
SENATE BILL 5394

State of Washington 62nd Legislature 2011 Regular Session

By Senators Keiser, Becker, Pflug, Conway, Kline, and Parlette

Read first time 01/24/11. Referred to Committee on Health & Long-Term Care.

1 AN ACT Relating to primary care health homes and chronic care
2 management; amending RCW 43.70.533, 70.47.100, and 41.05.021;
3 reenacting and amending RCW 74.09.010 and 74.09.522; adding a new
4 section to chapter 74.09 RCW; adding a new section to chapter 41.05
5 RCW; and adding a new section to chapter 48.43 RCW.

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

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

9 The legislature finds that:

10 (1) Health care costs are growing rapidly, exceeding the consumer
11 price index year after year. Consequently, state health programs are
12 capturing a growing share of the state budget, even as state revenues
13 have declined. Sustaining these critical health programs will require
14 actions to effectively contain health care cost increases in the
15 future; and

16 (2) The primary care health home model has been demonstrated to
17 successfully constrain costs, while improving quality of care. Chronic
18 care management, occurring within a primary care health home, has been
19 shown to be especially effective at reducing costs and improving

1 quality. However, broad adoption of these models has been impeded by
2 a fee-for-service system that reimburses volume of services and does
3 not adequately support important primary care health home services,
4 such as case management and patient outreach. Furthermore, successful
5 implementation will require a broad adoption effort by private and
6 public payers, in coordination with providers.

7 Therefore the legislature intends to promote the adoption of
8 primary care health homes and, within them, advance the practice of
9 chronic care management to improve health outcomes and reduce
10 unnecessary costs. The legislature also intends for the methods and
11 approach of the primary care health home become part of basic primary
12 care medical education.

13 **Sec. 2.** RCW 74.09.010 and 2010 1st sp.s. c 8 s 28 are each
14 reenacted and amended to read as follows:

15 ~~((As used in this chapter:))~~ The definitions in this section apply
16 throughout this chapter unless the context clearly requires otherwise.

17 (1) "Children's health program" means the health care services
18 program provided to children under eighteen years of age and in
19 households with incomes at or below the federal poverty level as
20 annually defined by the federal department of health and human services
21 as adjusted for family size, and who are not otherwise eligible for
22 medical assistance or the limited casualty program for the medically
23 needy.

24 (2) ~~("Committee" means the children's health services committee~~
25 ~~created in section 3 of this act.~~

26 ~~(3))~~ "Chronic care management" means the medical management within
27 a primary care health home of patients identified with, or at high risk
28 for, one or more chronic conditions. Effective chronic care
29 management:

30 (a) Actively assists patients to acquire self-care skills to
31 improve functioning and health outcomes, and slow the progression of
32 disease or disability;

33 (b) Employs evidence-based clinical practices;

34 (c) Coordinates care across medical settings and providers,
35 including tracking referrals;

36 (d) Provides ready access to behavioral health services that are,
37 to the extent possible, integrated with primary care; and

1 (e) Uses appropriate community resources to support individual
2 patients and families in managing chronic conditions.

3 (3) "Chronic condition" means a prolonged condition requiring
4 ongoing treatment for a period of at least three months. A chronic
5 condition includes, but is not limited to:

6 (a) A serious mental health condition;

7 (b) A substance use disorder;

8 (c) Asthma;

9 (d) Diabetes;

10 (e) Heart disease;

11 (f) HIV/AIDS; and

12 (g) Obesity, as evidenced by a body mass index over thirty.

13 (4) "County" means the board of county commissioners, county
14 council, county executive, or tribal jurisdiction, or its designee. A
15 combination of two or more county authorities or tribal jurisdictions
16 may enter into joint agreements ((to fulfill the requirements of RCW
17 74.09.415 through 74.09.435)).

18 ~~((+4))~~ (5) "Department" means the department of social and health
19 services.

20 ~~((+5))~~ (6) "Department of health" means the Washington state
21 department of health created pursuant to RCW 43.70.020.

22 ~~((+6))~~ (7) "Full benefit dual eligible beneficiary" means an
23 individual who, for any month: Has coverage for the month under a
24 medicare prescription drug plan or medicare advantage plan with part D
25 coverage; and is determined eligible by the state for full medicaid
26 benefits for the month under any eligibility category in the state's
27 medicaid plan or a section 1115 demonstration waiver that provides
28 pharmacy benefits.

29 ~~((+7))~~ (8) "Internal management" means the administration of
30 medical assistance, medical care services, the children's health
31 program, and the limited casualty program.

32 ~~((+8))~~ (9) "Limited casualty program" means the medical care
33 program provided to medically needy persons as defined under Title XIX
34 of the federal social security act, and to medically indigent persons
35 who are without income or resources sufficient to secure necessary
36 medical services.

37 ~~((+9))~~ (10) "Medical assistance" means the federal aid medical

1 care program provided to categorically needy persons as defined under
2 Title XIX of the federal social security act.

3 ~~((+10+))~~ (11) "Medical care services" means the limited scope of
4 care financed by state funds and provided to disability lifeline
5 benefits recipients, and recipients of alcohol and drug addiction
6 services provided under chapter 74.50 RCW.

7 ~~((+11+))~~ (12) "Nursing home" means nursing home as defined in RCW
8 18.51.010.

9 ~~((+12+))~~ (13) "Poverty" means the federal poverty level determined
10 annually by the United States department of health and human services,
11 or successor agency.

12 ~~((+13+))~~ (14) "Primary care health home" means coordinated primary
13 care provided by a designated medical professional coordinating all
14 medical care, and a multidisciplinary health care team comprised of
15 clinical and nonclinical staff. At a minimum, primary care health home
16 services include:

17 (a) Comprehensive care management including, but not limited to,
18 chronic care treatment and management;

19 (b) Extended hours of service;

20 (c) Multiple ways for patients to communicate with the team,
21 including electronically and by phone;

22 (d) Education of patients on self-care, prevention, and health
23 promotion, including the use of patient decision aids;

24 (e) Coordination of transitions from inpatient to other settings;

25 (f) Individual and family support;

26 (g) The use of information technology to link services, track
27 tests, generate patient registries, and provide clinical data; and

28 (h) Ongoing performance reporting and quality improvement.

29 (15) "Primary care provider" means a general practice physician,
30 family practitioner, internist, pediatrician, osteopath, naturopathic
31 physician, advanced practice nurse, and physician assistant licensed
32 under Title 18 RCW. A primary care provider may also include a
33 specialist who is treating a person with a chronic medical condition,
34 disability, or special health care needs for which regular treatment by
35 a specialist is medically necessary.

36 (16) "Secretary" means the secretary of social and health services.

1 **Sec. 3.** RCW 43.70.533 and 2007 c 259 s 5 are each amended to read
2 as follows:

3 (1) The department shall conduct a program of training and
4 technical assistance regarding care of people with chronic conditions
5 for providers of primary care. The program shall emphasize evidence-
6 based high quality preventive and chronic disease care and shall
7 collaborate with the health care authority to promote the adoption of
8 primary care health homes established under this act. The department
9 may designate one or more chronic conditions to be the subject of the
10 program.

11 (2) The training and technical assistance program shall include the
12 following elements:

13 (a) Clinical information systems and sharing and organization of
14 patient data;

15 (b) Decision support to promote evidence-based care;

16 (c) Clinical delivery system design;

17 (d) Support for patients managing their own conditions; and

18 (e) Identification and use of community resources that are
19 available in the community for patients and their families.

20 (3) In selecting primary care providers to participate in the
21 program, the department shall consider the number and type of patients
22 with chronic conditions the provider serves, and the provider's
23 participation in the medicaid program, the basic health plan, and
24 health plans offered through the public employees' benefits board.

25 (4) For the purposes of this section, "primary care health home"
26 has the same meaning as in RCW 74.09.010.

27 **Sec. 4.** RCW 74.09.522 and 1997 c 59 s 15 and 1997 c 34 s 1 are
28 each reenacted and amended to read as follows:

29 (1) For the purposes of this section, "managed health care system"
30 means any health care organization, including health care providers,
31 insurers, health care service contractors, health maintenance
32 organizations, health insuring organizations, or any combination
33 thereof, that provides directly or by contract health care services
34 covered under RCW 74.09.520 and rendered by licensed providers, on a
35 prepaid capitated basis and that meets the requirements of section
36 1903(m)(1)(A) of Title XIX of the federal social security act or

1 federal demonstration waivers granted under section 1115(a) of Title XI
2 of the federal social security act.

3 (2) The department of social and health services shall enter into
4 agreements with managed health care systems to provide health care
5 services to recipients of temporary assistance for needy families under
6 the following conditions:

7 (a) Agreements shall be made for at least thirty thousand
8 recipients statewide;

9 (b) Agreements in at least one county shall include enrollment of
10 all recipients of temporary assistance for needy families;

11 (c) To the extent that this provision is consistent with section
12 1903(m) of Title XIX of the federal social security act or federal
13 demonstration waivers granted under section 1115(a) of Title XI of the
14 federal social security act, recipients shall have a choice of systems
15 in which to enroll and shall have the right to terminate their
16 enrollment in a system: PROVIDED, That the department may limit
17 recipient termination of enrollment without cause to the first month of
18 a period of enrollment, which period shall not exceed twelve months:
19 AND PROVIDED FURTHER, That the department shall not restrict a
20 recipient's right to terminate enrollment in a system for good cause as
21 established by the department by rule;

22 (d) To the extent that this provision is consistent with section
23 1903(m) of Title XIX of the federal social security act, participating
24 managed health care systems shall not enroll a disproportionate number
25 of medical assistance recipients within the total numbers of persons
26 served by the managed health care systems, except as authorized by the
27 department under federal demonstration waivers granted under section
28 1115(a) of Title XI of the federal social security act;

29 (e) In negotiating with managed health care systems the department
30 shall adopt a uniform procedure to negotiate and enter into contractual
31 arrangements, including:

32 (i) Standards regarding the quality of services to be provided;

33 ~~((and))~~

34 (ii) The financial integrity of the responding system;

35 (iii) Provider reimbursement methods that incentivize chronic care
36 management within primary care health homes;

37 (iv) Provider reimbursement methods that reward primary care health

1 homes that, by using chronic care management, reduce emergency
2 department and inpatient use; and

3 (v) Promoting provider participation in the program of training and
4 technical assistance regarding care of people with chronic conditions
5 for primary care providers described in RCW 43.70.533. The department
6 shall annually report the information required under section 7 of this
7 act to the Puget Sound health alliance;

8 (f) The department shall seek waivers from federal requirements as
9 necessary to implement this chapter;

10 (g) The department shall, wherever possible, enter into prepaid
11 capitation contracts that include inpatient care. However, if this is
12 not possible or feasible, the department may enter into prepaid
13 capitation contracts that do not include inpatient care;

14 (h) The department shall define those circumstances under which a
15 managed health care system is responsible for out-of-plan services and
16 assure that recipients shall not be charged for such services; and

17 (i) Nothing in this section prevents the department from entering
18 into similar agreements for other groups of people eligible to receive
19 services under this chapter.

20 (3) The department shall ensure that publicly supported community
21 health centers and providers in rural areas, who show serious intent
22 and apparent capability to participate as managed health care systems
23 are seriously considered as contractors. The department shall
24 coordinate its managed care activities with activities under chapter
25 70.47 RCW.

26 (4) The department shall work jointly with the state of Oregon and
27 other states in this geographical region in order to develop
28 recommendations to be presented to the appropriate federal agencies and
29 the United States congress for improving health care of the poor, while
30 controlling related costs.

31 (5) The legislature finds that competition in the managed health
32 care marketplace is enhanced, in the long term, by the existence of a
33 large number of managed health care system options for medicaid
34 clients. In a managed care delivery system, whose goal is to focus on
35 prevention, primary care, and improved enrollee health status,
36 continuity in care relationships is of substantial importance, and
37 disruption to clients and health care providers should be minimized.

1 To help ensure these goals are met, the following principles shall
2 guide the department in its healthy options managed health care
3 purchasing efforts:

4 (a) All managed health care systems should have an opportunity to
5 contract with the department to the extent that minimum contracting
6 requirements defined by the department are met, at payment rates that
7 enable the department to operate as far below appropriated spending
8 levels as possible, consistent with the principles established in this
9 section.

10 (b) Managed health care systems should compete for the award of
11 contracts and assignment of medicaid beneficiaries who do not
12 voluntarily select a contracting system, based upon:

13 (i) Demonstrated commitment to or experience in serving low-income
14 populations;

15 (ii) Quality of services provided to enrollees;

16 (iii) Accessibility, including appropriate utilization, of services
17 offered to enrollees;

18 (iv) Demonstrated capability to perform contracted services,
19 including ability to supply an adequate provider network;

20 (v) Payment rates; and

21 (vi) The ability to meet other specifically defined contract
22 requirements established by the department, including consideration of
23 past and current performance and participation in other state or
24 federal health programs as a contractor.

25 (c) Consideration should be given to using multiple year
26 contracting periods.

27 (d) Quality, accessibility, and demonstrated commitment to serving
28 low-income populations shall be given significant weight in the
29 contracting, evaluation, and assignment process.

30 (e) All contractors that are regulated health carriers must meet
31 state minimum net worth requirements as defined in applicable state
32 laws. The department shall adopt rules establishing the minimum net
33 worth requirements for contractors that are not regulated health
34 carriers. This subsection does not limit the authority of the
35 department to take action under a contract upon finding that a
36 contractor's financial status seriously jeopardizes the contractor's
37 ability to meet its contract obligations.

1 (f) Procedures for resolution of disputes between the department
2 and contract bidders or the department and contracting carriers related
3 to the award of, or failure to award, a managed care contract must be
4 clearly set out in the procurement document. In designing such
5 procedures, the department shall give strong consideration to the
6 negotiation and dispute resolution processes used by the Washington
7 state health care authority in its managed health care contracting
8 activities.

9 (6) The department may apply the principles set forth in subsection
10 (5) of this section to its managed health care purchasing efforts on
11 behalf of clients receiving supplemental security income benefits to
12 the extent appropriate.

13 **Sec. 5.** RCW 70.47.100 and 2009 c 568 s 5 are each amended to read
14 as follows:

15 (1) A managed health care system participating in the plan shall do
16 so by contract with the administrator and shall provide, directly or by
17 contract with other health care providers, covered basic health care
18 services to each enrollee covered by its contract with the
19 administrator as long as payments from the administrator on behalf of
20 the enrollee are current. A participating managed health care system
21 may offer, without additional cost, health care benefits or services
22 not included in the schedule of covered services under the plan. A
23 participating managed health care system shall not give preference in
24 enrollment to enrollees who accept such additional health care benefits
25 or services. Managed health care systems participating in the plan
26 shall not discriminate against any potential or current enrollee based
27 upon health status, sex, race, ethnicity, or religion. The
28 administrator may receive and act upon complaints from enrollees
29 regarding failure to provide covered services or efforts to obtain
30 payment, other than authorized copayments, for covered services
31 directly from enrollees, but nothing in this chapter empowers the
32 administrator to impose any sanctions under Title 18 RCW or any other
33 professional or facility licensing statute.

34 (2) The plan shall allow, at least annually, an opportunity for
35 enrollees to transfer their enrollments among participating managed
36 health care systems serving their respective areas. The administrator
37 shall establish a period of at least twenty days in a given year when

1 this opportunity is afforded enrollees, and in those areas served by
2 more than one participating managed health care system the
3 administrator shall endeavor to establish a uniform period for such
4 opportunity. The plan shall allow enrollees to transfer their
5 enrollment to another participating managed health care system at any
6 time upon a showing of good cause for the transfer.

7 (3) Prior to negotiating with any managed health care system, the
8 administrator shall determine, on an actuarially sound basis, the
9 reasonable cost of providing the schedule of basic health care
10 services, expressed in terms of upper and lower limits, and recognizing
11 variations in the cost of providing the services through the various
12 systems and in different areas of the state.

13 (4) In negotiating with managed health care systems for
14 participation in the plan, the administrator shall adopt a uniform
15 procedure that includes at least the following:

16 (a) The administrator shall issue a request for proposals,
17 including standards regarding the quality of services to be provided;
18 financial integrity of the responding systems; and responsiveness to
19 the unmet health care needs of the local communities or populations
20 that may be served;

21 (b) The administrator shall then review responsive proposals and
22 may negotiate with respondents to the extent necessary to refine any
23 proposals;

24 (c) The administrator may then select one or more systems to
25 provide the covered services within a local area; and

26 (d) The administrator may adopt a policy that gives preference to
27 respondents, such as nonprofit community health clinics, that have a
28 history of providing quality health care services to low-income
29 persons.

30 (5)(a) The administrator may contract with a managed health care
31 system to provide covered basic health care services to subsidized
32 enrollees, nonsubsidized enrollees, health coverage tax credit eligible
33 enrollees, or any combination thereof. At a minimum, such contracts
34 must include:

35 (i) Provider reimbursement methods that incentivize chronic care
36 management within primary care health homes;

37 (ii) Provider reimbursement methods that reward primary care health

1 homes that, by using chronic care management, reduce emergency
2 department and inpatient use; and

3 (iii) Promoting provider participation in the program of training
4 and technical assistance regarding care of people with chronic
5 conditions for primary care providers described in RCW 43.70.533.

6 (b) The administrator shall annually report the information
7 required under section 7 of this act to the Puget Sound health
8 alliance.

9 (c) For the purposes of this subsection, "chronic care management,"
10 "chronic condition," "primary care health home," and "primary care
11 provider" have the same meaning as in RCW 74.09.010.

12 (6) The administrator may establish procedures and policies to
13 further negotiate and contract with managed health care systems
14 following completion of the request for proposal process in subsection
15 (4) of this section, upon a determination by the administrator that it
16 is necessary to provide access, as defined in the request for proposal
17 documents, to covered basic health care services for enrollees.

18 (7) The administrator may implement a self-funded or self-insured
19 method of providing insurance coverage to subsidized enrollees, as
20 provided under RCW 41.05.140. Prior to implementing a self-funded or
21 self-insured method, the administrator shall ensure that funding
22 available in the basic health plan self-insurance reserve account is
23 sufficient for the self-funded or self-insured risk assumed, or
24 expected to be assumed, by the administrator. If implementing a self-
25 funded or self-insured method, the administrator may request funds to
26 be moved from the basic health plan trust account or the basic health
27 plan subscription account to the basic health plan self-insurance
28 reserve account established in RCW 41.05.140.

29 **Sec. 6.** RCW 41.05.021 and 2009 c 537 s 4 are each amended to read
30 as follows:

31 (1) The Washington state health care authority is created within
32 the executive branch. The authority shall have an administrator
33 appointed by the governor, with the consent of the senate. The
34 administrator shall serve at the pleasure of the governor. The
35 administrator may employ up to seven staff members, who shall be exempt
36 from chapter 41.06 RCW, and any additional staff members as are
37 necessary to administer this chapter. The administrator may delegate

1 any power or duty vested in him or her by this chapter, including
2 authority to make final decisions and enter final orders in hearings
3 conducted under chapter 34.05 RCW. The primary duties of the authority
4 shall be to: Administer state employees' insurance benefits and
5 retired or disabled school employees' insurance benefits; administer
6 the basic health plan pursuant to chapter 70.47 RCW; study state-
7 purchased health care programs in order to maximize cost containment in
8 these programs while ensuring access to quality health care; implement
9 state initiatives, joint purchasing strategies, and techniques for
10 efficient administration that have potential application to all state-
11 purchased health services; and administer grants that further the
12 mission and goals of the authority. The authority's duties include,
13 but are not limited to, the following:

14 (a) To administer health care benefit programs for employees and
15 retired or disabled school employees as specifically authorized in RCW
16 41.05.065 and in accordance with the methods described in RCW
17 41.05.075, 41.05.140, and other provisions of this chapter;

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

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

26 (ii) Utilization of provider arrangements that encourage cost
27 containment, including but not limited to prepaid delivery systems,
28 utilization review, and prospective payment methods, and that ensure
29 access to quality care, including assuring reasonable access to local
30 providers, especially for employees residing in rural areas;

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

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

35 (v) Development of data systems to obtain utilization data from
36 state-purchased health care programs in order to identify cost centers,
37 utilization patterns, provider and hospital practice patterns, and

1 procedure costs, utilizing the information obtained pursuant to RCW
2 41.05.031; and

3 (vi) In collaboration with other state agencies that administer
4 state purchased health care programs, private health care purchasers,
5 health care facilities, providers, and carriers:

6 (A) Use evidence-based medicine principles to develop common
7 performance measures and implement financial incentives in contracts
8 with insuring entities, health care facilities, and providers that:

9 (I) Reward improvements in health outcomes for individuals with
10 chronic diseases, increased utilization of appropriate preventive
11 health services, and reductions in medical errors; and

12 (II) Increase, through appropriate incentives to insuring entities,
13 health care facilities, and providers, the adoption and use of
14 information technology that contributes to improved health outcomes,
15 better coordination of care, and decreased medical errors;

16 (B) Through state health purchasing, reimbursement, or pilot
17 strategies, promote and increase the adoption of health information
18 technology systems, including electronic medical records, by hospitals
19 as defined in RCW 70.41.020(4), integrated delivery systems, and
20 providers that:

21 (I) Facilitate diagnosis or treatment;

22 (II) Reduce unnecessary duplication of medical tests;

23 (III) Promote efficient electronic physician order entry;

24 (IV) Increase access to health information for consumers and their
25 providers; and

26 (V) Improve health outcomes;

27 (C) Coordinate a strategy for the adoption of health information
28 technology systems using the final health information technology report
29 and recommendations developed under chapter 261, Laws of 2005;

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

31 (d) To provide information and technical and administrative
32 assistance to the board;

33 (e) To review and approve or deny applications from counties,
34 municipalities, and other political subdivisions of the state to
35 provide state-sponsored insurance or self-insurance programs to their
36 employees in accordance with the provisions of RCW 41.04.205 and (g) of
37 this subsection, setting the premium contribution for approved groups
38 as outlined in RCW 41.05.050;

1 (f) To review and approve or deny the application when the
2 governing body of a tribal government applies to transfer their
3 employees to an insurance or self-insurance program administered under
4 this chapter. In the event of an employee transfer pursuant to this
5 subsection (1)(f), members of the governing body are eligible to be
6 included in such a transfer if the members are authorized by the tribal
7 government to participate in the insurance program being transferred
8 from and subject to payment by the members of all costs of insurance
9 for the members. The authority shall: (i) Establish the conditions
10 for participation; (ii) have the sole right to reject the application;
11 and (iii) set the premium contribution for approved groups as outlined
12 in RCW 41.05.050. Approval of the application by the authority
13 transfers the employees and dependents involved to the insurance,
14 self-insurance, or health care program approved by the authority;

15 (g) To ensure the continued status of the employee insurance or
16 self-insurance programs administered under this chapter as a
17 governmental plan under section 3(32) of the employee retirement income
18 security act of 1974, as amended, the authority shall limit the
19 participation of employees of a county, municipal, school district,
20 educational service district, or other political subdivision, or a
21 tribal government, including providing for the participation of those
22 employees whose services are substantially all in the performance of
23 essential governmental functions, but not in the performance of
24 commercial activities;

25 (h) To establish billing procedures and collect funds from school
26 districts in a way that minimizes the administrative burden on
27 districts;

28 (i) To publish and distribute to nonparticipating school districts
29 and educational service districts by October 1st of each year a
30 description of health care benefit plans available through the
31 authority and the estimated cost if school districts and educational
32 service district employees were enrolled;

33 (j) To apply for, receive, and accept grants, gifts, and other
34 payments, including property and service, from any governmental or
35 other public or private entity or person, and make arrangements as to
36 the use of these receipts to implement initiatives and strategies
37 developed under this section;

1 (k) To issue, distribute, and administer grants that further the
2 mission and goals of the authority;

3 (l) To adopt rules consistent with this chapter as described in RCW
4 41.05.160 including, but not limited to:

5 (i) Setting forth the criteria established by the board under RCW
6 41.05.065 for determining whether an employee is eligible for benefits;

7 (ii) Establishing an appeal process in accordance with chapter
8 34.05 RCW by which an employee may appeal an eligibility determination;

9 (iii) Establishing a process to assure that the eligibility
10 determinations of an employing agency comply with the criteria under
11 this chapter, including the imposition of penalties as may be
12 authorized by the board.

13 (2) On and after January 1, 1996, the public employees' benefits
14 board may implement strategies to promote managed competition among
15 employee health benefit plans. Strategies may include but are not
16 limited to:

17 (a) Standardizing the benefit package;

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

19 (c) Limiting the state's contribution to a percent of the lowest
20 priced qualified plan within a geographical area;

21 (d) Monitoring the impact of the approach under this subsection
22 with regards to: Efficiencies in health service delivery, cost shifts
23 to subscribers, access to and choice of managed care plans statewide,
24 and quality of health services. The health care authority shall also
25 advise on the value of administering a benchmark employer-managed plan
26 to promote competition among managed care plans.

27 (3)(a) Beginning with the 2012 plan year, the authority must enter
28 into contracts with managed care plans and for the self-insured plan or
29 plans that include:

30 (i) Provider reimbursement methods that incentivize chronic care
31 management within primary care health homes;

32 (ii) Provider reimbursement methods that reward primary care health
33 homes that, by using chronic care management, reduce emergency
34 department and inpatient use; and

35 (iii) Promoting provider participation in the program of training
36 and technical assistance regarding care of people with chronic
37 conditions for primary care providers described in RCW 43.70.533.

1 (b) The authority shall annually report the information required
2 under section 7 of this act to the Puget Sound health alliance.

3 (c) For the purposes of this subsection, "chronic care management,"
4 "primary care provider," and "primary care health home" have the same
5 meaning as in RCW 74.09.010.

6 NEW SECTION. Sec. 7. A new section is added to chapter 41.05 RCW
7 to read as follows:

8 (1) The legislature finds that collaboration among public payers,
9 private health carriers, third-party purchasers, and providers to
10 identify appropriate reimbursement methods to align incentives in
11 support of patient centered primary care homes is necessary to
12 implement the requirements of this act. The legislature therefore
13 declares its intent to exempt from state antitrust laws, and to provide
14 immunity from federal antitrust laws, through the state action
15 doctrine, the collaborative and associated payment reforms designed and
16 implemented under this section that might otherwise be constrained by
17 such laws. The legislature does not authorize any person or entity to
18 engage in activities or to conspire to engage in activities that would
19 constitute per se violations of state or federal antitrust laws
20 including, but not limited to, agreements among competing health care
21 providers or health carriers as to the prices of specific levels of
22 reimbursement for health care services.

23 (2) The legislature recognizes that many Washingtonians are covered
24 by health plans regulated by the federal government, including self-
25 insured and Taft-Hartley plans. While such plans are largely outside
26 the state's purview, they share with the state an interest in
27 containing health care costs and promoting quality of care. The
28 legislature recognizes that the participation of such plans in the
29 state's efforts to promote primary care health homes and reform payment
30 methods would greatly increase the likelihood of success of such
31 efforts.

32 (3) The administrator shall establish a collaborative work group
33 process to encourage input from and participation by such plans to work
34 with the state and carriers to promote primary care health homes and to
35 learn from the experience of the health care authority for successful
36 implementation of primary care health homes for employees with chronic
37 and multiple conditions.

1 (4) The administrator shall execute an agreement with the Puget
2 Sound health alliance to compile data on the implementation of RCW
3 74.09.522, 70.47.100, 41.05.021, and section 8 of this act. By
4 December 31, 2011, and annually thereafter through December 31, 2016,
5 the Puget Sound health alliance shall report to the appropriate
6 committees of the legislature on the progress made in implementing
7 primary care health homes in the state, including:

8 (a) Number of providers participating in primary care health homes;

9 (b) Types of provider reimbursement methods employed by private and
10 public payers; and

11 (c) Performance outcomes, including reductions in inappropriate
12 emergency department, inpatient and specialty care, and other measures
13 identified by the alliance that are consistent with national standards
14 for primary care.

15 (5) No state funds may be appropriated for the implementation of
16 the provisions of this section. However, the authority and the Puget
17 Sound health alliance are encouraged to seek grants and other sources
18 of funding to implement the provisions of this section.

19 (6) For the purposes of this section, "chronic condition" and
20 "primary care health home" have the same meaning as in RCW 74.09.010.

21 NEW SECTION. **Sec. 8.** A new section is added to chapter 48.43 RCW
22 to read as follows:

23 (1) Each carrier licensed under this title and providing a
24 comprehensive health plan in the state shall, by December 1, 2011,
25 report to the appropriate committees of the legislature how the carrier
26 will modify its provider reimbursement methods starting July 1, 2012
27 to:

28 (a) Incentivize chronic care management within primary care health
29 homes; and

30 (b) Reward primary care health homes that, by using chronic care
31 management, reduce emergency department and inpatient use.

32 (2) Each carrier shall annually report the information required
33 under section 7 of this act to the Puget Sound health alliance.

34 (3) For the purposes of this section, "chronic care management" and
35 "primary care health home" have the same meaning as in RCW 74.09.010.

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