

CERTIFICATION OF ENROLLMENT

SUBSTITUTE HOUSE BILL 2573

59th Legislature
2006 Regular Session

Passed by the House March 4, 2006
Yeas 83 Nays 12

Speaker of the House of Representatives

Passed by the Senate March 3, 2006
Yeas 45 Nays 2

President of the Senate

Approved

Governor of the State of Washington

CERTIFICATE

I, Richard Nafziger, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **SUBSTITUTE HOUSE BILL 2573** as passed by the House of Representatives and the Senate on the dates hereon set forth.

Chief Clerk

FILED

**Secretary of State
State of Washington**

SUBSTITUTE HOUSE BILL 2573

AS AMENDED BY THE SENATE

Passed Legislature - 2006 Regular Session

State of Washington 59th Legislature 2006 Regular Session

By House Committee on Health Care (originally sponsored by Representatives Morrell, Wallace, Clibborn, Cody, Flannigan, Simpson, Green, Ormsby, Springer, Kilmer, Moeller, Kagi and Conway; by request of Governor Gregoire)

READ FIRST TIME 01/31/06.

1 AN ACT Relating to health information technology; amending RCW
2 41.05.021 and 41.05.075; and creating new sections.

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

4 NEW SECTION. **Sec. 1.** (1) The legislature recognizes that
5 improvements in the quality of health care lead to better health care
6 outcomes for the residents of Washington state and contain health care
7 costs. The improvements are facilitated by the adoption of electronic
8 medical records and other health information technologies.

9 (2) It is the intent of the legislature to encourage all hospitals,
10 integrated delivery systems, and providers in the state of Washington
11 to adopt health information technologies by the year 2012.

12 **Sec. 2.** RCW 41.05.021 and 2005 c 446 s 1 are each amended to read
13 as follows:

14 (1) The Washington state health care authority is created within
15 the executive branch. The authority shall have an administrator
16 appointed by the governor, with the consent of the senate. The
17 administrator shall serve at the pleasure of the governor. The
18 administrator may employ up to seven staff members, who shall be exempt

1 from chapter 41.06 RCW, and any additional staff members as are
2 necessary to administer this chapter. The administrator may delegate
3 any power or duty vested in him or her by this chapter, including
4 authority to make final decisions and enter final orders in hearings
5 conducted under chapter 34.05 RCW. The primary duties of the authority
6 shall be to: Administer state employees' insurance benefits and
7 retired or disabled school employees' insurance benefits; administer
8 the basic health plan pursuant to chapter 70.47 RCW; study state-
9 purchased health care programs in order to maximize cost containment in
10 these programs while ensuring access to quality health care; and
11 implement state initiatives, joint purchasing strategies, and
12 techniques for efficient administration that have potential application
13 to all state-purchased health services. The authority's duties
14 include, but are not limited to, the following:

15 (a) To administer health care benefit programs for employees and
16 retired or disabled school employees as specifically authorized in RCW
17 41.05.065 and in accordance with the methods described in RCW
18 41.05.075, 41.05.140, and other provisions of this chapter;

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

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

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

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

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

36 (v) Development of data systems to obtain utilization data from
37 state-purchased health care programs in order to identify cost centers,

1 utilization patterns, provider and hospital practice patterns, and
2 procedure costs, utilizing the information obtained pursuant to RCW
3 41.05.031; and

4 (vi) In collaboration with other state agencies that administer
5 state purchased health care programs, private health care purchasers,
6 health care facilities, providers, and carriers(~~(7)~~):

7 (A) Use evidence-based medicine principles to develop common
8 performance measures and implement financial incentives in contracts
9 with insuring entities, health care facilities, and providers that:

10 ~~((A))~~ (I) Reward improvements in health outcomes for individuals
11 with chronic diseases, increased utilization of appropriate preventive
12 health services, and reductions in medical errors; and

13 ~~((B))~~ (II) Increase, through appropriate incentives to insuring
14 entities, health care facilities, and providers, the adoption and use
15 of information technology that contributes to improved health outcomes,
16 better coordination of care, and decreased medical errors;

17 (B) Through state health purchasing, reimbursement, or pilot
18 strategies, promote and increase the adoption of health information
19 technology systems, including electronic medical records, by hospitals
20 as defined in RCW 70.41.020(4), integrated delivery systems, and
21 providers that:

22 (I) Facilitate diagnosis or treatment;

23 (II) Reduce unnecessary duplication of medical tests;

24 (III) Promote efficient electronic physician order entry;

25 (IV) Increase access to health information for consumers and their
26 providers; and

27 (V) Improve health outcomes;

28 (C) Coordinate a strategy for the adoption of health information
29 technology systems using the final health information technology report
30 and recommendations developed under chapter 261, Laws of 2005.

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

32 (d) To provide information and technical and administrative
33 assistance to the board;

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

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

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

6 (g) To publish and distribute to nonparticipating school districts
7 and educational service districts by October 1st of each year a
8 description of health care benefit plans available through the
9 authority and the estimated cost if school districts and educational
10 service district employees were enrolled; (~~and~~)

11 (h) To apply for, receive, and accept grants, gifts, and other
12 payments, including property and service, from any governmental or
13 other public or private entity or person, and make arrangements as to
14 the use of these receipts to implement initiatives and strategies
15 developed under this section; and

16 (i) To promulgate and adopt rules consistent with this chapter as
17 described in RCW 41.05.160.

18 (2) On and after January 1, 1996, the public employees' benefits
19 board may implement strategies to promote managed competition among
20 employee health benefit plans. Strategies may include but are not
21 limited to:

- 22 (a) Standardizing the benefit package;
- 23 (b) Soliciting competitive bids for the benefit package;
- 24 (c) Limiting the state's contribution to a percent of the lowest
25 priced qualified plan within a geographical area;
- 26 (d) Monitoring the impact of the approach under this subsection
27 with regards to: Efficiencies in health service delivery, cost shifts
28 to subscribers, access to and choice of managed care plans statewide,
29 and quality of health services. The health care authority shall also
30 advise on the value of administering a benchmark employer-managed plan
31 to promote competition among managed care plans.

32 **Sec. 3.** RCW 41.05.075 and 2005 c 446 s 2 are each amended to read
33 as follows:

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

1 (2) The administrator shall establish a contract bidding process
2 that:

3 (a) Encourages competition among insuring entities;

4 (b) Maintains an equitable relationship between premiums charged
5 for similar benefits and between risk pools including premiums charged
6 for retired state and school district employees under the separate risk
7 pools established by RCW 41.05.022 and 41.05.080 such that insuring
8 entities may not avoid risk when establishing the premium rates for
9 retirees eligible for medicare;

10 (c) Is timely to the state budgetary process; and

11 (d) Sets conditions for awarding contracts to any insuring entity.

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

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

19 (5) All claims data shall be the property of the state. The
20 administrator may require of any insuring entity that submits a bid to
21 contract for coverage all information deemed necessary including:

22 (a) Subscriber or member demographic and claims data necessary for
23 risk assessment and adjustment calculations in order to fulfill the
24 administrator's duties as set forth in this chapter; and

25 (b) Subscriber or member demographic and claims data necessary to
26 implement performance measures or financial incentives related to
27 performance under subsection (7) of this section.

28 (6) All contracts with insuring entities for the provision of
29 health care benefits shall provide that the beneficiaries of such
30 benefit plans may use on an equal participation basis the services of
31 practitioners licensed pursuant to chapters 18.22, 18.25, 18.32, 18.53,
32 18.57, 18.71, 18.74, 18.83, and 18.79 RCW, as it applies to registered
33 nurses and advanced registered nurse practitioners. However, nothing
34 in this subsection may preclude the administrator from establishing
35 appropriate utilization controls approved pursuant to RCW 41.05.065(2)
36 (a), (b), and (d).

37 (7) The administrator shall, in collaboration with other state

1 agencies that administer state purchased health care programs, private
2 health care purchasers, health care facilities, providers, and
3 carriers((τ)):

4 (a) Use evidence-based medicine principles to develop common
5 performance measures and implement financial incentives in contracts
6 with insuring entities, health care facilities, and providers that:

7 ~~((a))~~ (i) Reward improvements in health outcomes for individuals
8 with chronic diseases, increased utilization of appropriate preventive
9 health services, and reductions in medical errors; and

10 ~~((b))~~ (ii) Increase, through appropriate incentives to insuring
11 entities, health care facilities, and providers, the adoption and use
12 of information technology that contributes to improved health outcomes,
13 better coordination of care, and decreased medical errors;

14 (b) Through state health purchasing, reimbursement, or pilot
15 strategies, promote and increase the adoption of health information
16 technology systems, including electronic medical records, by hospitals
17 as defined in RCW 70.41.020(4), integrated delivery systems, and
18 providers that:

19 (i) Facilitate diagnosis or treatment;

20 (ii) Reduce unnecessary duplication of medical tests;

21 (iii) Promote efficient electronic physician order entry;

22 (iv) Increase access to health information for consumers and their
23 providers; and

24 (v) Improve health outcomes;

25 (c) Coordinate a strategy for the adoption of health information
26 technology systems using the final health information technology report
27 and recommendations developed under chapter 261, Laws of 2005.

28 NEW SECTION. Sec. 4. (1) The department of corrections shall
29 create a demonstration project with one county jail system, one city
30 jail system in the same county as the county jail system, and one state
31 prison to demonstrate an integrated electronic health records system to
32 facilitate and expedite the transfer of inmate health information
33 between state and local correctional facilities.

34 (a) The demonstration project shall at a minimum be partially
35 operational prior to September 1, 2006.

36 (b) The demonstration project data shall be available to the
37 legislature by December 31, 2006.

1 (c) If specific funding is not provided for this subsection, the
2 department is not required to complete the demonstration project.

3 (2) The department of corrections, in consultation with the
4 Washington state health care authority, the Washington association of
5 sheriffs and police chiefs, the Washington association of county
6 officials, the Washington state association of counties, and the
7 association of Washington cities shall prepare a recommendation to the
8 2007 legislature on how to implement a statewide integrated electronic
9 health records system to facilitate and expedite the transfer of inmate
10 health information between state and local correctional facilities.
11 The recommendation shall include data from similar demonstration
12 projects, the cost necessary to implement the statewide program,
13 anticipated savings created to state and local governments, the
14 benefits of such a system, any relevant data from other states that
15 have implemented similar statewide programs, and whether any statutory
16 changes are necessary to implement a statewide system. The
17 recommendations shall be presented to the legislature by December 31,
18 2006.

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