
SUBSTITUTE HOUSE BILL 1566

State of Washington

54th Legislature

1995 Regular Session

By House Committee on Health Care (originally sponsored by Representative Dyer; by request of Health Care Authority)

Read first time 03/01/95.

1 AN ACT Relating to implementation of health care authority
2 responsibilities; amending RCW 28A.400.200, 28A.400.350, 41.05.011,
3 41.05.022, 41.05.055, 41.05.065, 47.64.270, 41.05.021, 41.05.065, and
4 41.04.205; reenacting and amending RCW 41.05.075; adding a new section
5 to chapter 28A.400 RCW; adding a new section to Title 28C RCW; adding
6 a new section to chapter 74.09 RCW; repealing RCW 41.05.200, 41.05.240,
7 and 43.72.230; providing an effective date; and declaring an emergency.

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

9 **Sec. 1.** RCW 28A.400.200 and 1993 c 492 s 225 are each amended to
10 read as follows:

11 (1) Every school district board of directors shall fix, alter,
12 allow, and order paid salaries and compensation for all district
13 employees in conformance with this section.

14 (2)(a) Salaries for certificated instructional staff shall not be
15 less than the salary provided in the appropriations act in the state-
16 wide salary allocation schedule for an employee with a baccalaureate
17 degree and zero years of service; and

18 (b) Salaries for certificated instructional staff with a masters
19 degree shall not be less than the salary provided in the appropriations

1 act in the state-wide salary allocation schedule for an employee with
2 a masters degree and zero years of service((?)).

3 (3)(a) The actual average salary paid to basic education
4 certificated instructional staff shall not exceed the district's
5 average basic education certificated instructional staff salary used
6 for the state basic education allocations for that school year as
7 determined pursuant to RCW 28A.150.410.

8 (b) Fringe benefit contributions for basic education certificated
9 instructional staff shall be included as salary under (a) of this
10 subsection ((only)) to the extent that the district's actual average
11 benefit contribution exceeds the ~~((amount of the insurance benefits
12 allocation))~~ greater of: (i) The formula amount for insurance benefits
13 provided per certificated instructional staff unit in the state
14 operating appropriations act in effect at the time the compensation is
15 payable; or (ii) the actual average amount provided by the school
16 district in the 1986-87 school year. For purposes of this section,
17 fringe benefits shall not include payment for unused leave for illness
18 or injury under RCW 28A.400.210; or employer contributions for old age
19 survivors insurance, workers' compensation, unemployment compensation,
20 and retirement benefits under the Washington state retirement system((?
21 ~~or employer contributions for health benefits in excess of the~~
22 ~~insurance benefits allocation provided per certificated instructional~~
23 ~~staff unit in the state operating appropriations act in effect at the~~
24 ~~time the compensation is payable. A school district may not use state~~
25 ~~funds to provide employer contributions for such excess health~~
26 ~~benefits))).~~

27 (c) Salary and benefits for certificated instructional staff in
28 programs other than basic education shall be consistent with the salary
29 and benefits paid to certificated instructional staff in the basic
30 education program.

31 (4) Salaries and benefits for certificated instructional staff may
32 exceed the limitations in subsection (3) of this section only by
33 separate contract for additional time, additional responsibilities, or
34 incentives. Supplemental contracts shall not cause the state to incur
35 any present or future funding obligation. Supplemental contracts shall
36 be subject to the collective bargaining provisions of chapter 41.59 RCW
37 and the provisions of RCW 28A.405.240, shall not exceed one year, and
38 if not renewed shall not constitute adverse change in accordance with
39 RCW 28A.405.300 through 28A.405.380. No district may enter into a

1 supplemental contract under this subsection for the provision of
2 services which are a part of the basic education program required by
3 Article IX, section 3 of the state Constitution.

4 (5) Employee benefit plans offered by any district shall comply
5 with RCW 28A.400.350 and 28A.400.275 and 28A.400.280.

6 **Sec. 2.** RCW 28A.400.350 and 1993 c 492 s 226 are each amended to
7 read as follows:

8 (1) The board of directors of any of the state's school districts
9 may make available liability, life, health, health care, accident,
10 disability and salary protection or insurance or any one of, or a
11 combination of the enumerated types of insurance, or any other type of
12 insurance or protection, for the members of the boards of directors,
13 the students, and employees of the school district, and their
14 dependents. Such coverage may be provided by contracts with private
15 carriers, with the state health care authority after July 1, 1990,
16 pursuant to the approval of the authority administrator, or through
17 self-insurance or self-funding pursuant to chapter 48.62 RCW, or in any
18 other manner authorized by law. (~~Except for health benefits purchased
19 with nonstate funds as provided in RCW 28A.400.200, effective on and
20 after October 1, 1995, health care coverage, life insurance, liability
21 insurance, accidental death and dismemberment insurance, and disability
22 income insurance shall be provided only by contracts with the state
23 health care authority.~~)

24 (2) Whenever funds are available for these purposes the board of
25 directors of the school district may contribute all or a part of the
26 cost of such protection or insurance for the employees of their
27 respective school districts and their dependents. The premiums on such
28 liability insurance shall be borne by the school district.

29 After October 1, 1990, school districts may not contribute to any
30 employee protection or insurance other than liability insurance unless
31 the district's employee benefit plan conforms to RCW 28A.400.275 and
32 28A.400.280.

33 (3) For school board members and students, the premiums due on such
34 protection or insurance shall be borne by the assenting school board
35 member or student. The school district may contribute all or part of
36 the costs, including the premiums, of life, health, health care,
37 accident or disability insurance which shall be offered to all students
38 participating in interschool activities on the behalf of or as

1 representative of their school or school district. The school district
2 board of directors may require any student participating in
3 extracurricular interschool activities to, as a condition of
4 participation, document evidence of insurance or purchase insurance
5 that will provide adequate coverage, as determined by the school
6 district board of directors, for medical expenses incurred as a result
7 of injury sustained while participating in the extracurricular
8 activity. In establishing such a requirement, the district shall adopt
9 regulations for waiving or reducing the premiums of such coverage as
10 may be offered through the school district to students participating in
11 extracurricular activities, for those students whose families, by
12 reason of their low income, would have difficulty paying the entire
13 amount of such insurance premiums. The district board shall adopt
14 regulations for waiving or reducing the insurance coverage requirements
15 for low-income students in order to assure such students are not
16 prohibited from participating in extracurricular interschool
17 activities.

18 ~~((4) All contracts for insurance or protection written to take
19 advantage of the provisions of this section shall provide that the
20 beneficiaries of such contracts may utilize on an equal participation
21 basis the services of those practitioners licensed pursuant to chapters
22 18.22, 18.25, 18.53, 18.57, and 18.71 RCW.))~~

23 NEW SECTION. **Sec. 3.** A new section is added to chapter 28A.400
24 RCW to read as follows:

25 (1) In a manner prescribed by the state health care authority,
26 school districts and educational service districts shall remit to the
27 health care authority for deposit in the public employees' and
28 retirees' insurance account established in RCW 41.05.120:

29 (a) For each full-time employee of the district, an amount equal to
30 four and seven-tenths percent multiplied by the insurance benefit
31 allocation rate in the appropriations act for a certificated or
32 classified staff, for each month of the school year;

33 (b) For each part-time employee of the district who, at the time of
34 the remittance, is employed in an eligible position as defined in RCW
35 41.32.010 or 41.40.010 and is eligible for employer fringe benefit
36 contributions for basic benefits as defined in RCW 28A.400.270, an
37 amount equal to four and seven-tenths percent multiplied by the
38 insurance benefit allocation rate in the appropriations act for a

1 certificated or classified staff, for each month of the school year,
2 prorated by the proportion of employer fringe benefit contributions for
3 a full-time employee that the part-time employee receives.

4 (2) The remittance requirements of this section do not apply to
5 employees of a school district or educational service district who
6 receive insurance benefits through contracts with the health care
7 authority as provided by RCW 28A.400.350.

8 (3) The legislature reserves the right to increase or decrease the
9 percent or amount required to be remitted in this section.

10 **Sec. 4.** RCW 41.05.011 and 1994 c 153 s 2 are each amended to read
11 as follows:

12 Unless the context clearly requires otherwise, the definitions in
13 this section shall apply throughout this chapter.

14 (1) "Administrator" means the administrator of the authority.

15 (2) "State purchased health care" or "health care" means medical
16 and health care, pharmaceuticals, and medical equipment purchased with
17 state and federal funds by the department of social and health
18 services, the department of health, the basic health plan, the state
19 health care authority, the department of labor and industries, the
20 department of corrections, the department of veterans affairs, and
21 local school districts.

22 (3) "Authority" means the Washington state health care authority.

23 (4) "Insuring entity" means an insurer as defined in chapter 48.01
24 RCW, a health care service contractor as defined in chapter 48.44 RCW,
25 or a health maintenance organization as defined in chapter 48.46 RCW.
26 On and after ((July 1, 1995)) January 1, 1996, "insuring entity" means
27 a ((certified health plan)) health carrier, as defined in ((RCW
28 43.72.010)) chapter 48.43 RCW.

29 (5) "Flexible benefit plan" means a benefit plan that allows
30 employees to choose the level of health care coverage provided and the
31 amount of employee contributions from among a range of choices offered
32 by the authority.

33 (6) "Employee" includes all full-time and career seasonal employees
34 of the state, whether or not covered by civil service; elected and
35 appointed officials of the executive branch of government, including
36 full-time members of boards, commissions, or committees; and includes
37 any or all part-time and temporary employees under the terms and
38 conditions established under this chapter by the authority; justices of

1 the supreme court and judges of the court of appeals and the superior
2 courts; and members of the state legislature or of the legislative
3 authority of any county, city, or town who are elected to office after
4 February 20, 1970. "Employee" also includes(~~(a) By October 1,~~
5 ~~1995, all employees of school districts and educational service~~
6 ~~districts. Between October 1, 1994, and September 30, 1995, "employee"~~
7 ~~includes employees of those school districts and educational service~~
8 ~~districts for whom the authority has undertaken the purchase of~~
9 ~~insurance benefits. The transition to insurance benefits purchasing by~~
10 ~~the authority may not disrupt existing insurance contracts between~~
11 ~~school district or educational service district employees and insurers.~~
12 ~~However, except to the extent provided in RCW 28A.400.200, any such~~
13 ~~contract that provides for health insurance benefits coverage after~~
14 ~~October 1, 1995, shall be void as of that date if the contract was~~
15 ~~entered into, renewed, or extended after July 1, 1993. Prior to~~
16 ~~October 1, 1994, "employee" includes employees of a school district if~~
17 ~~the board of directors of the school district seeks and receives the~~
18 ~~approval of the authority to provide any of its insurance programs by~~
19 ~~contract with the authority;~~(b)) employees of a county, municipality,
20 including those retired employees receiving a benefit from the law
21 enforcement officers and fire fighters retirement system plan I, or
22 other political subdivision of the state if the legislative authority
23 of the county, municipality, or other political subdivision of the
24 state seeks and receives the approval of the authority to provide any
25 of its insurance programs by contract with the authority, as provided
26 in RCW 41.04.205(~~(c) employees of employee organizations~~
27 ~~representing state civil service employees, at the option of each such~~
28 ~~employee organization, and, effective October 1, 1995, employees of~~
29 ~~employee organizations currently pooled with employees of school~~
30 ~~districts for the purpose of purchasing insurance benefits, at the~~
31 ~~option of each such employee organization)), and employees of a school
32 district if the board of directors of the school district seeks and
33 receives the approval of the authority to provide any of its insurance
34 programs by contract with the authority as provided in RCW 28A.400.350.~~

35 (7) "Board" means the public employees' benefits board established
36 under RCW 41.05.055.

37 (8) "Retired or disabled school employee" means:

1 (a) Persons who separated from employment with a school district or
2 educational service district and are receiving a retirement allowance
3 under chapter 41.32 or 41.40 RCW as of September 30, 1993;

4 (b) Persons who separate from employment with a school district or
5 educational service district on or after October 1, 1993, and
6 immediately upon separation receive a retirement allowance under
7 chapter 41.32 or 41.40 RCW;

8 (c) Persons who separate from employment with a school district or
9 educational service district due to a total and permanent disability,
10 and are eligible to receive a deferred retirement allowance under
11 chapter 41.32 or 41.40 RCW.

12 **Sec. 5.** RCW 41.05.022 and 1994 c 153 s 3 are each amended to read
13 as follows:

14 (1) The health care authority is hereby designated as the single
15 state agent for purchasing health services.

16 (2)(a) On and after January 1, 1995, at least the following state-
17 purchased health services programs shall be merged into a single,
18 community-rated risk pool: Health benefits for employees of school
19 districts and educational service districts that voluntarily purchase
20 health benefits as provided in RCW 41.05.011; health benefits for state
21 employees; health benefits for eligible retired or disabled school
22 employees not eligible for parts A and B of medicare; and health
23 benefits for eligible state retirees not eligible for parts A and B of
24 medicare. ~~((Beginning July 1, 1995, the basic health plan shall be~~
25 ~~included in the risk pool. The administrator may develop mechanisms to~~
26 ~~ensure that the cost of comparable benefits packages does not vary~~
27 ~~widely across the risk pools before they are merged. At the earliest~~
28 ~~opportunity the governor shall seek necessary federal waivers and state~~
29 ~~legislation to place the medical and acute care components of the~~
30 ~~medical assistance program, the limited casualty program, and the~~
31 ~~medical care services program of the department of social and health~~
32 ~~services in this single risk pool. Long term care services that are~~
33 ~~provided under the medical assistance program shall not be placed in~~
34 ~~the single risk pool until such services have been added to the uniform~~
35 ~~benefits package. On or before January 1, 1997, the governor shall~~
36 ~~submit necessary legislation to place the purchasing of health benefits~~
37 ~~for persons incarcerated in institutions administered by the department~~

1 of corrections into the single community-rated risk pool effective on
2 and after July 1, 1997.)

3 (b) The voluntary purchase of health benefits by contract with the
4 authority for classified employees of school districts and educational
5 service districts shall not reduce or restrict the benefits obtained or
6 to be obtained pursuant to collective bargaining between the exclusive
7 bargaining representatives of the classified employees and the district
8 employer.

9 (3) At a minimum, and regardless of other legislative enactments,
10 the state health services purchasing agent shall:

11 (a) Require that a public agency that provides subsidies for a
12 substantial portion of services now covered under the basic health plan
13 or a ((uniform)) standard benefits package ((as adopted by the
14 Washington health services commission)) as provided in ((RCW
15 43.72.130)) chapter 48.43 RCW, use uniform eligibility processes,
16 insofar as may be possible, and ensure that multiple eligibility
17 determinations are not required;

18 (b) Require that a health care provider or a health care facility
19 that receives funds from a public program provide care to state
20 residents receiving a state subsidy who may wish to receive care from
21 them consistent with the provisions of chapter 492, Laws of 1993 as
22 amended, and that a health maintenance organization, health care
23 service contractor, insurer, or ((certified health plan)) health
24 carrier that receives funds from a public program accept enrollment
25 from state residents receiving a state subsidy who may wish to enroll
26 with them under the provisions of chapter 492, Laws of 1993 as amended;

27 (c) Strive to integrate purchasing for all publicly sponsored
28 health services in order to maximize the cost control potential and
29 promote the most efficient methods of financing and coordinating
30 services;

31 (d) Annually suggest changes in state and federal law and rules to
32 bring all publicly funded health programs in compliance with the goals
33 and intent of chapter 492, Laws of 1993 as amended;

34 (e) Consult regularly with the governor, the legislature, and state
35 agency directors whose operations are affected by the implementation of
36 this section.

37 **Sec. 6.** RCW 41.05.055 and 1994 c 36 s 1 are each amended to read
38 as follows:

1 (1) The public employees' benefits board is created within the
2 authority. The function of the board is to design and approve
3 insurance benefit plans for state employees (~~and school district~~
4 ~~employees~~)).

5 (2) The board shall be composed of (~~nine~~) seven members appointed
6 by the governor as follows:

7 (a) Two representatives of state employees, one of whom shall
8 represent an employee union certified as exclusive representative of at
9 least one bargaining unit of classified employees, and one of whom is
10 retired, is covered by a program under the jurisdiction of the board,
11 and represents an organized group of retired public employees;

12 (b) (~~Two~~) One representative(~~s~~) of (~~school district employees,~~
13 ~~one of whom shall represent an association of school employees and one~~
14 ~~of whom is retired, and represents~~) an organized group of retired
15 school employees;

16 (c) (~~Four~~) Three members with experience in health benefit
17 management and cost containment; and

18 (d) The administrator.

19 (3) The governor shall appoint the initial members of the board to
20 staggered terms not to exceed four years. Members appointed thereafter
21 shall serve two-year terms. Members of the board shall be compensated
22 in accordance with RCW 43.03.250 and shall be reimbursed for their
23 travel expenses while on official business in accordance with RCW
24 43.03.050 and 43.03.060. The board shall prescribe rules for the
25 conduct of its business. The administrator shall serve as chair of the
26 board. Meetings of the board shall be at the call of the chair.

27 **Sec. 7.** RCW 41.05.065 and 1994 c 153 s 5 are each amended to read
28 as follows:

29 (1) The board shall study all matters connected with the provision
30 of health care coverage, life insurance, liability insurance,
31 accidental death and dismemberment insurance, and disability income
32 insurance or any of, or a combination of, the enumerated types of
33 insurance for employees and their dependents on the best basis possible
34 with relation both to the welfare of the employees and to the
35 state(~~7~~). However, liability insurance shall not be made available
36 to dependents.

37 (2) The (~~public employees' benefits~~) board shall develop employee
38 benefit plans that include comprehensive health care benefits for all

1 employees. In developing these plans, the board shall consider the
2 following elements:

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

5 (b) Development of provider arrangements that encourage cost
6 containment and ensure access to quality care, including but not
7 limited to prepaid delivery systems and prospective payment methods;

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

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

19 (e) Effective coordination of benefits;

20 (f) Minimum standards for insuring entities; and

21 (g) Minimum scope and content of ~~((standard))~~ public employee
22 benefit plans to be offered to enrollees participating in the employee
23 health benefit plans. On and after ~~((July 1, 1995))~~ January 1, 1996,
24 the ~~((uniform))~~ standard benefits package shall constitute the minimum
25 level of health benefits offered to employees. To maintain the
26 comprehensive nature of employee health care benefits, employee
27 eligibility criteria related to the number of hours worked and the
28 benefits provided to employees shall not be ~~((substantially~~
29 ~~equivalent))~~ decreased in comparison to the state employees' health
30 benefits plan and eligibility criteria in effect on January 1, 1993.

31 (3) The board shall design benefits and determine the terms and
32 conditions of employee participation and coverage, including
33 establishment of eligibility criteria.

34 ~~((The board shall attempt to achieve enrollment of all~~
35 ~~employees and retirees in managed health care systems by July 1994.))~~

36 The board may authorize premium contributions for an employee and
37 the employee's dependents in a manner that encourages the use of cost-
38 efficient managed health care systems.

1 (5) Employees shall choose participation in one of the health care
2 benefit plans developed by the board.

3 (6) The board shall review plans proposed by insurance carriers
4 that desire to offer property insurance and/or accident and casualty
5 insurance to state employees through payroll deduction. The board may
6 approve any such plan for payroll deduction by carriers holding a valid
7 certificate of authority in the state of Washington and which the board
8 determines to be in the best interests of employees and the state. The
9 board shall promulgate rules setting forth criteria by which it shall
10 evaluate the plans.

11 **Sec. 8.** RCW 41.05.075 and 1994 sp.s. c 9 s 724, 1994 c 309 s 3,
12 and 1994 c 153 s 6 are each reenacted and amended to read as follows:

13 (1) The administrator shall provide benefit plans designed by the
14 board through a contract or contracts with insuring entities, through
15 self-funding, self-insurance, or other methods of providing insurance
16 coverage authorized by RCW 41.05.140.

17 (2) The administrator shall establish a contract bidding process
18 that:

19 (a) Encourages competition among insuring entities;

20 (b) Maintains an equitable relationship between premiums charged
21 for similar benefits and between risk pools including premiums charged
22 for retired state and school district employees under the separate risk
23 pools established by RCW 41.05.022 and 41.05.080 such that insuring
24 entities may not avoid risk when establishing the premium rates for
25 retirees eligible for medicare;

26 (c) Is timely to the state budgetary process; and

27 (d) Sets conditions for awarding contracts to any insuring entity.

28 (3) The administrator shall establish a requirement for review of
29 utilization and financial data from participating insuring entities on
30 a quarterly basis.

31 (4) The administrator shall centralize the enrollment files for all
32 employee and retired or disabled school employee health plans offered
33 under chapter 41.05 RCW and develop enrollment demographics on a plan-
34 specific basis.

35 (5) All claims data shall be the property of the state. The
36 administrator may require of any insuring entity that submits a bid to
37 contract for coverage all information deemed necessary including
38 subscriber or member demographic and claims data necessary for risk

1 assessment and adjustment calculations in order to fulfill the
2 administrator's duties as set forth in this chapter.

3 ~~(6) ((All contracts with insuring entities for the provision of
4 health care benefits shall provide that the beneficiaries of such
5 benefit plans may use on an equal participation basis the services of
6 practitioners licensed pursuant to chapters 18.22, 18.25, 18.32, 18.53,
7 18.57, 18.71, 18.74, 18.83, and 18.79 RCW, as it applies to registered
8 nurses and advanced registered nurse practitioners. However, nothing
9 in this subsection may preclude the administrator from establishing
10 appropriate utilization controls approved pursuant to RCW 41.05.065(2)
11 (a), (b), and (d).~~

12 ~~(7))~~ Beginning in January 1990, and each January thereafter until
13 January 1996, the administrator shall publish and distribute to each
14 school district a description of health care benefit plans available
15 through the authority and the estimated cost if school district
16 employees were enrolled.

17 **Sec. 9.** RCW 47.64.270 and 1993 c 492 s 224 are each amended to
18 read as follows:

19 Until December 31, 1996, absent a collective bargaining agreement
20 to the contrary, the department of transportation shall provide
21 contributions to insurance and health care plans for ferry system
22 employees and dependents, as determined by the state health care
23 authority, under chapter 41.05 RCW; and the ferry system management and
24 employee organizations may collectively bargain for other insurance and
25 health care plans, and employer contributions may exceed that of other
26 state agencies as provided in RCW 41.05.050, subject to RCW 47.64.180.
27 On January 1, 1997, ferry employees shall enroll ~~((in certified health
28 plans))~~ with health carriers under the provisions of chapter 492, Laws
29 of 1993 as amended. To the extent that ferry employees by bargaining
30 unit have absorbed the required offset of wage increases by the amount
31 that the employer's contribution for employees' and dependents'
32 insurance and health care plans exceeds that of other state general
33 government employees in the 1985-87 fiscal biennium, employees shall
34 not be required to absorb a further offset except to the extent the
35 differential between employer contributions for those employees and all
36 other state general government employees increases during any
37 subsequent fiscal biennium. If such differential increases in the
38 1987-89 fiscal biennium or the 1985-87 offset by bargaining unit is

1 insufficient to meet the required deduction, the amount available for
2 compensation shall be reduced by bargaining unit by the amount of such
3 increase or the 1985-87 shortage in the required offset. Compensation
4 shall include all wages and employee benefits.

5 **Sec. 10.** RCW 41.05.021 and 1994 c 309 s 1 are each amended to read
6 as follows:

7 (1) The Washington state health care authority is created within
8 the executive branch. The authority shall have an administrator
9 appointed by the governor, with the consent of the senate. The
10 administrator shall serve at the pleasure of the governor. The
11 administrator may employ up to seven staff members, who shall be exempt
12 from chapter 41.06 RCW, and any additional staff members as are
13 necessary to administer this chapter. The administrator may delegate
14 any power or duty vested in him or her by this chapter, including
15 authority to make final decisions and enter final orders in hearings
16 conducted under chapter 34.05 RCW. The primary duties of the authority
17 shall be to administer state employees' insurance benefits and retired
18 or disabled school employees' insurance benefits, study state-purchased
19 health care programs in order to maximize cost containment in these
20 programs while ensuring access to quality health care, and implement
21 state initiatives, joint purchasing strategies, and techniques for
22 efficient administration that have potential application to all state-
23 purchased health services. The authority's duties include, but are not
24 limited to, the following:

25 (a) To administer health care benefit programs for employees and
26 retired or disabled school employees as specifically authorized in RCW
27 41.05.065 and in accordance with the methods described in RCW
28 41.05.075, 41.05.140, and other provisions of this chapter;

29 (b) To analyze state-purchased health care programs and to explore
30 options for cost containment and delivery alternatives for those
31 programs that are consistent with the purposes of those programs,
32 including, but not limited to:

33 (i) Creation of economic incentives for the persons for whom the
34 state purchases health care to appropriately utilize and purchase
35 health care services, including the development of flexible benefit
36 plans to offset increases in individual financial responsibility;

37 (ii) Utilization of provider arrangements that encourage cost
38 containment, including but not limited to prepaid delivery systems,

1 utilization review, and prospective payment methods, and that ensure
2 access to quality care, including assuring reasonable access to local
3 providers, especially for employees residing in rural areas;

4 (iii) Coordination of state agency efforts to purchase drugs
5 effectively as provided in RCW 70.14.050;

6 (iv) Development of recommendations and methods for purchasing
7 medical equipment and supporting services on a volume discount basis;
8 and

9 (v) Development of data systems to obtain utilization data from
10 state-purchased health care programs in order to identify cost centers,
11 utilization patterns, provider and hospital practice patterns, and
12 procedure costs, utilizing the information obtained pursuant to RCW
13 41.05.031;

14 (c) To analyze areas of public and private health care interaction;

15 (d) To provide information and technical and administrative
16 assistance to the board;

17 (e) To review and approve or deny applications from counties,
18 municipalities, and other political subdivisions of the state to
19 provide state-sponsored insurance or self-insurance programs to their
20 employees in accordance with the provisions of RCW 41.04.205, setting
21 the premium contribution for approved groups as outlined in RCW
22 41.05.050;

23 (f) To appoint a health care policy technical advisory committee as
24 required by RCW 41.05.150;

25 (g) To establish billing procedures and collect funds from school
26 districts and educational service districts under RCW 28A.400.400 in a
27 way that minimizes the administrative burden on districts; and

28 (h) To promulgate and adopt rules consistent with this chapter as
29 described in RCW 41.05.160.

30 (2) On and after ((July)) January 1, ((1995)) 1996, the public
31 employees' benefits board ((shall)) may implement strategies to promote
32 managed competition among employee health benefit plans ((in accordance
33 with the Washington health services commission schedule of employer
34 requirements)). Strategies may include but are not limited to:

35 (a) Standardizing the benefit package;

36 (b) Soliciting competitive bids for the benefit package;

37 (c) Limiting the state's contribution to a percent of the lowest
38 priced qualified plan within a geographical area. If the state's
39 contribution is less than one hundred percent of the lowest priced

1 qualified bid, employee financial contributions shall be structured on
2 a sliding-scale basis related to household income;

3 (d) Monitoring the impact of the approach under this subsection
4 with regards to: Efficiencies in health service delivery, cost shifts
5 to subscribers, access to and choice of managed care plans state-wide,
6 and quality of health services. The health care authority shall also
7 advise on the value of administering a benchmark employer-managed plan
8 to promote competition among managed care plans. The health care
9 authority shall report its findings and recommendations to the
10 legislature by January 1, 1997.

11 (3) The health care authority shall, no later than July 1, 1996,
12 submit to the appropriate committees of the legislature, proposed
13 methods whereby, through the use of a voucher-type process, state
14 employees may enroll with any health carrier to receive employee
15 benefits. Such methods shall include the employee option of
16 participating in a health care savings account, as set forth in Title
17 48 RCW.

18 (4) The joint committee on health systems oversight, if created by
19 law, shall study the necessity and desirability of the health care
20 authority continuing as a self-insuring entity and make recommendations
21 to the appropriate committees of the legislature by December 1, 1996.

22 **Sec. 11.** RCW 41.05.065 and 1994 c 153 s 5 are each amended to read
23 as follows:

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

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

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

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

4 (c) Wellness incentives that focus on proven strategies, such as
5 smoking cessation, exercise, automobile and motorcycle safety, blood
6 cholesterol reduction, and nutrition education;

7 (d) Utilization review procedures including, but not limited to
8 prior authorization of services, hospital inpatient length of stay
9 review, requirements for use of outpatient surgeries and second
10 opinions for surgeries, review of invoices or claims submitted by
11 service providers, and performance audit of providers;

12 (e) Effective coordination of benefits;

13 (f) Minimum standards for insuring entities; and

14 (g) Minimum scope and content of standard benefit plans to be
15 offered to enrollees participating in the employee health benefit
16 plans. On and after (~~July 1, 1995~~) the first plan year anniversary
17 date after February 1, 1996, the uniform benefits package shall
18 constitute the minimum level of health benefits offered to employees.
19 To maintain the comprehensive nature of employee health care benefits,
20 employee eligibility criteria related to the number of hours worked and
21 the benefits provided to employees shall be substantially equivalent to
22 the state employees' health benefits plan and eligibility criteria in
23 effect on January 1, 1993.

24 (3) The board shall design benefits and determine the terms and
25 conditions of employee participation and coverage, including
26 establishment of eligibility criteria.

27 (4) The board shall attempt to achieve enrollment of all employees
28 and retirees in managed health care systems by July 1994.

29 The board may authorize premium contributions for an employee and
30 the employee's dependents in a manner that encourages the use of cost-
31 efficient managed health care systems.

32 (5) Employees shall choose participation in one of the health care
33 benefit plans developed by the board and may be permitted to waive
34 coverage under terms and conditions established by the public
35 employees' benefits board.

36 (6) The board shall review plans proposed by insurance carriers
37 that desire to offer property insurance and/or accident and casualty
38 insurance to state employees through payroll deduction. The board may
39 approve any such plan for payroll deduction by carriers holding a valid

1 certificate of authority in the state of Washington and which the board
2 determines to be in the best interests of employees and the state. The
3 board shall promulgate rules setting forth criteria by which it shall
4 evaluate the plans.

5 **Sec. 12.** RCW 41.04.205 and 1993 c 386 s 3 are each amended to read
6 as follows:

7 (1) Notwithstanding the provisions of RCW 41.04.180, the employees,
8 with their dependents, of any county, municipality, or other political
9 subdivision of this state shall be eligible to participate in any
10 insurance or self-insurance program for employees administered under
11 chapter 41.05 RCW if the legislative authority of any such county,
12 municipality, or other political subdivisions of this state determines
13 a transfer to an insurance or self-insurance program administered under
14 chapter 41.05 RCW should be made. In the event of a special district
15 employee transfer pursuant to this section, members of the governing
16 authority shall be eligible to be included in such transfer if such
17 members are authorized by law as of June 25, 1976 to participate in the
18 insurance program being transferred from and subject to payment by such
19 members of all costs of insurance for members.

20 (2) When the legislative authority of a county, municipality, or
21 other political subdivision determines to so transfer, the state health
22 care authority shall:

23 (a) Establish the conditions ~~((under which the transfer may be~~
24 ~~made, which shall include the requirements that:~~

25 ~~(i) All the eligible employees of the political subdivision~~
26 ~~transfer as a unit, and~~

27 ~~(ii) The political subdivision involved obligate itself to make~~
28 ~~employer contributions in an amount at least equal to those provided by~~
29 ~~the state as employer)) for participation; and~~

30 (b) ~~((Hold public hearings on the application for transfer; and~~

31 ~~(e))) Have the sole right to reject the application.~~

32 Approval of the application by the state health care authority
33 shall effect a transfer of the employees involved to the insurance,
34 self-insurance, or health care program applied for.

35 (3) Any application of this section to members of the law
36 enforcement officers' and fire fighters' retirement system under
37 chapter 41.26 RCW is subject to chapter 41.56 RCW.

1 (4) (~~The requirements in subsection (2)(a) (i) and (ii) of this~~
2 ~~section need not be applied to~~) Prior to January 1, 1996, school
3 districts may voluntarily transfer, except that all eligible employees
4 in a bargaining unit of a school district may transfer only as a unit
5 and all nonrepresented employees in a district may transfer only as a
6 unit.

7 NEW SECTION. **Sec. 13.** The following acts or parts of acts are
8 each repealed:

- 9 (1) RCW 41.05.200 and 1993 c 492 s 228;
10 (2) RCW 41.05.240 and 1993 c 492 s 468; and
11 (3) RCW 43.72.230 and 1993 c 492 s 465.

12 NEW SECTION. **Sec. 14.** A new section is added to Title 28C RCW to
13 read as follows:

14 Members of public employee benefit trusts who are members of an
15 employee group and as a direct result of the enactment of chapter 238,
16 Laws of 1991, were required to change health insurance providers, may,
17 on or after the effective date of this act, reenroll with the public
18 employee benefit trust with which the member was previously enrolled.

19 NEW SECTION. **Sec. 15.** A new section is added to chapter 74.09 RCW
20 to read as follows:

21 The department of social and health services, in consultation with
22 the state health care authority and appropriate state agencies, shall
23 seek necessary federal waivers and state law changes to the medical
24 assistance program of the department to achieve greater coordination in
25 financing, purchasing, and delivering services to low-income residents
26 of Washington state, and to expand access to care for these low-income
27 residents.

28 NEW SECTION. **Sec. 16.** This act is necessary for the immediate
29 preservation of the public peace, health, or safety, or support of the
30 state government and its existing public institutions, and shall take
31 effect July 1, 1995.

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