
HOUSE BILL 2921

State of Washington

52nd Legislature

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By Representatives Bowman, Tate, Paris, Betrozoff, Mitchell, Ballard, Brumsickle, Nealey, Vance, Casada, Miller, Morton, McLean, May, Neher, Chandler, Broback, Ferguson, Forner, Beck, Wynne, Wilson, P. Johnson, D. Sommers, Brough, Carlson, Rayburn, Winsley, Wood, Silver, Hochstatter and Horn

Read first time 01/31/92. Referred to Committee on Health Care/Appropriations.

1 AN ACT Relating to the Washington basic health plan; amending RCW
2 70.47.020, 70.47.080, 43.131.355, and 43.131.356; and reenacting and
3 amending RCW 70.47.030 and 70.47.060.

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

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

7 As used in this chapter:

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

12 (2) "Administrator" means the Washington basic health plan
13 administrator.

1 (3) "Managed health care system" means any health care
2 organization, including health care providers, insurers, health care
3 service contractors, health maintenance organizations, or any
4 combination thereof, that provides directly or by contract basic health
5 care services, as defined by the administrator and rendered by duly
6 licensed providers, on a prepaid capitated basis to a defined patient
7 population enrolled in the plan and in the managed health care system.

8 (4) "Enrollee" means both system and nonsubsidized enrollees.

9 (5) "Nonsubsidized enrollee" means an individual, or an individual
10 plus the individual's spouse or dependent children, or both, all under
11 the age of sixty-five and not otherwise eligible for medicare, who is
12 a resident of the state of Washington, whose gross family income at the
13 time of enrollment is between two hundred percent and three hundred
14 percent of the federal poverty level as adjusted for family size and
15 determined annually by the federal department of health and human
16 services, and who chooses to obtain basic health coverage as determined
17 under this chapter from a particular managed health care system in
18 return for periodic payments to the plan that reflect the full cost of
19 the plan.

20 (6) "System enrollee" means an individual, or an individual plus
21 the individual's spouse ((and/))or dependent children, or both, all
22 under the age of sixty-five and not otherwise eligible for medicare,
23 who resides in an area of the state served by a managed health care
24 system participating in the plan, whose gross family income at the time
25 of enrollment does not exceed ((twice)) two hundred percent of the
26 federal poverty level as adjusted for family size and determined
27 annually by the federal department of health and human services, who
28 chooses to obtain basic health care coverage from a particular managed
29 health care system in return for periodic payments to the plan.

1 (~~(5)~~) (7) "Subsidy" means the difference between the amount of
2 periodic payment the administrator makes, from funds appropriated from
3 the basic health plan trust account, to a managed health care system on
4 behalf of an enrollee and the amount determined to be the enrollee's
5 responsibility under RCW 70.47.060(2).

6 (~~(6)~~) (8) "Premium" means a periodic payment(~~(7)~~). A premium
7 based upon gross family income and determined under RCW 70.47.060(2)(~~7~~
8 ~~which an~~) is one a system enrollee makes to the plan as consideration
9 for enrollment in the plan. A premium equal to the rate charged by the
10 plan as provided in RCW 70.47.060(2) is one paid by a nonsubsidized
11 enrollee.

12 (~~(7)~~) (9) "Rate" means the per capita amount, negotiated by the
13 administrator with and paid to a participating managed health care
14 system, that is based upon the enrollment of enrollees in the plan and
15 in that system.

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

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

1 types of enrollee financial participation may not be expended to
2 underwrite nonsubsidized enrollees' coverage in any amount.

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

5 The administrator has the following powers and duties:

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

22 (2)(a) To design and implement a structure of periodic premiums due
23 the administrator from system enrollees that is based upon gross family
24 income, giving appropriate consideration to family size as well as the
25 ages of all family members.

26 (b) The premiums due the administrator from nonsubsidized enrollees
27 must equal the unsubsidized rate required for the managed health care
28 system in which those enrollees are enrolled. The nonsubsidized
29 enrollee is primarily responsible for staying current with his or her

1 premium schedule. However, a responsible third party who files a
2 statement of obligation with the administrator may assume
3 responsibility for the nonsubsidized enrollee's premiums. The
4 statement of obligation must identify the third party's relationship to
5 the nonsubsidized enrollee, state the third party's address, and
6 contain other information, statements, or disclaimers required by the
7 administrator by rule.

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

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

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

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

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

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

1 (d) A case management system that fosters a provider-enrollee
2 relationship whereby, in an effort to control cost, maintain or improve
3 the health status of the system enrollee, and maximize patient
4 involvement in her or his health care decision-making process, every
5 effort is made by the provider to inform the system enrollee of the
6 cost of the specific services and procedures and related health
7 benefits.

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

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

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

24 In the selection of any area of the state for the initial operation
25 of the plan, the administrator shall take into account the levels and
26 rates of unemployment in different areas of the state, the need to
27 provide basic health care coverage to a population reasonably
28 representative of the portion of the state's population that lacks such
29 coverage, and the need for geographic, demographic, and economic
30 diversity. When the number of applicants for nonsubsidized enrollment

1 from a community not covered by a managed health care system becomes
2 economically feasible to establish a managed health care system for
3 that area, the administrator shall: (a) Publish in the state register
4 a determination of economic feasibility; and (b) institute a managed
5 health care system in that area within one year from the date of
6 publication.

7 Before July 1, 1988, the administrator shall endeavor to secure
8 participation contracts with managed health care systems in discrete
9 geographic areas within at least five congressional districts.

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

21 (8) To receive periodic premiums from enrollees or third parties as
22 provided in subsection (2) of this section, deposit them in the basic
23 health plan operating account, keep records of enrollee status, and
24 authorize periodic payments to managed health care systems on the basis
25 of the number of enrollees participating in the respective managed
26 health care systems.

27 (9)(a) To accept applications from individuals residing in areas
28 served by the plan, on behalf of themselves and their spouses and
29 dependent children, for enrollment in the Washington basic health plan,

1 to establish appropriate minimum-enrollment periods for enrollees as
2 may be necessary(~~(, and)~~).

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

23 (c) To determine, upon request by a nonsubsidized enrollee,
24 eligibility based on the gross family income over the preceding six
25 months for subsidized programs offered system enrollees. The
26 administrator shall cancel, upon notice, the enrollment of a
27 nonsubsidized enrollee who remains current in his or her premiums due
28 the Washington basic health plan and whose gross family income exceeds
29 three hundred percent of the poverty level for six consecutive months.
30 The administrator may adopt rules governing the reenrollment of

1 nonsubsidized enrollees whose enrollment is canceled or who drop their
2 enrollment for no apparent good cause.

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

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

28 (12) To monitor the access that state residents have to adequate
29 and necessary health care services, determine the extent of any unmet
30 needs for such services or lack of access that may exist from time to

1 time, identify the number of state residents who may be eligible
2 enrollees yet who are not within an area covered by a managed health
3 care system, and make such reports and recommendations to the
4 legislature as the administrator deems appropriate.

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

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

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

15 **Sec. 4.** RCW 70.47.080 and 1987 1st ex.s. c 5 s 10 are each amended
16 to read as follows:

17 On and after July 1, 1988, the administrator shall accept for
18 enrollment applicants eligible to receive covered basic health care
19 services from the respective managed health care systems which are then
20 participating in the plan. The administrator shall not allow the total
21 enrollment of those eligible for subsidies to exceed thirty thousand.

22 Thereafter, total enrollment shall not exceed the number
23 established by the legislature in any act appropriating funds to the
24 plan.

25 Before July 1, (~~(1988)~~) 1993, the administrator shall endeavor to
26 secure participation contracts from managed health care systems in
27 discrete geographic areas (~~((within at least five congressional~~
28 ~~districts of the state and))~~) in such manner as to allow residents of
29 both urban and rural areas access to enrollment in the plan. The

1 administrator shall make a special effort to secure agreements with
2 health care providers in one such area that meets the requirements set
3 forth in RCW 70.47.060(4) and (6).

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

8 **Sec. 5.** RCW 43.131.355 and 1987 1st ex.s. c 5 s 24 are each
9 amended to read as follows:

10 The Washington basic health plan administrator and its powers and
11 duties shall be terminated on June 30, (~~(1992)~~) 1994, as provided in
12 RCW 43.131.356.

13 **Sec. 6.** RCW 43.131.356 and 1987 1st ex.s. c 5 s 25 are each
14 amended to read as follows:

15 The following acts or parts of acts, as now existing or hereafter
16 amended, are each repealed, effective June 30, (~~(1993)~~) 1995:

- 17 (1) Section 1, chapter 5, Laws of 1987 1st ex.s. and RCW 70.47.900;
- 18 (2) Section 2, chapter 5, Laws of 1987 1st ex.s. and RCW 70.47.140;
- 19 (3) Section 3, chapter 5, Laws of 1987 1st ex.s. and RCW 70.47.010;
- 20 (4) Section 4, chapter 5, Laws of 1987 1st ex.s. and RCW 70.47.020;
- 21 (5) Section 5, chapter 5, Laws of 1987 1st ex.s. and RCW 70.47.030;
- 22 (6) Section 6, chapter 5, Laws of 1987 1st ex.s. and RCW 70.47.040;
- 23 (7) Section 7, chapter 5, Laws of 1987 1st ex.s. and RCW 70.47.050;
- 24 (8) Section 8, chapter 5, Laws of 1987 1st ex.s. and RCW 70.47.060;
- 25 (9) Section 9, chapter 5, Laws of 1987 1st ex.s. and RCW 70.47.070;
- 26 (10) Section 10, chapter 5, Laws of 1987 1st ex.s. and RCW
27 70.47.080;

1 (11) Section 11, chapter 5, Laws of 1987 1st ex.s. and RCW
2 70.47.090;

3 (12) Section 12, chapter 5, Laws of 1987 1st ex.s. and RCW
4 70.47.100;

5 (13) Section 13, chapter 5, Laws of 1987 1st ex.s. and RCW
6 70.47.110;

7 (14) Section 14, chapter 5, Laws of 1987 1st ex.s. and RCW
8 70.47.120;

9 (15) Section 15, chapter 5, Laws of 1987 1st ex.s. and RCW
10 70.47.130;

11 (16) Section 16, chapter 5, Laws of 1987 1st ex.s. and RCW
12 50.20.210;

13 (17) Section 17, chapter 5, Laws of 1987 1st ex.s. and RCW
14 51.28.090; and

15 (18) Section 18, chapter 5, Laws of 1987 1st ex.s. and RCW
16 74.04.033.