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5 Strike everything after the enacting clause and insert the
6 following:

7 "WASHINGTON HEALTH SERVICES ACT"

8 "NEW SECTION. **Sec. 1.** FINDINGS, INTENT, AND PRINCIPLES. (1) The
9 legislature finds that:

10 (a) Despite the significant strides Washington state has made in
11 addressing the lack of access to health services and rising health
12 service costs, major system deficiencies still exist. The number of
13 persons without access or with increasingly limited access to health
14 services continues to grow at an alarming rate, as health service costs
15 continue to rise well above the rate of inflation;

16 (b) Problems relating to health service access, assurance of
17 quality of care, and cost control are likely to have a detrimental
18 effect on the state's ability to be competitive in the international
19 economy. Further, growing health service costs and the inability to
20 purchase insurance have had a particularly harmful effect on small
21 businesses, families, and individuals;

22 (c) There are significant administrative inefficiencies in the
23 structure of the current health system, which has numerous payers and
24 administrators, involving excess paperwork and consuming much of a
25 health provider's time on nonclinical matters; and that a more unified
26 financing and administrative structure would reduce overall

1 administrative costs and increase the amount of time a health service
2 provider would have available for patient care; and

3 (d) Future reforms must be systemic, addressing total community as
4 well as individual needs, and encompassing all major components of
5 health service delivery and finance. Reforms must also result in
6 appropriate health service coverage for all state residents, promote
7 quality of care, and include effective cost controls.

8 (2) To address the problems set forth in subsection (1) of this
9 section, it is the intent of the legislature to implement the following
10 principles by means of this chapter:

11 (a) The fundamental purpose of the health system should be to
12 maintain or improve the health of all Washington residents at a
13 reasonable cost;

14 (b) Because the responsibility for a healthy society lies primarily
15 with its citizenry, enlightened citizens should play a key role in the
16 development and oversight of their health services system;

17 (c) Appropriate health services should be available within an
18 integrated system to all residents of Washington state regardless of
19 health condition, age, sex, marital status, ethnicity, race, geographic
20 location, employment, or economic status;

21 (d) The financial burden for providing needed health services
22 should be equitably shared by government, employers, individuals, and
23 families;

24 (e) Citizens should have the freedom to choose their health service
25 provider, with incentives to participate in cost-effective well-managed
26 health service settings;

27 (f) Health service providers should receive fair compensation for
28 their services in a timely and uncomplicated manner;

29 (g) Health service providers should have the freedom to choose
30 their practice settings with incentives to participate in

1 cost-effective well-managed health service settings and to practice in
2 areas where there are shortages of providers;

3 (h) Health promotion and illness and injury prevention programs
4 should be a major part of a health services system;

5 (i) A state health services budget, reflecting the cost of
6 providing health services through certified health plans and
7 established in a public and deliberative manner, is essential to
8 controlling health costs;

9 (j) An efficient health services administrative structure is
10 essential to reduce costs and streamline service delivery;

11 (k) Quality of care should be promoted through identification of
12 the most effective health services, with the assistance of health
13 service providers, health scientists, health economists, health policy
14 experts and consumers, through implementation of acceptable standards
15 for the education, credentialing, and disciplining of health service
16 providers and the operation of health facilities, and through a process
17 of continued quality improvement and total quality management;

18 (l) The health services system should be sensitive to cultural
19 differences and recognize the need for access services in eliminating
20 significant barriers to health services and give special consideration
21 to the special needs of racial and ethnic minorities and underserved or
22 inappropriately serviced populations;

23 (m) There should be explicit policy addressing critical issues
24 related to medical ethics and acceptable use of health service
25 rationing, which should be developed in an open manner reflecting
26 community and societal values; and

27 (n) The problems of medical malpractice and health care liability
28 have a substantial effect upon the efficacy and cost-effectiveness of
29 a health services system and should be addressed in health services
30 reform policy."

1 "NEW SECTION. Sec. 2. DEFINITIONS. In this chapter, unless the
2 context otherwise requires:

3 (1) "Access services" means services that are not necessarily
4 provided by a provider or facility but are deemed by the commission as
5 critical for the efficient and effective delivery of health services.

6 (2) "Certified health plan" or "plan" means a disability group
7 insurer regulated under chapter 48.21 or 48.22 RCW, a health care
8 service contractor as defined in RCW 48.44.010, a health maintenance
9 organization as defined in RCW 48.46.020, an entity as identified in
10 section 5(15) of this act, or two or more of such entities that
11 contract with the commission to administer or provide the uniform
12 benefits package consistent with the requirements set forth in sections
13 5, 6, and 8 of this act. The Washington health care authority created
14 under chapter 41.05 RCW shall be designated as a certified health plan
15 when deemed appropriate by the commission.

16 (3) "Chair" means the presiding officer and the chief
17 administrative officer of the commission.

18 (4) "Commission" means the Washington health services commission.

19 (5) "Continuous quality improvement and total quality management"
20 means a continuous process to improve the quality of health services
21 while reducing the costs of such services, as set forth in section 24
22 of this act.

23 (6) "Employer" means an employer as defined in RCW 50.04.080; a
24 corporate officer; a partner in a partnership; a sole proprietor; and
25 an individual who is an employee for whom an assessment is not
26 collected or who earns self-employment or partnership income that is
27 essentially equivalent to wages as defined in RCW 50.04.320.

28 (7) "Enrollee" means any person who is a Washington resident
29 enrolled in a certified health plan.

1 (8) "Enrollee point of service cost-sharing" means fees paid to
2 certified health plans by enrollees at the time of receiving uniform
3 benefits package services.

4 (9) "Enrollee premium sharing" means that portion of the premium,
5 as determined in section 14 of this act, that is paid by enrollees or
6 their family members.

7 (10) "Federal poverty level" means the federal poverty guidelines
8 determined annually by the United States department of health and human
9 services or successor agency.

10 (11) "Health service facility" or "facility" means hospices
11 licensed under chapter 70.127 RCW, hospitals licensed under chapter
12 70.41 RCW, rural health care facilities as defined in RCW 70.175.020,
13 psychiatric hospitals licensed under chapter 71.12 RCW, nursing homes
14 licensed under chapter 18.51 RCW, kidney disease treatment centers
15 licensed under chapter 70.41 RCW, ambulatory diagnostic, treatment or
16 surgical facilities licensed under chapter 70.41 RCW, and home health
17 agencies licensed under chapter 70.127 RCW, and includes such
18 facilities if owned and operated by a political subdivision or
19 instrumentality of the state and such other facilities as required by
20 federal law and implementing regulations, but does not include
21 Christian Science sanatoriums operated, listed, or certified by the
22 First Church of Christ Scientist, Boston, Massachusetts.

23 (12) "Health service provider" or "provider" means either:

24 (a) Any licensed, certified, or registered health professional
25 regulated under chapter 18.130 RCW who the commission identifies as
26 appropriate to provide health services;

27 (b) An employee or agent of a person described in (a) of this
28 subsection, acting in the course and scope of his or her employment; or

29 (c) An entity, whether or not incorporated, facility, or
30 institution employing one or more persons described in (a) of this

1 subsection, including, but not limited to, a hospital, clinic, health
2 maintenance organization, or nursing home; or an officer, director,
3 employee, or agent thereof acting in the course and scope of his or her
4 employment.

5 (13) "Improper queuing" means a delay in the delivery of health
6 services, the results of which could be detrimental to the health of an
7 enrollee.

8 (14) "Maximum enrollee financial participation" means the income-
9 related total annual payments that may be required of an enrollee per
10 family member, including both premium sharing and point of service
11 cost-sharing.

12 (15) "Premium" means the level of payment a certified health plan
13 receives for all expenses, including administration, operation, and
14 capital, determined on an annual basis by the commission, for providing
15 the uniform benefits package to an individual, either adult or child,
16 or a family.

17 (16) "Technology" means drugs, devices, equipment, and medical or
18 surgical procedures used in the delivery of health services, and the
19 organizational or supportive systems within which such services are
20 provided. It also means sophisticated and complicated machinery
21 developed as a result of ongoing research in the basic biological and
22 physical sciences, clinical medicine, electronics and computer
23 sciences, as well as the growing body of specialized professionals,
24 medical equipment, procedures, and chemical formulations used for both
25 diagnostic and therapeutic purposes.

26 (17) "Uniform benefits package" means the subset of appropriate and
27 effective health services, as defined by the commission pursuant to
28 section 8 of this act, that must be offered to all Washington residents
29 through certified health plans.

1 (18) "Washington resident" means a person who has established
2 permanent residence in the state of Washington and who has not moved to
3 Washington for the primary purpose of securing health insurance under
4 this chapter. The confinement of a person in a nursing home, hospital,
5 or other medical institution in the state shall not by itself be
6 sufficient to qualify such person as a resident.

7 (19) "Washington state health service supplier certification" means
8 a process established pursuant to section 24 of this act whereby health
9 service providers and health service facilities become certified to
10 provide the uniform benefits package."

11 "NEW SECTION. Sec. 3. CREATION OF COMMISSION--MEMBERSHIP--TERMS
12 OF OFFICE--VACANCIES--SALARIES. (1) The Washington health services
13 commission is created with the responsibility of exercising strategies
14 to control rapidly increasing health services expenditures and ensure
15 universal access. The regulatory practices of the commission shall be
16 limited to strategies that will reduce administrative waste, limit
17 inefficient use of capital and technology, reduce defensive medical
18 practices, structure payment mechanisms that provide incentives for
19 efficient delivery of appropriate services, and define the uniform
20 benefits package and the price that may be charged to provide that
21 package to citizens of the state. The rate of increase in the price of
22 the uniform benefits package is limited by this act. Implementation of
23 these cost control strategies is necessary to meet the goal of
24 universal access.

25 The commission's regulatory efforts shall include regulation that
26 aids market forces as an effective means of cost containment.
27 Increasing the use of managed care systems to provide health services,
28 and emphasizing preventive and primary care shall guide the
29 commission's regulatory activities.

1 (2) There is created an agency of state government to be known as
2 the Washington health services commission. The commission shall
3 consist of seven members appointed by the governor with the consent of
4 the senate. One member shall be designated by the governor as chair
5 and shall serve at the pleasure of the governor. The other six members
6 shall serve five-year terms. In making such appointments the governor
7 shall give consideration to the geographical exigencies, and the
8 interests of consumers, purchasers, and ethnic groups. One member
9 shall have experience as a health service provider, and one member
10 shall have experience in health service administration. Of the initial
11 members, two shall be appointed to a term of three years, two shall be
12 appointed to a term of four years, and two shall be appointed to a term
13 of five years. Thereafter, members shall be appointed to five-year
14 terms. Vacancies shall be filled by appointment for the remainder of
15 the unexpired term of the position being vacated.

16 (3) Members of the commission shall have no pecuniary interest in
17 any business subject to regulation by the commission and shall be
18 subject to chapter 42.18 RCW, the executive branch conflict of interest
19 act.

20 (4) Members of the commission shall occupy their positions on a
21 full-time basis and are exempt from the provisions of chapter 41.06
22 RCW. Members shall be paid a salary to be fixed by the governor in
23 accordance with RCW 43.03.040. A majority of the members of the
24 commission constitutes a quorum for the conduct of business."

25 "NEW SECTION. **Sec. 4.** POWERS AND DUTIES OF THE CHAIR. The chair
26 shall be the chief administrative officer and the appointing authority
27 of the commission and has the following powers and duties:

1 (1) Direct and supervise the commission's administrative and
2 technical activities in accordance with the provisions of this chapter
3 and rules and policies adopted by the commission;

4 (2) Employ personnel of the commission, not to exceed twenty-five
5 full-time employees, in accordance with chapter 41.06 RCW, and
6 prescribe their duties. With the approval of a majority of the
7 commission, the chair may appoint persons to administer any entity
8 established pursuant to subsection (8) of this section, and up to seven
9 additional full-time employees, all of whom shall be exempt from the
10 provisions of chapter 41.06 RCW;

11 (3) Enter into contracts on behalf of the commission;

12 (4) Accept and expend gifts, donations, grants, and other funds
13 received by the commission;

14 (5) Delegate administrative functions of the commission to
15 employees of the commission as the chair deems necessary to ensure
16 efficient administration;

17 (6) Subject to approval of the commission, appoint advisory
18 committees and undertake studies, research, and analysis necessary to
19 support activities of the commission;

20 (7) Preside at meetings of the commission;

21 (8) Consistent with policies and rules established by the
22 commission, establish such administrative divisions, offices, or
23 programs as are necessary to carry out the purposes of this chapter;
24 and

25 (9) Perform such other administrative and technical duties as are
26 consistent with this chapter and the rules and policies of the
27 commission."

1 "NEW SECTION. **Sec. 5.** POWERS AND DUTIES OF THE COMMISSION. The
2 activities of the commission shall be limited to the following powers
3 and duties:

4 (1) Establish a total state health services budget, as provided in
5 section 13 of this act.

6 (2) Adopt necessary rules in accordance with chapter 34.05 RCW to
7 carry out the purposes of this chapter, provided that an initial set of
8 draft rules addressing, at a minimum, the uniform benefits package,
9 limits on maximum enrollee financial participation, methods for
10 developing the state health services budget, standards for health plan
11 certification, procedures for monitoring and enforcing health plans
12 certification standards, and standards for certified health plan and
13 commission grievance procedures, must be submitted to the legislature
14 by December 1, 1993.

15 (3) Establish the uniform benefits package, as provided in section
16 8 of this act, which shall be offered to enrollees of a certified
17 health plan. The uniform benefits package shall be provided at the
18 premium specified in subsection (4) of this section.

19 (4) Establish for each year, a premium that a certified health plan
20 may receive from the Washington health services trust fund to provide
21 the uniform benefits package to enrollees. The premium shall be
22 determined by the commission, after conducting an analysis of the cost
23 experience of the state employee health benefit plans for 1992 and
24 assuming cost savings that may result from: Reductions in cost
25 shifting; managed health care approaches; cost savings as a result of
26 the uniform benefits package design process pursuant to section 8(2) of
27 this act; the continuous quality improvement and total quality
28 management process set forth in section 24 of this act, and other cost
29 reduction strategies set forth herein. Thereafter, the commission
30 shall, as soon as possible, limit the rate of increase to no more than

1 the rate of increase in the United States consumer price index. In no
2 event shall the rate of increase in the premium be increased by more
3 than the amount of actual growth in the cost of the uniform benefits
4 package between 1991 and 1992, as determined by the commission, minus
5 two percentage points per year for each succeeding year until the
6 annual rate of increase is no greater than the growth in the United
7 States consumer price index.

8 (5) Evaluate and monitor the extent to which racial and ethnic
9 minorities have access to and receive health services within the state.

10 (6) Monitor the actual growth in total annual health services
11 expenditures in the state.

12 (7) Establish a maximum annual budget for major capital
13 expenditures that are included within the premium. A major capital
14 expenditure is defined as any single expenditure for capital
15 acquisitions, including medical technological equipment, as defined by
16 the commission, costing more than one million dollars. Periodically
17 the commission shall prioritize the proposed projects based on
18 standards of cost-effectiveness and access. The commission shall then
19 approve those projects in rank order that are within the limits of the
20 capital budget.

21 (8) After consultation with certified health plans, health service
22 providers, purchasers, and consumers of health services, adopt practice
23 guidelines in specific practice areas, for providers participating in
24 any certified health plan. Such practice guidelines shall be used to
25 promote appropriate use of technology, services, drugs, and supplies,
26 and for cost containment and quality assurance.

27 (9) Develop guidelines to certified health plans for utilization
28 management, use of technology and methods of payment, such as diagnosis
29 related groupings and a resource-based relative value scale. Such
30 guidelines shall be designed to promote improved management of health

1 services, and improved efficiency and effectiveness within the health
2 services delivery system.

3 (10) For services provided under the uniform benefits package,
4 adopt standards for a single billing and claims payment procedure.
5 Such standards shall ensure that these procedures are performed in a
6 simplified, streamlined, and economical manner for all parties
7 concerned. Except to the extent provided in section 7 of this act,
8 nothing in this subsection authorizes the commission to require any
9 specific claim or payment level or method.

10 (11) Adopt standards for personal health systems data and
11 information systems as provided in section 17 of this act.

12 (12) Adopt standards that prevent conflict of interest by health
13 service providers as provided in section 10 of this act.

14 (13) Certify certified health plans to provide the uniform benefits
15 package.

16 (14) Contract with certified health plans to provide the uniform
17 benefits package.

18 (15) When deemed necessary to ensure the availability of the
19 uniform benefits package in a timely manner, contract directly with a
20 local health department, a community/migrant health center, or any
21 other private, nonprofit community-based health services agency for all
22 or any part of the uniform benefits package.

23 (16) Ensure that no certified health plan may charge any additional
24 fees or balance bill for services included in the uniform benefits
25 package.

26 (17) Establish standards for certified health plan grievance and
27 complaint procedures whereby an enrollee may file a complaint or
28 grievance regarding any aspect of the plan and such grievance is
29 addressed expeditiously.

1 (18) As of July 1, 1994, prohibit any disability group insurer,
2 health care service contractor, or health maintenance organization from
3 independently insuring, contracting for, or providing those health
4 services provided through the uniform benefits package.

5 (19) In developing the uniform benefits package and other standards
6 pursuant to this section, consider the likelihood of the establishment
7 of a national health services plan by the federal government and its
8 implications.

9 (20) Monitor certified health plans for compliance with standards
10 established pursuant to this section.

11 (21) Establish standards for enrollment and prohibit discrimination
12 based upon age, sex, family structure, ethnicity, race, health
13 condition, geographic location, employment, or economic status in
14 enrollment by certified health plans.

15 To the extent that the exercise of any of the powers and duties
16 specified in this section may be inconsistent with the powers and
17 duties of other state agencies, offices, or commissions, the authority
18 of the commission shall supersede that of such other state agency,
19 office, or commission, except in matters of health data pursuant to
20 section 18 of this act, where the department of health shall have
21 primary responsibility."

22 "NEW SECTION. **Sec. 6.** CERTIFIED HEALTH PLANS--REQUIREMENTS FOR
23 APPROVAL. The uniform benefits package established pursuant to section
24 8 of this act shall be provided through certified health plans. To
25 participate, a plan must meet at least the following requirements:

26 (1) Provide or assure the provision of services in the uniform
27 benefits package within a defined geographic area.

28 (2) Bear full financial risk and responsibility for the uniform
29 benefits package provided to enrollees.

1 (3) Comply with commission standards regarding health data and
2 certified health plan evaluation.

3 (4) Comply with all other standards established by the commission
4 pursuant to section 5 of this act."

5 "NEW SECTION. **Sec. 7.** COMMISSION CERTIFICATION ENFORCEMENT
6 AUTHORITY. (1) Upon a determination by the commission that a certified
7 health plan is failing, or is at imminent risk of failing, to meet its
8 obligations to its enrollees or the state during a current
9 certification or contractual period, the commission may intervene and
10 assume those functions that are demonstrably necessary to protect the
11 interests of the plan's enrollees and the state. Such actions may
12 include, but are not limited to:

13 (a) Approval of provider or facility payment methods or levels;

14 (b) Approval of utilization management procedures or mechanisms to
15 control the use of technology; and

16 (c) Administration of functions demonstrably related to the
17 failure, or imminent risk of failure, of the certified health plan to
18 meet its certification or contractual obligations.

19 (2) The assumption of any certified health plan function by the
20 commission pursuant to this section shall not absolve such certified
21 health plan from any of the financial obligations undertaken by it
22 through its certification or contracts with enrollees.

23 (3) Actions taken by the commission pursuant to this section shall
24 be limited in duration to the balance of time remaining in the current
25 certification period of the certified health plan. At or before the
26 expiration of such time period, the commission shall make a
27 determination regarding renewal of the plan's certification. If the
28 commission determines that the plan's certification should not be
29 renewed, the commission shall make every effort to ensure that the

1 plan's current enrollees experience as minimal a disruption as possible
2 in their receipt of health services, and in their established
3 relationships with health service providers. It shall, as soon as
4 possible, contract with another certified health plan to assume these
5 responsibilities."

6 "NEW SECTION. **Sec. 8.** UNIFORM BENEFITS PACKAGE DESIGN. (1) The
7 commission shall define the uniform benefits package, which shall
8 include those health services, based on the best available scientific
9 health information, deemed to be effective and necessary on a societal
10 basis for the maintenance of the health of the residents of the state,
11 giving consideration to the state health services budget established
12 pursuant to section 13 of this act.

13 (a) The legislature intends that the uniform benefits package be
14 sufficiently comprehensive to meet the needs of state residents. As
15 guidance in developing the package, the commission shall include no
16 significant reductions in the categories of coverage included in the
17 state employees health benefits plans, and shall include access
18 services as defined herein. However, the specific schedule of services
19 shall be established through the process set forth in subsection (2) of
20 this section. The categories of coverage shall, at least, include the
21 following:

22 (i) Personal health services, including inpatient and outpatient
23 services for physical, mental, and developmental illnesses and
24 disabilities including:

25 (A) Diagnosis and assessment, and selection of treatment and care;

26 (B) Clinical preventive services;

27 (C) Emergency health services;

28 (D) Reproductive and maternity services;

29 (E) Clinical management and provision of treatment; and

1 (F) Therapeutic drugs, biologicals, supplies, and equipment.

2 (ii) Access services.

3 (b) The commission, through a public process, also shall determine
4 which services will be excluded. These exclusions shall include at
5 least the following:

6 (i) Cosmetic surgery except where deemed necessary for normal
7 functioning or restorative purposes;

8 (ii) Examinations associated with life insurance applications or
9 legal proceedings; and

10 (iii) Infertility services.

11 (c) The commission shall establish limits on maximum enrollee
12 financial participation, related to enrollee gross family income.

13 (d) The commission shall evaluate the inclusion or exclusion of
14 dental services in the uniform benefits package, and make such
15 inclusions as are deemed appropriate.

16 (e) The uniform benefits package may include other services
17 determined by the commission to be effective, necessary, and consistent
18 with the principles set forth in section 1 of this act.

19 (2) The commission shall establish procedures to determine the
20 specific schedule of health services to be included in the uniform
21 benefits package categories of coverage. To assist the commission in
22 this task, it may periodically establish health service review panels
23 for specified periods of time to review existing information on need,
24 efficacy, and cost-effectiveness of specific services and treatments.
25 These panels shall consider the services outcome data provided under
26 section 17 of this act. These panels also shall take into
27 consideration available practice guidelines and appropriate use of
28 expensive technology. Their review activities shall be consistent with
29 the health service rationing policy set forth in section 20 of this
30 act.

1 (3) In establishing the uniform benefits package, the commission
2 shall seek the opinions of, and information from, the public. The
3 commission shall consider results of official public health assessment
4 and policy development activities, including recommendations of the
5 state board of health, the department of health, and the state health
6 report in discharging its responsibilities under this section. It shall
7 coordinate this activity with the state board of health in its
8 development of the state health report pursuant to RCW 43.20.050."

9 "NEW SECTION. **Sec. 9.** SUPPLEMENTAL BENEFITS. Nothing in this
10 chapter shall preclude disability group insurers, health care service
11 contractors, or health maintenance organizations from insuring,
12 providing, or contracting for health services not included in the
13 uniform benefits package, and nothing in this chapter shall restrict
14 the right of an employer to offer, an employee representative to
15 negotiate for, or an individual to purchase services not included in
16 the uniform benefits package."

17 "NEW SECTION. **Sec. 10.** CONFLICT OF INTEREST STANDARDS. The
18 commission shall establish standards prohibiting conflict of interest
19 by health service providers. These standards shall be designed to
20 control inappropriate behavior by health service providers that results
21 in financial gain at the expense of consumers or certified health
22 plans. These standards are not intended to inhibit the efficient
23 operation of certified health plans."

24 "NEW SECTION. **Sec. 11.** REPORTS OF HEALTH CARE COST CONTROL AND
25 ACCESS COMMISSION. In carrying out its powers and duties under this
26 chapter, including its responsibilities to develop recommendations
27 regarding the health care liability system, design the uniform benefits

1 package, and develop guidelines and standards, the commission shall
2 consider the reports of the health care cost control and access
3 commission established under House Concurrent Resolution No. 4443
4 adopted by the legislature in 1990. Nothing in this chapter requires
5 the commission, created by section 3 of this act, to follow any
6 specific recommendation contained in those reports except as it may
7 also be included in this chapter or other law."

8 "NEW SECTION. **Sec. 12.** IMPROPER QUEUING PROTECTION. It is the
9 intent of the legislature that all enrollees receive necessary health
10 services in a timely manner and that every effort be made to avoid
11 delays in service that could be detrimental to an enrollee's health.
12 The commission shall develop strategies that will reduce or prevent
13 improper queuing. Upon the adoption of such strategies in rules by the
14 commission, funds from the improper queuing reserve account of the
15 Washington health services trust fund may be used to implement such
16 strategies."

17 "NEW SECTION. **Sec. 13.** STATE HEALTH SERVICES BUDGET. The state
18 health services budget shall reflect total expenditures for all health
19 services included in the uniform benefits package and shall be derived
20 from the following sources:

21 (1) Medicare, parts A and B, Title XVIII of the federal social
22 security act, as amended;

23 (2) Medicaid, Title XIX of the federal social security act, as
24 amended;

25 (3) Other federal health services funds that are allocated for the
26 purposes of health services included in the accounts established
27 pursuant to section 16 of this act;

28 (4) Legislative general fund--state appropriations;

1 (5) Employer contribution, as determined in section 14 of this act;
2 (6) Enrollee premium sharing, as determined in section 14 of this
3 act; and
4 (7) Enrollee point of service cost-sharing, as determined in
5 section 14 of this act."

6 "NEW SECTION. **Sec. 14.** UNIVERSAL ACCESS MECHANISMS. (1) The
7 commission shall develop recommendations relating to the most effective
8 and cost-efficient methods of providing and financing universal access
9 to the uniform benefits package. Such methods shall ensure access to
10 appropriate and effective health services for all residents of
11 Washington state regardless of age, sex, family structure, ethnicity,
12 race, health condition, geographic location, employment, or economic
13 status. In developing recommended financing methods, the commission
14 shall consider the financial sources enumerated in section 13 of this
15 act.

16 (2) The commission shall use the following criteria as the basis
17 for its determination:

18 (a) Provision of the uniform benefits package to all residents;

19 (b) Minimal shift of costs from payer to payer;

20 (c) Compliance with health data requirements as set forth in this
21 chapter;

22 (d) Accessibility by all residents to the uniform benefits package;

23 (e) Efficiency through uniformity in billing, claims, and records
24 procedures;

25 (f) Propensity to resist inflationary increases on cost;

26 (g) Public accountability;

27 (h) Portability of benefits, whereby a resident changing employment
28 or traveling out-of-state continues to be covered;

29 (i) Equity in risk adjustment methods;

1 (j) Seamlessness;

2 (k) Simplicity and ease with which residents can comprehend the
3 operation of the health services system; and

4 (l) Development of appropriate technology.

5 (3) The commission shall report its findings and recommended
6 methods to the governor and appropriate committees of the legislature
7 no later than December 1, 1993. No methods of financing shall be
8 implemented or amount collected unless expressly authorized by law
9 after January 1, 1994."

10 "NEW SECTION. Sec. 15. ADVISORY COMMITTEES. In an effort to
11 ensure effective participation in the commission's deliberations, the
12 chair shall appoint an advisory committee with members representing
13 consumers, business, government, labor, insurers, and health service
14 providers. The chair may also appoint ad hoc and special committees
15 for a specified time period.

16 Members of any committee shall serve without compensation for their
17 services but shall be reimbursed for their expenses while attending
18 meetings on behalf of the commission in accordance with RCW 43.03.050
19 and 43.03.060."

20 "NEW SECTION. Sec. 16. TRUST FUND AND ACCOUNTS. The Washington
21 health services trust fund is hereby established in the state treasury.
22 Funds designated pursuant to section 14 of this act shall be deposited
23 in the Washington health services trust fund. Disbursements from the
24 trust fund shall be on authorization of the commission or a duly
25 authorized representative thereof. In order to maintain an effective
26 expenditure the Washington health services trust fund shall be subject
27 in all respects to chapter 43.88 RCW. However, no appropriation shall

1 be required to permit expenditures and payment of obligations from such
2 fund. The trust fund shall consist of four accounts:

3 (1) The personal health services account from which funds shall be
4 expended for contracts with certified health plans to deliver the
5 uniform benefits package to enrollees, including access services,
6 personal health services, capital development, and health professions
7 education.

8 (2) The public health account from which funds shall be expended to
9 maintain and improve the health of all Washington residents, by
10 assuring adequate financing for a public health system to (a) assess
11 and report on the population's health status; (b) develop public policy
12 which promotes and maintains health; and (c) assure the availability
13 and delivery of appropriate and effective health interventions. This
14 public system shall be composed of the state board of health, state
15 department of health, and local public health departments and
16 districts. The commission shall assure that no less than five percent
17 of the state health services budget is used for these assessment,
18 policy development, and assurance functions, as defined by the state
19 board of health in rule. These funds may include fees, federal funds,
20 and general or dedicated state or local tax revenue. The state board
21 of health shall develop policies regarding the extent to which local
22 revenue or fees may be used to meet the five percent requirement. The
23 commission may appropriate funds under its direction in order to assure
24 that five percent of the state health services budget is used as
25 required by this subsection. None of the funds shall be used for any
26 service reimbursable through the uniform benefits package. The
27 commission shall consider the results of official public health
28 assessment and policy development activities, including recommendations
29 of the state board of health, the department of health, and the state
30 health report in discharging its responsibilities, including the

1 assurance of access to appropriate and effective health services and
2 the determination of the actual percentage used for core public health
3 functions. The percent of total health expenditures required for
4 expenditure on core public health functions shall be reviewed by the
5 state board of health as part of its state health report and by the
6 commission as part of any overall evaluation or assessment that may be
7 required under this chapter.

8 (3) The improper queuing reserve account from which funds shall be
9 expended to reduce unacceptable delays in the delivery of critical
10 health care services as set forth in section 12 of this act.

11 (4) The health professions and research account from which funds
12 shall be expended to:

13 (a) Retain needed health service providers in a manner consistent
14 with the health professional shortage provisions set forth in chapter
15 332, Laws of 1991; and

16 (b) Conduct research relative to the commission's
17 responsibilities."

18 "NEW SECTION. **Sec. 17.** HEALTH DATA. The commission shall
19 develop, in consultation with the department of health, the health data
20 sources necessary to efficiently implement this chapter. The
21 commission shall have access to all health data presently available to
22 the secretary of health, however, the department of health shall be the
23 designated depository agency for all health data collected pursuant to
24 this chapter. To the extent possible, the commission shall use
25 existing data systems and coordinate among existing agencies. The
26 following data sources shall be developed or made available:

27 (1) The commission shall coordinate with the secretary of health to
28 utilize data collected by the state center for health statistics,
29 including hospital charity care and related data, rural health data,

1 epidemiological data, ethnicity data, social and economic status data,
2 and other data relevant to the commission's responsibilities.

3 (2) The commission, in coordination with the department of health
4 and the health science programs of the state universities shall develop
5 procedures to analyze clinical and other health services outcome data,
6 and conduct other research necessary for the specific purpose of
7 assisting in the design of the uniform benefits package under section
8 8 of this act.

9 (3) The commission shall utilize the capability of the insurance
10 commissioner's office in conducting actuarial analyses."

11 "NEW SECTION. Sec. 18. A new section is added to chapter 70.170
12 RCW to read as follows:

13 DEPARTMENT OF HEALTH DATA REQUIREMENTS. (1) The department is
14 responsible for the implementation and custody of a state-wide personal
15 health services data and information system. The data elements,
16 specifications, and other design features of this data system shall be
17 consistent with criteria adopted by the Washington health services
18 commission. The department shall provide the commission with
19 reasonable assistance in the development of these criteria, and shall
20 provide the commission with periodic progress reports related to the
21 implementation of the system or systems related to those criteria.

22 (2) The department shall coordinate the development and
23 implementation of the personal health services data and information
24 system with related private activities and with the implementation
25 activities of the data sources identified by the commission. Data
26 shall include: (a) Enrollee identifier, including date of birth, sex,
27 and ethnicity; (b) provider identifier; (c) diagnosis; (d) health
28 services or procedures provided; (e) provider charges; and (f) amount
29 paid. The commission shall establish by rule confidentiality standards

1 to safeguard the information from inappropriate use or release. The
2 department shall assist the commission in establishing reasonable time
3 frames for the completion of system development and system
4 implementation."

5 "NEW SECTION. Sec. 19. LONG-TERM CARE. (1) In order to meet the
6 health needs of the residents of Washington state, it is critical to
7 organize the foundation for financing and providing community-based
8 long-term care and support services through an integrated,
9 comprehensive system that promotes human dignity and recognizes the
10 individuality of all functionally disabled persons. This system shall
11 be available, accessible, and responsive to all residents based upon an
12 assessment of their functional disabilities. The legislature
13 recognizes that families, volunteers, and community organizations are
14 absolutely essential for delivery of effective and efficient community-
15 based long-term care and support services, and that this private and
16 public service infrastructure should be supported and strengthened.
17 Further, it is important to provide secured benefits assurance in
18 perpetuity without requiring family or program beneficiary
19 impoverishment for service eligibility.

20 (2) Recognizing that financial stability is essential to the
21 success of a comprehensive long-term care system and that current and
22 future demands are exceeding available financial resources, a dedicated
23 fund comprised of state general funds, matching federal funds, public
24 insurance funds, and sliding fee contributions by program beneficiaries
25 should be established.

26 (3) It is the intent of this chapter that the Washington state
27 legislature develop a program and financial structure for the provision
28 of community-based long-term care and support services for functionally
29 disabled persons as suggested in this section and adopt the necessary

1 legislation no later than the adjournment of the 1994 regular session
2 of the legislature."

3 "NEW SECTION. Sec. 20. HEALTH SERVICE RATIONING POLICY. (1) The
4 commission shall establish an explicit policy regarding rationing of
5 health services. This policy shall address rationing in relation to
6 limitations on financial resources and the availability of anatomical
7 gifts.

8 The health services rationing policy shall address the following
9 factors:

- 10 (a) The effectiveness of the specific health service considered;
- 11 (b) The cost-effectiveness of such service;
- 12 (c) The service's ability to significantly improve quality of life;
- 13 (d) The service's ability to improve functioning and independence;
- 14 (e) The equity in providing the service to some persons, but not
15 others; and
- 16 (f) The service's social value to the health of the community when
17 weighed against other priorities.

18 (2) The commission shall establish regional health services ethics
19 committees, composed of persons drawn from a broad cross-section of the
20 community to provide, based on the health services rationing policy,
21 guidance to certified health plans in making decisions about the
22 rationing of health services."

23 "NEW SECTION. Sec. 21. IMPLEMENTATION SCHEDULE. Consistent with
24 the determinations made pursuant to section 14 of this act, this
25 chapter shall be implemented in developmental phases as follows:

- 26 (1) By May 1, 1992, the director of the office of financial
27 management shall constitute a transition team composed of staff of the
28 department of social and health services, the Washington state health

1 care authority, the health care cost control and access commission
2 created by House Concurrent Resolution No. 4443 (1990), the department
3 of health, the department of labor and industries, the Washington basic
4 health plan, and the insurance commissioner's office. The director may
5 request participation of the appropriate legislative committee staff.

6 The transition team shall conduct analyses and identify:

7 (a) The necessary transfer and consolidation of responsibilities
8 among state agencies to fully implement this chapter;

9 (b) State and federal laws that would need to be repealed, amended,
10 or waived to fully implement this chapter; and

11 (c) Appropriate guidelines for administrative costs of the plan.

12 The transition team shall report its findings to the director of
13 financial management, the commission, and appropriate committees of the
14 legislature by January 1, 1993, and on that date be disbanded.

15 (2) By December 1, 1992, the commission shall be appointed. As
16 soon as possible thereafter, the commission shall:

17 (a) Hire necessary staff;

18 (b) Develop necessary data sources;

19 (c) Appoint the initial health service review panel; and

20 (d) Develop necessary methods to establish the state health
21 services budget.

22 (3) By September 1, 1993, the director of the office of financial
23 management shall submit to appropriate committees of the legislature an
24 agency transfer and consolidation report, which shall address
25 staffing, equipment, facilities, and funds, along with any necessary
26 proposed legislation.

27 (4) By September 1, 1993, the commission shall review the result of
28 the studies conducted as required in section 23(1) of this act.

29 (5) By December 1, 1993, the commission shall submit to the
30 governor and appropriate committees of the legislature:

1 (a) Draft rules, as provided in section 5(2) of this act;

2 (b) A report on the extent that federal waivers or exemptions have
3 not been obtained or the extent to which this chapter can be
4 implemented without receipt of all of such waivers;

5 (c) Recommended methods of providing and financing universal access
6 to the uniform benefits package, as provided in section 14 of this act;
7 and

8 (d) Proposed recommended uniform benefits package.

9 (6) By July 1, 1994, the commission shall have reviewed the
10 recommendations of the initial health service review panel.

11 (7) By October 1, 1994, the commission shall have:

12 (a) Determined the uniform benefits package;

13 (b) Identified anti-improper queuing strategies; and

14 (c) Developed procedures regarding enrollment, premiums, enrollee
15 financial participation, and certified health plan negotiations and
16 payments.

17 (8) During its 1994 session, the legislature should consider the
18 material submitted as identified in subsection (5) of this section in
19 an expeditious manner.

20 (9) By July 1, 1995, consistent with specific appropriations, all
21 health services provided to recipients of medical assistance, medical
22 care services, and the limited casualty program, as defined in RCW
23 74.09.010, all enrollees in the Washington basic health plan, as
24 established by chapter 70.47 RCW, all state employees eligible for
25 employee health benefits plans pursuant to chapter 41.05 RCW, and all
26 common school employees eligible for health insurance, or health care
27 insurance under RCW 28A.400.350 shall be enrolled exclusively with a
28 certified health plan, consistent with all provisions of this chapter."

1 "NEW SECTION. **Sec. 22.** CODE REVISIONS AND WAIVERS. (1) The
2 Washington health services commission shall consider the analysis of
3 state and federal laws that would need to be repealed, amended, or
4 waived to implement sections 1 through 26 of this act, as prepared by
5 the transition team pursuant to section 21 of this act, and report its
6 recommendations, with proposed revisions to the Revised Code of
7 Washington, to the governor and appropriate committees of the
8 legislature by December 31, 1993.

9 (2) The Washington health services commission shall take the
10 following steps in an effort to receive waivers or exemptions from
11 federal statutes necessary to fully implement sections 1 through 26 of
12 this act:

13 (a) Negotiate with the United States congress to obtain a statutory
14 exemption from provisions of the employee retirement income security
15 act that limit the state's ability to enact legislation relating to
16 employee health benefits plans administered by employers, including
17 health benefits plans offered by self-insured employers.

18 (b) Negotiate with the United States congress and the federal
19 department of health and human services, health care financing
20 administration to obtain a statutory or regulatory waiver of provisions
21 of the medicaid statute, Title XIX of the federal social security act,
22 that currently constitute barriers to full implementation of provisions
23 of sections 1 through 26 of this act related to access to health
24 services for low-income residents of Washington state. Such provisions
25 may include and are not limited to: Categorical eligibility
26 restrictions related to age, disability, blindness, or family
27 structure; income and resource limitations tied to financial
28 eligibility requirements of the federal aid to families with dependent
29 children and supplemental security income programs; and limitations on
30 health service provider payment methods.

1 (c) Negotiate with the United States congress and the federal
2 department of health and human services, health care financing
3 administration to obtain a statutory or regulatory waiver of provisions
4 of the medicare statute, Title XVIII of the federal social security
5 act, that currently constitute barriers to full implementation of
6 provisions of sections 1 through 26 of this act related to access to
7 health services for elderly and disabled residents of Washington state.
8 Such provisions include and are not limited to: Beneficiary cost-
9 sharing requirements; restrictions on scope of services and limitations
10 on health service provider payment methods.

11 (d) Negotiate with the United States congress and the federal
12 department of health and human services to obtain any statutory or
13 regulatory waivers of provisions of the United States public health
14 services act necessary to ensure integration of federally funded
15 community health clinics and other health services funded through the
16 public health services act into the health services system established
17 pursuant to sections 1 through 26 of this act.

18 (3) If the Washington health services commission fails to obtain
19 approval for all necessary federal statutory changes or regulatory
20 waivers necessary to fully implement sections 1 through 26 of this act
21 by January 1, 1996, it shall report to the governor and appropriate
22 committees of the legislature with a proposal for the implementation of
23 sections 1 through 26 of this act to the extent possible without
24 receipt of all of such waivers."

25 "NEW SECTION. **Sec. 23.** EVALUATIONS AND STUDIES. The legislative
26 budget committee, in consultation with the health care policy
27 committees of the legislature, shall conduct directly or by contract
28 the following studies or evaluations:

1 (1) Studies to determine the desirability and feasibility of
2 consolidating the following programs, services, and funding sources
3 into the system established by sections 1 through 26 of this act:

4 (a) Medical services component of the worker's compensation program
5 of the department of labor and industries;

6 (b) Developmental disabilities, mental health and aging and adult
7 services institutional programs of the department of social and health
8 services;

9 (c) State and federal veterans' health services; and

10 (d) Civilian health and medical program of the uniformed services
11 of the federal department of defense and other federal agencies.

12 The report shall be made to the governor and the appropriate
13 committees of the legislature and the commission by September 1, 1993.

14 (2) A study to evaluate the implementation of the provisions of
15 sections 1 through 26 of this act. The study shall determine to what
16 extent the plan has been implemented consistent with the principles and
17 elements set forth in chapter 70.-- RCW (sections 1 through 17 and 19
18 through 21 of this act) and shall report its findings to the governor
19 and appropriate committees of the legislature by July 1, 1998."

20 "NEW SECTION. **Sec. 24.** CONTINUOUS QUALITY IMPROVEMENT AND TOTAL
21 QUALITY MANAGEMENT. To ensure the highest quality health services at
22 the lowest total cost, the Washington health services commission shall
23 establish a total quality management system of continuous quality
24 improvement. Such endeavor shall be based upon the recognized quality
25 science of continuous quality improvement. The commission shall
26 impanel a committee composed of persons from the private sector and
27 related sciences who have broad knowledge and successful experience in
28 continuous quality improvement and total quality management
29 applications. It shall be the responsibility of the committee to

1 develop standards for a Washington state health services supplier
2 certification process and recommend such standards to the commission
3 for review and adoption. Once adopted, the commission shall establish
4 a schedule, with full compliance no later than July 1, 1995, whereby
5 certified health plans must provide evidence that all health service
6 providers and health service facilities have been reviewed and meet
7 these standards prior to providing uniform benefits package services."

8 "NEW SECTION. **Sec. 25.** HEALTH CARE LIABILITY DEMONSTRATION
9 PROJECT. (1) The commission, in consultation with obstetrical medical
10 specialty organizations, midwifery associations, and appropriate state
11 and federal governmental entities, shall develop practice parameters in
12 obstetrics for purposes of the health care liability demonstration
13 project set forth in this section. The obstetrical practice
14 parameters, shall define appropriate clinical indications and methods
15 of treatment. The parameters shall be consistent with appropriate
16 standards of care and levels of quality. On or before July 1, 1993,
17 the medical disciplinary board shall review the parameters, approve the
18 parameters, and adopt them as rules under chapter 34.05 RCW.

19 (2) Any licensed midwife, certified nurse midwife, or physician who
20 practices obstetrics in Washington state shall file notice with the
21 medical disciplinary board on or before November 1, 1993, indicating
22 whether he or she elects to participate in the health care liability
23 demonstration project.

24 (3) In any claim for professional negligence against a
25 participating physician, a certified nurse midwife, or a licensed
26 midwife, or the employer of a participating physician, certified nurse
27 midwife, or licensed midwife, that is related to the practice of
28 obstetrics, in which a violation of a standard of care is alleged, the
29 practice parameters developed and adopted pursuant to this section

1 shall constitute the standard of care. The practice parameters may be
2 introduced into evidence by the plaintiff as the standard of care, and
3 by the physician, certified nurse midwife, or licensed midwife, or the
4 physician's, certified nurse midwife's, or licensed midwife's employer,
5 as an affirmative defense.

6 (4) Nothing in this section alters the burdens of proof in
7 existence as of June 30, 1993, in professional negligence proceedings.

8 (5) This section applies to causes of action accruing between July
9 1, 1993, and December 31, 1996.

10 (6) Any insurance company providing professional malpractice or any
11 other form of liability insurance for any licensed midwife, certified
12 nurse midwife, or physician participating in this project shall provide
13 a report to the commission of each claim brought against any such
14 participating physician, certified nurse midwife, or licensed midwife
15 alleging malpractice as a result of incidents occurring on or after
16 July 1, 1993, and before January 1, 1997. The report shall include the
17 name of the insured, date of claim, and the results of each claim,
18 including defense costs and indemnity payments as a result of
19 settlement or judgment, any awards or amounts paid in excess of policy
20 limits, and any finding, if made, of whether the physician's, certified
21 nurse midwife's, or licensed midwife's practice was consistent with the
22 practice parameters adopted under this section. These reports must be
23 provided no less than annually, according to a schedule established by
24 the commission. The commission may require that reporting continue
25 until all claims reported pursuant to this subsection are closed.

26 (7) The commission shall report the results of the demonstration
27 project authorized in this section to the governor and appropriate
28 committees of the legislature on or before December 1, 1997."

1 For the purposes of sections 29, 30, and 31 of this act "small
2 business entity" means a business that employs less than one hundred
3 individuals who reside in Washington state and are regularly scheduled
4 to work at least twenty or more hours per week for at least twenty-six
5 weeks per year. For purposes of determining the number of employees of
6 an entity all employees, owners, or principals of all branches and
7 divisions of the principal entity shall be included and may not be
8 segregated by division, job responsibilities, employment status, or on
9 any other basis."

10 "NEW SECTION. Sec. 29. A new section is added to chapter 48.21
11 RCW to read as follows:

12 Every disability insurer that provides group disability insurance
13 for health care services under this chapter shall make available to all
14 individuals and business entities in this state the opportunity to
15 enroll as an individual or a group in an insured plan without medical
16 underwriting except as provided in this section. Such plan shall: (1)
17 Allow all such individuals and groups to continue participation on a
18 guaranteed renewable basis; (2) not exclude or discriminate in rate
19 making or in any other way against any category of business, trade,
20 occupation, employment skill, or vocational or professional training;
21 and (3) not exclude or discriminate in rate making or in any other way
22 against any individual, or employee or dependent within a group on any
23 basis, including age, sex, or health status or condition. Disability
24 insurers may adopt a differential rate based only upon actual costs of
25 providing health care that are identifiable on a major geographical
26 basis, such as east and west of the Cascades, and may adopt exclusions
27 for preexisting conditions limited to not more than six months and
28 applicable only to those individuals who have not been insured in the
29 previous three months and have not been continuously insured long

1 enough to satisfy a six-month waiting period. In addition, every
2 disability insurer shall allow individuals and small business entities
3 the opportunity to enroll as a group in an insured plan that uses
4 community rating to establish the premium and may extend to larger
5 sized businesses a similar opportunity to be included within a
6 community rated pool.

7 An individual or family member who participates as an employee
8 member of a group covered under this section for more than six
9 consecutive months who then terminates his or her employment
10 relationship and wishes to continue the same amount of health care
11 coverage in the same plan shall be allowed that opportunity on an
12 individual or family basis, depending on the coverage provided during
13 active employment. The cost of such individual conversion or
14 continuation coverage shall not exceed one hundred five percent of the
15 rate for active members of the group."

16 "NEW SECTION. Sec. 30. A new section is added to chapter 48.44
17 RCW to read as follows:

18 Every health care service contractor that provides coverage under
19 group health care service contracts under this chapter shall make
20 available to all individuals and business entities in this state the
21 opportunity to enroll as an individual or a group in a health service
22 contract without medical underwriting except as provided in this
23 section. The health service contract shall: (1) Allow all such
24 individuals and groups to continue participation on a guaranteed
25 renewable basis; (2) not exclude or discriminate in rate making or in
26 any other way against any category of business, trade, occupation,
27 employment skill, or vocational or professional training; and (3) not
28 exclude or discriminate in rate making or in any other way against any
29 individual, or employee or employee's dependent within the group on any

1 basis, including age, sex, or health status or condition. Health care
2 service contractors may adopt a differential rate based only upon
3 actual costs of providing health care that are identifiable on a major
4 geographical basis, such as east and west of the Cascades, and may
5 adopt exclusions for preexisting conditions limited to not more than
6 six months and applicable only to those individuals who have not been
7 insured in the previous three months and have not been continuously
8 insured long enough to satisfy a six-month waiting period. In
9 addition, every health care service contractor shall allow individuals
10 and small business entities the opportunity to enroll as a group in an
11 insured plan that uses community rating to establish the premium and
12 may extend to larger sized businesses a similar opportunity to be
13 included within a community rated pool.

14 An individual or family member who participates as an employee
15 member of a group covered under this section for more than six
16 consecutive months who then terminates his or her employment
17 relationship and wishes to continue the same amount of health care
18 coverage in the same plan shall be allowed that opportunity on an
19 individual or family basis, depending on the coverage provided during
20 active employment. The cost of such individual conversion or
21 continuation coverage shall not exceed one hundred five percent of the
22 rate for active members of the group."

23 "NEW SECTION. Sec. 31. A new section is added to chapter 48.46
24 RCW to read as follows:

25 Every health maintenance organization that provides coverage under
26 group health maintenance organization agreements under this chapter
27 shall make available to all individuals and business entities in this
28 state the opportunity to enroll as an individual or a group in a health
29 maintenance organization agreement without medical underwriting except

1 as provided in this section. Such agreements shall: (1) Allow all
2 such individuals and groups to continue participation on a guaranteed
3 renewable basis; (2) not exclude or discriminate in rate making or in
4 any other way against any category of business, trade, occupation,
5 employment skill, or vocational or professional training; and (3) not
6 exclude or discriminate in rate making or in any other way against any
7 individual, or employee or employee's dependent within the group on any
8 basis, including age, sex, or health status or condition. Such health
9 maintenance organizations may adopt a differential rate based only upon
10 actual costs of providing health care that are identifiable on a major
11 geographical basis, such as east and west of the Cascades, and may
12 adopt exclusions for preexisting conditions limited to not more than
13 six months and applicable only to those individuals who have not been
14 insured in the previous three months and have not been continuously
15 insured long enough to satisfy a six-month waiting period. In
16 addition, every health maintenance organization shall allow individuals
17 and small business entities the opportunity to enroll as a group in an
18 insured plan that uses community rating to establish the premium and
19 may extend to larger sized businesses a similar opportunity to be
20 included within a community rated pool.

21 An individual or family member who participates as an employee
22 member of a group covered under this section for more than six
23 consecutive months who then terminates his or her employment
24 relationship and wishes to continue the same amount of health care
25 coverage in the same plan shall be allowed that opportunity on an
26 individual or family basis, depending on the coverage provided during
27 active employment. The cost of such continuation or conversion
28 coverage shall not exceed one hundred five percent of the rate for
29 active members of the group."

1 "NEW SECTION. **Sec. 32.** A new section is added to chapter 48.21
2 RCW to read as follows:

3 Notwithstanding other sections of this chapter, the uniform
4 benefits package adopted pursuant to section 5 of this act and from
5 time to time revised by the Washington health services commission shall
6 become the minimum benefits package required of any plan under this
7 chapter. The maximum per capita rate determined and from time to time
8 revised by the Washington health services commission shall become the
9 maximum rate charged for this minimum benefits package."

10 "NEW SECTION. **Sec. 33.** A new section is added to chapter 48.44
11 RCW to read as follows:

12 Notwithstanding other sections of this chapter, the uniform
13 benefits package adopted pursuant to section 5 of this act and from
14 time to time revised by the Washington health services commission shall
15 become the minimum benefits package required of any plan under this
16 chapter. The maximum per capita rate determined and from time to time
17 revised by the Washington health services commission shall become the
18 maximum rate charged for this minimum benefits package."

19 "NEW SECTION. **Sec. 34.** A new section is added to chapter 48.46
20 RCW to read as follows:

21 Notwithstanding other sections of this chapter, the uniform
22 benefits package adopted pursuant to section 5 of this act and from
23 time to time revised by the Washington health services commission shall
24 become the minimum benefits package required of any plan under this
25 chapter. The maximum per capita rate determined and from time to time
26 revised by the Washington health services commission shall become the
27 maximum rate charged for this minimum benefits package."

1 "NEW SECTION. **Sec. 35.** A new section is added to Title 48 RCW to
2 read as follows:

3 The insurance commissioner shall develop a reinsurance mechanism
4 for certified health plans that does not impact the enrollee, enables
5 insurers to share risk, and allows those insurers that assume the
6 entire risk for their enrollees to opt out of the mechanism. The
7 reinsurance mechanism must support itself entirely from funds generated
8 from the participating insurers."

9 "BASIC HEALTH PLAN MODIFICATIONS"

10 "NEW SECTION. **Sec. 36.** A new section is added to chapter 70.47
11 RCW to read as follows:

12 The powers, duties, and functions of the Washington basic health
13 plan are hereby transferred to the Washington state health care
14 authority. All references to the administrator of the Washington basic
15 health plan in the Revised Code of Washington shall be construed to
16 mean the administrator of the Washington state health care authority."

17 "NEW SECTION. **Sec. 37.** All reports, documents, surveys, books,
18 records, files, papers, or written material in the possession of the
19 Washington basic health plan shall be delivered to the custody of the
20 Washington state health care authority. All cabinets, furniture,
21 office equipment, motor vehicles, and other tangible property used by
22 the Washington basic health plan shall be made available to the
23 Washington state health care authority. All funds, credits, or other
24 assets held by the Washington basic health plan shall be assigned to
25 the Washington state health care authority.

26 Any appropriations made to the Washington basic health plan shall,
27 on the effective date of this section, be transferred and credited to

1 the Washington state health care authority. At no time may those funds
2 in the basic health plan trust account, any funds appropriated for the
3 subsidy of any enrollees or any premium payments or other sums made or
4 received on behalf of any enrollees in the basic health plan be
5 commingled with any appropriated funds designated or intended for the
6 purposes of providing health care coverage to any state or other public
7 employees.

8 Whenever any question arises as to the transfer of any personnel,
9 funds, books, documents, records, papers, files, equipment, or other
10 tangible property used or held in the exercise of the powers and the
11 performance of the duties and functions transferred, the director of
12 financial management shall make a determination as to the proper
13 allocation and certify the same to the state agencies concerned."

14 "NEW SECTION. **Sec. 38.** All employees of the Washington basic
15 health plan are transferred to the jurisdiction of the Washington state
16 health care authority. All employees classified under chapter 41.06
17 RCW, the state civil service law, are assigned to the Washington state
18 health care authority to perform their usual duties upon the same terms
19 as formerly, without any loss of rights, subject to any action that may
20 be appropriate thereafter in accordance with the laws and rules
21 governing state civil service."

22 "NEW SECTION. **Sec. 39.** All rules and all pending business
23 before the Washington basic health plan shall be continued and acted
24 upon by the Washington state health care authority. All existing
25 contracts and obligations shall remain in full force and shall be
26 performed by the Washington state health care authority."

1 "NEW SECTION. **Sec. 40.** The transfer of the powers, duties,
2 functions, and personnel of the Washington basic health plan shall not
3 affect the validity of any act performed prior to the effective date of
4 this section."

5 "NEW SECTION. **Sec. 41.** If apportionments of budgeted funds are
6 required because of the transfers directed by sections 37 through 40 of
7 this act, the director of financial management shall certify the
8 apportionments to the agencies affected, the state auditor, and the
9 state treasurer. Each of these shall make the appropriate transfer and
10 adjustments in funds and appropriation accounts and equipment records
11 in accordance with the certification."

12 "NEW SECTION. **Sec. 42.** Nothing contained in sections 36 through
13 41 of this act may be construed to alter any existing collective
14 bargaining unit or the provisions of any existing collective bargaining
15 agreement until the agreement has expired or until the bargaining unit
16 has been modified by action of the personnel board as provided by law."

17 "**Sec. 43.** RCW 70.47.010 and 1987 1st ex.s. c 5 s 3 are each
18 amended to read as follows:

19 (1) The legislature finds that:

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

23 (b) This lack of basic health care coverage is detrimental to the
24 health of the individuals lacking coverage and to the public welfare,
25 and results in substantial expenditures for emergency and remedial
26 health care, often at the expense of health care providers, health care
27 facilities, and all purchasers of health care, including the state; and

1 (c) The use of managed health care systems has significant
2 potential to reduce the growth of health care costs incurred by the
3 people of this state generally, and by low-income pregnant women who
4 are an especially vulnerable population, along with their children, and
5 who need greater access to managed health care.

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

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

21 ~~(4) ((The program authorized under this chapter is strictly limited~~
22 ~~in respect to the total number of individuals who may be allowed to~~
23 ~~participate and the specific areas within the state where it may be~~
24 ~~established. All such restrictions or limitations shall remain in full~~
25 ~~force and effect until quantifiable evidence based upon the actual~~
26 ~~operation of the program, including detailed cost benefit analysis, has~~
27 ~~been presented to the legislature and the legislature, by specific act~~
28 ~~at that time, may then modify such limitations))~~ (a) It is the purpose
29 of this chapter to acknowledge the initial success of this program that
30 has (i) assisted thousands of families in their search for affordable

1 health care; (ii) demonstrated that low-income uninsured families are
2 willing, indeed eager, to pay for their own health care coverage to the
3 extent of their ability to pay; and (iii) proved that local health care
4 providers are willing to enter into a public/private partnership as
5 they configure their own professional and business relationships into
6 a managed health care system.

7 (b) As a consequence, but always limited to the extent to which
8 funds might be available to subsidize the costs of health services for
9 those in need, enrollment limitations have been modified and the
10 program shall be expanded to additional geographic areas of the state.
11 In addition, the legislature intends to extend an option to enroll to
12 certain citizens with income above two hundred percent of the federal
13 poverty guidelines who reside in communities where the plan is
14 operational and who collectively or individually wish to exercise the
15 opportunity to purchase health care coverage through the basic health
16 plan, if it is done at no cost to the state."

17 **"Sec. 44.** RCW 70.47.020 and 1987 1st ex.s. c 5 s 4 are each
18 amended to read as follows:

19 As used in this chapter:

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

24 (2) "Administrator" means the Washington basic health plan
25 administrator, who also holds the position of administrator of the
26 Washington state health care authority.

27 (3) "Managed health care system" means any health care
28 organization, including health care providers, insurers, health care
29 service contractors, health maintenance organizations, or any

1 combination thereof, that provides directly or by contract basic health
2 care services, as defined by the administrator and rendered by duly
3 licensed providers, on a prepaid capitated basis to a defined patient
4 population enrolled in the plan and in the managed health care system.

5 (4) "Enrollee" means an individual, or an individual plus the
6 individual's spouse and/or dependent children, (~~all under the age of~~
7 ~~sixty-five and~~) not (~~otherwise~~) eligible for medicare, who resides
8 in an area of the state served by a managed health care system
9 participating in the plan, whose gross family income at the time of
10 enrollment does not exceed twice the federal poverty level as adjusted
11 for family size and determined annually by the federal department of
12 health and human services, who chooses to obtain basic health care
13 coverage from a particular managed health care system in return for
14 periodic payments to the plan. Nonsubsidized enrollees shall be
15 considered enrollees unless otherwise specified.

16 (5) "Nonsubsidized enrollee" means an individual, or an individual
17 plus the individual's spouse and/or dependent children not eligible for
18 medicare, who resides in an area of the state served by a managed
19 health care system participating in the plan, who has a gross family
20 income of less than three hundred percent of the federal poverty level,
21 and who chooses to obtain basic health care coverage from a particular
22 managed health care system at no cost to the state in return for
23 periodic payments to the plan. "Nonsubsidized enrollee" also includes
24 any enrollee who originally enrolled subject to the income limitations
25 specified in subsection (4) of this section, but who subsequently pays
26 the full unsubsidized premium as set forth in RCW 70.47.060(9).

27 (6) "Subsidy" means the difference between the amount of periodic
28 payment the administrator makes(~~(, from funds appropriated from the~~
29 ~~basic health plan trust account,~~) to a managed health care system on
30 behalf of an enrollee plus the administrative cost to the plan of

1 providing the plan to that enrollee, and the amount determined to be
2 the enrollee's responsibility under RCW 70.47.060(2).

3 ~~((6))~~ (7) "Premium" means a periodic payment, based upon gross
4 family income and determined under RCW 70.47.060(2), which an enrollee
5 makes to the plan as consideration for enrollment in the plan.

6 ~~((7))~~ (8) "Rate" means the per capita amount, negotiated by the
7 administrator with and paid to a participating managed health care
8 system, that is based upon the enrollment of enrollees in the plan and
9 in that system."

10 **"Sec. 45.** RCW 70.47.030 and 1991 sp.s. c 13 s 68 and 1991 sp.s. c
11 4 s 1 are each reenacted and amended to read as follows:

12 (1) The basic health plan trust account is hereby established in
13 the state treasury. ~~((All))~~ Any nongeneral fund-state funds collected
14 for this program shall be deposited in the basic health plan trust
15 account and may be expended without further appropriation. Moneys in
16 the account shall be used exclusively for the purposes of this chapter,
17 including payments to participating managed health care systems on
18 behalf of enrollees in the plan and payment of costs of administering
19 the plan. After July 1, 1991, the administrator shall not expend or
20 encumber for an ensuing fiscal period amounts exceeding ninety-five
21 percent of the amount anticipated to be spent for purchased services
22 during the fiscal year.

23 (2) The basic health plan subscription account is created in the
24 custody of the state treasurer. All receipts from amounts due under
25 RCW 70.47.060 (10) and (11) shall be deposited into the account.
26 Moneys in the account shall be used exclusively for the purposes of
27 this chapter, including payments to participating managed health care
28 systems on behalf of nonsubsidized enrollees in the plan and payment of
29 costs of administering the plan. The account is subject to allotment

1 procedures under chapter 43.88 RCW, but no appropriation is required
2 for expenditures.

3 (3) The administrator shall take every precaution to see that none
4 of the moneys in the separate account created in this section or that
5 any premiums paid by either subsidized or nonsubsidized enrollees are
6 commingled in any way."

7 "Sec. 46. RCW 70.47.040 and 1987 1st ex.s. c 5 s 6 are each
8 amended to read as follows:

9 (1) The Washington basic health plan is created as an independent
10 ~~((agency of the state))~~ program within the Washington state health care
11 authority. The administrative head and appointing authority of the
12 plan shall be the administrator ~~((who shall be appointed by the~~
13 ~~governor, with the consent of the senate, and shall serve at the~~
14 ~~pleasure of the governor. The salary for this office shall be set by~~
15 ~~the governor pursuant to RCW 43.03.040))~~ of the Washington state health
16 care authority. The administrator shall appoint a medical director.
17 The ~~((administrator,))~~ medical director~~((,))~~ and up to five other
18 employees of the plan shall be exempt from the civil service law,
19 chapter 41.06 RCW.

20 (2) The administrator shall employ such other staff as are
21 necessary to fulfill the responsibilities and duties of the
22 administrator, such staff to be subject to the civil service law,
23 chapter 41.06 RCW. In addition, the administrator may contract with
24 third parties for services necessary to carry out its activities where
25 this will promote economy, avoid duplication of effort, and make best
26 use of available expertise. Any such contractor or consultant shall be
27 prohibited from releasing, publishing, or otherwise using any
28 information made available to it under its contractual responsibility
29 without specific permission of the plan. The administrator may call

1 upon other agencies of the state to provide available information as
2 necessary to assist the administrator in meeting its responsibilities
3 under this chapter, which information shall be supplied as promptly as
4 circumstances permit.

5 (3) The administrator may appoint such technical or advisory
6 committees as he or she deems necessary. The administrator shall
7 appoint a standing technical advisory committee that is representative
8 of health care professionals, health care providers, and those directly
9 involved in the purchase, provision, or delivery of health care
10 services, as well as consumers and those knowledgeable of the ethical
11 issues involved with health care public policy. Individuals appointed
12 to any technical or other advisory committee shall serve without
13 compensation for their services as members, but may be reimbursed for
14 their travel expenses pursuant to RCW 43.03.050 and 43.03.060.

15 (4) The administrator may apply for, receive, and accept grants,
16 gifts, and other payments, including property and service, from any
17 governmental or other public or private entity or person, and may make
18 arrangements as to the use of these receipts, including the undertaking
19 of special studies and other projects relating to health care costs and
20 access to health care.

21 (5) In the design, organization, and administration of the plan
22 under this chapter, the administrator shall consider the report of the
23 Washington health care project commission established under chapter
24 303, Laws of 1986. Nothing in this chapter requires the administrator
25 to follow any specific recommendation contained in that report except
26 as it may also be included in this chapter or other law."

27 "Sec. 47. RCW 70.47.060 and 1991 sp.s. c 4 s 2 and 1991 c 3 s 339
28 are each reenacted and amended to read as follows:

29 The administrator has the following powers and duties:

1 (1) To design and from time to time revise a schedule of covered
2 basic health care services, including physician services, inpatient and
3 outpatient hospital services, and other services that may be necessary
4 for basic health care, which enrollees in any participating managed
5 health care system under the Washington basic health plan shall be
6 entitled to receive in return for premium payments to the plan. The
7 schedule of services shall emphasize proven preventive and primary
8 health care, shall include all services necessary for prenatal,
9 postnatal, and well-child care, and shall include a separate schedule
10 of basic health care services for children, eighteen years of age and
11 younger, for those enrollees who choose to secure basic coverage
12 through the plan only for their dependent children. In designing and
13 revising the schedule of services, the administrator shall consider the
14 guidelines for assessing health services under the mandated benefits
15 act of 1984, RCW 48.42.080, and such other factors as the administrator
16 deems appropriate.

17 (2)(a) To design and implement a structure of periodic premiums due
18 the administrator from subsidized enrollees that is based upon gross
19 family income, giving appropriate consideration to family size as well
20 as the ages of all family members. The enrollment of children shall
21 not require the enrollment of their parent or parents who are eligible
22 for the plan. With approval of the administrator, a third party may
23 pay the premium, rate, or other amount determined by the administrator
24 to be due to the plan on behalf of any enrollee, by arrangement with
25 the enrollee, and through a mechanism approved by the administrator.

26 (b) Any premium, rate, or other amount determined to be due from
27 nonsubsidized enrollees shall be in an amount equal to the amount
28 negotiated by the administrator with the participating managed health
29 care system for the plan plus the administrative cost of providing the
30 plan to those enrollees.

1 (c) The administrator shall give consideration to any schedule of
2 premiums, deductibles, copayments, and coinsurance that may be adopted
3 by the Washington health services commission, but in particular
4 reference to subsidized enrollees the powers, duties, and
5 responsibilities of the administrator under this section and chapter
6 shall not be superseded by action of the commission.

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

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

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

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

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

27 (d) A case management system that fosters a provider-enrollee
28 relationship whereby, in an effort to control cost, maintain or improve
29 the health status of the enrollee, and maximize patient involvement in
30 her or his health care decision-making process, every effort is made by

1 the provider to inform the enrollee of the cost of the specific
2 services and procedures and related health benefits.

3 The potential financial liability of the plan to any such providers
4 shall not exceed in the aggregate an amount greater than that which
5 might otherwise have been incurred by the plan on the basis of the
6 number of enrollees multiplied by the average of the prepaid capitated
7 rates negotiated with participating managed health care systems under
8 RCW 70.47.100 and reduced by any sums charged enrollees on the basis of
9 the coinsurance rates that are established under this subsection.

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

15 (6) To adopt a schedule for the orderly development of the delivery
16 of services and availability of the plan to residents of the state,
17 subject to the limitations contained in RCW 70.47.080.

18 In the selection of any area of the state for ~~((the initial))~~
19 operation of the plan, the administrator shall take into account the
20 levels and rates of unemployment in different areas of the state, the
21 need to provide basic health care coverage to a population reasonably
22 representative of the portion of the state's population that lacks such
23 coverage, and the need for geographic, demographic, and economic
24 diversity.

25 Before July 1, ~~((1988))~~ 1994, the administrator shall endeavor to
26 secure participation contracts with managed health care systems in
27 ~~((discrete geographic areas within at least five))~~ all congressional
28 districts.

29 (7) To solicit and accept applications from managed health care
30 systems, as defined in this chapter, for inclusion as eligible basic

1 health care providers under the plan. The administrator shall endeavor
2 to assure that covered basic health care services are available to any
3 enrollee of the plan from among a selection of two or more
4 participating managed health care systems. In adopting any rules or
5 procedures applicable to managed health care systems and in its
6 dealings with such systems, the administrator shall consider and make
7 suitable allowance for the need for health care services and the
8 differences in local availability of health care resources, along with
9 other resources, within and among the several areas of the state.

10 (8) To receive periodic premiums from enrollees, deposit them in
11 the basic health plan operating account, keep records of enrollee
12 status, and authorize periodic payments to managed health care systems
13 on the basis of the number of enrollees participating in the respective
14 managed health care systems.

15 (9) To accept applications from individuals residing in areas
16 served by the plan, on behalf of themselves and their spouses and
17 dependent children, for enrollment in the Washington basic health plan,
18 to establish appropriate minimum-enrollment periods for enrollees as
19 may be necessary, and to determine, upon application and at least
20 annually thereafter, or at the request of any enrollee, eligibility due
21 to current gross family income for sliding scale premiums. An enrollee
22 who remains current in payment of the sliding-scale premium, as
23 determined under subsection (2) of this section, and whose gross family
24 income has risen above twice the federal poverty level, may continue
25 enrollment (~~((unless and until the enrollee's gross family income has
26 remained above twice the poverty level for six consecutive months,))~~) by
27 making full payment at the unsubsidized rate required for the managed
28 health care system in which he or she may be enrolled plus the
29 administrative cost of providing the plan to that enrollee. No subsidy
30 may be paid with respect to any enrollee whose current gross family

1 income exceeds twice the federal poverty level or, subject to RCW
2 70.47.110, who is a recipient of medical assistance or medical care
3 services under chapter 74.09 RCW. If a number of enrollees drop their
4 enrollment for no apparent good cause, the administrator may establish
5 appropriate rules or requirements that are applicable to such
6 individuals before they will be allowed to re-enroll in the plan.

7 (10) To accept applications from small business owners on behalf of
8 themselves and their employees who reside in an area served by the
9 plan. Such businesses must have less than one hundred employees and
10 enrollment shall be limited to those not eligible for medicare, who has
11 a gross family income of less than three hundred percent of the federal
12 poverty level, who wish to enroll in the plan at no cost to the state
13 and choose to obtain basic health care coverage and services from a
14 managed health care system participating in the plan. The
15 administrator may require all or a substantial majority of the eligible
16 employees, as determined by the administrator, of any such business to
17 enroll in the plan and establish such other procedures as may be
18 necessary to facilitate the orderly enrollment of such groups in the
19 plan and into a managed health care system. The administrator shall
20 adjust the amount determined to be due on behalf of or from all such
21 enrollees whenever the amount negotiated by the administrator with the
22 participating managed health care system or systems is modified or the
23 administrative cost of providing the plan to such enrollees changes.
24 Any amounts due under this subsection shall be deposited in the basic
25 health plan subscription account. No enrollee of a small business
26 group shall be eligible for any subsidy from the plan and at no time
27 shall the administrator allow the credit of the state or funds from the
28 trust account to be used or extended on their behalf.

29 (11) On and after July 1, 1994, to accept applications from
30 individuals residing in areas served by the plan, on behalf of

1 themselves and their spouses and dependent children not eligible for
2 medicare who wish to enroll in the plan at no cost to the state and
3 choose to obtain basic health care coverage and services from a managed
4 health care system participating in the plan. Any such nonsubsidized
5 enrollee must pay the plan whatever amount is negotiated by the
6 administrator with the participating managed health care system and the
7 administrative cost of providing the plan to such enrollees and shall
8 not be eligible for any subsidy from the plan. Any amounts due under
9 this subsection shall be deposited in the basic health plan
10 subscription account.

11 (12) To determine the rate to be paid to each participating managed
12 health care system in return for the provision of covered basic health
13 care services to enrollees in the system. Although the schedule of
14 covered basic health care services will be the same for similar
15 enrollees, the rates negotiated with participating managed health care
16 systems may vary among the systems. In negotiating rates with
17 participating systems, the administrator shall consider the
18 characteristics of the populations served by the respective systems,
19 economic circumstances of the local area, the need to conserve the
20 resources of the basic health plan trust account, and other factors the
21 administrator finds relevant.

22 ~~((11))~~ (13) To monitor the provision of covered services to
23 enrollees by participating managed health care systems in order to
24 assure enrollee access to good quality basic health care, to require
25 periodic data reports concerning the utilization of health care
26 services rendered to enrollees in order to provide adequate information
27 for evaluation, and to inspect the books and records of participating
28 managed health care systems to assure compliance with the purposes of
29 this chapter. In requiring reports from participating managed health
30 care systems, including data on services rendered enrollees, the

1 administrator shall endeavor to minimize costs, both to the managed
2 health care systems and to the ~~((administrator))~~ plan. The
3 administrator shall coordinate any such reporting requirements with
4 other state agencies, such as the insurance commissioner and the
5 department of health, to minimize duplication of effort.

6 ~~((12))~~ (14) To monitor the access that state residents have to
7 adequate and necessary health care services, determine the extent of
8 any unmet needs for such services or lack of access that may exist from
9 time to time, and make such reports and recommendations to the
10 legislature as the administrator deems appropriate.

11 ~~((13))~~ (15) To evaluate the effects this chapter has on private
12 employer-based health care coverage and to take appropriate measures
13 consistent with state and federal statutes that will discourage the
14 reduction of such coverage in the state.

15 ~~((14))~~ (16) To develop a program of proven preventive health
16 measures and to integrate it into the plan wherever possible and
17 consistent with this chapter.

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

21 **"Sec. 48.** RCW 70.47.080 and 1987 1st ex.s. c 5 s 10 are each
22 amended to read as follows:

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

1 Thereafter, ~~((total))~~ average monthly enrollment of those eligible
2 for subsidies during any biennium shall not exceed the number
3 established by the legislature in any act appropriating funds to the
4 plan, and total subsidized enrollment shall not result in expenditures
5 that exceed the total amount that has been made available by the
6 legislature in any act appropriating funds to the plan.

7 Before July 1, ~~((1988))~~ 1994, the administrator shall endeavor to
8 secure participation contracts from managed health care systems in
9 ~~((discrete geographic areas within at least five))~~ all congressional
10 districts of the state and in such manner as to allow residents of both
11 urban and rural areas access to enrollment in the plan. The
12 administrator shall make a special effort to secure agreements with
13 health care providers in one such area that meets the requirements set
14 forth in RCW 70.47.060(4).

15 The administrator shall at all times closely monitor growth
16 patterns of enrollment so as not to exceed that consistent with the
17 orderly development of the plan as a whole, in any area of the state or
18 in any participating managed health care system.

19 The annual or biennial enrollment limitations derived from
20 operation of the plan under this section do not apply to nonsubsidized
21 enrollees as defined in RCW 70.47.020(5)."

22 "**Sec. 49.** RCW 70.47.120 and 1987 1st ex.s. c 5 s 14 are each
23 amended to read as follows:

24 In addition to the powers and duties specified in RCW 70.47.040 and
25 70.47.060, the administrator has the power to enter into contracts for
26 the following functions and services:

27 (1) With public or private agencies, to assist the administrator in
28 her or his duties to design or revise the schedule of covered basic

1 health care services, and/or to monitor or evaluate the performance of
2 participating managed health care systems.

3 (2) With public or private agencies, to provide technical or
4 professional assistance to health care providers, particularly public
5 or private nonprofit organizations and providers serving rural areas,
6 who show serious intent and apparent capability to participate in the
7 plan as managed health care systems.

8 (3) With public or private agencies, including health care service
9 contractors registered under RCW 48.44.015, and doing business in the
10 state, for marketing and administrative services in connection with
11 participation of managed health care systems, enrollment of enrollees,
12 billing and collection services to the administrator, and other
13 administrative functions ordinarily performed by health care service
14 contractors, other than insurance except that the administrator may
15 purchase or arrange for the purchase of reinsurance, or self-insure for
16 reinsurance, on behalf of its participating managed health care
17 systems. Any activities of a health care service contractor pursuant
18 to a contract with the administrator under this section shall be exempt
19 from the provisions and requirements of Title 48 RCW."

20 "MISCELLANEOUS"

21 "NEW SECTION. **Sec. 50.** The following acts or parts of acts are
22 each repealed:

23 (1) RCW 43.131.355 and 1987 1st ex.s. c 5 s 24; and

24 (2) RCW 43.131.356 and 1987 1st ex.s. c 5 s 25."

25 "NEW SECTION. **Sec. 51.** SEVERABILITY. If any provision of this
26 act or its application to any person or circumstance is held invalid,

1 the remainder of the act or the application of the provision to other
2 persons or circumstances is not affected."

3 "NEW SECTION. **Sec. 52.** SAVINGS CLAUSE. The enactment of this act
4 does not have the effect of terminating, or in any way modifying, any
5 obligation or any liability, civil or criminal, which was already in
6 existence on the effective date of this section."

7 "NEW SECTION. **Sec. 53.** CODIFICATION DIRECTIONS. Sections 1
8 through 17 and 19 through 21 of this act shall constitute a new chapter
9 in Title 70 RCW."

10 "NEW SECTION. **Sec. 54.** CAPTIONS. Captions used in this act do
11 not constitute any part of the law."

12 "NEW SECTION. **Sec. 55.** SHORT TITLE. This act may be known and
13 cited as the Washington health services act."

14 "NEW SECTION. **Sec. 56.** EMERGENCY CLAUSE. Sections 1 through 26,
15 51, and 52 of this act are necessary for the immediate preservation of
16 the public peace, health, or safety, or support of the state government
17 and its existing public institutions, and shall take effect
18 immediately."

19 "NEW SECTION. **Sec. 57.** (1) Sections 27 through 31 and 35
20 through 50 of this act shall take effect July 1, 1992.

21 (2) Sections 32 through 34 of this act shall take effect January 1,
22 1994."

1 "NEW SECTION. **Sec. 58.** Sections 27 through 35 of this act shall
2 expire on July 1, 1996."

3 **ESHB 2590** - H AMD
4 By Representative Braddock

5
6 On page 1, line 1 of the title, after "care;" strike the remainder
7 of the title and insert "amending RCW 70.47.010, 70.47.020, 70.47.040,
8 70.47.080, and 70.47.120; reenacting and amending RCW 70.47.030 and
9 70.47.060; adding a new section to chapter 70.170 RCW; adding new
10 sections to Title 48 RCW; adding new sections to chapter 48.21 RCW;
11 adding new sections to chapter 48.44 RCW; adding new sections to
12 chapter 48.46 RCW; adding a new section to chapter 70.47 RCW; adding a
13 new chapter to Title 70 RCW; creating new sections; repealing RCW
14 43.131.355 and 43.131.356; providing effective dates; providing an
15 expiration date; and declaring an emergency."