

**ESHB 1737** - S COMM AMD

By Committee on Health & Long-Term Care

ADOPTED 04/11/2011

1 Strike everything after the enacting clause and insert the  
2 following:

3 "Sec. 1. RCW 74.09.200 and 1979 ex.s. c 152 s 1 are each amended  
4 to read as follows:

5 (1) The legislature finds and declares it to be in the public  
6 interest and for the protection of the health and welfare of the  
7 residents of the state of Washington that a proper regulatory and  
8 inspection program be instituted in connection with the providing of  
9 medical, dental, and other health services to recipients of public  
10 assistance and medically indigent persons. In order to effectively  
11 accomplish such purpose and to assure that the recipient of such  
12 services receives such services as are paid for by the state of  
13 Washington, the acceptance by the recipient of such services, and by  
14 practitioners of reimbursement for performing such services, shall  
15 authorize the secretary of the department of social and health services  
16 or his designee, to inspect and audit all records in connection with  
17 the providing of such services.

18 (2) It is the intent of the legislature that the regulatory and  
19 inspection program authorized in this section shall include a  
20 systematic method to gather data for program improvement.

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

23 (1) Audits under this chapter of the records of pharmacies licensed  
24 under chapter 18.64 RCW are subject to the following:

25 (a) An initial audit may not commence earlier than thirty days  
26 prior to the date on which written notice of the audit is given to the  
27 pharmacy. The notice must be provided to the physical location at  
28 which the audit will be conducted and to the principal office or place  
29 of business of the pharmacy, if different, and must include the name,

1 office address, and telephone number of any contractor conducting the  
2 audit pursuant to a contract with the department. Audit findings  
3 resulting from audit work that is commenced before the thirty-day  
4 period may not be used in any audit findings;

5 (b) An audited pharmacy may use the written records of a hospital,  
6 physician, or other authorized pharmacy to validate the audited  
7 pharmacy's record; and

8 (c) The pharmacy must have at least ninety days from the date on  
9 which the draft audit findings were delivered to the pharmacy to  
10 respond with additional documentation or other relevant information.  
11 Extensions of these time periods shall be granted for good cause.

12 (2) This section does not apply to an audit that is based on an  
13 investigation for fraudulent or abusive practices under RCW 74.09.210.

14 (3) For the purposes of this section, "allowable cost" means a  
15 medical cost that is:

16 (a) Covered by the state plan and waivers;

17 (b) Supported by the medical records indicating that the services  
18 were provided and consistent with the medical diagnosis, when special  
19 circumstances as required in the billing instructions require such  
20 documentation;

21 (c) Properly coded; and

22 (d) Paid at the rate allowed by the state plan.

23 NEW SECTION. **Sec. 3.** The secretary of the department of social  
24 and health services may adopt rules as necessary to implement this act.

25 NEW SECTION. **Sec. 4.** Section 2 of this act applies retroactively  
26 to audits commenced by the department of social and health services  
27 under chapter 74.09 RCW on or after April 1, 2011.

28 NEW SECTION. **Sec. 5.** If any part of this act is found to be in  
29 conflict with federal requirements that are a prescribed condition to  
30 the allocation of federal funds to the state, the conflicting part of  
31 this act is inoperative solely to the extent of the conflict and with  
32 respect to the agencies directly affected, and this finding does not  
33 affect the operation of the remainder of this act in its application to  
34 the agencies concerned. Rules adopted under this act must meet federal

1 requirements that are a necessary condition to the receipt of federal  
2 funds by the state."

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3 On page 1, line 2 of the title, after "payments;" strike the  
4 remainder of the title and insert "amending RCW 74.09.200; adding a new  
5 section to chapter 74.09 RCW; and creating new sections."

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