

1 **SHB 2994 - H AMD 0319**

2 By Representatives Bowman and Moyer

3 Strike everything after the enacting clause and insert:

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

6 As used in this chapter:

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

12 (2) "Administrator" means the Washington basic health plan
13 administrator who also holds the position of administrator of the
14 Washington state health care authority.

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

23 (4) "Enrollee" means both subsidized and nonsubsidized

1 enrollees.

2 (5) "Nonsubsidized enrollee" means an individual, or an
3 individual plus the individuals's spouse and/or dependent children,
4 all under the age of sixty-five (a) who is not otherwise eligible
5 for medicare; (b) who is a resident of the state of Washington; (c)
6 whose gross family income at the time of enrollment is under three
7 hundred percent of the federal poverty level as adjusted for family
8 size and determined annually by the federal department of health
9 and human services; (d) who chooses to obtain basic health coverage
10 from a particular managed care system in return for periodic
11 payments to the plan that reflect the full cost of the plan; and
12 (e) who is not a subsidized enrollee.

13 (6) "Subsidized enrollee" means an individual, or an
14 individual plus the individual's spouse and/or dependent children,
15 all under the age of sixty-five ((and))

16 (a) (i) who is not otherwise eligible for medicare((τ)); (ii)
17 who resides in an area of the state served by a managed health care
18 system participating in the plan((τ)); (iii) whose gross family
19 income at the time of enrollment does not exceed twice the federal
20 poverty level as adjusted for family size and determined annually
21 by the federal department of health and human services((τ)); and
22 (iv) who chooses, subject to the limitations in section 4(5) of
23 this act, to obtain basic health care coverage from a particular
24 managed health care system in return for periodic payments to the
25 plan that reflect less than the full cost of the plan; or

1 (b)who is continuing enrollment for up to six months under
2 section 4(9)(b) of this act.

3 ~~((+5))~~ (7) "Subsidy" means the difference between the amount
4 of periodic payment the administrator makes(~~(, from funds~~
5 ~~appropriated from the basic health plan trust account,~~) to a
6 managed health care system on behalf of an enrollee and the amount
7 determined to be the enrollee's responsibility under RCW
8 70.47.060(2).

9 ~~((+6))~~ (8) "Premium" means a periodic payment, (~~based upon~~
10 ~~gross family income and~~) determined under RCW 70.47.060(2), which
11 an enrollee makes to the plan as consideration for enrollment in
12 the plan.

13 ~~((+7))~~ (9) "Rate" means the per capita amount, negotiated by
14 the administrator with and paid to a participating managed health
15 care system, that is based upon the enrollment of enrollees in the
16 plan and in that system.

17 **Sec. 2.** RCW 70.47.030 and 1991 sp.s. c 13 s 68 and 1991 sp.s.
18 c 4 s 1 are each reenacted and amended to read as follows:

19 The basic health plan trust account is hereby established in
20 the state treasury. All nongeneral fund-state funds collected for
21 this program shall be deposited in the basic health plan trust
22 account and may be expended without further appropriation. Moneys
23 in the account shall be used exclusively for the purposes of this
24 chapter, including payments to participating managed health care

1 systems on behalf of enrollees in the plan and payment of costs of
2 administering the plan. (~~After July 1, 1991, the administrator~~
3 ~~shall not expend or encumber for an ensuing fiscal period amounts~~
4 ~~exceeding ninety-five percent of the amount anticipated to be spent~~
5 ~~for purchased services during the fiscal year.)) Funds in the
6 trust account from sources other than premium contributions by non-
7 subsidized enrollees and other funds received by the administrator
8 through appropriation or other means, may not be expended to
9 underwrite nonsubsidized enrollee's coverage in any amount.~~

10 **Sec. 3.** RCW 70.47.040 and 1987 1st ex.s. c 5 s 6 are each
11 amended to read as follows:

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

24 (2) The administrator shall employ such other staff as are

1 necessary to fulfill the responsibilities and duties of the
2 administrator, such staff to be subject to the civil service law,
3 chapter 41.06 RCW. In addition, the administrator may contract
4 with third parties for services necessary to carry out its
5 activities where this will promote economy, avoid duplication of
6 effort, and make best use of available expertise. Any such
7 contractor or consultant shall be prohibited from releasing,
8 publishing, or otherwise using any information made available to it
9 under its contractual responsibility without specific permission of
10 the plan. The administrator may call upon other agencies of the
11 state to provide available information as necessary to assist the
12 administrator in meeting its responsibilities under this chapter,
13 which information shall be supplied as promptly as circumstances
14 permit.

15 (3) The administrator may appoint such technical or advisory
16 committees as he or she deems necessary. The administrator shall
17 appoint a standing technical advisory committee that is
18 representative of health care professionals, health care providers,
19 and those directly involved in the purchase, provision, or delivery
20 of health care services, as well as consumers and those
21 knowledgeable of the ethical issues involved with health care
22 public policy. Individuals appointed to any technical or other
23 advisory committee shall serve without compensation for their
24 services as members, but may be reimbursed for their travel
25 expenses pursuant to RCW 43.03.050 and 43.03.060.

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

7 (5) In the design, organization, and administration of the
8 plan under this chapter, the administrator shall consider the
9 report of the Washington health care project commission established
10 under chapter 303, Laws of 1986. Nothing in this chapter requires
11 the administrator to follow any specific recommendation contained
12 in that report except as it may also be included in this chapter or
13 other law.

14 **Sec. 4.** RCW 70.47.060 and 1991 sp.s. c 4 s 2 and 1991 c 3 s
15 339 are each reenacted and amended to read as follows:

16 The administrator has the following powers and duties:

17 (1) To design and from time to time revise a schedule of
18 covered basic health care services, including physician services,
19 inpatient and outpatient hospital services, and other services that
20 may be necessary for basic health care, which enrollees in any
21 participating managed health care system under the Washington basic
22 health plan shall be entitled to receive in return for premium
23 payments to the plan. The schedule of services shall emphasize
24 proven preventive and primary health care((~~7~~)) and shall include

1 all services necessary for prenatal, postnatal, and well-child
2 care(~~(, and shall)~~). However, with respect to coverage for groups
3 of subsidized enrollees, the administrator shall not contract for
4 prenatal or postnatal services that are provided under the medical
5 assistance program under chapter 74.09 RCW except to the extent
6 that such services are necessary over not more than a one-month
7 period in order to maintain continuity of care after diagnosis of
8 pregnancy by the managed care provider, or except to provide any
9 such services associated with pregnancies diagnosed by the managed
10 care provider before July 1, 1992. The schedule of services shall
11 also include a separate schedule of basic health care services for
12 children, eighteen years of age and younger, for those enrollees
13 who choose to secure basic coverage through the plan only for their
14 dependent children. In designing and revising the schedule of
15 services, the administrator shall consider the guidelines for
16 assessing health services under the mandated benefits act of 1984,
17 RCW 48.42.080, and such other factors as the administrator deems
18 appropriate.

19 (2) To design and implement a structure of periodic premiums.

20 (a) Premiums due the administrator from subsidized enrollees
21 (~~(that is)~~) shall be based upon gross family income, giving
22 appropriate consideration to family size as well as the ages of all
23 family members.

24 (b) The premiums due the administrator from nonsubsidized
25 enrollees must equal the cost of coverage by the managed health

1 care system and include a factor for the administrative costs of
2 the plan. The nonsubsidized enrollee shall have primary
3 responsibility for staying current with his or her premium
4 payments. However, a responsible third party who files a statement
5 of obligation with the administrator may assume responsibility for
6 the nonsubsidized enrollee's premiums. The statement of obligation
7 shall identify the third party's relationship to the enrollee,
8 state the third party's address, and contain other information,
9 statements, or disclaimers required by the administrator by rule.

10 (c) The enrollment of children shall not require the
11 enrollment of their parent or parents who are eligible for the
12 plan.

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

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

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

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

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

11 (d) A case management system that fosters a provider-enrollee
12 relationship whereby, in an effort to control cost, maintain or
13 improve the health status of the enrollee, and maximize patient
14 involvement in her or his health care decision-making process,
15 every effort is made by the provider to inform the enrollee of the
16 cost of the specific services and procedures and related health
17 benefits.

18 The potential financial liability of the plan to any such
19 providers shall not exceed in the aggregate an amount greater than
20 that which might otherwise have been incurred by the plan on the
21 basis of the number of enrollees multiplied by the average of the
22 prepaid capitated rates negotiated with participating managed
23 health care systems under RCW 70.47.100 and reduced by any sums
24 charged enrollees on the basis of the coinsurance rates that are
25 established under this subsection.

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

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

9 In the selection of any area of the state for the initial
10 operation of the plan, the administrator shall take into account
11 the levels and rates of unemployment in different areas of the
12 state, the need to provide basic health care coverage to a
13 population reasonably representative of the portion of the state's
14 population that lacks such coverage, and the need for geographic,
15 demographic, and economic diversity. When the number of applicants
16 for nonsubsidized enrollment from a community not covered by a
17 managed health care system makes it economically feasible in the
18 judgment of the administrator to establish a managed health care
19 system for that area, the administrator shall: (a) Publish in the
20 state register a determination of economic feasibility; and (b)
21 institute a managed health care system within one year from the
22 date of the publication.

23 Before July 1, ((1988)) 1993, the administrator shall endeavor
24 to secure participation contracts with managed health care systems
25 in discrete geographic areas ((within at least five congressional

1 ~~districts~~) so as to expand the number of areas covered.

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

14 (8) To receive periodic premiums from enrollees or third
15 parties as provided in subsection (2) of this section, deposit them
16 in the basic health plan operating account, keep records of
17 enrollee status, and authorize periodic payments to managed health
18 care systems on the basis of the number of enrollees participating
19 in the respective managed health care systems.

20 (9)(a) To accept applications from individuals residing in
21 areas served by the plan, on behalf of themselves and their spouses
22 and dependent children, for enrollment in the Washington basic
23 health plan, to establish appropriate minimum-enrollment periods
24 for enrollees as may be necessary(~~(, and)~~).

25 (b) To determine, upon application and at least annually

1 thereafter, or at the request of any subsidized enrollee, or at the
2 request of a nonsubsidized enrollee who states that the enrollee or
3 his or her family, or both, now qualify as subsidized enrollees,
4 eligibility due to current gross family income for sliding scale
5 premiums. ((An)) A subsidized enrollee who remains current in
6 payment of the sliding-scale premium, as determined under
7 subsection (2) of this section, and whose gross family income has
8 risen above twice the federal poverty level, may continue
9 enrollment unless and until the enrollee's gross family income has
10 remained above twice the poverty level for six consecutive months,
11 by making payment at the unsubsidized rate required for the managed
12 health care system in which he or she may be enrolled. No subsidy
13 may be paid with respect to any enrollee whose current gross family
14 income exceeds twice the federal poverty level or, subject to RCW
15 70.47.110, who is a recipient of medical assistance or medical care
16 services under chapter 74.09 RCW. If a number of enrollees drop
17 their enrollment for no apparent good cause, the administrator may
18 establish appropriate rules or requirements that are applicable to
19 such individuals before they will be allowed to re-enroll in the
20 plan. The administrator shall cancel, upon notice, the enrollment
21 of a nonsubsidized enrollee who remains current in his or her
22 premiums and whose gross family income has exceeded three hundred
23 percent of the federal poverty level for six consecutive months.

24 (10) To determine the rate to be paid to each participating
25 managed health care system in return for the provision of covered

1 basic health care services to enrollees in the system. Although
2 the schedule of covered basic health care services will be the same
3 for similar enrollees, the rates negotiated with participating
4 managed health care systems may vary among the systems. In
5 negotiating rates with participating systems, the administrator
6 shall consider the characteristics of the populations served by the
7 respective systems, economic circumstances of the local area, the
8 need to conserve the resources of the basic health plan trust
9 account, and other factors the administrator finds relevant.

10 (11) To monitor the provision of covered services to enrollees
11 by participating managed health care systems in order to assure
12 enrollee access to good quality basic health care, to require
13 periodic data reports concerning the utilization of health care
14 services rendered to enrollees in order to provide adequate
15 information for evaluation, and to inspect the books and records of
16 participating managed health care systems to assure compliance with
17 the purposes of this chapter. In requiring reports from
18 participating managed health care systems, including data on
19 services rendered enrollees, the administrator shall endeavor to
20 minimize costs, both to the managed health care systems and to the
21 administrator. The administrator shall coordinate any such
22 reporting requirements with other state agencies, such as the
23 insurance commissioner and the department of health, to minimize
24 duplication of effort.

25 (12) To monitor the access that state residents have to

1 adequate and necessary health care services, determine the extent
2 of any unmet needs for such services or lack of access that may
3 exist from time to time, identify the number of state residents who
4 may be eligible enrollees yet who are not within an area covered by
5 a managed health care system, and make such reports and
6 recommendations to the legislature as the administrator deems
7 appropriate.

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

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

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

18 **Sec. 5.** RCW 70.47.115 and 1991 c 315 s 22 are each amended to
19 read as follows:

20 (1) The administrator, when specific funding is provided and
21 where feasible, shall make the basic health plan available ((to
22 ~~dislocated forest products workers and their families~~)) in timber
23 impact areas. The administrator shall prioritize making the plan
24 available under this section to the timber impact areas meeting the

1 following criteria, as determined by the employment security
2 department: (a) A lumber and wood products employment location
3 quotient at or above the state average; (b) a direct lumber and
4 wood products job loss of one hundred positions or more; and (c) an
5 annual unemployment rate twenty percent above the state average.

6 (2) (~~Dislocated forest products workers~~) Persons assisted
7 under this section shall meet the requirements of enrollee as
8 defined in RCW 70.47.020(4).

9 (3) For purposes of this section, (~~((a) "dislocated forest
10 products worker" means a forest products worker who: (i)(A) Has
11 been terminated or received notice of termination from employment
12 and is unlikely to return to employment in the individual's
13 principal occupation or previous industry because of a diminishing
14 demand for his or her skills in that occupation or industry; or (B)
15 is self-employed and has been displaced from his or her business
16 because of the diminishing demand for the business's services or
17 goods; and (ii) at the time of last separation from employment,
18 resided in or was employed in a timber impact area; (b) "forest
19 products worker" means a worker in the forest products industries
20 affected by the reduction of forest fiber enhancement,
21 transportation, or production. The workers included within this
22 definition shall be determined by the employment security
23 department, but shall include workers employed in the industries
24 assigned the major group standard industrial classification codes
25 "24" and "26" and the industries involved in the harvesting and~~

1 ~~management of logs, transportation of logs and wood products,~~
2 ~~processing of wood products, and the manufacturing and distribution~~
3 ~~of wood processing and logging equipment.~~

4 ~~The commissioner may adopt rules further interpreting these~~
5 ~~definitions. For the purposes of this subsection, "standard~~
6 ~~industrial classification code" means the code identified in RCW~~
7 ~~50.29.025(6)(c); and (c))~~ "timber impact area" means a county
8 having a population of less than five hundred thousand, or a city
9 or town located within a county having a population of less than
10 five hundred thousand, and meeting two of the following three
11 criteria, as determined by the employment security department, for
12 the most recent year such data is available: (i) A lumber and wood
13 products employment location quotient at or above the state
14 average; (ii) projected or actual direct lumber and wood products
15 job losses of one hundred positions or more, except counties having
16 a population greater than two hundred thousand but less than five
17 hundred thousand must have direct lumber and wood products job
18 losses of one thousand positions or more; or (iii) an annual
19 unemployment rate twenty percent or more above the state average.

20 NEW SECTION. **Sec. 6.** A new section is added to chapter 70.47
21 RCW to read as follows:

22 The powers, duties, and functions of the Washington basic
23 health plan are hereby transferred to the Washington state health
24 care authority. All references to the administrator of the

1 Washington basic health plan in the Revised Code of Washington
2 shall be construed to mean the administrator of the Washington
3 state health care authority.

4 NEW SECTION. **Sec. 7.** All reports, documents, surveys, books,
5 records, files, papers, or written material in the possession of
6 the Washington basic health plan shall be delivered to the custody
7 of the Washington state health care authority. All cabinets,
8 furniture, office equipment, motor vehicles, and other tangible
9 property used by the Washington basic health plan shall be made
10 available to the Washington state health care authority. All
11 funds, credits, or other assets held by the Washington basic health
12 plan shall be assigned to the Washington state health care
13 authority.

14 Any appropriations made to the Washington basic health plan
15 shall, on the effective date of this section, be transferred and
16 credited to the Washington state health care authority. At no time
17 may those funds in the basic health plan trust account, any funds
18 appropriated for the subsidy of any enrollees or any premium
19 payments or other sums made or received on behalf of any enrollees
20 in the basic health plan be commingled with any appropriated funds
21 designated or intended for the purposes of providing health care
22 coverage to any state or other public employees.

23 Whenever any question arises as to the transfer of any
24 personnel, funds, books, documents, records, papers, files,

1 equipment, or other tangible property used or held in the exercise
2 of the powers and the performance of the duties and functions
3 transferred, the director of financial management shall make a
4 determination as to the proper allocation and certify the same to
5 the state agencies concerned.

6 NEW SECTION. **Sec. 8.** All employees of the Washington basic
7 health plan are transferred to the jurisdiction of the Washington
8 state health care authority. All employees classified under
9 chapter 41.06 RCW, the state civil service law, are assigned to the
10 Washington state health care authority to perform their usual
11 duties upon the same terms as formerly, without any loss of rights,
12 subject to any action that may be appropriate thereafter in
13 accordance with the laws and rules governing state civil service.

14 NEW SECTION. **Sec. 9.** All rules and all pending business
15 before the Washington basic health plan shall be continued and
16 acted upon by the Washington state health care authority. All
17 existing contracts and obligations shall remain in full force and
18 shall be performed by the Washington state health care authority.

19 NEW SECTION. **Sec. 10.** The transfer of the powers, duties,
20 functions, and personnel of the Washington basic health plan shall
21 not affect the validity of any act performed prior to the effective
22 date of this section.

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

9 NEW SECTION. **Sec 12.** Nothing contained in sections 6 through
10 11 of this act may be construed to alter any existing collective
11 bargaining unit or the provisions of any existing collective
12 bargaining agreement until the agreement has expired or until the
13 bargaining unit has been modified by action of the personnel board
14 as provided by law.

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

- 17 a. RCW 43.131.355 and 1987 1st ex.s. c 5 s 24; and
- 18 b. RCW 43.131.356 and 1987 1st ex.s. c 5 s 25.

19 NEW SECTION. **Sec. 14.** This act shall take effect June 30,
20 1992."

EFFECT: The substitute bill is changed to permit
nonsubsidized enrollment in the Basic Health Plan. The

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administrator is required to expand the plan into new communities on a nonsubsidized basis when the number of applicants makes it economically feasible.