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HOUSE BILL 2590

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State of Washington

52nd Legislature

1992 Regular Session

By Representatives Braddock, Winsley, Wang, Brekke, G. Cole, H. Myers, Wineberry, Locke, Paris, Jones, Franklin, Ogden, R. Fisher, Pruitt, Prentice, O'Brien, Nelson, Jacobsen, Belcher, Spanel, J. Kohl and Anderson; by request of Governor Gardner

Read first time 01/22/92. Referred to Committee on Health Care.

1 AN ACT Relating to health care; amending RCW 42.17.2401, 70.47.010,  
2 70.47.020, 70.47.040, 70.47.080, 70.47.120, 82.26.020, 82.24.020,  
3 82.08.150, 82.08.160, 66.24.210, 66.08.180, 66.24.290, and 48.14.020;  
4 reenacting and amending RCW 70.38.115, 70.47.030, and 70.47.060;  
5 adding a new section to chapter 70.170 RCW; adding a new section to  
6 chapter 70.47 RCW; adding new sections to Title 48 RCW; adding new  
7 sections to chapter 48.21 RCW; adding new sections to chapter 48.44  
8 RCW; adding new sections to chapter 48.46 RCW; adding a new section to  
9 Title 51 RCW; adding a new section to chapter 74.09 RCW; adding a new  
10 chapter to Title 70 RCW; adding a new chapter to Title 50 RCW;  
11 repealing RCW 43.131.355 and 43.131.356; creating new sections;  
12 prescribing penalties; making appropriations; providing effective  
13 dates; and declaring an emergency.

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

PART I

HEALTH SERVICES COMMISSION

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2  
3 NEW SECTION. **Sec. 101.** LEGISLATIVE FINDINGS AND PURPOSE. (1) The  
4 legislature finds that:

5 (a) The health system in this state is in crisis. Unacceptable  
6 cost increases and insurance practices are making adequate health  
7 services unavailable to a growing number of our citizens. Large  
8 segments of the state's population are excluded from even minimal  
9 health insurance coverage.

10 (b) Health care costs are increasing at a rate that imperils the  
11 financial stability of individuals, businesses, and government. Health  
12 care costs are eroding wages, threatening business viability, and  
13 diverting public funds from other needed areas.

14 (c) Many small businesses are placed at a competitive disadvantage  
15 by the present health system. Because of their small size, they are  
16 not able to negotiate for lower health insurance rates for their  
17 employees, nor are they able to achieve the purchasing efficiencies of  
18 larger businesses.

19 (d) The rising cost of health services severely limits the ability  
20 of Washington businesses to compete effectively in international  
21 markets. International competitors pay a lower percentage of their  
22 operating costs for health care and are thus able to produce similar  
23 products and services at less cost.

24 (e) The health system should ensure that market forces with  
25 appropriate regulation will provide effective incentives to control  
26 costs, eliminate administrative waste, efficiently allocate scarce  
27 health resources, improve quality of care, increase efficiency and  
28 effectiveness of services, and improve access by removing financial and  
29 other barriers to health services.

1 (f) The current health system relies too heavily on high-cost acute  
2 and intensive treatment. Greater emphasis must be placed on more cost-  
3 effective preventive and primary care services.

4 (g) A seamless, coordinated health system is essential to avoid  
5 gaps in coverage and to allay people's fears of losing coverage. To  
6 ensure that limited resources are used efficiently for all citizens,  
7 the delivery of public health, preventive, acute, chronic,  
8 rehabilitative, and long-term care must be integrated at all levels of  
9 service.

10 (h) Individuals, health care providers, employers, insurers, and  
11 governments must work together to institute these vital reforms to  
12 ensure that costs are controlled, adequate health services are  
13 provided, and coverage is extended to those who lack health insurance.

14 (2) It is therefore the purpose of this chapter to create no later  
15 than the year 2000 a health system based on the following principles  
16 and values:

17 (a) The fundamental purpose of the health system should be to  
18 maintain or improve the health of all Washington residents at a  
19 reasonable cost.

20 (b) The health system must balance the competing priorities of  
21 extending the lives of individuals and improving the collective health  
22 of our society.

23 (c) There should be fundamental reform of the health system with  
24 due consideration for the strengths of the existing system.

25 (d) Reforms of the health system should consider the special needs  
26 of underserved or inappropriately served populations.

27 (e) All Washington residents should be guaranteed access to a  
28 comprehensive, uniform, and affordable set of confidential,  
29 appropriate, and effective health services, regardless of their ability  
30 to pay or preexisting health conditions.

1 (f) All residents should be assured that their health problems will  
2 not result in their financial impoverishment.

3 (g) Individuals and communities should assume greater  
4 responsibility for maintaining and improving their own health by  
5 minimizing unhealthy behaviors, taking appropriate preventive measures,  
6 and making informed, cost-effective decisions about the use of health  
7 services.

8 (h) Financing health services and controlling health system costs  
9 are the shared responsibility of all members of society.

10 (i) The costs of health services borne by individuals should not be  
11 a barrier to universal access to appropriate, effective, and affordable  
12 health services, but they should discourage inappropriate use of those  
13 services.

14 (j) Health service costs should be controlled in significant part  
15 by techniques and incentives to reduce the provision and use of  
16 inappropriate and ineffective health services.

17 (k) Public policy should strive to shift a substantial majority of  
18 the state's population into integrated delivery systems that manage  
19 care and assume financial risk for providing a uniform benefits package  
20 to their beneficiaries.

21 (l) Negligent health care practices should be minimized and  
22 residents who are injured as a result of such practices should be  
23 compensated appropriately.

24 (m) All individuals and communities should have the right to make  
25 reasonable choices about their health, including the use of health  
26 service providers, and the information needed to make those choices.

27 (n) There should be broad public participation in developing and  
28 implementing fundamental health system reform, including business,  
29 labor, health service providers, insurers, government, consumers, and  
30 other members of the public.

1        NEW SECTION.    **Sec. 102.**    DEFINITIONS.    In this chapter, unless the

2 context otherwise requires:

3        (1) "Certified health plan" or "plans" means a health insurance  
4 product, program, or service provided or administered by an insurer  
5 that includes the uniform benefits package and meets standards  
6 established by the commission.

7        (2) "Commission" means the Washington health services commission.

8        (3) "Enrollee" means any person who is a Washington resident  
9 enrolled in a certified health plan.

10       (4) "Health services provider" or "provider" includes either:

11       (a) A person licensed, registered, or certified by this state to  
12 provide health care or related services;

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

15       (c) An entity, whether or not incorporated, facility, or  
16 institution employing one or more persons described in (a) of this  
17 subsection, including, but not limited to, a hospital, clinic, health  
18 maintenance organization, or nursing home; or an officer, director,  
19 employee, or agent thereof acting in the course and scope of his or her  
20 employment.

21       (5) "Insurer" means a group or individual disability insurance  
22 company, health care service contractor, or health maintenance  
23 organization.

24       (6) "Managed health care system" means a health care organization,  
25 composed of providers, insurers, health care service contractors,  
26 health maintenance organizations, or any combination thereof, that  
27 provides directly or by contract at least the uniform benefits package,  
28 as defined by the commission and rendered by providers, on a prepaid,  
29 capitated basis to a defined patient population.

1 (7) "Maximum per capita rate" or "rate" means the level of payment,  
2 including administration, operations, capital, and technology,  
3 determined on an annual basis by the commission of providing the  
4 uniform benefits package to an individual, either adult or child.

5 (8) "Premium" means a periodic payment determined by the commission  
6 under section 105 of this act, that will be the personal responsibility  
7 of the enrollee.

8 (9) "Technology" means the drugs, devices, equipment, and medical  
9 or surgical procedures used in the delivery of health services, and the  
10 organizational or supportive systems within which such services are  
11 provided. It also means sophisticated and complicated machinery  
12 developed as a result of research in the basic biological and physical  
13 sciences, clinical medicine, electronics and computer sciences, as well  
14 as medical equipment, procedures and chemical formulations used for  
15 both diagnostic and therapeutic purposes.

16 (10) "Uniform benefits package" means the appropriate and effective  
17 health services, as defined by the commission, that must be included in  
18 a certified health plan.

19 NEW SECTION. **Sec. 103.** CREATION OF COMMISSION--MEMBERSHIP--  
20 TERMS OF OFFICE--VACANCIES--SALARIES. (1) There is created an agency  
21 of state government to be known as the Washington health services  
22 commission. The commission shall consist of five members appointed by  
23 the governor with the consent of the senate. One member shall be  
24 designated by the governor as chair and shall serve at the pleasure of  
25 the governor. The other four members shall serve five-year terms. Of  
26 the initial members, one shall be appointed to a term of three years,  
27 one shall be appointed to a term of four years, and two shall be  
28 appointed to a term of five years. Thereafter, members shall be

1 appointed to five-year terms. Vacancies shall be filled by appointment  
2 for the remainder of the unexpired term of the position being vacated.

3 (2) Members of the commission shall have no financial interest in  
4 any business or activity subject to regulation by the commission and  
5 shall be subject to chapter 42.18 RCW, the executive conflict of  
6 interest act.

7 (3) Members of the commission shall occupy their positions on a  
8 full-time basis and are exempt from the provisions of chapter 41.06  
9 RCW. Members shall be paid a salary to be fixed by the governor in  
10 accordance with RCW 43.03.040. A majority of the members of the  
11 commission constitutes a quorum for the conduct of business.

12 NEW SECTION. **Sec. 104.** POWERS AND DUTIES OF THE CHAIR. The chair  
13 of the commission shall be the chief administrative officer and the  
14 appointing authority of the commission and has the following powers and  
15 duties:

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

19 (2) Employ personnel of the commission, in accordance with chapter  
20 41.06 RCW, and prescribe their duties. The chair may appoint up to  
21 seven employees who shall be exempt from the provisions of chapter  
22 41.06 RCW;

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

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

26 (5) Delegate administrative functions of the commission to  
27 employees of the commission as the chair deems necessary to ensure  
28 efficient administration;

1 (6) Subject to approval of the commission, appoint advisory  
2 committees and undertake studies, research, and analysis necessary to  
3 support activities of the commission;

4 (7) Preside at meetings of the commission;

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

9 (9) Perform such other administrative and technical duties as are  
10 consistent with this chapter and the rules and policies of the  
11 commission.

12 NEW SECTION. **Sec. 105.** POWERS AND DUTIES OF THE COMMISSION. The  
13 commission has the following powers and duties:

14 (1) Adopt necessary rules in accordance with chapter 34.05 RCW to  
15 carry out the purposes of this chapter.

16 (2) Establish and from time to time revise the uniform benefits  
17 package that shall be provided under a certified health plan. The  
18 benefits package shall be provided at or below the maximum per capita  
19 rate specified in subsection (3) of this section. In establishing or  
20 revising the uniform benefits package, the commission shall follow the  
21 guidelines in section 107 of this act and ensure that it:

22 (a) Does not preclude any employer or other third party from  
23 providing enrollees coverage for additional services;

24 (b) Includes, but is not limited to, preventive, prenatal,  
25 postnatal, well-child and catastrophic care;

26 (c) Includes a schedule of premiums, deductibles, copayments, and  
27 coinsurance that shall be paid by the enrollee for the uniform benefits  
28 package and shall be structured on an ability to pay basis.



1           (3) Establish for each year a maximum per capita rate that may be  
2 charged by a certified health plan to provide the uniform benefits  
3 package. The rate shall be based on the cost of the uniform benefits  
4 package per covered individual, termed the unit cost of the benefits  
5 package. The 1994 maximum per capita rate shall be no more than the  
6 actual 1992 unit cost increased by nine percentage points per year or  
7 the actual increase in unit cost as determined by the commission,  
8 whichever is less. Thereafter, the increase in the unit cost shall be  
9 decreased by two percentage points per year until the annual rate of  
10 increase is no greater than the growth in the United States consumer  
11 price index plus real per capita income growth, as determined by the  
12 office of financial management.

13           (4) Monitor the actual growth in total annual health care costs  
14 within the state.

15           (5) Establish standards for the review of major capital  
16 expenditures and new technology that will be used as additional  
17 criteria by the department of health. The commission shall base these  
18 standards on practice guidelines adopted under subsection (6) of this  
19 section and on a state-wide review of cost effectiveness and need for  
20 such projects, including an assessment of whether any surplus or  
21 shortage of services or facilities may exist. The commission shall  
22 consider the findings and recommendations of the state board of health,  
23 the department of health, and the most recent state-wide health  
24 personnel resource plan in devising or revising such standards. The  
25 chair shall transmit a copy of any adopted standards to the Washington  
26 health care facilities authority for their guidance. Certified health  
27 plans must comply with the standards and criteria adopted by the  
28 department of health under chapter 70.38 RCW.

29           (6) After consultation with certified health plans, providers,  
30 purchasers, and consumers of health services, adopt practice guidelines

1 drawn from national sources but prioritized to meet state and local  
2 needs for health care providers receiving reimbursement under any  
3 certified health plan. Such practice guidelines shall be used to  
4 determine appropriate use of technology, services, drugs, and supplies,  
5 for cost containment and quality assurance, and for use in the  
6 demonstration projects provided for in subsection (12) of this section.  
7 The commission shall establish policies authorizing certified health  
8 plans to withhold reimbursement to providers of uniform benefits  
9 package services provided in a manner inconsistent with adopted  
10 practice guidelines.

11 (7) Develop standards for allowable methods of payment, such as  
12 diagnosis related groups or a resource-based relative value scale, by  
13 certified plans to health service providers for the uniform benefits  
14 package. Such standards shall be designed to promote improved  
15 management of care, provide incentives for improved efficiency and  
16 effectiveness within the delivery system, and include the cost of  
17 administration, operation, capital, and technology.

18 (8) Ensure that no certified health plan or provider may charge any  
19 additional fees or balance bill for any services included in the  
20 uniform benefits package, except as may be allowed by the commission.

21 (9) For health services provided under the uniform benefits  
22 package, adopt standards for enrollment, billing for services, claims  
23 processing, accountability, and utilization management. The standards  
24 shall ensure that these procedures are performed in a simplified,  
25 economical, and equitable manner for all parties concerned. The  
26 standards shall also apply to health services purchased by the  
27 department of social and health services, the department of labor and  
28 industries, the department of health, the health care authority, the  
29 basic health plan, and plans that provide the uniform benefits package  
30 to local government and public school employees.

1 (10) Adopt standards for personal health systems data and  
2 information systems as provided in section 114 of this act.

3 (11) Adopt standards that prevent conflict of interest by health  
4 care providers as provided in section 110 of this act.

5 (12) Design one or more demonstration projects on the use of  
6 practice guidelines in specific practice areas as a standard in  
7 malpractice suits and report back to the legislature by January 1995.

8 (13) Require certified health plans to have procedures for the  
9 selection and execution of contracts with providers on the basis of  
10 cost and quality, as well as appropriate quality assurance, consumer  
11 grievance, and risk management procedures.

12 (14) Certify health plans that provide the uniform benefits package  
13 and monitor compliance with any standards established pursuant to this  
14 act.

15 (15) Review benefit plans for conformity with the uniform benefits  
16 package when requested to do so by an employer with a self-insured  
17 benefit program.

18 (16) Examine, in conjunction with the office of financial  
19 management, the total, per capita, and distributed costs of health  
20 services; the impact of the uniform benefits program on employment and  
21 wages; and other areas as determined by the commission and the office  
22 of financial management.

23 (17) Be the lead agency developing a process whereby medicare may  
24 be included in the cost control provisions of this chapter.

25 To the extent that the exercise of any of the powers and duties  
26 specified in this section may be inconsistent with the powers and  
27 duties of other state agencies, offices, or commissions, the authority  
28 of the commission shall supersede that of such other state agencies,  
29 offices, or commissions.

1        NEW SECTION.    **Sec. 106.**    CERTIFIED HEALTH PLANS--REQUIREMENTS FOR  
2 APPROVAL.    The uniform benefits package established under section  
3 105(2) of this act, shall be provided through certified health plans.  
4 To be eligible for certification, a plan must meet at least the  
5 following requirements:

6        (1) Bear full financial risk and responsibility for the uniform  
7 benefits package provided to enrollees.    This shall not prohibit the  
8 purchase or use of reinsurance by any certified health plan, nor the  
9 payment of premiums, deductibles, copayments, and coinsurance that may  
10 be the responsibility of the enrollee.

11       (2) Provide or assure the provision of the uniform benefits package  
12 established under section 105(2) of this act.

13       (3) Comply with commission standards regarding the maximum per  
14 capita rate.

15       (4) Comply with commission standards regarding health data and  
16 uniform benefits plan evaluation.

17       (5) Comply with all other standards established by the commission  
18 under section 105 of this act.

19       NEW SECTION.    **Sec. 107.**    UNIFORM BENEFITS PACKAGE--GUIDELINES FOR  
20 ESTABLISHING.    (1) In addition to the provisions of section 105(2) of  
21 this act, the commission shall make every effort to ensure that the  
22 uniform benefits package promotes the health of enrollees.    The  
23 commission shall be guided by the following criteria in establishing or  
24 revising the uniform benefits package:

25       (a) All Washington residents should have access to health services  
26 encompassing their basic needs for disease and injury prevention,  
27 personal health services, population-based services, and other public  
28 health services;

1 (b) While the uniform benefits package should be comprehensive, it  
2 must be affordable;

3 (c) To help finance a comprehensive and affordable package,  
4 individuals should share the cost of health services based on their  
5 ability to pay;

6 (d) Highest priority should be given to appropriate and effective  
7 health services that improve the health of the overall population;

8 (e) Make maximum use of effective population-based services through  
9 the public health system; and

10 (f) The uniform benefits package should include acceptable  
11 techniques and incentives to encourage the appropriate use of health  
12 services and the package should be defined in terms of health services,  
13 not individual providers.

14 (2) To assist the commission in establishing or revising the  
15 uniform benefits package the secretary of health shall, after  
16 consultation with the state board of health and local health agencies,  
17 make recommendations to the commission. The secretary of social and  
18 health services, the director of the department of labor and  
19 industries, and the administrator of the health care authority may  
20 submit recommendations to the commission concerning strategies the  
21 commission could adopt to improve the health of and services for the  
22 special populations of concern to those agencies. The commission shall  
23 consider these recommendations as it develops the uniform benefits  
24 package.

25 NEW SECTION. **Sec. 108.** ADVISORY COMMITTEES. The commission shall  
26 establish structures and processes that ensure effective participation  
27 of all interests: Consumers, business, labor, government, providers,  
28 and insurers. The commission may create those committees it deems  
29 appropriate to carry out its activities under this chapter.

1       The commission shall establish an advisory committee of health care  
2 purchasers to recommend methods to make administration of the health  
3 care system more efficient, to decrease unnecessary bureaucracy in  
4 private and public health plans, and initiate cooperative actions among  
5 purchasers and payers of services that will improve access, increase  
6 efficiency, and control health system costs.

7       Members of any advisory committee shall serve without compensation  
8 for their services but shall be reimbursed for their expenses while  
9 attending meetings on behalf of the commission in accordance with RCW  
10 43.03.050 and 43.03.060.

11       NEW SECTION.   **Sec. 109.**   SPECIAL CIRCUMSTANCE FOR DECERTIFICATION.  
12 If a certified health plan is unable to provide the uniform benefits  
13 package for the maximum per capita rate allowed under section 105(3) of  
14 this act, such plan shall be decertified.

15       Whenever the commission has reason to believe that a certified  
16 health plan may be unable to provide the uniform benefits package to  
17 its enrollees, the commission shall immediately notify the insurance  
18 commissioner, on a strictly confidential basis, who shall take  
19 appropriate action under the authority of Title 48 RCW. In such an  
20 event, the commission must furnish a copy of any such communication, on  
21 a contemporaneous basis, to the chief administrative officer of the  
22 plan. The primary concern of the commission should be the best  
23 interests of the residents of the state and especially the interests of  
24 the enrollees of any such plan.

25       NEW SECTION.   **Sec. 110.**   CONFLICT OF INTEREST STANDARDS. The  
26 commission shall establish standards prohibiting or restricting  
27 provider investments and referrals that present conflicts of interest  
28 resulting in inappropriate financial gain for the provider or his or

1 her immediate family. These standards are not intended to inhibit the  
2 efficient operation of managed health care systems or certified health  
3 plans.

4 NEW SECTION. **Sec. 111.** STANDARDS FOR PROVIDER CONTRACTS--CONDUCT  
5 OF CERTIFIED HEALTH PLANS. The commission shall establish standards  
6 for provider contracts with certified health plans. In developing such  
7 standards the commission shall consult with the insurance commissioner,  
8 but in matters related to the actual delivery of health services the  
9 responsibility for any decision shall vest with the commission.  
10 Contract standards should not address questions related to financial  
11 solvency or certification that are within the authority of the  
12 insurance commissioner under Title 48 RCW. The contract shall include  
13 specific provisions related to quality assurance and enrollee grievance  
14 procedures to ensure that each enrollee receives appropriate and  
15 effective health services through the uniform benefits package.  
16 Contract requirements related to grievance procedures are in addition  
17 to, not in lieu of, consumer protection activities of the commissioner.

18 NEW SECTION. **Sec. 112.** REPORTS OF HEALTH CARE COST CONTROL AND  
19 ACCESS COMMISSION. In the development of the uniform benefits package  
20 and any guidelines or standards under this chapter, the commission  
21 shall consider the reports of the health care cost control and access  
22 commission established under House Concurrent Resolution No. 4443  
23 adopted by the legislature March 21, 1990. Nothing in this chapter  
24 requires the commission to follow any specific recommendation contained  
25 in those reports except to the extent that such recommendation is  
26 included in this chapter or other law.

1        NEW SECTION.    **Sec. 113.**    HEALTH SERVICES TRUST FUND CREATED.    The  
2 health services trust fund is created in the custody of the state  
3 treasurer. All designated receipts generated under the provisions of  
4 RCW 82.24.020, 82.26.020, 82.08.150, 66.24.210, 66.24.290, and  
5 48.14.020 shall be deposited in the health services trust fund, subject  
6 to appropriation. Expenditures from the fund may be used only for the  
7 enrollment of those individuals or families that require a subsidy in  
8 the Washington basic health plan, the support of activities of the  
9 commission established under this chapter, and such other public  
10 programs engaged in the delivery or provision of health services as the  
11 legislature may deem appropriate.

12        NEW SECTION.    **Sec. 114.**    PERSONAL HEALTH SERVICES DATA.    The  
13 commission shall develop and adopt criteria for a personal health  
14 services data and information system or systems that support its  
15 purposes under this chapter and that are operated and maintained by the  
16 department of health. Such criteria shall include data elements and  
17 data definitions, system and reporting specifications, reporting time  
18 frames and frequencies, data sources, and other criteria consistent  
19 with the commission's responsibilities under this chapter. As part of  
20 the design stage for this development, the commission shall consider  
21 the personal health services data needed by consumers, purchasers,  
22 payers, employers, and health services providers including that  
23 currently collected by public or private entities in the state. The  
24 commission may contract with a private vendor for assistance in the  
25 development of these criteria, provided that the resulting criteria  
26 shall be the property of the state.

27        To the extent practicable, the criteria shall be consistent with  
28 any requirements of the federal government in its administration of the  
29 medicare program or requirements of the federal government related to



1 any waiver associated with its participation in any health care reform  
2 programs with the state. The criteria shall also be consistent with  
3 any requirements of state and local health agencies in their roles of  
4 gathering and analyzing public health statistics and developing  
5 programs to address public health needs. To the extent feasible, the  
6 criteria should make use of definitions and data elements from existing  
7 public or private health services data systems. The purpose of such  
8 coordination is to minimize any unduly burdensome reporting  
9 requirements imposed upon the public or private sources of such data.

10 **Sec. 115.** RCW 42.17.2401 and 1991 c 200 s 404 are each amended to  
11 read as follows:

12 For the purposes of RCW 42.17.240, the term "executive state  
13 officer" includes:

14 (1) The chief administrative law judge, the director of  
15 agriculture, the administrator of the office of marine safety, (~~the~~  
16 ~~administrator of the Washington basic health plan,~~) the director of  
17 the department of services for the blind, the director of the state  
18 system of community and technical colleges, the director of community  
19 development, the secretary of corrections, the director of ecology, the  
20 commissioner of employment security, the chairman of the energy  
21 facility site evaluation council, the director of the energy office,  
22 the secretary of the state finance committee, the director of financial  
23 management, the director of fisheries, the executive secretary of the  
24 forest practices appeals board, the director of the gambling  
25 commission, the director of general administration, the secretary of  
26 health, the administrator of the Washington state health care  
27 authority, the executive secretary of the health care facilities  
28 authority, the executive secretary of the higher education facilities  
29 authority, the director of the higher education personnel board, the

1 executive secretary of the horse racing commission, the executive  
2 secretary of the human rights commission, the executive secretary of  
3 the indeterminate sentence review board, the director of the department  
4 of information services, the director of the interagency committee for  
5 outdoor recreation, the executive director of the state investment  
6 board, the director of labor and industries, the director of licensing,  
7 the director of the lottery commission, the director of the office of  
8 minority and women's business enterprises, the director of parks and  
9 recreation, the director of personnel, the executive director of the  
10 public disclosure commission, the director of retirement systems, the  
11 director of revenue, the secretary of social and health services, the  
12 chief of the Washington state patrol, the executive secretary of the  
13 board of tax appeals, the director of trade and economic development,  
14 the secretary of transportation, the secretary of the utilities and  
15 transportation commission, the director of veterans affairs, the  
16 director of wildlife, the president of each of the regional and state  
17 universities and the president of The Evergreen State College, each  
18 district and each campus president of each state community college;

19 (2) Each professional staff member of the office of the governor;

20 (3) Each professional staff member of the legislature; and

21 (4) Central Washington University board of trustees, board of  
22 trustees of each community college, each member of the state board for  
23 community and technical colleges (~~(education)~~), state convention and  
24 trade center board of directors, committee for deferred compensation,  
25 Eastern Washington University board of trustees, Washington economic  
26 development finance authority, The Evergreen State College board of  
27 trustees, forest practices appeals board, forest practices board,  
28 gambling commission, Washington health care facilities authority, the  
29 Washington health services commission, higher education coordinating  
30 board, higher education facilities authority, higher education

1 personnel board, horse racing commission, state housing finance  
2 commission, human rights commission, indeterminate sentence review  
3 board, board of industrial insurance appeals, information services  
4 board, interagency committee for outdoor recreation, state investment  
5 board, liquor control board, lottery commission, marine oversight  
6 board, oil and gas conservation committee, Pacific Northwest electric  
7 power and conservation planning council, parks and recreation  
8 commission, personnel appeals board, personnel board, board of pilotage  
9 (~~(commissioners)~~) commissioners, pollution control hearings board,  
10 public disclosure commission, public pension commission, shorelines  
11 hearing board, state employees' benefits board, board of tax appeals,  
12 transportation commission, University of Washington board of regents,  
13 utilities and transportation commission, Washington state maritime  
14 commission, Washington public power supply system executive board,  
15 Washington State University board of regents, Western Washington  
16 University board of trustees, and wildlife commission.

17 NEW SECTION. **Sec. 116.** A new section is added to chapter 70.170  
18 RCW to read as follows:

19 (1) The department is responsible for the implementation and  
20 custody of a state-wide personal health services data and information  
21 system. The data elements, specifications, and other design features  
22 of this data system shall be consistent with criteria adopted by the  
23 Washington health services commission. The department shall provide  
24 the commission with reasonable assistance in the development of these  
25 criteria, and shall provide the commission with periodic progress  
26 reports related to the implementation of the system or systems related  
27 to those criteria.

28 (2) The department shall coordinate the development and  
29 implementation of the personal health services data and information

1 system with related private activities and with the implementation  
2 activities of the data sources identified by the commission. Such  
3 coordination may include contracts with existing public or private data  
4 systems for reporting or managing required data sets.

5 **Sec. 117.** RCW 70.38.115 and 1989 1st ex.s. c 9 s 605 and 1989 c  
6 175 s 126 are each reenacted and amended to read as follows:

7 (1) Certificates of need shall be issued, denied, suspended, or  
8 revoked by the designee of the secretary in accord with the provisions  
9 of this chapter and rules of the department which establish review  
10 procedures and criteria for the certificate of need program.

11 (2) Criteria for the review of certificate of need applications,  
12 except as provided in subsection (3) of this section for health  
13 maintenance organizations, shall include but not be limited to  
14 consideration of the following:

15 (a) (~~Until June 30, 1990, the relationship of the health services~~  
16 ~~being reviewed to the applicable health plans~~) Such standards as may  
17 be adopted from time to time by the Washington health services  
18 commission;

19 (b) The need that the population served or to be served by such  
20 services has for such services;

21 (c) The availability of less costly or more effective alternative  
22 methods of providing such services;

23 (d) The financial feasibility and the probable impact of the  
24 proposal on the cost of and charges for providing health services in  
25 the community to be served;

26 (e) In the case of health services to be provided, (i) the  
27 availability of alternative uses of project resources for the provision  
28 of other health services, (ii) the extent to which such proposed  
29 services will be accessible to all residents of the area to be served,

1 and (iii) the need for and the availability in the community of  
2 services and facilities for osteopathic and allopathic physicians and  
3 their patients. The department shall consider the application in terms  
4 of its impact on existing and proposed institutional training programs  
5 for doctors of osteopathy and medicine at the student, internship, and  
6 residency training levels;

7 (f) In the case of a construction project, the costs and methods of  
8 the proposed construction, including the cost and methods of energy  
9 provision, and the probable impact of the construction project reviewed

10 (i) on the cost of providing health services by the person proposing  
11 such construction project and (ii) on the cost and charges to the  
12 public of providing health services by other persons;

13 (g) The special needs and circumstances of osteopathic hospitals,  
14 nonallopathic services and children's hospitals;

15 (h) Improvements or innovations in the financing and delivery of  
16 health services which foster cost containment and serve to promote  
17 quality assurance and cost-effectiveness;

18 (i) In the case of health services proposed to be provided, the  
19 efficiency and appropriateness of the use of existing services and  
20 facilities similar to those proposed;

21 (j) In the case of existing services or facilities, the quality of  
22 care provided by such services or facilities in the past; and

23 (k) In the case of hospital certificate of need applications,  
24 whether the hospital meets or exceeds the regional average level of  
25 charity care, as determined by the secretary.

26 (3) A certificate of need application of a health maintenance  
27 organization or a health care facility which is controlled, directly or  
28 indirectly, by a health maintenance organization, shall be approved by  
29 the department if the department finds:

1 (a) Approval of such application is required to meet the needs of  
2 the members of the health maintenance organization and of the new  
3 members which such organization can reasonably be expected to enroll;  
4 and

5 (b) The health maintenance organization is unable to provide,  
6 through services or facilities which can reasonably be expected to be  
7 available to the organization, its health services in a reasonable and  
8 cost-effective manner which is consistent with the basic method of  
9 operation of the organization and which makes such services available  
10 on a long-term basis through physicians and other health professionals  
11 associated with it.

12 A health care facility, or any part thereof, with respect to which  
13 a certificate of need was issued under this subsection may not be sold  
14 or leased and a controlling interest in such facility or in a lease of  
15 such facility may not be acquired unless the department issues a  
16 certificate of need approving the sale, acquisition, or lease.

17 (4) Until the final expiration of the state health plan as provided  
18 under RCW 70.38.919, the decision of the department on a certificate of  
19 need application shall be consistent with the state health plan in  
20 effect, except in emergency circumstances which pose a threat to the  
21 public health. The department in making its final decision may issue  
22 a conditional certificate of need if it finds that the project is  
23 justified only under specific circumstances. The conditions shall  
24 directly relate to the project being reviewed. The conditions may be  
25 released if it can be substantiated that the conditions are no longer  
26 valid and the release of such conditions would be consistent with the  
27 purposes of this chapter.

28 (5) Criteria adopted for review in accordance with subsection (2)  
29 of this section may vary according to the purpose for which the

1 particular review is being conducted or the type of health service  
2 reviewed.

3 (6) The department shall specify information to be required for  
4 certificate of need applications. Within fifteen days of receipt of  
5 the application, the department shall request additional information  
6 considered necessary to the application or start the review process.  
7 Applicants may decline to submit requested information through written  
8 notice to the department, in which case review starts on the date of  
9 receipt of the notice. Applications may be denied or limited because  
10 of failure to submit required and necessary information.

11 (7) Concurrent review is for the purpose of comparative analysis  
12 and evaluation of competing or similar projects in order to determine  
13 which of the projects may best meet identified needs. Categories of  
14 projects subject to concurrent review include at least new health care  
15 facilities, new services, and expansion of existing health care  
16 facilities. The department shall specify time periods for the  
17 submission of applications for certificates of need subject to  
18 concurrent review, which shall not exceed ninety days. Review of  
19 concurrent applications shall start fifteen days after the conclusion  
20 of the time period for submission of applications subject to concurrent  
21 review. Concurrent review periods shall be limited to one hundred  
22 fifty days, except as provided for in rules adopted by the department  
23 authorizing and limiting amendment during the course of the review, or  
24 for an unresolved pivotal issue declared by the department.

25 (8) Review periods for certificate of need applications other than  
26 those subject to concurrent review shall be limited to ninety days.  
27 Review periods may be extended up to thirty days if needed by a review  
28 agency, and for unresolved pivotal issues the department may extend up  
29 to an additional thirty days. A review may be extended in any case if  
30 the applicant agrees to the extension.

1 (9) The department or its designee, shall conduct a public hearing  
2 on a certificate of need application if requested unless the review is  
3 expedited or subject to emergency review. The department by rule shall  
4 specify the period of time within which a public hearing must be  
5 requested and requirements related to public notice of the hearing,  
6 procedures, recordkeeping and related matters.

7 (10) Any applicant denied a certificate of need or whose  
8 certificate of need has been suspended or revoked has the right to an  
9 adjudicative proceeding. The proceeding is governed by chapter 34.05  
10 RCW, the Administrative Procedure Act.

11 (11) An amended certificate of need shall be required for the  
12 following modifications of an approved project:

13 (a) A new service requiring review under this chapter;

14 (b) An expansion of a service subject to review beyond that  
15 originally approved;

16 (c) An increase in bed capacity;

17 (d) A significant reduction in the scope of a nursing home project  
18 without a commensurate reduction in the cost of the nursing home  
19 project, or a cost increase (as represented in bids on a nursing home  
20 construction project or final cost estimates acceptable to the person  
21 to whom the certificate of need was issued) if the total of such  
22 increases exceeds twelve percent or fifty thousand dollars, whichever  
23 is greater, over the maximum capital expenditure approved. The review  
24 of reductions or cost increases shall be restricted to the continued  
25 conformance of the nursing home project with the review criteria  
26 pertaining to financial feasibility and cost containment.

27 (12) An application for a certificate of need for a nursing home  
28 capital expenditure which is determined by the department to be  
29 required to eliminate or prevent imminent safety hazards or correct



1 violations of applicable licensure and accreditation standards shall be  
2 approved.

3 NEW SECTION. **Sec. 118.** NEW CHAPTER CREATED IN TITLE 70 RCW.  
4 Sections 101 through 114 of this act shall constitute a new chapter in  
5 Title 70 RCW.

6 NEW SECTION. **Sec. 119.** The sum of nine hundred eighty-eight  
7 thousand four hundred fifty dollars, or as much thereof as may be  
8 necessary, is appropriated for the biennium ending June 30, 1993, from  
9 the health services trust fund to the Washington health services  
10 commission to initiate the activities and purposes of the agency.

11 NEW SECTION. **Sec. 120.** Sections 101 through 119 of this act  
12 shall take effect July 1, 1992.

1 PART II  
2 EXPANSION OF  
3 BASIC HEALTH PLAN

4 NEW SECTION. **Sec. 201.** A new section is added to chapter 70.47  
5 RCW to read as follows:

6 The powers, duties, and functions of the Washington basic health  
7 plan are hereby transferred to the Washington state health care  
8 authority. All references to the administrator of the Washington basic  
9 health plan in the Revised Code of Washington shall be construed to  
10 mean the administrator of the Washington state health care authority.

11 NEW SECTION. **Sec. 202.** All reports, documents, surveys, books,  
12 records, files, papers, or written material in the possession of the  
13 Washington basic health plan shall be delivered to the custody of the  
14 Washington state health care authority. All cabinets, furniture,  
15 office equipment, motor vehicles, and other tangible property used by  
16 the Washington basic health plan shall be made available to the  
17 Washington state health care authority. All funds, credits, or other  
18 assets held by the Washington basic health plan shall be assigned to  
19 the Washington state health care authority.

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

1 Whenever any question arises as to the transfer of any personnel,  
2 funds, books, documents, records, papers, files, equipment, or other  
3 tangible property used or held in the exercise of the powers and the  
4 performance of the duties and functions transferred, the director of  
5 financial management shall make a determination as to the proper  
6 allocation and certify the same to the state agencies concerned.

7 NEW SECTION. **Sec. 203.** All employees of the Washington basic  
8 health plan are transferred to the jurisdiction of the Washington state  
9 health care authority. All employees classified under chapter 41.06  
10 RCW, the state civil service law, are assigned to the Washington state  
11 health care authority to perform their usual duties upon the same terms  
12 as formerly, without any loss of rights, subject to any action that may  
13 be appropriate thereafter in accordance with the laws and rules  
14 governing state civil service.

15 NEW SECTION. **Sec. 204.** All rules and all pending business  
16 before the Washington basic health plan shall be continued and acted  
17 upon by the Washington state health care authority. All existing  
18 contracts and obligations shall remain in full force and shall be  
19 performed by the Washington state health care authority.

20 NEW SECTION. **Sec. 205.** The transfer of the powers, duties,  
21 functions, and personnel of the Washington basic health plan shall not  
22 affect the validity of any act performed prior to the effective date of  
23 this section.

24 NEW SECTION. **Sec. 206.** If apportionments of budgeted funds are  
25 required because of the transfers directed by sections 202 through 205  
26 of this act, the director of financial management shall certify the

1 apportionments to the agencies affected, the state auditor, and the  
2 state treasurer. Each of these shall make the appropriate transfer and  
3 adjustments in funds and appropriation accounts and equipment records  
4 in accordance with the certification.

5 NEW SECTION. **Sec. 207.** Nothing contained in sections 201  
6 through 206 of this act may be construed to alter any existing  
7 collective bargaining unit or the provisions of any existing collective  
8 bargaining agreement until the agreement has expired or until the  
9 bargaining unit has been modified by action of the personnel board as  
10 provided by law.

11 **Sec. 208.** RCW 70.47.010 and 1987 1st ex.s. c 5 s 3 are each  
12 amended to read as follows:

13 (1) The legislature finds that:

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

17 (b) This lack of basic health care coverage is detrimental to the  
18 health of the individuals lacking coverage and to the public welfare,  
19 and results in substantial expenditures for emergency and remedial  
20 health care, often at the expense of health care providers, health care  
21 facilities, and all purchasers of health care, including the state; and

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

27 (2) The purpose of this chapter is to provide necessary basic  
28 health care services in an appropriate setting to working persons and

1 others who lack coverage, at a cost to these persons that does not  
2 create barriers to the utilization of necessary health care services.  
3 To that end, this chapter establishes a program to be made available to  
4 those residents under sixty-five years of age not otherwise eligible  
5 for medicare with gross family income at or below two hundred percent  
6 of the federal poverty guidelines who share in the cost of receiving  
7 basic health care services from a managed health care system.

8 (3) It is not the intent of this chapter to provide health care  
9 services for those persons who are presently covered through private  
10 employer-based health plans, nor to replace employer-based health  
11 plans. Further, it is the intent of the legislature to expand,  
12 wherever possible, the availability of private health care coverage and  
13 to discourage the decline of employer-based coverage.

14 ~~(4) ((The program authorized under this chapter is strictly limited  
15 in respect to the total number of individuals who may be allowed to  
16 participate and the specific areas within the state where it may be  
17 established. All such restrictions or limitations shall remain in full  
18 force and effect until quantifiable evidence based upon the actual  
19 operation of the program, including detailed cost benefit analysis, has  
20 been presented to the legislature and the legislature, by specific act  
21 at that time, may then modify such limitations))~~

22 (a) It is the purpose of this chapter to acknowledge the initial  
23 success of this program that has (i) assisted thousands of families in  
24 their search for affordable health care; (ii) demonstrated that low-  
25 income uninsured families are willing, indeed eager, to pay for their  
26 own health care coverage to the extent of their ability to pay; and  
27 (iii) proved that local health care providers are willing to enter into  
28 a public/private partnership as they configure their own professional  
29 and business relationships into a managed health care system.

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

11       (c) Further the legislature intends, through sections 501 through  
12 510 of this act, to expand access to health care by imposing a tax on  
13 employers, generating revenue that will be used to provide health care  
14 through basic health plan enrollment of the employees of employers  
15 paying the tax, and their dependents.

16       **Sec. 209.** RCW 70.47.020 and 1987 1st ex.s. c 5 s 4 are each  
17 amended to read as follows:

18       As used in this chapter:

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

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

26       (3) "Managed health care system" means any health care  
27 organization, including health care providers, insurers, health care  
28 service contractors, health maintenance organizations, or any  
29 combination thereof, that provides directly or by contract basic health

1 care services, as defined by the administrator and rendered by duly  
2 licensed providers, on a prepaid capitated basis to a defined patient  
3 population enrolled in the plan and in the managed health care system.

4 (4) "Enrollee" means an individual, or an individual plus the  
5 individual's spouse and/or dependent children, (~~all under the age of~~  
6 ~~sixty-five and~~) not (~~otherwise~~) eligible for medicare, who resides  
7 in an area of the state served by a managed health care system  
8 participating in the plan, whose gross family income at the time of  
9 enrollment does not exceed twice the federal poverty level as adjusted  
10 for family size and determined annually by the federal department of  
11 health and human services, who chooses to obtain basic health care  
12 coverage from a particular managed health care system in return for  
13 periodic payments to the plan. Nonsubsidized enrollees and tax  
14 supported enrollees shall be considered enrollees unless otherwise  
15 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 health  
19 care system participating in the plan, and who chooses to obtain basic  
20 health care coverage from a particular managed health care system in  
21 return for periodic payments to the plan. "Nonsubsidized enrollee"  
22 also includes any enrollee who originally enrolled subject to the  
23 income limitations specified in subsection (4) of this section, but who  
24 subsequently pays the full unsubsidized premium as set forth in RCW  
25 70.47.060(9).

26 (6) "Subsidy" means the difference between the amount of periodic  
27 payment the administrator makes(~~(, from funds appropriated from the~~  
28 ~~basic health plan trust account,~~) to a managed health care system on  
29 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 (9) "Tax supported enrollee" includes an individual, or an  
11 individual and the individual's spouse and/or dependent children not  
12 eligible for medicare whose employer has paid a tax deposited in the  
13 basic health plan employer tax account according to section 503 of this  
14 act and who chooses to obtain basic health care coverage from a  
15 participating managed health care plan in return for periodic payments  
16 to the plan.

17 **Sec. 210.** RCW 70.47.030 and 1991 sp.s. c 13 s 68 and 1991 sp.s. c  
18 4 s 1 are each reenacted and amended to read as follows:

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



1       (2) The basic health plan employer tax account is created in the  
2 custody of the state treasurer. All receipts from tax moneys collected  
3 under chapter 50.... RCW (sections 501 through 508 of this act) shall  
4 be deposited into the account. Moneys in the account shall be used  
5 exclusively for the purposes of this chapter, including payments to  
6 participating managed health care systems on behalf of tax supported  
7 enrollees in the plan and payment of costs of administering the plan.  
8 The account is subject to allotment procedures under chapter 43.88 RCW,  
9 but no appropriation is required for expenditures.

10       (3) The basic health plan subscription account is created in the  
11 custody of the state treasurer. All receipts from amounts due under  
12 RCW 70.47.060(10) shall be deposited into the account. Moneys in the  
13 account shall be used exclusively for the purposes of this chapter,  
14 including payments to participating managed health care systems on  
15 behalf of nonsubsidized enrollees in the plan and payment of costs of  
16 administering the plan. The account is subject to allotment procedures  
17 under chapter 43.88 RCW, but no appropriation is required for  
18 expenditures.

19       (4) The administrator shall take every precaution to see that none  
20 of the moneys in the separate accounts created in this section or that  
21 any premiums paid by either subsidized, nonsubsidized, or tax supported  
22 enrollees are commingled in any way.

23       **Sec. 211.** RCW 70.47.040 and 1987 1st ex.s. c 5 s 6 are each  
24 amended to read as follows:

25       (1) The Washington basic health plan is created as an independent  
26 ~~((agency of the state))~~ program within the Washington state health care  
27 authority. The administrative head and appointing authority of the  
28 plan shall be the administrator ~~((who shall be appointed by the~~  
29 ~~governor, with the consent of the senate, and shall serve at the~~

1 ~~pleasure of the governor. The salary for this office shall be set by~~  
2 ~~the governor pursuant to RCW 43.03.040))~~ of the Washington state health  
3 care authority. The administrator shall appoint a medical director.  
4 The ((~~administrator,~~)) medical director((~~,~~)) and up to five other  
5 employees of the plan shall be exempt from the civil service law,  
6 chapter 41.06 RCW.

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

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

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

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

13 **Sec. 212.** RCW 70.47.060 and 1991 sp.s. c 4 s 2 and 1991 c 3 s 339  
14 are each reenacted and amended to read as follows:

15 The administrator has the following powers and duties:

16 (1) To design and from time to time revise a schedule of covered  
17 basic health care services, including physician services, inpatient and  
18 outpatient hospital services, and other services that may be necessary  
19 for basic health care, which enrollees in any participating managed  
20 health care system under the Washington basic health plan shall be  
21 entitled to receive in return for premium payments to the plan. The  
22 schedule of services shall emphasize proven preventive and primary  
23 health care, shall include all services necessary for prenatal,  
24 postnatal, and well-child care, and shall include a separate schedule  
25 of basic health care services for children, eighteen years of age and  
26 younger, for those enrollees who choose to secure basic coverage  
27 through the plan only for their dependent children. In designing and  
28 revising the schedule of services, the administrator shall consider the  
29 guidelines for assessing health services under the mandated benefits

1 act of 1984, RCW 48.42.080, and such other factors as the administrator  
2 deems appropriate. On or after January 1, 1994, the uniform benefits  
3 package adopted and from time to time revised by the Washington health  
4 services commission pursuant to section 105 of this act shall be  
5 implemented by the administrator as the schedule of covered basic  
6 health care services.

7 (2)(a) To design and implement a structure of periodic premiums due  
8 the administrator from subsidized enrollees that is based upon gross  
9 family income, giving appropriate consideration to family size as well  
10 as the ages of all family members. The enrollment of children shall  
11 not require the enrollment of their parent or parents who are eligible  
12 for the plan. With approval of the administrator, a third party may  
13 pay the premium, rate, or other amount determined by the administrator  
14 on behalf of any enrollee, by arrangement with the enrollee, and  
15 through a mechanism approved by the administrator.

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

21 (c) Any premium, rate, or other amount determined to be due from  
22 tax supported enrollees shall be in an amount equal to the amount  
23 negotiated by the administrator with the participating managed health  
24 care system for the plan plus the administrative cost of providing the  
25 plan to those enrollees less the amount of the tax that was paid by an  
26 employer on behalf of enrollees.

27 (d) The administrator shall give consideration to any schedule of  
28 premiums, deductibles, copayments, and coinsurance that may be adopted  
29 by the Washington health services commission, but in particular  
30 reference to subsidized enrollees the powers, duties, and

1 responsibilities of the administrator under this section and chapter  
2 shall not be superseded by action of the commission.

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

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

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

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

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

23 (d) A case management system that fosters a provider-enrollee  
24 relationship whereby, in an effort to control cost, maintain or improve  
25 the health status of the enrollee, and maximize patient involvement in  
26 her or his health care decision-making process, every effort is made by  
27 the provider to inform the enrollee of the cost of the specific  
28 services and procedures and related health benefits.

29 The potential financial liability of the plan to any such providers  
30 shall not exceed in the aggregate an amount greater than that which

1 might otherwise have been incurred by the plan on the basis of the  
2 number of enrollees multiplied by the average of the prepaid capitated  
3 rates negotiated with participating managed health care systems under  
4 RCW 70.47.100 and reduced by any sums charged enrollees on the basis of  
5 the coinsurance rates that are established under this subsection.

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

11 (6) To adopt a schedule for the orderly development of the delivery  
12 of services and availability of the plan to residents of the state,  
13 subject to the limitations contained in RCW 70.47.080 or any act  
14 appropriating funds for the plan.

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

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

26 (7) To solicit and accept applications from managed health care  
27 systems, as defined in this chapter, for inclusion as eligible basic  
28 health care providers under the plan. The administrator shall endeavor  
29 to assure that covered basic health care services are available to any  
30 enrollee of the plan from among a selection of two or more

1 participating managed health care systems. In adopting any rules or  
2 procedures applicable to managed health care systems and in its  
3 dealings with such systems, the administrator shall consider and make  
4 suitable allowance for the need for health care services and the  
5 differences in local availability of health care resources, along with  
6 other resources, within and among the several areas of the state.

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

12 (9) To accept applications from individuals residing in areas  
13 served by the plan, on behalf of themselves and their spouses and  
14 dependent children, for enrollment in the Washington basic health plan,  
15 to establish appropriate minimum-enrollment periods for enrollees as  
16 may be necessary, and to determine, upon application and at least  
17 annually thereafter, or at the request of any enrollee, eligibility due  
18 to current gross family income for sliding scale premiums. An enrollee  
19 who remains current in payment of the sliding-scale premium, as  
20 determined under subsection (2) of this section, and whose gross family  
21 income has risen above twice the federal poverty level, may continue  
22 enrollment (~~((unless and until the enrollee's gross family income has  
23 remained above twice the poverty level for six consecutive months,))~~) by  
24 making full payment at the unsubsidized rate required for the managed  
25 health care system in which he or she may be enrolled plus the  
26 administrative cost of providing the plan to that enrollee. No subsidy  
27 may be paid with respect to any enrollee whose current gross family  
28 income exceeds twice the federal poverty level or, subject to RCW  
29 70.47.110, who is a recipient of medical assistance or medical care  
30 services under chapter 74.09 RCW. If a number of enrollees drop their

1 enrollment for no apparent good cause, the administrator may establish  
2 appropriate rules or requirements that are applicable to such  
3 individuals before they will be allowed to re-enroll in the plan.

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

25 (11) On and after July 1, 1994, to accept applications from  
26 individuals residing in areas served by the plan, on behalf of  
27 themselves and their spouses and dependent children not eligible for  
28 medicare who wish to enroll in the plan at no cost to the state and  
29 choose to obtain basic health care coverage and services from a managed  
30 health care system participating in the plan. Any such nonsubsidized



1 enrollee must pay the plan whatever amount is negotiated by the  
2 administrator with the participating managed health care system and the  
3 administrative cost of providing the plan to such enrollees and shall  
4 not be eligible for any subsidy from the plan.

5 (12) On or after January 1, 1994:

6 (a) To accept applications from individuals as tax supported  
7 enrollees on behalf of themselves and their spouses and dependent  
8 children not eligible for medicare who wish to enroll in the plan at no  
9 cost to the state and choose the basic health care coverage and  
10 services from a managed care system participating in the plan. Any  
11 such tax supported enrollee must pay the plan whatever amount is  
12 negotiated by the administrator with the participating managed health  
13 care system and the administrative cost of providing the plan to such  
14 enrollees less the amount of the tax paid by their employer.

15 (b) To establish a premium assistance program based on gross family  
16 income for low-income tax supported enrollees. This shall be done only  
17 if there are excess funds available in the basic health plan employer  
18 tax account and may be done at the discretion of the administrator.

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

1       (~~(11)~~) (14) To monitor the provision of covered services to  
2 enrollees by participating managed health care systems in order to  
3 assure enrollee access to good quality basic health care, to require  
4 periodic data reports concerning the utilization of health care  
5 services rendered to enrollees in order to provide adequate information  
6 for evaluation, and to inspect the books and records of participating  
7 managed health care systems to assure compliance with the purposes of  
8 this chapter. In requiring reports from participating managed health  
9 care systems, including data on services rendered enrollees, the  
10 administrator shall endeavor to minimize costs, both to the managed  
11 health care systems and to the (~~administrator~~) plan. The  
12 administrator shall coordinate any such reporting requirements with  
13 other state agencies, such as the insurance commissioner and the  
14 department of health, to minimize duplication of effort.

15       (~~(12)~~) (15) To monitor the access that state residents have to  
16 adequate and necessary health care services, determine the extent of  
17 any unmet needs for such services or lack of access that may exist from  
18 time to time, and make such reports and recommendations to the  
19 legislature as the administrator deems appropriate.

20       (~~(13)~~) (16) To evaluate the effects this chapter has on private  
21 employer-based health care coverage and to take appropriate measures  
22 consistent with state and federal statutes that will discourage the  
23 reduction of such coverage in the state.

24       (~~(14)~~) (17) To develop a program of proven preventive health  
25 measures and to integrate it into the plan wherever possible and  
26 consistent with this chapter.

27       (~~(15)~~) (18) To provide, consistent with available resources,  
28 technical assistance for rural health activities that endeavor to  
29 develop needed health care services in rural parts of the state.

1       (19) To determine the annual increase in the cost of providing  
2 health services provided by the plan to tax supported enrollees,  
3 including the administrative costs of the plan incurred by such  
4 enrollees, and report this information to the commissioner of  
5 employment security as required in section 504 of this act.

6       **Sec. 213.** RCW 70.47.080 and 1987 1st ex.s. c 5 s 10 are each  
7 amended to read as follows:

8       On and after July 1, 1988, the administrator shall accept for  
9 enrollment applicants eligible to receive covered basic health care  
10 services from the respective managed health care systems which are then  
11 participating in the plan. ~~((The administrator shall not allow the~~  
12 ~~total enrollment of those eligible for subsidies to exceed thirty~~  
13 ~~thousand.))~~

14       Thereafter, ~~((total))~~ average monthly enrollment of those eligible  
15 for subsidies during any biennium shall not exceed the number  
16 established by the legislature in any act appropriating funds to the  
17 plan, and total subsidized enrollment shall not result in expenditures  
18 that exceed the total amount that has been made available by the  
19 legislature in any act appropriating funds to the plan.

20       Before July 1, ~~((1988))~~ 1994, the administrator shall endeavor to  
21 secure participation contracts from managed health care systems in  
22 ~~((discrete geographic areas within at least five))~~ all congressional  
23 districts of the state and in such manner as to allow residents of both  
24 urban and rural areas expanded access to enrollment in the plan. The  
25 administrator shall make a special effort to secure agreements with  
26 health care providers in one such area that meets the requirements set  
27 forth in RCW 70.47.060(4).

28       The administrator shall at all times closely monitor growth  
29 patterns of enrollment so as not to exceed that consistent with the

1 orderly development of the plan as a whole, in any area of the state or  
2 in any participating managed health care system.

3 The annual or biennial enrollment limitations derived from  
4 operation of the plan under this section do not apply to nonsubsidized  
5 enrollees as defined in RCW 70.47.020(5) or tax supported enrollees as  
6 defined in RCW 70.47.020(9).

7 **Sec. 214.** RCW 70.47.120 and 1987 1st ex.s. c 5 s 14 are each  
8 amended to read as follows:

9 In addition to the powers and duties specified in RCW 70.47.040 and  
10 70.47.060, the administrator has the power to enter into contracts for  
11 the following functions and services:

12 (1) With public or private agencies, to assist the administrator in  
13 her or his duties to design or revise the schedule of covered basic  
14 health care services, and/or to monitor or evaluate the performance of  
15 participating managed health care systems.

16 (2) With public or private agencies, to provide technical or  
17 professional assistance to health care providers, particularly public  
18 or private nonprofit organizations and providers serving rural areas,  
19 who show serious intent and apparent capability to participate in the  
20 plan as managed health care systems.

21 (3) With public or private agencies, including health care service  
22 contractors registered under RCW 48.44.015, and doing business in the  
23 state, for marketing and administrative services in connection with  
24 participation of managed health care systems, enrollment of enrollees,  
25 billing and collection services to the administrator, and other  
26 administrative functions ordinarily performed by health care service  
27 contractors, other than insurance except that the administrator may  
28 purchase or arrange for the purchase of reinsurance, or self-insure for  
29 reinsurance, on behalf of its participating managed health care

1 systems. Any activities of a health care service contractor pursuant  
2 to a contract with the administrator under this section shall be exempt  
3 from the provisions and requirements of Title 48 RCW.

4 NEW SECTION. Sec. 215. The following acts or parts of acts are  
5 each repealed:

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

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

8 NEW SECTION. Sec. 216. The sum of thirty-four million six  
9 hundred thousand dollars, or as much thereof as may be necessary, is  
10 appropriated for the biennium ending June 30, 1993, from the health  
11 services trust fund to the Washington basic health plan to increase the  
12 number of subsidized enrollees and expand the program into additional  
13 urban and rural areas of the state. Of this amount up to two million  
14 three hundred thousand dollars is available for administration of the  
15 basic health plan.

16 NEW SECTION. Sec. 217. Sections 201 through 216 of this act  
17 shall take effect July 1, 1992.

1 PART III

2 HEALTH INSURANCE REFORM

3 NEW SECTION. **Sec. 301.** The legislature finds that in order to  
4 make the cost of health coverage more affordable for businesses and  
5 their employees, certain marketing and underwriting practices by  
6 disability insurers, health care service contractors, and health  
7 maintenance organizations must be more aggressively regulated. Such  
8 changes work in the public interest and guarantee coverage to  
9 businesses and their employees and employees' dependents. Practices  
10 that hinder access to, affordability and equity of, health care  
11 coverage will not be allowed.

12 It is the intent of the legislature to prohibit certain  
13 discriminatory practices, and to require that insuring organizations  
14 use community rating methods, at least for small business owners and  
15 their employees, that more broadly pool and distribute risk, which is  
16 a fundamental principle of health insurance coverage.

17 NEW SECTION. **Sec. 302.** A new section is added to Title 48 RCW to  
18 read as follows:

19 For the purposes of sections 303, 304, and 305 of this act "small  
20 business entity" means a business that employs less than one hundred  
21 individuals who reside in Washington state and are regularly scheduled  
22 to work at least twenty or more hours per week for at least twenty-six  
23 weeks per year. For purposes of determining the number of employees of  
24 an entity all employees, owners, or principals of all branches and  
25 divisions of the principal entity shall be included and may not be  
26 segregated by division, job responsibilities, employment status, or on  
27 any other basis.

1        NEW SECTION.    **Sec. 303.**    A new section is added to chapter 48.21  
2    RCW to read as follows:

3        Every disability insurer that provides group disability insurance  
4    for health care services under this chapter shall make available to all  
5    business entities in this state the opportunity to enroll as a group in  
6    an insured plan without medical underwriting except as provided in this  
7    section.    Such plan shall:    (1) Allow all such groups to continue  
8    participation on a guaranteed renewable basis; (2) not exclude or  
9    discriminate in ratemaking or in any other way against any category of  
10   business, trade, occupation, employment skill, or vocational or  
11   professional training; and (3) not exclude or discriminate in  
12   ratemaking or in any other way against any individual within the group  
13   on any basis, including age, sex, or health status or condition.  
14   Disability insurers may adopt a differential rate based only upon  
15   actual costs of providing health care that are identifiable on a major  
16   geographical basis, such as east and west of the Cascades, and may  
17   adopt exclusions for preexisting conditions limited to not more than  
18   six months and applicable only to those individuals who have not been  
19   insured in the previous three months and have not been continuously  
20   insured long enough to satisfy a six-month waiting period.    In  
21   addition, every disability insurer shall allow small business entities  
22   the opportunity to enroll as a group in an insured plan that uses  
23   community rating to establish the premium and may extend to larger  
24   sized businesses a similar opportunity to be included within a  
25   community rated pool.

26        An individual or family who participates as an employee member of  
27   a group covered under this section for more than eighteen consecutive  
28   months who then terminates his or her employment relationship and  
29   wishes to continue the same amount of health care coverage in the same  
30   plan shall be allowed that opportunity on an individual or family

1 basis, depending on the coverage provided during active employment.  
2 The cost of such individual conversion or continuation coverage shall  
3 not exceed one hundred five percent of the rate for active members of  
4 the group.

5 NEW SECTION. **Sec. 304.** A new section is added to chapter 48.44  
6 RCW to read as follows:

7 Every health care service contractor that provides coverage under  
8 group health care service contracts under this chapter shall make  
9 available to all business entities in this state the opportunity to  
10 enroll as a group in a health service contract without medical  
11 underwriting except as provided in this section. The health service  
12 contract shall: (1) Allow all such groups to continue participation on  
13 a guaranteed renewable basis; (2) not exclude or discriminate in  
14 ratemaking or in any other way against any category of business, trade,  
15 occupation, employment skill, or vocational or professional training;  
16 and (3) not exclude or discriminate in ratemaking or in any other way  
17 against any individual within the group on any basis, including age,  
18 sex, or health status or condition. Health care service contractors  
19 may adopt a differential rate based only upon actual costs of providing  
20 health care that are identifiable on a major geographical basis, such  
21 as east and west of the Cascades, and may adopt exclusions for  
22 preexisting conditions limited to not more than six months and  
23 applicable only to those individuals who have not been insured in the  
24 previous three months and have not been continuously insured long  
25 enough to satisfy a six-month waiting period. In addition, every  
26 health care service contractor shall allow small business entities the  
27 opportunity to enroll as a group in an insured plan that uses community  
28 rating to establish the premium and may extend to larger sized



1 businesses a similar opportunity to be included within a community  
2 rated pool.

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

12 NEW SECTION. **Sec. 305.** A new section is added to chapter 48.46  
13 RCW to read as follows:

14 Every health maintenance organization that provides coverage under  
15 group health maintenance organization agreements under this chapter  
16 shall make available to all business entities in this state the  
17 opportunity to enroll as a group in a health maintenance organization  
18 agreement without medical underwriting except as provided in this  
19 section. Such agreements shall: (1) Allow all such groups to continue  
20 participation on a guaranteed renewable basis; (2) not exclude or  
21 discriminate in ratemaking or in any other way against any category of  
22 business, trade, occupation, employment skill, or vocational or  
23 professional training; and (3) not exclude or discriminate in  
24 ratemaking or in any other way against any individual within the group  
25 on any basis, including age, sex, or health status or condition. Such  
26 health maintenance organizations may adopt a differential rate based  
27 only upon actual costs of providing health care that are identifiable  
28 on a major geographical basis, such as east and west of the Cascades,  
29 and may adopt exclusions for preexisting conditions limited to not more

1 than six months and applicable only to those individuals who have not  
2 been insured in the previous three months and have not been  
3 continuously insured long enough to satisfy a six-month waiting period.  
4 In addition, every health maintenance organization shall allow small  
5 business entities the opportunity to enroll as a group in an insured  
6 plan that uses community rating to establish the premium and may extend  
7 to larger sized businesses a similar opportunity to be included within  
8 a community rated pool.

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

17 NEW SECTION. **Sec. 306.** A new section is added to chapter 48.21  
18 RCW to read as follows:

19 Notwithstanding other sections of this chapter, the uniform  
20 benefits package adopted pursuant to section 105 of this act and from  
21 time to time revised by the Washington health services commission shall  
22 become the minimum benefits package required of any plan under this  
23 chapter. The maximum per capita rate determined and from time to time  
24 revised by the Washington health services commission shall become the  
25 maximum rate charged for this minimum benefits package.

26 NEW SECTION. **Sec. 307.** A new section is added to chapter 48.44  
27 RCW to read as follows:

1       Notwithstanding other sections of this chapter, the uniform  
2 benefits package adopted pursuant to section 105 of this act and from  
3 time to time revised by the Washington health services commission shall  
4 become the minimum benefits package required of any plan under this  
5 chapter. The maximum per capita rate determined and from time to time  
6 revised by the Washington health services commission shall become the  
7 maximum rate charged for this minimum benefits package.

8       NEW SECTION.   **Sec. 308.** A new section is added to chapter 48.46  
9 RCW to read as follows:

10       Notwithstanding other sections of this chapter, the uniform  
11 benefits package adopted pursuant to section 105 of this act and from  
12 time to time revised by the Washington health services commission shall  
13 become the minimum benefits package required of any plan under this  
14 chapter. The maximum per capita rate determined and from time to time  
15 revised by the Washington health services commission shall become the  
16 maximum rate charged for this minimum benefits package.

17       NEW SECTION.   **Sec. 309.** A new section is added to Title 48 RCW to  
18 read as follows:

19       The insurance commissioner shall develop a reinsurance mechanism  
20 for certified health plans that does not impact the enrollee, enables  
21 insurers to share risk, and allows those insurers that assume the  
22 entire risk for their enrollees to opt out of the mechanism. The  
23 reinsurance mechanism must support itself entirely from funds generated  
24 from the participating insurers.

25       NEW SECTION.   **Sec. 310.**     (1) Sections 301 through 305 and 309 of  
26 this act shall take effect July 1, 1992.

1           (2) Sections 306 through 308 of this act shall take effect January  
2 1, 1994.

PART IV

EXECUTIVE AGENCY INITIATIVES

NEW SECTION. **Sec. 401.** A new section is added to Title 51 RCW to read as follows:

The workers' compensation advisory committee shall conduct a study of the relationship between workers' compensation and the uniform benefits package being developed by the Washington health services commission established by section 103 of this act. This study shall examine issues such as twenty-four hour coverage, the connection between medical benefits and disability benefits, the possibility of a common premium for health care and workers' compensation coverage, the impact of allowing private insurers to provide medical benefits to injured workers, and any other relevant issues.

The workers' compensation advisory committee shall, by January 1, 1994, formulate such recommendations as it deems appropriate. These recommendations shall be reported to the Washington health services commission.

NEW SECTION. **Sec. 402.** The sum of two hundred thousand dollars, or as much thereof as may be necessary, is appropriated for the biennium ending June 30, 1993, from the medical aid fund and the accident fund to the department of labor and industries to offset the costs of the study.

NEW SECTION. **Sec. 403.** A new section is added to chapter 74.09 RCW to read as follows:

Developing a seamless and coordinated health system for low-income people is a priority of the people of Washington. The current categorical approach to financing and delivery of health services to

1 low-income people may limit services available to these people. The  
2 department shall study the feasibility of a federal medicaid waiver for  
3 the following purposes: To eliminate categorical restrictions in order  
4 to base eligibility for federal funding on financial ability alone, to  
5 allow adoption of efficient administrative practices as developed by  
6 the Washington health services commission, and to promote managed care  
7 including primary care case management to improve quality and  
8 availability of services.

PART V

EMPLOYER TAX TO INCREASE ACCESS TO HEALTH CARE

NEW SECTION. **Sec. 501.** LEGISLATIVE FINDINGS AND PURPOSE. (1) The legislature finds that:

(a) When health services are not accessible and affordable to all of the state's residents, the costs of providing health services in the state increases.

(b) Health services are currently not accessible and affordable to large numbers of the state's employed residents and their dependents.

(c) Lacking access to affordable health services, these people receive treatment, if at all, through expensive and inefficient acute care settings.

(d) The unpaid cost of health services is shifted to paying patients, which increases the cost of health services for all Washington residents.

(e) Making quality and affordable health services available to all employed residents of the state and their dependents is an equitable and efficient way to reduce the numbers of state residents who do not have access to affordable health services.

(2) It is therefore the purpose of this chapter to expand the accessibility of health services in the state by:

(a) Expanding the basic health plan to provide health services to all Washington residents employed in the state and to their dependents.

(b) Financing the provision of health services through the basic health plan with a tax on all employers in the state.

(c) Permitting deductions from the cost of the tax to employers for expenditures on health services for their employees and dependents, because such expenditures relieve the state of the financial burden of

1 providing health services to these employees and dependents through the  
2 basic health plan.

3 (d) Implementing the tax so as to minimize the administrative  
4 burden on employers.

5 (3) In enacting this chapter, it is not the intent of the  
6 legislature to influence the content or administration of employee  
7 benefit plans, and the legislature is neutral as to whether employers  
8 choose to pay the tax or to provide health services.

9 NEW SECTION. **Sec. 502.** DEFINITIONS. The following terms as used  
10 in this chapter shall have the following meanings, unless the context  
11 clearly requires otherwise:

12 (1) An "employer" means an employer as defined in Title 50 RCW.

13 (2) For the purposes of this section, an "employee" means a person  
14 who is in the employment, as the term "employment" is defined in  
15 chapter 50.04 RCW, of an employer. A "full-time employee" is an  
16 employee who is employed at least twenty hours during a calendar week.  
17 In computing the number of full-time employees for purposes of this  
18 chapter, full-time employees who are employed for less than the entire  
19 reporting period are considered a portion of a full-time employee for  
20 that reporting period, calculated on a pro rata basis by the number of  
21 days employed, except that full-time employees shall be calculated as  
22 though working at least eight hours per day of employment.

23 (3) "Dependent" means the spouse and children of an employee, if  
24 these persons would qualify for dependent status under the internal  
25 revenue code of 1986, as amended.

26 (4) "Small business" means a business, including a business  
27 consisting only of the self-employed in which the total of full-time  
28 employees when averaged on an annual basis does not exceed fifty.



1        NEW SECTION.    **Sec. 503.**    EMPLOYER TAX.    (1) There is levied upon  
2 each employer and shall be collected from each employer a tax amount as  
3 provided in section 504 of this act.    The tax shall be paid to the  
4 employment security department in such a manner and at such times, but  
5 no less frequently than annually, and as frequently as necessary for  
6 administering this chapter, as the commissioner shall prescribe by  
7 rule.

8        (2) The tax shall become due and payable by each employer to the  
9 treasurer of the employment security department in accordance with such  
10 rules as the commissioner may adopt.    In the payment of any taxes, a  
11 fractional part of a cent shall be disregarded unless it amounts to  
12 one-half cent or more, in which case it shall be increased to one cent.

13        (3) The tax moneys collected by this chapter shall be deposited in  
14 the basic health plan employer tax account established under RCW  
15 70.47.030 after the commissioner has deducted an amount for expenses of  
16 administration that may not exceed two percent of the moneys collected  
17 and that includes an amount as determined by the United States  
18 secretary of labor in accordance with federal cost rules.

19        NEW SECTION.    **Sec. 504.**    TAX AMOUNT.    The tax amount imposed by  
20 this chapter is the per employee amount as calculated in this section  
21 multiplied by the number of full-time employees of an employer in a  
22 reporting period.    The commissioner shall annually publish by rule  
23 adoption the per employee tax amount as provided in this section.

24        The per employee tax amount levied upon an employer for each full-  
25 time employee is the sum of:

26        (1) One hundred thirty-eight dollars per month per employee.    The  
27 amount shall be adjusted annually for each year after 1992 for the rate  
28 of inflation in the cost of providing health services through the basic  
29 health plan in the state over the previous year.    The administrator of

1 the Washington basic health plan shall report this rate, including any  
2 administrative costs to the basic health plan of providing services to  
3 such employees, annually to the commissioner as provided in RCW  
4 70.47.060(19); and

5 (2) The administrative costs of the employment security department  
6 prorated on a per full-time employee basis.

7 NEW SECTION. **Sec. 505.** DEDUCTIONS. (1) An employer may deduct  
8 from the tax imposed by this chapter its total direct expenses incurred  
9 for providing health services, as such expenses are allowed under the  
10 internal revenue code of 1986, for the employer's full-time employees  
11 and employee dependents during a reporting period.

12 (2) A deduction under this section for an employer shall not reduce  
13 the tax amount imposed by this chapter below zero.

14 (3) Each employer shall keep true and accurate records regarding  
15 the total direct expenses incurred for purposes of this chapter,  
16 containing such information as the commissioner may prescribe. Such  
17 records shall be open to inspection and be subject to being copied by  
18 the commissioner or his or her authorized representative at any  
19 reasonable time and as often as may be necessary.

20 (4) The commissioner shall implement the administration of this  
21 section by rule.

22 NEW SECTION. **Sec. 506.** PENALTIES. (1) An employer who fails to  
23 report or pay the tax imposed by this chapter shall pay a penalty of  
24 not less than thirty-five dollars or five dollars for each full-time  
25 employee, whichever is greater, for every day during which the failure  
26 continues.

1 (2) Penalties and interest collected under this section shall be  
2 deposited in the small business health insurance hardship trust fund  
3 established in section 507 of this act.

4 (3) If the commissioner finds that the payment by an employer of a  
5 tax less than that properly due or the failure of an employer to pay  
6 any tax by the due date was the result of circumstances beyond the  
7 control of the taxpayer, the commissioner may waive or cancel interest  
8 or penalties imposed under this chapter with respect to such tax. The  
9 commissioner shall adopt rules for the waiver or cancellation of  
10 interest or penalties imposed by this chapter.

11 NEW SECTION. **Sec. 507.** SMALL BUSINESS HEALTH INSURANCE HARDSHIP  
12 PROGRAM. (1) The commissioner shall, subject to appropriation or  
13 subject to the availability of unappropriated funds, establish a health  
14 insurance hardship program to assist employers severely impacted by the  
15 tax imposed by this chapter. The program shall, subject to available  
16 funds, provide assistance to such employers who are small businesses as  
17 defined in this chapter, and for whom the tax imposed by this chapter  
18 exceeds five percent of the employer's gross receipts. Such assistance  
19 shall, under rules adopted by the commissioner, reduce the employer's  
20 tax to an amount that does not exceed five percent of the employer's  
21 gross receipts.

22 (2) Such assistance shall be expended from the small business  
23 health insurance hardship trust fund in accordance with rules of the  
24 department.

25 (3) The small business health insurance hardship trust fund is  
26 established in the state treasury and shall be administered and  
27 expended by the commissioner for the purposes set forth in this section  
28 without further appropriation.

1        NEW SECTION.    **Sec. 508.**    APPLICABILITY OF TAX.    (1) The tax imposed  
2 by this chapter shall be effective for employers with one hundred or  
3 more employees January 1, 1994.

4        (2) The tax imposed by this chapter shall be effective for  
5 employers with twenty-five or more employees January 1, 1995.

6        (3) The tax imposed by this chapter shall be effective for all  
7 employers January 1, 1996.

8        NEW SECTION.    **Sec. 509.**    CODIFICATION.    Sections 501 through 508 of  
9 this act shall constitute a new chapter in Title 50 RCW.

10       NEW SECTION.    **Sec. 510.**    If any part of this act is found to be in  
11 conflict with federal requirements that are a prescribed condition to  
12 the allocation of federal funds to the state or the eligibility of  
13 employers in this state for federal unemployment tax credits, the  
14 conflicting part of this act is hereby declared to be inoperative  
15 solely to the extent of the conflict, and such finding or determination  
16 shall not affect the operation of the remainder of this act.    The rules  
17 under this act shall meet federal requirements that are a necessary  
18 condition to the receipt of federal funds by the state or the granting  
19 of federal unemployment tax credits to employers in this state.

1 PART VI  
2 TAXES FOR  
3 HEALTH SERVICES TRUST FUND

4 **Sec. 601.** RCW 82.26.020 and 1983 2nd ex.s. c 3 s 16 are each  
5 amended to read as follows:

6 (1) From and after June 1, 1971, there is levied and there shall be  
7 collected a tax upon the sale, use, consumption, handling, or  
8 distribution of all tobacco products in this state at the rate of  
9 forty-five percent of the wholesale sales price of such tobacco  
10 products. Such tax shall be imposed at the time the distributor (a)  
11 brings, or causes to be brought, into this state from without the state  
12 tobacco products for sale, (b) makes, manufactures, or fabricates  
13 tobacco products in this state for sale in this state, or (c) ships or  
14 transports tobacco products to retailers in this state, to be sold by  
15 those retailers.

16 (2) An additional tax is imposed equal to the rate specified in RCW  
17 82.02.030 multiplied by the tax payable under subsection (1) of this  
18 section.

19 (3) Effective June 1, 1992, an additional tax is imposed equal to  
20 seven and forty-five one-hundredths of one percent of the wholesale  
21 sales price of tobacco products.

22 (4) The moneys collected under subsection (3) of this section shall  
23 be deposited in the health services trust fund under section 113 of  
24 this act.

25 **Sec. 602.** RCW 82.24.020 and 1989 c 271 s 504 are each amended to  
26 read as follows:

27 (1) There is levied and there shall be collected as hereinafter  
28 provided, a tax upon the sale, use, consumption, handling, possession

1 or distribution of all cigarettes, in an amount equal to the rate of  
2 (a) eleven and one-half mills per cigarette, and (b) effective July 1,  
3 1992, an additional one and six hundred seventy-five one-thousandths  
4 mills per cigarette.

5 (2) Until July 1, 1995, an additional tax is imposed upon the sale,  
6 use, consumption, handling, possession, or distribution of all  
7 cigarettes, in an amount equal to the rate of one and one-half mills  
8 per cigarette. All revenues collected during any month from this  
9 additional tax shall be deposited in the drug enforcement and education  
10 account under RCW 69.50.520 by the twenty-fifth day of the following  
11 month.

12 (3) Wholesalers and retailers subject to the payment of this tax  
13 may, if they wish, absorb one-half mill per cigarette of the tax and  
14 not pass it on to purchasers without being in violation of this section  
15 or any other act relating to the sale or taxation of cigarettes.

16 (4) For purposes of this chapter, "possession" shall mean both (a)  
17 physical possession by the purchaser and, (b) when cigarettes are being  
18 transported to or held for the purchaser or his designee by a person  
19 other than the purchaser, constructive possession by the purchaser or  
20 his designee, which constructive possession shall be deemed to occur at  
21 the location of the cigarettes being so transported or held.

22 (5) The moneys collected under subsection (1)(b) of this section  
23 shall be deposited in the health services trust fund under section 113  
24 of this act.

25 **Sec. 603.** RCW 82.08.150 and 1989 c 271 s 503 are each amended to  
26 read as follows:

27 (1) There is levied and shall be collected a tax upon each retail  
28 sale of spirits, or strong beer in the original package at the rate of  
29 fifteen percent of the selling price. The tax imposed in this

1 subsection shall apply to all such sales including sales by the  
2 Washington state liquor stores and agencies, but excluding sales to  
3 class H licensees.

4 (2) There is levied and shall be collected a tax upon each sale of  
5 spirits, or strong beer in the original package at the rate of ten  
6 percent of the selling price on sales by Washington state liquor stores  
7 and agencies to class H licensees.

8 (3) There is levied and shall be collected an additional tax upon  
9 each retail sale of spirits in the original package at the rate of one  
10 dollar and seventy-two cents per liter. The additional tax imposed in  
11 this subsection shall apply to all such sales including sales by  
12 Washington state liquor stores and agencies, and including sales to  
13 class H licensees.

14 (4) An additional tax is imposed equal to the rate specified in RCW  
15 82.02.030 multiplied by the taxes payable under subsections (1), (2),  
16 and (3) of this section.

17 (5) Until July 1, 1995, an additional tax is imposed upon each  
18 retail sale of spirits in the original package at the rate of seven  
19 cents per liter. The additional tax imposed in this subsection shall  
20 apply to all such sales including sales by Washington state liquor  
21 stores and agencies, and including sales to class H licensees. All  
22 revenues collected during any month from this additional tax shall be  
23 deposited in the drug enforcement and education account under RCW  
24 69.50.520 by the twenty-fifth day of the following month.

25 (6) Effective June 1, 1992, an additional tax is imposed upon each  
26 retail sale of spirits in the original package at the rate of twenty-  
27 four cents per liter. The additional tax imposed in this subsection  
28 shall apply to all such sales including sales to class H licensees.  
29 All revenues collected from the additional tax under this subsection

1 shall be deposited in the health services trust fund under section 113  
2 of this act.

3 (7) The tax imposed in RCW 82.08.020, as now or hereafter amended,  
4 shall not apply to sales of spirits or strong beer in the original  
5 package.

6 ~~((+7))~~ (8) The taxes imposed in this section shall be paid by the  
7 buyer to the seller, and each seller shall collect from the buyer the  
8 full amount of the tax payable in respect to each taxable sale under  
9 this section. The taxes required by this section to be collected by  
10 the seller shall be stated separately from the selling price and for  
11 purposes of determining the tax due from the buyer to the seller, it  
12 shall be conclusively presumed that the selling price quoted in any  
13 price list does not include the taxes imposed by this section.

14 ~~((+8))~~ (9) As used in this section, the terms, "spirits," "strong  
15 beer," and "package" shall have the meaning ascribed to them in chapter  
16 66.04 RCW.

17 **Sec. 604.** RCW 82.08.160 and 1982 1st ex.s. c 35 s 4 are each  
18 amended to read as follows:

19 On or before the twenty-fifth day of each month, all taxes  
20 collected under RCW 82.08.150 during the preceding month shall be  
21 remitted to the state department of revenue, to be deposited with the  
22 state treasurer, with the exception of the additional taxes under RCW  
23 82.08.150(6), which shall be deposited in the health services trust  
24 fund under section 113 of this act. Upon receipt of such moneys the  
25 state treasurer shall credit sixty-five percent of the sums collected  
26 and remitted under RCW 82.08.150 (1) and (2) and one hundred percent of  
27 the sums collected and remitted under RCW 82.08.150 (3) and (4) to the  
28 state general fund and thirty-five percent of the sums collected and



1 remitted under RCW 82.08.150 (1) and (2) to a fund which is hereby  
2 created to be known as the "liquor excise tax fund."

3 **Sec. 605.** RCW 66.24.210 and 1991 c 192 s 3 are each amended to  
4 read as follows:

5 (1) There is hereby imposed upon all wines sold to wine wholesalers  
6 and the Washington state liquor control board, within the state a tax  
7 at the rate of twenty and one-fourth cents per liter: PROVIDED,  
8 HOWEVER, That wine sold or shipped in bulk from one winery to another  
9 winery shall not be subject to such tax. The tax provided for in this  
10 section may, if so prescribed by the board, be collected by means of  
11 stamps to be furnished by the board, or by direct payments based on  
12 wine purchased by wine wholesalers. Every person purchasing wine under  
13 the provisions of this section shall on or before the twentieth day of  
14 each month report to the board all purchases during the preceding  
15 calendar month in such manner and upon such forms as may be prescribed  
16 by the board, and with such report shall pay the tax due from the  
17 purchases covered by such report unless the same has previously been  
18 paid. Any such purchaser of wine whose applicable tax payment is not  
19 postmarked by the twentieth day following the month of purchase will be  
20 assessed a penalty at the rate of two percent a month or fraction  
21 thereof. If this tax be collected by means of stamps, every such  
22 person shall procure from the board revenue stamps representing the tax  
23 in such form as the board shall prescribe and shall affix the same to  
24 the package or container in such manner and in such denomination as  
25 required by the board and shall cancel the same prior to the delivery  
26 of the package or container containing the wine to the purchaser. If  
27 the tax is not collected by means of stamps, the board may require that  
28 every such person shall execute to and file with the board a bond to be  
29 approved by the board, in such amount as the board may fix, securing

1 the payment of the tax. If any such person fails to pay the tax when  
2 due, the board may forthwith suspend or cancel the license until all  
3 taxes are paid.

4 (2) An additional tax is imposed equal to the rate specified in RCW  
5 82.02.030 multiplied by the tax payable under subsection (1) of this  
6 section. All revenues collected during any month from this additional  
7 tax shall be transferred to the state general fund by the twenty-fifth  
8 day of the following month.

9 (3) An additional tax is imposed on wines subject to tax under  
10 subsection (1) of this section, at the rate of one-fourth of one cent  
11 per liter for wine sold after June 30, 1987. Such additional tax shall  
12 cease to be imposed on July 1, 1993. All revenues collected under this  
13 subsection (3) shall be disbursed quarterly to the Washington wine  
14 commission for use in carrying out the purposes of chapter 15.88 RCW.

15 (4) Until July 1, 1995, an additional tax is imposed on all wine  
16 subject to tax under subsection (1) of this section. The additional  
17 tax is equal to twenty-three and forty-four one-hundredths cents per  
18 liter on fortified wine as defined in RCW 66.04.010(34) when bottled or  
19 packaged by the manufacturer and one cent per liter on all other wine.  
20 All revenues collected during any month from this additional tax shall  
21 be deposited in the drug enforcement and education account under RCW  
22 69.50.520 by the twenty-fifth day of the following month.

23 (5) Effective May 1, 1992, an additional tax is imposed on all wine  
24 subject to taxes under subsection (1) of this section. The additional  
25 tax is equal to five cents per liter on fortified wine as defined in  
26 RCW 66.04.010(34) when bottled or packaged by the manufacturer and  
27 three cents per liter on all other wine. All revenues collected from  
28 this additional tax under this subsection shall be deposited in the  
29 health services trust fund under section 113 of this act.

1       **Sec. 606.** RCW 66.08.180 and 1987 c 458 s 10 are each amended to  
2 read as follows:

3       Moneys in the liquor revolving fund shall be distributed by the  
4 board at least once every three months in accordance with RCW  
5 66.08.190, 66.08.200 and 66.08.210: PROVIDED, That the board shall  
6 reserve from distribution such amount not exceeding five hundred  
7 thousand dollars as may be necessary for the proper administration of  
8 this title: AND PROVIDED FURTHER, That all license fees, penalties and  
9 forfeitures derived under this act from class H licenses or class H  
10 licensees shall every three months be disbursed by the board as  
11 follows:

12       (1) 5.95 percent to the University of Washington and 3.97 percent  
13 to Washington State University for alcoholism and drug abuse research  
14 and for the dissemination of such research;

15       (2) 1.75 percent, but in no event less than one hundred fifty  
16 thousand dollars per biennium, to the University of Washington to  
17 conduct the state toxicological laboratory pursuant to RCW  
18 ((68.08.107)) 68.50.107;

19       (3) 88.33 percent to the general fund to be used by the department  
20 of social and health services solely to carry out the purposes of RCW  
21 70.96.085, as now or hereafter amended;

22       (4) The first fifty-five dollars per license fee provided in RCW  
23 66.24.320 and 66.24.330 up to a maximum of one hundred fifty thousand  
24 dollars annually shall be disbursed every three months by the board to  
25 the general fund to be used for juvenile alcohol and drug prevention  
26 programs for kindergarten through third grade to be administered by the  
27 superintendent of public instruction;

28       (5) Twenty percent of the remaining total amount derived from  
29 license fees pursuant to RCW 66.24.320, 66.24.330, 66.24.340,  
30 66.24.350, 66.24.360, and 66.24.370, shall be transferred to the

1 general fund to be used by the department of social and health services  
2 solely to carry out the purposes of RCW 70.96.085; and

3 (6) One-fourth cent per liter of the tax imposed by RCW 66.24.210,  
4 except for the additional tax under RCW 66.24.210(5), shall every three  
5 months be disbursed by the board to Washington State University solely  
6 for wine and wine grape research, extension programs related to wine  
7 and wine grape research, and resident instruction in both wine grape  
8 production and the processing aspects of the wine industry in  
9 accordance with RCW 28B.30.068. The director of financial management  
10 shall prescribe suitable accounting procedures to ensure that the funds  
11 transferred to the general fund to be used by the department of social  
12 and health services and appropriated are separately accounted for.

13 **Sec. 607.** RCW 66.24.290 and 1989 c 271 s 502 are each amended to  
14 read as follows:

15 (1) Any brewer or beer wholesaler licensed under this title may  
16 sell and deliver beer to holders of authorized licenses direct, but to  
17 no other person, other than the board; and every such brewer or beer  
18 wholesaler shall report all sales to the board monthly, pursuant to the  
19 regulations, and shall pay to the board as an added tax for the  
20 privilege of manufacturing and selling the beer within the state a tax  
21 of two dollars and sixty cents per barrel of thirty-one gallons on  
22 sales to licensees within the state and on sales to licensees within  
23 the state of bottled and canned beer shall pay a tax computed in  
24 gallons at the rate of two dollars and sixty cents per barrel of  
25 thirty-one gallons. Any brewer or beer wholesaler whose applicable tax  
26 payment is not postmarked by the twentieth day following the month of  
27 sale will be assessed a penalty at the rate of two percent per month or  
28 fraction thereof. Each such brewer or wholesaler shall procure from  
29 the board revenue stamps representing such tax in form prescribed by

1 the board and shall affix the same to the barrel or package in such  
2 manner and in such denominations as required by the board, and shall  
3 cancel the same prior to commencing delivery from his place of business  
4 or warehouse of such barrels or packages. Beer shall be sold by  
5 brewers and wholesalers in sealed barrels or packages. The revenue  
6 stamps herein provided for need not be affixed and canceled in the  
7 making of resales of barrels or packages already taxed by the  
8 affixation and cancellation of stamps as provided in this section.

9 (2) An additional tax is imposed equal to the rate specified in RCW  
10 82.02.030 multiplied by the tax payable under subsection (1) of this  
11 section. All revenues collected during any month from this additional  
12 tax shall be transferred to the state general fund by the twenty-fifth  
13 day of the following month.

14 (3) Until July 1, 1995, an additional tax is imposed on all beer  
15 subject to tax under subsection (1) of this section. The additional  
16 tax is equal to two dollars per barrel of thirty-one gallons. All  
17 revenues collected during any month from this additional tax shall be  
18 deposited in the drug enforcement and education account under RCW  
19 69.50.520 by the twenty-fifth day of the following month.

20 (4) Effective May 1, 1992, an additional tax is imposed on all beer  
21 subject to tax under subsection (1) of this section. The additional  
22 tax is equal to fifty-six cents per barrel of thirty-one gallons. All  
23 revenues collected from this additional tax under this subsection shall  
24 be deposited in the health services trust fund under section 113 of  
25 this act.

26 (5) The tax imposed under this section shall not apply to "strong  
27 beer" as defined in this title.

28 **Sec. 608.** RCW 48.14.020 and 1986 c 296 s 1 are each amended to  
29 read as follows:

1           (1) Subject to other provisions of this chapter, each authorized  
2 insurer except title insurers shall on or before the first day of March  
3 of each year pay to the state treasurer through the commissioner's  
4 office a tax on premiums. Except as provided in subsection (2) of this  
5 section, such tax shall be in the amount of two and one-half percent of  
6 all premiums, excluding amounts returned to or the amount of reductions  
7 in premiums allowed to holders of industrial life policies for payment  
8 of premiums directly to an office of the insurer, collected or received  
9 by the insurer during the preceding calendar year other than ocean  
10 marine and foreign trade insurances, after deducting premiums paid to  
11 policyholders as returned premiums, upon risks or property resident,  
12 situated, or to be performed in this state. For the purposes of this  
13 section the consideration received by an insurer for the granting of an  
14 annuity shall not be deemed to be a premium.

15           (2) In the case of insurers which require the payment by their  
16 policyholders at the inception of their policies of the entire premium  
17 thereon in the form of premiums or premium deposits which are the same  
18 in amount, based on the character of the risks, regardless of the  
19 length of term for which such policies are written, such tax shall be  
20 in the amount of two and one-half percent of the gross amount of such  
21 premiums and premium deposits upon policies on risks resident, located,  
22 or to be performed in this state, in force as of the thirty-first day  
23 of December next preceding, less the unused or unabsorbed portion of  
24 such premiums and premium deposits computed at the average rate thereof  
25 actually paid or credited to policyholders or applied in part payment  
26 of any renewal premiums or premium deposits on one-year policies  
27 expiring during such year.

28           (3) Each authorized insurer shall with respect to all ocean marine  
29 and foreign trade insurance contracts written within this state during  
30 the preceding calendar year, on or before the first day of March of

1 each year pay to the state treasurer through the commissioner's office  
2 a tax of ninety-five one-hundredths of one percent on its gross  
3 underwriting profit. Such gross underwriting profit shall be  
4 ascertained by deducting from the net premiums (i.e., gross premiums  
5 less all return premiums and premiums for reinsurance) on such ocean  
6 marine and foreign trade insurance contracts the net losses paid (i.e.,  
7 gross losses paid less salvage and recoveries on reinsurance ceded)  
8 during such calendar year under such contracts. In the case of  
9 insurers issuing participating contracts, such gross underwriting  
10 profit shall not include, for computation of the tax prescribed by this  
11 subsection, the amounts refunded, or paid as participation dividends,  
12 by such insurers to the holders of such contracts.

13 (4) The state does hereby preempt the field of imposing excise or  
14 privilege taxes upon insurers or their agents, other than title  
15 insurers, and no county, city, town or other municipal subdivision  
16 shall have the right to impose any such taxes upon such insurers or  
17 their agents.

18 (5) If an authorized insurer collects or receives any such premiums  
19 on account of policies in force in this state which were originally  
20 issued by another insurer and which other insurer is not authorized to  
21 transact insurance in this state on its own account, such collecting  
22 insurer shall be liable for and shall pay the tax on such premiums.

23 (6) Sixteen percent of the moneys collected under subsections (1)  
24 and (2) of this section, with the exception of the moneys disbursed  
25 under RCW 41.16.050 and 41.24.030, shall be deposited in the health  
26 services trust fund under section 113 of this act.

27 NEW SECTION. Sec. 609. (1) Sections 601, 603, and 604 of this  
28 act are necessary for the immediate preservation of the public peace,

1 health, or safety, or support of the state government and its existing  
2 public institutions, and shall take effect June 1, 1992.

3 (2) Section 602 of this act shall take effect July 1, 1992.

4 (3) Sections 605, 606, and 607 of this act are necessary for the  
5 immediate preservation of the public peace, health, or safety, or  
6 support of the state government and its existing public institutions,  
7 and shall take effect May 1, 1992.

8 (4) Section 608 of this act shall take effect January 1, 1993.

9 NEW SECTION. **Sec. 610.** If any provision of this act or its  
10 application to any person or circumstance is held invalid, the  
11 remainder of the act or the application of the provision to other  
12 persons or circumstances is not affected, and the effect of such  
13 invalidity shall be confined to the clause, sentence, paragraph,  
14 section, or part of this act so held to be invalid.

15 NEW SECTION. **Sec. 611.** CAPTIONS AND PART HEADINGS NOT LAW.  
16 Captions and part headings as used in this act constitute no part of  
17 the law.