
SENATE BILL 5331

State of Washington

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By Senators West, Erwin, Deccio, Moyer, McDonald, Hochstatter, Oke, Prince, Newhouse and Sellar

Read first time 01/22/93. Referred to Committee on Health & Human Services.

1 AN ACT Relating to the basic health plan; amending RCW 70.47.010,
2 70.47.020, 70.47.030, 70.47.060, 70.47.080, and 70.47.120; and making
3 an appropriation.

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

5 **Sec. 1.** RCW 70.47.010 and 1987 1st ex.s. c 5 s 3 are each amended
6 to read as follows:

7 (1) The legislature finds that:

8 (a) A significant percentage of the population of this state does
9 not have reasonably available insurance or other coverage of the costs
10 of necessary basic health care services;

11 (b) This lack of basic health care coverage is detrimental to the
12 health of the individuals lacking coverage and to the public welfare,
13 and results in substantial expenditures for emergency and remedial
14 health care, often at the expense of health care providers, health care
15 facilities, and all purchasers of health care, including the state; and

16 (c) The use of managed health care systems has significant
17 potential to reduce the growth of health care costs incurred by the
18 people of this state generally, and by low-income pregnant women who

1 are an especially vulnerable population, along with their children, and
2 who need greater access to managed health care.

3 (2) The purpose of this chapter is to provide or make available
4 necessary basic health care services in an appropriate setting to
5 working persons and others who lack coverage, at a cost to these
6 persons that does not create barriers to the utilization of necessary
7 health care services. To that end, this chapter establishes a program
8 to be made available to those residents under sixty-five years of age
9 not otherwise eligible for medicare with gross family income at or
10 below ~~((two))~~ three hundred percent of the federal poverty guidelines,
11 except as provided for in RCW 70.47.060(11)(b), who share in a portion
12 of the cost or who pay the full cost of receiving basic health care
13 services from a managed health care system.

14 (3) It is not the intent of this chapter to provide health care
15 services for those persons who are presently covered through private
16 employer-based health plans, nor to replace employer-based health
17 plans. Further, it is the intent of the legislature to expand,
18 wherever possible, the availability of private health care coverage and
19 to discourage the decline of employer-based coverage.

20 ~~((The program authorized under this chapter is strictly limited~~
21 ~~in respect to the total number of individuals who may be allowed to~~
22 ~~participate and the specific areas within the state where it may be~~
23 ~~established. All such restrictions or limitations shall remain in full~~
24 ~~force and effect until quantifiable evidence based upon the actual~~
25 ~~operation of the program, including detailed cost benefit analysis, has~~
26 ~~been presented to the legislature and the legislature, by specific act~~
27 ~~at that time, may then modify such limitations))~~ (a) It is the purpose
28 of this chapter to acknowledge the initial success of this program that
29 has (i) assisted thousands of families in their search for affordable
30 health care; (ii) demonstrated that low-income uninsured families are
31 willing to pay for their own health care coverage to the extent of
32 their ability to pay; and (iii) proved that local health care providers
33 are willing to enter into a public/private partnership as they
34 configure their own professional and business relationships into a
35 managed care system.

36 (b) As a consequence, the legislature intends to make the program
37 available to individuals in the state with incomes below three hundred
38 percent of federal poverty guidelines, except as provided for in RCW
39 70.47.060(11)(b), who reside in communities where the plan is

1 operational, and who collectively or individually wish to exercise the
2 opportunity to purchase health care coverage through the program if it
3 is done at no cost to the state. It is also the intent of the
4 legislature to allow employers and other financial sponsors to
5 financially assist such individuals in purchasing health care through
6 the program.

7 **Sec. 2.** RCW 70.47.020 and 1987 1st ex.s. c 5 s 4 are each amended
8 to read as follows:

9 As used in this chapter:

10 (1) "Washington basic health plan" or "plan" means the system of
11 enrollment and payment on a prepaid capitated basis for basic health
12 care services, administered by the plan administrator through
13 participating managed health care systems, created by this chapter.

14 (2) "Administrator" means the Washington basic health plan
15 administrator.

16 (3) "Managed health care system" means any health care
17 organization, including health care providers, insurers, health care
18 service contractors, health maintenance organizations, or any
19 combination thereof, that provides directly or by contract basic health
20 care services, as defined by the administrator and rendered by duly
21 licensed providers, on a prepaid capitated basis to a defined patient
22 population enrolled in the plan and in the managed health care system.

23 (4) "Enrollee" means an individual, or an individual plus the
24 individual's spouse and/or dependent children, all under the age of
25 sixty-five and not otherwise eligible for medicare, who resides in an
26 area of the state served by a managed health care system participating
27 in the plan, (~~whose gross family income at the time of enrollment does~~
28 ~~not exceed twice the federal poverty level as adjusted for family size~~
29 ~~and determined annually by the federal department of health and human~~
30 ~~services,~~) who chooses to obtain basic health care coverage from a
31 particular managed health care system in return for periodic payments
32 to the plan. Nonsubsidized enrollees shall be considered enrollees
33 unless otherwise specified.

34 (5) "Nonsubsidized enrollee" means an enrollee who pays the full
35 premium for participation in the plan and shall not be eligible for any
36 subsidy from the plan.

37 (6) "Subsidy" means the difference between the amount of periodic
38 payment the administrator makes, from funds appropriated from the basic

1 health plan trust account, to a managed health care system on behalf of
2 an enrollee plus the administrative cost to the plan of providing the
3 plan to that enrollee, and the amount determined to be the enrollee's
4 responsibility under RCW 70.47.060(2).

5 ~~((+6))~~ (7) "Premium" means a periodic payment, based upon gross
6 family income and determined under RCW 70.47.060(2), which an enrollee
7 makes to the plan as consideration for enrollment in the plan.

8 ~~((+7))~~ (8) "Rate" means the per capita amount, negotiated by the
9 administrator with and paid to a participating managed health care
10 system, that is based upon the enrollment of enrollees in the plan and
11 in that system.

12 **Sec. 3.** RCW 70.47.030 and 1992 c 232 s 907 are each amended to
13 read as follows:

14 (1) The basic health plan trust account is hereby established in
15 the state treasury. ~~((All))~~ Any nongeneral fund-state funds collected
16 for this program shall be deposited in the basic health plan trust
17 account and may be expended without further appropriation. Moneys in
18 the account shall be used exclusively for the purposes of this chapter,
19 including payments to participating managed health care systems on
20 behalf of enrollees in the plan and payment of costs of administering
21 the plan. After July 1, 1993, the administrator shall not expend or
22 encumber for an ensuing fiscal period amounts exceeding ninety-five
23 percent of the amount anticipated to be spent for purchased services
24 during the fiscal year.

25 (2) The basic health plan subscription account is created in the
26 custody of the state treasurer. All receipts from amounts due under
27 RCW 70.47.060 (11) and (12) shall be deposited into the account. Funds
28 in the account shall be used exclusively for the purposes of this
29 chapter, including payments to participating managed health care
30 systems on behalf of enrollees in the plan and payment of costs of
31 administering the plan. The account is subject to allotment
32 procedures under chapter 43.88 RCW, but no appropriation is required
33 for expenditures.

34 (3) The administrator shall take every precaution to see that none
35 of the funds in the separate accounts created in this section or that
36 any premiums paid either by subsidized or nonsubsidized enrollees are
37 commingled in any way, except that the administrator may combine funds

1 designated for administration of the plan into a single administrative
2 account.

3 **Sec. 4.** RCW 70.47.060 and 1992 c 232 s 908 are each amended to
4 read as follows:

5 The administrator has the following powers and duties:

6 (1) To design and from time to time revise a schedule of covered
7 basic health care services, including physician services, inpatient and
8 outpatient hospital services, and other services that may be necessary
9 for basic health care, which enrollees in any participating managed
10 health care system under the Washington basic health plan shall be
11 entitled to receive in return for premium payments to the plan. The
12 schedule of services shall emphasize proven preventive and primary
13 health care and shall include all services necessary for prenatal,
14 postnatal, and well-child care. However, for the period ending June
15 30, 1993, with respect to coverage for groups of subsidized enrollees,
16 the administrator shall not contract for prenatal or postnatal services
17 that are provided under the medical assistance program under chapter
18 74.09 RCW except to the extent that such services are necessary over
19 not more than a one-month period in order to maintain continuity of
20 care after diagnosis of pregnancy by the managed care provider, or
21 except to provide any such services associated with pregnancies
22 diagnosed by the managed care provider before July 1, 1992. The
23 schedule of services shall also include a separate schedule of basic
24 health care services for children, eighteen years of age and younger,
25 for those enrollees who choose to secure basic coverage through the
26 plan only for their dependent children. In designing and revising the
27 schedule of services, the administrator shall consider the guidelines
28 for assessing health services under the mandated benefits act of 1984,
29 RCW 48.42.080, and such other factors as the administrator deems
30 appropriate.

31 (2) To design and implement a structure of periodic premiums due
32 the administrator from enrollees that is based upon gross family
33 income, giving appropriate consideration to family size as well as the
34 ages of all family members. The enrollment of children shall not
35 require the enrollment of their parent or parents who are eligible for
36 the plan.

37 (a) An employer or other financial sponsor may, with the approval
38 of the administrator, pay the premium on behalf of any enrollee, by

1 arrangement with the enrollee and through a mechanism acceptable to the
2 administrator, but in no case shall the payment made on behalf of the
3 enrollee exceed eighty percent of total premiums due from the enrollee.

4 (b) Premiums due from nonsubsidized enrollees, who are not
5 otherwise eligible to be enrollees, shall be in an amount equal to the
6 cost charged by the managed health care system provider to the state
7 for the plan plus the administrative cost of providing the plan to
8 those enrollees.

9 (3) To design and implement a structure of nominal copayments due
10 a managed health care system from enrollees. The structure shall
11 discourage inappropriate enrollee utilization of health care services,
12 but shall not be so costly to enrollees as to constitute a barrier to
13 appropriate utilization of necessary health care services.

14 (4) To design and implement, in concert with a sufficient number of
15 potential providers in a discrete area, an enrollee financial
16 participation structure, separate from that otherwise established under
17 this chapter, that has the following characteristics:

18 (a) Nominal premiums that are based upon ability to pay, but not
19 set at a level that would discourage enrollment;

20 (b) A modified fee-for-services payment schedule for providers;

21 (c) Coinsurance rates that are established based on specific
22 service and procedure costs and the enrollee's ability to pay for the
23 care. However, coinsurance rates for families with incomes below one
24 hundred twenty percent of the federal poverty level shall be nominal.
25 No coinsurance shall be required for specific proven prevention
26 programs, such as prenatal care. The coinsurance rate levels shall not
27 have a measurable negative effect upon the enrollee's health status;
28 and

29 (d) A case management system that fosters a provider-enrollee
30 relationship whereby, in an effort to control cost, maintain or improve
31 the health status of the enrollee, and maximize patient involvement in
32 her or his health care decision-making process, every effort is made by
33 the provider to inform the enrollee of the cost of the specific
34 services and procedures and related health benefits.

35 The potential financial liability of the plan to any such providers
36 shall not exceed in the aggregate an amount greater than that which
37 might otherwise have been incurred by the plan on the basis of the
38 number of enrollees multiplied by the average of the prepaid capitated
39 rates negotiated with participating managed health care systems under

1 RCW 70.47.100 and reduced by any sums charged enrollees on the basis of
2 the coinsurance rates that are established under this subsection.

3 (5) To limit enrollment of persons who qualify for subsidies so as
4 to prevent an overexpenditure of appropriations for such purposes.
5 Whenever the administrator finds that there is danger of such an
6 overexpenditure, the administrator shall close enrollment until the
7 administrator finds the danger no longer exists.

8 (6)(a) To limit the payment of a subsidy to only of those
9 enrollees, as defined in RCW 70.47.020, whose gross family income at
10 the time of enrollment does not exceed twice the federal poverty level
11 adjusted for family size and determined annually by the federal
12 department of health and human services.

13 (b) Except as provided for in subsection (11)(b) of this section,
14 to limit participation of nonsubsidized enrollees in the plan to those
15 whose family incomes at the time of enrollment does not exceed three
16 times the federal poverty level adjusted for family size and determined
17 annually by the federal department of health and human services.

18 (7) To adopt a schedule for the orderly development of the delivery
19 of services and availability of the plan to residents of the state,
20 subject to the limitations contained in RCW 70.47.080.
21 In the selection of any area of the state for the initial operation of
22 the plan, the administrator shall take into account the levels and
23 rates of unemployment in different areas of the state, the need to
24 provide basic health care coverage to a population reasonably
25 representative of the portion of the state's population that lacks such
26 coverage, and the need for geographic, demographic, and economic
27 diversity.

28 ~~((Before July 1, 1988, the administrator shall endeavor to secure~~
29 ~~participation contracts with managed health care systems in discrete~~
30 ~~geographic areas within at least five congressional districts.~~

31 ~~(7))~~ (8) To solicit and accept applications from managed health
32 care systems, as defined in this chapter, for inclusion as eligible
33 basic health care providers under the plan. The administrator shall
34 endeavor to assure that covered basic health care services are
35 available to any enrollee of the plan from among a selection of two or
36 more participating managed health care systems. In adopting any rules
37 or procedures applicable to managed health care systems and in its
38 dealings with such systems, the administrator shall consider and make
39 suitable allowance for the need for health care services and the

1 differences in local availability of health care resources, along with
2 other resources, within and among the several areas of the state.

3 ~~((+8))~~ (9) To receive periodic premiums from enrollees, deposit
4 them in the basic health plan operating account, keep records of
5 enrollee status, and authorize periodic payments to managed health care
6 systems on the basis of the number of enrollees participating in the
7 respective managed health care systems.

8 ~~((+9))~~ (10) To accept applications from individuals residing in
9 areas served by the plan, on behalf of themselves and their spouses and
10 dependent children, for enrollment in the Washington basic health plan,
11 to establish appropriate minimum-enrollment periods for enrollees as
12 may be necessary, and to determine, upon application and at least
13 annually thereafter, or at the request of any enrollee, eligibility due
14 to current gross family income for sliding scale premiums. Except as
15 provided for in subsection (11)(b) of this section, an enrollee who
16 remains current in payment of the sliding-scale premium, as determined
17 under subsection (2) of this section, and whose gross family income has
18 risen above ~~((twice))~~ three times the federal poverty level, may
19 continue enrollment unless and until the enrollee's gross family income
20 has remained above ~~((twice))~~ three times the poverty level for ~~((six))~~
21 eighteen consecutive months, by making payment at the unsubsidized rate
22 required for the managed health care system in which he or she may be
23 enrolled plus the administrative cost of providing the plan to that
24 enrollee. No subsidy may be paid with respect to any enrollee whose
25 current gross family income exceeds twice the federal poverty level or,
26 subject to RCW 70.47.110, who is a recipient of medical assistance or
27 medical care services under chapter 74.09 RCW. If a number of
28 enrollees drop their enrollment for no apparent good cause, the
29 administrator may establish appropriate rules or requirements that are
30 applicable to such individuals before they will be allowed to re-enroll
31 in the plan.

32 ~~((+10))~~ (11)(a) To accept applications from small business owners
33 on behalf of themselves and their employees, spouses, and dependent
34 children who reside in an area served by the plan. The administrator
35 may require all or the substantial majority of the eligible employees
36 of such businesses to enroll in the plan and establish those procedures
37 necessary to facilitate the orderly enrollment of groups in the plan
38 and into a managed health care system. For the purposes of this
39 subsection, an employee means an individual who regularly works for the

1 employer for at least twenty hours per week. Such businesses shall
2 have less than one hundred employees and enrollment shall be limited to
3 those not otherwise eligible for medicare, whose gross family income at
4 the time of enrollment does not exceed three times the federal poverty
5 level as adjusted for family size and determined by the federal
6 department of health and human services, who wish to enroll in the plan
7 at no cost to the state and choose to obtain the basic health care
8 coverage and services from a managed care system participating in the
9 plan. The administrator shall adjust the amount determined to be due
10 on behalf of or from all such enrollees whenever the amount negotiated
11 by the administrator with the participating managed health care system
12 or systems is modified or the administrative cost of providing the plan
13 to such enrollees changes. No enrollee of a small business group shall
14 be eligible for any subsidy from the plan and at no time shall the
15 administrator allow the credit of the state or funds from the trust
16 account to be used or extended on their behalf.

17 (b) Notwithstanding income limitations provided for in (a) of this
18 subsection, if seventy-five percent or more of employees in a small
19 business at the time of enrollment have gross family incomes that do
20 not exceed three times the federal poverty level as adjusted for family
21 size and determined by the federal department of health and human
22 services, all employees in the small business will be eligible for
23 enrollment under this subsection. The plan shall annually require
24 participating small businesses enrolled under this subsection (11)(b)
25 to provide evidence of gross family incomes of enrolled employees for
26 purposes of determining continued eligibility of such employees under
27 this subsection (11)(b). To minimize the burden and cost of complying
28 with this reporting requirement, the plan shall accept documentation
29 from the small business that provides such information as may be
30 required by other state agencies. Should more than twenty-five percent
31 of employees of an enrolled small business be found to have gross
32 family incomes exceeding three times the federal poverty level, the
33 plan shall notify the small business that those employees are no longer
34 eligible for enrollment and shall disenroll these employees eighteen
35 months after the notification. The remaining employees of such small
36 businesses who have gross family incomes below three times the federal
37 poverty level will continue to be eligible enrollees under (a) of this
38 subsection.

1 (12) To accept applications from individuals residing in areas
2 serviced by the plan, on behalf of themselves and their spouses and
3 dependent children, under sixty-five years of age and not otherwise
4 eligible for medicare, whose gross family income at the time of
5 enrollment does not exceed three times the federal poverty level as
6 adjusted for family size and determined by the federal department of
7 health and human services, who wish to enroll in the plan at no cost to
8 the state and choose to obtain the basic health care coverage and
9 services from a managed care system participating in the plan. Any
10 such nonsubsidized enrollees must pay the amount negotiated by the
11 administrator with the participating managed health care system and the
12 administrative cost of providing the plan to such nonsubsidized
13 enrollees and shall not be eligible for any subsidy from the plan.

14 (13) To determine the rate to be paid to each participating managed
15 health care system in return for the provision of covered basic health
16 care services to enrollees in the system. Although the schedule of
17 covered basic health care services will be the same for similar
18 enrollees, the rates negotiated with participating managed health care
19 systems may vary among the systems. In negotiating rates with
20 participating systems, the administrator shall consider the
21 characteristics of the populations served by the respective systems,
22 economic circumstances of the local area, the need to conserve the
23 resources of the basic health plan trust account, and other factors the
24 administrator finds relevant. In determining the rate to be paid to a
25 contractor, the administrator shall strive to assure that the rate does
26 not result in adverse cost shifting to other private payers of health
27 care.

28 (~~(11)~~) (14) To monitor the provision of covered services to
29 enrollees by participating managed health care systems in order to
30 assure enrollee access to good quality basic health care, to require
31 periodic data reports concerning the utilization of health care
32 services rendered to enrollees in order to provide adequate information
33 for evaluation, and to inspect the books and records of participating
34 managed health care systems to assure compliance with the purposes of
35 this chapter. In requiring reports from participating managed health
36 care systems, including data on services rendered enrollees, the
37 administrator shall endeavor to minimize costs, both to the managed
38 health care systems and to the administrator. The administrator shall
39 coordinate any such reporting requirements with other state agencies,

1 such as the insurance commissioner and the department of health, to
2 minimize duplication of effort.

3 ~~((12))~~ (15) To monitor the access that state residents have to
4 adequate and necessary health care services, determine the extent of
5 any unmet needs for such services or lack of access that may exist from
6 time to time, and make such reports and recommendations to the
7 legislature as the administrator deems appropriate.

8 ~~((13))~~ (16) To evaluate the effects this chapter has on private
9 employer-based health care coverage and to take appropriate measures
10 consistent with state and federal statutes that will discourage the
11 reduction of such coverage in the state.

12 ~~((14))~~ (17) To develop a program of proven preventive health
13 measures and to integrate it into the plan wherever possible and
14 consistent with this chapter.

15 ~~((15))~~ (18) To provide, consistent with available resources,
16 technical assistance for rural health activities that endeavor to
17 develop needed health care services in rural parts of the state.

18 **Sec. 5.** RCW 70.47.080 and 1987 1st ex.s. c 5 s 10 are each amended
19 to read as follows:

20 On and after July 1, 1988, the administrator shall accept for
21 enrollment applicants eligible to receive covered basic health care
22 services from the respective managed health care systems which are then
23 participating in the plan. ~~((The administrator shall not allow the
24 total enrollment of those eligible for subsidies to exceed thirty
25 thousand.))~~

26 Thereafter, ~~((total))~~ the average monthly enrollment of those
27 eligible for subsidies during any biennium shall not exceed the number
28 established by the legislature in any act appropriating funds to the
29 plan, and total subsidized enrollment shall not result in expenditures
30 that exceed the total amount that has been made available by the
31 legislature in any act appropriating funds to the plan.

32 ~~((Before July 1, 1988, the administrator shall endeavor to secure
33 participation contracts from managed health care systems in discrete
34 geographic areas within at least five congressional districts of the
35 state and in such manner as to allow residents of both urban and rural
36 areas access to enrollment in the plan. The administrator shall make
37 a special effort to secure agreements with health care providers in one
38 such area that meets the requirements set forth in RCW 70.47.060(4).))~~

1 The administrator shall at all times closely monitor growth
2 patterns of enrollment so as not to exceed that consistent with the
3 orderly development of the plan as a whole, in any area of the state or
4 in any participating managed health care system. The annual or
5 biennial enrollment limitations derived from operation of the plan
6 under this section do not apply to nonsubsidized enrollees as defined
7 in RCW 70.47.020(5).

8 **Sec. 6.** RCW 70.47.120 and 1987 1st ex.s. c 5 s 14 are each amended
9 to read as follows:

10 In addition to the powers and duties specified in RCW 70.47.040 and
11 70.47.060, the administrator has the power to enter into contracts for
12 the following functions and services:

13 (1) With public or private agencies, to assist the administrator in
14 her or his duties to design or revise the schedule of covered basic
15 health care services, and/or to monitor or evaluate the performance of
16 participating managed health care systems.

17 (2) With public or private agencies, to provide technical or
18 professional assistance to health care providers, particularly public
19 or private nonprofit organizations and providers serving rural areas,
20 who show serious intent and apparent capability to participate in the
21 plan as managed health care systems.

22 (3) With public or private agencies, including health care service
23 contractors registered under RCW 48.44.015, and doing business in the
24 state, for marketing and administrative services in connection with
25 participation of managed health care systems, enrollment of enrollees,
26 billing and collection services to the administrator, and other
27 administrative functions ordinarily performed by health care service
28 contractors, other than insurance except that the administrator may
29 purchase or arrange for the purchase of reinsurance, or self-insure for
30 reinsurance, on behalf of its participating managed health care
31 systems. Any activities of a health care service contractor pursuant
32 to a contract with the administrator under this section shall be exempt
33 from the provisions and requirements of Title 48 RCW.

34 NEW SECTION. **Sec. 7.** BASIC HEALTH PLAN FUNDING. The sum of two
35 hundred ten million dollars, or as much thereof as may be necessary, is
36 appropriated for the biennium ending June 30, 1995, from the basic
37 health plan trust account to the Washington basic health plan

1 authorized under chapter 70.47 RCW for the purposes of enrolling an
2 additional sixty-five thousand members during the 1993-95 biennium.
3 This amount is in addition to that set forth in the 1993-95 biennial
4 appropriations act.

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