



1       **Sec. 102.** RCW 41.05.011 and 2001 c 165 s 2 are each amended to  
2 read as follows:

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

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

6       (2) "State purchased health care" or "health care" means medical  
7 and health care, pharmaceuticals, and medical equipment purchased with  
8 state and federal funds by the department of social and health  
9 services, the department of health, the basic health plan, the state  
10 health care authority, the department of labor and industries, the  
11 department of corrections, the department of veterans affairs, and  
12 local school districts.

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

14       (4) "Insuring entity" means an insurer as defined in chapter 48.01  
15 RCW, a health care service contractor as defined in chapter 48.44 RCW,  
16 or a health maintenance organization as defined in chapter 48.46 RCW.

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

21       (6) "Employee" includes all full-time and career seasonal employees  
22 of the state, whether or not covered by civil service; elected and  
23 appointed officials of the executive branch of government, including  
24 full-time members of boards, commissions, or committees; and includes  
25 any or all part-time and temporary employees under the terms and  
26 conditions established under this chapter by the authority; justices of  
27 the supreme court and judges of the court of appeals and the superior  
28 courts; and members of the state legislature or of the legislative  
29 authority of any county, city, or town who are elected to office after  
30 February 20, 1970. "Employee" also includes: (a) Employees of a  
31 county, municipality, or other political subdivision of the state if  
32 the legislative authority of the county, municipality, or other  
33 political subdivision of the state seeks and receives the approval of  
34 the authority to provide any of its insurance programs by contract with  
35 the authority, as provided in RCW 41.04.205; (b) employees of employee  
36 organizations representing state civil service employees, at the option  
37 of each such employee organization, and, effective October 1, 1995,  
38 employees of employee organizations currently pooled with employees of

1 school districts for the purpose of purchasing insurance benefits, at  
2 the option of each such employee organization; and (c) employees of a  
3 school district if the authority agrees to provide any of the school  
4 districts' insurance programs by contract with the authority as  
5 provided in RCW 28A.400.350.

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

8 (8) "Retired or disabled school employee" means:

9 (a) Persons who separated from employment with a school district or  
10 educational service district and are receiving a retirement allowance  
11 under chapter 41.32 or 41.40 RCW as of September 30, 1993;

12 (b) Persons who separate from employment with a school district or  
13 educational service district on or after October 1, 1993, and  
14 immediately upon separation receive a retirement allowance under  
15 chapter 41.32, 41.35, or 41.40 RCW;

16 (c) Persons who separate from employment with a school district or  
17 educational service district due to a total and permanent disability,  
18 and are eligible to receive a deferred retirement allowance under  
19 chapter 41.32, 41.35, or 41.40 RCW.

20 (9) "Benefits contribution plan" means a premium only contribution  
21 plan, a medical flexible spending arrangement, or a cafeteria plan  
22 whereby state and public employees may agree to a contribution to  
23 benefit costs which will allow the employee to participate in benefits  
24 offered pursuant to 26 U.S.C. Sec. 125 or other sections of the  
25 internal revenue code.

26 (10) "Salary" means a state employee's monthly salary or wages.

27 (11) "Participant" means an individual who fulfills the eligibility  
28 and enrollment requirements under the benefits contribution plan.

29 (12) "Plan year" means the time period established by the  
30 authority.

31 (13) "Separated employees" means persons who separate from  
32 employment with an employer as defined in:

33 (a) RCW 41.32.010(11) on or after July 1, 1996; or

34 (b) RCW 41.35.010 on or after September 1, 2000; or

35 (c) RCW 41.40.010 on or after March 1, 2002;

36 and who are at least age fifty-five and have at least ten years of  
37 service under the teachers' retirement system plan 3 as defined in RCW

1 41.32.010(40), the Washington school employees' retirement system plan  
2 3 as defined in RCW 41.35.010, or the public employees' retirement  
3 system plan 3 as defined in RCW 41.40.010.

4 (14) "Emergency service personnel killed in the line of duty" means  
5 law enforcement officers and fire fighters as defined in RCW 41.26.030,  
6 and reserve officers and fire fighters as defined in RCW 41.24.010 who  
7 die as a result of injuries sustained in the course of employment as  
8 determined consistent with Title 51 RCW by the department of labor and  
9 industries.

10 (15) "Pool" means the health insurance market stabilization pool  
11 created in this act.

12 (16) "Members" includes those health carriers as defined in RCW  
13 48.43.005. It also means self-funded plans that voluntarily agree to  
14 participate in the pool.

15 (17) "Covered person" has the same meaning as defined in RCW  
16 48.43.005, or an individual in a self-funded plan that has voluntarily  
17 agreed to participate in the pool.

18 (18) "Participating enrollee" means a covered person who becomes  
19 insured by the health insurance market stabilization pool when his or  
20 her cost of health care services exceeds twenty-five thousand dollars  
21 annually. A participating enrollee must continue to be a covered  
22 person.

23 (19) "Cost of health care services" means the cost of allowed  
24 health care services provided under a health plan. For the purposes of  
25 this section, the terms "health care services" and "health plan" have  
26 the same meaning as defined in RCW 48.43.005.

27 (20) "Health plan" or "health benefit plan" have the same meaning  
28 as defined in RCW 48.43.005.

29 (21) "Self-funded plan" means a self-funded health plan or health  
30 benefit plan that has voluntarily agreed to participate in the pool.

31 (22) "Care management services" means the utilization management,  
32 case management, disease management services, or other types of  
33 structured administrative approaches to manage the quality or cost-  
34 effectiveness of health care services.

35 (23) "Premium" has the same meaning as provided in RCW 48.43.005.

36 (24) "Premium assistance enrollee" means an individual or an  
37 individual plus the individual's spouse and dependent children: (a)  
38 Who is not eligible for medicare; (b) who is not confined or residing

1 in a government-operated institution, unless he or she meets  
2 eligibility criteria adopted by the administrator; (c) whose gross  
3 family income at the time of enrollment does not exceed two hundred  
4 percent of the federal poverty level as adjusted for family size and  
5 determined annually by the federal department of health and human  
6 services; (d) who resides within the state of Washington; (e) who meets  
7 the definition of eligible employee as defined in RCW 48.43.005; and  
8 (f) who qualifies for and chooses to participate in the small employer-  
9 sponsored health insurance premium assistance option under section 109  
10 of this act.

11 (25) "Small employer" has the same meaning as defined in RCW  
12 48.43.005.

13 NEW SECTION. Sec. 103. (1) To stabilize the health insurance  
14 market and reduce health insurance premiums the health insurance market  
15 stabilization pool is created. Effective July 1, 2005:

16 (a) All health carriers become members of the pool and self-funded  
17 plans may voluntarily agree to become members of the pool;

18 (b) The pool will pay seventy-five percent of the cost of health  
19 care services used by a participating enrollee;

20 (c) A member whose covered person becomes a participating enrollee  
21 must pay twenty-five percent of the cost of health care services used  
22 by that participating enrollee coordinated with any enrollee cost-  
23 sharing amounts;

24 (d) A participating enrollee's health plan or self-funded plan  
25 remains intact when he or she becomes a participating enrollee;

26 (e) The participating enrollee's health plan or self-funded plan  
27 determines the health care services used by the participating enrollee  
28 and the cost of those health care services, including any cost-sharing  
29 by the participating enrollee; and

30 (f) When the administrator determines that it is necessary for the  
31 quality and cost-effectiveness of the health care services used by  
32 participating enrollees, the administrator must contract for care  
33 management services for the pool.

34 (2) The health insurance market stabilization pool account is  
35 created in the custody of the state treasurer. All receipts from  
36 remittances collected under section 104 of this act must be deposited  
37 in the account. Expenditures from the account may be used only for the

1 purposes of this section, including the appropriate payment of health  
2 care services provided to participating enrollees and the associated  
3 administrative expenses of providing the pool. Only the administrator  
4 or the administrator's designee may authorize expenditures from the  
5 account. The account is subject to allotment procedures under chapter  
6 43.88 RCW, but an appropriation is not required for expenditures.

7 (3) To implement the pool, the administrator may:

8 (a) Enter into agreements with an authorized insurer as provided in  
9 RCW 48.05.030 to provide reinsurance for the cost of health care  
10 services for participating enrollees; and

11 (b) Enter into agreements with a reinsurance broker, other  
12 insurance broker, or consultant to assist in selecting an authorized  
13 insurer as provided in RCW 48.05.030 for the pool.

14 (4) The administrator shall provide a report to the legislature by  
15 January 1, 2005, on the implementation activities of the pool. The  
16 report must contain a brief action plan for completing the  
17 implementation of the pool by July 1, 2005.

18 NEW SECTION. **Sec. 104.** (1) Beginning July 1, 2005, a member must  
19 pay an annual remittance to the pool equal to a portion of seventy-five  
20 percent of the annual cost of health care services and administration  
21 for all participating enrollees.

22 (2) The administrator must determine a member's remittance based  
23 upon the member's enrollment of covered persons for a twelve-month  
24 period selected by the administrator.

25 (3) A member must pay its remittance on a periodic schedule to be  
26 determined by the administrator.

27 (4) The total remittance for all members may not exceed twelve  
28 percent of the annual premium of covered persons not in a self-funded  
29 plan, plus the cost of health care services of covered persons in a  
30 self-funded plan for a twelve-month period selected by the  
31 administrator.

32 (5) To assist in determining the remittances, members must submit  
33 annually, by a date selected by the administrator, the number of  
34 covered persons where the cost of health care services exceeds twenty-  
35 five thousand dollars and the total cost of health care services for  
36 these covered persons. The number of covered persons and the total

1 cost of health care services must be calculated for a twelve-month  
2 period to be specified by the administrator.

3 NEW SECTION. **Sec. 105.** (1) Beginning July 1, 2005, a member that  
4 is not a self-funded plan must pay an initial annual remittance to the  
5 Washington state health insurance pool premium assistance account  
6 created in section 201 of this act, equal to 0.24 percent of that  
7 member's annual premium.

8 (2) A member that is a self-funded plan will pay an initial annual  
9 remittance to the Washington state health insurance pool premium  
10 assistance account created in section 201 of this act, equal to 0.24  
11 percent of that member's payments for health care services as agreed  
12 upon by the member and the office of the insurance commissioner.

13 (3) The administrator shall publish all subsequent annual  
14 remittances at least thirty days before the effective date and base the  
15 remittances upon:

16 (a) A percentage of the annual premium for a member that is not a  
17 self-funded health plan or a percentage of the annual payments for  
18 health care services for a member that is a self-funded plan;

19 (b) The amount needed to provide premium assistance to a projection  
20 of annual high risk pool premium assistance enrollees not to exceed two  
21 thousand enrollees; and

22 (c) A public hearing held by the administrator at least one hundred  
23 eighty days before the effective date of an annual remittance.

24 (4) A member must pay its remittance on a periodic schedule as  
25 determined by the administrator.

26 NEW SECTION. **Sec. 106.** (1) Beginning July 1, 2005, a member that  
27 is not a self-funded plan will pay an initial annual remittance to the  
28 small employer-sponsored health insurance premium assistance account,  
29 created in section 108 of this act, equal to 0.49 percent of that  
30 member's annual premium.

31 (2) A member that is a self-funded plan will pay an initial annual  
32 remittance to the small employer-sponsored health insurance premium  
33 assistance account created in section 108 of this act, equal to 0.49  
34 percent of that member's payments for health care services as agreed  
35 upon by the member and the office of the insurance commissioner.

1 (3) The administrator shall publish all subsequent annual  
2 remittances at least thirty days before the effective date and base the  
3 remittances upon:

4 (a) A percentage of the annual premium for a member that is not a  
5 self-funded health plan or a percentage of the annual payments for  
6 health care services for a member that is a self-funded plan;

7 (b) The amount needed to provide premium assistance to a projection  
8 of annual high risk pool premium assistance enrollees not to exceed  
9 twenty thousand enrollees; and

10 (c) A public hearing held by the administrator at least one hundred  
11 eighty days before the effective date of an annual remittance.

12 (4) A member must pay its remittance on a periodic schedule as  
13 determined by the administrator.

14 NEW SECTION. **Sec. 107.** The administrator may adopt rules  
15 consistent with sections 103 through 109 and 201 of this act to carry  
16 out the purposes of this act. The rules may include but are not  
17 limited to:

18 (1) Establishing and collecting remittances;

19 (2) Clarifying the eligibility of members;

20 (3) Establishing operating procedures with members to pay for a  
21 participating enrollee's health care services; and

22 (4) Clarifying the eligibility of participating enrollees.

23 NEW SECTION. **Sec. 108.** The small employer-sponsored health  
24 insurance premium assistance account is created in the custody of the  
25 state treasurer. All receipts from remittances collected under section  
26 106 of this act must be deposited in the account. Expenditures from  
27 the account may be used only for the purposes of providing premium  
28 assistance, and the payment of costs of administering the collection  
29 and verification of income for the determination of premium assistance,  
30 as provided in section 109 of this act. Only the administrator or the  
31 administrator's designee may authorize expenditures from the account.  
32 The account is subject to allotment procedures under chapter 43.88 RCW,  
33 but an appropriation is not required for expenditures.

34 NEW SECTION. **Sec. 109.** (1) Beginning July 1, 2005, the  
35 administrator may accept applications to become premium assistance

1 enrollees from individuals whose current small employer has not offered  
2 health insurance within the last six months, on behalf of themselves  
3 and their spouses and dependent children, for assistance in paying  
4 premiums to health plans, and to determine, upon application and on a  
5 reasonable schedule defined by the authority, or at the request of any  
6 enrollee, eligibility due to current gross family income for sliding  
7 scale premium assistance as provided under RCW 70.47.060. The  
8 administrator may also determine the minimum premium contribution to be  
9 paid by small employers participating in the small employer-sponsored  
10 health insurance premium assistance option on behalf of premium  
11 assistance enrollees. The administrator may use funds from the small  
12 employer-sponsored health insurance premium assistance account, created  
13 in section 108 of this act, for payment of small employer-sponsored  
14 health insurance premiums on behalf of premium assistance enrollees  
15 when:

16 (a) The cost of paying the premium assistance enrollee's employer-  
17 sponsored health insurance premium obligation would be less than the  
18 subsidy that would be paid if the individual, or the individual plus  
19 his or her spouse and dependent children, were to enroll in a  
20 participating managed care system;

21 (b) The premium assistance enrollee agrees to provide verification  
22 of continued enrollment in his or her small employer's employer-  
23 sponsored health insurance plan on a semiannual basis, or to notify the  
24 administrator whenever his or her enrollment status changes, whichever  
25 is earlier. Verification or notification may be made directly by the  
26 employee, or through their employer or the carrier providing the small  
27 employer health insurance product.

28 (2) The administrator may, in consultation with the office of the  
29 insurance commissioner, adopt standards for minimum thresholds of small  
30 employer-sponsored health insurance coverage under this section. The  
31 office of the insurance commissioner is responsible for certifying  
32 small employer health insurance products that meet any standards that  
33 might be developed under this section.

34 (3) The administrator, in consultation with small employers,  
35 carriers, and the office of the insurance commissioner, shall determine  
36 the most efficient method for payment of premium assistance, with a  
37 goal of minimizing the administrative burden on small employers.

1 (4) Funds received by a family as part of participation in the  
2 adoption support program authorized under RCW 26.33.320 and 74.13.100  
3 through 74.13.145 may not be counted toward a family's current gross  
4 family income for the purposes of this act. No premium assistance may  
5 be paid to premium assistance enrollees whose current gross family  
6 income exceeds twice the federal poverty level or, subject to RCW  
7 70.47.110, who is a recipient of medical assistance or medical care  
8 services under chapter 74.09 RCW.

9 NEW SECTION. **Sec. 110.** A new section is added to chapter 74.09  
10 RCW to read as follows:

11 (1) The department shall make every effort to maximize  
12 opportunities to blend public and private funds through subsidization  
13 of small employer-sponsored health insurance premiums on behalf of  
14 individuals eligible for medical assistance and children eligible for  
15 the state children's health insurance program when such subsidization  
16 is cost-effective for the state. In developing policies under this  
17 section, the department shall consult with the health care authority  
18 and, to the extent allowed by federal law, develop policies that are  
19 consistent with those policies developed by the health care authority  
20 under section 109 of this act so that entire families have the  
21 opportunity to enroll in the same small employer-sponsored health  
22 insurance plan.

23 (2) If a federal waiver is necessary to achieve consistency with  
24 health care authority policies under section 109 of this act, the  
25 department shall notify the relevant fiscal and policy committees of  
26 the legislature on or before September 1, 2004. The notification must  
27 include recommendations regarding federal waiver options that would  
28 provide the flexibility needed to optimize the use of medical  
29 assistance and state children's health insurance program funds to  
30 subsidize small employer-sponsored health insurance premiums on behalf  
31 of low-income families.

32 **PART 2**  
33 **PREMIUM ASSISTANCE FOR LOW-INCOME WASHINGTON STATE HEALTH INSURANCE**  
34 **POOL ENROLLEES**

1        NEW SECTION.    **Sec. 201.**    The Washington state health insurance pool  
2 premium assistance account is created in the custody of the state  
3 treasurer. All receipts from remittances collected under section 105  
4 of this act must be deposited in the account. Expenditures from the  
5 account may be used only for the purposes of providing and  
6 administering premium assistance under RCW 48.41.200(3)(a)(iv). Only  
7 the administrator or the administrator's designee may authorize  
8 expenditures from the account. The account is subject to allotment  
9 procedures under chapter 43.88 RCW, but an appropriation is not  
10 required for expenditures.

11        **Sec. 202.**    RCW 48.41.200 and 2000 c 79 s 17 are each amended to  
12 read as follows:

13        (1) The pool shall determine the standard risk rate by calculating  
14 the average individual standard rate charged for coverage comparable to  
15 pool coverage by the five largest members, measured in terms of  
16 individual market enrollment, offering such coverages in the state. In  
17 the event five members do not offer comparable coverage, the standard  
18 risk rate shall be established using reasonable actuarial techniques  
19 and shall reflect anticipated experience and expenses for such coverage  
20 in the individual market.

21        (2) Subject to subsection (3) of this section, maximum rates for  
22 pool coverage shall be as follows:

23        (a) Maximum rates for a pool indemnity health plan shall be one  
24 hundred fifty percent of the rate calculated under subsection (1) of  
25 this section;

26        (b) Maximum rates for a pool care management plan shall be one  
27 hundred twenty-five percent of the rate calculated under subsection (1)  
28 of this section; and

29        (c) Maximum rates for a person eligible for pool coverage pursuant  
30 to RCW 48.41.100(1)(a) who was enrolled at any time during the sixty-  
31 three day period immediately prior to the date of application for pool  
32 coverage in a group health benefit plan or an individual health benefit  
33 plan other than a catastrophic health plan as defined in RCW 48.43.005,  
34 where such coverage was continuous for at least eighteen months, shall  
35 be:

36        (i) For a pool indemnity health plan, one hundred twenty-five

1 percent of the rate calculated under subsection (1) of this section;  
2 and

3 (ii) For a pool care management plan, one hundred ten percent of  
4 the rate calculated under subsection (1) of this section.

5 (3)(a) Subject to (b) and (c) of this subsection:

6 (i) The rate for any person aged fifty to sixty-four whose current  
7 gross family income is less than two hundred fifty-one percent of the  
8 federal poverty level and not receiving premium assistance as provided  
9 in (a)(iv) of this subsection, shall be reduced by thirty percent from  
10 what it would otherwise be;

11 (ii) The rate for any person aged fifty to sixty-four whose current  
12 gross family income is more than two hundred fifty but less than three  
13 hundred one percent of the federal poverty level shall be reduced by  
14 fifteen percent from what it would otherwise be;

15 (iii) The rate for any person who has been enrolled in the pool for  
16 more than thirty-six months shall be reduced by five percent from what  
17 it would otherwise be;

18 (iv) Beginning July 1, 2005, the rate for any person whose gross  
19 family income does not exceed two hundred percent of the federal  
20 poverty level must be subsidized by receiving premium assistance from  
21 the Washington state health insurance pool premium assistance account  
22 as provided in section 201 of this act. The amount of premium  
23 assistance must be calculated using the same percentage of subsidy  
24 available to subsidized enrollees of the Washington basic health plan  
25 under RCW 70.47.060.

26 (b) In no event shall the rate for any person, except those persons  
27 receiving premium assistance as provided in (a)(iv) of this subsection,  
28 be less than one hundred ten percent of the rate calculated under  
29 subsection (1) of this section.

30 (c) Rate reductions under (a)(i) and (ii) of this subsection shall  
31 be available only to the extent that funds are specifically  
32 appropriated for this purpose in the omnibus appropriations act.

33 **Sec. 203.** RCW 48.41.060 and 2000 c 79 s 9 are each amended to read  
34 as follows:

35 (1) The board shall have the general powers and authority granted  
36 under the laws of this state to insurance companies, health care

1 service contractors, and health maintenance organizations, licensed or  
2 registered to offer or provide the kinds of health coverage defined  
3 under this title. In addition thereto, the board shall:

4 (a) Designate or establish the standard health questionnaire to be  
5 used under RCW 48.41.100 and 48.43.018, including the form and content  
6 of the standard health questionnaire and the method of its application.  
7 The questionnaire must provide for an objective evaluation of an  
8 individual's health status by assigning a discreet measure, such as a  
9 system of point scoring to each individual. The questionnaire must not  
10 contain any questions related to pregnancy, and pregnancy shall not be  
11 a basis for coverage by the pool. The questionnaire shall be designed  
12 such that it is reasonably expected to identify the eight percent of  
13 persons who are the most costly to treat who are under individual  
14 coverage in health benefit plans, as defined in RCW 48.43.005, in  
15 Washington state or are covered by the pool, if applied to all such  
16 persons;

17 (b) Obtain from a member of the American academy of actuaries, who  
18 is independent of the board, a certification that the standard health  
19 questionnaire meets the requirements of (a) of this subsection;

20 (c) Approve the standard health questionnaire and any modifications  
21 needed to comply with this chapter. The standard health questionnaire  
22 shall be submitted to an actuary for certification, modified as  
23 necessary, and approved at least every eighteen months. The  
24 designation and approval of the standard health questionnaire by the  
25 board shall not be subject to review and approval by the commissioner.  
26 The standard health questionnaire or any modification thereto shall not  
27 be used until ninety days after public notice of the approval of the  
28 questionnaire or any modification thereto, except that the initial  
29 standard health questionnaire approved for use by the board after March  
30 23, 2000, may be used immediately following public notice of such  
31 approval;

32 (d) Establish appropriate rates, rate schedules, rate adjustments,  
33 expense allowances, claim reserve formulas and any other actuarial  
34 functions appropriate to the operation of the pool. Rates shall not be  
35 unreasonable in relation to the coverage provided, the risk experience,  
36 and expenses of providing the coverage. Rates and rate schedules may  
37 be adjusted for appropriate risk factors such as age and area variation  
38 in claim costs and shall take into consideration appropriate risk

1 factors in accordance with established actuarial underwriting practices  
2 consistent with Washington state individual plan rating requirements  
3 under RCW 48.44.022 and 48.46.064;

4 (e) Assess members of the pool in accordance with the provisions of  
5 this chapter, and make advance interim assessments as may be reasonable  
6 and necessary for the organizational or interim operating expenses.  
7 Any interim assessments will be credited as offsets against any regular  
8 assessments due following the close of the year;

9 (f) Issue policies of health coverage in accordance with the  
10 requirements of this chapter;

11 (g) Establish procedures for the administration of the premium  
12 discount provided under RCW 48.41.200(3)(a)(iii);

13 (h) Contract with the Washington state health care authority for  
14 the administration of the premium discounts provided under RCW  
15 48.41.200(3)(a) (i) (~~and~~), (ii), and (iv);

16 (i) Set a reasonable fee to be paid to an insurance agent licensed  
17 in Washington state for submitting an acceptable application for  
18 enrollment in the pool; and

19 (j) Provide certification to the commissioner when assessments will  
20 exceed the threshold level established in RCW 48.41.037.

21 (2) In addition thereto, the board may:

22 (a) Enter into contracts as are necessary or proper to carry out  
23 the provisions and purposes of this chapter including the authority,  
24 with the approval of the commissioner, to enter into contracts with  
25 similar pools of other states for the joint performance of common  
26 administrative functions, or with persons or other organizations for  
27 the performance of administrative functions;

28 (b) Sue or be sued, including taking any legal action as necessary  
29 to avoid the payment of improper claims against the pool or the  
30 coverage provided by or through the pool;

31 (c) Appoint appropriate legal, actuarial, and other committees as  
32 necessary to provide technical assistance in the operation of the pool,  
33 policy, and other contract design, and any other function within the  
34 authority of the pool; and

35 (d) Conduct periodic audits to assure the general accuracy of the  
36 financial data submitted to the pool, and the board shall cause the  
37 pool to have an annual audit of its operations by an independent  
38 certified public accountant.

1 (3) Nothing in this section shall be construed to require or  
2 authorize the adoption of rules under chapter 34.05 RCW.

3 **Sec. 204.** RCW 70.47.060 and 2001 c 196 s 13 are each amended to  
4 read as follows:

5 The administrator has the following powers and duties:

6 (1) To design and from time to time revise a schedule of covered  
7 basic health care services, including physician services, inpatient and  
8 outpatient hospital services, prescription drugs and medications, and  
9 other services that may be necessary for basic health care. In  
10 addition, the administrator may, to the extent that funds are  
11 available, offer as basic health plan services chemical dependency  
12 services, mental health services and organ transplant services;  
13 however, no one service or any combination of these three services  
14 shall increase the actuarial value of the basic health plan benefits by  
15 more than five percent excluding inflation, as determined by the office  
16 of financial management. All subsidized and nonsubsidized enrollees in  
17 any participating managed health care system under the Washington basic  
18 health plan shall be entitled to receive covered basic health care  
19 services in return for premium payments to the plan. The schedule of  
20 services shall emphasize proven preventive and primary health care and  
21 shall include all services necessary for prenatal, postnatal, and well-  
22 child care. However, with respect to coverage for subsidized enrollees  
23 who are eligible to receive prenatal and postnatal services through the  
24 medical assistance program under chapter 74.09 RCW, the administrator  
25 shall not contract for such services except to the extent that such  
26 services are necessary over not more than a one-month period in order  
27 to maintain continuity of care after diagnosis of pregnancy by the  
28 managed care provider. The schedule of services shall also include a  
29 separate schedule of basic health care services for children, eighteen  
30 years of age and younger, for those subsidized or nonsubsidized  
31 enrollees who choose to secure basic coverage through the plan only for  
32 their dependent children. In designing and revising the schedule of  
33 services, the administrator shall consider the guidelines for assessing  
34 health services under the mandated benefits act of 1984, RCW 48.47.030,  
35 and such other factors as the administrator deems appropriate.

36 (2)(a) To design and implement a structure of periodic premiums due  
37 the administrator from subsidized enrollees that is based upon gross

1 family income, giving appropriate consideration to family size and the  
2 ages of all family members. The enrollment of children shall not  
3 require the enrollment of their parent or parents who are eligible for  
4 the plan. The structure of periodic premiums shall be applied to  
5 subsidized enrollees entering the plan as individuals pursuant to  
6 subsection (9) of this section and to the share of the cost of the plan  
7 due from subsidized enrollees entering the plan as employees pursuant  
8 to subsection (10) of this section.

9 (b) To determine the periodic premiums due the administrator from  
10 nonsubsidized enrollees. Premiums due from nonsubsidized enrollees  
11 shall be in an amount equal to the cost charged by the managed health  
12 care system provider to the state for the plan plus the administrative  
13 cost of providing the plan to those enrollees and the premium tax under  
14 RCW 48.14.0201.

15 (c) An employer or other financial sponsor may, with the prior  
16 approval of the administrator, pay the premium, rate, or any other  
17 amount on behalf of a subsidized or nonsubsidized enrollee, by  
18 arrangement with the enrollee and through a mechanism acceptable to the  
19 administrator.

20 (d) To develop, as an offering by every health carrier providing  
21 coverage identical to the basic health plan, as configured on January  
22 1, 2001, a basic health plan model plan with uniformity in enrollee  
23 cost-sharing requirements.

24 (3) To design and implement a structure of enrollee cost-sharing  
25 due a managed health care system from subsidized and nonsubsidized  
26 enrollees. The structure shall discourage inappropriate enrollee  
27 utilization of health care services, and may utilize copayments,  
28 deductibles, and other cost-sharing mechanisms, but shall not be so  
29 costly to enrollees as to constitute a barrier to appropriate  
30 utilization of necessary health care services.

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

36 (5) To limit the payment of subsidies to subsidized enrollees, as  
37 defined in RCW 70.47.020. The level of subsidy provided to persons who

1 qualify may be based on the lowest cost plans, as defined by the  
2 administrator.

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

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

25 (8) To receive periodic premiums from or on behalf of subsidized  
26 and nonsubsidized enrollees, deposit them in the basic health plan  
27 operating account, keep records of enrollee status, and authorize  
28 periodic payments to managed health care systems on the basis of the  
29 number of enrollees participating in the respective managed health care  
30 systems.

31 (9) To accept applications from individuals residing in areas  
32 served by the plan, on behalf of themselves and their spouses and  
33 dependent children, for enrollment in the Washington basic health plan  
34 as subsidized or nonsubsidized enrollees, to establish appropriate  
35 minimum-enrollment periods for enrollees as may be necessary, and to  
36 determine, upon application and on a reasonable schedule defined by the  
37 authority, or at the request of any enrollee, eligibility due to  
38 current gross family income for sliding scale premiums. Funds received

1 by a family as part of participation in the adoption support program  
2 authorized under RCW 26.33.320 and 74.13.100 through 74.13.145 shall  
3 not be counted toward a family's current gross family income for the  
4 purposes of this chapter. When an enrollee fails to report income or  
5 income changes accurately, the administrator shall have the authority  
6 either to bill the enrollee for the amounts overpaid by the state or to  
7 impose civil penalties of up to two hundred percent of the amount of  
8 subsidy overpaid due to the enrollee incorrectly reporting income. The  
9 administrator shall adopt rules to define the appropriate application  
10 of these sanctions and the processes to implement the sanctions  
11 provided in this subsection, within available resources. No subsidy  
12 may be paid with respect to any enrollee whose current gross family  
13 income exceeds twice the federal poverty level or, subject to RCW  
14 70.47.110, who is a recipient of medical assistance or medical care  
15 services under chapter 74.09 RCW. If a number of enrollees drop their  
16 enrollment for no apparent good cause, the administrator may establish  
17 appropriate rules or requirements that are applicable to such  
18 individuals before they will be allowed to reenroll in the plan.

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

37 (11) To determine the rate to be paid to each participating managed  
38 health care system in return for the provision of covered basic health

1 care services to enrollees in the system. Although the schedule of  
2 covered basic health care services will be the same or actuarially  
3 equivalent for similar enrollees, the rates negotiated with  
4 participating managed health care systems may vary among the systems.  
5 In negotiating rates with participating systems, the administrator  
6 shall consider the characteristics of the populations served by the  
7 respective systems, economic circumstances of the local area, the need  
8 to conserve the resources of the basic health plan trust account, and  
9 other factors the administrator finds relevant.

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

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

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

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

33 (16) In consultation with appropriate state and local government  
34 agencies, to establish criteria defining eligibility for persons  
35 confined or residing in government-operated institutions.

36 (17) To administer the premium discounts provided under RCW  
37 48.41.200(3)(a) (i) (~~and~~), (ii), and (iv) pursuant to a contract with  
38 the Washington state health insurance pool.

