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SENATE BILL 5423

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State of Washington

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By Senators Keiser, Pflug, Parlette, Franklin, Kastama, Marr, Tom, Delvin, Clements, Kilmer, Kohl-Welles and Kline

Read first time 01/19/2007. Referred to Committee on Health & Long-Term Care.

1 AN ACT Relating to improving the quality of health care through the  
2 use of health information technologies; amending RCW 41.05.021; adding  
3 a new section to chapter 82.04 RCW; providing an effective date; and  
4 providing an expiration date.

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

6 NEW SECTION. **Sec. 1.** A new section is added to chapter 82.04 RCW  
7 to read as follows:

8 (1) Subject to the limits in this section, an eligible person is  
9 authorized a credit against the tax due under this chapter for the  
10 acquisition of health information technologies certified as eligible  
11 for credit by the health care authority as provided in RCW 41.05.021.

12 (2) The credit allowed under this section:

13 (a) Is limited to fifty percent of the amount expended to acquire  
14 computer hardware, software, labor, or services necessary for the  
15 development, enhancement, or installation of certified health  
16 information technologies.

17 (b) Is subject to a lifetime maximum of ten thousand dollars for  
18 each eligible person.

1 (c) Must be claimed in the calendar year in which the expenditure  
2 occurs by the due date of the last tax return for the calendar year in  
3 which the expenditure occurs and may not exceed the amount of tax  
4 imposed under this chapter.

5 (d) In no case may a credit earned during one calendar year be  
6 carried over to be credited against taxes incurred in a subsequent  
7 calendar year. No refunds may be granted for credits under this  
8 section.

9 (3) The credit allowed under this section shall not be claimed for  
10 expenditures that occur before:

11 (a) The health care authority has certified the health information  
12 technologies as eligible for the tax credit as provided in RCW  
13 41.05.021; and

14 (b) The effective date of this section.

15 (4) No application is necessary for the tax credit. An eligible  
16 person claiming this credit must keep records necessary for the  
17 department to verify eligibility under this section. This includes,  
18 but is not limited to, documentation substantiating that the health  
19 information technologies acquired by the person are certified by the  
20 health care authority as provided in RCW 41.05.021.

21 (5) If at any time the department finds that a person is not  
22 eligible for tax credit under this section, the amount of taxes for  
23 which a credit has been used shall be immediately due. The department  
24 shall assess interest, but not penalties, on the credited taxes for  
25 which the person is not eligible. The interest shall be assessed at  
26 the rate provided for delinquent excise taxes under chapter 82.32 RCW,  
27 shall be assessed retroactively to the date the tax credit was taken,  
28 and shall accrue until the taxes for which a credit has been used are  
29 repaid.

30 (6) For the purposes of this section:

31 (a) "Eligible person" means:

32 (i) A physician licensed under chapter 18.22, 18.57, or 18.71 RCW,  
33 who is registered as a sole proprietor;

34 (ii) Any entity consisting of at least two but not more than five  
35 physicians licensed under chapter 18.22, 18.57, or 18.71 RCW, including  
36 physicians who are employees, officers, or owners of such entity;

37 (iii) An advanced registered nurse practitioner licensed under  
38 chapter 18.79 RCW who is a sole proprietor;

1 (iv) Any entity consisting of at least two but not more than five  
2 advanced registered nurse practitioners licensed under chapter 18.79  
3 RCW, including advanced registered nurse practitioners who are  
4 employees, officers, or owners of such entity; or

5 (v) Any entity consisting of a combination of physicians licensed  
6 under chapter 18.22, 18.57, or 18.71 RCW and advanced registered nurse  
7 practitioners licensed under chapter 18.79 RCW not to exceed five,  
8 including physicians and advanced registered nurse practitioners who  
9 are employees, officers, or owners of such entity.

10 (b) "Health information technologies" has the meaning provided in  
11 RCW 41.05.021.

12 (7) This section expires December 31, 2013.

13 **Sec. 2.** RCW 41.05.021 and 2006 c 103 s 2 are each amended to read  
14 as follows:

15 (1) The Washington state health care authority is created within  
16 the executive branch. The authority shall have an administrator  
17 appointed by the governor, with the consent of the senate. The  
18 administrator shall serve at the pleasure of the governor. The  
19 administrator may employ up to seven staff members, who shall be exempt  
20 from chapter 41.06 RCW, and any additional staff members as are  
21 necessary to administer this chapter. The administrator may delegate  
22 any power or duty vested in him or her by this chapter, including  
23 authority to make final decisions and enter final orders in hearings  
24 conducted under chapter 34.05 RCW. The primary duties of the authority  
25 shall be to: Administer state employees' insurance benefits and  
26 retired or disabled school employees' insurance benefits; administer  
27 the basic health plan pursuant to chapter 70.47 RCW; study state-  
28 purchased health care programs in order to maximize cost containment in  
29 these programs while ensuring access to quality health care; and  
30 implement state initiatives, joint purchasing strategies, and  
31 techniques for efficient administration that have potential application  
32 to all state-purchased health services. The authority's duties  
33 include, but are not limited to, the following:

34 (a) To administer health care benefit programs for employees and  
35 retired or disabled school employees as specifically authorized in RCW  
36 41.05.065 and in accordance with the methods described in RCW  
37 41.05.075, 41.05.140, and other provisions of this chapter;

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

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

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

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

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

18 (v) Development of data systems to obtain utilization data from  
19 state-purchased health care programs in order to identify cost centers,  
20 utilization patterns, provider and hospital practice patterns, and  
21 procedure costs, utilizing the information obtained pursuant to RCW  
22 41.05.031; and

23 (vi) In collaboration with other state agencies that administer  
24 state purchased health care programs, private health care purchasers,  
25 health care facilities, providers, and carriers:

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

29 (I) Reward improvements in health outcomes for individuals with  
30 chronic diseases, increased utilization of appropriate preventive  
31 health services, and reductions in medical errors; and

32 (II) Increase, through appropriate incentives to insuring entities,  
33 health care facilities, and providers, the adoption and use of  
34 information technology that contributes to improved health outcomes,  
35 better coordination of care, and decreased medical errors;

36 (B) Through state health purchasing, reimbursement, or pilot  
37 strategies, promote and increase the adoption of health information

1 technology systems, including electronic medical records, by hospitals  
2 as defined in RCW 70.41.020(4), integrated delivery systems, and  
3 providers that:

- 4 (I) Facilitate diagnosis or treatment;
- 5 (II) Reduce unnecessary duplication of medical tests;
- 6 (III) Promote efficient electronic physician order entry;
- 7 (IV) Increase access to health information for consumers and their  
8 providers; and
- 9 (V) Improve health outcomes;

10 (C) Coordinate a strategy for the adoption of health information  
11 technology systems using the final health information technology report  
12 and recommendations developed under chapter 261, Laws of 2005(~~-~~);i

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

14 (d) To provide information and technical and administrative  
15 assistance to the board;

16 (e) To review and approve or deny applications from counties,  
17 municipalities, and other political subdivisions of the state to  
18 provide state-sponsored insurance or self-insurance programs to their  
19 employees in accordance with the provisions of RCW 41.04.205, setting  
20 the premium contribution for approved groups as outlined in RCW  
21 41.05.050;

22 (f) To establish billing procedures and collect funds from school  
23 districts in a way that minimizes the administrative burden on  
24 districts;

25 (g) To publish and distribute to nonparticipating school districts  
26 and educational service districts by October 1st of each year a  
27 description of health care benefit plans available through the  
28 authority and the estimated cost if school districts and educational  
29 service district employees were enrolled;

30 (h) To apply for, receive, and accept grants, gifts, and other  
31 payments, including property and service, from any governmental or  
32 other public or private entity or person, and make arrangements as to  
33 the use of these receipts to implement initiatives and strategies  
34 developed under this section; (~~and~~)

35 (i) To promulgate and adopt rules consistent with this chapter as  
36 described in RCW 41.05.160; and

37 (j)(i) Certifying that certain health information technologies

1 acquired by persons seeking the tax credit authorized in section 1 of  
2 this act are consistent with recognized state and national standards  
3 related to:

4 (A) Interoperability;

5 (B) Security;

6 (C) The protection of confidentiality; and

7 (D) Other subjects determined appropriate by the health care  
8 authority; and

9 (ii) Making a determination that standards related to  
10 interoperability, security, and the protection of confidentiality are  
11 sufficiently established at the state and national level to ensure that  
12 the credits authorized in section 1 of this act will encourage the  
13 adoption of health information technologies that are compatible with  
14 the development of a statewide system of interoperable health  
15 information technologies. The health care authority shall develop a  
16 list of health information technologies certified as eligible for the  
17 tax credit provided in section 1 of this act and provide the list to  
18 the department of revenue ninety days before the list becomes available  
19 to the public.

20 As used in this subsection, "health information technologies" means  
21 a computerized system that provides access to patients' medical records  
22 in an electronic format in a manner consistent with the regulations  
23 adopted under section 264(c) of the health insurance portability and  
24 accountability act (42 U.S.C. 1320d-2 note) and chapter 70.02 RCW, and  
25 includes e-mail communication, clinical alerts and reminders, and other  
26 information technologies as prescribed by the administrator.

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

31 (a) Standardizing the benefit package;

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

33 (c) Limiting the state's contribution to a percent of the lowest  
34 priced qualified plan within a geographical area;

35 (d) Monitoring the impact of the approach under this subsection  
36 with regards to: Efficiencies in health service delivery, cost shifts  
37 to subscribers, access to and choice of managed care plans statewide,

1 and quality of health services. The health care authority shall also  
2 advise on the value of administering a benchmark employer-managed plan  
3 to promote competition among managed care plans.

4 NEW SECTION. **Sec. 3.** Section 1 of this act takes effect January  
5 1, 2008.

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