
ENGROSSED SUBSTITUTE SENATE BILL 6035

State of Washington

52nd Legislature

1992 Regular Session

By Senate Committee on Health & Long-Term Care (originally sponsored by Senators West, Anderson, Johnson and Bailey)

Read first time 02/04/92.

1 AN ACT Relating to the basic health plan; amending RCW 70.47.010,
2 70.47.020, 70.47.080, and 70.47.120; reenacting and amending RCW
3 70.47.030 and 70.47.060; adding a new section to chapter 70.47 RCW; and
4 repealing RCW 43.131.355 and 43.131.356.

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

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

8 (1) The legislature finds that:

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

12 (b) This lack of basic health care coverage is detrimental to the
13 health of the individuals lacking coverage and to the public welfare,
14 and results in substantial expenditures for emergency and remedial

1 health care, often at the expense of health care providers, health care
2 facilities, and all purchasers of health care, including the state; and
3 (c) The use of managed health care systems has significant
4 potential to reduce the growth of health care costs incurred by the
5 people of this state generally, and by low-income pregnant women who
6 are an especially vulnerable population, along with their children, and
7 who need greater access to managed health care.

8 (2) The purpose of this chapter is to provide or make available
9 necessary basic health care services in an appropriate setting to
10 working persons and others who lack coverage, at a cost to these
11 persons that does not create barriers to the utilization of necessary
12 health care services. To that end, this chapter establishes a program
13 to be made available to those residents under sixty-five years of age
14 not otherwise eligible for medicare with gross family income at or
15 below ~~((two))~~ three hundred percent of the federal poverty guidelines
16 who share in a portion of the cost or who pay the full cost of
17 receiving basic health care services from a managed health care system.

18 (3) It is not the intent of this chapter to provide health care
19 services for those persons who are presently covered through private
20 employer-based health plans, nor to replace employer-based health
21 plans. Further, it is the intent of the legislature to expand,
22 wherever possible, the availability of private health care coverage and
23 to discourage the decline of employer-based coverage.

24 ~~((The program authorized under this chapter is strictly limited~~
25 ~~in respect to the total number of individuals who may be allowed to~~
26 ~~participate and the specific areas within the state where it may be~~
27 ~~established. All such restrictions or limitations shall remain in full~~
28 ~~force and effect until quantifiable evidence based upon the actual~~
29 ~~operation of the program, including detailed cost benefit analysis, has~~

1 ~~been presented to the legislature and the legislature, by specific act~~
2 ~~at that time, may then modify such limitations))~~

3 (a) It is the purpose of this chapter to acknowledge the initial
4 success of this program that has (i) assisted thousands of families in
5 their search for affordable health care; (ii) demonstrated that low-
6 income uninsured families are willing to pay for their own health care
7 coverage to the extent of their ability to pay; and (iii) proved that
8 local health care providers are willing to enter into a public/private
9 partnership as they configure their own professional and business
10 relationships into a managed care system.

11 (b) As a consequence, the legislature intends to make the program
12 available to individuals with incomes below three hundred percent of
13 federal poverty guidelines within the state who reside in communities
14 where the plan is operational and who collectively or individually wish
15 to exercise the opportunity to purchase health care coverage through
16 the program if it is done at no cost to the state. It is also the
17 intent of the legislature to allow employers and other financial
18 sponsors to assist such individuals purchase health care through the
19 program.

20 **Sec. 2.** RCW 70.47.020 and 1987 1st ex.s. c 5 s 4 are each amended
21 to read as follows:

22 As used in this chapter:

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

27 (2) "Administrator" means the Washington basic health plan
28 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 an individual, or an individual plus the
9 individual's spouse and/or dependent children, all under the age of
10 sixty-five and not otherwise eligible for medicare, who resides in an
11 area of the state served by a managed health care system participating
12 in the plan, (~~whose gross family income at the time of enrollment does~~
13 ~~not exceed twice the federal poverty level as adjusted for family size~~
14 ~~and determined annually by the federal department of health and human~~
15 ~~services,~~) who chooses to obtain basic health care coverage from a
16 particular managed health care system in return for periodic payments
17 to the plan. "Enrollee" includes foster parents covered under section
18 8 of this act. Nonsubsidized enrollees shall be considered enrollees
19 unless otherwise specified.

20 (5) "Nonsubsidized enrollee" means an enrollee who pays the full
21 premium for participation in the plan and shall not be eligible for any
22 subsidy from the plan.

23 (6) "Subsidy" means the difference between the amount of periodic
24 payment the administrator makes, from funds appropriated from the basic
25 health plan trust account, to a managed health care system on behalf of
26 an enrollee plus the administrative cost to the plan of providing the
27 plan to that enrollee, and the amount determined to be the enrollee's
28 responsibility under RCW 70.47.060(2).

1 (~~(6)~~) (7) "Premium" means a periodic payment, based upon gross
2 family income and determined under RCW 70.47.060(2), which an enrollee
3 makes to the plan as consideration for enrollment in the plan.

4 (~~(7)~~) (8) "Rate" means the per capita amount, negotiated by the
5 administrator with and paid to a participating managed health care
6 system, that is based upon the enrollment of enrollees in the plan and
7 in that system.

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

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

21 (2) The basic health plan subscription account is created in the
22 custody of the state treasurer. All receipts from amounts due under
23 RCW 70.47.060 (10) and (11) shall be deposited into the account. Funds
24 in the account shall be used exclusively for the purposes of this
25 chapter, including payments to participating managed health care
26 systems on behalf of enrollees in the plan and payment of costs of
27 administering the plan. The account is subject to allotment
28 procedures under chapter 43.88 RCW, but no appropriation is required
29 for expenditures.

1 (3) The administrator shall take every precaution to see that none
2 of the funds in the separate accounts created in this section or that
3 any premiums paid either by subsidized or nonsubsidized enrollees are
4 commingled in any way, except that the administrator may combine funds
5 designated for administration of the plan into a single administrative
6 account.

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, shall include all services necessary for prenatal,
18 postnatal, and well-child care, and shall include a separate schedule
19 of basic health care services for children, eighteen years of age and
20 younger, for those enrollees who choose to secure basic coverage
21 through the plan only for their dependent children. In designing and
22 revising the schedule of services, the administrator shall consider the
23 guidelines for assessing health services under the mandated benefits
24 act of 1984, RCW 48.42.080, and such other factors as the administrator
25 deems appropriate.

26 (2)(a) To design and implement a structure of periodic premiums due
27 the administrator from enrollees that is based upon gross family
28 income, giving appropriate consideration to family size as well as the
29 ages of all family members. The enrollment of children shall not

1 require the enrollment of their parent or parents who are eligible for
2 the plan. An employer or other financial sponsor may, with the
3 approval of the administrator, pay the premium on behalf of any
4 enrollee, by arrangement with the enrollee and through a mechanism
5 acceptable to the administrator, but in no case shall the payment made
6 on behalf of the enrollee exceed eighty percent of total premiums due
7 from the enrollee.

8 (b) Premiums due from nonsubsidized enrollees, who are not
9 otherwise eligible to be enrollees, shall be in an amount equal to the
10 cost charged by the managed health care system provider to the state
11 for the plan plus the administrative cost of providing the plan to
12 those enrollees.

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

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

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

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

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

1 have a measurable negative effect upon the enrollee's health status;
2 and

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

9 The potential financial liability of the plan to any such providers
10 shall not exceed in the aggregate an amount greater than that which
11 might otherwise have been incurred by the plan on the basis of the
12 number of enrollees multiplied by the average of the prepaid capitated
13 rates negotiated with participating managed health care systems under
14 RCW 70.47.100 and reduced by any sums charged enrollees on the basis of
15 the coinsurance rates that are established 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)(a) Except as provided for in section 8 of this act, to limit
22 the payment of a subsidy to an enrollee, as defined in RCW 70.47.020,
23 whose gross family income at the time of enrollment does not exceed
24 twice the federal poverty level adjusted for family size and determined
25 annually by the federal department of health and human services.

26 (b) To limit participation of nonsubsidized enrollees in the plan
27 to those whose family incomes at the time of enrollment does not exceed
28 three times the federal poverty level adjusted for family size and
29 determined annually by the federal department of health and human
30 services.

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

4 In the selection of any area of the state for the initial operation
5 of the plan, the administrator shall take into account the levels and
6 rates of unemployment in different areas of the state, the need to
7 provide basic health care coverage to a population reasonably
8 representative of the portion of the state's population that lacks such
9 coverage, and the need for geographic, demographic, and economic
10 diversity.

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

14 ~~(7))~~ (8) To solicit and accept applications from managed health
15 care systems, as defined in this chapter, for inclusion as eligible
16 basic health care providers under the plan. The administrator shall
17 endeavor to assure that covered basic health care services are
18 available to any enrollee of the plan from among a selection of two or
19 more participating managed health care systems. In adopting any rules
20 or procedures applicable to managed health care systems and in its
21 dealings with such systems, the administrator shall consider and make
22 suitable allowance for the need for health care services and the
23 differences in local availability of health care resources, along with
24 other resources, within and among the several areas of the state.

25 ~~((+8))~~ (9) To receive periodic premiums from enrollees, deposit
26 them in the basic health plan operating account, keep records of
27 enrollee status, and authorize periodic payments to managed health care
28 systems on the basis of the number of enrollees participating in the
29 respective managed health care systems.

1 (~~(9)~~) (10) To accept applications from individuals residing in
2 areas served by the plan, on behalf of themselves and their spouses and
3 dependent children, for enrollment in the Washington basic health plan,
4 to establish appropriate minimum-enrollment periods for enrollees as
5 may be necessary, and to determine, upon application and at least
6 annually thereafter, or at the request of any enrollee, eligibility due
7 to current gross family income for sliding scale premiums. Except as
8 provided in section 8 of this act, an enrollee who remains current in
9 payment of the sliding-scale premium, as determined under subsection
10 (2) of this section, and whose gross family income has risen above
11 (~~twice~~) three times the federal poverty level, may continue
12 enrollment unless and until the enrollee's gross family income has
13 remained above (~~twice~~) three times the poverty level for six
14 consecutive months, by making payment at the unsubsidized rate required
15 for the managed health care system in which he or she may be enrolled
16 plus the administrative cost of providing the plan to that enrollee.
17 Except as provided in section 8 of this act, no subsidy may be paid
18 with respect to any enrollee whose current gross family income exceeds
19 twice the federal poverty level or, subject to RCW 70.47.110, who is a
20 recipient of medical assistance or medical care services under chapter
21 74.09 RCW. If a number of enrollees drop their enrollment for no
22 apparent good cause, the administrator may establish appropriate rules
23 or requirements that are applicable to such individuals before they
24 will be allowed to re-enroll in the plan.

25 (~~(10)~~) (11) To accept applications from small business owners on
26 behalf of themselves and their employees, spouses, and dependents who
27 reside in an area served by the plan. The administrator may require
28 all or the substantial majority of the eligible employees of such
29 businesses to enroll in the plan and establish those procedures
30 necessary to facilitate the orderly enrollment of groups in the plan

1 and into a managed health care system. Such businesses shall have less
2 than fifty employees and enrollment shall be limited to those not
3 otherwise eligible for medicare, whose gross family income at the time
4 of enrollment does not exceed three times the federal poverty level as
5 adjusted for family size and determined by the federal department of
6 health and human services, who wish to enroll in the plan at no cost to
7 the state and choose to obtain the basic health care coverage and
8 services from a managed care system participating in the plan. The
9 administrator shall adjust the amount determined to be due on behalf of
10 or from all such enrollees whenever the amount negotiated by the
11 administrator with the participating managed health care system or
12 systems is modified or the administrative cost of providing the plan to
13 such enrollees changes. No enrollee of a small business group shall be
14 eligible for any subsidy from the plan and at no time shall the
15 administrator allow the credit of the state or funds from the trust
16 account to be used or extended on their behalf.

17 (12) To accept applications from individuals residing in areas
18 serviced by the plan, on behalf of themselves and their spouses and
19 dependent children, all under sixty-five years of age and not otherwise
20 eligible for medicare, whose gross family income at the time of
21 enrollment does not exceed three times the federal poverty level as
22 adjusted for family size and determined by the federal department of
23 health and human services, who wish to enroll in the plan at no cost to
24 the state and choose to obtain the basic health care coverage and
25 services from a managed care system participating in the plan. Any
26 such nonsubsidized enrollees must pay the amount negotiated by the
27 administrator with the participating managed health care system and the
28 administrative cost of providing the plan to such nonsubsidized
29 enrollees and shall not be eligible for any subsidy from the plan.

1 (13) To determine the rate to be paid to each participating managed
2 health care system in return for the provision of covered basic health
3 care services to enrollees in the system. Although the schedule of
4 covered basic health care services will be the same for similar
5 enrollees, the rates negotiated with participating managed health care
6 systems may vary among the systems. In negotiating rates with
7 participating systems, the administrator shall consider the
8 characteristics of the populations served by the respective systems,
9 economic circumstances of the local area, the need to conserve the
10 resources of the basic health plan trust account, and other factors the
11 administrator finds relevant. In determining the rate to be paid to a
12 contractor, the administrator shall strive to assure that the rate does
13 not result in adverse cost shifting to other private payers of health
14 care.

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

29 (~~(12)~~) (15) To monitor the access that state residents have to
30 adequate and necessary health care services, determine the extent of

1 any unmet needs for such services or lack of access that may exist from
2 time to time, and make such reports and recommendations to the
3 legislature as the administrator deems appropriate.

4 ~~((13))~~ (16) To evaluate the effects this chapter has on private
5 employer-based health care coverage and to take appropriate measures
6 consistent with state and federal statutes that will discourage the
7 reduction of such coverage in the state.

8 ~~((14))~~ (17) To develop a program of proven preventive health
9 measures and to integrate it into the plan wherever possible and
10 consistent with this chapter.

11 ~~((15))~~ (18) To provide, consistent with available resources,
12 technical assistance for rural health activities that endeavor to
13 develop needed health care services in rural parts of the state.

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

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

22 Thereafter, ~~((total))~~ the average monthly enrollment of those
23 eligible for subsidies during any biennium shall not exceed the number
24 established by the legislature in any act appropriating funds to the
25 plan, and total subsidized enrollment shall not result in expenditures
26 that exceed the total amount that has been made available by the
27 legislature in any act appropriating funds to the plan.

28 ~~((Before July 1, 1988, the administrator shall endeavor to secure
29 participation contracts from managed health care systems in discrete~~

1 ~~geographic areas within at least five congressional districts of the~~
2 ~~state and in such manner as to allow residents of both urban and rural~~
3 ~~areas access to enrollment in the plan. The administrator shall make~~
4 ~~a special effort to secure agreements with health care providers in one~~
5 ~~such area that meets the requirements set forth in RCW 70.47.060(4).)~~

6 The administrator shall at all times closely monitor growth
7 patterns of enrollment so as not to exceed that consistent with the
8 orderly development of the plan as a whole, in any area of the state or
9 in any participating managed health care system. The annual or
10 biennial enrollment limitations derived from operation of the plan
11 under this section do not apply to nonsubsidized enrollees as defined
12 in RCW 70.47.020(6).

13 **Sec. 6.** RCW 70.47.120 and 1987 1st ex.s. c 5 s 14 are each amended
14 to read as follows:

15 In addition to the powers and duties specified in RCW 70.47.040 and
16 70.47.060, the administrator has the power to enter into contracts for
17 the following functions and services:

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

22 (2) With public or private agencies, to provide technical or
23 professional assistance to health care providers, particularly public
24 or private nonprofit organizations and providers serving rural areas,
25 who show serious intent and apparent capability to participate in the
26 plan as managed health care systems.

27 (3) With public or private agencies, including health care service
28 contractors registered under RCW 48.44.015, and doing business in the
29 state, for marketing and administrative services in connection with

1 participation of managed health care systems, enrollment of enrollees,
2 billing and collection services to the administrator, and other
3 administrative functions ordinarily performed by health care service
4 contractors, other than insurance except that the administrator may
5 purchase or arrange for the purchase of reinsurance, or self-insure for
6 reinsurance, on behalf of its participating managed health care
7 systems. Any activities of a health care service contractor pursuant
8 to a contract with the administrator under this section shall be exempt
9 from the provisions and requirements of Title 48 RCW.

10 NEW SECTION. Sec. 7. The following acts or parts of acts are each
11 repealed:

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

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

14 NEW SECTION. Sec. 8. A new section is added to chapter 70.47 RCW
15 to read as follows:

16 A foster parent licensed in accordance with chapter 74.15 RCW and
17 in good standing with the department of social and health services is
18 eligible to enroll in the basic health plan as a subsidized enrollee
19 subject to funds appropriated to the basic health plan trust account
20 specifically for the purpose of this section.