employing more than one hundred
32 full-time employees shall offer a choice of certified health plans to
33 all full-time employees. The employer shall be required to pay no less
34 than fifty percent and no more than ninety-five percent of the premium
35 cost of the lowest cost certified health plan offered by the employer.
36 For employees working less than full time the employer is required to

1 pay a premium payment that equals a pro rata share of a full time
2 employee's premium, based on the hours the part-time employee worked.
3 On July 1, 1997, all dependents of full-time employees in these firms
4 shall be offered a choice of certified health plans with the employer
5 paying no less than fifty percent and no more than ninety-five percent
6 of the premium of the lowest cost certified health plan offered by the
7 employer.

8 (3) By July 1, 1997, every employer shall offer a choice of
9 certified health plans to all full-time employees. The employer shall
10 be required to pay no less than fifty percent and no more than ninety-
11 five percent of the premium cost of the lowest cost certified health
12 plan offered by the employer. For employees working less than full
13 time the employer is required to pay a premium payment that equals a
14 pro rata share of a full time employee's premium, based on the hours
15 the part-time employee worked. On July 1, 1998, all dependents of
16 full-time employees in all firms shall be offered a choice of certified
17 health plans with the employer paying no less than fifty percent and no
18 more than ninety-five percent of the premium of the lowest cost
19 certified health plan offered by the employer.

20 (4) In lieu of offering certified health plan coverage for
21 employees and their dependents, an employer may combine the employer
22 contribution with that of the employee's contribution and pay the full
23 cost of the basic health plan benefit, plus the administrative cost to
24 the plan of providing the plan to the employees, to the basic health
25 plan within guidelines set by the plan administrator. The
26 administrator of the basic health plan may require all or a substantial
27 majority of the eligible employees of such businesses to enroll in the
28 plan and establish those procedures necessary to facilitate the orderly
29 enrollment of groups in the plan and into a managed health care system.
30 Enrollment in the basic health plan is authorized via the mechanism
31 under this subsection, notwithstanding the provisions of RCW 70.47.060
32 concerning the maximum size of firms allowed to enroll.

33 (5) If a full-time employee is already enrolled with a certified
34 health plan with which their employer does not have a relationship and
35 the employee wishes to remain enrolled in that plan, the employer shall
36 make payments to that plan on behalf of such an employee. The amount
37 such an employer pays on behalf of such an employee shall be the same
38 as the amount that employer pays certified health plans for other
39 employees.

1 NEW SECTION. **Sec. 354.** A new section is added to chapter 43.70
2 RCW to read as follows:

3 PUBLIC HEALTH SERVICES IMPROVEMENT PLAN. (1) The department of
4 health shall develop, in consultation with local health departments and
5 districts, the state board of health, the health services commission,
6 and other state agencies, health services providers, and citizens
7 concerned about public health, a public health services improvement
8 plan. The plan should provide a detailed accounting of deficits in the
9 core functions of assessment, policy development, assurance of the
10 current public health system, how additional public health funding
11 would be used, and describe the benefits expected from expanded
12 expenditures.

13 (2) The plan shall include:

14 (a) Definition of minimum standards for public health protection
15 through assessment, policy development, and assurances;

16 (i) Enumeration of communities not meeting those standards;

17 (ii) A budget and staffing plan for bringing all communities up to
18 minimum standards;

19 (iii) An analysis of the costs and benefits expected from adopting
20 minimum public health standards for assessment, policy development, and
21 assurances; and

22 (b) Recommended strategies and a schedule for improving public
23 health programs throughout the state, including:

24 (i) Strategies for transferring personal care services from the
25 public health system, into the uniform benefit package where feasible;
26 and

27 (ii) Timing of increased funding for public health services linked
28 to specific objectives for improving public health.

29 (3) By March 1, 1994, the department shall provide initial
30 recommendations of the public health services improvement plan to the
31 legislature regarding minimum public health standards, and public
32 health programs needed to address urgent needs, such as those cited in
33 subsection (6) of this section.

34 (4) By December 1, 1994, the department shall present the public
35 health services plan to the legislature, with specific recommendations
36 for each element of the plan to be implemented over the period from
37 1995 through 1997.

1 (5) Thereafter, the department shall update the public health
2 services improvement plan for presentation to the legislature prior to
3 the beginning of a new biennium.

4 (6) Among the specific population-based public health activities to
5 be considered in the public health services improvement plan are:
6 Health data assessment and chronic and infectious disease surveillance;
7 rapid response to outbreaks of communicable disease; efforts to prevent
8 and control specific communicable diseases, such as tuberculosis and
9 acquired immune deficiency syndrome; health education to promote
10 healthy behaviors and to reduce the prevalence of chronic disease, such
11 as those linked to the use of tobacco; access to primary care; programs
12 to ensure children are born as healthy as possible and they receive
13 immunizations and adequate nutrition; efforts to prevent intentional
14 and unintentional injury; programs to ensure the safety of drinking
15 water and food supplies; poison control; trauma services; and other
16 activities that have the potential to improve the health of the
17 population or special populations and reduce the need for or cost of
18 health services.

19 **K. STATE HEALTH SERVICES BUDGET, TRUST FUND, AND ACCOUNTS**

20 NEW SECTION. **Sec. 355.** STATE HEALTH SERVICES BUDGET. The state
21 health services budget shall reflect total expenditures for all health
22 services either funded by the state or federal government, regulated
23 pursuant to chapter . . . , Laws of 1993 (this act), or voluntarily
24 placed under the provisions of chapter . . . , Laws of 1993 (this act)
25 by self-insured employers. The commission shall submit the state
26 health services budget, which shall include estimated amounts in each
27 of these categories as part of the governor's biennial budget request.

28 NEW SECTION. **Sec. 356.** TRUST ACCOUNTS. (1) The Washington health
29 services trust account is hereby established in the state treasury.
30 All public funds regulated by chapter . . . , Laws of 1993 (this act) or
31 new revenues raised pursuant to chapter . . . , Laws of 1993 (this act)
32 shall be deposited in the Washington health services trust account and
33 shall be allocated in a manner consistent with state and federal laws,
34 rules of the commission, and any waivers from federal laws or
35 regulations that the state may receive consistent with the provisions
36 of chapter . . . , Laws of 1993 (this act). The earnings on any surplus

1 balances in the Washington health services trust account shall be
2 credited to the account. These funds shall include at least:

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

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

7 (c) Other federal funds that are allocated for the purposes of
8 health services included in the accounts established pursuant to this
9 section; and

10 (d) Legislative general fund--state appropriations for any health
11 services purchased by the state on behalf of any state resident
12 including state, local, or school district employees, those who are
13 poor or near poor or those who are chronically disabled, elderly, or
14 who, for any other reason, are dependent upon the state to finance
15 their health services, and for any health system, data collection, data
16 analysis, or regulatory activities required by chapter . . . , Laws of
17 1993 (this act) to include funds for the state health services
18 commission and the state insurance commissioner.

19 (2) The trust account shall consist of three subsidiary accounts:

20 (a) The personal health services account from which funds shall be
21 allocated to appropriate agencies for contracts with certified health
22 plans to deliver the uniform benefit package and other health services
23 authorized by state or federal law to public employees and all persons
24 eligible for public subsidies.

25 (b) The public health account from which funds shall be expended to
26 maintain and improve the health of all Washington residents, by
27 assuring adequate financing for a public system to: (i) Assess and
28 report on the population's health status; (ii) develop public policy
29 that promotes and maintains health; and (iii) assure the availability
30 and delivery of appropriate and effective health interventions. This
31 public system shall be composed of the state board of health, state
32 department of health, and local public health departments and
33 districts. The office of financial management shall assure that no
34 less than three percent of the state health services budget is used for
35 these assessment, policy development, and assurance functions as
36 defined by the state board of health in rule through this system by
37 June 30, 1997, and no less than five percent of the state health
38 services budget is used for the functions by June 30, 1999. These
39 funds may include fees, federal funds, and general or dedicated state

1 or local tax revenue. The state board of health shall develop policies
2 regarding the extent to which local revenue or fees may be used to meet
3 the five-percent requirement. The office of financial management may
4 allocate funds under its direction in order to assure that five percent
5 of the state health services budget is used as required by this
6 subsection. None of the funds shall be used for any service
7 reimbursable through the uniform benefit package. The office of
8 financial management shall consider the results of official public
9 health assessment and policy development including recommendations of
10 the state board of health, the department of health, and the state
11 health report in discharging its responsibilities, including the
12 assurance of access to appropriate and effective health services and
13 the determination of the actual percentage used for core public health
14 functions.

15 (c) The health professions, data systems, health systems regulation
16 and research account from which funds shall be expended to:

17 (i) Retain needed health care providers in a manner consistent with
18 the health professional shortage provisions set forth in chapter 332,
19 Laws of 1991;

20 (ii) Conduct research as may be needed on the operation of
21 certified health plans, conduct the operations and activities of the
22 commission, as required by this act, or to conduct research on public
23 health consistent with the principles set forth in chapter . . . , Laws
24 of 1993 (this act); and

25 (iii) Finance the development, operation, and maintenance of the
26 health data system according to chapter 70.170 RCW to support the
27 purposes of chapter . . . , Laws of 1993 (this act).

28 **L. IMPLEMENTATION SCHEDULE**

29 NEW SECTION. **Sec. 357.** IMPLEMENTATION SCHEDULE. Chapter . . . ,
30 Laws of 1993 (this act) shall be implemented in developmental phases as
31 follows:

32 (1) By August 1, 1993, the director of the office of financial
33 management shall constitute a transition team composed of staff of the
34 department of social and health services, the Washington state health
35 care authority, the department of health, the department of labor and
36 industries, the Washington basic health plan, and the insurance

1 commissioner's office. The director may request participation of the
2 appropriate legislative staff.

3 The transition team shall conduct analyses and identify:

4 (a) The necessary transfer and consolidation of responsibilities
5 among state agencies under the state health care purchasing agent or
6 other agencies to fully implement chapter . . . , Laws of 1993 (this
7 act);

8 (b) State and federal laws that would need to be repealed, amended,
9 or waived to implement chapter . . . , Laws of 1993 (this act); and

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

11 The transition team shall report its findings to the director, the
12 commission, and appropriate committees of the legislature by January 1,
13 1994, and on that date be disbanded.

14 (2) By September 1, 1993, the commission shall be appointed. As
15 soon as possible thereafter, the commission should: (a) Hire the
16 necessary staff; (b) develop necessary data sources; (c) appoint the
17 initial health service review panel; and (d) develop the necessary
18 methods to establish the state health services budget.

19 (3) By December 20, 1993, the director of the office of financial
20 management shall submit to the appropriate committees of the
21 legislature an agency transfer and consolidation report, which shall
22 address staffing, equipment, facilities, and funds, along with drafts
23 of any necessary legislation. It shall also recommend appropriate cost
24 guidelines for the administration of the plan.

25 (4) By October 1, 1994, the commission shall:

26 (a) Submit draft rules for review and comment to the legislature,
27 as provided in chapter . . . , Laws of 1993 (this act); and

28 (b) Report on the extent that revisions of, or waivers from state
29 and federal laws are needed to fully implement chapter . . . , Laws of
30 1993 (this act), and the status of its efforts to obtain the necessary
31 waivers of, or exemptions from federal law, as provided in chapter
32 . . . , Laws of 1993 (this act).

33 (5) By March 1, 1995, the commission shall have:

34 (a) Determined the uniform benefit package; and

35 (b) Developed standards and guidelines for certified health plans
36 as required under chapter . . . , Laws of 1993 (this act).

37 (6) By December 20, 1995, consistent with the executive budget
38 process, the commission shall submit the first state health services
39 budget to the legislature.

1 (7) By January 1, 1996, if all necessary federal waivers or
2 exemptions have not been obtained, the commission shall report, as
3 provided in chapter . . . , Laws of 1993 (this act), on the extent to
4 which chapter . . . , Laws of 1993 (this act) can be implemented without
5 receipt of all of such waivers.

6 (8) By July 1, 1996, consistent with specific appropriations, all
7 health services provided to recipients of medical assistance, medical
8 care services, and the limited casualty program, as defined in RCW
9 74.09.010, all state employees eligible for employee health benefits
10 plans pursuant to chapter 41.05 RCW, and all common school employees
11 eligible for health, or health care insurance under RCW 28A.400.350
12 shall be enrolled exclusively with a certified health plan, consistent
13 with all provisions of chapter . . . , Laws of 1993 (this act).

14 (9) By July 1, 1997, consistent with specific appropriations, all
15 remaining provisions of chapter . . . , Laws of 1993 (this act) shall be
16 in full effect of law.

17 **M. INITIAL EXCLUSIONS, STUDIES, AND ADMINISTRATIVE DIRECTIVES**

18 NEW SECTION. **Sec. 358.** CODE REVISIONS AND WAIVERS. (1) The
19 commission shall consider the analysis of state and federal laws that
20 would need to be repealed, amended, or waived to implement chapter
21 . . . , Laws of 1993 (this act), as prepared by the transition team
22 pursuant to chapter . . . , Laws of 1993 (this act), and report its
23 recommendations, with proposed revisions to the Revised Code of
24 Washington, to the governor, and appropriate committees of the
25 legislature by January 1, 1994.

26 (2) The commission in consultation with the governor shall take the
27 following steps in an effort to receive waivers or exemptions from
28 federal statutes necessary to fully implement chapter . . . , Laws of
29 1993 (this act):

30 (a) Negotiate with the United States congress and the federal
31 department of health and human services, health care financing
32 administration to obtain a statutory or regulatory waiver of provisions
33 of the medicaid statute, Title XIX of the federal social security act
34 that currently constitute barriers to full implementation of provisions
35 of chapter . . . , Laws of 1993 (this act) related to access to health
36 services for low-income residents of Washington state. Such waivers
37 shall include any waiver needed to implement managed care programs.

1 Waived provisions may include and are not limited to: Categorical
2 eligibility restrictions related to age, disability, blindness, or
3 family structure; income and resource limitations tied to financial
4 eligibility requirements of the federal aid to families with dependent
5 children and supplemental security income programs; administrative
6 requirements regarding single state agencies, choice of providers, and
7 fee for service reimbursement programs; and other limitations on health
8 services provider payment methods.

9 (b) Negotiate with the United States congress and the federal
10 department of health and human services, health care financing
11 administration to obtain a statutory or regulatory waiver of provisions
12 of the medicare statute, Title XVIII of the federal social security act
13 that currently constitute barriers to full implementation of provisions
14 of chapter . . . , Laws of 1993 (this act) related to access to health
15 services for elderly and disabled residents of Washington state. Such
16 waivers shall include any waivers needed to implement managed care
17 programs. Waived provisions include and are not limited to:
18 Beneficiary cost-sharing requirements; restrictions on scope of
19 services; and limitations on health services provider payment methods.

20 (c) Negotiate with the United States congress and the federal
21 department of health and human services to obtain any statutory or
22 regulatory waivers of provisions of the United States public health
23 services act necessary to ensure integration of federally funded
24 community health clinics and other health services funded through the
25 public health services act into the health services system established
26 pursuant to chapter . . . , Laws of 1993 (this act).

27 If the commission fails to obtain all necessary federal statutory
28 changes or regulatory waivers necessary to fully implement chapter
29 . . . , Laws of 1993 (this act) by January 1, 1996, it shall report to
30 the governor and appropriate committees of the legislature on the
31 extent to which chapter . . . , Laws of 1993 (this act) can be
32 implemented without receipt of all of such waivers.

33 NEW SECTION. **Sec. 359.** SELF-INSURED EMPLOYERS--EMPLOYEE
34 RETIREMENT INCOME SECURITY ACT OF 1974. Employers who provide self-
35 insured coverage now regulated by the employee retirement income
36 security act of 1974 shall be subject to the requirements in this
37 chapter.

1 The governor with the assistance of the commission shall seek
2 changes in the employee retirement income security act of 1974 to
3 ensure that all employees and their dependents in the state comply with
4 the requirement to enroll in and have their employers participate in
5 financing their enrollment in certified health plans.

6 NEW SECTION. **Sec. 360.** PROGRAMS INITIALLY EXCLUDED FROM THE
7 OPERATION OF CHAPTER . . . , LAWS OF 1993 (THIS ACT). Initially, the
8 medical services of the workers' compensation program of the department
9 of labor and industries, the residential portions of the mental health,
10 developmental disabilities, and long-term care programs within the
11 department of social and health services, including nursing homes,
12 state mental hospitals and residential habilitation centers, state and
13 federal veterans' health services, and the civilian health and medical
14 program of the uniformed services (CHAMPUS) of the federal department
15 of defense and other federal agencies, shall not be included in the
16 program established by chapter . . . , Laws of 1993 (this act), but
17 shall be studied for future inclusion.

18 NEW SECTION. **Sec. 361.** REPORTS OF HEALTH CARE COST CONTROL AND
19 ACCESS COMMISSION. In carrying out its powers and duties under chapter
20 . . . , Laws of 1993 (this act), the design of the uniform benefit
21 package, and the development of guidelines and standards, the
22 commission shall consider the reports of the health care cost control
23 and access commission established under House Concurrent Resolution No.
24 4443 adopted by the legislature in 1990. Nothing in chapter . . . ,
25 Laws of 1993 (this act) requires the commission to follow any specific
26 recommendation contained in those reports except as it may also be
27 included in chapter . . . , Laws of 1993 (this act) or other law.

28 NEW SECTION. **Sec. 362.** EVALUATIONS, PLANS, AND STUDIES. (1) By
29 July 1, 1997, the legislative budget committee either directly or by
30 contract shall conduct studies to determine the desirability and
31 feasibility of consolidating the following programs, services, and
32 funding sources into the certified health plans:

33 (a) Developmental disabilities, mental health, and long-term care
34 programs of the department of social and health services whose services
35 are not included in the uniform benefit package as of July 1995;

36 (b) State and federal veterans' health services; and

1 (c) Civilian health and medical program of the uniformed services
2 (CHAMPUS) of the federal department of defense and other federal
3 agencies.

4 (2) The legislative budget committee shall evaluate the
5 implementation of the provisions of chapter . . . , Laws of 1993 (this
6 act). The study shall determine to what extent chapter . . . , Laws of
7 1993 (this act) has been implemented consistent with the principles and
8 elements set forth in chapter . . . , Laws of 1993 (this act) and shall
9 report its findings to the governor and appropriate committees of the
10 legislature by July 1, 2003.

11 NEW SECTION. **Sec. 363.** A new section is added to chapter 70.170
12 RCW to read as follows:

13 HOSPITAL REGULATION STUDY. The department, through a competitive
14 bidding process restricted to those with suitable expertise to conduct
15 such a study, shall contract for an examination of local, state, and
16 federal regulations that apply to hospitals and shall report to the
17 health care policy committees of the legislature by July 1, 1994, on
18 the following:

19 (1) An inventory of health and safety regulations that apply to
20 hospitals;

21 (2) A description of the costs to local, state, and federal
22 agencies for operating the regulatory programs;

23 (3) An estimate of the costs to hospitals to comply with the
24 regulations;

25 (4) A description of whether regulatory functions are duplicated
26 among different regulatory programs;

27 (5) An analysis of the effectiveness of regulatory programs in
28 meeting their safety and health objectives;

29 (6) An analysis of hospital charity care requirements under RCW
30 70.170.060 and their relevance under the health care reforms created
31 under chapter . . . , Laws of 1993 (this act);

32 (7) Recommendations on elimination or consolidation of unnecessary
33 or duplicative regulatory activities that would not result in a
34 reduction in the health and safety objectives.

35 NEW SECTION. **Sec. 364.** A new section is added to chapter 70.170
36 RCW to read as follows:

1 NURSING HOME STUDY. The department, through a competitive bidding
2 process restricted to those with suitable expertise to conduct such a
3 study, shall contract for an examination of local, state, and federal
4 regulations that apply to nursing homes and shall report to the health
5 care policy committees of the legislature by July 1, 1994, on the
6 following:

7 (1) An inventory of health and safety regulations that apply to
8 nursing homes;

9 (2) A description of the costs to local, state, and federal
10 agencies for operating the regulatory programs;

11 (3) An estimate of the costs to nursing homes to comply with the
12 regulations;

13 (4) A description of whether regulatory functions are duplicated
14 among different regulatory programs;

15 (5) An analysis of the effectiveness of regulatory programs in
16 meeting their safety and health objectives;

17 (6) Recommendations on elimination or consolidation of unnecessary
18 or duplicative regulatory activities that would not result in a
19 reduction in the health and safety objectives.

20 NEW SECTION. **Sec. 365.** There is established a commission on the
21 beginning and end of life. The commission shall consist of five
22 members appointed by the governor. The commission shall be a
23 multidisciplinary professional group of physicians, nurses, lay-
24 members, and ethicists.

25 Consistent with funds appropriated specifically for this purpose,
26 the commission may hire staff or contract for professional assistance.
27 State agencies may provide staff support upon request of the
28 commission. The commission may establish ad hoc technical advisory
29 committees as necessary.

30 To conduct its business, the commission shall have access to all
31 health data available by statute to the secretary of health. The
32 commission shall provide the commission with requested health data or
33 other relevant information maintained by the department of health in a
34 timely and easy-to-comprehend manner.

35 The members of the commission shall receive no compensation for
36 their service, except that travel expenses shall be reimbursed, from
37 whatever funds are made available to the commission, pursuant to RCW
38 43.03.050 and 43.03.060.

1 By November 1, 1994, the commission shall examine the beginning of
2 life and the end of life from the standpoint of appropriate medical and
3 health care practice. The objective of the commission shall be the
4 development of general principles of ethical practice dedicated to the
5 preservation of comfort without unreasonable life prolongation in the
6 presence of an untreatable condition. These guidelines shall be for
7 use by health care providers and institutions. The commission shall
8 report to the governor, the insurance commissioner, and the legislature
9 on their recommendations. The commission shall cease to exist on
10 December 1, 1994.

11

N. WORKERS' COMPENSATION

12 NEW SECTION. **Sec. 366.** WORKERS' COMPENSATION MEDICAL BENEFITS.

13 (1) An employer who self-insures for employee medical benefits or
14 workers' compensation benefits and who meets the requirements for a
15 certified health plan under section 319 of this act, may apply to the
16 department of labor and industries for an exemption from the
17 requirements of Title 51 RCW regarding the medical portion of the
18 workers' compensation program.

19 (2) The director of the department of labor and industries shall
20 grant such an exemption if he or she finds that (a) the applicant
21 employer has a record of no less than two years of compliance with the
22 requirements to be a certified health plan, (b) the uniform benefit
23 package provided by the certified health plan that would assume
24 workers' compensation responsibilities include medically necessary
25 services available under the workers' compensation program in 1992,
26 including payments for disability determinations, (c) the state has
27 achieved access by no less than ninety-seven percent of all state
28 residents to coverage for the uniform benefit package, (d) there is no
29 reasonable expectation that granting such an exemption will result in
30 a reduction in needed time loss awards or rehabilitative services, (e)
31 the employees' share of workers' compensation medical aid fund
32 contributions are returned to the employee as increased wages, and (f)
33 a majority of employees in the employer's company do not object to the
34 exemption.

35 (3) If, after periodic review of exemptions granted under this
36 section, the director of labor and industries finds that the conditions
37 in subsection (2) of this section are not present, he or she may

1 withdraw the exemption and immediately require the employer to
2 reestablish a separate workers' compensation medical aid fund program.

3 (4) In consultation with representatives of organized labor and the
4 large and small business communities of the state, and consistent with
5 chapter . . . , Laws of 1993 (this act), the statutory workers'
6 compensation advisory committee and the department of labor and
7 industries shall propose a plan and timeline for including the medical
8 services of the workers' compensation program of the department of
9 labor and industries in the services offered by certified health plans.
10 No plan or timeline may take effect until at least ninety-seven percent
11 of state residents have access to the uniform benefit package as
12 required in chapter . . . , Laws of 1993 (this act). No plan or
13 timeline may be proposed that does not assure that (a) the uniform
14 benefit package provides benefits which are medically necessary under
15 the workers' compensation program in 1993, including payment for
16 medical determinations of disability under chapter RCW, (b)
17 statutory assurances are provided that time loss benefits and
18 rehabilitative services will not be reduced as a result of the
19 transfer, (c) employers who self-fund for health insurance or workers'
20 compensation and who do not choose to become certified health plans
21 under chapter . . . , Laws of 1993 (this act), will continue to be
22 required to provide workers' compensation benefits as required under
23 1993 law, (d) the employees' share of the workers' compensation medical
24 aid fund contribution is returned to employees as increased wages, and
25 (e) a majority of employees in the employer's company do not object to
26 the change.

27 The medical aid fund portion of the workers' compensation program
28 affected by this section shall not be less than the percentage of the
29 medical aid portion of the workers' compensation program in 1992.

30 To help in developing this plan the department of labor and
31 industries may immediately implement pilot projects to assess the
32 effects of this consolidation on the cost, quality comparability, and
33 employer/employee satisfaction with various consolidation proposals.

34 The plan and timeline required under this subsection shall be
35 presented to the governor and the appropriate committees of the
36 legislature by January 1, 1995. The timeline shall include full
37 implementation of needed rules by July 1, 1997.

38 **O. MISCELLANEOUS**

1 NEW SECTION. **Sec. 367.** SHORT TITLE. This act may be known and
2 cited as the Washington health system reform act of 1993.

3 **Sec. 368.** RCW 42.17.2401 and 1991 c 200 s 404 are each amended to
4 read as follows:

5 For the purposes of RCW 42.17.240, the term "executive state
6 officer" includes:

7 (1) The chief administrative law judge, the director of
8 agriculture, the administrator of the office of marine safety, the
9 administrator of the Washington basic health plan, the director of the
10 department of services for the blind, the director of the state system
11 of community and technical colleges, the director of community
12 development, the secretary of corrections, the director of ecology, the
13 commissioner of employment security, the chairman of the energy
14 facility site evaluation council, the director of the energy office,
15 the secretary of the state finance committee, the director of financial
16 management, the director of fisheries, the executive secretary of the
17 forest practices appeals board, the director of the gambling
18 commission, the director of general administration, the secretary of
19 health, the administrator of the Washington state health care
20 authority, the executive secretary of the health care facilities
21 authority, the executive secretary of the higher education facilities
22 authority, the director of the higher education personnel board, the
23 executive secretary of the horse racing commission, the executive
24 secretary of the human rights commission, the executive secretary of
25 the indeterminate sentence review board, the director of the department
26 of information services, the director of the interagency committee for
27 outdoor recreation, the executive director of the state investment
28 board, the director of labor and industries, the director of licensing,
29 the director of the lottery commission, the director of the office of
30 minority and women's business enterprises, the director of parks and
31 recreation, the director of personnel, the executive director of the
32 public disclosure commission, the director of retirement systems, the
33 director of revenue, the secretary of social and health services, the
34 chief of the Washington state patrol, the executive secretary of the
35 board of tax appeals, the director of trade and economic development,
36 the secretary of transportation, the secretary of the utilities and
37 transportation commission, the director of veterans affairs, the
38 director of wildlife, the president of each of the regional and state

1 universities and the president of The Evergreen State College, each
2 district and each campus president of each state community college;
3 (2) Each professional staff member of the office of the governor;
4 (3) Each professional staff member of the legislature; and
5 (4) Central Washington University board of trustees, board of
6 trustees of each community college, each member of the state board for
7 community and technical colleges ((education)), state convention and
8 trade center board of directors, committee for deferred compensation,
9 Eastern Washington University board of trustees, Washington economic
10 development finance authority, The Evergreen State College board of
11 trustees, forest practices appeals board, forest practices board,
12 gambling commission, Washington health care facilities authority, each
13 member of the Washington health services commission, higher education
14 coordinating board, higher education facilities authority, higher
15 education personnel board, horse racing commission, state housing
16 finance commission, human rights commission, indeterminate sentence
17 review board, board of industrial insurance appeals, information
18 services board, interagency committee for outdoor recreation, state
19 investment board, liquor control board, lottery commission, marine
20 oversight board, oil and gas conservation committee, Pacific Northwest
21 electric power and conservation planning council, parks and recreation
22 commission, personnel appeals board, personnel board, board of pilotage
23 ((~~commissioners~~)) commissioners, pollution control hearings board,
24 public disclosure commission, public pension commission, shorelines
25 hearing board, state employees' benefits board, board of tax appeals,
26 transportation commission, University of Washington board of regents,
27 utilities and transportation commission, Washington state maritime
28 commission, Washington public power supply system executive board,
29 Washington State University board of regents, Western Washington
30 University board of trustees, and wildlife commission.

31 NEW SECTION. Sec. 369. A new section is added to Title 48 RCW to
32 read as follows:

33 (1) After July 1, 1999, no insurance policy that covers a home,
34 automobile, other motor vehicle, marine vessel, commercial
35 establishment, industrial establishment, or any other vehicle,
36 conveyance, or location may contain coverage for medical payments
37 related to personal injury or liability.

1 (2) The insurance commissioner shall determine the projected
2 consumer cost of coverage for medical payments for personal injury
3 protection and liability as described in this section on July 1, 1999.
4 The insurance commissioner may, within reasonable limits, require any
5 information from insurance companies needed to comply with this
6 requirement.

7 (3) The insurance commissioner shall require rate reductions or
8 cash rebates by insurers to all policy holders of insurance that
9 contained coverage for medical payments for personal injury protection
10 or arising from claims of liability from July 1, 1998, to July 1, 1999.
11 Such rate reductions or rebates shall, as nearly as possible, equal the
12 consumer cost of this coverage during the July 1, 1998, to July 1,
13 1999, period.

14 **Sec. 370.** RCW 43.20.030 and 1984 c 287 s 75 are each amended to
15 read as follows:

16 The state board of health shall be composed of ten members. These
17 shall be the secretary or the secretary's designee and nine other
18 persons to be appointed by the governor, including four persons
19 experienced in matters of health and sanitation, ~~((an elected city
20 official who is a member of a local health board, an))~~ two elected
21 county officials who ~~((is a))~~ are members of a local health board, a
22 local health officer, and two persons representing the consumers of
23 health care. ~~((Before appointing the city official, the governor shall
24 consider any recommendations submitted by the association of Washington
25 cities.))~~ Before appointing the county official, the governor shall
26 consider any recommendations submitted by the Washington state
27 association of counties. Before appointing the local health officer,
28 the governor shall consider any recommendations submitted by the
29 Washington state association of local public health officials. Before
30 appointing one of the two consumer representatives, the governor shall
31 consider any recommendations submitted by the state council on aging.
32 The chairman shall be selected by the governor from among the nine
33 appointed members. The department ~~((of social and health services))~~
34 shall provide necessary technical staff support to the board. The
35 board may employ an executive director and a confidential secretary,
36 each of whom shall be exempt from the provisions of the state civil
37 service law, chapter 41.06 RCW.

1 Members of the board shall be compensated in accordance with RCW
2 43.03.240 and shall be reimbursed for their travel expenses in
3 accordance with RCW 43.03.050 and 43.03.060.

4 **Sec. 371.** RCW 43.20.050 and 1992 c 34 s 4 are each amended to read
5 as follows:

6 (1) The state board of health shall provide a forum for the
7 development of public health policy in Washington state. It is
8 authorized to recommend to the secretary means for obtaining
9 appropriate citizen and professional involvement in all public health
10 policy formulation and other matters related to the powers and duties
11 of the department. It is further empowered to hold hearings and
12 explore ways to improve the health status of the citizenry.

13 (a) At least every five years, the state board shall convene
14 regional forums to gather citizen input on public health issues.

15 (b) Every two years, in coordination with the development of the
16 state biennial budget, the state board shall prepare the state public
17 health report that outlines the health priorities of the ensuing
18 biennium. The report shall:

19 (i) Consider the citizen input gathered at the ((health)) forums;

20 (ii) Be developed with the assistance of local health departments;

21 (iii) Be based on the best available information collected and
22 reviewed according to RCW 43.70.050 and recommendations from the
23 council;

24 (iv) Be developed with the input of state health care agencies. At
25 least the following directors of state agencies shall provide timely
26 recommendations to the state board on suggested health priorities for
27 the ensuing biennium: The secretary of social and health services, the
28 health care authority administrator, the insurance commissioner, the
29 administrator of the basic health plan, the superintendent of public
30 instruction, the director of labor and industries, the director of
31 ecology, and the director of agriculture;

32 (v) Be used by state health care agency administrators in preparing
33 proposed agency budgets and executive request legislation;

34 (vi) Be submitted by the state board to the governor by June 1 of
35 each even-numbered year for adoption by the governor. The governor, no
36 later than September 1 of that year, shall approve, modify, or
37 disapprove the state public health report.

1 (c) In fulfilling its responsibilities under this subsection, the
2 state board (~~shall~~) may create ad hoc committees or other such
3 committees of limited duration as necessary. (~~Membership should~~
4 ~~include legislators, providers, consumers, bioethicists, medical~~
5 ~~economics experts, legal experts, purchasers, and insurers, as~~
6 ~~necessary.~~)

7 (2) In order to protect public health, the state board of health
8 shall:

9 (a) Adopt rules necessary to assure safe and reliable public
10 drinking water and to protect the public health. Such rules shall
11 establish requirements regarding:

12 (i) The design and construction of public water system facilities,
13 including proper sizing of pipes and storage for the number and type of
14 customers;

15 (ii) Drinking water quality standards, monitoring requirements, and
16 laboratory certification requirements;

17 (iii) Public water system management and reporting requirements;

18 (iv) Public water system planning and emergency response
19 requirements;

20 (v) Public water system operation and maintenance requirements;

21 (vi) Water quality, reliability, and management of existing but
22 inadequate public water systems; and

23 (vii) Quality standards for the source or supply, or both source
24 and supply, of water for bottled water plants.

25 (b) Adopt rules and standards for prevention, control, and
26 abatement of health hazards and nuisances related to the disposal of
27 wastes, solid and liquid, including but not limited to sewage, garbage,
28 refuse, and other environmental contaminants; adopt standards and
29 procedures governing the design, construction, and operation of sewage,
30 garbage, refuse and other solid waste collection, treatment, and
31 disposal facilities;

32 (c) Adopt rules controlling public health related to environmental
33 conditions including but not limited to heating, lighting, ventilation,
34 sanitary facilities, cleanliness and space in all types of public
35 facilities including but not limited to food service establishments,
36 schools, institutions, recreational facilities and transient
37 accommodations and in places of work;

38 (d) Adopt rules for the imposition and use of isolation and
39 quarantine;

1 (e) Adopt rules for the prevention and control of infectious and
2 noninfectious diseases, including food and vector borne illness, and
3 rules governing the receipt and conveyance of remains of deceased
4 persons, and such other sanitary matters as admit of and may best be
5 controlled by universal rule; and

6 (f) Adopt rules for accessing existing data bases for the purposes
7 of performing health related research.

8 (3) The state board may delegate any of its rule-adopting authority
9 to the secretary and rescind such delegated authority.

10 (4) All local boards of health, health authorities and officials,
11 officers of state institutions, police officers, sheriffs, constables,
12 and all other officers and employees of the state, or any county, city,
13 or township thereof, shall enforce all rules adopted by the state board
14 of health. In the event of failure or refusal on the part of any
15 member of such boards or any other official or person mentioned in this
16 section to so act, he shall be subject to a fine of not less than fifty
17 dollars, upon first conviction, and not less than one hundred dollars
18 upon second conviction.

19 (5) The state board may advise the secretary on health policy
20 issues pertaining to the department of health and the state.

21 **Sec. 372.** RCW 43.84.092 and 1992 c 235 s 4 are each amended to
22 read as follows:

23 (1) All earnings of investments of surplus balances in the state
24 treasury shall be deposited to the treasury income account, which
25 account is hereby established in the state treasury.

26 (2) Monthly, the state treasurer shall distribute the earnings
27 credited to the treasury income account. The state treasurer shall
28 credit the general fund with all the earnings credited to the treasury
29 income account except:

30 (a) The following accounts and funds shall receive their
31 proportionate share of earnings based upon each account's and fund's
32 average daily balance for the period: The capitol building
33 construction account, the Cedar River channel construction and
34 operation account, the Central Washington University capital projects
35 account, the charitable, educational, penal and reformatory
36 institutions account, the common school construction fund, the county
37 criminal justice assistance account, the county sales and use tax
38 equalization account, the data processing building construction

1 account, the deferred compensation administrative account, the deferred
2 compensation principal account, the department of retirement systems
3 expense account, the Eastern Washington University capital projects
4 account, the federal forest revolving account, the industrial insurance
5 premium refund account, the judges' retirement account, the judicial
6 retirement administrative account, the judicial retirement principal
7 account, the local leasehold excise tax account, the local sales and
8 use tax account, the medical aid account, the municipal criminal
9 justice assistance account, the municipal sales and use tax
10 equalization account, the natural resources deposit account, the
11 perpetual surveillance and maintenance account, the public employees'
12 retirement system plan I account, the public employees' retirement
13 system plan II account, the Puyallup tribal settlement account, the
14 resource management cost account, the site closure account, the special
15 wildlife account, the state employees' insurance account, the state
16 employees' insurance reserve account, the state investment board
17 expense account, the state investment board commingled trust fund
18 accounts, the supplemental pension account, the teachers' retirement
19 system plan I account, the teachers' retirement system plan II account,
20 the University of Washington bond retirement fund, the University of
21 Washington building account, the volunteer fire fighters' relief and
22 pension principal account, the volunteer fire fighters' relief and
23 pension administrative account, the Washington health services trust
24 account, the Washington judicial retirement system account, the
25 Washington law enforcement officers' and fire fighters' system plan I
26 retirement account, the Washington law enforcement officers' and fire
27 fighters' system plan II retirement account, the Washington state
28 patrol retirement account, the Washington State University building
29 account, the Washington State University bond retirement fund, and the
30 Western Washington University capital projects account. Earnings
31 derived from investing balances of the agricultural permanent fund, the
32 normal school permanent fund, the permanent common school fund, the
33 scientific permanent fund, and the state university permanent fund
34 shall be allocated to their respective beneficiary accounts. All
35 earnings to be distributed under this subsection (2)(a) shall first be
36 reduced by the allocation to the state treasurer's service fund
37 pursuant to RCW 43.08.190.

38 (b) The following accounts and funds shall receive eighty percent
39 of their proportionate share of earnings based upon each account's or

1 fund's average daily balance for the period: The central Puget Sound
2 public transportation account, the city hardship assistance account,
3 the county arterial preservation account, the economic development
4 account, the essential rail assistance account, the essential rail
5 banking account, the ferry bond retirement fund, the grade crossing
6 protective fund, the high capacity transportation account, the highway
7 bond retirement fund, the highway construction stabilization account,
8 the highway safety account, the motor vehicle fund, the motorcycle
9 safety education account, the pilotage account, the public
10 transportation systems account, the Puget Sound capital construction
11 account, the Puget Sound ferry operations account, the recreational
12 vehicle account, the rural arterial trust account, the special category
13 C account, the state patrol highway account, the transfer relief
14 account, the transportation capital facilities account, the
15 transportation equipment fund, the transportation fund, the
16 transportation improvement account, and the urban arterial trust
17 account.

18 (3) In conformance with Article II, section 37 of the state
19 Constitution, no treasury accounts or funds shall be allocated earnings
20 without the specific affirmative directive of this section.

21 NEW SECTION. **Sec. 373.** SEVERABILITY. If any provision of this
22 act or its application to any person or circumstance is held invalid,
23 the remainder of the act or the application of the provision to other
24 persons or circumstances is not affected.

25 NEW SECTION. **Sec. 374.** SAVINGS CLAUSE. The enactment of this act
26 does not have the effect of terminating, or in any way modifying, any
27 obligation or any liability, civil or criminal, which was already in
28 existence on the effective date of this act.

29 NEW SECTION. **Sec. 375.** CAPTIONS. Captions used in this act do
30 not constitute any part of the law.

31 NEW SECTION. **Sec. 376.** EFFECTIVE DATE CLAUSE. (1) Sections 101
32 and 102, 201 through 229, 254 through 268, and 301 through 363 of this
33 act are necessary for the immediate preservation of the public peace,
34 health, or safety, or support of the state government and its existing
35 public institutions, and shall take effect immediately.

1 (2) Sections 253, 270 through 276, and 281 through 284 of this act
2 are necessary for the immediate preservation of the public peace,
3 health, or safety, or support of the state government and its existing
4 public institutions, and shall take effect July 1, 1993.

5 (3) Sections 230 through 252 of this act shall take effect January
6 1, 1994.

7 (4) Sections 277 through 280 of this act shall take effect January
8 1, 1995.

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