
HOUSE BILL 2994

State of Washington 52nd Legislature 1992 Regular Session

By Representatives Orr, Locke, Rayburn and Roland

Read first time 02/26/92. Referred to Committee on Appropriations.

1 AN ACT Relating to the basic health plan; amending RCW 70.47.020
2 and 70.47.040; reenacting and amending RCW 70.47.030 and 70.47.060;
3 adding a new section to chapter 70.47 RCW; creating new sections;
4 repealing RCW 43.131.355 and 43.131.356; and providing an effective
5 date.

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

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

9 As used in this chapter:

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

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

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

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

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

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

29 (7) "Rate" means the per capita amount, negotiated by the
30 administrator with and paid to a participating managed health care

1 system, that is based upon the enrollment of enrollees in the plan and
2 in that system.

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

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

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

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

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

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

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

1 (5) In the design, organization, and administration of the plan
2 under this chapter, the administrator shall consider the report of the
3 Washington health care project commission established under chapter
4 303, Laws of 1986. Nothing in this chapter requires the administrator
5 to follow any specific recommendation contained in that report except
6 as it may also be included in this chapter or other law.

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

9 The administrator has the following powers and duties:

10 (1) To design and from time to time revise a schedule of covered
11 basic health care services, including physician services, inpatient and
12 outpatient hospital services, and other services that may be necessary
13 for basic health care, which enrollees in any participating managed
14 health care system under the Washington basic health plan shall be
15 entitled to receive in return for premium payments to the plan. The
16 schedule of services shall emphasize proven preventive and primary
17 health care(~~(7)~~) and shall include all services necessary for prenatal,
18 postnatal, and well-child care(~~(7 and shall)~~). However, with respect
19 to coverage for groups of subsidized enrollees, the administrator shall
20 not contract for prenatal or postnatal services that are provided under
21 the medical assistance program under chapter 74.09 RCW except to the
22 extent that such services are necessary over not more than a one-month
23 period in order to maintain continuity of care after diagnosis of
24 pregnancy by the managed care provider, or except to provide any such
25 services associated with pregnancies diagnosed by the managed care
26 provider before July 1, 1992. The schedule of services shall also
27 include a separate schedule of basic health care services for children,
28 eighteen years of age and younger, for those enrollees who choose to
29 secure basic coverage through the plan only for their dependent

1 children. In designing and revising the schedule of services, the
2 administrator shall consider the guidelines for assessing health
3 services under the mandated benefits act of 1984, RCW 48.42.080, and
4 such other factors as the administrator deems appropriate.

5 (2) To design and implement a structure of periodic premiums due
6 the administrator from enrollees that is based upon gross family
7 income, giving appropriate consideration to family size as well as the
8 ages of all family members. The enrollment of children shall not
9 require the enrollment of their parent or parents who are eligible for
10 the plan.

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

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

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

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

23 (c) Coinsurance rates that are established based on specific
24 service and procedure costs and the enrollee's ability to pay for the
25 care. However, coinsurance rates for families with incomes below one
26 hundred twenty percent of the federal poverty level shall be nominal.
27 No coinsurance shall be required for specific proven prevention
28 programs, such as prenatal care. The coinsurance rate levels shall not
29 have a measurable negative effect upon the enrollee's health status;
30 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 enrollee, and maximize patient involvement in
4 her or his health care decision-making process, every effort is made by
5 the provider to inform the enrollee of the cost of the specific
6 services and procedures and related health benefits.

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

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

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

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

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

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

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

20 (9) To accept applications from individuals residing in areas
21 served by the plan, on behalf of themselves and their spouses and
22 dependent children, for enrollment in the Washington basic health plan,
23 to establish appropriate minimum-enrollment periods for enrollees as
24 may be necessary, and to determine, upon application and at least
25 annually thereafter, or at the request of any enrollee, eligibility due
26 to current gross family income for sliding scale premiums. An enrollee
27 who remains current in payment of the sliding-scale premium, as
28 determined under subsection (2) of this section, and whose gross family
29 income has risen above twice the federal poverty level, may continue
30 enrollment unless and until the enrollee's gross family income has

1 remained above twice the poverty level for six consecutive months, by
2 making payment at the unsubsidized rate required for the managed health
3 care system in which he or she may be enrolled. No subsidy may be paid
4 with respect to any enrollee whose current gross family income exceeds
5 twice the federal poverty level or, subject to RCW 70.47.110, who is a
6 recipient of medical assistance or medical care services under chapter
7 74.09 RCW. If a number of enrollees drop their enrollment for no
8 apparent good cause, the administrator may establish appropriate rules
9 or requirements that are applicable to such individuals before they
10 will be allowed to re-enroll in the plan.

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

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

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

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

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

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

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

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

23 The powers, duties, and functions of the Washington basic health
24 plan are hereby transferred to the Washington state health care
25 authority. All references to the administrator of the Washington basic
26 health plan in the Revised Code of Washington shall be construed to
27 mean the administrator of the Washington state health care authority.

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

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

19 Whenever any question arises as to the transfer of any personnel,
20 funds, books, documents, records, papers, files, equipment, or other
21 tangible property used or held in the exercise of the powers and the
22 performance of the duties and functions transferred, the director of
23 financial management shall make a determination as to the proper
24 allocation and certify the same to the state agencies concerned.

25 NEW SECTION. **Sec. 7.** All employees of the Washington basic
26 health plan are transferred to the jurisdiction of the Washington state
27 health care authority. All employees classified under chapter 41.06
28 RCW, the state civil service law, are assigned to the Washington state
29 health care authority to perform their usual duties upon the same terms

1 as formerly, without any loss of rights, subject to any action that may
2 be appropriate thereafter in accordance with the laws and rules
3 governing state civil service.

4 NEW SECTION. **Sec. 8.** All rules and all pending business
5 before the Washington basic health plan shall be continued and acted
6 upon by the Washington state health care authority. All existing
7 contracts and obligations shall remain in full force and shall be
8 performed by the Washington state health care authority.

9 NEW SECTION. **Sec. 9.** The transfer of the powers, duties,
10 functions, and personnel of the Washington basic health plan shall not
11 affect the validity of any act performed prior to the effective date of
12 this section.

13 NEW SECTION. **Sec. 10.** If apportionments of budgeted funds are
14 required because of the transfers directed by sections 6 through 9 of
15 this act, the director of financial management shall certify the
16 apportionments to the agencies affected, the state auditor, and the
17 state treasurer. Each of these shall make the appropriate transfer and
18 adjustments in funds and appropriation accounts and equipment records
19 in accordance with the certification.

20 NEW SECTION. **Sec. 11.** Nothing contained in sections 5 through
21 10 of this act may be construed to alter any existing collective
22 bargaining unit or the provisions of any existing collective bargaining
23 agreement until the agreement has expired or until the bargaining unit
24 has been modified by action of the personnel board as provided by law.

1 NEW SECTION. **Sec. 12.** The following acts or parts of acts are
2 each repealed:

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

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

5 NEW SECTION. **Sec. 13.** This act shall take effect June 30,
6 1992.