SENATE BILL REPORT

E2SSB 5782

AS PASSED SENATE, MARCH 19, 1991

Brief Description: Providing for rural health care services programs.

SPONSORS: Senate Committee on Ways & Means (originally sponsored by Senators Barr, Hansen, Snyder, L. Smith and Amondson).

SENATE COMMITTEE ON HEALTH & LONG-TERM CARE

Majority Report: That Substitute Senate Bill No. 5782 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.
Signed by Senators West, Chairman; L. Smith, Vice Chairman; Amondson, Johnson, L. Kreidler, Niemi, and Wojahn.

Staff: Scott Plack (786-7409)

Hearing Dates: March 6, 1991

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Second Substitute Senate Bill No. 5782 be substituted therefor, and the second substitute bill do pass.
Signed by Senators McDonald, Chairman; Craswell, Vice Chairman; Bailey, Bauer, Bluechel, Cantu, Gaspard, Hayner, Johnson, L. Kreidler, Matson, Metcalf, Murray, Newhouse, Niemi, Owen, Rinehart, Saling, L. Smith, Talmadge, West, Williams, and Wojahn.

Staff: Karen Hayes (786-7715)

Hearing Dates: March 11, 1991

BACKGROUND:

In 1990 the Legislature directed the Insurance Commissioner to establish a committee to recommend methods to improve the availability of affordable health insurance in rural areas of the state. The committee was comprised of insurers, providers, legislators and health policy analysts.

The committee identified numerous problems which make access to health care coverage difficult in rural areas. The character of the workforce is difficult and expensive to insure because it is primarily comprised of small firms or self-employed persons. The large farm based economy in rural areas means a high degree of seasonal and temporary employment which rarely offers insurance coverage. Other factors identified include high administrative costs associated with

serving rural communities and the fact that small group and individual plans undergo rigorous underwriting.

Additional factors have added to the fragile nature of the rural health care delivery systems. Rural areas have high rates of public supported patients as well as uninsured and underinsured patients. The low patient volumes make cost shifting to private payers difficult as is done in urban areas. In addition, out-migration of patients who seek services in urban centers has shifted the well insured patients away from rural communities.

In its report to the Legislature, the committee recognized that existing insurance programs are not as adaptable to the insurance needs in rural areas as in urban areas. It further concluded that rural health care systems must be able to form cooperative relationships among health care providers in order to allow them to share resources and capital expenditures on a regional basis. They believe this will result in higher volume utilization of local services, and eventually strengthen the local health care system.

SUMMARY:

The state's rural health systems projects (Chapter 70.175 RCW) are amended to authorize the creation of a single project to establish a rural health care services program. The program is defined as an arrangement sponsored by health care organizations, municipal corporation, or combination of public and private entities that provide to rural residents access to primary, acute or secondary health care services.

The Secretary of Health is directed to form an advisory committee for the purpose of establishing standards, making awards, designing technical assistance and providing oversight. The committee includes the Director of Medical Assistance (DSHS), the Administrators of the Basic Health Plan and the State Health Care Authority, the Director of Labor and Industries and may include other appropriate representatives.

The successful project applicant will prove the viability of the rural health care program by presenting an actuarial study, demonstrate local public support through an affirmative vote at a general or special election and verifying that the participant providers will hold beneficiaries harmless in the event of the failure of the project. Enrollments of beneficiaries in the project may be limited by the Secretary of Health. The program is exempt from the state insurance regulatory laws (Title 48 RCW).

The state shall not be held financially or legally liable in the event of the failure of the project.

The Secretary of Health shall evaluate the project within four years after initial implementation. A report shall be made to the Governor and the Legislature including recommendations to continue or expand the program.

Appropriation: none

Revenue: none

Fiscal Note: available

TESTIMONY FOR (Health & Long-Term Care):

The demonstration project will allow a rural community to explore innovative ways to operate a locally controlled health care coverage system. The system will utilize local health care providers and will also increase access to health care insurance to rural citizens who are being currently uninsured.

TESTIMONY AGAINST (Health & Long-Term Care): None

TESTIFIED (Health & Long-Term Care): PRO: Senator Barr, prime sponsor; Dave Rodgers, Insurance Commissioner's Office; Gerard Fischer, Administrator, Columbia Basin Hospital; Mike Toohy, Administrator, Samaritan Hospital; Verne Gibbs, Department of Health

TESTIMONY FOR (Ways & Means):

The rural health demonstration project will serve as a vehicle for change and a means of local empowerment.

TESTIMONY AGAINST (Ways & Means):

The demonstration project should not be financed from the Insurance Commissioner's regulatory account.

TESTIFIED (Ways & Means): PRO: Greg Vigdor, WA State Hospital Assn.; Featherstone Reid, Office of the Governor; CON: Mel Sorenson, National Assn. of Independent Insurers, Blue Cross, WA Physicians Services; Basil Badley, AIA, ACLI, HIAA, WDS