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SENATE BILL 5898

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State of Washington

61st Legislature

2009 Regular Session

By Senators Pflug, Keiser, and Zarelli

Read first time 02/05/09. Referred to Committee on Health & Long-Term Care.

1 AN ACT Relating to reforming publicly funded health care through  
2 the creation of the apple health community care council; reenacting and  
3 amending RCW 41.05.065; adding a new section to chapter 74.09 RCW; and  
4 creating a new section.

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

6 NEW SECTION. **Sec. 1.** (1) The legislature finds that:

7 (a) The publicly funded medical assistance programs that provide  
8 health care coverage to the working poor, homeless, unemployed, and  
9 medically indigent in Washington state are in real danger of imminent  
10 collapse;

11 (b) The current delivery system for medical assistance is broken  
12 and needs serious attention and reform for it to be sustainable over  
13 the long term;

14 (c) Federal funds alone may not be enough to avoid the pending  
15 collapse of the safety net for Washington's most vulnerable citizens;

16 (d) The unintended consequences of ending medical coverage for the  
17 vulnerable and working poor in our society are far more severe than the  
18 budget savings realized on the front end as individuals will be forced

1 to seek much more expensive care in emergency rooms as conditions left  
2 untreated worsen and become catastrophic in nature;

3 (e) Thoughtful attempts to restructure the state budget in these  
4 difficult economic times have fallen short of the critical priority of  
5 protecting medical coverage for the state's most vulnerable; and

6 (f) A new delivery system for medical assistance that prioritizes  
7 continuity of coverage, upward mobility for enrollees, innovation in  
8 care, creation of medical homes, and new funding mechanisms is needed.

9 (2) It is the intent of the legislature to preserve medical  
10 coverage for eligible enrollees in state-funded medical assistance  
11 programs while transforming the model of delivery, the financing  
12 mechanism, and the accessibility of such programs.

13 (3) It is further the intent of the legislature to fund only the  
14 most critical publicly funded medical assistance programs within the  
15 boundaries of current revenue projections. In so doing, the  
16 legislature finds that it is necessary to temporarily adjust the state  
17 share of spending on other health benefit programs, including the state  
18 employee, school employee, and retiree benefits to better reflect the  
19 difficult budget choices being made in every department and agency of  
20 state government while allowing the flexibility of state employees to  
21 select different benefit designs that would present no additional  
22 financial burden.

23 **Sec. 2.** RCW 41.05.065 and 2007 c 156 s 10 and 2007 c 114 s 5 are  
24 each reenacted and amended to read as follows:

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

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

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

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

6 (c) Wellness incentives that focus on proven strategies, such as  
7 smoking cessation, injury and accident prevention, reduction of alcohol  
8 misuse, appropriate weight reduction, exercise, automobile and  
9 motorcycle safety, blood cholesterol reduction, and nutrition  
10 education;

11 (d) Utilization review procedures including, but not limited to a  
12 cost-efficient method for prior authorization of services, hospital  
13 inpatient length of stay review, requirements for use of outpatient  
14 surgeries and second opinions for surgeries, review of invoices or  
15 claims submitted by service providers, and performance audit of  
16 providers;

17 (e) Effective coordination of benefits;

18 (f) Minimum standards for insuring entities; ((and))

19 (g) Minimum scope and content of public employee benefit plans to  
20 be offered to enrollees participating in the employee health benefit  
21 plans. ~~((To maintain the comprehensive nature of employee health care~~  
22 ~~benefits, employee eligibility criteria related to the number of hours~~  
23 ~~worked and the benefits provided to employees shall be substantially~~  
24 ~~equivalent to the state employees' health benefits plan and eligibility~~  
25 ~~criteria in effect on January 1, 1993.)) Nothing in this subsection  
26 (2)(g) shall prohibit changes or increases in employee point-of-service  
27 payments or employee premium payments for benefits or the  
28 administration of a high deductible health plan in conjunction with a  
29 health savings account; and~~

30 (h) Balance between public employee premium payments and the design  
31 of benefit plans that will ensure the fullest array of options for  
32 state employees.

33 (3) The board shall design benefits and determine the terms and  
34 conditions of employee and retired employee participation and coverage,  
35 including establishment of eligibility criteria subject to the  
36 requirements of RCW 41.05.066. The same terms and conditions of  
37 participation and coverage, including eligibility criteria, shall apply

1 to state employees and to school district employees and educational  
2 service district employees.

3 (4) The board may authorize premium contributions for an employee  
4 and the employee's dependents in a manner that encourages the use of  
5 cost-efficient managed health care systems. During the 2005-2007  
6 fiscal biennium, the board may only authorize premium contributions for  
7 an employee and the employee's dependents that are the same, regardless  
8 of an employee's status as represented or nonrepresented by a  
9 collective bargaining unit under the personnel system reform act of  
10 2002. The board shall require participating school district and  
11 educational service district employees to pay at least the same  
12 employee premiums by plan and family size as state employees pay.

13 (5) The board shall develop a health savings account option for  
14 employees that conform to section 223, Part VII of subchapter B of  
15 chapter 1 of the internal revenue code of 1986. The board shall comply  
16 with all applicable federal standards related to the establishment of  
17 health savings accounts. The board shall implement the health savings  
18 account option for state employees beginning with the 2010 open  
19 enrollment period.

20 (6) Notwithstanding any other provision of this chapter, the board  
21 shall develop a high deductible health plan to be offered in  
22 conjunction with a health savings account developed under subsection  
23 (5) of this section.

24 (7) Employees shall choose participation in one of the health care  
25 benefit plans developed by the board and may be permitted to waive  
26 coverage under terms and conditions established by the board.

27 (8) The board shall review plans proposed by insuring entities that  
28 desire to offer property insurance and/or accident and casualty  
29 insurance to state employees through payroll deduction. The board may  
30 approve any such plan for payroll deduction by insuring entities  
31 holding a valid certificate of authority in the state of Washington and  
32 which the board determines to be in the best interests of employees and  
33 the state. The board shall adopt rules setting forth criteria by which  
34 it shall evaluate the plans.

35 (9) Before January 1, 1998, the public employees' benefits board  
36 shall make available one or more fully insured long-term care insurance  
37 plans that comply with the requirements of chapter 48.84 RCW. Such  
38 programs shall be made available to eligible employees, retired

1 employees, and retired school employees as well as eligible dependents  
2 which, for the purpose of this section, includes the parents of the  
3 employee or retiree and the parents of the spouse of the employee or  
4 retiree. Employees of local governments, political subdivisions, and  
5 tribal governments not otherwise enrolled in the public employees'  
6 benefits board sponsored medical programs may enroll under terms and  
7 conditions established by the administrator, if it does not jeopardize  
8 the financial viability of the public employees' benefits board's long-  
9 term care offering.

10 (a) Participation of eligible employees or retired employees and  
11 retired school employees in any long-term care insurance plan made  
12 available by the public employees' benefits board is voluntary and  
13 shall not be subject to binding arbitration under chapter 41.56 RCW.  
14 Participation is subject to reasonable underwriting guidelines and  
15 eligibility rules established by the public employees' benefits board  
16 and the health care authority.

17 (b) The employee, retired employee, and retired school employee are  
18 solely responsible for the payment of the premium rates developed by  
19 the health care authority. The health care authority is authorized to  
20 charge a reasonable administrative fee in addition to the premium  
21 charged by the long-term care insurer, which shall include the health  
22 care authority's cost of administration, marketing, and consumer  
23 education materials prepared by the health care authority and the  
24 office of the insurance commissioner.

25 (c) To the extent administratively possible, the state shall  
26 establish an automatic payroll or pension deduction system for the  
27 payment of the long-term care insurance premiums.

28 (d) The public employees' benefits board and the health care  
29 authority shall establish a technical advisory committee to provide  
30 advice in the development of the benefit design and establishment of  
31 underwriting guidelines and eligibility rules. The committee shall  
32 also advise the board and authority on effective and cost-effective  
33 ways to market and distribute the long-term care product. The  
34 technical advisory committee shall be comprised, at a minimum, of  
35 representatives of the office of the insurance commissioner, providers  
36 of long-term care services, licensed insurance agents with expertise in  
37 long-term care insurance, employees, retired employees, retired school

1 employees, and other interested parties determined to be appropriate by  
2 the board.

3 (e) The health care authority shall offer employees, retired  
4 employees, and retired school employees the option of purchasing long-  
5 term care insurance through licensed agents or brokers appointed by the  
6 long-term care insurer. The authority, in consultation with the public  
7 employees' benefits board, shall establish marketing procedures and may  
8 consider all premium components as a part of the contract negotiations  
9 with the long-term care insurer.

10 (f) In developing the long-term care insurance benefit designs, the  
11 public employees' benefits board shall include an alternative plan of  
12 care benefit, including adult day services, as approved by the office  
13 of the insurance commissioner.

14 (g) The health care authority, with the cooperation of the office  
15 of the insurance commissioner, shall develop a consumer education  
16 program for the eligible employees, retired employees, and retired  
17 school employees designed to provide education on the potential need  
18 for long-term care, methods of financing long-term care, and the  
19 availability of long-term care insurance products including the  
20 products offered by the board.

21 NEW SECTION. **Sec. 3.** A new section is added to chapter 74.09 RCW  
22 to read as follows:

23 (1) The Washington state apple health community care council is  
24 created as an emergency working group within the department. The  
25 emergency working group will work to preserve critical publicly funded  
26 medical assistance programs that provide medical coverage to families  
27 and adults while providing a solution for a single entry way for all  
28 medical programs available to the low-income populations in Washington  
29 state. The council shall operate with the secretary of the department  
30 or his or her designee and the administrator of the health care  
31 authority or his or her designee, acting as cochairs. The council  
32 shall also include four members of the legislature, appointed by their  
33 respective caucuses in the house of representatives and the senate,  
34 and additional members in the discretion of the cochairs, such that a  
35 viable working group can be established to accomplish the goals set  
36 forth in this section. The council shall function within the

1 department's current appropriation and make use of any available  
2 private, public, or other grant funding. The primary duties of the  
3 council shall include:

4 (a) Subject to appropriation, the immediate redesign,  
5 reintroduction, and possible consolidation of state medical assistance  
6 and subsidized coverage programs that will preserve current enrollment  
7 levels for eligible enrollees and capture any additional federal  
8 funding;

9 (b) By September 1, 2009, submit to the federal department of  
10 health and human services a proposal to establish one seamless coverage  
11 program to encompass state medical assistance programs, the state  
12 children's health insurance program, general assistance unemployable  
13 medical, and the basic health plan, to the extent allowed by the  
14 federal department of health and human services. The council shall  
15 explore alternative benefit packages including health savings accounts,  
16 alternative cost-sharing arrangements, utilization review, and other  
17 cost controlling measures to achieve cost neutrality among currently  
18 served populations. The council shall also examine income and asset  
19 eligibility requirements for programs currently funded by state only  
20 funds. The council shall take such actions as may be necessary to  
21 ensure the broadest federal financial participation under Title XIX and  
22 XXI of the federal social security act;

23 (c) Creation of one seamless application and entry way for all  
24 state medical assistance programs to include medicaid, the state  
25 children's health insurance program, general assistance unemployable  
26 medical, and the basic health plan. The application must include all  
27 necessary items for eligibility determinations for any current medical  
28 offerings without regard for the funding source. Applications may be  
29 electronic and may include an electronic signature for verification and  
30 authentication. In creating a single portal by which individuals can  
31 seek state-sponsored or subsidized coverage, the council shall  
32 consider:

33 (i) Transparent and streamlined medical assistance programs, with  
34 seamless transition between coverage programs financed through various  
35 funding sources;

36 (ii) Seamless coverage options that allow individuals to move from  
37 medical assistance to subsidized coverage to premium subsidy programs

1 and ultimately to private nonsubsidized coverage while maintaining the  
2 same provider network and wellness incentive programs for the whole  
3 family;

4 (iii) Eligibility determinations that direct enrollees to the  
5 appropriate program to maximize federal financing where possible, and  
6 that do not permit persons to enroll in two programs simultaneously;  
7 and

8 (iv) Improved reimbursement methodologies and rates to enhance  
9 access to health care and quality of care delivery that include  
10 enhanced medical home reimbursement and bundled payment methodologies;  
11 and

12 (d) Develop a premium assistance program to be called the apple  
13 health employer cooperative whereby employers can participate in  
14 coverage options for employees and dependents of employees otherwise  
15 eligible for state subsidized programs. The council shall make every  
16 effort to maximize enrollment in employer-sponsored health insurance  
17 when it is cost-effective for the state to do so, and the purchase is  
18 consistent with the requirements of Title XIX and XXI of the federal  
19 social security act. To the extent allowable under federal law, the  
20 council shall require enrollment in available employer-sponsored  
21 coverage as a condition of participating in the program. The council  
22 may use current infrastructure within the health care authority as may  
23 be necessary to coordinate payments and sliding scale premium  
24 contributions, and to explore the further expansions of employer  
25 involvement in state subsidized insurance products. Such expansions  
26 may entail creative alternatives that seek additional employer-  
27 sponsored financing, such as section 125 cafeteria plans with a defined  
28 contribution in partnership with a state premium subsidy as well as  
29 fully funded health savings accounts or health reimbursement  
30 arrangements that provide incentives to reduce overutilization and  
31 control costs.

32 (2) By January 1, 2010, the apple health community care council  
33 shall produce a proposal to the legislature and the federal department  
34 of health and human services for a broadened apple health employer  
35 cooperative which will be accessible to employers of enrollees in any  
36 of the federally matched or state-sponsored medical assistance  
37 programs.

1           (3) By January 1, 2011, the apple health community care council  
2 shall produce a proposal that would consolidate the major medical  
3 offerings describe in subsection (1)(b) of this section to streamline  
4 all operations and eliminate duplication while maximizing federal  
5 funds.

6           (4) For the purposes of this section, "bundled payment" means  
7 providing a single payment for all services related to a treatment or  
8 condition, possibly spanning multiple providers in multiple settings.

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