

---

SENATE BILL 6094

---

State of Washington

61st Legislature

2009 Regular Session

By Senator Jacobsen

Read first time 02/25/09. Referred to Committee on Health & Long-Term Care.

1 AN ACT Relating to health care financing; amending RCW 41.05.130,  
2 66.24.290, 82.26.020, 82.08.150, 43.79.480, and 41.05.220; reenacting  
3 and amending RCW 41.05.120 and 82.24.020; adding new sections to  
4 chapter 82.02 RCW; adding a new chapter to Title 43 RCW; creating new  
5 sections; repealing RCW 82.04.260 and 48.14.0201; making an  
6 appropriation; providing effective dates; and providing an expiration  
7 date.

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

9 NEW SECTION. **Sec. 1.** (1) There is a crisis in health care  
10 accessibility, affordability, and choice in Washington state. Health  
11 care through insurance companies has failed to control costs, increase  
12 access, or preserve choice. More than six hundred thousand Washington  
13 residents have no health care coverage. Individual plans are  
14 unavailable or unaffordable in most counties. Many clinics, physician  
15 practices, and emergency departments, especially in rural areas, are  
16 failing. Employers, faced with fewer choices and more expensive  
17 premiums, are reducing employment-based health care coverage.  
18 Simplifying health care financing and eliminating administrative waste

1 inherent in multiple insurance plans can create sufficient savings to  
2 extend health care coverage to all residents and enhance fairness in  
3 the system.

4 (2) The people of the state of Washington declare their intention  
5 to create a single financing entity called the Washington health  
6 security trust. Through public hearings, research, and consensus  
7 building, the trust will: (a) Provide fair, simple, and accountable  
8 health care financing for all Washington residents using a single  
9 health care financing entity; (b) cover a comprehensive package of  
10 effective and necessary personal health services; (c) make health care  
11 coverage independent from employment; (d) eliminate excessive  
12 administrative costs resulting from the current fragmented system of  
13 multiple insurers; (e) generate savings sufficient to ensure coverage  
14 for all Washington residents; (f) integrate current publicly sponsored  
15 health programs into the health security trust; (g) preserve choice of  
16 providers for Washington residents; (h) protect patient rights; (i)  
17 keep clinical decisions in the hands of health professionals and  
18 patients, rather than administrative personnel; (j) promote health care  
19 quality; and (k) control excessive health care costs.

20 NEW SECTION. **Sec. 2.** The definitions in this section apply  
21 throughout this chapter unless the context clearly requires otherwise.

22 (1) "Board" means the board of trustees of the Washington health  
23 security trust, created in section 3 of this act.

24 (2) "Capitation" means a mechanism of payment in which a provider  
25 is paid a negotiated monthly sum and is obliged to provide all covered  
26 services for specific patients who enroll with that provider.

27 (3) "Case rate" means a method of payment based on diagnosis. Case  
28 rate assumes that a given set of services shall be provided and the  
29 rate is based on the total compensation for those services.

30 (4) "Chair" means the presiding officer of the board.

31 (5) "Employer" means any person, partnership, corporation,  
32 association, joint venture, or public or private entity operating in  
33 Washington state and employing for wages, salary, or other  
34 compensation, one or more residents.

35 (6) "Federal poverty level" means the federal poverty guidelines  
36 determined annually by the United States department of health and human  
37 services or its successor agency.

1 (7) "Group practice" or "group" means a group of practitioners  
2 voluntarily joined into an organization for the purpose of sharing  
3 administrative costs, negotiating with payers and controlling the  
4 circumstances of their medical practice, and, in some cases, sharing  
5 revenues. The group may be of a single specialty or include more than  
6 one specialty.

7 (8) "Health care facility" or "facility" includes any of the  
8 following appropriately accredited entities: Hospices licensed  
9 pursuant to chapter 70.127 RCW; hospitals licensed pursuant to chapter  
10 70.41 RCW; rural health care facilities as defined in RCW 70.175.020;  
11 psychiatric hospitals licensed pursuant to chapter 71.12 RCW; nursing  
12 homes licensed pursuant to chapter 18.51 RCW; community mental health  
13 centers licensed pursuant to chapter 71.05 or 71.24 RCW; kidney disease  
14 treatment centers licensed pursuant to chapter 70.41 RCW; ambulatory  
15 diagnostic, treatment, or surgical facilities licensed pursuant to  
16 chapter 70.41 RCW; approved drug and alcohol treatment facilities  
17 certified by the department of social and health services; home health  
18 agencies licensed pursuant to chapter 70.127 RCW; and such facilities  
19 if owned and operated by a political subdivision or instrumentality of  
20 the state and such other facilities as required by federal law and  
21 implementing regulations.

22 (9) "Health care practitioner" or "practitioner" means a person  
23 licensed or certified under Title 18 RCW or chapter 70.127 RCW, and  
24 covered by the all categories of provider law, RCW 48.43.045, providing  
25 health care services in Washington state consistent with their lawful  
26 scope of practice.

27 (10) "Health care provider" or "provider" means any health care  
28 facility, or health care practitioner or group practice licensed or  
29 certified under Washington state law to provide health or  
30 health-related services in Washington state.

31 (11) "Income" means the adjusted gross household income for federal  
32 income tax purposes.

33 (12) "Long-term care" means institutional, residential, outpatient,  
34 or community-based services that meet the individual needs of persons  
35 of all ages who are limited in their functional capacities or have  
36 disabilities and require assistance with performing two or more  
37 activities of daily living for an extended or indefinite period of

1 time. These services include case management, protective supervision,  
2 in-home care, nursing services, convalescent, custodial, chronic, and  
3 terminally ill care.

4 (13) "Native American" means an American Indian or Alaska native as  
5 defined under 25 U.S.C. Sec. 1603.

6 (14) "Payroll" means any amount paid to Washington state residents  
7 and defined as "wages" under section 3121 of the internal revenue code.

8 (15) "Resident" means an individual who presents evidence of  
9 established, permanent residency in the state of Washington, who did  
10 not enter the state for the primary purpose of obtaining health  
11 services. "Resident" also includes people and their accompanying  
12 family members who are residing in the state for the purpose of  
13 engaging in employment for at least one month. The confinement of a  
14 person in a nursing home, hospital, or other medical institution in the  
15 state may not by itself be sufficient to qualify such person as a  
16 resident.

17 (16) "Trust" means the Washington health security trust created in  
18 section 3 of this act.

19 NEW SECTION. **Sec. 3.** An agency of state government known as the  
20 Washington health security trust is created. The purpose of the trust  
21 is to provide coverage for a set of health services for all residents.

22 NEW SECTION. **Sec. 4.** (1) The trust shall be governed by a board  
23 of trustees. The board consists of nine trustees selected for  
24 expertise in health care financing and delivery, and representing  
25 Washington citizens, business, labor, and health professions. The  
26 initial trustees shall be appointed by the governor, subject to  
27 confirmation by the senate. The governor shall appoint the initial  
28 board by December 31, 2009. Of the initial trustees, three shall be  
29 appointed to terms of two years, three shall be appointed to terms of  
30 four years, and three shall be appointed to terms of six years.  
31 Thereafter, trustees shall be elected to six-year terms, one trustee  
32 from each congressional district; the first class of trustees shall be  
33 elected from the first, second, and ninth congressional districts; the  
34 second class from the third, seventh, and eighth congressional  
35 districts; and the third class from the fourth, fifth, and sixth

1 congressional districts. The governor shall appoint a trustee to serve  
2 the remaining term for a vacancy from any cause. The initial board  
3 shall convene no later than March 15, 2010.

4 (2) Members of the board shall have no pecuniary interest in any  
5 business subject to regulation by the board. Members of the board are  
6 subject to chapter 42.52 RCW.

7 (3) The initial, appointed members of the board shall occupy their  
8 positions on a full-time basis and are exempt from the provisions of  
9 chapter 41.06 RCW. The elected trustees shall occupy their positions  
10 according to the bylaws, rules, and relevant governing documents of the  
11 board. The board and its professional staff are subject to the public  
12 disclosure provisions of chapter 42.17 RCW. Trustees shall be paid a  
13 salary to be fixed by the governor in accordance with RCW 43.03.040.  
14 Five trustees constitute a quorum for the conduct of business.

15 (4) One member of the board shall be designated by the governor as  
16 chair, subject to confirmation by a majority of the other trustees.  
17 The chair shall serve in this capacity, subject to continuing  
18 confidence of a majority of the board.

19 (5) If convinced by a preponderance of the evidence in a due  
20 process hearing that a trustee has failed to perform required duties or  
21 has a conflict with the public interest, the governor may remove that  
22 trustee and appoint another to serve the unexpired term.

23 NEW SECTION. **Sec. 5.** (1) Subject to the approval of the board,  
24 the chair shall appoint three standing committees.

25 (a) A financial advisory committee shall include financial experts  
26 from the office of financial management, the office of the state  
27 treasurer, and the office of the insurance commissioner. The financial  
28 advisory committee shall recommend specific details for major budget  
29 decisions and appropriations, taxes, and other legislation necessary to  
30 fund and to conduct the operations of the Washington health security  
31 trust.

32 (b) A citizens' advisory committee shall have balanced  
33 representation from health experts, business, labor, and consumers.  
34 The citizens' advisory committee shall hold public hearings on  
35 priorities for inclusion in the set of health services, survey public  
36 satisfaction, investigate complaints, and identify and report on health  
37 care access and other priority issues for residents.

1 (c) A technical advisory committee shall have members with broad  
2 experience in and knowledge of health care delivery, research, and  
3 policy, as well as public and private funding of health care services.  
4 The technical advisory committee shall make recommendations to the  
5 board on technical issues related to covered benefits, quality  
6 assurance, utilization, and other issues as requested by the board.

7 (2) The board shall consult with the citizens' advisory committee  
8 at least quarterly, receive its reports and recommendations, and then  
9 report to the governor and legislature at least annually on board  
10 actions in response to citizens' advisory committee input. The board  
11 shall also seek financially sound recommendations from the financial  
12 advisory committee whenever the board requests funding legislation  
13 necessary to operate the Washington health security trust and whenever  
14 the board considers major budget decisions.

15 (3) Subject to approval of the board, the chair may appoint other  
16 committees and task forces as needed.

17 (4) Members of committees shall serve without compensation for  
18 their services but shall be reimbursed for their expenses while  
19 attending meetings on behalf of the board in accordance with RCW  
20 43.03.050 and 43.03.060.

21 NEW SECTION. **Sec. 6.** The chair is the presiding officer of the  
22 board and has the following powers and duties:

23 (1) Appoint an executive director with the approval of the board.  
24 The executive director, with approval of the board, shall employ staff  
25 in accordance with chapter 41.06 RCW necessary to execute the policies  
26 and decisions of the board;

27 (2) Enter into contracts on behalf of the board. All contracts are  
28 subject to review and binding legal opinions by the attorney general's  
29 office if disputed in a due process hearing by a party to such a  
30 contract;

31 (3) Subject to explicit approval of a majority of the board, accept  
32 and expend gifts, donations, grants, and other funds received by the  
33 board; and

34 (4) Delegate administrative functions of the board to the executive  
35 director and staff of the trust as necessary to ensure efficient  
36 administration.

1        NEW SECTION.    **Sec. 7.**    (1) The board shall:    (a) With advice from  
2 the citizens' advisory committee and the technical advisory committee,  
3 establish and keep current a set of health services to be financed by  
4 the trust, as provided in section 11 of this act; (b) seek all  
5 necessary waivers so that current federal and state payments for health  
6 services to residents will be paid directly to the trust; (c) request  
7 legislation authorizing the health security assessments and premiums  
8 necessary to operate the Washington health security trust and make  
9 rules, policies, guidelines, and timetables needed for the trust to  
10 finance the set of health services for all residents starting May 15,  
11 2011; (d) develop or contract for the development of a statewide,  
12 anonymous health care data system to use for quality assurance and cost  
13 containment; (e) with advice from the technical advisory committee,  
14 develop health care practice guidelines and quality standards; (f)  
15 develop policies to protect confidentiality of patient records  
16 throughout the health care delivery system and the claims payment  
17 system; (g) make eligibility rules, including eligibility for residents  
18 temporarily out-of-state; (h) develop or contract for development of a  
19 streamlined uniform claims processing system that must pay providers in  
20 a timely manner for covered health services; (i) develop appeals  
21 procedures for residents and providers; (j) integrate functions with  
22 other state agencies; (k) work with the citizens' advisory committee  
23 and the technical advisory committee to balance benefits and provider  
24 payments with revenues, and develop effective measures to control  
25 excessive and unnecessary health care costs; (l) address nonfinancial  
26 barriers to health care access; (m) monitor population migration into  
27 Washington state to detect any trends related to availability of  
28 universal health care coverage; and (n) develop an annual budget for  
29 the trust.

30        (2) To the extent that the exercise of any of the powers and duties  
31 specified in this section may be inconsistent with the powers and  
32 duties of other state agencies, offices, or commissions, the authority  
33 of the board supersedes that of such other state agency, office, or  
34 commission.

35        NEW SECTION.    **Sec. 8.**    Beginning May 15, 2011, the board shall  
36 adopt, in consultation with the office of financial management, an  
37 annual Washington health security trust budget.    Except by legislative

1 approval, each annual budget shall not exceed the budget for the  
2 preceding year by more than the Washington state consumer price index.  
3 If operations expenses exceed revenues generated in two consecutive  
4 years, the board shall recommend adjustments in either benefits or  
5 revenues, or both, to the legislature.

6 NEW SECTION. **Sec. 9.** (1) The board shall report annual changes in  
7 total Washington health care costs, along with the financial position  
8 and the status of the trust, to the governor and legislature at least  
9 once a year.

10 (2) The board shall seek audits annually from the state auditor.

11 (3) The board shall contract with the state auditor for a  
12 performance audit every two years.

13 (4) The board shall adopt bylaws, rules, and other appropriate  
14 governance documents to assure accountable, open, fair, effective  
15 operations of the trust, including methods for electing trustees and  
16 rules under which reserve funds may be prudently invested subject to  
17 advice of the state treasurer and the director of the department of  
18 financial management.

19 (5) The board shall submit any internal rules or policies it adopts  
20 to the secretary of state. The internal rules or policies must be made  
21 available by the secretary of state for public inspection.

22 NEW SECTION. **Sec. 10.** (1) All residents are eligible for coverage  
23 through the trust.

24 (2) If a resident has health insurance coverage for any health  
25 services provided in the state, the benefits provided in this act are  
26 secondary to that insurance. Nonresidents are covered for emergency  
27 services and emergency transportation only.

28 (3) Until federal waivers are accomplished, residents covered under  
29 federal health programs shall continue to use that coverage, and  
30 benefits provided by the trust shall extend only to costs not covered  
31 by the federal health programs unless: (a) The resident voluntarily  
32 elects to participate in the trust; (b) the resident's pay is  
33 considered in calculating the employer's health security assessment  
34 defined under section 16 of this act; and (c) either the employer or  
35 the employee pays the health security premium under section 17 of this  
36 act.



1 (4) The board shall make provisions for determining eligibility for  
2 coverage for residents while they are temporarily out of the state.

3 (5) Pending integration of federally qualified trusts into the  
4 health security trust, employees covered under the trusts are not  
5 eligible for coverage through the health security trust unless: (a)  
6 The employee's pay is considered in calculating the employer's health  
7 security assessment defined under section 16 of this act; and (b)  
8 either the employer or the employee pays the health security premium  
9 under section 17 of this act.

10 (6) Pending integration of federally qualified trusts into the  
11 health security trust, residents who are retirees covered under trusts  
12 are not eligible for coverage through the health security trust unless  
13 they pay the health security premium under section 17 of this act.

14 (7) Pending integration into the health security trust of  
15 applicable federal programs described in section 21 of this act, Native  
16 American residents are not eligible for coverage through the trust  
17 unless: (a) The resident's salary is considered in calculating the  
18 employer's health security assessment defined under section 16 of this  
19 act; and (b) either the employer or the resident pays any health  
20 security premium due under section 17 of this act.

21 (8) Nothing in this act shall be construed to limit a resident's  
22 right to seek health care from any provider he or she chooses, or from  
23 obtaining coverage for health care benefits in excess of those  
24 available under the trust.

25 NEW SECTION. **Sec. 11.** (1) With advice from the citizens' advisory  
26 committee and the technical advisory committee, the board shall  
27 establish a single benefits package covering health services that are  
28 effective and necessary for the good health of residents and that  
29 emphasize preventive and primary health care.

30 (2) The benefits package shall include, but is not limited to: (a)  
31 Inpatient and outpatient hospital care, including twenty-four hour a  
32 day emergency services and emergency ambulance services; (b)  
33 outpatient, home-based, and office-based care; (c) rehabilitation  
34 services, including speech, occupational, and physical therapy; (d)  
35 inpatient and outpatient mental health services and substance abuse  
36 treatment; (e) hospice care; (f) prescription drugs and prescribed

1 medical nutrition; (g) vision and hearing care; (h) diagnostic tests;  
2 (i) durable medical equipment; and (j) preventive care.

3 (3) Subject to a financial analysis demonstrating ongoing  
4 sufficient funds in the trust, long-term care shall be a covered  
5 benefit as of May 15, 2012. Long-term care coverage shall include a  
6 uniform initial assessment and coordination between home health, adult  
7 day care, and nursing home services, and other treatment alternatives.  
8 The board shall establish a copayment for long-term nursing home care,  
9 to cover some costs of room and board, for residents with incomes above  
10 one hundred fifty percent of the federal poverty level.

11 (4) The board, in coordination with the office of the insurance  
12 commissioner, shall examine by May 15, 2012, possible remedies for  
13 residents who have made previous payments for long-term care insurance.

14 (5) Except where otherwise prohibited by federal law, the board  
15 shall establish copayments for outpatient visits, emergency room  
16 visits, and prescription drugs for residents with incomes above one  
17 hundred fifty percent of the federal poverty level. There shall be an  
18 annual cap of five hundred dollars per family.

19 (6) The board shall submit to the legislature by July 1, 2012, a  
20 plan to incorporate dental care coverage in the benefits package, to be  
21 effective January 1, 2013.

22 (7) The board shall submit to the governor and legislature by  
23 December 1, 2010, and by December 1st of the following years: (a) The  
24 benefits package, and (b) an actuarial analysis of the cost of the  
25 package.

26 (8) The board shall consider the extent to which medical research  
27 and health professions training activities should be included in the  
28 scope of covered activities set forth in this act. The board shall  
29 make a report to the governor and the legislature by July 1, 2012.

30 NEW SECTION. **Sec. 12.** (1) When consistent with existing federal  
31 law, the board shall require pharmaceutical and durable medical  
32 equipment manufacturers to provide their products in Washington state  
33 at the lowest rate offered to federal and other government entities.

34 (2) The board may seek other means of financing drugs and durable  
35 medical equipment at the lowest possible cost, including bulk  
36 purchasing agreements with Washington state tribes.

1 (3) The board may enact drug formularies that do not interfere with  
2 treatments necessary for appropriate standards of care.

3 NEW SECTION. **Sec. 13.** (1) The board shall adopt rules permitting  
4 providers to collectively negotiate budgets, payment schedules, and  
5 other terms and conditions of trust participation.

6 (2) The board shall annually negotiate with each hospital and each  
7 facility a prospective global budget for operational and other costs to  
8 be covered by the trust. Group practices may also negotiate on a  
9 global budget basis. Hospitals and other facilities shall be paid on  
10 a fee-for-service or case rate basis, within the limits of their  
11 prospective annual budget.

12 (3) Payment to individual practitioners shall be by fee-for-service  
13 or on a case rate basis or on a combination of bases. The board shall  
14 study the feasibility of paying by capitation to providers, and how  
15 resident enrollment would take place under capitation.

16 (4) Individual practitioners who are employed by a group, facility,  
17 clinic, or hospital may be paid by salary.

18 (5) The board shall adopt rules ensuring that payment schedules and  
19 procedures for mental health services are comparable to other health  
20 care services.

21 (6) The board shall study and seek to develop provider payment  
22 methods that: (a) Encourage an integrated multispecialty approach to  
23 disease management; (b) reward education time spent with patients; and  
24 (c) include a medical risk adjustment formula for providers whose  
25 practices serve patients with higher than average health risks.

26 (7) Nothing in this act shall be construed to limit a provider's  
27 right to receive payments from sources other than the trust. However,  
28 any provider who does accept payment from the trust for a service must  
29 accept that payment, along with applicable copayments, as payment in  
30 full.

31 NEW SECTION. **Sec. 14.** (1) The intent of this section is to exempt  
32 activities approved under this act from state antitrust laws and to  
33 provide immunity from federal antitrust laws through the state action  
34 doctrine.

35 (2) Activities that might otherwise be constrained by antitrust  
36 laws, including: (a) Containing the aggregate cost of health care

1 services; (b) promoting cooperative activities among health care  
2 providers to develop cost-effective health care delivery systems; and  
3 (c) any other lawful actions taken under this act by any person or  
4 entity created or regulated by this act, are declared to be pursuant to  
5 state statute and for the public purposes of the state of Washington.

6 NEW SECTION. **Sec. 15.** (1) Administrative expenses to operate and  
7 maintain the trust shall not exceed eleven percent of the trust's  
8 annual budget. The board shall not shift administrative costs or  
9 duties of the trust to providers or to resident beneficiaries.

10 (2) The board shall work with providers to develop and apply  
11 scientifically based utilization standards, to use encounter and  
12 prescribing data to detect excessive utilization, to develop due  
13 processes for enforcing appropriate utilization standards, and to  
14 identify and prosecute fraud.

15 (3) The board may institute other cost-containment measures in  
16 order to maintain a balanced budget. The board shall pursue due  
17 diligence to ensure that cost-containment measures do not limit access  
18 to clinically necessary care, nor infringe upon legitimate clinical  
19 decision making by practitioners.

20 NEW SECTION. **Sec. 16.** A new section is added to chapter 82.02 RCW  
21 to read as follows:

22 In addition to and not in lieu of taxes imposed at the rates  
23 established under chapter 82.04 RCW, all Washington state employers  
24 shall pay a health security assessment to the department of revenue to  
25 fund the Washington health security trust created in section 3 of this  
26 act.

27 (1) Effective May 15, 2011, all employers in Washington state shall  
28 pay in quarterly installments a health security assessment on aggregate  
29 gross payroll paid to Washington state residents. Except as provided  
30 in this section, the health security assessment shall be: (a) Ten  
31 percent of aggregate gross quarterly payroll up to and including one  
32 hundred twenty-five thousand dollars; (b) twelve percent of the amount  
33 of aggregate gross quarterly payroll above one hundred twenty-five  
34 thousand dollars; and (c) fifteen percent of the amount of aggregate  
35 gross quarterly payroll above one hundred twenty-five thousand dollars.

1 (2) The tax rates under subsection (1) of this section may be  
2 adjusted annually by the office of financial management to reflect  
3 changes in the Washington state consumer price index or other cost-of-  
4 living index deemed appropriate by the office of financial management.

5 (3) The department of revenue shall assess a penalty at the rate of  
6 two percent per month, or a fraction thereof, on any employer whose  
7 applicable health security payroll assessment is not postmarked by the  
8 last day of the month following the quarter in which it is due.

9 (4) The federal government, when an employer of Washington state  
10 residents, is exempt from the health security assessment prior to the  
11 repeal, amendment, or waiver of existing state and federal laws  
12 delineated in section 21 of this act.

13 (5) Beginning May 15, 2011, until May 15, 2016, employers that face  
14 financial hardship in paying the health security assessment, may, upon  
15 application to the board of trustees created in section 4 of this act,  
16 be eligible for waivers or reductions in the health security  
17 assessment. The board shall establish rules and procedures governing  
18 all aspects of the business assistance program, including application  
19 procedures, thresholds regarding firm size, wages, profits, age of  
20 firm, and duration of assistance.

21 (6) Pending integration of any federally qualified trusts, the  
22 payroll of employees covered under these trusts is exempt from the  
23 health security assessment, although the employer may pay it  
24 voluntarily.

25 (7) Pending repeal, amendment, or waiver of applicable state and  
26 federal laws delineated in section 21 of this act, payroll of Native  
27 American residents who elect not to participate in the health security  
28 trust is exempt from the health security assessment.

29 (8) Eighty percent of the revenue collected under this section must  
30 be deposited in the benefits account created in section 24 of this act.

31 (9) For the purposes of this section, the terms "employer,"  
32 "payroll," and "resident" have the same meaning as defined in section  
33 2 of this act.

34 NEW SECTION. **Sec. 17.** A new section is added to chapter 82.02 RCW  
35 to read as follows:

36 (1) Effective May 15, 2011, all Washington residents eighteen years  
37 old or older, except medicare and medicaid beneficiaries, with incomes

1 over one hundred fifty percent of the federal poverty level shall pay  
2 a standard monthly flat rate health security premium. The board shall  
3 recommend the amount of this premium, and the legislature shall  
4 establish the exact amounts.

5 (2) Medicare and medicaid beneficiaries with incomes over one  
6 hundred fifty percent of the federal poverty level who elect to  
7 participate in the trust shall pay a reduced monthly flat rate of  
8 health security premium. The board shall recommend the amount of this  
9 premium, and the legislature shall establish the exact amount in  
10 separate legislation.

11 (3) All premiums may be adjusted annually by the office of  
12 financial management to reflect changes in the Washington state  
13 consumer price index or other cost-of-living index deemed appropriate  
14 by the office of financial management.

15 (4) By May 15, 2011, the board of trustees of the Washington health  
16 security trust, created in section 3 of this act, shall develop and  
17 implement specific rules and procedures to subsidize the health  
18 security premiums of residents, including medicare and medicaid  
19 eligible residents, whose household incomes are less than two hundred  
20 fifty percent of the federal poverty level.

21 (5) Federal employees and retirees are exempt from the health  
22 security premium prior to the repeal, amendment, or waiver of existing  
23 federal laws delineated in section 21 of this act, although they may  
24 elect to participate in the trust and pay it voluntarily.

25 (6) Pending integration of federally qualified trusts, employees  
26 and retirees covered under these trusts are exempt from the health  
27 security premium, although they may elect to participate in the trust  
28 and the employee or the employer may pay it voluntarily.

29 (7) Pending repeal, amendment, or waiver of applicable state and  
30 federal laws delineated in section 21 of this act, Native American  
31 residents are exempt from paying the health security premium, although  
32 they may elect to participate in the trust and they or their employer  
33 may pay it voluntarily.

34 (8) Employers shall collect the health security premiums of their  
35 employees through payroll deduction. An employee may also make the  
36 premium payment for a nonworking spouse through payroll deduction.  
37 Self-employed and nonemployed individuals shall pay their health  
38 security premiums monthly to the department of revenue. The department

1 shall assess a penalty at the rate of two percent per month, or  
2 fraction thereof, on all self-employed and nonemployed individuals  
3 whose health security premium is not postmarked by the twentieth day  
4 following the month it is due. Employers reserve the right to provide  
5 private health care coverage to employees; notwithstanding, employers  
6 must pay the health security assessment as provided in section 16 of  
7 this act.

8 (9) Retirees who receive retirement benefits from a former employer  
9 or a successor to the employer, other than in federally qualified  
10 trusts or through federal employment, may claim a credit against the  
11 health security premium otherwise due under this section, if all or a  
12 portion of the retirement benefits consists of health care benefits  
13 arising from a contract of health insurance entered into between the  
14 employer, or successor, and a health insurance provider.

15 (10) For the purposes of this section, the terms "employer,"  
16 "federal poverty level," "income," and "resident" have the same meaning  
17 as defined in section 2 of this act.

18 NEW SECTION. **Sec. 18.** Revenue derived from the health security  
19 assessment, created in section 16 of this act, and the health security  
20 premium, created in section 17 of this act, shall not be used to pay  
21 for medical assistance currently provided under chapter 74.09 RCW or  
22 other existing federal and state health care programs. If existing  
23 federal and state sources of payment for health services are reduced or  
24 terminated after the effective date of this section, the legislature  
25 shall replace these appropriations from the general fund.

26 NEW SECTION. **Sec. 19.** (1) The health care authority is hereby  
27 abolished and its powers, duties, and functions are hereby transferred  
28 to the Washington health security trust. All references to the  
29 administrator or the health care authority in the Revised Code of  
30 Washington shall be construed to mean the chair or the Washington  
31 health security trust.

32 (2)(a) All reports, documents, surveys, books, records, files,  
33 papers, or written material in the possession of the health care  
34 authority shall be delivered to the custody of the Washington health  
35 security trust. All cabinets, furniture, office equipment, motor  
36 vehicles, and other tangible property employed by the health care

1 authority shall be made available to the Washington health security  
2 trust. All funds, credits, or other assets held by the health care  
3 authority shall be assigned to the Washington health security trust.

4 (b) Any appropriations made to the health care authority shall, on  
5 the effective date of this section, be transferred and credited to the  
6 Washington health security trust.

7 (c) If any question arises as to the transfer of any personnel,  
8 funds, books, documents, records, papers, files, equipment, or other  
9 tangible property used or held in the exercise of the powers and the  
10 performance of the duties and functions transferred, the director of  
11 financial management shall make a determination as to the proper  
12 allocation and certify the same to the state agencies concerned.

13 (3) All employees of the health care authority are transferred to  
14 the jurisdiction of the Washington health security trust. All  
15 employees classified under chapter 41.06 RCW, the state civil service  
16 law, are assigned to the Washington health security trust to perform  
17 their usual duties upon the same terms as formerly, without any loss of  
18 rights, subject to any action that may be appropriate thereafter in  
19 accordance with the laws and rules governing state civil service.

20 (4) All rules and all pending business before the health care  
21 authority shall be continued and acted upon by the Washington health  
22 security trust. All existing contracts and obligations shall remain in  
23 full force and shall be performed by the Washington health security  
24 trust.

25 (5) The transfer of the powers, duties, functions, and personnel of  
26 the health care authority shall not affect the validity of any act  
27 performed before the effective date of this section.

28 (6) If apportionments of budgeted funds are required because of the  
29 transfers directed by this section, the director of financial  
30 management shall certify the apportionments to the agencies affected,  
31 the state auditor, and the state treasurer. Each of these shall make  
32 the appropriate transfer and adjustments in funds and appropriation  
33 accounts and equipment records in accordance with the certification.

34 (7) Nothing contained in this section may be construed to alter any  
35 existing collective bargaining unit or the provisions of any existing  
36 collective bargaining agreement until the agreement has expired or  
37 until the bargaining unit has been modified by action of the personnel  
38 board as provided by law.



1            NEW SECTION.    **Sec. 20.**    Effective January 1, 2011, until April 30,  
2    2011, all employers in Washington state shall pay reduced start-up  
3    health security assessments that are thirty percent or the standard  
4    monthly flat rate amount established by the legislature.    The  
5    department of revenue will collect these moneys.    Twenty percent of  
6    these revenues must be deposited in the reserve account, created in  
7    section 22 of this act.    Eighty percent of these revenues must be  
8    deposited in the benefits account, created in section 24 of this act.  
9    Employers who pay this assessment may be eligible for partial or full  
10   rebates within two years, if there are sufficient surpluses in the  
11   trust.

12           NEW SECTION.    **Sec. 21.**    (1) The board, in consultation with  
13   sovereign tribal governments as called for by the centennial accord,  
14   shall determine the state and federal laws that need to be repealed,  
15   amended, or waived to implement this act, and report its  
16   recommendations, with proposed revisions to the Revised Code of  
17   Washington, to the governor and the appropriate committees of the  
18   legislature by October 1, 2010.

19           (2) The governor, in consultation with the board and sovereign  
20   tribal governments as called for by the centennial accord, shall take  
21   the following steps in an effort to receive waivers or exemptions from  
22   federal statutes necessary to fully implement this act:

23           (a) Negotiate with the federal department of health and human  
24   services, health care financing administration, to obtain a statutory  
25   or regulatory waiver of provisions of the medical assistance statute,  
26   Title XIX of the federal social security act and the children's health  
27   insurance program;

28           (b) Negotiate with the federal department of health and human  
29   services to obtain a statutory or regulatory waiver of provisions of  
30   the medicare statute, Title XVIII of the federal social security act,  
31   that currently constitute barriers to full implementation of this act;

32           (c) Negotiate with the federal department of health and human  
33   services to obtain any statutory or regulatory waivers of provisions of  
34   the United States public health services act necessary to ensure  
35   integration of federally funded community and migrant health clinics  
36   and other health services funded through the public health services act  
37   into the trust system under this act;

1 (d) Negotiate with the federal office of personnel management for  
2 the inclusion of federal employee health benefits in the trust under  
3 this act;

4 (e) Negotiate with the federal department of veterans' affairs for  
5 the inclusion of veterans' medical benefits in the trust under this  
6 act;

7 (f) Negotiate with the federal department of defense and other  
8 federal agencies for the inclusion of the civilian health and medical  
9 program of the uniformed services (CHAMPUS) in the trust under this  
10 act;

11 (g) Negotiate with the Indian health services and sovereign tribal  
12 governments for inclusion and adequate reimbursement of Indian health  
13 benefits under the trust created by this act; and

14 (h) Request that the United States congress amend the internal  
15 revenue code to treat the employer health security assessment, created  
16 in section 16 of this act, and the individual health security premiums,  
17 created in section 17 of this act, as fully deductible from adjusted  
18 gross income.

19 NEW SECTION. **Sec. 22.** (1) The reserve account is created in the  
20 custody of the state treasurer. The reserve account will accumulate  
21 moneys until its value equals ten percent of the total annual budgeted  
22 expenditures of the trust and then will be considered fully funded,  
23 unless the legislature determines that a different level of reserve is  
24 necessary and prudent. Whenever the reserve account is fully funded,  
25 additional moneys shall be transferred to the benefits account created  
26 in section 24 of this act.

27 (2) Receipts from the following sources must be deposited into the  
28 reserve account: (a) Twenty percent of the health security assessments  
29 paid by employers under section 20 of this act between January 1, 2011,  
30 and April 30, 2011; (b) effective May 15, 2011, seven percent of  
31 receipts from the health security assessment created under section 16  
32 of this act and seven percent of the receipts from the health security  
33 premium created under section 17 of this act; and (c) ten percent of  
34 all moneys received pursuant to RCW 41.05.120, 41.05.130, 66.24.290,  
35 82.24.020, 82.26.020, 82.08.150, 43.79.480, 41.05.220, and section 33  
36 of this act.

1 (3) Expenditures from the reserve account may be used only for the  
2 purposes of health care services and maintenance of the trust. Only  
3 the board or the board's designee may authorize expenditures from the  
4 account. The account is subject to allotment procedures under chapter  
5 43.88 RCW, but an appropriation is not required for expenditures.

6 NEW SECTION. **Sec. 23.** (1) The displaced worker training account  
7 is created in the custody of the state treasurer. Between May 15,  
8 2011, and January 1, 2013, three percent of the receipts from the  
9 health security assessment created in section 16 of this act and three  
10 percent of the health security premium created in section 17 of this  
11 act must be deposited into the account. Expenditures from the account  
12 may be used only for retraining and job placement of workers displaced  
13 by the transition to the trust. Only the board or the board's designee  
14 may authorize expenditures from the account. The account is subject to  
15 allotment procedures under chapter 43.88 RCW, but an appropriation is  
16 not required for expenditures.

17 (2) Any funds remaining in the account on December 31, 2013, must  
18 be deposited into the benefits account created in section 24 of this  
19 act.

20 (3) This section expires January 1, 2014.

21 NEW SECTION. **Sec. 24.** The benefits account is created in the  
22 custody of the state treasurer. All receipts from the health security  
23 assessment created under section 16 of this act and the health security  
24 premium created under section 17 of this act that are not dedicated to  
25 the reserve account created in section 22 of this act or the displaced  
26 worker training account created in section 23 of this act, as well as  
27 receipts from other sources, must be deposited into the account.  
28 Expenditures from the account may be used only for health care services  
29 and maintenance of the trust. Only the board or the board's designee  
30 may authorize expenditures from the account. The account is subject to  
31 allotment procedures under chapter 43.88 RCW, but an appropriation is  
32 not required for expenditures.

33 **Sec. 25.** RCW 41.05.120 and 2005 c 518 s 921 and 2005 c 143 s 3 are  
34 each reenacted and amended to read as follows:

35 ((+1)) Contributions from RCW 41.05.050, and reserves, dividends,

1 and refunds currently in the public employees' and retirees' insurance  
2 account ((is hereby established in the custody of the state treasurer,  
3 to be used by the administrator for the deposit of contributions, the  
4 remittance paid by school districts and educational service districts  
5 under RCW 28A.400.410, reserves, dividends, and refunds, for payment of  
6 premiums for employee and retiree insurance benefit contracts and  
7 subsidy amounts provided under RCW 41.05.085, and transfers from the  
8 medical flexible spending account as authorized in RCW 41.05.123.  
9 Moneys from the account shall be disbursed by the state treasurer by  
10 warrants on vouchers duly authorized by the administrator. Moneys from  
11 the account may be transferred to the medical flexible spending account  
12 to provide reserves and start-up costs for the operation of the medical  
13 flexible spending account program.

14 (2) ~~The state treasurer and the state investment board may invest~~  
15 ~~moneys in the public employees' and retirees' insurance account. All~~  
16 ~~such investments shall be in accordance with RCW 43.84.080 or~~  
17 ~~43.84.150, whichever is applicable. The administrator shall determine~~  
18 ~~whether the state treasurer or the state investment board or both shall~~  
19 ~~invest moneys in the public employees' insurance account.~~

20 (3) ~~During the 2005-07 fiscal biennium, the legislature may~~  
21 ~~transfer from the public employees' and retirees' insurance account~~  
22 ~~such amounts as reflect the excess fund balance of the fund)) shall be~~  
23 ~~deposited in the reserve account pursuant to section 22 of this act and~~  
24 ~~the benefits account pursuant to section 24 of this act.~~

25 **Sec. 26.** RCW 41.05.130 and 1988 c 107 s 11 are each amended to  
26 read as follows:

27 The state health care authority administrative account is ((~~hereby~~  
28 ~~created in the state treasury)) transferred to the reserve account  
29 created in section 22 of this act and the benefits account created in  
30 section 24 of this act. Moneys in the account, including unanticipated  
31 revenues under RCW 43.79.270, ((~~may be spent only after appropriation~~  
32 ~~by statute, and may be used only for operating expenses of the~~  
33 ~~authority)) are transferred to the reserve account created in section  
34 22 of this act and the benefits account created in section 24 of this  
35 act.~~~~

1           **Sec. 27.** RCW 66.24.290 and 2003 c 167 s 5 are each amended to read  
2 as follows:

3           (1) Any microbrewer or domestic brewery or beer distributor  
4 licensed under this title may sell and deliver beer and strong beer to  
5 holders of authorized licenses direct, but to no other person, other  
6 than the board; and every such brewery or beer distributor shall report  
7 all sales to the board monthly, pursuant to the regulations, and shall  
8 pay to the board as an added tax for the privilege of manufacturing and  
9 selling the beer and strong beer within the state a tax of one dollar  
10 and thirty cents per barrel of thirty-one gallons on sales to licensees  
11 within the state and on sales to licensees within the state of bottled  
12 and canned beer, including strong beer, shall pay a tax computed in  
13 gallons at the rate of one dollar and thirty cents per barrel of  
14 thirty-one gallons. Any brewery or beer distributor whose applicable  
15 tax payment is not postmarked by the twentieth day following the month  
16 of sale will be assessed a penalty at the rate of two percent per month  
17 or fraction thereof. Beer and strong beer shall be sold by breweries  
18 and distributors in sealed barrels or packages. The moneys collected  
19 under this subsection shall be distributed as follows: (a) Three-  
20 tenths of a percent shall be distributed to border areas under RCW  
21 66.08.195; and (b) of the remaining moneys: (i) Twenty percent shall  
22 be distributed to counties in the same manner as under RCW 66.08.200;  
23 and (ii) eighty percent shall be distributed to incorporated cities and  
24 towns in the same manner as under RCW 66.08.210.

25           (2) An additional tax is imposed on all beer and strong beer  
26 subject to tax under subsection (1) of this section. The additional  
27 tax is equal to two dollars per barrel of thirty-one gallons. All  
28 revenues collected during any month from this additional tax shall be  
29 deposited in the violence reduction and drug enforcement account under  
30 RCW 69.50.520 by the twenty-fifth day of the following month.

31           (3)(a) An additional tax is imposed on all beer and strong beer  
32 subject to tax under subsection (1) of this section. The additional  
33 tax is equal to ninety-six cents per barrel of thirty-one gallons  
34 through June 30, 1995, two dollars and thirty-nine cents per barrel of  
35 thirty-one gallons for the period July 1, 1995, through June 30, 1997,  
36 and four dollars and seventy-eight cents per barrel of thirty-one  
37 gallons thereafter.

1 (b) The additional tax imposed under this subsection does not apply  
2 to the sale of the first sixty thousand barrels of beer each year by  
3 breweries that are entitled to a reduced rate of tax under 26 U.S.C.  
4 Sec. 5051, as existing on July 1, 1993, or such subsequent date as may  
5 be provided by the board by rule consistent with the purposes of this  
6 exemption.

7 (c) All revenues collected from the additional tax imposed under  
8 this subsection (3) shall be deposited in the (~~health services account~~  
9 ~~under RCW 43.72.900~~) reserve account created in section 22 of this act  
10 and the benefits account created in section 24 of this act.

11 (4) An additional tax is imposed on all beer and strong beer that  
12 is subject to tax under subsection (1) of this section that is in the  
13 first sixty thousand barrels of beer and strong beer by breweries that  
14 are entitled to a reduced rate of tax under 26 U.S.C. Sec. 5051, as  
15 existing on July 1, 1993, or such subsequent date as may be provided by  
16 the board by rule consistent with the purposes of the exemption under  
17 subsection (3)(b) of this section. The additional tax is equal to one  
18 dollar and forty-eight and two-tenths cents per barrel of thirty-one  
19 gallons. By the twenty-fifth day of the following month, three percent  
20 of the revenues collected from this additional tax shall be distributed  
21 to border areas under RCW 66.08.195 and the remaining moneys shall be  
22 transferred to the state general fund.

23 (5) The board may make refunds for all taxes paid on beer and  
24 strong beer exported from the state for use outside the state.

25 (6) The board may require filing with the board of a bond to be  
26 approved by it, in such amount as the board may fix, securing the  
27 payment of the tax. If any licensee fails to pay the tax when due, the  
28 board may forthwith suspend or cancel his or her license until all  
29 taxes are paid.

30 **Sec. 28.** RCW 82.24.020 and 2008 c 226 s 3 and 2008 c 86 s 301 are  
31 each reenacted and amended to read as follows:

32 (1) There is levied and there shall be collected as provided in  
33 this chapter, a tax upon the sale, use, consumption, handling,  
34 possession, or distribution of all cigarettes, in an amount equal to  
35 one and fifteen one-hundredths cents per cigarette.

36 (2) An additional tax is imposed upon the sale, use, consumption,  
37 handling, possession, or distribution of all cigarettes, in an amount

1 equal to five hundred twenty-five one-thousandths of a cent per  
2 cigarette. All revenues collected during any month from this  
3 additional tax shall be deposited in the violence reduction and drug  
4 enforcement account under RCW 69.50.520 by the twenty-fifth day of the  
5 following month.

6 (3) An additional tax is imposed upon the sale, use, consumption,  
7 handling, possession, or distribution of all cigarettes, in an amount  
8 equal to two and five one-hundredths cents per cigarette. All revenues  
9 collected during any month from this additional tax shall be deposited  
10 in the (~~health services~~) reserve account created in section 22 of  
11 this act and the benefits account created (~~under RCW 43.72.900~~) in  
12 section 24 of this act by the twenty-fifth day of the following month.

13 (4) Wholesalers subject to the payment of this tax may, if they  
14 wish, absorb five one-hundredths cents per cigarette of the tax and not  
15 pass it on to purchasers without being in violation of this section or  
16 any other act relating to the sale or taxation of cigarettes.

17 (5) For purposes of this chapter, "possession" shall mean both (a)  
18 physical possession by the purchaser and, (b) when cigarettes are being  
19 transported to or held for the purchaser or his or her designee by a  
20 person other than the purchaser, constructive possession by the  
21 purchaser or his or her designee, which constructive possession shall  
22 be deemed to occur at the location of the cigarettes being so  
23 transported or held.

24 (6) In accordance with federal law and rules prescribed by the  
25 department, an enrolled member of a federally recognized Indian tribe  
26 may purchase cigarettes from an Indian tribal organization under the  
27 jurisdiction of the member's tribe for the member's own use exempt from  
28 the applicable taxes imposed by this chapter. Except as provided in  
29 subsection (7) of this section, any person, who purchases cigarettes  
30 from an Indian tribal organization and who is not an enrolled member of  
31 the federally recognized Indian tribe within whose jurisdiction the  
32 sale takes place, is not exempt from the applicable taxes imposed by  
33 this chapter.

34 (7) If the state enters into a cigarette tax contract or agreement  
35 with a federally recognized Indian tribe under chapter 43.06 RCW, the  
36 terms of the contract or agreement shall take precedence over any  
37 conflicting provisions of this chapter while the contract or agreement  
38 is in effect.

1       **Sec. 29.** RCW 82.26.020 and 2005 c 180 s 3 are each amended to read  
2 as follows:

3       (1) There is levied and there shall be collected a tax upon the  
4 sale, handling, or distribution of all tobacco products in this state  
5 at the following rate:

6       (a) Seventy-five percent of the taxable sales price of cigars, not  
7 to exceed fifty cents per cigar; or

8       (b) Seventy-five percent of the taxable sales price of all tobacco  
9 products that are not cigars.

10       (2) Taxes under this section shall be imposed at the time the  
11 distributor (a) brings, or causes to be brought, into this state from  
12 without the state tobacco products for sale, (b) makes, manufactures,  
13 fabricates, or stores tobacco products in this state for sale in this  
14 state, (c) ships or transports tobacco products to retailers in this  
15 state, to be sold by those retailers, or (d) handles for sale any  
16 tobacco products that are within this state but upon which tax has not  
17 been imposed.

18       (3) The moneys collected under this section shall be deposited (~~as~~  
19 ~~follows:~~

20       ~~(a) Thirty-seven percent in the general fund;~~

21       ~~(b) Fifty percent in the health services account created under RCW~~  
22 ~~43.72.900; and~~

23       ~~(c) Thirteen percent in the water quality account under RCW~~  
24 ~~70.146.030 for the period beginning July 1, 2005, through June 30,~~  
25 ~~2021, and in the general fund for the period beginning July 1, 2021))~~  
26 in the reserve account created in section 22 of this act and the  
27 benefits account created in section 24 of this act.

28       **Sec. 30.** RCW 82.08.150 and 2005 c 514 s 201 are each amended to  
29 read as follows:

30       (1) There is levied and shall be collected a tax upon each retail  
31 sale of spirits in the original package at the rate of fifteen percent  
32 of the selling price. The tax imposed in this subsection shall apply  
33 to all such sales including sales by the Washington state liquor stores  
34 and agencies, but excluding sales to spirits, beer, and wine restaurant  
35 licensees.

36       (2) There is levied and shall be collected a tax upon each sale of



1 spirits in the original package at the rate of ten percent of the  
2 selling price on sales by Washington state liquor stores and agencies  
3 to spirits, beer, and wine restaurant licensees.

4 (3) There is levied and shall be collected an additional tax upon  
5 each retail sale of spirits in the original package at the rate of one  
6 dollar and seventy-two cents per liter. The additional tax imposed in  
7 this subsection shall apply to all such sales including sales by  
8 Washington state liquor stores and agencies, and including sales to  
9 spirits, beer, and wine restaurant licensees.

10 (4) An additional tax is imposed equal to fourteen percent  
11 multiplied by the taxes payable under subsections (1), (2), and (3) of  
12 this section.

13 (5) An additional tax is imposed upon each retail sale of spirits  
14 in the original package at the rate of seven cents per liter. The  
15 additional tax imposed in this subsection shall apply to all such sales  
16 including sales by Washington state liquor stores and agencies, and  
17 including sales to spirits, beer, and wine restaurant licensees. All  
18 revenues collected during any month from this additional tax shall be  
19 deposited in the violence reduction and drug enforcement account under  
20 RCW 69.50.520 by the twenty-fifth day of the following month.

21 (6)(a) An additional tax is imposed upon retail sale of spirits in  
22 the original package at the rate of one and seven-tenths percent of the  
23 selling price through June 30, 1995, two and six-tenths percent of the  
24 selling price for the period July 1, 1995, through June 30, 1997, and  
25 three and four-tenths percent of the selling price thereafter. This  
26 additional tax applies to all such sales including sales by Washington  
27 state liquor stores and agencies, but excluding sales to spirits, beer,  
28 and wine restaurant licensees.

29 (b) An additional tax is imposed upon retail sale of spirits in the  
30 original package at the rate of one and one-tenth percent of the  
31 selling price through June 30, 1995, one and seven-tenths percent of  
32 the selling price for the period July 1, 1995, through June 30, 1997,  
33 and two and three-tenths of the selling price thereafter. This  
34 additional tax applies to all such sales to spirits, beer, and wine  
35 restaurant licensees.

36 (c) An additional tax is imposed upon each retail sale of spirits  
37 in the original package at the rate of twenty cents per liter through  
38 June 30, 1995, thirty cents per liter for the period July 1, 1995,

1 through June 30, 1997, and forty-one cents per liter thereafter. This  
2 additional tax applies to all such sales including sales by Washington  
3 state liquor stores and agencies, and including sales to spirits, beer,  
4 and wine restaurant licensees.

5 (d) All revenues collected during any month from additional taxes  
6 under this subsection shall be deposited in the (~~health services~~  
7 ~~account created under RCW 43.72.900~~) reserve account created in  
8 section 22 of this act and the benefits account created in section 24  
9 of this act by the twenty-fifth day of the following month.

10 (7)(a) An additional tax is imposed upon each retail sale of  
11 spirits in the original package at the rate of one dollar and thirty-  
12 three cents per liter. This additional tax applies to all such sales  
13 including sales by Washington state liquor stores and agencies, but  
14 excluding sales to spirits, beer, and wine restaurant licensees.

15 (b) All revenues collected during any month from additional taxes  
16 under this subsection shall be deposited by the twenty-fifth day of the  
17 following month as follows:

18 (i) 97.5 percent into the general fund;

19 (ii) 2.3 percent into the health services account created under RCW  
20 43.72.900; and

21 (iii) 0.2 percent into the violence reduction and drug enforcement  
22 account created under RCW 69.50.520.

23 (8) The tax imposed in RCW 82.08.020 shall not apply to sales of  
24 spirits in the original package.

25 (9) The taxes imposed in this section shall be paid by the buyer to  
26 the seller, and each seller shall collect from the buyer the full  
27 amount of the tax payable in respect to each taxable sale under this  
28 section. The taxes required by this section to be collected by the  
29 seller shall be stated separately from the selling price and for  
30 purposes of determining the tax due from the buyer to the seller, it  
31 shall be conclusively presumed that the selling price quoted in any  
32 price list does not include the taxes imposed by this section.

33 (10) As used in this section, the terms, "spirits" and "package"  
34 shall have the meaning ascribed to them in chapter 66.04 RCW.

35 **Sec. 31.** RCW 43.79.480 and 2005 c 424 s 12 are each amended to  
36 read as follows:

37 (1) Moneys received by the state of Washington in accordance with

1 the settlement of the state's legal action against tobacco product  
2 manufacturers, exclusive of costs and attorneys' fees, shall be  
3 deposited in the tobacco settlement account created in this section  
4 except as these moneys are sold or assigned under chapter 43.340 RCW.

5 (2) The tobacco settlement account is created in the state  
6 treasury. Moneys in the tobacco settlement account may only be  
7 transferred to the (~~health services account for the purposes set forth~~  
8 ~~in RCW 43.72.900~~) reserve account created in section 22 of this act  
9 and the benefits account created in section 24 of this act, and to the  
10 tobacco prevention and control account for purposes set forth in this  
11 section. The legislature shall transfer amounts received as strategic  
12 contribution payments as defined in RCW 43.350.010 to the life sciences  
13 discovery fund created in RCW 43.350.070.

14 (3) The tobacco prevention and control account is created in the  
15 state treasury. The source of revenue for this account is moneys  
16 transferred to the account from the tobacco settlement account,  
17 investment earnings, donations to the account, and other revenues as  
18 directed by law. Expenditures from the account are subject to  
19 appropriation.

20 **Sec. 32.** RCW 41.05.220 and 1998 c 245 s 38 are each amended to  
21 read as follows:

22 (~~(1)~~) State general funds appropriated to the department of  
23 health for the purposes of funding community health centers to provide  
24 primary health and dental care services, migrant health services, and  
25 maternity health care services shall be transferred to the (~~state~~  
26 ~~health care authority~~) reserve account created in section 22 of this  
27 act and the benefits account created in section 24 of this act. Any  
28 related administrative funds expended by the department of health for  
29 this purpose shall also be transferred to the (~~health care authority~~)  
30 reserve account created in section 22 of this act and the benefits  
31 account created in section 24 of this act. The Washington health  
32 (~~care authority~~) security trust shall exclusively expend these funds  
33 through contracts with community health centers to provide primary  
34 health and dental care services, migrant health services, and maternity  
35 health care services. The (~~administrator~~) chair of the Washington  
36 health (~~care authority~~) security trust shall establish requirements  
37 necessary to assure community health centers provide quality health

1 care services that are appropriate and effective and are delivered in  
2 a cost-efficient manner. The (~~administrator~~) chair of the Washington  
3 health security trust shall further assure that community health  
4 centers have appropriate referral arrangements for acute care and  
5 medical specialty services not provided by the community health  
6 centers.

7 ~~((2) The authority, in consultation with the department of health,~~  
8 ~~shall work with community and migrant health clinics and other~~  
9 ~~providers of care to underserved populations, to ensure that the number~~  
10 ~~of people of color and underserved people receiving access to managed~~  
11 ~~care is expanded in proportion to need, based upon demographic data.))~~

12 NEW SECTION. Sec. 33. Following the repeal, amendment, or waiver  
13 of existing state and federal laws delineated in section 21 of this  
14 act, all other revenues currently deposited in the health services  
15 account for personal health care services shall be deposited to the  
16 reserve account created in section 22 of this act and the benefits  
17 account created in section 24 of this act.

18 NEW SECTION. Sec. 34. Nothing in this act shall be construed to  
19 limit an employer's right to maintain employee benefit plans under the  
20 federal employee retirement income security act of 1974.

21 NEW SECTION. Sec. 35. No later than January 1, 2011, the board  
22 shall submit to the legislature a proposal to integrate those current  
23 and future federally qualified trusts that choose to participate in the  
24 trust.

25 NEW SECTION. Sec. 36. On or before January 1, 2012, the board, in  
26 coordination with the department of labor and industries, shall study  
27 and make a report to the governor and appropriate committees of the  
28 legislature on the provision of medical benefits for injured workers  
29 under the trust.

30 NEW SECTION. Sec. 37. The sum of fifty million dollars, or as  
31 much thereof as may be necessary, is appropriated for the fiscal year  
32 ending June 30, 2011, from the general fund to the benefits account of

1 the Washington health security trust for start-up moneys for purposes  
2 of this act during the period of July 1, 2010, through June 30, 2011.

3 NEW SECTION. **Sec. 38.** The following acts or parts of acts are  
4 each repealed:

5 (1) RCW 82.04.260 (Tax on manufacturers and processors of various  
6 foods and by-products--Research and development organizations--Travel  
7 agents--Certain international activities--Stevedoring and associated  
8 activities--Low-level waste disposers--Insurance producers and title  
9 insurance agents--Hospitals--Commercial airplane activities--Timber  
10 product activities--Canned salmon processors) and 2008 c 296 s 1, 2008  
11 c 217 s 100, & 2008 c 81 s 4; and

12 (2) RCW 48.14.0201 (Premiums and prepayments tax--Health care  
13 services--Exemptions--State preemption) and 2005 c 405 s 1, 2005 c 223  
14 s 6, 2005 c 7 s 1, 2004 c 260 s 24, 1998 c 323 s 1, 1997 c 154 s 1,  
15 1993 sp.s. c 25 s 601, & 1993 c 492 s 301.

16 NEW SECTION. **Sec. 39.** Sections 1 through 15, 18, 19, 21 through  
17 24, and 33 through 35 of this act constitute a new chapter in Title 43  
18 RCW.

19 NEW SECTION. **Sec. 40.** (1) Sections 22 through 24 of this act take  
20 effect January 1, 2011.

21 (2) Sections 19, 25 through 34, and 38 of this act take effect May  
22 15, 2011.

23 NEW SECTION. **Sec. 41.** If any provision of this act or its  
24 application to any person or circumstance is held invalid, the  
25 remainder of the act or the application of the provision to other  
26 persons or circumstances is not affected.

27 NEW SECTION. **Sec. 42.** If any part of this act is found to be in  
28 conflict with federal requirements that are a prescribed condition to  
29 the allocation of federal funds to the state, the conflicting part of  
30 this act is inoperative solely to the extent of the conflict and with  
31 respect to the agencies directly affected, and this finding does not  
32 affect the operation of the remainder of this act in its application to

1 the agencies concerned. Rules adopted under this act must meet federal  
2 requirements that are a necessary condition to the receipt of federal  
3 funds by the state.

--- END ---