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**SENATE BILL 5861**

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**State of Washington**

**59th Legislature**

**2005 Regular Session**

**By** Senators Keiser, Thibaudeau, Prentice, Franklin, Kline, Kohl-Welles and McAuliffe; by request of Insurance Commissioner

Read first time 02/10/2005. Referred to Committee on Health & Long-Term Care.

1 AN ACT Relating to stabilizing the health insurance market;  
2 amending RCW 48.41.200; reenacting and amending RCW 43.79A.040; adding  
3 a new section to chapter 41.05 RCW; adding a new section to chapter  
4 74.09 RCW; adding a new chapter to Title 48 RCW; and creating new  
5 sections.

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

7 **PART 1**

8 **CREATING THE HEALTH INSURANCE MARKET STABILIZATION POOL**

9 **ADDITIONAL SUBSIDIZED BASIC HEALTH PLAN ENROLLMENT**

10 NEW SECTION. **Sec. 101.** (1) The legislature recognizes that to  
11 stabilize the health insurance market and reduce the number of  
12 uninsured people in Washington state, health insurance premiums need to  
13 be lower. An uncertain market due to the uncompensated care needs of  
14 uninsured individuals and our current method of covering high-cost  
15 enrollees contributes to rising health insurance premiums. Our private  
16 health insurance market can begin covering some uninsured people and  
17 reduce uncompensated care when coverage is pooled for high-cost  
18 enrollees.

1 (2) It is the intent of the legislature to reduce premiums,  
2 primarily for small employers, by broadly pooling high-cost enrollees  
3 and providing reinsurance services to the pool that reduces the cost of  
4 coverage. Pooling and reinsurance services for these unpredictable,  
5 high health care costs will reduce the uncertainty that raises premiums  
6 across the private health insurance market. Lower premiums will reduce  
7 the number of uninsured people in Washington state. A reduction in the  
8 number of people needing health insurance will reduce the cost to  
9 providers who treat uninsured people and lower the cost of the  
10 uncompensated care borne by the premiums paid by purchasers and  
11 consumers. A part of the savings from more predictable premiums and  
12 less uncompensated care can be recaptured and targeted to make health  
13 insurance affordable for more small employers and others in the private  
14 health insurance market.

15 NEW SECTION. **Sec. 102.** The definitions in this section apply  
16 throughout this chapter unless the context clearly requires otherwise.

17 (1) "Administrator" means the administrator of the health care  
18 authority as defined in RCW 41.05.011.

19 (2) "Attachment point" means the dollar amount established by the  
20 board above which the pool pays seventy-five percent of the cost of  
21 health care services of a participating pool enrollee.

22 (3) "Board" means the board of directors of the stabilization pool.

23 (4) "Commissioner" means the insurance commissioner provided in RCW  
24 48.02.010.

25 (5) "Cost of health care services" means the cost of covered health  
26 care services provided under a health plan provided by a member.

27 (6) "Covered person" has the same meaning as defined in RCW  
28 48.43.005, or an individual in a self-funded pool plan.

29 (7) "Health care services" has the same meaning as defined in RCW  
30 48.43.005.

31 (8) "Health carrier" has the same meaning as defined in RCW  
32 48.43.005.

33 (9) "Health plan" or "health benefit plan" has the same meaning as  
34 defined in RCW 48.43.005. "Health benefit plans" do not include those  
35 plans under chapters 74.09 and 70.47 RCW.

36 (10) "Member" means a health carrier as defined in RCW 48.43.005

1 who provides a health benefit plan and the uniform medical plan. It  
2 also means self-funded pool plans that voluntarily agree to participate  
3 in the pool.

4 (11) "Participating pool enrollee" means a covered person whose  
5 cost of health care services within a benefit year exceeds the  
6 attachment point of the pool. A participating pool enrollee must  
7 continue to be a covered person with the benefits and obligations of  
8 his or her health plan.

9 (12) "Premium" has the same meaning as defined in RCW 48.43.005.

10 (13) "Premium assistance enrollee" means an individual or an  
11 individual plus the individual's spouse and dependent children: (a)  
12 Who is not eligible for medicare; (b) who is not confined or residing  
13 in a government-operated institution, unless he or she meets  
14 eligibility criteria adopted by the administrator; (c) whose gross  
15 family income at the time of enrollment does not exceed two hundred  
16 percent of the federal poverty level as adjusted for family size and  
17 determined annually by the federal department of health and human  
18 services; (d) who resides within the state of Washington; (e) who meets  
19 the definition of eligible employee as defined in RCW 48.43.005; and  
20 (f) who qualifies for and chooses to participate in the small employer-  
21 purchased health insurance premium assistance option under section 201  
22 of this act.

23 (14) "Reinsurance carrier" means an insurance carrier under  
24 contract with the board to provide reinsurance for the stabilization  
25 pool under this chapter.

26 (15) "Self-funded pool plan" means an employer-sponsored self-  
27 funded health plan that has voluntarily agreed to participate in the  
28 pool.

29 (16) "Small employer" has the same meaning as defined in RCW  
30 48.43.005.

31 (17) "Stabilization pool" or "pool" mean the health insurance  
32 market stabilization pool.

33 (18) "Uniform medical plan" is defined as the self-funded plan  
34 offered by the health care authority under chapter 41.05 RCW.

35 NEW SECTION. **Sec. 103.** (1) There is created a nonprofit entity  
36 known as the health insurance market stabilization pool. The purpose

1 of the pool is to enroll more uninsured people in the private health  
2 insurance market by lowering and stabilizing premiums.

3 (2) A board of directors responsible for operations of the pool is  
4 established. The management of the pool is subject to the supervision  
5 and approval of the board. The members of the board of directors shall  
6 elect a chair from the voting directors.

7 (3) The board is comprised of eleven directors:

8 (a) The governor shall select two directors of the board from a  
9 list of nominees submitted by statewide organizations representing  
10 health care consumers;

11 (b) The governor shall select one director of the board from each  
12 list of three nominees submitted by statewide organizations  
13 representing each of the following:

14 (i) Small employers; and

15 (ii) Large employers;

16 (c) The governor shall select two directors of the board from a  
17 list of nominees submitted by statewide organizations representing  
18 members of the pool. At least one of the directors of the board must  
19 represent one of the three members of the pool with the most enrollees  
20 in Washington state;

21 (d) The governor shall select two directors of the board from a  
22 list of nominees submitted by statewide organizations representing  
23 health care providers;

24 (e) The governor shall select one director of the board with  
25 expertise in health insurance demonstrated by research and publications  
26 in peer reviewed journals;

27 (f) The commissioner shall select two directors of the board with  
28 expertise in reinsurance; and

29 (g) The commissioner is a nonvoting, ex officio director of the  
30 board.

31 (4) The original board of directors must be appointed for staggered  
32 terms of one to three years. Thereafter, all board directors serve a  
33 term of three years. In making these selections, the governor may  
34 request additional names from the statewide organizations representing  
35 each of the directors of the board to be selected if the governor  
36 chooses not to select a director from the initial list submitted.  
37 Board directors receive no compensation, but shall be reimbursed for  
38 travel expenses as provided in RCW 43.03.050 and 43.03.060.

1 (5) Under chapter 34.05 RCW the commissioner shall, within ninety  
2 days after the effective date of this section, give notice to all board  
3 directors of the time and place for the initial organizational meetings  
4 of the pool.

5 NEW SECTION. **Sec. 104.** (1) The stabilization pool is a separate  
6 and distinct legal entity with the general corporate powers and  
7 authority granted under the laws of Washington state.

8 (2) The pool is not an insurer as defined in RCW 48.01.050.

9 (3) The pool is not a state agency. The state is not liable for  
10 any debts or obligations of the pool.

11 (4) The pool, board of directors of the pool, officers of the pool,  
12 employees of the pool, the commissioner, the commissioner's  
13 representatives, the commissioner's employees, and the state shall not  
14 be civilly or criminally liable and shall not have any penalty or cause  
15 of action of any nature arise against them for any action taken or not  
16 taken, including any discretionary decision or failure to make a  
17 discretionary decision, when the action or inaction is done in good  
18 faith and in the performance of the powers and duties under this  
19 chapter.

20 (5) The pool is exempt from payment of all fees and taxes levied by  
21 this state or any of its subdivisions, except taxes levied on real or  
22 personal property.

23 (6) The board has the following powers and duties:

24 (a) Enter into agreements with insurance companies, insurance  
25 brokers or consultants, or other entities to secure insurance or  
26 reinsurance services for any of the pool's liabilities under section  
27 106 of this act;

28 (b) Pay a percentage of the cost of health care services in excess  
29 of the attachment point as described under section 106 of this act;

30 (c) Establish member remittances sufficient to cover the expected  
31 expenses of the pool. Remittances must be certified by a member of the  
32 American academy of actuaries, who is independent of the board;

33 (d) Collect payment of remittances from members of the pool;

34 (e) Establish procedures for members to promptly report to the pool  
35 when a participating pool enrollee is reasonably expected to incur  
36 health care services costs in excess of the attachment point;

1 (f) Collect and maintain appropriate data required by the board for  
2 the provisions and performance of the pool, including but not limited  
3 to, the following information to estimate pool expenses:

4 (i) The number of covered persons whose cost of health care  
5 services exceeds the attachment point;

6 (ii) The cost and utilization of health care services for the  
7 covered persons whose cost of health care services exceeds the  
8 attachment point;

9 (g) Receive and disburse all funds required by the operation of the  
10 pool;

11 (h) Employ or retain such persons as are necessary or appropriate  
12 to handle the financial transactions of the pool, and to perform other  
13 functions as become necessary or proper under this chapter;

14 (i) Provide the appropriate facilities, equipment, and personnel as  
15 may be necessary to ensure the efficient and effective operation of the  
16 pool;

17 (j) Appoint subcommittees as necessary to provide technical  
18 assistance in the operation of the pool;

19 (k) Cause the pool to have an annual audit of its operations by an  
20 independent certified public accountant and conduct periodic audits to  
21 ensure the general accuracy of the pool's financial data;

22 (l) Establish standard commissions or fees consistent with the  
23 private health insurance market to be paid to brokers, agents, or  
24 consultants when they assist self-funded pool plans who join the pool;  
25 and

26 (m) Perform other duties consistent with this act and the plan of  
27 operation that are necessary and proper to accomplish the purposes of  
28 the pool.

29 (7) The pool may sue or be sued and the pool may take any legal  
30 action necessary and proper to recover any unpaid remittances under  
31 section 107 of this act and to settle claims or potential claims  
32 against it.

33 (8) The pool is subject to examinations by the commissioner under  
34 chapter 48.03 RCW, as often as reasonably directed by the commissioner.

35 (9) The pool shall annually, before March 1st, file with the  
36 commissioner a true statement of its financial condition, transactions,  
37 and affairs as of December 31st of the previous year. The statement  
38 forms must be in the general form and context as approved by the

1 national association of insurance commissioners for the kinds of  
2 insurance to be reported upon, and as supplemented for the additional  
3 information required by this title and by the commissioner. The  
4 statement shall be verified by the oaths of at least two of the pool's  
5 officers.

6 (10) The pool shall file its financial statements in the same  
7 manner required of insurers by this title and by the commissioner in  
8 accordance with the accounting practices and procedures manuals as  
9 adopted by the national association of insurance commissioners, unless  
10 otherwise provided by law.

11 NEW SECTION. **Sec. 105.** (1) The board shall submit to the  
12 commissioner a plan of operation for the pool and any amendments  
13 necessary or suitable to ensure the fair, reasonable, and equitable  
14 administration of the pool. The commissioner shall, after notice and  
15 hearing under chapter 34.05 RCW, approve the plan of operation if it is  
16 determined to ensure the fair, reasonable, and equitable administration  
17 of the pool;

18 (a) The plan of operation becomes effective upon approval in  
19 writing by the commissioner.

20 (b) If the board fails to submit a plan of operation within one  
21 hundred eighty days after the appointment of the board or any time  
22 thereafter fails to submit acceptable amendments to the plan, the  
23 commissioner shall, within ninety days after notice and hearing under  
24 chapters 34.05 and 48.04 RCW, adopt rules as necessary or advisable to  
25 implement the pool. The rules continue in force until modified by the  
26 commissioner or superseded by a plan submitted by the board and  
27 approved by the commissioner.

28 (2) The plan of operation submitted by the board to the  
29 commissioner must:

30 (a) Establish procedures for the handling and accounting of assets  
31 and moneys of the pool;

32 (b) Establish regular times and places for meetings of the board;

33 (c) Establish procedures for records to be kept of all financial  
34 transactions and for an annual fiscal reporting to the commissioner;

35 (d) Establish procedures for determining the amount of remittances  
36 under sections 107 through 110 of this act;

1 (e) Establish procedures for the collection of remittances under  
2 section 107 of this act from members to provide for payments to  
3 effectuate the pool's purpose and authority, including administrative  
4 expenses incurred or estimated to be incurred during the period for  
5 which the remittances are made;

6 (f) Establish procedures for making payments to members when the  
7 pool is paying health services costs on behalf of a participating pool  
8 enrollee;

9 (g) Establish procedures to allow the pool, reinsurance companies,  
10 and members to legally share information necessary for conducting the  
11 operations of the pool;

12 (h) Establish procedures for employer-sponsored self-funded health  
13 plans to voluntarily initiate and terminate membership in the pool;

14 (i) Establish procedures under which participating pool enrollees  
15 and members may have grievances reviewed by an impartial body and  
16 reported to the board; and

17 (j) Contain additional provisions necessary and proper for the  
18 execution of the powers and duties of the pool.

19 NEW SECTION. **Sec. 106.** (1) Beginning July 1, 2006, all members as  
20 defined under section 102 of this act will be members of the  
21 stabilization pool.

22 (2) The pool will pay seventy-five percent of the cost in excess of  
23 the attachment point for health care services used by a participating  
24 pool enrollee that are covered under his or her health plan. Twenty-  
25 five percent of the cost in excess of the attachment point of health  
26 care services used by a participating pool enrollee that are covered  
27 under his or her health plan will be paid by the member covering that  
28 participating pool enrollee.

29 (3) The attachment point will be twenty-five thousand dollars and  
30 will remain at that amount until it is revised at the discretion of the  
31 board.

32 (4) The pool, reinsurance companies, and members shall legally  
33 share information necessary for conducting the operations of the pool.

34 (5) The reinsurance services provided to the pool will qualify as  
35 credit for reinsurance services to the members under RCW 48.12.160,  
36 48.12.162, 48.12.164, 48.12.166, and 48.12.168.



1        NEW SECTION.    **Sec. 107.**    (1) Beginning July 1, 2006, each member  
2 must pay an annual remittance to the board.    A member's annual  
3 remittance will equal its portion of the amount sufficient to cover the  
4 expected expense of the stabilization pool.    The annual remittance of  
5 all members will not exceed twenty percent of the sum of the annual  
6 premium of covered persons not in a self-funded pool plan, plus the  
7 cost of health care services of covered persons in self-funded pool  
8 plans.

9        (2) The board will notify each member by June 1st of its projected  
10 annual remittance for the next fiscal year.    Each member's annual  
11 remittance will be based upon the board's estimate of pool expenses for  
12 a fiscal year and that member's proportionate share of enrollment as  
13 reported to the commissioner in that fiscal year.    Each member shall  
14 pay its remittances on a schedule established by the board in the plan  
15 of operation.    The commissioner may apply the provisions of RCW  
16 48.05.140 through 48.05.185 when a member is delinquent in payment of  
17 its annual remittance.

18        (3) Each member's proportion of participation in the pool shall be  
19 determined annually by the board based on annual statements or other  
20 reports deemed necessary by the board and filed by the member with the  
21 commissioner; and shall be determined by multiplying the total cost of  
22 pool operation by a fraction.    The numerator of the fraction equals  
23 that member's total number of resident covered persons, including  
24 spouse and dependents, covered under all health benefit plans in the  
25 state by that member during the preceding calendar year.    The  
26 denominator of the fraction equals the total number of resident covered  
27 persons, including spouses and dependents, covered under all health  
28 benefit plans in the state by all members during the preceding calendar  
29 year.

30        (4) A remittance payment cannot be used by a member as an exemption  
31 or deduction for any state taxes or fees.

32        NEW SECTION.    **Sec. 108.**    (1) Beginning July 1, 2006, a member shall  
33 pay an annual remittance to the health services account under RCW  
34 43.72.900 for the purpose of providing premium assistance to enrollees  
35 of the Washington state high risk pool under RCW 48.41.200(3)(a)(i).  
36 For the fiscal year beginning July 1, 2006, a member that is not a

1 self-funded pool plan shall pay an annual remittance to the health  
2 services account equal to 0.1389 percent of that member's annual  
3 premium reported to the commissioner.

4 (2) For the fiscal year beginning July 1, 2006, a member that is a  
5 self-funded pool plan shall pay an annual remittance to the health  
6 services account equal to 0.1634 percent of that member's payments for  
7 health care services.

8 (3) Beginning July 1, 2007, the board will determine the annual  
9 remittance to be paid by members to the health services account. The  
10 annual remittance must be sufficient to provide premium assistance to  
11 no more than twenty-five hundred high risk pool premium assistance  
12 enrollees, not to exceed ten million dollars. The annual remittance  
13 will be based upon each member's proportion of covered persons among  
14 all members.

15 NEW SECTION. **Sec. 109.** (1) Beginning July 1, 2006, a member shall  
16 pay an annual remittance to the small employer-purchased health  
17 insurance premium assistance account established in section 501 of this  
18 act for the purpose of providing premium assistance under section 201  
19 of this act. For the fiscal year beginning July 1, 2006, a member that  
20 is not a self-funded pool plan shall pay an annual remittance to the  
21 small employer-purchased health insurance premium assistance account  
22 equal to 0.3472 percent of that member's annual premium reported to the  
23 commissioner.

24 (2) For the fiscal year beginning July 1, 2006, a member that is a  
25 self-funded pool plan shall pay an annual remittance to the small  
26 employer-purchased health insurance premium assistance account equal to  
27 0.4084 percent of that member's payments for health care services.

28 (3) Beginning July 1, 2007, the board will determine the annual  
29 remittance to be paid by members to the small employer-purchased health  
30 insurance premium assistance account. The annual remittance must be  
31 sufficient to provide premium assistance to no more than fifteen-  
32 thousand small employer premium assistance enrollees, not to exceed  
33 twenty-five million dollars. The annual remittance will be based upon  
34 each member's proportion of covered persons among all members.

35 NEW SECTION. **Sec. 110.** (1) Beginning July 1, 2006, a member shall  
36 pay an annual remittance to the health services account under RCW

1 43.72.900 for the purpose of funding the state share of the rate for  
2 subsidized basic health plan enrollees as defined under RCW 70.47.020.  
3 For the fiscal year beginning July 1, 2006, a member that is not a  
4 self-funded pool plan shall pay an annual remittance to the health  
5 services account equal to 0.3472 percent of that member's annual  
6 premium reported to the commissioner.

7 (2) For the fiscal year beginning July 1, 2006, a member that is a  
8 self-funded pool plan shall pay an annual remittance to the health  
9 services account equal to 0.4084 percent of that member's payments for  
10 health care services.

11 (3) Beginning July 1, 2007, the board will determine the annual  
12 remittance to be paid by members to the health services account. The  
13 annual remittance must be sufficient to provide premium assistance to  
14 no more than fifteen thousand enrollees of the basic health plan  
15 established in chapter 70.47 RCW, not to exceed twenty-five million  
16 dollars. The annual remittance will be based upon each member's  
17 proportion of covered persons among all members.

18 NEW SECTION. **Sec. 111.** (1) Subsections (2) through (4) of this  
19 section apply to the notification and payment of remittances by members  
20 to the small employer-purchased health insurance premium assistance  
21 account and the health services account.

22 (2) The board will notify the commissioner by May 1st of each  
23 member's projected remittance to each account for the next fiscal year.

24 (3) On or before June 1st of each year, the commissioner shall  
25 notify each member required to make remittance payments to the state  
26 treasurer through the commissioner for the next fiscal year beginning  
27 July 1st of the payment to each account based on these percentage  
28 amounts and due dates:

- 29 (a) July 1st, twenty-five percent;
- 30 (b) October 1st, twenty-five percent;
- 31 (c) January 1st, twenty-five percent; and
- 32 (d) April 1st, twenty-five percent.

33 (4) The commissioner shall provide remittance forms to be used by  
34 the member. However, a member's responsibility to make remittance  
35 payments is not affected by the failure of the commissioner to send, or  
36 the member to receive, the notice forms. The commissioner may apply

1 the provisions of RCW 48.05.140 through 48.05.185 when a member is  
2 delinquent in paying its remittance to an account in this section.

3 NEW SECTION. **Sec. 112.** The board may audit self-funded pool plan  
4 members to ensure accurate data are submitted for calculating  
5 remittances under sections 107 through 110 of this act. In lieu of an  
6 audit, the board may accept and rely upon documents submitted to other  
7 government agencies or approved by an independent certified public  
8 accountant.

9 NEW SECTION. **Sec. 113.** The commissioner may adopt rules  
10 consistent with collecting remittances to implement section 111 of this  
11 act.

12 NEW SECTION. **Sec. 114.** The commissioner shall provide a progress  
13 report to the legislature by January 1, 2006, on the implementation  
14 activities of this act.

15 **PART 2**

16 **ADDITIONAL ENROLLMENT IN THE SMALL GROUP HEALTH INSURANCE MARKET**

17 NEW SECTION. **Sec. 201.** A new section is added to chapter 41.05  
18 RCW to read as follows:

19 (1) Beginning July 1, 2006, the administrator may accept  
20 applications from individuals whose current small employer has not  
21 offered health insurance within the last six months to become premium  
22 assistance enrollees, on behalf of themselves and their spouses and  
23 dependent children, for assistance in paying premiums to health plans  
24 as defined in RCW 48.43.005, and to determine, upon application and on  
25 a reasonable schedule defined by the administrator, or at the request  
26 of any enrollee, eligibility due to current gross family income for  
27 sliding scale premium assistance as provided under RCW 70.47.060. The  
28 administrator may also determine the minimum premium contribution to be  
29 paid by small employers participating in the small employer-purchased  
30 health insurance premium assistance option on behalf of premium  
31 assistance enrollees. The administrator may use funds from the small  
32 employer-purchased health insurance premium assistance account, created

1 in section 501 of this act, for payment of small employer-purchased  
2 health insurance premiums on behalf of premium assistance enrollees  
3 when:

4 (a) The cost of paying the premium assistance enrollee's employer-  
5 purchased health insurance premium obligation would be less than the  
6 subsidy that would be paid if the individual, or the individual plus  
7 his or her spouse and dependent children, were to enroll in the  
8 Washington basic health plan under chapter 70.47 RCW;

9 (b) The premium assistance enrollee agrees to provide verification  
10 of continued enrollment in his or her small employer's employer-  
11 purchased health insurance plan on a semiannual basis, or to notify the  
12 administrator whenever his or her enrollment status changes, whichever  
13 is earlier. Verification or notification may be made directly by the  
14 employee, or through their employer or the carrier providing the small  
15 employer health insurance product. When necessary, the administrator  
16 has the authority to perform retrospective audits on premium assistance  
17 enrollee accounts.

18 (2) The administrator may adopt standards for minimum thresholds of  
19 small employer-purchased health insurance coverage under this section.  
20 The office of insurance commissioner under Title 48 RCW will certify  
21 the small employer health insurance products that meet any standards  
22 developed under this section.

23 (3) The administrator, in consultation with small employers,  
24 carriers, and the office of insurance commissioner under Title 48 RCW,  
25 shall determine an effective and efficient method for the payment of  
26 premium assistance and adopt rules necessary for its implementation.

27 (4) Funds received by a family as part of participation in the  
28 adoption support program authorized under RCW 26.33.320 and 74.13.100  
29 through 74.13.145 may not be counted toward a family's current gross  
30 family income for the purposes of this act. No premium assistance may  
31 be paid to premium assistance enrollees whose current gross family  
32 income exceeds twice the federal poverty level or, subject to RCW  
33 70.47.110, who is a recipient of medical assistance or medical care  
34 services under chapter 74.09 RCW.

35 NEW SECTION. **Sec. 202.** A new section is added to chapter 74.09  
36 RCW to read as follows:

37 (1) The department shall make every effort to maximize

1 opportunities to blend public and private funds through subsidization  
2 of small employer-purchased health insurance premiums on behalf of  
3 individuals eligible for medical assistance and children eligible for  
4 the state children's health insurance program when such subsidization  
5 is cost-effective for the state. In developing policies under this  
6 section, the department shall consult with the health care authority  
7 and, to the extent allowed by federal law, develop policies that are  
8 consistent with those policies developed by the health care authority  
9 under section 201 of this act so that entire families have the  
10 opportunity to enroll in the same small employer-purchased health  
11 insurance plan.

12 (2) If a federal waiver is necessary to achieve consistency with  
13 health care authority policies under section 201 of this act, the  
14 department shall notify the relevant fiscal and policy committees of  
15 the legislature on or before December 1, 2005. The notification must  
16 include recommendations regarding federal waiver options that would  
17 provide the flexibility needed to optimize the use of medical  
18 assistance and state children's health insurance program funds to  
19 subsidize small employer-purchased health insurance premiums on behalf  
20 of low-income families.

21 NEW SECTION. **Sec. 203.** The administrator may adopt rules  
22 consistent with implementing section 201 of this act.

23 **PART 3**

24 **ADDITIONAL ENROLLMENT IN THE WASHINGTON STATE HEALTH INSURANCE POOL**

25 **Sec. 301.** RCW 48.41.200 and 2000 c 79 s 17 are each amended to  
26 read as follows:

27 (1) The pool shall determine the standard risk rate by calculating  
28 the average individual standard rate charged for coverage comparable to  
29 pool coverage by the five largest members, measured in terms of  
30 individual market enrollment, offering such coverages in the state. In  
31 the event five members do not offer comparable coverage, the standard  
32 risk rate shall be established using reasonable actuarial techniques  
33 and shall reflect anticipated experience and expenses for such coverage  
34 in the individual market.

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

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

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

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

16 (i) For a pool indemnity health plan, one hundred twenty-five  
17 percent of the rate calculated under subsection (1) of this section;  
18 and

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

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

22 (i) Beginning July 1, 2006, to the extent funding is available, the  
23 rate for any person ((aged fifty to sixty four)) whose current gross  
24 family income is less than two hundred fifty-one percent of the federal  
25 poverty level shall be reduced by ((thirty)) fifty-five percent from  
26 what it would otherwise be and the total amount of annual premium  
27 assistance provided to these enrollees may not exceed ten million  
28 dollars;

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

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

36 (b) In no event shall the rate for any person, except those persons  
37 receiving premium assistance as provided in (a)(i) of this subsection,

1 be less than one hundred ten percent of the rate calculated under  
2 subsection (1) of this section.

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

6 **PART 4**

7 **SPECIFYING DISTRIBUTION OF INTEREST EARNINGS**

8 **Sec. 401.** RCW 43.79A.040 and 2004 c 246 s 8 and 2004 c 58 s 10 are  
9 each reenacted and amended to read as follows:

10 (1) Money in the treasurer's trust fund may be deposited, invested,  
11 and reinvested by the state treasurer in accordance with RCW 43.84.080  
12 in the same manner and to the same extent as if the money were in the  
13 state treasury.

14 (2) All income received from investment of the treasurer's trust  
15 fund shall be set aside in an account in the treasury trust fund to be  
16 known as the investment income account.

17 (3) The investment income account may be utilized for the payment  
18 of purchased banking services on behalf of treasurer's trust funds  
19 including, but not limited to, depository, safekeeping, and  
20 disbursement functions for the state treasurer or affected state  
21 agencies. The investment income account is subject in all respects to  
22 chapter 43.88 RCW, but no appropriation is required for payments to  
23 financial institutions. Payments shall occur prior to distribution of  
24 earnings set forth in subsection (4) of this section.

25 (4)(a) Monthly, the state treasurer shall distribute the earnings  
26 credited to the investment income account to the state general fund  
27 except under (b) and (c) of this subsection.

28 (b) The following accounts and funds shall receive their  
29 proportionate share of earnings based upon each account's or fund's  
30 average daily balance for the period: The Washington promise  
31 scholarship account, the college savings program account, the  
32 Washington advanced college tuition payment program account, the  
33 agricultural local fund, the American Indian scholarship endowment  
34 fund, the students with dependents grant account, the basic health plan  
35 self-insurance reserve account, the contract harvesting revolving  
36 account, the Washington state combined fund drive account, the



1 Washington international exchange scholarship endowment fund, the  
2 developmental disabilities endowment trust fund, the energy account,  
3 the fair fund, the fruit and vegetable inspection account, the future  
4 teachers conditional scholarship account, the game farm alternative  
5 account, the grain inspection revolving fund, the juvenile  
6 accountability incentive account, the law enforcement officers' and  
7 fire fighters' plan 2 expense fund, the local tourism promotion  
8 account, the produce railcar pool account, the rural rehabilitation  
9 account, the small employer-purchased health insurance premium  
10 assistance account, the stadium and exhibition center account, the  
11 youth athletic facility account, the self-insurance revolving fund, the  
12 sulfur dioxide abatement account, the children's trust fund, the  
13 Washington horse racing commission Washington bred owners' bonus fund  
14 account, the Washington horse racing commission class C purse fund  
15 account, and the Washington horse racing commission operating account  
16 (earnings from the Washington horse racing commission operating account  
17 must be credited to the Washington horse racing commission class C  
18 purse fund account). However, the earnings to be distributed shall  
19 first be reduced by the allocation to the state treasurer's service  
20 fund pursuant to RCW 43.08.190.

21 (c) The following accounts and funds shall receive eighty percent  
22 of their proportionate share of earnings based upon each account's or  
23 fund's average daily balance for the period: The advanced right of way  
24 revolving fund, the advanced environmental mitigation revolving  
25 account, the city and county advance right-of-way revolving fund, the  
26 federal narcotics asset forfeitures account, the high occupancy vehicle  
27 account, the local rail service assistance account, and the  
28 miscellaneous transportation programs account.

29 (5) In conformance with Article II, section 37 of the state  
30 Constitution, no trust accounts or funds shall be allocated earnings  
31 without the specific affirmative directive of this section.

32 **PART 5**

33 **NEW ACCOUNT**

34 NEW SECTION. **Sec. 501.** The small employer-purchased health  
35 insurance premium assistance account is created in the custody of the  
36 state treasurer. All receipts from remittances collected under section

1 109 of this act must be deposited in the account. Interest earnings  
2 shall be retained in accordance with RCW 43.79A.040. Expenditures from  
3 the account may be used only for the purposes of providing premium  
4 assistance, and the payment of costs of administering the collection  
5 and verification of income for the determination of premium assistance,  
6 as provided in section 201 of this act. Only the administrator or the  
7 administrator's designee may authorize expenditures from the account.  
8 The account is subject to allotment procedures under chapter 43.88 RCW,  
9 but an appropriation is not required for expenditures.

10 **PART 6**  
11 **MISCELLANEOUS**

12 NEW SECTION. **Sec. 601.** Part headings used in this act are not any  
13 part of the law.

14 NEW SECTION. **Sec. 602.** Sections 101 through 114 and 501 of this  
15 act constitute a new chapter in Title 48 RCW.

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