

SENATE BILL REPORT

SB 6110

AS OF JANUARY 29, 1992

Brief Description: Creating the Washington health services commission.

SPONSORS: Senators M. Kreidler, Gaspard, Snyder, McMullen, Skratek, Pelz, A. Smith, Rinehart, Murray, Wojahn, Niemi, Bauer, Madsen, Williams, Vognild, Stratton, Conner and Sutherland

SENATE COMMITTEE ON HEALTH & LONG-TERM CARE

Staff: Scott Plack (786-7409)

Hearing Dates: January 29, 1992

BACKGROUND:

Some believe that the current health care system in the state has failed to deliver appropriate and effective services to residents at a reasonable cost and quality. They further contend that rapidly escalating health care costs and the inability of businesses, families and individuals to purchase health insurance is harmful to individuals and society and adversely affects our ability to be competitive in the international economy.

The Office of Financial Management has estimated that health care costs in the state have grown over the past ten years at an annual rate of 11.6 percent, two to three times the general inflation rate for the same period. At the national level, health care costs consumed 11.5 percent of the GNP in 1990 up from 8.5 percent in 1980.

Many factors contribute to this fast-paced growth in health care costs including the high cost of medical technology; the expensive medical care costs resulting from drug abuse, AIDS, and preventable illness; administrative inefficiencies in the system; increased medical liability and defensive medicine practices; overutilization by consumers who have received highly subsidized health insurance and have little incentive to control their utilization as well as other factors.

At the same it is estimated that between 11 and 14 percent of persons in Washington State are not covered by some form of health insurance, which can adversely affect their ability to obtain necessary illness care. Many more fear that as health care costs increase employers will significantly reduce or eliminate health care benefits for their employees, leaving even more people at financial risk should they need illness care. Employer sponsored health insurance is the primary source of health insurance for most people in the state.

In recognition of this problem, the Legislature created the Washington Health Care Commission (WHCC) and directed it to recommend methods to control health care costs, identify appropriate and effective health services interventions, recommended changes to medical malpractice and liability insurance to reduce associated costs, and propose plans to assure access to health care for all people in the state including a system for funding the health care system. The WHCC made an interim report to the Legislature in December 1991 and will make its final report in December 1992.

The WHCC recommended that all Washington residents have access to a uniform set of appropriate and effective health services, including personal health services, public health services, access services, adequate food and housing and health system support. It also recommended that a uniform benefit package be created that provides an affordable set of personal health and some public health services to be financed through health care insurance. Employers, government and individuals are seen as being responsible for sharing the costs of financing the uniform benefit package.

The WHCC also recommended that an independent board or commission be created to design the uniform benefit package, determine maximum premiums for the package, set individual cost sharing amounts, determine methods of payment to providers, control the proliferation of high-technology, develop methods to distribute medical risk among insurers, determining billing and claims procedures, prohibit or restrict provider investments that present a conflict of interest and ensure that health insurance plans sold in the state provide at least the uniform benefit package.

The WHCC deferred making other recommendations until it makes its final report to the Legislature in December 1992. These include recommendations for addressing the role of employers in sponsoring the uniform benefit package. Two of the options most often discussed include the employer-based system where health insurance is provided as a benefit by the employer and state sponsored or subsidized insurance be offered to everyone else. The other is the resident-based system where everyone is sponsored through a single government payer, though private insurers may actually administer health benefit plans.

Those in favor of the resident-based system believe it is preferable because of the administrative and cost containment that can be realized by eliminating employer involvement in sponsoring health care for its employees. In addition, the resident-based system provides other advantages such as eliminating the need for changing health insurance plans should an individual change jobs or retire.

SUMMARY:

The principles of health care reform are set forth in legislative intent. They include recognition that the fundamental purpose of the health care system is to improve the health of Washington residents, balance extending the

lives of individuals with the needs to improve the collective health of society. The health care system should guarantee all Washington residents access to a comprehensive, uniform, and affordable set of confidential, appropriate, and effective health services regardless of their ability to pay or preexisting health conditions. Financing of the health care system should be shared but should not serve as a barrier to access services.

The uniform benefit package is to be provided through a resident-based system to Washington residents.

The Washington Health Services Commission is established. The commission is comprised of five members appointed by the Governor and confirmed by the Senate. Members may not have a pecuniary interest in any business or activity subject to regulation by the commission. Four of the members shall serve five-year terms with the fifth member, who is the chair, serving at the pleasure of the Governor. The chair of the commission is the chief administrative officer.

The powers and duties of the commission include ensuring that all Washington residents are enrolled in a commission certified health benefit plans and that all residents have access to appropriate and effective health services. The commission will propose to the Legislature a total state health services budget. The health services budget will reflect all health services financed through programs as well as an estimate of revenues to be collected from taxes, premiums and other sources. The Legislature is limited to adoption, rejection or reduction of the budget or advisement regarding individual amounts in trust funds created to take custody of revenues.

The commission is directed to propose draft rules to the Legislature by January 1994 on the following: a uniform benefit package which is the minimum health care benefits required for certifying health plans, limits on maximum enrollee financial participation, methods for developing the state health services budget, standards for certification of health professionals and health care facilities for quality, procedures for monitoring certified health plans for compliance with certified plan requirements and commission grievance procedures.

The commission shall adopt a maximum annual budget for certain major capital expenditures; practice parameters in specific practice areas; suggested guidelines for utilization management, methods of payment and use of technology; standards for enrollment, billing for services and claims payments; standards for personal health systems data and standards that prevent financial conflict of interest by health care providers. The commission shall also design demonstration projects using practice parameters as standards of care in malpractice suits, ensure certified plans do not balance bill patients for services provided as part of the uniform benefit, ensure portability of the uniform benefit package and establish grievance and complaint procedures.

Where there is an inconsistency between the powers and duties of the commission and that of some other agency, the commission shall supersede those of the state agency.

Certified health plans are prohibited from discrimination in enrollment based upon age, sex, family structure, race, health condition, geographic location and other factors. The commission is to make at least two certified health plans available to all residents, except in health professional shortage areas where only one certified plan may be offered. Certified health plans must bear full financial responsibility for the uniform benefit package provided to enrollees. The commission may intervene in cases where a certified plan is failing or in imminent danger of failing in order to assure that the plan meets its contractual obligations.

The uniform benefit package must include at least the following services: personal health services; diagnosis and treatment services; clinical preventative services; emergency health services; clinical management and provision of treatment; therapeutic drugs, biologicals, supplies and equipment; access services, including transportation, child care and language translation. The uniform benefits plan may not offer cosmetic services, examinations for life insurance or infertility services. The commission shall evaluate whether dental or other services should be included. It shall establish procedures for determining specific health services to be included in the uniform plan and shall seek public and professional input and use outcome based data in making such decisions.

The commission will establish an annual premium that certified plans will receive from the state to provide the uniform benefit package to enrollees. The premium shall initially be set based upon the cost experience of the state employee benefit plan in 1992. As soon as possible thereafter, the rate shall increase by no more than the general rate of inflation. In no event shall the increase be more than the actual annual rate of growth of the uniform benefit package between 1991 and 1992 minus 2 percent. Employee premium sharing shall be structured on a sliding-scale basis. Effective July 1, 1995, the commission shall prohibit any group disability insurer, health services contractor or health maintenance organization from independently offering services provided in the uniform benefit package without being first certified. These insurers may, however, independently offer supplemental services to employers and individuals.

The Washington health services trust fund is created. The fund has three accounts. The personal health services account shall hold funds to be paid to certified health plans to deliver the uniform benefit plan. The public health account shall hold funds to finance the public health system, including health status assessment, policy development and delivery of appropriate and effective interventions. The commission is directed to assure that no less than 5 percent of the state's health services budget is expended on the public health system. The state Board of Health is directed

to develop policies regarding use of local funds and fees to fulfill this minimum financing requirement. Public health account funds may not be expended for services reimbursable through the uniform benefits plan. The health professions and research account shall contain funds to be expended to retain health professionals in shortage areas and to conduct research.

Revenues and funds in the health services trust fund will come from the following sources: Medicare (Part A and B), Medicaid, other federal health services funds, legislatively appropriated funds from the state general fund, and employer payment to the state of insurance contributions and enrollee premium sharing.

The Commissioner of Employment Security is directed to adopt rules to collect insurance contributions on wages from employers in the state. The commission shall propose a contribution rate that employers must pay in the form of insurance contributions on wages and shall submit its proposal to the Legislature by January 1, 1994. The rate shall vary according to such factors as number of employees in the firm, tenure of business and profitability.

The commission is directed to consult with the Department of Health (DOH) to develop health data sources necessary to carry forth the activities proposed under the bill. DOH is the designated data repository. Specific sources of data to be developed or made available are cited. DOH is required to implement a statewide personal health services data and information system.

It is intended that the Legislature develop a comprehensive long-term care system and adopt necessary implementing legislation no later than the 1994 legislative session. The system shall be available and accessible to all citizens with functional disabilities. The system shall provide a secured benefit in perpetuity without requiring family or program beneficiaries be improvised.

The commission is directed to establish a total quality management system of continuous quality improvement. Standards shall be developed to establish a certification process where by July 1, 1995 all health services providers and facilities must be certified in order to provide the uniform benefit package.

An implementation schedule is proposed to phase in enactment of the legislation and requires the director of OFM to form a transition team. The transition team must analyze, identify and report on numerous issues involved in implementation of the legislation. The commission shall report to the Legislature on other needed statutory changes to implement the legislation. It shall also seek waivers and exemptions from federal statutes necessary to fully implement this chapter.

Most current state sponsored health care services are to be provided through certified health plans by January 1, 1995.

Other state and federal programs are initially excluded from being subject to the provisions of the bill. These include the medical services workers' compensation program, long-term care programs within DSHS, veterans' health services, and other health insurance programs for federal civilian and military personnel.

The Legislative Budget Committee is directed to conduct various studies and evaluations. These include studies of the administrative structure of the commission and consolidation of medical services of workers' compensation; DSHS long-term care, mental health and developmental disabilities services; veterans' health services and federal civilian and military health care into the certified plan. A report of the findings is due to the Governor and the Legislature on July 1, 1993. An evaluation of the implementation of the Legislature is due to the Governor and the Legislature by July 1, 2000.

Appropriation: none

Revenue: none

Fiscal Note: available