

CERTIFICATION OF ENROLLMENT

**ENGROSSED SECOND SUBSTITUTE SENATE BILL 5596**

Chapter 1, Laws of 2011

62nd Legislature  
2011 1st Special Session

FEDERAL MEDICAID--REQUESTS TO REVISE

EFFECTIVE DATE: 08/24/11

Passed by the Senate May 10, 2011  
YEAS 45 NAYS 0

BRAD OWEN

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**President of the Senate**

Passed by the House May 9, 2011  
YEAS 96 NAYS 0

FRANK CHOPP

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**Speaker of the House of Representatives**

Approved May 31, 2011, 2:11 p.m.

CHRISTINE GREGOIRE

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**Governor of the State of Washington**

CERTIFICATE

I, Thomas Hoemann, Secretary of the Senate of the State of Washington, do hereby certify that the attached is **ENGROSSED SECOND SUBSTITUTE SENATE BILL 5596** as passed by the Senate and the House of Representatives on the dates hereon set forth.

THOMAS HOEMANN

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**Secretary**

FILED

June 1, 2011

**Secretary of State  
State of Washington**

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**ENGROSSED SECOND SUBSTITUTE SENATE BILL 5596**

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AS AMENDED BY THE HOUSE

Passed Legislature - 2011 1st Special Session

**State of Washington                      62nd Legislature                      2011 1st Special Session**

**By** Senate Ways & Means (originally sponsored by Senators Parlette, Zarelli, Becker, and Hewitt)

READ FIRST TIME 02/25/11.

1            AN ACT Relating to creating flexibility in the medicaid program;  
2 adding a new section to chapter 74.09 RCW; and creating a new section.

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

4            NEW SECTION.    **Sec. 1.** The legislature finds that mounting budget  
5 pressures combined with growth in enrollment and constraints in the  
6 medicaid program have forced open discussion throughout the country and  
7 in our state concerning complete withdrawal from the medicaid program.  
8 The legislature recognizes that a better and more sustainable way  
9 forward would involve new state flexibility for managing its medicaid  
10 program built on the success of the basic health plan and Washington's  
11 transitional bridge waiver, where elements of consumer participation  
12 and choice, benefit design flexibility, and payment flexibility have  
13 helped keep costs low. The legislature further finds that either a  
14 centers for medicare and medicaid services' innovation center project  
15 or a section 1115 demonstration project, or both, with capped  
16 eligibility group per capita payments would allow the state to operate  
17 as a laboratory of innovation for bending the cost curve, preserving  
18 the safety net, and improving the management of care for low-income  
19 populations.

1        NEW SECTION.    **Sec. 2.**    A new section is added to chapter 74.09 RCW  
2 to read as follows:

3        (1) By October 1, 2011, the department shall submit a request to  
4 the centers for medicare and medicaid services' innovation center and,  
5 if necessary, a request under section 1115 of the social security act,  
6 to implement a medicaid and state children's health insurance program  
7 demonstration project. The demonstration project shall be designed to  
8 achieve the broadest federal financial participation and, to the extent  
9 permitted under federal law, shall authorize:

10        (a) Establishment of base-year, eligibility group per capita  
11 payments, with maximum flexibility provided to the state for managing  
12 the health care trend and provisions for shared savings if per capita  
13 expenditures are below the negotiated rates. The capped eligibility  
14 group per capita payments shall: (i) Be based on targeted per capita  
15 costs for the full duration of the demonstration period; (ii) include  
16 due consideration and flexibility for unforeseen events, changes in the  
17 delivery of health care, and changes in federal or state law; and (iii)  
18 take into account the effect of the federal patient protection and  
19 affordable care act on federal resources devoted to medicaid and state  
20 children's health insurance programs. Federal payments for each  
21 eligibility group shall be based on the product of the negotiated per  
22 capita payments for the eligibility group multiplied by the actual  
23 caseload for the eligibility group;

24        (b) Coverage of benefits determined to be essential health benefits  
25 under section 1302(b) of the federal patient protection and affordable  
26 care act, 42 U.S.C. 18022(b), with coverage of benefits in addition to  
27 the essential health benefits as appropriate for distinct categories of  
28 enrollees such as children, pregnant women, individuals with  
29 disabilities, and elderly adults;

30        (c) Limited, reasonable, and enforceable cost sharing and premiums  
31 to encourage informed consumer behavior and appropriate utilization of  
32 health services, while ensuring that access to evidence-based,  
33 preventative and primary care is not hindered;

34        (d) Streamlined eligibility determinations;

35        (e) Innovative reimbursement methods such as bundled, global, and  
36 risk-bearing payment arrangements, that promote effective purchasing,  
37 efficient use of health services, and support health homes, accountable

1 care organizations, and other innovations intended to contain costs,  
2 improve health, and incent smart consumer decision making;

3 (f) Clients to voluntarily enroll in the insurance exchange, and  
4 broadened enrollment in employer-sponsored insurance when available and  
5 deemed cost-effective for the state, with authority to require clients  
6 to remain enrolled in their chosen plan for the calendar year;

7 (g) An expedited process of forty-five days or less in which the  
8 centers for medicare and medicaid services must respond to any state  
9 request for changes to the demonstration project once it is implemented  
10 to ensure that the state has the necessary flexibility to manage within  
11 its eligibility group per capita payment caps; and

12 (h) The development of an alternative payment methodology for  
13 federally qualified health centers and rural health clinics that  
14 enables capitated or global payment of enhanced payments.

15 (2) The department shall provide status reports to the joint  
16 legislative select committee on health reform implementation as  
17 requested by the committee.

18 (3) The department shall provide multiple opportunities for  
19 stakeholders and the general public to review and comment on the  
20 request as it developed.

21 (4) The department shall identify changes to state law necessary to  
22 ensure successful and timely implementation of the demonstration  
23 project.

Passed by the Senate May 10, 2011.

Passed by the House May 9, 2011.

Approved by the Governor May 31, 2011.

Filed in Office of Secretary of State June 1, 2011.