

2 **E2SSB 5304** - H COMM AMD
3 By Committee on Revenue

4

5 Strike everything after the enacting clause and insert the
6 following:

7 "TABLE OF CONTENTS

8 PART I. FINDINGS, GOALS, AND INTENT 3

9 PART II. EARLY IMPLEMENTATION MEASURES 5

10 A. BASIC HEALTH PLAN EXPANSION 5

11 B. EXPANDED MANAGED CARE FOR STATE EMPLOYEES 19

12 C. CONSOLIDATED STATE HEALTH CARE PURCHASING AGENT 32

13 D. HEALTH CARE PROVIDER CONFLICT OF INTEREST STANDARDS 37

14 E. PUBLIC HEALTH FINANCING AND GOVERNANCE 37

15 F. DATA COLLECTION 50

16 G. DISCLOSURE OF HOSPITAL, NURSING HOME, AND PHARMACY

17 CHARGES 57

18 H. HEALTH PROFESSIONAL SHORTAGES 59

19 I. SHORT-TERM HEALTH INSURANCE REFORM 71

20 PART III. TAXES AND APPROPRIATIONS 83

21 PART IV. HEALTH AND MEDICAL SYSTEM REFORM 97

22 A. THE WASHINGTON HEALTH SERVICES COMMISSION 100

23 B. PRACTICE INDICATORS 109

24 C. HEALTH CARE LIABILITY REFORMS 109

25 D. HEALTH INSURANCE PURCHASING COOPERATIVES 122

26 E. CERTIFIED HEALTH PLANS 125

27 F. MANAGED COMPETITION AND LIMITED ANTI-TRUST IMMUNITY 142

28 G. THE UNIFORM BENEFITS PACKAGE 145

29 H. STATE RESIDENT AND EMPLOYER PARTICIPATION 151

30 I. PUBLIC HEALTH SERVICES IMPROVEMENT PLAN 156

31 J. HEALTH ACCOUNTS 158

32 K. EXCLUSIONS AND STUDIES 159

33 L. WORKERS' COMPENSATION 166

1 M. MISCELLANEOUS 169

1

PART I. FINDINGS, GOALS, AND INTENT

2 NEW SECTION. **Sec. 101.** FINDINGS. The legislature finds that our
3 health and financial security are jeopardized by our ever increasing
4 demand for medical care and by current medical insurance and medical
5 system practices. Current medical system practices encourage public
6 demand for unneeded, ineffective, and sometimes dangerous medical
7 treatments. These practices often result in unaffordable cost
8 increases that far exceed ordinary inflation for essential care.
9 Current total medical and health care expenditure rates should be
10 sufficient to provide access to essential health and medical care
11 interventions to all within a reformed, efficient system.

12 The legislature finds that too many of our state's residents are
13 without medical insurance, that each year many individuals and families
14 are forced into poverty because of serious illness, and that many must
15 leave gainful employment to be eligible for publicly funded medical
16 services. Additionally, thousands of citizens are at risk of losing
17 adequate medical insurance, have had insurance canceled recently, or
18 cannot afford to renew existing coverage.

19 The legislature finds that businesses find it difficult to pay for
20 medical insurance and remain competitive in a global economy, and that
21 individuals, the poor, and small businesses bear an inequitable medical
22 insurance burden.

23 The legislature finds that persons of color have significantly
24 higher rates of mortality, poor health outcomes, and substantially
25 lower numbers and percentages of persons covered by health insurance
26 than general population. It is intended that chapter . . ., Laws of
27 1993 (this act) make provisions to address the special health care
28 needs of these racial and ethnic populations in order to improve their
29 health status.

30 The legislature finds that uncontrolled demand and expenditures for
31 medical care are eroding the ability of families, businesses,
32 communities, and governments to invest in other enterprises that
33 promote health, maintain independence, and ensure continued economic
34 welfare. Housing, nutrition, education, and the environment are all
35 diminished as we invest ever increasing shares of wealth in medical
36 treatments.

1 The legislature finds that while immediate steps must be taken, a
2 long-term plan of reform is also needed.

3 NEW SECTION. **Sec. 102.** LEGISLATIVE INTENT AND GOALS. (1) The
4 legislature intends that state government policy stabilize health
5 services costs, assure access to essential services for all residents,
6 actively address the health care needs of persons of color, improve the
7 public's health, and reduce unwarranted health services costs to
8 preserve the viability of nonmedical care businesses.

9 (2) The legislature intends that:

10 (a) Total health services costs be stabilized and kept within rates
11 of increase similar to the rates of general economic inflation within
12 a publicly regulated, private marketplace that preserves personal
13 choice;

14 (b) State residents be enrolled in the certified health plan of
15 their choice that meets state standards regarding affordability,
16 accessibility, cost-effectiveness, and clinically efficacious;

17 (c) State residents be able to choose health services from the full
18 range of health care providers, as defined in section 402(12) of this
19 act, in a manner consistent with good health service management,
20 quality assurance, and cost effectiveness;

21 (d) Individuals and businesses have the option to purchase any
22 health or medical services they may choose in addition to those
23 contained in the uniform benefits package;

24 (e) All state residents, businesses, employees, and government
25 participate in payment for health services, with total costs to
26 individuals on a sliding scale based on income to encourage efficient
27 and appropriate utilization of services and to protect individuals from
28 impoverishment because of health care costs;

29 (f) These goals be accomplished within a reformed system using
30 private service providers and facilities in a way that allows consumers
31 to choose among competing plans operating within budget limits and
32 other regulations that promote the public good; and

33 (g) That a policy of facilitating communication and networking in
34 the delivery, purchase, and provision of health services among the
35 federal, state, local, and tribal governments be encouraged and
36 accomplished by chapter . . . , Laws of 1993 (this act).

1 (3) Accordingly, the legislature intends that chapter . . . , Laws
2 of 1993 (this act) provide both early implementation measures and a
3 process for overall reform of the health services system.

4 **PART II. EARLY IMPLEMENTATION MEASURES**

5 **A. BASIC HEALTH PLAN EXPANSION**

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

8 TRANSFER OF POWER AND DUTIES TO WASHINGTON STATE HEALTH CARE
9 AUTHORITY. The powers, duties, and functions of the Washington basic
10 health plan are hereby transferred to the Washington state health care
11 authority. All references to the administrator of the Washington basic
12 health plan in the Revised Code of Washington shall be construed to
13 mean the administrator of the Washington state health care authority.

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

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

32 Whenever any question arises as to the transfer of any personnel,
33 funds, books, documents, records, papers, files, equipment, or other
34 tangible property used or held in the exercise of the powers and the
35 performance of the duties and functions transferred, the director of

1 financial management shall make a determination as to the proper
2 allocation and certify the same to the state agencies concerned.

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

11 NEW SECTION. **Sec. 204.** RULES AND BUSINESS. All rules and all
12 pending business before the Washington basic health plan shall be
13 continued and acted upon by the Washington state health care authority.
14 All existing contracts and obligations shall remain in full force and
15 shall be performed by the Washington state health care authority.

16 NEW SECTION. **Sec. 205.** VALIDITY OF PRIOR ACTS. The transfer of
17 the powers, duties, functions, and personnel of the Washington basic
18 health plan shall not affect the validity of any act performed prior to
19 the effective date of this section.

20 NEW SECTION. **Sec. 206.** APPORTIONMENT OF BUDGETED FUNDS. If
21 apportionments of budgeted funds are required because of the transfers
22 directed by sections 201 through 205 of this act, the director of
23 financial management shall certify the apportionments to the agencies
24 affected, the state auditor, and the state treasurer. Each of these
25 shall make the appropriate transfer and adjustments in funds and
26 appropriation accounts and equipment records in accordance with the
27 certification.

28 NEW SECTION. **Sec. 207.** COLLECTIVE BARGAINING. Nothing contained
29 in sections 201 through 206 of this act may be construed to alter any
30 existing collective bargaining unit or the provisions of any existing
31 collective bargaining agreement until the agreement has expired or
32 until the bargaining unit has been modified by action of the personnel
33 board as provided by law.

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

3 BASIC HEALTH PLAN--FINDINGS. (1) The legislature finds that:

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

7 (b) This lack of basic health care coverage is detrimental to the
8 health of the individuals lacking coverage and to the public welfare,
9 and results in substantial expenditures for emergency and remedial
10 health care, often at the expense of health care providers, health care
11 facilities, and all purchasers of health care, including the state; and

12 (c) The use of managed health care systems has significant
13 potential to reduce the growth of health care costs incurred by the
14 people of this state generally, and by low-income pregnant women (~~who~~
15 ~~are an especially vulnerable population, along with their children~~),
16 and at-risk children and adolescents who need greater access to managed
17 health care.

18 (2) The purpose of this chapter is to provide or make more readily
19 available necessary basic health care services in an appropriate
20 setting to working persons and others who lack coverage, at a cost to
21 these persons that does not create barriers to the utilization of
22 necessary health care services. To that end, this chapter establishes
23 a program to be made available to those residents (~~under sixty five~~
24 ~~years of age~~) not (~~otherwise~~) eligible for medicare (~~with gross~~
25 ~~family income at or below two hundred percent of the federal poverty~~
26 ~~guidelines~~) or medical assistance who share in a portion of the cost
27 or who pay the full cost of receiving basic health care services from
28 a managed health care system.

29 (3) It is not the intent of this chapter to provide health care
30 services for those persons who are presently covered through private
31 employer-based health plans, nor to replace employer-based health
32 plans. However, the legislature recognizes that cost-effective and
33 affordable health plans may not always be available to small business
34 employers. Further, it is the intent of the legislature to expand,
35 wherever possible, the availability of private health care coverage and
36 to discourage the decline of employer-based coverage.

37 (4) (~~The program authorized under this chapter is strictly limited~~
38 ~~in respect to the total number of individuals who may be allowed to~~
39 ~~participate and the specific areas within the state where it may be~~

1 established. All such restrictions or limitations shall remain in full
2 force and effect until quantifiable evidence based upon the actual
3 operation of the program, including detailed cost benefit analysis, has
4 been presented to the legislature and the legislature, by specific act
5 at that time, may then modify such limitations.))

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

13 (b) As a consequence, the legislature intends to extend an option
14 to enroll to certain citizens above two hundred percent of the federal
15 poverty guidelines within the state who reside in communities where the
16 plan is operational and who collectively or individually wish to
17 exercise the opportunity to purchase health care coverage through the
18 basic health plan if the purchase is done at no cost to the state. It
19 is also the intent of the legislature to allow employers and other
20 financial sponsors to financially assist such individuals to purchase
21 health care through the program. It is also the intent of the
22 legislature to condition access to this plan for nonsubsidized
23 enrollees upon the prior placement of subsidized enrollees, to the
24 extent funding is available.

25 (c) The legislature directs that the basic health plan
26 administrator identify enrollees who are likely to be eligible for
27 medical assistance and assist these individuals in applying for and
28 receiving medical assistance. The administrator and the department of
29 social and health services shall implement a seamless system to
30 coordinate eligibility determinations and benefit coverage for
31 enrollees of the basic health plan and medical assistance recipients.

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

34 BASIC HEALTH PLAN--DEFINITIONS. As used in this chapter:

35 (1) "Washington basic health plan" or "plan" means the system of
36 enrollment and payment on a prepaid capitated basis for basic health
37 care services, administered by the plan administrator through
38 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 On and after July 1, 1995, "managed health care system" means a
12 certified health plan, as defined in section 402 of this act.

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

23 (5) "Nonsubsidized enrollee" means an individual, or an individual
24 plus the individual's spouse or dependent children, not eligible for
25 medicare, who resides in an area of the state served by a managed
26 health care system participating in the plan, who chooses to obtain
27 basic health care coverage from a particular managed health care system
28 and who pays or on whose behalf is paid the full costs for
29 participation in the plan, without any subsidy from the plan.

30 (6) "Subsidy" means the difference between the amount of periodic
31 payment the administrator makes (~~((, from funds appropriated from the~~
32 ~~basic health plan trust account,))~~) to a managed health care system on
33 behalf of (~~((an))~~) a subsidized enrollee plus the administrative cost to
34 the plan of providing the plan to that subsidized enrollee, and the
35 amount determined to be the subsidized enrollee's responsibility under
36 RCW 70.47.060(2).

37 (~~((+6))~~) (7) "Premium" means a periodic payment, based upon gross
38 family income (~~((and determined under RCW 70.47.060(2),))~~) which an
39 (~~((enrollee))~~) individual, their employer or another financial sponsor

1 makes to the plan as consideration for enrollment in the plan as a
2 subsidized enrollee or a nonsubsidized enrollee.

3 ~~((7))~~ (8) "Rate" means the per capita amount, negotiated by the
4 administrator with and paid to a participating managed health care
5 system, that is based upon the enrollment of subsidized and
6 nonsubsidized enrollees in the plan and in that system.

7 **Sec. 210.** RCW 70.47.030 and 1992 c 232 s 907 are each amended to
8 read as follows:

9 ACCOUNTS. (1) The basic health plan trust account is hereby
10 established in the state treasury. ~~((All))~~ Any nongeneral fund-state
11 funds collected for this program shall be deposited in the basic health
12 plan trust account and may be expended without further appropriation.
13 Moneys in the account shall be used exclusively for the purposes of
14 this chapter, including payments to participating managed health care
15 systems on behalf of enrollees in the plan and payment of costs of
16 administering the plan. ~~((After July 1, 1993, the administrator shall~~
17 not expend or encumber for an ensuing fiscal period amounts exceeding
18 ninety five percent of the amount anticipated to be spent for purchased
19 services during the fiscal year.))

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

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

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

1 BASIC HEALTH PLAN--PROGRAM WITHIN STATE HEALTH CARE AUTHORITY. (1)
2 The Washington basic health plan is created as ~~((an independent agency~~
3 ~~of the state))~~ a program within the Washington state health care
4 authority. The administrative head and appointing authority of the
5 plan shall be the administrator ~~((who shall be appointed by the~~
6 ~~governor, with the consent of the senate, and shall serve at the~~
7 ~~pleasure of the governor. The salary for this office shall be set by~~
8 ~~the governor pursuant to RCW 43.03.040))~~ of the Washington state health
9 care authority. The administrator shall appoint a medical director.
10 The ~~((administrator,))~~ medical director~~((,))~~ and up to five other
11 employees of the plan shall be exempt from the civil service law,
12 chapter 41.06 RCW.

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

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

37 (4) The administrator may apply for, receive, and accept grants,
38 gifts, and other payments, including property and service, from any
39 governmental or other public or private entity or person, and may make

1 arrangements as to the use of these receipts, including the undertaking
2 of special studies and other projects relating to health care costs and
3 access to health care.

4 ~~(5) ((In the design, organization, and administration of the plan
5 under this chapter, the administrator shall consider the report of the
6 Washington health care project commission established under chapter
7 303, Laws of 1986. Nothing in this chapter requires the administrator
8 to follow any specific recommendation contained in that report except
9 as it may also be included in this chapter or other law))~~ Whenever
10 feasible, the administrator shall reduce the administrative cost of
11 operating the program by adopting joint policies or procedures
12 applicable to both the basic health plan and employee health plans.

13 **Sec. 212.** RCW 70.47.060 and 1992 c 232 s 908 are each amended to
14 read as follows:

15 ADMINISTRATOR'S POWERS AND DUTIES. The administrator has the
16 following powers and duties:

17 (1) To design and from time to time revise a schedule of covered
18 basic health care services, including physician services, inpatient and
19 outpatient hospital services, prescription drugs and medications, and
20 other services that may be necessary for basic health care, which
21 subsidized and nonsubsidized enrollees in any participating managed
22 health care system under the Washington basic health plan shall be
23 entitled to receive in return for premium payments to the plan. The
24 schedule of services shall emphasize proven preventive and primary
25 health care and shall include all services necessary for prenatal,
26 postnatal, and well-child care. However, ~~((for the period ending June
27 30, 1993,))~~ with respect to coverage for groups of subsidized enrollees
28 who are eligible to receive prenatal and postnatal services through the
29 medical assistance program under chapter 74.09 RCW, the administrator
30 shall not contract for ~~((prenatal or postnatal))~~ such services ~~((that
31 are provided under the medical assistance program under chapter 74.09
32 RCW))~~ except to the extent that such services are necessary over not
33 more than a one-month period in order to maintain continuity of care
34 after diagnosis of pregnancy by the managed care provider ~~((, or except
35 to provide any such services associated with pregnancies diagnosed by
36 the managed care provider before July 1, 1992))~~. The schedule of
37 services shall also include a separate schedule of basic health care
38 services for children, eighteen years of age and younger, for those

1 subsidized or nonsubsidized enrollees who choose to secure basic
2 coverage through the plan only for their dependent children. In
3 designing and revising the schedule of services, the administrator
4 shall consider the guidelines for assessing health services under the
5 mandated benefits act of 1984, RCW 48.42.080, and such other factors as
6 the administrator deems appropriate. On and after July 1, 1995, the
7 uniform benefits package adopted and from time to time revised by the
8 Washington health services commission pursuant to section 448 of this
9 act shall be implemented by the administrator as the schedule of
10 covered basic health care services. However, with respect to coverage
11 for subsidized enrollees who are eligible to receive prenatal and
12 postnatal services through the medical assistance program under chapter
13 74.09 RCW, the administrator shall not contract for such services
14 except to the extent that the services are necessary over not more than
15 a one-month period in order to maintain continuity of care after
16 diagnosis of pregnancy by the managed care provider.

17 (2)(a) To design and implement a structure of periodic premiums due
18 the administrator from subsidized enrollees that is based upon gross
19 family income, giving appropriate consideration to family size (~~as~~
20 ~~well as~~) and the ages of all family members. The enrollment of
21 children shall not require the enrollment of their parent or parents
22 who are eligible for the plan. The structure of periodic premiums
23 shall be applied to subsidized enrollees entering the plan as
24 individuals pursuant to subsection (9) of this section and to the share
25 of the cost of the plan due from subsidized enrollees entering the plan
26 as employees pursuant to subsection (10) of this section.

27 (b) To determine the periodic premiums due the administrator from
28 nonsubsidized enrollees. Premiums due from nonsubsidized enrollees
29 shall be in an amount equal to the cost charged by the managed health
30 care system provider to the state for the plan plus the administrative
31 cost of providing the plan to those enrollees and the appropriate
32 premium tax as provided by law.

33 (c) An employer or other financial sponsor may, with the prior
34 approval of the administrator, pay the premium, rate, or any other
35 amount on behalf of a subsidized or nonsubsidized enrollee, by
36 arrangement with the enrollee and through a mechanism acceptable to the
37 administrator, but in no case shall the payment made on behalf of the
38 enrollee exceed ninety-five percent of the total premiums due from the
39 enrollee.

1 (d) On and after July 1, 1995, the administrator shall comply with
2 any schedule of premiums that may be adopted by the Washington health
3 services commission.

4 (3) To design and implement a structure of ~~((nominal))~~ copayments
5 due a managed health care system from subsidized and nonsubsidized
6 enrollees. The structure shall discourage inappropriate enrollee
7 utilization of health care services, but shall not be so costly to
8 enrollees as to constitute a barrier to appropriate utilization of
9 necessary health care services. On and after July 1, 1995, the
10 administrator shall comply with schedules of enrollee point of service
11 cost-sharing adopted by the Washington health services commission.

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

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

18 ~~(b) A modified fee for services payment schedule for providers;~~

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

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

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

1 ~~(5))~~) To limit enrollment of persons who qualify for subsidies so
2 as to prevent an overexpenditure of appropriations for such purposes.
3 Whenever the administrator finds that there is danger of such an
4 overexpenditure, the administrator shall close enrollment until the
5 administrator finds the danger no longer exists.

6 (5) To limit the payment of subsidies to subsidized enrollees, as
7 defined in RCW 70.47.020.

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

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

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

22 (7) To solicit and accept applications from managed health care
23 systems, as defined in this chapter, for inclusion as eligible basic
24 health care providers under the plan. The administrator shall endeavor
25 to assure that covered basic health care services are available to any
26 enrollee of the plan from among a selection of two or more
27 participating managed health care systems. In adopting any rules or
28 procedures applicable to managed health care systems and in its
29 dealings with such systems, the administrator shall consider and make
30 suitable allowance for the need for health care services and the
31 differences in local availability of health care resources, along with
32 other resources, within and among the several areas of the state.
33 Contracts with participating managed health care systems shall ensure
34 that basic health plan enrollees who become eligible for medical
35 assistance may, at their option, continue to receive services from
36 their existing providers within the managed health care system if such
37 providers have entered into provider agreements with the department of
38 social and health services.

1 (8) To receive periodic premiums from or on behalf of subsidized
2 and nonsubsidized enrollees, deposit them in the basic health plan
3 operating account, keep records of enrollee status, and authorize
4 periodic payments to managed health care systems on the basis of the
5 number of enrollees participating in the respective managed health care
6 systems.

7 (9) To accept applications from individuals residing in areas
8 served by the plan, on behalf of themselves and their spouses and
9 dependent children, for enrollment in the Washington basic health plan
10 as subsidized or nonsubsidized enrollees, to establish appropriate
11 minimum-enrollment periods for enrollees as may be necessary, and to
12 determine, upon application and at least ~~((annually))~~ semiannually
13 thereafter, or at the request of any enrollee, eligibility due to
14 current gross family income for sliding scale premiums. ~~((An enrollee
15 who remains current in payment of the sliding scale premium, as
16 determined under subsection (2) of this section, and whose gross family
17 income has risen above twice the federal poverty level, may continue
18 enrollment unless and until the enrollee's gross family income has
19 remained above twice the poverty level for six consecutive months, by
20 making payment at the unsubsidized rate required for the managed health
21 care system in which he or she may be enrolled.))~~ No subsidy may be
22 paid with respect to any enrollee whose current gross family income
23 exceeds twice the federal poverty level or, subject to RCW 70.47.110,
24 who is a recipient of medical assistance or medical care services under
25 chapter 74.09 RCW. If, as a result of an eligibility review, the
26 administrator determines that a subsidized enrollee's income exceeds
27 twice the federal poverty level and that the enrollee knowingly failed
28 to inform the plan of such increase in income, the administrator may
29 bill the enrollee for the subsidy paid on the enrollee's behalf during
30 the period of time that the enrollee's income exceeded twice the
31 federal poverty level. If a number of enrollees drop their enrollment
32 for no apparent good cause, the administrator may establish appropriate
33 rules or requirements that are applicable to such individuals before
34 they will be allowed to re-enroll in the plan.

35 (10) To accept applications from small business owners on behalf of
36 themselves and their employees, spouses, and dependent children, as
37 subsidized or nonsubsidized enrollees, who reside in an area served by
38 the plan. The administrator may require all or the substantial
39 majority of the eligible employees of such businesses to enroll in the

1 plan and establish those procedures necessary to facilitate the orderly
2 enrollment of groups in the plan and into a managed health care system.
3 Prior to July 1, 1997, the administrator shall require that a small
4 business owner pay at least fifty percent but not more than ninety-five
5 percent of the nonsubsidized premium cost of the plan on behalf of each
6 employee enrolled in the plan. Effective on and after July 1, 1997,
7 the employer participation levels established by the health services
8 commission pursuant to section 455 of this act shall govern employer
9 participation levels under this section. For the purposes of this
10 subsection, an employee means an individual who regularly works for the
11 small business for at least twenty hours per week. The businesses may
12 have no more than one hundred employees at the time of initial
13 enrollment and enrollment is limited to those not eligible for medicare
14 or medical assistance, who wish to enroll in the plan and choose to
15 obtain the basic health care coverage and services from a managed care
16 system participating in the plan. The administrator shall adjust the
17 amount determined to be due on behalf of or from all such enrollees
18 whenever the amount negotiated by the administrator with the
19 participating managed health care system or systems is modified or the
20 administrative cost of providing the plan to such enrollees changes.

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

32 ((11)) (12) To monitor the provision of covered services to
33 enrollees by participating managed health care systems in order to
34 assure enrollee access to good quality basic health care, to require
35 periodic data reports concerning the utilization of health care
36 services rendered to enrollees in order to provide adequate information
37 for evaluation, and to inspect the books and records of participating
38 managed health care systems to assure compliance with the purposes of
39 this chapter. In requiring reports from participating managed health

1 care systems, including data on services rendered enrollees, the
2 administrator shall endeavor to minimize costs, both to the managed
3 health care systems and to the ~~((administrator))~~ plan. The
4 administrator shall coordinate any such reporting requirements with
5 other state agencies, such as the insurance commissioner and the
6 department of health, to minimize duplication of effort.

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

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

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

19 (15) ~~((To provide, consistent with available resources, technical
20 assistance for rural health activities that endeavor to develop needed
21 health care services in rural parts of the state))~~ To endeavor to
22 expand enrollment as much as possible to correspond to the proportion
23 of persons of color in the community served using the best available
24 data that estimates representation of persons of color and describe
25 these efforts in its annual report.

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

28 ENROLLMENT. On and after July 1, 1988, the administrator shall
29 accept for enrollment applicants eligible to receive covered basic
30 health care services from the respective managed health care systems
31 which are then participating in the plan. ~~((The administrator shall
32 not allow the total enrollment of those eligible for subsidies to
33 exceed thirty thousand.))~~

34 Thereafter, total ~~((enrollment shall not exceed the number
35 established by the legislature in any act appropriating funds to the
36 plan.~~

37 Before July 1, 1988, the administrator shall endeavor to secure
38 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 subsidized enrollment shall not result in expenditures that exceed the
7 total amount that has been made available by the legislature in any act
8 appropriating funds to the plan. To the extent that new funding is
9 appropriated for expansion, the administrator shall endeavor to secure
10 participation contracts from managed health care systems in geographic
11 areas of the state that are unserved by the plan at the time at which
12 the new funding is appropriated. In the selection of any such areas
13 the administrator shall take into account the levels and rates of
14 unemployment in different areas of the state, the need to provide basic
15 health care coverage to a population reasonably representative of the
16 portion of the state's population that lacks such coverage, and the
17 need for geographic, demographic, and economic diversity.

18 The administrator shall at all times closely monitor growth
19 patterns of enrollment so as not to exceed that consistent with the
20 orderly development of the plan as a whole, in any area of the state or
21 in any participating managed health care system. The annual or
22 biennial enrollment limitations derived from operation of the plan
23 under this section do not apply to nonsubsidized enrollees as defined
24 in RCW 70.47.020(5).

25 **B. EXPANDED MANAGED CARE FOR STATE EMPLOYEES**

26 **Sec. 214.** RCW 41.05.011 and 1990 c 222 s 2 are each amended to
27 read as follows:

28 DEFINITIONS. Unless the context clearly requires otherwise, the
29 definitions in this section shall apply throughout this chapter.

30 (1) "Administrator" means the administrator of the authority.

31 (2) "State purchased health care" or "health care" means medical
32 and health care, pharmaceuticals, and medical equipment purchased with
33 state and federal funds by the department of social and health
34 services, the department of health, the basic health plan, the state
35 health care authority, the department of labor and industries, the
36 department of corrections, the department of veterans affairs, and
37 local school districts.

1 (3) "Authority" means the Washington state health care authority.

2 (4) "Insuring entity" means an (~~insurance carrier as defined in~~
3 ~~chapter 48.21 or 48.22~~) insurer as defined in chapter 48.01 RCW, a
4 health care service contractor as defined in chapter 48.44 RCW, or a
5 health maintenance organization as defined in chapter 48.46 RCW. On
6 and after July 1, 1995, "insuring entity" means a certified health
7 plan, as defined in section 402 of this act.

8 (5) "Flexible benefit plan" means a benefit plan that allows
9 employees to choose the level of health care coverage provided and the
10 amount of employee contributions from among a range of choices offered
11 by the authority.

12 (6) "Employee" includes all full-time and career seasonal employees
13 of the state, whether or not covered by civil service; upon a
14 determination by the administrator as provided in RCW 41.05.021(2), all
15 employees of school districts; elected and appointed officials of the
16 executive branch of government, including full-time members of boards,
17 commissions, or committees; and includes any or all part-time and
18 temporary employees under the terms and conditions established under
19 this chapter by the authority; justices of the supreme court and judges
20 of the court of appeals and the superior courts; and members of the
21 state legislature or of the legislative authority of any county, city,
22 or town who are elected to office after February 20, 1970. "Employee"
23 also includes employees of a county, municipality, or other political
24 subdivision of the state if the legislative authority of the county,
25 municipality, or other political subdivision of the state seeks and
26 receives the approval of the authority to provide any of its insurance
27 programs by contract with the authority, as provided in RCW
28 41.04.205(~~, and employees of a school district if the board of~~
29 directors of the school district seeks and receives the approval of the
30 authority to provide any of its insurance programs by contract with the
31 authority as provided in RCW 28A.400.350)) employees of employee
32 organizations representing state civil service employees, at the option
33 of each such employee organization, and, upon the determination
34 provided for in RCW 41.05.021(2) by the administrator, employees of
35 employee organizations currently pooled with employees of school
36 districts for the purpose of purchasing insurance benefits, at the
37 option of each such employee organization.

38 (7) "Board" means the (~~state~~) public employees' benefits board
39 established under RCW 41.05.055.

1 **Sec. 215.** RCW 41.05.021 and 1990 c 222 s 3 are each amended to
2 read as follows:

3 HEALTH CARE AUTHORITY DUTIES. (1) The Washington state health care
4 authority is created within the executive branch. The authority shall
5 have an administrator appointed by the governor, with the consent of
6 the senate. The administrator shall serve at the pleasure of the
7 governor. The administrator may employ up to seven staff members, who
8 shall be exempt from chapter 41.06 RCW, and any additional staff
9 members as are necessary to administer this chapter. The primary
10 duties of the authority shall be to administer state employees'
11 insurance benefits ~~((and to))~~, study state-purchased health care
12 programs in order to maximize cost containment in these programs while
13 ensuring access to quality health care, and implement state
14 initiatives, joint purchasing strategies, and techniques for efficient
15 administration that have potential application to all state-purchased
16 health services. The authority's duties include, but are not limited
17 to, the following:

18 ~~((1))~~ (a) To administer a health care benefit program for
19 employees as specifically authorized in RCW 41.05.065 and in accordance
20 with the methods described in RCW 41.05.075, 41.05.140, and other
21 provisions of this chapter;

22 ~~((2))~~ (b) To analyze state-purchased health care programs and to
23 explore options for cost containment and delivery alternatives for
24 those programs that are consistent with the purposes of those programs,
25 including, but not limited to:

26 ~~((a))~~ (i) Creation of economic incentives for the persons for
27 whom the state purchases health care to appropriately utilize and
28 purchase health care services, including the development of flexible
29 benefit plans to offset increases in individual financial
30 responsibility;

31 ~~((b))~~ (ii) Utilization of provider arrangements that encourage
32 cost containment and ensure access to quality care, including but not
33 limited to prepaid delivery systems, utilization review, and
34 prospective payment methods;

35 ~~((c))~~ (iii) Coordination of state agency efforts to purchase
36 drugs effectively as provided in RCW 70.14.050;

37 ~~((d))~~ (iv) Development of recommendations and methods for
38 purchasing medical equipment and supporting services on a volume
39 discount basis; and

1 (~~(e)~~) (v) Development of data systems to obtain utilization data
2 from state-purchased health care programs in order to identify cost
3 centers, utilization patterns, provider and hospital practice patterns,
4 and procedure costs, utilizing the information obtained pursuant to RCW
5 41.05.031;

6 (~~(3)~~) (c) To analyze areas of public and private health care
7 interaction;

8 (~~(4)~~) (d) To provide information and technical and administrative
9 assistance to the board;

10 (~~(5)~~) (e) To review and approve or deny applications from
11 counties, municipalities, and other political subdivisions of the
12 state(~~(, and school districts)~~) to provide state-sponsored insurance or
13 self-insurance programs to their employees in accordance with the
14 provisions of RCW 41.04.205 (~~and 28A.400.350~~), setting the premium
15 contribution for approved groups as outlined in RCW 41.05.050;

16 (~~(6)~~) (f) To appoint a health care policy technical advisory
17 committee as required by RCW 41.05.150; and

18 (~~(7)~~) (g) To promulgate and adopt rules consistent with this
19 chapter as described in RCW 41.05.160.

20 (2) The administrator shall determine the year in which the public
21 employees' benefits board will undertake design and approval of
22 insurance benefits plans for school district employees. Upon making
23 that determination the administrator shall:

24 (a) Provide written notification to the fiscal committees of the
25 senate and the house of representatives. Such notification shall be
26 given by January 1 of the year prior to which the administrator will
27 begin purchasing insurance benefits on behalf of school district
28 employees; and

29 (b) Develop procedures necessary to ensure that the transition to
30 insurance benefits purchasing by the administrator does not disrupt
31 existing insurance contracts between school district employees and
32 insurers.

33 (3) The public employees' benefits board shall implement strategies
34 to promote managed competition among employee health benefit plans by
35 January 1, 1995, including but not limited to:

36 (a) Standardizing the benefit package;

37 (b) Soliciting competitive bids for the benefit package;

38 (c) Limiting the state's contribution to a percent of the lowest
39 priced sealed bid of a qualified plan within a geographical area. If

1 the state's contribution is less than one hundred percent of the lowest
2 priced sealed bid, employee financial contributions shall be structured
3 on a sliding-scale basis related to household income;

4 (d) Ensuring access to quality health services, including assuring
5 reasonable access to local providers, especially for enrollees residing
6 in rural areas;

7 (e) Monitoring the impact of the approach under this subsection
8 with regards to: Efficiencies in health service delivery, cost shifts
9 to subscribers, access to and choice of managed care plans state-wide,
10 and quality of health services. The health care authority shall also
11 advise on the value of administering a benchmark employer-managed plan
12 to promote competition among managed care plans. The health care
13 authority shall report its findings and recommendations to the
14 legislature by January 1, 1997.

15 **Sec. 216.** RCW 41.05.050 and 1988 c 107 s 18 are each amended to
16 read as follows:

17 FERRY EMPLOYEES. (1) Every department, division, or separate
18 agency of state government, and such county, municipal, or other
19 political subdivisions as are covered by this chapter, shall provide
20 contributions to insurance and health care plans for its employees and
21 their dependents, the content of such plans to be determined by the
22 authority. Contributions, paid by the county, the municipality, or
23 other political subdivision for their employees, shall include an
24 amount determined by the authority to pay such administrative expenses
25 of the authority as are necessary to administer the plans for employees
26 of those groups. All such contributions will be paid into the
27 ((state)) public employees' health insurance account.

28 (2) The contributions of any department, division, or separate
29 agency of the state government, and such county, municipal, or other
30 political subdivisions as are covered by this chapter, shall be set by
31 the authority, subject to the approval of the governor for availability
32 of funds as specifically appropriated by the legislature for that
33 purpose. ((However,)) Insurance and health care contributions for
34 ferry employees shall be governed by RCW 47.64.270 until December 31,
35 1996. On and after January 1, 1997, ferry employees shall enroll with
36 certified health plans under chapter . . . , Laws of 1993 (this act).

37 (3) The administrator with the assistance of the ((state)) public
38 employees' benefits board shall survey private industry and public

1 employers in the state of Washington to determine the average employer
2 contribution for group insurance programs under the jurisdiction of the
3 authority. Such survey shall be conducted during each even-numbered
4 year but may be conducted more frequently. The survey shall be
5 reported to the authority for its use in setting the amount of the
6 recommended employer contribution to the employee insurance benefit
7 program covered by this chapter. The authority shall transmit a
8 recommendation for the amount of the employer contribution to the
9 governor and the director of financial management for inclusion in the
10 proposed budgets submitted to the legislature.

11 **Sec. 217.** RCW 41.05.055 and 1989 c 324 s 1 are each amended to
12 read as follows:

13 PUBLIC EMPLOYEES' BENEFITS BOARD--SCHOOL DISTRICT EMPLOYEES. (1)
14 The ~~((state))~~ public employees' benefits board is created within the
15 authority. The function of the board is to design and approve
16 insurance benefit plans for state employees and upon a determination by
17 the administrator as provided in RCW 41.05.021(2), school district
18 employees.

19 (2) Beginning in the year in which the administrator determines
20 that the public employees' benefits board will undertake design and
21 approval of insurance benefits plans for school district employees, as
22 provided in RCW 41.05.021(2), the board shall be composed of ~~((seven))~~
23 nine members appointed by the governor as follows:

24 (a) ~~((Three))~~ Two representatives of state employees, ~~((one of whom~~
25 ~~shall represent an employee association certified as exclusive~~
26 ~~representative of at least one bargaining unit of classified~~
27 ~~employees,))~~ one of whom shall represent an employee union certified as
28 exclusive representative of at least one bargaining unit of classified
29 employees, and one of whom is retired, is covered by a program under
30 the jurisdiction of the board, and represents an organized group of
31 retired public employees;

32 (b) Two representatives of school district employees, one of whom
33 shall represent an association of school employees and one of whom is
34 retired, and represents an organized group of retired school employees;

35 ~~((Three))~~ (c) Four members with experience in health benefit
36 management and cost containment; and

37 ~~((e))~~ (d) The administrator.

1 Prior to that year, the composition of the public employees
2 benefits board shall reflect its composition on January 1, 1993.

3 (3) The governor shall appoint the initial members of the board to
4 staggered terms not to exceed four years. Members appointed thereafter
5 shall serve two-year terms. Members of the board shall be compensated
6 in accordance with RCW 43.03.250 and shall be reimbursed for their
7 travel expenses while on official business in accordance with RCW
8 43.03.050 and 43.03.060. The board shall prescribe rules for the
9 conduct of its business. The administrator shall serve as chair of the
10 board. Meetings of the board shall be at the call of the chair.

11 **Sec. 218.** RCW 41.05.065 and 1988 c 107 s 8 are each amended to
12 read as follows:

13 EMPLOYEE BENEFIT PLANS--STANDARDS. (1) The board shall study all
14 matters connected with the provision of health care coverage, life
15 insurance, liability insurance, accidental death and dismemberment
16 insurance, and disability income insurance or any of, or a combination
17 of, the enumerated types of insurance for employees and their
18 dependents on the best basis possible with relation both to the welfare
19 of the employees and to the state(~~(:—PROVIDED, That))~~), however
20 liability insurance shall not be made available to dependents.

21 (2) The (~~state~~) public employees' benefits board shall develop
22 employee benefit plans that include comprehensive health care benefits
23 for all employees. In developing these plans, the board shall consider
24 the following elements:

25 (a) Methods of maximizing cost containment while ensuring access to
26 quality health care;

27 (b) Development of provider arrangements that encourage cost
28 containment and ensure access to quality care, including but not
29 limited to prepaid delivery systems and prospective payment methods;

30 (c) Wellness incentives that focus on proven strategies, such as
31 smoking cessation, exercise, (~~and~~) automobile and motorcycle safety,
32 blood cholesterol reduction, and nutrition education;

33 (d) Utilization review procedures including, but not limited to
34 prior authorization of services, hospital inpatient length of stay
35 review, requirements for use of outpatient surgeries and second
36 opinions for surgeries, review of invoices or claims submitted by
37 service providers, and performance audit of providers; (~~and~~)

38 (e) Effective coordination of benefits;

1 (f) Minimum standards for insuring entities; and
2 (g) Minimum scope and content of standard benefit plans to be
3 offered to enrollees participating in the employee health benefit
4 plans. On and after July 1, 1995, the uniform benefits package shall
5 constitute the minimum level of health benefits offered to employees.
6 To maintain the comprehensive nature of employee health care benefits,
7 the benefits provided to employees shall be substantially equivalent to
8 the state employees' health benefits plan in effect on January 1, 1993.

9 (3) The board shall design benefits and determine the terms and
10 conditions of employee participation and coverage, including
11 establishment of eligibility criteria.

12 (4) The board shall attempt to achieve enrollment of all employees
13 and retirees in managed health care systems by July 1994.

14 The board may authorize premium contributions for an employee and
15 the employee's dependents in a manner that encourages the use of cost-
16 efficient managed health care systems. (~~Such authorization shall~~
17 ~~require a vote of five members of the board for approval.~~)

18 (5) Employees (~~may~~) shall choose participation in (~~only~~) one of
19 the health care benefit plans developed by the board, but employees may
20 choose to obtain employee only coverage or employee and dependent
21 coverage.

22 (6) The board shall review plans proposed by insurance carriers
23 that desire to offer property insurance and/or accident and casualty
24 insurance to state employees through payroll deduction. The board may
25 approve any such plan for payroll deduction by carriers holding a valid
26 certificate of authority in the state of Washington and which the board
27 determines to be in the best interests of employees and the state. The
28 board shall promulgate rules setting forth criteria by which it shall
29 evaluate the plans.

30 **Sec. 219.** RCW 41.05.120 and 1991 sp.s. c 13 s 100 are each amended
31 to read as follows:

32 PUBLIC EMPLOYEES' INSURANCE ACCOUNT. (1) The (~~state~~) public
33 employees' insurance account is hereby established in the custody of
34 the state treasurer, to be used by the administrator for the deposit of
35 contributions, reserves, dividends, and refunds, and for payment of
36 premiums for employee insurance benefit contracts. Moneys from the
37 account shall be disbursed by the state treasurer by warrants on
38 vouchers duly authorized by the administrator.

1 (2) The state treasurer and the state investment board may invest
2 moneys in the ((state)) public employees' insurance account. All such
3 investments shall be in accordance with RCW 43.84.080 or 43.84.150,
4 whichever is applicable. The administrator shall determine whether the
5 state treasurer or the state investment board or both shall invest
6 moneys in the ((state)) public employees' insurance account.

7 **Sec. 220.** RCW 41.05.140 and 1988 c 107 s 12 are each amended to
8 read as follows:

9 PUBLIC EMPLOYEES' INSURANCE RESERVE FUND. (1) The authority may
10 self-fund or self-insure for public employees' benefits plans, but
11 shall also enter into other methods of providing insurance coverage for
12 insurance programs under its jurisdiction except property and casualty
13 insurance. The authority shall contract for payment of claims or other
14 administrative services for programs under its jurisdiction. If a
15 program does not require the prepayment of reserves, the authority
16 shall establish such reserves within a reasonable period of time for
17 the payment of claims as are normally required for that type of
18 insurance under an insured program. Reserves established by the
19 authority shall be held in a separate trust fund by the state treasurer
20 and shall be known as the ((state)) public employees' insurance reserve
21 fund. The state investment board shall act as the investor for the
22 funds and, except as provided in RCW 43.33A.160, one hundred percent of
23 all earnings from these investments shall accrue directly to the
24 ((state)) public employees' insurance reserve fund.

25 (2) Any savings realized as a result of a program created under
26 this section shall not be used to increase benefits unless such use is
27 authorized by statute.

28 (3) Any program created under this section shall be subject to the
29 examination requirements of chapter 48.03 RCW as if the program were a
30 domestic insurer. In conducting an examination, the commissioner shall
31 determine the adequacy of the reserves established for the program.

32 (4) The authority shall keep full and adequate accounts and records
33 of the assets, obligations, transactions, and affairs of any program
34 created under this section.

35 (5) The authority shall file a quarterly statement of the financial
36 condition, transactions, and affairs of any program created under this
37 section in a form and manner prescribed by the insurance commissioner.
38 The statement shall contain information as required by the commissioner

1 for the type of insurance being offered under the program. A copy of
2 the annual statement shall be filed with the speaker of the house of
3 representatives and the president of the senate.

4 NEW SECTION. **Sec. 221.** A new section is added to chapter 41.05
5 RCW to read as follows:

6 MEDICARE SUPPLEMENTAL BENEFITS. (1) Notwithstanding any other
7 provisions of this chapter, if a waiver of the medicare statute, as
8 provided in section 464 of this act, is not obtained prior to June 30,
9 1995, the administrator shall develop at least two medical plans for
10 retirees eligible for medicare. One of the packages shall include
11 coverage for prescription drugs. The packages shall be offered
12 beginning July 1, 1996, and until a medicare waiver is obtained, to any
13 resident of the state eligible for medicare benefits.

14 (2) The administrator may:

15 (a) Offer a self-funded medical plan for retirees eligible for
16 medicare that includes all services available in the uniform benefits
17 package to the extent they are not covered by medicare; and

18 (b) Offer medical plans for retirees eligible for medicare that
19 conform to the requirements of chapter 48.66 RCW.

20 (3) The medical plans for retirees eligible for medicare shall be
21 administered and shall have rates calculated as a distinct experience
22 pool.

23 (4) To the extent that funding is made available specifically for
24 this purpose, the administrator shall establish subsidies for low-
25 income residents' premium and cost-sharing payments.

26 **Sec. 222.** RCW 47.64.270 and 1988 c 107 s 21 are each amended to
27 read as follows:

28 FERRY EMPLOYEES--ENROLLMENT IN CERTIFIED HEALTH PLANS. Until
29 December 31, 1996, absent a collective bargaining agreement to the
30 contrary, the department of transportation shall provide contributions
31 to insurance and health care plans for ferry system employees and
32 dependents, as determined by the state health care authority, under
33 chapter 41.05 RCW((-)); and the ferry system management and employee
34 organizations may collectively bargain for other insurance and health
35 care plans, and employer contributions may exceed that of other state
36 agencies as provided in RCW 41.05.050, subject to RCW 47.64.180. On
37 January 1, 1997, ferry employees shall enroll in certified health plans

1 under the provisions of chapter . . . , Laws of 1993 (this act). To the
2 extent that ferry employees by bargaining unit have absorbed the
3 required offset of wage increases by the amount that the employer's
4 contribution for employees' and dependents' insurance and health care
5 plans exceeds that of other state general government employees in the
6 1985-87 fiscal biennium, employees shall not be required to absorb a
7 further offset except to the extent the differential between employer
8 contributions for those employees and all other state general
9 government employees increases during any subsequent fiscal biennium.
10 If such differential increases in the 1987-89 fiscal biennium or the
11 1985-87 offset by bargaining unit is insufficient to meet the required
12 deduction, the amount available for compensation shall be reduced by
13 bargaining unit by the amount of such increase or the 1985-87 shortage
14 in the required offset. Compensation shall include all wages and
15 employee benefits.

16 **Sec. 223.** RCW 28A.400.200 and 1990 1st ex.s. c 11 s 2 and 1990 c
17 33 s 381 are each reenacted and amended to read as follows:

18 SCHOOL DISTRICT EMPLOYEES--EMPLOYER CONTRIBUTIONS. (1) Every
19 school district board of directors shall fix, alter, allow, and order
20 paid salaries and compensation for all district employees in
21 conformance with this section.

22 (2)(a) Salaries for certificated instructional staff shall not be
23 less than the salary provided in the appropriations act in the state-
24 wide salary allocation schedule for an employee with a baccalaureate
25 degree and zero years of service; and

26 (b) Salaries for certificated instructional staff with a masters
27 degree shall not be less than the salary provided in the appropriations
28 act in the state-wide salary allocation schedule for an employee with
29 a masters degree and zero years of service;

30 (3)(a) The actual average salary paid to basic education
31 certificated instructional staff shall not exceed the district's
32 average basic education certificated instructional staff salary used
33 for the state basic education allocations for that school year as
34 determined pursuant to RCW 28A.150.410.

35 (b) Fringe benefit contributions for basic education certificated
36 instructional staff shall be included as salary under (a) of this
37 subsection only to the extent that the district's actual average
38 benefit contribution exceeds the (~~greater of: (i) The formula amount~~

1 ~~for insurance benefits))~~ amount of the insurance benefits allocation
2 provided per certificated instructional staff unit in the state
3 operating appropriations act in effect at the time the compensation is
4 payable(~~(i or (ii) the actual average amount provided by the school~~
5 district in the 1986-87 school year)). For purposes of this section,
6 fringe benefits shall not include payment for unused leave for illness
7 or injury under RCW 28A.400.210(~~(, or))~~i employer contributions for old
8 age survivors insurance, workers' compensation, unemployment
9 compensation, and retirement benefits under the Washington state
10 retirement system; or employer contributions for health benefits in
11 excess of the insurance benefits allocation provided per certificated
12 instructional staff unit in the state operating appropriations act in
13 effect at the time the compensation is payable. A school district may
14 not use state funds to provide employer contributions for such excess
15 health benefits.

16 (c) Salary and benefits for certificated instructional staff in
17 programs other than basic education shall be consistent with the salary
18 and benefits paid to certificated instructional staff in the basic
19 education program.

20 (4) Salaries and benefits for certificated instructional staff may
21 exceed the limitations in subsection (3) of this section only by
22 separate contract for additional time, additional responsibilities, or
23 incentives. Supplemental contracts shall not cause the state to incur
24 any present or future funding obligation. Supplemental contracts shall
25 be subject to the collective bargaining provisions of chapter 41.59 RCW
26 and the provisions of RCW 28A.405.240, shall not exceed one year, and
27 if not renewed shall not constitute adverse change in accordance with
28 RCW 28A.405.300 through 28A.405.380. No district may enter into a
29 supplemental contract under this subsection for the provision of
30 services which are a part of the basic education program required by
31 Article IX, section 3 of the state Constitution.

32 (5) Employee benefit plans offered by any district shall comply
33 with RCW 28A.400.350 and 28A.400.275 and 28A.400.280.

34 **Sec. 224.** RCW 28A.400.350 and 1990 1st ex.s. c 11 s 3 and 1990 c
35 74 s 1 are each reenacted and amended to read as follows:

36 SCHOOL DISTRICTS--HEALTH CARE COVERAGE ONLY BY CONTRACTS WITH THE
37 STATE HEALTH CARE AUTHORITY. (1) The board of directors of any of the
38 state's school districts may make available liability, life, health,

1 health care, accident, disability and salary protection or insurance or
2 any one of, or a combination of the enumerated types of insurance, or
3 any other type of insurance or protection, for the members of the
4 boards of directors, the students, and employees of the school
5 district, and their dependents. Such coverage may be provided by
6 contracts with private carriers, with the state health care authority
7 after July 1, 1990, pursuant to the approval of the authority
8 administrator, or through self-insurance or self-funding pursuant to
9 chapter 48.62 RCW, or in any other manner authorized by law. Except to
10 the extent provided in RCW 28A.400.200, upon the making of a
11 determination provided for in RCW 41.05.021(2) by the administrator of
12 the state health care authority, health care coverage, life insurance,
13 liability insurance, accidental death and dismemberment insurance, and
14 disability income insurance shall be provided only by contracts with
15 the state health care authority.

16 (2) Whenever funds are available for these purposes the board of
17 directors of the school district may contribute all or a part of the
18 cost of such protection or insurance for the employees of their
19 respective school districts and their dependents. The premiums on such
20 liability insurance shall be borne by the school district.

21 After October 1, 1990, school districts may not contribute to any
22 employee protection or insurance other than liability insurance unless
23 the district's employee benefit plan conforms to RCW 28A.400.275 and
24 28A.400.280.

25 (3) For school board members and students, the premiums due on such
26 protection or insurance shall be borne by the assenting school board
27 member or student(~~(:—PROVIDED, That)~~). The school district may
28 contribute all or part of the costs, including the premiums, of life,
29 health, health care, accident or disability insurance which shall be
30 offered to all students participating in interschool activities on the
31 behalf of or as representative of their school or school district. The
32 school district board of directors may require any student
33 participating in extracurricular interschool activities to, as a
34 condition of participation, document evidence of insurance or purchase
35 insurance that will provide adequate coverage, as determined by the
36 school district board of directors, for medical expenses incurred as a
37 result of injury sustained while participating in the extracurricular
38 activity. In establishing such a requirement, the district shall adopt
39 regulations for waiving or reducing the premiums of such coverage as

1 may be offered through the school district to students participating in
2 extracurricular activities, for those students whose families, by
3 reason of their low income, would have difficulty paying the entire
4 amount of such insurance premiums. The district board shall adopt
5 regulations for waiving or reducing the insurance coverage requirements
6 for low-income students in order to assure such students are not
7 prohibited from participating in extracurricular interschool
8 activities.

9 (4) All contracts for insurance or protection written to take
10 advantage of the provisions of this section shall provide that the
11 beneficiaries of such contracts may utilize on an equal participation
12 basis the services of those practitioners licensed pursuant to chapters
13 18.22, 18.25, 18.53, 18.57, and 18.71 RCW.

14 **C. CONSOLIDATED STATE HEALTH CARE PURCHASING AGENT**

15 NEW SECTION. **Sec. 225.** A new section is added to Title 43 RCW to
16 read as follows:

17 STATE HEALTH SERVICES AGENT. (1) The health care authority is
18 hereby designated as the single state agent for purchasing health
19 services.

20 (2) On and after July 1, 1995, at least the following state-
21 purchased health services programs shall be merged into a single,
22 community-rated risk pool: The basic health plan; health benefits for
23 active employees of school districts, to the extent that the
24 administrator has made a determination under RCW 41.05.021(2); and
25 health benefits for active state employees. Until that date, in
26 purchasing health services, the health care authority shall maintain
27 separate experience pools for each of the programs in this subsection.
28 The administrator may develop mechanisms to ensure that the cost of
29 comparable benefits packages does not vary widely across the experience
30 pools. At the earliest opportunity the governor shall seek necessary
31 federal waivers and state legislation to place the medical and acute
32 care components of the medical assistance program, the limited casualty
33 program, and the medical care services program of the department of
34 social and health services in this single risk pool. Long-term care
35 services that are provided under the medical assistance program shall
36 not be placed in the single risk pool until such services have been
37 added to the uniform benefits package. On or before January 1, 1997,

1 the governor shall submit necessary legislation to place the purchasing
2 of health benefits for persons incarcerated in institutions
3 administered by the department of corrections into the single
4 community-rated risk pool effective on and after July 1, 1997.

5 (3) At a minimum, and regardless of other legislative enactments,
6 the state health services purchasing agent shall:

7 (a) Require that a public agency that provides subsidies for a
8 substantial portion of services now covered under the basic health plan
9 or a uniform benefits package as adopted by the Washington health
10 services commission as provided in section 448 of this act, use uniform
11 eligibility processes, insofar as may be possible, and ensure that
12 multiple eligibility determinations are not required;

13 (b) Require that a health care provider or a health care facility
14 that receives funds from a public program provide care to state
15 residents receiving a state subsidy who may wish to receive care from
16 them, and that a health maintenance organization, health care service
17 contractor, insurer, or certified health plan that receives funds from
18 a public program accept enrollment from state residents receiving a
19 state subsidy who may wish to enroll with them;

20 (c) Strive to integrate purchasing for all publicly sponsored
21 health services in order to maximize the cost control potential and
22 promote the most efficient methods of financing and coordinating
23 services;

24 (d) Annually suggest changes in state and federal law and rules to
25 bring all publicly funded health programs in compliance with the goals
26 and intent of chapter . . . , Laws of 1993 (this act);

27 (e) Consult regularly with the governor, the legislature, and state
28 agency directors whose operations are affected by the implementation of
29 this section;

30 (f) Ensure that procedures and due process guarantees no less
31 beneficial than those available under federal and state law to
32 participants in the medical assistance, limited casualty, and medical
33 care services programs are provided to all persons who, but for the
34 federal waivers and state legislation procured under subsection (1) of
35 this section, would be eligible for those programs.

36 NEW SECTION. **Sec. 226.** A new section is added to chapter 41.05
37 RCW to read as follows:

1 WASHINGTON STATE GROUP PURCHASING ASSOCIATION. (1) The Washington
2 state group purchasing association is established for the purpose of
3 coordinating and enhancing the health care purchasing power of the
4 groups identified in subsection (2) of this section. The purchasing
5 association shall be administered by the administrator.

6 (2) The following organizations or entities may seek the approval
7 of the administrator for membership in the purchasing association:

8 (a) Private nonprofit human services provider organizations under
9 contract with state agencies, on behalf of their employees and their
10 employees' spouses and dependent children;

11 (b) Individuals providing in-home long-term care services to
12 persons whose care is financed in whole or in part through the medical
13 assistance personal care or community options program entry system
14 program as provided in chapter 74.09 RCW, or the chore services
15 program, as provided in chapter 74.08 RCW, on behalf of themselves and
16 their spouses and dependent children;

17 (c) Owners and operators of child day care centers and family child
18 care homes licensed under chapter 74.15 RCW and of preschool or other
19 child care programs exempted from licensing under chapter 74.15 RCW on
20 behalf of themselves and their employees and employees' spouses and
21 dependent children; and

22 (d) Foster parents contracting with the department of social and
23 health services under chapter 74.13 RCW and licensed under chapter
24 74.15 RCW on behalf of themselves and their spouses and dependent
25 children.

26 (3) In administering the purchasing association, the administrator
27 shall:

28 (a) Negotiate and enter into contracts on behalf of the purchasing
29 association's members in conjunction with its contracting and
30 purchasing activities for employee benefit plans under RCW 41.05.075.
31 In negotiating and contracting with insuring entities on behalf of
32 employees and purchasing association members, distinct experience pools
33 shall be maintained.

34 (b) Review and approve or deny applications from entities seeking
35 membership in the purchasing association:

36 (i) The administrator may require all or the substantial majority
37 of the employees of the organizations or entities listed in subsection
38 (2) of this section to enroll in the purchasing association.

1 (ii) The administrator shall require, that as a condition of
2 membership in the purchasing association, an entity or organization
3 listed in subsection (2) of this section that employs individuals pay
4 at least fifty percent but not more than ninety-five percent of the
5 cost of the insurance coverage for each employee enrolled in the
6 purchasing association.

7 (iii) In offering and administering the purchasing association, the
8 administrator may not discriminate against individuals or groups based
9 on age, gender, geographic area, industry, or medical history.

10 (4) On and after July 1, 1995, the uniform benefits package and
11 schedule of premiums and point of service cost-sharing adopted and from
12 time to time revised by the health services commission pursuant to
13 chapter . . . , Laws of 1993 (this act) shall be applicable to the
14 association.

15 (5) The administrator shall adopt preexisting condition coverage
16 provisions for the association as provided in sections 279 through 282
17 of this act.

18 (6) Except to the extent that funds are appropriated specifically
19 for this purpose, include its reasonable administrative and marketing
20 costs in premiums charged to members of the purchasing association.

21 (7)(a) The Washington state group purchasing association account is
22 established in the custody of the state treasurer, to be used by the
23 administrator for the deposit of premium payments from individuals and
24 entities described in subsection (2) of this section, and for payment
25 of premiums for benefit contracts entered into on behalf of the
26 purchasing association's participants and operating expenses incurred
27 by the authority in the administration of benefit contracts under this
28 section. Moneys from the account shall be disbursed by the state
29 treasurer by warrants on vouchers duly authorized by the administrator.

30 (b) Disbursements from the account are not subject to
31 appropriations, but shall be subject to the allotment procedure
32 provided under chapter 43.88 RCW.

33 NEW SECTION. **Sec. 227.** A new section is added to chapter 41.05
34 RCW to read as follows:

35 **MARKETING PLAN.** The administrator shall develop a marketing plan
36 for the basic health plan and the Washington state group purchasing
37 association. The plan shall be targeted to individuals and entities
38 eligible to enroll in the two programs and provide clear and

1 understandable explanations of the programs and enrollment procedures.
2 The plan also shall incorporate special efforts to reach communities
3 and people of color.

4 NEW SECTION. **Sec. 228.** WASHINGTON STATE GROUP PURCHASING
5 ASSOCIATION--REPEAL. The following acts or parts of acts, as now
6 existing or hereafter amended, are each repealed, effective June 30,
7 1998:

8 (1) RCW 41.05.____ and 1993 c ____ s 226 (section 226 of this act);
9 and

10 (2) RCW 41.05.____ and 1993 c ____ s 227 (section 227 of this act).

11 NEW SECTION. **Sec. 229.** TRANSFER OF AUTHORITY TO PURCHASE SERVICES
12 FROM COMMUNITY HEALTH CENTERS. (1) State general funds appropriated to
13 the department of health for the purposes of funding community health
14 centers to provide primary medical and dental care services, migrant
15 health services, and maternity health care services shall be
16 transferred to the state health care authority. Any related
17 administrative funds expended by the department of health for this
18 purpose shall also be transferred to the health care authority. The
19 health care authority shall exclusively expend these funds through
20 contracts with community health centers to provide primary medical and
21 dental care services, migrant health services, and maternity health
22 care services. The administrator of the health care authority shall
23 establish requirements necessary to assure community health centers
24 provide quality health care services that are appropriate and effective
25 and are delivered in a cost-efficient manner. The administrator shall
26 further assure that community health centers have appropriate referral
27 arrangements for acute care and medical specialty services not provided
28 by the community health centers.

29 (2) To further the intent of chapter . . . , Laws of 1993 (this
30 act), the health care authority, in consultation with the department of
31 health, shall evaluate the organization and operation of the federal
32 and state-funded community health centers and other not-for-profit
33 health care organizations and propose recommendations to the health
34 services commission and the health policy committees of the legislature
35 by November 30, 1994, that identify changes to permit community health
36 centers and other not-for-profit health care organizations to form
37 certified health plans or other innovative health care delivery

1 arrangements that help ensure access to primary health care services
2 consistent with the purposes of chapter . . . , Laws of 1993 (this act).

3 **D. HEALTH CARE PROVIDER CONFLICT OF INTEREST STANDARDS**

4 **Sec. 230.** RCW 19.68.010 and 1973 1st ex.s. c 26 s 1 are each
5 amended to read as follows:

6 FINANCIAL INTEREST IN HEALTH CARE FACILITIES--LIST OF ALTERNATIVE
7 FACILITIES TO BE PROVIDED. It shall be unlawful for any person, firm,
8 corporation or association, whether organized as a cooperative, or for
9 profit or nonprofit, to pay, or offer to pay or allow, directly or
10 indirectly, to any person licensed by the state of Washington to engage
11 in the practice of medicine and surgery, drugless treatment in any
12 form, dentistry, or pharmacy and it shall be unlawful for such person
13 to request, receive or allow, directly or indirectly, a rebate, refund,
14 commission, unearned discount or profit by means of a credit or other
15 valuable consideration in connection with the referral of patients to
16 any person, firm, corporation or association, or in connection with the
17 furnishings of medical, surgical or dental care, diagnosis, treatment
18 or service, on the sale, rental, furnishing or supplying of clinical
19 laboratory supplies or services of any kind, drugs, medication, or
20 medical supplies, or any other goods, services or supplies prescribed
21 for medical diagnosis, care or treatment(~~(:—PROVIDED,—That)~~).
22 Ownership of a financial interest in any firm, corporation or
23 association which furnishes any kind of clinical laboratory or other
24 services prescribed for medical, surgical, or dental diagnosis shall
25 not be prohibited under this section where (1) the referring
26 practitioner affirmatively discloses to the patient in writing, the
27 fact that such practitioner has a financial interest in such firm,
28 corporation, or association; and (2) the referring practitioner
29 provides the patient with a list of effective alternative facilities,
30 informs the patient that he or she has the option to use one of the
31 alternative facilities, and assures the patient that he or she will not
32 be treated differently by the referring practitioner if the patient
33 chooses one of the alternative facilities.

34 Any person violating the provisions of this section is guilty of a
35 misdemeanor.

36 **E. PUBLIC HEALTH FINANCING AND GOVERNANCE**

1 **Sec. 231.** RCW 70.05.010 and 1967 ex.s. c 51 s 1 are each amended
2 to read as follows:

3 DEFINITIONS--DEPARTMENT OF HEALTH. For the purposes of chapters
4 70.05 and 70.46 RCW (~~(and RCW 70.46.020 through 70.46.090)~~) and unless
5 the context thereof clearly indicates to the contrary:

6 (1) "Local health departments" means the (~~(city, town,)~~) county or
7 district which provides public health services to persons within the
8 area;

9 (2) "Local health officer" means the legally qualified physician
10 who has been appointed as the health officer for the (~~(city, town,)~~)
11 county or district public health department;

12 (3) "Local board of health" means the (~~(city, town,)~~) county or
13 district board of health.

14 (4) "Health district" means (~~(all territory encompassed within a~~
15 ~~single county and all cities and towns therein except cities with a~~
16 ~~population of over one hundred thousand, or)~~) all the territory
17 consisting of one or more counties (~~(and all the cities and towns in~~
18 ~~all of the combined counties except cities of over one hundred thousand~~
19 ~~population which have been combined and)~~) organized pursuant to the
20 provisions of chapters 70.05 and 70.46 RCW (~~(and RCW 70.46.020 through~~
21 ~~70.46.090: PROVIDED, That cities with a population of over one hundred~~
22 ~~thousand may be included in a health district as provided in RCW~~
23 ~~70.46.040)~~).

24 (5) "Department" means the department of health.

25 **Sec. 232.** RCW 70.05.030 and 1967 ex.s. c 51 s 3 are each amended
26 to read as follows:

27 LOCAL BOARD OF HEALTH--COUNTIES WITHOUT HOME RULE CHARTER--
28 JURISDICTION. In counties without a home rule charter, the board of
29 county commissioners (~~(of each and every county in this state, except~~
30 ~~where such county is a part of a health district or is purchasing~~
31 ~~services under a contract as authorized by chapter 70.05 RCW and RCW~~
32 ~~70.46.020 through 70.46.090,)~~) shall constitute the local board of
33 health (~~(for such county, and said local board of health's~~
34 ~~jurisdiction)~~), unless the county is part of a health district pursuant
35 to chapter 70.46 RCW. The jurisdiction of the local board of health
36 shall be coextensive with the boundaries of said county(~~(, except that~~
37 ~~nothing herein contained shall give said board jurisdiction in cities~~
38 ~~of over one hundred thousand population or in such other cities and~~

1 towns as are providing health services which meet health standards
2 pursuant to RCW 70.46.090)).

3 **Sec. 233.** RCW 70.05.040 and 1984 c 25 s 1 are each amended to read
4 as follows:

5 LOCAL BOARD OF HEALTH--VACANCIES. The local board of health shall
6 elect a ((chairman)) chair and may appoint an administrative officer.
7 A local health officer shall be appointed pursuant to RCW 70.05.050.
8 Vacancies on the local board of health shall be filled by appointment
9 within thirty days and made in the same manner as was the original
10 appointment. At the first meeting of the local board of health, the
11 members shall elect a ((chairman)) chair to serve for a period of one
12 year. ((In home rule charter counties that have a local board of
13 health established under RCW 70.05.050, the administrative officer may
14 be appointed by the official designated under the county's charter.))

15 NEW SECTION. **Sec. 234.** A new section is added to chapter 70.05
16 RCW to read as follows:

17 HOME RULE CHARTER--LOCAL BOARD OF HEALTH. In counties with a home
18 rule charter, the county legislative authority shall establish a local
19 board of health and may prescribe the membership and selection process
20 for the board. The jurisdiction of the local board of health shall be
21 coextensive with the boundaries of the county. The local health
22 officer, as described in RCW 70.05.050, shall be appointed by the
23 official designated under the provisions of the county charter. The
24 same official designated under the provisions of the county charter may
25 appoint an administrative officer, as described in RCW 70.05.045.

26 **Sec. 235.** RCW 70.05.050 and 1984 c 25 s 5 are each amended to read
27 as follows:

28 LOCAL HEALTH OFFICER. ((Each local board of health, other than
29 boards which are established under RCW 70.05.030 and which are located
30 in counties having home rule charters, shall appoint a local health
31 officer. In home rule charter counties which have a local board of
32 health established under RCW 70.05.030, the local health officer shall
33 be appointed by the official designated under the provisions of the
34 county's charter.))

35 The local health officer shall be an experienced physician licensed
36 to practice medicine and surgery or osteopathy and surgery in this

1 state and who is qualified or provisionally qualified in accordance
2 with the standards prescribed in RCW 70.05.051 through 70.05.055 to
3 hold the office of local health officer. No term of office shall be
4 established for the local health officer but (~~he~~) the local health
5 officer shall not be removed until after notice is given (~~him~~), and
6 an opportunity for a hearing before the board or official responsible
7 for his or her appointment under this section as to the reason for his
8 or her removal. (~~He~~) The local health officer shall act as executive
9 secretary to, and administrative officer for the local board of health
10 and shall also be empowered to employ such technical and other
11 personnel as approved by the local board of health except where the
12 local board of health has appointed an administrative officer under RCW
13 70.05.040. The local health officer shall be paid such salary and
14 allowed such expenses as shall be determined by the local board of
15 health.

16 **Sec. 236.** RCW 70.05.070 and 1991 c 3 s 309 are each amended to
17 read as follows:

18 LOCAL HEALTH OFFICER DUTIES. The local health officer, acting
19 under the direction of the local board of health or under direction of
20 the administrative officer appointed under RCW 70.05.040 or section 234
21 of this act, if any, shall:

22 (1) Enforce the public health statutes of the state, rules of the
23 state board of health and the secretary of health, and all local health
24 rules, regulations and ordinances within his or her jurisdiction
25 including imposition of penalties authorized under RCW 70.119A.030 and
26 filing of actions authorized by RCW 43.70.190;

27 (2) Take such action as is necessary to maintain health and
28 sanitation supervision over the territory within his or her
29 jurisdiction;

30 (3) Control and prevent the spread of any dangerous, contagious or
31 infectious diseases that may occur within his or her jurisdiction;

32 (4) Inform the public as to the causes, nature, and prevention of
33 disease and disability and the preservation, promotion and improvement
34 of health within his or her jurisdiction;

35 (5) Prevent, control or abate nuisances which are detrimental to
36 the public health;

37 (6) Attend all conferences called by the secretary of health or his
38 or her authorized representative;

1 (7) Collect such fees as are established by the state board of
2 health or the local board of health for the issuance or renewal of
3 licenses or permits or such other fees as may be authorized by law or
4 by the rules of the state board of health;

5 (8) Inspect, as necessary, expansion or modification of existing
6 public water systems, and the construction of new public water systems,
7 to assure that the expansion, modification, or construction conforms to
8 system design and plans;

9 (9) Take such measures as he or she deems necessary in order to
10 promote the public health, to participate in the establishment of
11 health educational or training activities, and to authorize the
12 attendance of employees of the local health department or individuals
13 engaged in community health programs related to or part of the programs
14 of the local health department.

15 **Sec. 237.** RCW 70.05.080 and 1991 c 3 s 310 are each amended to
16 read as follows:

17 LOCAL HEALTH OFFICER--APPOINTMENT BY SECRETARY OF HEALTH IF LOCAL
18 BOARD FAILS TO ACT. If the local board of health or other official
19 responsible for appointing a local health officer under RCW 70.05.050
20 refuses or neglects to appoint a local health officer after a vacancy
21 exists, the secretary of health may appoint a local health officer and
22 fix the compensation. The local health officer so appointed shall have
23 the same duties, powers and authority as though appointed under RCW
24 70.05.050. Such local health officer shall serve until a qualified
25 individual is appointed according to the procedures set forth in RCW
26 70.05.050. The board or official responsible for appointing the local
27 health officer under RCW 70.05.050 shall also be authorized to appoint
28 an acting health officer to serve whenever the health officer is absent
29 or incapacitated and unable to fulfill his or her responsibilities
30 under the provisions of chapters 70.05 and 70.46 RCW ((and RCW
31 ~~70.46.020 through 70.46.090~~)).

32 **Sec. 238.** RCW 70.05.120 and 1984 c 25 s 8 are each amended to read
33 as follows:

34 REMOVAL OF LOCAL HEALTH OFFICER. Any local health officer or
35 administrative officer appointed under RCW 70.05.040, if any, who shall
36 refuse or neglect to obey or enforce the provisions of chapters 70.05
37 and 70.46 RCW ((and RCW ~~70.46.020 through 70.46.090~~)) or the rules,

1 regulations or orders of the state board of health or who shall refuse
2 or neglect to make prompt and accurate reports to the state board of
3 health, may be removed as local health officer or administrative
4 officer by the state board of health and shall not again be reappointed
5 except with the consent of the state board of health. Any person may
6 complain to the state board of health concerning the failure of the
7 local health officer or administrative officer to carry out the laws or
8 the rules and regulations concerning public health, and the state board
9 of health shall, if a preliminary investigation so warrants, call a
10 hearing to determine whether the local health officer or administrative
11 officer is guilty of the alleged acts. Such hearings shall be held
12 pursuant to the provisions of chapter 34.05 RCW, and the rules and
13 regulations of the state board of health adopted thereunder.

14 Any member of a local board of health who shall violate any of the
15 provisions of chapters 70.05 and 70.46 RCW (~~and RCW 70.46.020 through~~
16 ~~70.46.090~~) or refuse or neglect to obey or enforce any of the rules,
17 regulations or orders of the state board of health made for the
18 prevention, suppression or control of any dangerous contagious or
19 infectious disease or for the protection of the health of the people of
20 this state, shall be guilty of a misdemeanor, and upon conviction shall
21 be fined not less than ten dollars nor more than two hundred dollars.
22 Any physician who shall refuse or neglect to report to the proper
23 health officer or administrative officer within twelve hours after
24 first attending any case of contagious or infectious disease or any
25 diseases required by the state board of health to be reported or any
26 case suspicious of being one of such diseases, shall be guilty of a
27 misdemeanor, and upon conviction shall be fined not less than ten
28 dollars nor more than two hundred dollars for each case that is not
29 reported.

30 Any person violating any of the provisions of chapters 70.05 and
31 70.46 RCW (~~and RCW 70.46.020 through 70.46.090~~) or violating or
32 refusing or neglecting to obey any of the rules, regulations or orders
33 made for the prevention, suppression and control of dangerous
34 contagious and infectious diseases by the local board of health or
35 local health officer or administrative officer or state board of
36 health, or who shall leave any isolation hospital or quarantined house
37 or place without the consent of the proper health officer or who evades
38 or breaks quarantine or conceals a case of contagious or infectious
39 disease or assists in evading or breaking any quarantine or concealing

1 any case of contagious or infectious disease, shall be guilty of a
2 misdemeanor, and upon conviction thereof shall be subject to a fine of
3 not less than twenty-five dollars nor more than one hundred dollars or
4 to imprisonment in the county jail not to exceed ninety days or to both
5 fine and imprisonment.

6 **Sec. 239.** RCW 70.05.130 and 1991 c 3 s 313 are each amended to
7 read as follows:

8 EXPENSES OF CARRYING OUT PUBLIC HEALTH LAW. All expenses incurred
9 by the state, health district, or county in carrying out the provisions
10 of chapters 70.05 and 70.46 RCW (~~and RCW 70.46.020 through 70.46.090~~)
11 or any other public health law, or the rules of the (~~state~~)
12 department of health enacted under such laws, shall be paid by the
13 county (~~or city by which or in behalf of which such expenses shall~~
14 ~~have been incurred~~) and such expenses shall constitute a claim against
15 the general fund as provided (~~herein~~) in this section.

16 **Sec. 240.** RCW 70.05.150 and 1967 ex.s. c 51 s 22 are each amended
17 to read as follows:

18 AUTHORITY TO CONTRACT. In addition to powers already granted them,
19 any (~~city, town,~~) county, district, or local health department may
20 contract for either the sale or purchase of any or all health services
21 from any local health department(~~PROVIDED, That~~). Such contract
22 shall require the approval of the state board of health.

23 **Sec. 241.** RCW 70.08.010 and 1985 c 124 s 1 are each amended to
24 read as follows:

25 APPOINTMENT OF LOCAL HEALTH OFFICER BY COMBINED CITY AND COUNTY
26 HEALTH DEPARTMENT. Any city with one hundred thousand or more
27 population and the county in which it is located, are authorized, as
28 shall be agreed upon between the respective governing bodies of such
29 city and said county, to establish and operate a combined city and
30 county health department, and to appoint (~~the director of public~~
31 ~~health~~) a local health officer for the county served. Class AA
32 counties may appoint a director of public health as specified in this
33 chapter.

34 **Sec. 242.** RCW 70.12.030 and 1945 c 46 s 1 are each amended to read
35 as follows:

1 MONEY MANAGEMENT. Any county, (~~first class city~~) combined city-
2 county health department, or health district is hereby authorized and
3 empowered to create a "public health pooling fund", hereafter called
4 the "fund", for the efficient management and control of all moneys
5 coming to such county, (~~first class city~~) combined department, or
6 district for public health purposes.

7 (~~"Health district" as used herein may mean all territory~~
8 ~~consisting of one or more counties and all cities with a population of~~
9 ~~one hundred thousand or less, and towns therein.~~)

10 **Sec. 243.** RCW 70.12.050 and 1945 c 46 s 3 are each amended to read
11 as follows:

12 EXPENDITURES. All expenditures in connection with salaries, wages
13 and operations incurred in carrying on the health department of the
14 county, (~~first class city~~) combined city-county health department, or
15 health district shall be paid out of such fund.

16 **Sec. 244.** RCW 70.46.020 and 1967 ex.s. c 51 s 6 are each amended
17 to read as follows:

18 MULTICOUNTY HEALTH DISTRICTS. Health districts consisting of two
19 or more counties may be created whenever two or more boards of county
20 commissioners shall by resolution establish a district for such
21 purpose. Such a district shall consist of all the area of the combined
22 counties (~~including all cities and towns except cities of over one~~
23 ~~hundred thousand population~~). The district board of health of such a
24 district shall consist of not less than five members for districts of
25 two counties and seven members for districts of more than two counties,
26 including two representatives from each county who are members of the
27 board of county commissioners and who are appointed by the board of
28 county commissioners of each county within the district, and shall have
29 a jurisdiction coextensive with the combined boundaries. (~~The~~
30 ~~remaining members shall be representatives of the cities and towns in~~
31 ~~the district selected by mutual agreement of the legislative bodies of~~
32 ~~the cities and towns concerned from their membership, taking into~~
33 ~~consideration the financial contribution of such cities and towns and~~
34 ~~representation from the several classifications of cities and towns.~~)

35 At the first meeting of a district board of health the members
36 shall elect a (~~chairman~~) chair to serve for a period of one year.

1 **Sec. 245.** RCW 70.46.060 and 1967 ex.s. c 51 s 11 are each amended
2 to read as follows:

3 DISTRICT BOARD OF HEALTH POWERS AND DUTIES. The district board of
4 health shall constitute the local board of health for all the territory
5 included in the health district, and shall supersede and exercise all
6 the powers and perform all the duties by law vested in the county (~~or~~
7 ~~city or town~~) board of health of any county(~~(, city or town)~~) included
8 in the health district(~~(, except as otherwise in chapter 70.05 RCW and~~
9 ~~RCW 70.46.020 through 70.46.090 provided)~~).

10 **Sec. 246.** RCW 70.46.080 and 1971 ex.s. c 85 s 10 are each amended
11 to read as follows:

12 DISTRICT HEALTH FUND. Each health district shall establish a fund
13 to be designated as the "district health fund", in which shall be
14 placed all sums received by the district from any source, and out of
15 which shall be expended all sums disbursed by the district. (~~The~~
16 ~~county treasurer of the county in the district embracing only one~~
17 ~~county; or,~~) In a district composed of more than one county the county
18 treasurer of the county having the largest population shall be the
19 custodian of the fund, and the county auditor of said county shall keep
20 the record of the receipts and disbursements, and shall draw and the
21 county treasurer shall honor and pay all warrants, which shall be
22 approved before issuance and payment as directed by the board(~~(:~~
23 ~~PROVIDED, That in local health departments wherein a city of over one~~
24 ~~hundred thousand population is a part of said department, the local~~
25 ~~board of health may pool the funds available for public health purposes~~
26 ~~in the office of the city treasurer in a special pooling fund to be~~
27 ~~established and which shall be expended as set forth above)~~).

28 Each county(~~(, city or town)~~) which is included in the district
29 shall contribute such sums towards the expense for maintaining and
30 operating the district as shall be agreed upon between it and the local
31 board of health in accordance with guidelines established by the state
32 board of health (~~(after consultation with the Washington state~~
33 ~~association of counties and the association of Washington cities. In~~
34 ~~the event that no agreement can be reached between the district board~~
35 ~~of health and the county, city or town, the matter shall be resolved by~~
36 ~~a board of arbitrators to consist of a representative of the district~~
37 ~~board of health, a representative from the county, city or town~~
38 ~~involved, and a third representative to be appointed by the two~~

1 representatives, but if they are unable to agree, a representative
2 shall be appointed by a judge in the county in which the city or town
3 is located. The determination of the proportionate share to be paid by
4 a county, city or town shall be binding on all parties. Payments into
5 the fund of the district may be made by the county or city or town
6 members during the first year of membership in said district from any
7 funds of the respective county, city or town as would otherwise be
8 available for expenditures for health facilities and services, and
9 thereafter the members shall include items in their respective budgets
10 for payments to finance the health district)).

11 **Sec. 247.** RCW 70.46.085 and 1967 ex.s. c 51 s 20 are each amended
12 to read as follows:

13 COUNTY TO BEAR EXPENSES. The expense of providing public health
14 services shall be borne by each county(~~(, city or town)~~) within the
15 health district(~~(, and the local health officer shall certify the~~
16 amount agreed upon or as determined pursuant to RCW 70.46.080, and
17 remaining unpaid by each county, city or town to the fiscal or warrant
18 issuing officer of such county, city or town.

19 If the expense as certified is not paid by any county, city or town
20 within thirty days after the end of the fiscal year, the local health
21 officer shall certify the amount due to the auditor of the county in
22 which the governmental unit is situated who shall promptly issue his
23 warrant on the county treasurer payable out of the current expense fund
24 of the county, which fund shall be reimbursed by the county auditor out
25 of the money due said governmental unit at the next monthly settlement
26 or settlements of the collection of taxes and shall be transferred to
27 the current expense fund)).

28 **Sec. 248.** RCW 70.46.090 and 1967 ex.s. c 51 s 21 are each amended
29 to read as follows:

30 WITHDRAWAL FROM MEMBERSHIP. Any county (~~(or any city or town)~~) may
31 withdraw from membership in said health district any time after it has
32 been within the district for a period of two years, but no withdrawal
33 shall be effective except at the end of the calendar year in which the
34 county(~~(, city or town)~~) gives at least six months' notice of its
35 intention to withdraw at the end of the calendar year. No withdrawal
36 shall entitle any member to a refund of any moneys paid to the district
37 nor relieve it of any obligations to pay to the district all sums for

1 which it obligated itself due and owing by it to the district for the
2 year at the end of which the withdrawal is to be effective(~~(:~~
3 ~~PROVIDED, That~~)). Any county(~~(, city or town)~~) which withdraws from
4 membership in said health district shall immediately establish a health
5 department or provide health services which shall meet the standards
6 for health services promulgated by the state board of health(~~(:~~
7 ~~PROVIDED FURTHER, That~~)). No local health department (~~(shall)~~) may be
8 deemed to provide adequate public health services unless there is at
9 least one full time professionally trained and qualified physician as
10 set forth in RCW 70.05.050.

11 **Sec. 249.** RCW 70.46.120 and 1963 c 121 s 1 are each amended to
12 read as follows:

13 FEES MAY BE CHARGED. In addition to all other powers and duties,
14 health districts shall have the power to charge fees in connection with
15 the issuance or renewal of a license or permit required by law:
16 PROVIDED, That the fees charged shall not exceed the actual cost
17 involved in issuing or renewing the license or permit(~~(:~~
18 ~~FURTHER, That no fees shall be charged pursuant to this section within~~
19 ~~the corporate limits of any city or town which prior to the enactment~~
20 ~~of this section charged fees in connection with the issuance or renewal~~
21 ~~of a license or permit pursuant to city or town ordinance and where~~
22 ~~said city or town makes a direct contribution to said health district,~~
23 ~~unless such city or town expressly consents thereto)~~)).

24 **Sec. 250.** RCW 82.44.110 and 1991 c 199 s 221 are each amended to
25 read as follows:

26 DISPOSITION OF MOTOR VEHICLE EXCISE TAX REVENUE--PUBLIC HEALTH.
27 The county auditor shall regularly, when remitting license fee
28 receipts, pay over and account to the director of licensing for the
29 excise taxes collected under the provisions of this chapter. The
30 director shall forthwith transmit the excise taxes to the state
31 treasurer.

32 (1) The state treasurer shall deposit the excise taxes collected
33 under RCW 82.44.020(1) as follows:

34 (a) 1.60 percent into the motor vehicle fund to defray
35 administrative and other expenses incurred by the department in the
36 collection of the excise tax.

1 (b) 8.15 percent into the Puget Sound capital construction account
2 in the motor vehicle fund.

3 (c) 4.07 percent into the Puget Sound ferry operations account in
4 the motor vehicle fund.

5 (d) (~~(8.83)~~) 5.88 percent into the general fund to be distributed
6 under RCW 82.44.155.

7 (e) 4.75 percent into the municipal sales and use tax equalization
8 account in the general fund created in RCW 82.14.210.

9 (f) 1.60 percent into the county sales and use tax equalization
10 account in the general fund created in RCW 82.14.200.

11 (g) 62.6440 percent into the general fund through June 30, 1993,
12 57.6440 percent into the general fund beginning July 1, 1993, and 66
13 percent into the general fund beginning January 1, 1994.

14 (h) 5 percent into the transportation fund created in RCW 82.44.180
15 beginning July 1, 1993.

16 (i) 5.9686 percent into the county criminal justice assistance
17 account created in RCW 82.14.310 through December 31, 1993.

18 (j) 1.1937 percent into the municipal criminal justice assistance
19 account for distribution under RCW 82.14.320 through December 31, 1993.

20 (k) 1.1937 percent into the municipal criminal justice assistance
21 account for distribution under RCW 82.14.330 through December 31, 1993.

22 (l) 2.95 percent into the general fund to be distributed by the
23 state treasurer to county health departments to be used exclusively for
24 public health. The state treasurer shall distribute these funds
25 proportionately among the counties based on population as determined by
26 the most recent United States census.

27 (2) The state treasurer shall deposit the excise taxes collected
28 under RCW 82.44.020(2) into the transportation fund.

29 (3) The state treasurer shall deposit the excise tax imposed by RCW
30 82.44.020(3) into the air pollution control account created by RCW
31 70.94.015.

32 **Sec. 251.** RCW 82.44.155 and 1991 c 199 s 223 are each amended to
33 read as follows:

34 MOTOR VEHICLE EXCISE TAX DISTRIBUTION TO CITIES AND TOWNS. When
35 distributions are made under RCW 82.44.150, the state treasurer shall
36 apportion and distribute the motor vehicle excise taxes deposited into
37 the general fund under RCW 82.44.110(~~(+4)~~)(1)(d) to the cities and
38 towns ratably on the basis of population as last determined by the

1 office of financial management. When so apportioned, the amount
2 payable to each such city and town shall be transmitted to the city
3 treasurer thereof, and shall be used by the city or town for the
4 purposes of police and fire protection (~~and the preservation of the~~
5 ~~public health~~) in the city or town, and not otherwise. If it is
6 adjudged that revenue derived from the excise taxes imposed by RCW
7 82.44.020 (1) and (2) cannot lawfully be apportioned or distributed to
8 cities or towns, all moneys directed by this section to be apportioned
9 and distributed to cities and towns shall be credited and transferred
10 to the state general fund.

11 **Sec. 252.** RCW 43.20.030 and 1984 c 287 s 75 are each amended to
12 read as follows:

13 COMPOSITION OF STATE BOARD OF HEALTH--CITY MEMBER ELIMINATED. The
14 state board of health shall be composed of ten members. These shall be
15 the secretary or the secretary's designee and nine other persons to be
16 appointed by the governor, including four persons experienced in
17 matters of health and sanitation, (~~an elected city official who is a~~
18 ~~member of a local health board, an~~) two elected county officials who
19 (~~is a~~) are members of a local health board, a local health officer,
20 and two persons representing the consumers of health care. (~~Before~~
21 ~~appointing the city official, the governor shall consider any~~
22 ~~recommendations submitted by the association of Washington cities.~~)
23 Before appointing the county official, the governor shall consider any
24 recommendations submitted by the Washington state association of
25 counties. Before appointing the local health officer, the governor
26 shall consider any recommendations submitted by the Washington state
27 association of local public health officials. Before appointing one of
28 the two consumer representatives, the governor shall consider any
29 recommendations submitted by the state council on aging. The chairman
30 shall be selected by the governor from among the nine appointed
31 members. The department (~~of social and health services~~) shall
32 provide necessary technical staff support to the board. The board may
33 employ an executive director and a confidential secretary, each of whom
34 shall be exempt from the provisions of the state civil service law,
35 chapter 41.06 RCW.

36 Members of the board shall be compensated in accordance with RCW
37 43.03.240 and shall be reimbursed for their travel expenses in
38 accordance with RCW 43.03.050 and 43.03.060.

1 STATE-WIDE DATA SYSTEM--HEALTH SERVICES COMMISSION. (1) To promote
2 the public interest consistent with the purposes of chapter . . . , Laws
3 of 1993 (this act), the department is responsible for the development,
4 implementation, and custody of a state-wide ((hospital)) health care
5 data system, with policy direction and oversight to be provided by the
6 Washington health services commission. As part of the design stage for
7 development of the system, the department shall undertake a needs
8 assessment of the types of, and format for, ((hospital)) health care
9 data needed by consumers, purchasers, health care payers, ((hospitals))
10 providers, and state government as consistent with the intent of
11 chapter . . . , Laws of 1993 (this act) ((chapter)). The department
12 shall identify a set of ((hospital)) health care data elements and
13 report specifications which satisfy these needs. The ((council))
14 Washington health services commission, created by section 403 of this
15 act, shall review the design of the data system and may ((direct the
16 department to)) establish a technical advisory committee on health data
17 and shall, if deemed cost-effective and efficient, recommend that the
18 department contract with a private vendor for assistance in the design
19 of the data system or for any part of the work to be performed under
20 this section. The data elements, specifications, and other ((design))
21 distinguishing features of this data system shall be made available for
22 public review and comment and shall be published, with comments, as the
23 department's first data plan by ((January 1, 1990)) July 1, 1994.

24 (2) Subsequent to the initial development of the data system as
25 published as the department's first data plan, revisions to the data
26 system shall be considered ((through the department's development of a
27 biennial data plan, as proposed to,)) with the oversight and policy
28 guidance of the Washington health services commission or its technical
29 advisory committee and funded by((7)) the legislature through the
30 biennial appropriations process with funds appropriated to the health
31 services account. ((Costs of data activities outside of these data
32 plans except for special studies shall be funded through legislative
33 appropriations.

34 (3)) In designing the state-wide ((hospital)) health care data
35 system and any data plans, the department shall identify ((hospital))
36 health care data elements relating to ((both hospital finances)) health
37 care costs, the quality of health care services, the outcomes of health
38 care services, and ((the)) use of ((services by patients)) health care
39 by consumers. Data elements ((relating to hospital finances)) shall be

1 reported (~~by hospitals~~) as the Washington health services commission
2 directs by reporters in conformance with a uniform (~~system of~~)
3 reporting (~~as specified by the department and shall~~) system
4 established by the department, which shall be adopted by reporters.
5 "Reporter" means an individual or business entity, other than a
6 hospital, required to be registered with the department of revenue for
7 payment of taxes imposed under chapter 82.04 RCW or Title 48 RCW, that
8 is primarily engaged in furnishing or insuring for medical, surgical,
9 and other health services to persons. In the case of hospitals this
10 includes data elements identifying each hospital's revenues, expenses,
11 contractual allowances, charity care, bad debt, other income, total
12 units of inpatient and outpatient services, and other financial
13 information reasonably necessary to fulfill the purposes of chapter
14 . . . , Laws of 1993 (this (~~chapter~~) act), for hospital activities as
15 a whole and, as feasible and appropriate, for specified classes of
16 hospital purchasers and payers. Data elements relating to use of
17 hospital services by patients shall, at least initially, be the same as
18 those currently compiled by hospitals through inpatient discharge
19 abstracts (~~and reported to the Washington state hospital commission~~).
20 The commission and the department shall encourage and permit reporting
21 by electronic transmission or hard copy as is practical and economical
22 to reporters.

23 (~~(4)~~) (3) The state-wide (~~hospital~~) health care data system
24 shall be uniform in its identification of reporting requirements for
25 (~~hospitals~~) reporters across the state to the extent that such
26 uniformity is (~~necessary~~) useful to fulfill the purposes of chapter
27 . . . , Laws of 1993 (this (~~chapter~~) act). Data reporting
28 requirements may reflect differences (~~in hospital size; urban or rural~~
29 ~~location; scope, type, and method of providing service; financial~~
30 ~~structure; or other pertinent distinguishing factors~~) that involve
31 pertinent distinguishing features as determined by the Washington
32 health services commission by rule. So far as (~~possible~~) is
33 practical, the data system shall be coordinated with any requirements
34 of the trauma care data registry as authorized in RCW 70.168.090, the
35 federal department of health and human services in its administration
36 of the medicare program, (~~and~~) the state in its role of gathering
37 public health statistics, or any other payer program of consequence so
38 as to minimize any unduly burdensome reporting requirements imposed on
39 (~~hospitals~~) reporters.

1 ~~((5))~~ (4) In identifying financial reporting requirements under
2 the state-wide ~~((hospital))~~ health care data system, the department may
3 require both annual reports and condensed quarterly reports from
4 reporters, so as to achieve both accuracy and timeliness in reporting,
5 but shall craft such requirements with due regard of the data reporting
6 burdens of reporters.

7 ~~((6))~~ In designing the initial state-wide hospital data system as
8 published in the department's first data plan, the department shall
9 review all existing systems of hospital financial and utilization
10 reporting used in this state to determine their usefulness for the
11 purposes of this chapter, including their potential usefulness as
12 revised or simplified.

13 (7) Until such time as the state wide hospital data system and
14 first data plan are developed and implemented and hospitals are able to
15 comply with reporting requirements, the department shall require
16 hospitals to continue to submit the hospital financial and patient
17 discharge information previously required to be submitted to the
18 Washington state hospital commission. Upon publication of the first
19 data plan, hospitals shall have a reasonable period of time to comply
20 with any new reporting requirements and, even in the event that new
21 reporting requirements differ greatly from past requirements, shall
22 comply within two years of July 1, 1989.

23 ~~(8))~~ (5) The ~~((hospital))~~ health care data collected ~~((and))~~,
24 maintained, and studied by the department or the Washington health
25 services commission shall only be available for retrieval in original
26 or processed form to public and private requestors and shall be
27 available within a reasonable period of time after the date of request.
28 The cost of retrieving data for state officials and agencies shall be
29 funded through the state general appropriation. The cost of retrieving
30 data for individuals and organizations engaged in research or private
31 use of data or studies shall be funded by a fee schedule developed by
32 the department which reflects the direct cost of retrieving the data or
33 study in the requested form.

34 (6) All persons subject to chapter . . . , Laws of 1993 (this act)
35 shall comply with departmental or commission requirements established
36 by rule in the acquisition of data.

37 **Sec. 257.** RCW 70.170.110 and 1989 1st ex.s. c 9 s 511 are each
38 amended to read as follows:

1 HEALTH CARE DATA--STUDIES, ANALYSES, OR REPORTS. The department
2 shall provide, or may contract with a private entity to provide,
3 ~~((hospital)) analyses and reports or any studies it chooses to conduct~~
4 consistent with the purposes of chapter . . . , Laws of 1993 (this
5 ~~((chapter)) act).~~ Subject to the availability of funds and any policy
6 direction that may be given by the Washington health services
7 commission. ~~((Prior to release, the department shall provide affected~~
8 ~~hospitals with an opportunity to review and comment on reports which~~
9 ~~identify individual hospital data with respect to accuracy and~~
10 ~~completeness, and otherwise shall focus on aggregate reports of~~
11 ~~hospital performance.))~~ These studies, analyses, or reports shall
12 include:

13 (1) Consumer guides on purchasing ~~((hospital care services and))~~ or
14 consuming health care and publications providing verifiable and useful
15 aggregate comparative information to ~~((consumers on hospitals and~~
16 ~~hospital services))~~ the public on health care services, their cost, and
17 the quality of health care providers who participate in certified
18 health plans;

19 (2) Reports for use by classes of purchasers, who purchase from
20 certified health plans, health care payers, and providers as specified
21 for content and format in the state-wide data system and data plan;
22 ~~((and))~~

23 (3) Reports on relevant ~~((hospital))~~ health care policy ~~((issues))~~
24 including the distribution of hospital charity care obligations among
25 hospitals; absolute and relative rankings of Washington and other
26 states, regions, and the nation with respect to expenses, net revenues,
27 and other key indicators; ~~((hospital))~~ provider efficiencies; and the
28 effect of medicare, medicaid, and other public health care programs on
29 rates paid by other purchasers of ~~((hospital))~~ health care; and

30 (4) Any other reports the commission or department deems useful to
31 assist the public or purchasers of certified health plans in
32 understanding the prudent and cost-effective use of certified health
33 plan services.

34 NEW SECTION. Sec. 258. A new section is added to chapter 70.170
35 RCW to read as follows:

36 CONFIDENTIALITY OF DATA. Notwithstanding the provisions of chapter
37 42.17 RCW, any material contained within the state-wide health care
38 data system or in the files of either the department or the Washington

1 health services commission shall be subject to the following
2 limitations: (1) Records obtained, reviewed by, or on file that
3 contain information concerning medical treatment of individuals shall
4 be exempt from public inspection and copying; and (2) any actuarial
5 formulas, statistics, and assumptions submitted by a certified health
6 plan to the commission or department upon request shall be exempt from
7 public inspection and copying in order to preserve trade secrets or
8 prevent unfair competition.

9 All persons and any public or private agencies or entities
10 whatsoever subject to this chapter shall comply with any requirements
11 established by rule relating to the acquisition or use of health
12 services data and maintain the confidentiality of any information which
13 may, in any manner, identify individual persons.

14 NEW SECTION. **Sec. 259.** A new section is added to chapter 70.170
15 RCW to read as follows:

16 HEALTH SERVICES COMMISSION ACCESS TO DATA. The Washington health
17 services commission shall have access to all health data presently
18 available to the secretary of health. To the extent possible, the
19 commission shall use existing data systems and coordinate among
20 existing agencies. The department of health shall be the designated
21 depository agency for all health data collected pursuant to chapter
22 . . ., Laws of 1993 (this act). The following data sources shall be
23 developed or made available:

24 (1) The commission shall coordinate with the secretary of health to
25 utilize data collected by the state center for health statistics,
26 including hospital charity care and related data, rural health data,
27 epidemiological data, ethnicity data, social and economic status data,
28 and other data relevant to the commission's responsibilities.

29 (2) The commission, in coordination with the department of health
30 and the health science programs of the state universities shall develop
31 procedures to analyze clinical and other health services outcome data,
32 and conduct other research necessary for the specific purpose of
33 assisting in the design of the uniform benefit package under chapter
34 . . ., Laws of 1993 (this act).

35 (3) The commission shall establish cost data sources and shall
36 require each certified health plan to provide the commission and the
37 department of health with enrollee care and cost information, to
38 include, but not be limited to: (a) Enrollee identifier, including

1 date of birth, sex, and ethnicity; (b) provider identifier; (c)
2 diagnosis; (d) health care services or procedures provided; (e)
3 provider charges, if any; and (f) amount paid. The department shall
4 establish by rule confidentiality standards to safeguard the
5 information from inappropriate use or release.

6 (4) The commission shall coordinate with the area Indian health
7 service, reservation Indian health service units, tribal clinics, and
8 any urban Indian health service organizations the design, development,
9 implementation, and maintenance of an American Indian-specific health
10 data, statistics information system. The commission rules regarding
11 the confidentiality to safeguard the information from inappropriate use
12 or release shall apply.

13 NEW SECTION. **Sec. 260.** A new section is added to chapter 70.170
14 RCW to read as follows:

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

25 (2) The department shall coordinate the development and
26 implementation of the personal health services data and information
27 system with related private activities and with the implementation
28 activities of the data sources identified by the commission. Data
29 shall include: (a) Enrollee identifier, including date of birth, sex,
30 and ethnicity; (b) provider identifier; (c) diagnosis; (d) health
31 services or procedures provided; (e) provider charges, if any; and (f)
32 amount paid. The commission shall establish by rule, confidentiality
33 standards to safeguard the information from inappropriate use or
34 release. The department shall assist the commission in establishing
35 reasonable time frames for the completion of the system development and
36 system implementation.

1 NEW SECTION. **Sec. 261.** HEALTH CARE ENTITY REPORTING REQUIREMENTS.

2 The commission shall determine, by January 1, 1995, the necessity, if
3 any, of reporting requirements by the following health care entities:
4 Health care providers, health care facilities, insuring entities, and
5 certified health plans. The reporting requirements, if any, shall be
6 for the purposes of determining whether the health care system is
7 operating as efficiently as possible. Information reported pursuant to
8 this section shall be made available to interested parties upon
9 request. The commission shall report its findings to the legislature
10 by January 1, 1995.

11 **G. DISCLOSURE OF HOSPITAL, NURSING HOME, AND PHARMACY CHARGES**

12 NEW SECTION. **Sec. 262.** A new section is added to chapter 70.41
13 RCW to read as follows:

14 SPIRALING COSTS--HOSPITALS. (1) The legislature finds that the
15 spiraling costs of health care continue to surmount efforts to contain
16 them, increasing at approximately twice the inflationary rate. The
17 causes of this phenomenon are complex. By making physicians and other
18 health care providers with hospital admitting privileges more aware of
19 the cost consequences of health care services for consumers, these
20 providers may be inclined to exercise more restraint in providing only
21 the most relevant and cost-beneficial hospital services, with a
22 potential for reducing the utilization of those services. The
23 requirement of the hospital to inform physicians and other health care
24 providers of the charges of the health care services that they order
25 may have a positive effect on containing health costs. Further, the
26 option of the physician or other health care provider to inform the
27 patient of these charges may strengthen the necessary dialogue in the
28 provider-patient relationship that tends to be diminished by
29 intervening third-party payers.

30 (2) The chief executive officer of a hospital licensed under this
31 chapter and the superintendent of a state hospital shall establish and
32 maintain a procedure for disclosing to physicians and other health care
33 providers with admitting privileges the charges of all health care
34 services ordered for their patients. Copies of hospital charges shall
35 be made available to any physician and/or other health care provider
36 ordering care in hospital inpatient/outpatient services. The physician
37 and/or other health care provider may inform the patient of these

1 charges and may specifically review them. Hospitals are also directed
2 to study methods for making daily charges available to prescribing
3 physicians through the use of interactive software and/or computerized
4 information thereby allowing physicians and other health care providers
5 to review not only the costs of present and past services but also
6 future contemplated costs for additional diagnostic studies and
7 therapeutic medications.

8 NEW SECTION. **Sec. 263.** A new section is added to chapter 18.68
9 RCW to read as follows:

10 SPIRALING COSTS--PRESCRIPTION MEDICATIONS. The legislature finds
11 that the spiraling costs of health care continue to surmount efforts to
12 contain them, increasing at approximately twice the inflationary rate.
13 One of the fastest growing segments of the health care expenditure
14 involves prescription medications. By making physicians and other
15 health care providers with prescriptive authority more aware of the
16 cost consequences of health care treatments for consumers, these
17 providers may be inclined to exercise more restraint in providing only
18 the most relevant and cost-beneficial drug and medication treatments.
19 The requirement of the pharmacy to inform physicians and other health
20 care providers of the charges of prescription drugs and medications
21 that they order may have a positive effect on containing health costs.
22 Further, the option of the physician or other health care provider to
23 inform the patient of these charges may strengthen the necessary
24 dialogue in the provider-patient relationship that tends to be
25 diminished by intervening third-party payers.

26 NEW SECTION. **Sec. 264.** A new section is added to chapter 18.68
27 RCW to read as follows:

28 COST OF PRESCRIPTIVE MEDICATIONS. The registered or licensed
29 pharmacist of this chapter shall establish and maintain a procedure for
30 disclosing to physicians and other health care providers with
31 prescriptive authority information detailed by prescriber, of the cost
32 and dispensation of all prescriptive medications prescribed by him or
33 her for his or her patients on request. These charges should be made
34 available on at least a quarterly basis for all requested patients and
35 should include medication, dosage, number dispensed, and the cost of
36 the prescription. Pharmacies may provide this information in a summary
37 form for each prescribing physician for all patients rather than as

1 individually itemized reports. All efforts should be made to utilize
2 the existing computerized records and software to provide this
3 information in the least costly format.

4 NEW SECTION. Sec. 265. A new section is added to chapter 18.51
5 RCW to read as follows:

6 SPIRALING COSTS--NURSING HOMES. (1) The legislature finds that the
7 spiraling costs of nursing home care continue to surmount efforts to
8 contain them, increasing at approximately twice the inflationary rate.
9 The causes of this phenomenon are complex. By making nursing home
10 facilities and care providers more aware of the cost consequences of
11 care services for consumers, these providers may be inclined to
12 exercise more restraint in providing only the most relevant and cost-
13 beneficial services and care, with a potential for reducing the
14 utilization of those services. The requirement of the nursing home to
15 inform physicians, consumers, and other care providers of the charges
16 of the services that they order may have a positive effect on
17 containing health costs.

18 (2) All nursing home administrators in facilities licensed under
19 this chapter shall be required to develop and maintain a written
20 procedure for disclosing patient charges to attending physicians with
21 admitting privileges. The nursing home administrator shall have the
22 capability to provide an itemized list of the charges for all health
23 care services that may be ordered by a physician. The information
24 shall be made available on request of consumers, or the physicians or
25 other appropriate health care providers responsible for prescribing
26 care.

27 NEW SECTION. Sec. 266. DEPARTMENT OF HEALTH--REPORT ON EFFORTS TO
28 CONTAIN COSTS. The department of health shall report to the
29 legislature by December 31, 1994, with recommendations on any necessary
30 revisions to sections 262 through 265 of this act, including their
31 continued necessity and the appropriateness of their repeal.

32 **H. HEALTH PROFESSIONAL SHORTAGES**

33 NEW SECTION. Sec. 267. LEGISLATIVE INTENT. The legislature finds
34 that the successful implementation of health care reform will depend on
35 a sufficient supply of primary health care providers throughout the

1 state. Many rural and medically underserved urban areas lack primary
2 health care providers and because of this, basic health care services
3 are limited or unavailable to populations living in these areas. The
4 legislature has in recent years initiated new programs to address these
5 provider shortages but funding has been insufficient and additional
6 specific provider shortages remain.

7 **Sec. 268.** RCW 28B.125.010 and 1991 c 332 s 5 are each amended to
8 read as follows:

9 STATE-WIDE HEALTH PERSONNEL RESOURCE PLAN--PERSONS OF COLOR--INDIAN
10 HEALTH. (1) The higher education coordinating board, the state board
11 for community ((college—education)) and technical colleges, the
12 superintendent of public instruction, the state department of health,
13 the Washington health services commission, and the state department of
14 social and health services, to be known for the purposes of this
15 section as the committee, shall establish a state-wide health personnel
16 resource plan. The governor shall appoint a lead agency from one of
17 the agencies on the committee.

18 In preparing the state-wide plan the committee shall consult with
19 the training and education institutions affected by this chapter,
20 health care providers, employers of health care providers, insurers,
21 consumers of health care, and other appropriate entities.

22 Should a successor agency or agencies be authorized or created by
23 the legislature with planning, coordination, or administrative
24 authority over vocational-technical schools, community colleges, or
25 four-year higher education institutions, the governor shall grant
26 membership on the committee to such agency or agencies and remove the
27 member or members it replaces.

28 The committee shall appoint subcommittees for the purpose of
29 assisting in the development of the institutional plans required under
30 this chapter. Such subcommittees shall at least include those
31 committee members that have statutory responsibility for planning,
32 coordination, or administration of the training and education
33 institutions for which the institutional plans are being developed. In
34 preparing the institutional plans for four-year institutes of higher
35 education, the subcommittee shall be composed of at least the higher
36 education coordinating board and the state's four-year higher education
37 institutions. The appointment of subcommittees to develop portions of
38 the state-wide plan shall not relinquish the committee's responsibility

1 for assuring overall coordination, integration, and consistency of the
2 state-wide plan.

3 In establishing and implementing the state-wide health personnel
4 resource plan the committee shall, to the extent possible, utilize
5 existing data and information, personnel, equipment, and facilities and
6 shall minimize travel and take such other steps necessary to reduce the
7 administrative costs associated with the preparation and implementation
8 of the plan.

9 (2) The state-wide health resource plan shall include at least the
10 following:

11 (a)(i) Identification of the type, number, and location of the
12 health care professional work force necessary to meet health care needs
13 of the state.

14 (ii) A description and analysis of the composition and numbers of
15 the potential work force available for meeting health care service
16 needs of the population to be used for recruitment purposes. This
17 should include a description of the data, methodology, and process used
18 to make such determinations.

19 (b) A centralized inventory of the numbers of student applications
20 to higher education and vocational-technical training and education
21 programs, yearly enrollments, yearly degrees awarded, and numbers on
22 waiting lists for all the state's publicly funded health care training
23 and education programs. The committee shall request similar
24 information for incorporation into the inventory from private higher
25 education and vocational-technical training and education programs.

26 (c) A description of state-wide and local specialized provider
27 training needs to meet the health care needs of target populations and
28 a plan to meet such needs in a cost-effective and accessible manner.

29 (d) A description of how innovative, cost-effective technologies
30 such as telecommunications can and will be used to provide higher
31 education, vocational-technical, continued competency, and skill
32 maintenance and enhancement education and training to placebound
33 students who need flexible programs and who are unable to attend
34 institutions for training.

35 (e) A strategy for assuring higher education and vocational-
36 technical educational and training programming is sensitive to the
37 changing work force such as reentry workers, women, minorities, and the
38 disabled.

1 (f) Strategies for promoting an increase in the use of persons of
2 color in the health professions including adequate resources to train
3 and utilize persons of color in the full spectrum of health
4 professions, to include physicians, licensed physicians who are foreign
5 medical graduates, nurses, administrators, planners, education,
6 technicians, outreach workers, and dentists.

7 (g) A strategy that includes the incorporation of federal
8 assistance programs for health career development with an emphasis on
9 the national Indian health service programs targeting the American
10 Indian population and other federal and state education and training
11 assistance programs for the economically disadvantaged, physically
12 challenged, and persons of color in all health professions.

13 ~~((f))~~ (g) A strategy and coordinated state-wide policy developed
14 by the subcommittees authorized in subsection (1) of this section for
15 increasing the number of graduates intending to serve in shortage areas
16 after graduation, including such strategies as the establishment of
17 preferential admissions and designated enrollment slots.

18 ~~((g))~~ (h) Guidelines and policies developed by the subcommittees
19 authorized in subsection (1) of this section for allowing academic
20 credit for on-the-job experience such as internships, volunteer
21 experience, apprenticeships, and community service programs.

22 ~~((h))~~ (i) A strategy developed by the subcommittees authorized in
23 subsection (1) of this section for making required internships and
24 residency programs available that are geographically accessible and
25 sufficiently diverse to meet both general and specialized training
26 needs as identified in the plan when such programs are required.

27 ~~((i))~~ (j) A description of the need for multiskilled health care
28 professionals and an implementation plan to restructure educational and
29 training programming to meet these needs.

30 ~~((j))~~ (k) An analysis of the types and estimated numbers of
31 health care personnel that will need to be recruited from out-of-state
32 to meet the health professional needs not met by in-state trained
33 personnel.

34 ~~((k))~~ (l) An analysis of the need for educational articulation
35 within the various health care disciplines and a plan for addressing
36 the need.

37 ~~((l))~~ (m) An analysis of the training needs of those members of
38 the long-term care profession that are not regulated and that have no
39 formal training requirements. Programs to meet these needs should be

1 developed in a cost-effective and a state-wide accessible manner that
2 provide for the basic training needs of these individuals.

3 ~~((m))~~ (n) A designation of the professions and geographic
4 locations in which loan repayment and scholarships should be available
5 based upon objective data-based forecasts of health professional
6 shortages. A description of the criteria used to select professions
7 and geographic locations shall be included. Designations of
8 professions and geographic locations may be amended by the department
9 of health when circumstances warrant as provided for in RCW
10 28B.115.070.

11 ~~((n))~~ (o) A description of needed changes in regulatory laws
12 governing the credentialing of health professionals.

13 ~~((o))~~ (p) A description of linguistic and cultural training needs
14 of foreign-trained health care professionals to assure safe and
15 effective practice of their health care profession.

16 ~~((p))~~ (q) A plan to implement the recommendations of the state-
17 wide nursing plan authorized by RCW 74.39.040.

18 ~~((q))~~ (r) A description of criteria and standards that
19 institutional plans provided for in this section must address in order
20 to meet the requirements of the state-wide health personnel resource
21 plan, including funding requirements to implement the plans. The
22 committee shall also when practical identify specific outcome measures
23 to measure progress in meeting the requirements of this plan. The
24 criteria and standards shall be established in a manner as to provide
25 flexibility to the institutions in meeting state-wide plan
26 requirements. The committee shall establish required submission dates
27 for the institutional plans that permit inclusion of funding requests
28 into the institutions budget requests to the state.

29 ~~((r))~~ (s) A description of how the higher education coordinating
30 board, state board for community ~~((college education))~~ and technical
31 colleges, superintendent of public instruction, department of health,
32 and department of social and health services coordinated in the
33 creation and implementation of the state plan including the areas of
34 responsibility each agency shall assume. The plan should also include
35 a description of the steps taken to assure participation by the groups
36 that are to be consulted with.

37 ~~((s))~~ (t) A description of the estimated fiscal requirements for
38 implementation of the state-wide health resource plan that include a
39 description of cost saving activities that reduce potential costs by

1 avoiding administrative duplication, coordinating programming
2 activities, and other such actions to control costs.

3 (3) The committee may call upon other agencies of the state to
4 provide available information to assist the committee in meeting the
5 responsibilities under this chapter. This information shall be
6 supplied as promptly as circumstances permit.

7 (4) State agencies involved in the development and implementation
8 of the plan shall to the extent possible utilize existing personnel and
9 financial resources in the development and implementation of the state-
10 wide health personnel resource plan.

11 (5) The state-wide health personnel resource plan shall be
12 submitted to the governor by July 1, 1992, and updated by July 1 of
13 each even-numbered year. The governor, no later than December 1 of
14 that year, shall approve, approve with modifications, or disapprove the
15 state-wide health resource plan.

16 (6) The approved state-wide health resource plan shall be submitted
17 to the senate and house of representatives committees on health care,
18 higher education, and ways and means or appropriations by December 1 of
19 each even-numbered year.

20 (7) Implementation of the state-wide plan shall begin by July 1,
21 1993.

22 (8) Notwithstanding subsections (5) and (7) of this section, the
23 committee shall prepare and submit to the higher education coordinating
24 board by June 1, 1992, the analysis necessary for the initial
25 implementation of the health professional loan repayment and
26 scholarship program created in chapter 28B.115 RCW.

27 (9) Each publicly funded two-year and four-year institute of higher
28 education authorized under Title 28B RCW and vocational-technical
29 institution authorized under Title 28A RCW that offers health training
30 and education programs shall biennially prepare and submit an
31 institutional plan to the committee. The institutional plan shall
32 identify specific programming and activities of the institution that
33 meet the requirements of the state-wide health professional resource
34 plan.

35 The committee shall review and assess whether the institutional
36 plans meet the requirements of the state-wide health personnel resource
37 plan and shall prepare a report with its determination. The report
38 shall become part of the institutional plan and shall be submitted to
39 the governor and the legislature.

1 The institutional plan shall be included with the institution's
2 biennial budget submission. The institution's budget shall identify
3 proposed spending to meet the requirements of the institutional plan.
4 Each vocational-technical institution, college, or university shall be
5 responsible for implementing its institutional plan.

6 **Sec. 269.** RCW 28B.115.080 and 1991 c 332 s 21 are each amended to
7 read as follows:

8 ANNUAL AWARD AMOUNT. After June 1, 1992, the board, in
9 consultation with the department and the department of social and
10 health services, shall:

11 (1) Establish the annual award amount for each credentialed health
12 care profession which shall be based upon an assessment of reasonable
13 annual eligible expenses involved in training and education for each
14 credentialed health care profession. The annual award amount may be
15 established at a level less than annual eligible expenses. The annual
16 award amount shall ~~((not be more than fifteen thousand dollars per
17 year))~~ be established by the board for each eligible health profession.
18 The awards shall not be paid for more than a maximum of five years per
19 individual;

20 (2) Determine any scholarship awards for prospective physicians in
21 such a manner to require the recipients declare an interest in serving
22 in rural areas of the state of Washington. Preference for scholarships
23 shall be given to students who reside in a rural physician shortage
24 area or a nonshortage rural area of the state prior to admission to the
25 eligible education and training program in medicine. Highest
26 preference shall be given to students seeking admission who are
27 recommended by sponsoring communities and who declare the intent of
28 serving as a physician in a rural area. The board may require the
29 sponsoring community located in a nonshortage rural area to financially
30 contribute to the eligible expenses of a medical student if the student
31 will serve in the nonshortage rural area;

32 (3) Establish the required service obligation for each credentialed
33 health care profession, which shall be no less than three years or no
34 more than five years. The required service obligation may be based
35 upon the amount of the scholarship or loan repayment award such that
36 higher awards involve longer service obligations on behalf of the
37 participant;

1 (4) Determine eligible education and training programs for purposes
2 of the scholarship portion of the program;

3 (5) Honor loan repayment and scholarship contract terms negotiated
4 between the board and participants prior to May 21, 1991, concerning
5 loan repayment and scholarship award amounts and service obligations
6 authorized under chapter ((18.150)) 28B.115, 28B.104, or 70.180 RCW.

7 NEW SECTION. **Sec. 270.** A new section is added to chapter 43.70
8 RCW to read as follows:

9 MULTICULTURAL HEALTH CARE TECHNICAL ASSISTANCE PROGRAM. (1)
10 Consistent with funds appropriated specifically for this purpose, the
11 department shall provide matching grants to support a community-based
12 multicultural health care technical assistance program. Its purpose
13 shall be to promote technical assistance to community and migrant
14 health clinics and other appropriate health care providers who serve
15 principally the underserved and persons of color.

16 The technical assistance provided shall include, but is not limited
17 to: (a) Collaborative research and data analysis on health care
18 outcomes that disproportionately affect persons of color; (b) design
19 and development of model health education and promotion strategies
20 aimed at modifying unhealthy health behaviors or enhancing the use of
21 the health care delivery system by persons of color; (c) provision of
22 technical information and assistance on program planning and financial
23 management; (d) administration, public policy development, and analysis
24 in health care issues affecting people of color; and (e) enhancement
25 and promotion of health care career opportunities for persons of color.

26 (2) Consistent with appropriated funds, the programs shall be
27 available on a state-wide basis.

28 **Sec. 271.** RCW 70.185.030 and 1991 c 332 s 9 are each amended to
29 read as follows:

30 COMMUNITY-BASED RECRUITMENT AND RETENTION--UNDERSERVED URBAN AREAS.
31 (1) The department ((shall)) may, subject to funding, establish ((up to
32 three)) community-based recruitment and retention project sites to
33 provide financial and technical assistance to participating
34 communities. The goal of the project is to help assure the
35 availability of health care providers in rural and underserved urban
36 areas of Washington state.

1 (2) Administrative costs necessary to implement this project shall
2 be kept at a minimum to insure the maximum availability of funds for
3 participants.

4 (3) The secretary may contract with third parties for services
5 necessary to carry out activities to implement this chapter where this
6 will promote economy, avoid duplication of effort, and make the best
7 use of available expertise.

8 (4) The secretary may apply for, receive, and accept gifts and
9 other payments, including property and service, from any governmental
10 or other public or private entity or person, and may make arrangements
11 as to the use of these receipts, including the undertaking of special
12 studies and other projects related to the delivery of health care in
13 rural areas.

14 (5) In designing and implementing the project the secretary shall
15 coordinate the project with the Washington rural health system project
16 as authorized under chapter 70.175 RCW to consolidate administrative
17 duties and reduce costs.

18 **Sec. 272.** RCW 43.70.460 and 1992 c 113 s 2 are each amended to
19 read as follows:

20 RETIRED PRIMARY CARE PROVIDERS--MALPRACTICE INSURANCE. (1) The
21 department may establish a program to purchase and maintain liability
22 malpractice insurance for retired (~~(physicians)~~) primary care providers
23 who provide primary health care services at community clinics. The
24 following conditions apply to the program:

25 (a) Primary health care services shall be provided at community
26 clinics that are public or private tax-exempt corporations;

27 (b) Primary health care services provided at the clinics shall be
28 offered to low-income patients based on their ability to pay;

29 (c) Retired (~~(physicians)~~) primary care providers providing health
30 care services shall not receive compensation for their services; and

31 (d) The department shall contract only with a liability insurer
32 authorized to offer liability malpractice insurance in the state.

33 (2) This section and RCW 43.70.470 shall not be interpreted to
34 require a liability insurer to provide coverage to a (~~(physician)~~)
35 primary care provider should the insurer determine that coverage should
36 not be offered to a physician because of past claims experience or for
37 other appropriate reasons.

1 (3) The state and its employees who operate the program shall be
2 immune from any civil or criminal action involving claims against
3 clinics or physicians that provided health care services under this
4 section and RCW 43.70.470. This protection of immunity shall not
5 extend to any clinic or ((physician)) primary care provider
6 participating in the program.

7 (4) The department may monitor the claims experience of retired
8 physicians covered by liability insurers contracting with the
9 department.

10 (5) The department may provide liability insurance under chapter
11 113, Laws of 1992 only to the extent funds are provided for this
12 purpose by the legislature.

13 **Sec. 273.** RCW 43.70.470 and 1992 c 113 s 3 are each amended to
14 read as follows:

15 RETIRED PRIMARY CARE PROVIDERS--CONDITIONS. The department may
16 establish by rule the conditions of participation in the liability
17 insurance program by retired ((physicians)) primary care providers at
18 clinics utilizing retired physicians for the purposes of this section
19 and RCW 43.70.460. These conditions shall include, but not be limited
20 to, the following:

21 (1) The participating ((physician)) primary care provider
22 associated with the clinic shall hold a valid license to practice
23 ((medicine and surgery in this state and otherwise)) as a physician
24 under chapter 18.71 or 18.57 RCW, a naturopath under chapter 18.36A
25 RCW, a physician assistant under chapter 18.71A or 18.57A RCW, an
26 advanced registered nurse practitioner under chapter 18.88 RCW, a
27 dentist under chapter 18.32 RCW, or other health professionals as may
28 be deemed in short supply in the health personnel resource plan under
29 chapter 28B.125 RCW. All primary care providers must be in conformity
30 with current requirements for licensure as a retired ((physician))
31 primary care health care provider, including continuing education
32 requirements;

33 (2) The participating ((physician)) primary care health care
34 provider shall limit the scope of practice in the clinic to primary
35 care. Primary care shall be limited to noninvasive procedures and
36 shall not include obstetrical care, or any specialized care and
37 treatment. Noninvasive procedures include injections, suturing of
38 minor lacerations, and incisions of boils or superficial abscesses.

1 Primary dental care shall be limited to diagnosis, oral hygiene,
2 restoration, and extractions and shall not include orthodontia, or
3 other specialized care and treatment;

4 (3) The provision of liability insurance coverage shall not extend
5 to acts outside the scope of rendering medical services pursuant to
6 this section and RCW 43.70.460;

7 (4) The participating ((physician)) primary care health care
8 provider shall limit the provision of health care services to primarily
9 low-income persons provided that clinics may, but are not required to,
10 provide means tests for eligibility as a condition for obtaining health
11 care services;

12 (5) The participating ((physician)) primary care health care
13 provider shall not accept compensation for providing health care
14 services from patients served pursuant to this section and RCW
15 43.70.460, nor from clinics serving these patients. "Compensation"
16 shall mean any remuneration of value to the participating ((physician))
17 primary care health care provider for services provided by the
18 ((physician)) primary care health care provider, but shall not be
19 construed to include any nominal copayments charged by the clinic, nor
20 reimbursement of related expenses of a participating ((physician))
21 primary care health care provider authorized by the clinic in advance
22 of being incurred; and

23 (6) The use of mediation or arbitration for resolving questions of
24 potential liability may be used, however any mediation or arbitration
25 agreement format shall be expressed in terms clear enough for a person
26 with a sixth grade level of education to understand, and on a form no
27 longer than one page in length.

28 NEW SECTION. Sec. 274. MEDICAL SCHOOL GRADUATES SERVING IN RURAL
29 AND MEDICALLY UNDERSERVED AREAS OF THE STATE--LEGISLATIVE INTENT. The
30 legislature finds that the shortage of primary care physicians
31 practicing in rural and medically underserved areas of the state has
32 created a severe public health and safety problem. If unaddressed,
33 this problem is expected to worsen with health care reform since an
34 increased demand for primary care services will only contribute further
35 to these shortages.

36 The legislature further finds that the medical training program at
37 the University of Washington is an important and well respected
38 resource to the people of this state in the training of primary care

1 physicians. Currently, only a small proportion of medical school
2 graduates are Washington residents who serve as primary care
3 practitioners in certain parts of this state.

4 NEW SECTION. **Sec. 275.** MEDICAL SCHOOL PRIMARY CARE PHYSICIAN
5 SHORTAGE PLAN DEVELOPMENT. (1) The University of Washington shall

6 prepare a primary care shortage plan that accomplishes the following:

7 (a) Identifies specific activities that the school of medicine
8 shall pursue to increase the number of Washington residents serving as
9 primary care physicians in rural and medically underserved areas of the
10 state, including establishing a goal that assures that no less than
11 forty-five percent of medical school graduates who are Washington state
12 residents at the time of matriculation will enter into primary care
13 residencies in Washington state by the year 2000;

14 (b) Assures that the school of medicine shall establish among its
15 highest training priorities the distribution of its primary care
16 physician graduates from the school and associated postgraduate
17 residency programs into rural and medically underserved areas;

18 (c) Establishes the goal of assuring that the annual number of
19 graduates from the family practice residency network entering rural or
20 medically underserved practice shall be increased by forty percent over
21 a baseline period from 1985 through 1990 by 1995;

22 (d) Establishes a further goal to make operational at least two
23 additional family practice residency programs within Washington state
24 in geographic areas identified by the plan as underserved in family
25 practice by 1997. The geographic areas identified by the plan as being
26 underserved by family practice physicians shall be consistent with any
27 such similar designations as may be made in the health personnel
28 research plan as authorized under chapter 28B.125 RCW;

29 (e) Establishes, with the cooperation of existing community and
30 migrant health clinics in rural or medically underserved areas of the
31 state, three family practice residency training tracks. Furthermore,
32 the primary care shortage plan shall provide that one of these training
33 tracks shall be a joint American osteopathic association and American
34 medical association approved training site coordinated with an
35 accredited college of osteopathic medicine with extensive experience in
36 training primary care physicians for the western United States. Such
37 a proposed joint accredited training track will have at least fifty
38 percent of its residency positions in osteopathic medicine; and

1 (f) Implements the plan, with the exception of the expansion of the
2 family practice residency network, within current biennial
3 appropriations for the University of Washington school of medicine.

4 (2) The plan shall be submitted to the appropriate committees of
5 the legislature no later than December 1, 1993.

6 **I. SHORT-TERM HEALTH INSURANCE REFORM**

7 NEW SECTION. **Sec. 276.** INTENT--INCREASE ACCESS TO COVERAGE. The
8 legislature intends that, during the transition to a fully reformed
9 health services system, certain health insurance practices be modified
10 to increase access to health insurance coverage for some individuals
11 and groups. The legislature recognizes that health insurance reform
12 will not remedy the significant lack of access to coverage in
13 Washington state without the implementation of strong cost control
14 measures. The authority granted to the commissioner in chapter . . . ,
15 Laws of 1993 (this act) is in addition to any authority the
16 commissioner currently has under Title 48 RCW to regulate insurers,
17 health care service contractors, and health maintenance organizations.

18 NEW SECTION. **Sec. 277.** A new section is added to chapter 48.18
19 RCW to read as follows:

20 CANCELLATIONS, DENIALS--WRITTEN COMMUNICATION. Every insurer upon
21 canceling, denying, or refusing to renew any disability policy, shall,
22 upon written request, directly notify in writing the applicant or
23 insured, as the case may be, of the reasons for the action by the
24 insurer and to any person covered under a group contract. Any
25 benefits, terms, rates, or conditions of such a contract that are
26 restricted, excluded, modified, increased, or reduced shall, upon
27 written request, be set forth in writing and supplied to the insured
28 and to any person covered under a group contract. The written
29 communications required by this section shall be phrased in simple
30 language that is readily understandable to a person of average
31 intelligence, education, and reading ability.

32 **Sec. 278.** RCW 48.21.200 and 1983 c 202 s 16 and 1983 c 106 s 24
33 are each reenacted and amended to read as follows:

34 REDUCTIONS OR REFUSAL OF BENEFITS. (1) No individual or group
35 disability insurance policy, health care service contract, or health

1 maintenance agreement which provides benefits for hospital, medical, or
2 surgical expenses shall be delivered or issued for delivery in this
3 state (~~((after September 8, 1975))~~) which contains any provision whereby
4 the insurer, contractor, or health maintenance organization may reduce
5 or refuse to pay such benefits otherwise payable thereunder solely on
6 account of the existence of similar benefits provided under any
7 (~~((individual))~~) disability insurance policy, (~~((or under any individual))~~)
8 health care service contract, or health maintenance agreement.

9 (2) No individual or group disability insurance policy, health care
10 service contract, or health maintenance agreement providing hospital,
11 medical or surgical expense benefits and which contains a provision for
12 the reduction of benefits otherwise payable or available thereunder on
13 the basis of other existing coverages, shall provide that such
14 reduction will operate to reduce total benefits payable below an amount
15 equal to one hundred percent of total allowable expenses exclusive of
16 copayments, deductibles, and other similar cost-sharing arrangements.

17 (3) The commissioner shall by rule establish guidelines for the
18 application of this section, including:

19 (a) The procedures by which persons (~~((insured))~~) covered under such
20 policies, contracts, and agreements are to be made aware of the
21 existence of such a provision;

22 (b) The benefits which may be subject to such a provision;

23 (c) The effect of such a provision on the benefits provided;

24 (d) Establishment of the order of benefit determination; ((and))

25 (e) Exceptions necessary to maintain the integrity of policies,
26 contracts, and agreements that may require the use of particular health
27 care facilities or providers; and

28 (f) Reasonable claim administration procedures to expedite claim
29 payments and prevent duplication of payments or benefits under such a
30 provision(~~((: PROVIDED, HOWEVER, That any group disability insurance~~
31 ~~policy which is issued as part of an employee insurance benefit program~~
32 ~~authorized by RCW 41.05.025(3) may exclude all or part of any~~
33 ~~deductible amounts from the definition of total allowable expenses for~~
34 ~~purposes of coordination of benefits within the plan and between such~~
35 ~~plan and other applicable group coverages: AND PROVIDED FURTHER, That~~
36 ~~any group disability insurance policy providing coverage for persons in~~
37 ~~this state may exclude all or part of any deductible amounts required~~
38 ~~by a group disability insurance policy from the definition of total~~
39 ~~allowable expenses for purposes of coordination of benefits between~~

1 such policy and a group disability insurance policy issued as part of
2 an employee insurance benefit program authorized by RCW 41.05.025(3).

3 (3) The provisions of this section shall apply to health care
4 service contractor contracts and health maintenance organization
5 agreements)).

6 NEW SECTION. **Sec. 279.** A new section is added to chapter 48.20
7 RCW to read as follows:

8 **DISABILITY INSURER--PREEXISTING CONDITIONS EXCLUSIONS AND**
9 **LIMITATIONS.** (1) After January 1, 1994, every disability insurer
10 issuing coverage against loss arising from medical, surgical, hospital,
11 or emergency care coverage shall waive any preexisting condition
12 exclusion or limitation for persons who had similar coverage under a
13 different policy, health care service contract, or health maintenance
14 agreement in the three-month period immediately preceding the effective
15 date of coverage under the new policy to the extent that such person
16 has satisfied a waiting period under such preceding policy, contract,
17 or agreement; however, if the person satisfied a twelve-month waiting
18 period under such preceding policy, contract, or agreement, the insurer
19 shall waive any preexisting condition exclusion or limitation. The
20 insurer need not waive a preexisting condition exclusion or limitation
21 under the new policy for coverage not provided under such preceding
22 policy, contract, or agreement.

23 (2) The commissioner may adopt rules establishing guidelines for
24 determining when coverage is similar under new and preceding policies,
25 contracts, and agreements and for determining when a preexisting
26 condition waiting period has been satisfied.

27 (3) The commissioner in consultation with insurers, health care
28 service contractors, and health maintenance organizations shall study
29 the effect of preexisting condition exclusions and limitations on the
30 cost and availability of health care coverage and shall adopt rules
31 restricting the use of such conditions and limitations by January 1,
32 1994. No insurer, health care service contractor, or health
33 maintenance organization may deny, exclude, or limit coverage for
34 preexisting conditions for a period longer than that provided for in
35 such rules after July 1, 1994.

36 NEW SECTION. **Sec. 280.** A new section is added to chapter 48.21
37 RCW to read as follows:

1 GROUP DISABILITY INSURERS--PREEXISTING CONDITIONS EXCLUSIONS AND
2 LIMITATIONS. (1) After January 1, 1994, every disability insurer
3 issuing coverage against loss arising from medical, surgical, hospital,
4 or emergency care coverage shall waive any preexisting condition
5 exclusion or limitation for persons who had similar coverage under a
6 different policy, health care service contract, or health maintenance
7 agreement in the three-month period immediately preceding the effective
8 date of coverage under the new policy to the extent that such person
9 has satisfied a waiting period under such preceding policy, contract,
10 or agreement; however, if the person satisfied a twelve-month waiting
11 period under such preceding policy, contract, or agreement, the insurer
12 shall waive any preexisting condition exclusion or limitation. The
13 insurer need not waive a preexisting condition exclusion or limitation
14 under the new policy for coverage not provided under such preceding
15 policy, contract, or agreement.

16 (2) The commissioner may adopt rules establishing guidelines for
17 determining when coverage is similar under new and preceding policies,
18 contracts, and agreements and for determining when a preexisting
19 condition waiting period has been satisfied.

20 (3) The commissioner in consultation with insurers, health care
21 service contractors, and health maintenance organizations shall study
22 the effect of preexisting condition exclusions and limitations on the
23 cost and availability of health care coverage and shall adopt rules
24 restricting the use of such conditions and limitations by January 1,
25 1994. No insurer, health care service contractor, or health
26 maintenance organization may deny, exclude, or limit coverage for
27 preexisting conditions for a period longer than that provided for in
28 such rules after July 1, 1994.

29 NEW SECTION. **Sec. 281.** A new section is added to chapter 48.44
30 RCW to read as follows:

31 HEALTH CARE SERVICE CONTRACTORS--PREEXISTING CONDITIONS EXCLUSIONS
32 AND LIMITATIONS. (1) After January 1, 1994, every health care service
33 contractor, except limited health care service contractors as defined
34 under RCW 48.44.035, shall waive any preexisting condition exclusion or
35 limitation for persons who had similar coverage under a different
36 policy, health care service contract, or health maintenance agreement
37 in the three-month period immediately preceding the effective date of
38 coverage under the new contract to the extent that such person has

1 satisfied a waiting period under such preceding policy, contract, or
2 agreement; however, if the person satisfied a twelve-month waiting
3 period under such preceding policy, contract, or agreement, the insurer
4 shall waive any preexisting condition exclusion or limitation. The
5 insurer need not waive a preexisting condition exclusion or limitation
6 under the new policy for coverage not provided under such preceding
7 policy, contract, or agreement.

8 (2) The commissioner may adopt rules establishing guidelines for
9 determining when coverage is similar under new and preceding policies,
10 contracts, and agreements and for determining when a preexisting
11 condition waiting period has been satisfied.

12 (3) The commissioner in consultation with insurers, health care
13 service contractors, and health maintenance organizations shall study
14 the effect of preexisting condition exclusions and limitations on the
15 cost and availability of health care coverage and shall adopt rules
16 restricting the use of such conditions and limitations by January 1,
17 1994. No insurer, health care service contractor, or health
18 maintenance organization may deny, exclude, or limit coverage for
19 preexisting conditions for a period longer than that provided for in
20 such rules after July 1, 1994.

21 NEW SECTION. **Sec. 282.** A new section is added to chapter 48.46
22 RCW to read as follows:

23 HEALTH MAINTENANCE ORGANIZATIONS--PREEEXISTING CONDITIONS EXCLUSIONS
24 AND LIMITATIONS. (1) After January 1, 1994, every health maintenance
25 organization shall waive any preexisting condition exclusion or
26 limitation for persons who had similar coverage under a different
27 policy, health care service contract, or health maintenance agreement
28 in the three-month period immediately preceding the effective date of
29 coverage under the new agreement to the extent that such person has
30 satisfied a waiting period under such preceding policy, contract, or
31 agreement; however, if the person satisfied a twelve-month waiting
32 period under such preceding policy, contract, or agreement, the insurer
33 shall waive any preexisting condition exclusion or limitation. The
34 insurer need not waive a preexisting condition exclusion or limitation
35 under the new policy for coverage not provided under such preceding
36 policy, contract, or agreement.

37 (2) The commissioner may adopt rules establishing guidelines for
38 determining when coverage is similar under new and preceding policies,

1 contracts, and agreements and for determining when a preexisting
2 condition waiting period has been satisfied.

3 (3) The commissioner in consultation with insurers, health care
4 service contractors, and health maintenance organizations shall study
5 the effect of preexisting condition exclusions and limitations on the
6 cost and availability of health care coverage and shall adopt rules
7 restricting the use of such conditions and limitations by January 1,
8 1994. No insurer, health care service contractor, or health
9 maintenance organization may deny, exclude, or limit coverage for
10 preexisting conditions for a period longer than that provided for in
11 such rules after July 1, 1994.

12 **Sec. 283.** RCW 48.30.300 and 1975-'76 2nd ex.s. c 119 s 7 are each
13 amended to read as follows:

14 UNFAIR PRACTICES. Notwithstanding any provision contained in Title
15 48 RCW to the contrary:

16 (1) No person or entity engaged in the business of insurance in
17 this state shall refuse to issue any contract of insurance or cancel or
18 decline to renew such contract because of the sex or marital status, or
19 the presence of any sensory, mental, or physical handicap of the
20 insured or prospective insured. The amount of benefits payable, or any
21 term, rate, condition, or type of coverage shall not be restricted,
22 modified, excluded, increased or reduced on the basis of the sex or
23 marital status, or be restricted, modified, excluded or reduced on the
24 basis of the presence of any sensory, mental, or physical handicap of
25 the insured or prospective insured. Subject to the provisions of
26 subsection (2) of this section these provisions shall not prohibit fair
27 discrimination on the basis of sex, or marital status, or the presence
28 of any sensory, mental, or physical handicap when bona fide statistical
29 differences in risk or exposure have been substantiated.

30 (2) With respect to disability policies issued or renewed on and
31 after July 1, 1994, that provide coverage against loss arising from
32 medical, surgical, hospital, or emergency care services:

33 (a) Policies shall guarantee continuity of coverage. Such
34 provision, which shall be included in every policy, shall provide that:

35 (i) The policy may be canceled or nonrenewed without the prior
36 written approval of the commissioner only for nonpayment of premium or
37 as permitted under RCW 48.18.090; and

1 (ii) The policy may be canceled or nonrenewed because of a change
2 in the physical or mental condition or health of a covered person only
3 with the prior written approval of the commissioner. Such approval
4 shall be granted only when the insurer has discharged its obligation to
5 continue coverage for such person by obtaining coverage with another
6 insurer, health care service contractor, or health maintenance
7 organization, which coverage is comparable in terms of premiums and
8 benefits as defined by rule of the commissioner.

9 (b) It is an unfair practice for a disability insurer to modify the
10 coverage provided or rates applying to an in-force disability insurance
11 policy and to fail to make such modification in all such issued and
12 outstanding policies.

13 (c) Subject to rules adopted by the commissioner, it is an unfair
14 practice for a disability insurer to:

15 (i) Cease the sale of a policy form unless it has received prior
16 written authorization from the commissioner and has offered all
17 policyholders covered under such discontinued policy the opportunity to
18 purchase comparable coverage without health screening; or

19 (ii) Engage in a practice that subjects policyholders to rate
20 increases on discontinued policy forms unless such policyholders are
21 offered the opportunity to purchase comparable coverage without health
22 screening.

23 The insurer may limit an offer of comparable coverage without
24 health screening to a period not less than thirty days from the date
25 the offer is first made.

26 NEW SECTION. Sec. 284. A new section is added to chapter 48.44
27 RCW to read as follows:

28 HEALTH CARE SERVICE CONTRACTS--UNFAIR PRACTICES. (1) With respect
29 to all health care service contracts issued or renewed on and after
30 July 1, 1994, except limited health care service contracts as defined
31 in RCW 48.44.035:

32 (a) Contracts shall guarantee continuity of coverage. Such
33 provision, which shall be included in every contract, shall provide
34 that:

35 (i) The contract may be canceled or nonrenewed without the prior
36 written approval of the commissioner only for nonpayment of premiums,
37 for violation of published policies of the contractor which have been
38 approved by the commissioner, for persons who are entitled to become

1 eligible for medicare benefits and fail to subscribe to a medicare
2 supplement plan offered by the contractor, for failure of such
3 subscriber to pay any deductible or copayment amount owed to the
4 contractor and not the provider of health care services, for fraud, or
5 for a material breach of the contract; and

6 (ii) The contract may be canceled or nonrenewed because of a change
7 in the physical or mental condition or health of a covered person only
8 with the prior written approval of the commissioner. Such approval
9 shall be granted only when the contractor has discharged its obligation
10 to continue coverage for such person by obtaining coverage with another
11 insurer, health care service contractor, or health maintenance
12 organization, which coverage is comparable in terms of premiums and
13 benefits as defined by rule of the commissioner.

14 (b) It is an unfair practice for a contractor to modify the
15 coverage provided or rates applying to an in-force contract and to fail
16 to make such modification in all such issued and outstanding contracts.

17 (c) Subject to rules adopted by the commissioner, it is an unfair
18 practice for a health care service contractor to:

19 (i) Cease the sale of a contract form unless it has received prior
20 written authorization from the commissioner and has offered all
21 subscribers covered under such discontinued contract the opportunity to
22 purchase comparable coverage without health screening; or

23 (ii) Engage in a practice that subjects subscribers to rate
24 increases on discontinued contract forms unless such subscribers are
25 offered the opportunity to purchase comparable coverage without health
26 screening.

27 (2) The health care service contractor may limit an offer of
28 comparable coverage without health screening to a period not less than
29 thirty days from the date the offer is first made.

30 NEW SECTION. **Sec. 285.** A new section is added to chapter 48.46
31 RCW to read as follows:

32 HEALTH MAINTENANCE AGREEMENTS--UNFAIR PRACTICES. (1) With respect
33 to all health maintenance agreements issued or renewed on and after
34 July 1, 1994, and in addition to the restrictions and limitations
35 contained in RCW 48.46.060(4):

36 (a) Agreements shall guarantee continuity of coverage. Such
37 provision, which shall be included in every agreement, shall provide
38 that the agreement may be canceled or nonrenewed because of a change in

1 the physical or mental condition or health of a covered person only
2 with the prior written approval of the commissioner. Such approval
3 shall be granted only when the organization has discharged its
4 obligation to continue coverage for such person by obtaining coverage
5 with another insurer, health care service contractor, or health
6 maintenance organization, which coverage is comparable in terms of
7 premiums and benefits as defined by rule of the commissioner.

8 (b) It is an unfair practice for an organization to modify the
9 coverage provided or rates applying to an in-force agreement and to
10 fail to make such modification in all such issued and outstanding
11 agreements.

12 (c) Subject to rules adopted by the commissioner, it is an unfair
13 practice for a health maintenance organization to:

14 (i) Cease the sale of an agreement form unless it has received
15 prior written authorization from the commissioner and has offered all
16 enrollees covered under such discontinued agreement the opportunity to
17 purchase comparable coverage without health screening; or

18 (ii) Engage in a practice that subjects enrollees to rate increases
19 on discontinued agreement forms unless such enrollees are offered the
20 opportunity to purchase comparable coverage without health screening.

21 (2) The health maintenance organization may limit an offer of
22 comparable coverage without health screening to a period not less than
23 thirty days from the date the offer is first made.

24 **Sec. 286.** RCW 48.44.260 and 1979 c 133 s 3 are each amended to
25 read as follows:

26 HEALTH CARE SERVICE CONTRACTOR--NOTICE OF CANCELLATION. Every
27 authorized health care service contractor, upon canceling, denying, or
28 refusing to renew any individual health care service contract, shall,
29 upon written request, directly notify in writing the applicant or
30 ~~((insured))~~ subscriber, as the case may be, of the reasons for the
31 action by the health care service contractor. Any benefits, terms,
32 rates, or conditions of such a contract which are restricted, excluded,
33 modified, increased, or reduced ~~((because of the presence of a sensory,~~
34 ~~mental, or physical handicap))~~ shall, upon written request, be set
35 forth in writing and supplied to the ~~((insured))~~ subscriber. The
36 written communications required by this section shall be phrased in
37 simple language which is readily understandable to a person of average
38 intelligence, education, and reading ability.

1 **Sec. 287.** RCW 48.46.380 and 1983 c 106 s 16 are each amended to
2 read as follows:

3 HEALTH MAINTENANCE ORGANIZATION--NOTICE OF CANCELLATIONS. Every
4 authorized health maintenance organization, upon canceling, denying, or
5 refusing to renew any individual health maintenance agreement, shall,
6 upon written request, directly notify in writing the applicant or
7 enrolled participant as appropriate, of the reasons for the action by
8 the health maintenance organization. Any benefits, terms, rates, or
9 conditions of such agreement which are restricted, excluded, modified,
10 increased, or reduced (~~((because of the presence of a sensory, mental,~~
11 ~~or physical handicap))~~) shall, upon written request, be set forth in
12 writing and supplied to the individual. The written communications
13 required by this section shall be phrased in simple language which is
14 readily understandable to a person of average intelligence, education,
15 and reading ability.

16 NEW SECTION. **Sec. 288.** REPEALERS--REPORT; STUDIES. The following
17 acts or parts of acts are each repealed:

- 18 (1) RCW 48.46.160 and 1975 1st ex.s. c 290 s 17; and
19 (2) RCW 48.46.905 and 1975 1st ex.s. c 290 s 25.

20 NEW SECTION. **Sec. 289.** REPEALER--NONTERMINATION FOR CHANGE IN
21 HEALTH. RCW 48.44.410 and 1986 c 223 s 12 are each repealed, effective
22 July 1, 1994.

23 NEW SECTION. **Sec. 290.** A new section is added to chapter 48.20
24 RCW to read as follows:

25 CERTIFIED HEALTH PLAN PROVISIONS--APPLICATION. Whenever the
26 provisions of this chapter conflict with the provision of sections 401
27 through 407, 409, and 424 through 457 of this act, sections 401 through
28 407, 409, and 424 through 457 of this act shall control.

29 NEW SECTION. **Sec. 291.** A new section is added to chapter 48.21
30 RCW to read as follows:

31 CERTIFIED HEALTH PLAN PROVISIONS--APPLICATION. Whenever the
32 provisions of this chapter conflict with the provision of sections 401
33 through 407, 409, and 424 through 457 of this act, sections 401 through
34 407, 409, and 424 through 457 of this act shall control.

1 NEW SECTION. **Sec. 292.** A new section is added to chapter 48.44
2 RCW to read as follows:

3 CERTIFIED HEALTH PLAN PROVISIONS--APPLICATION. Whenever the
4 provisions of this chapter conflict with the provision of sections 401
5 through 407, 409, and 424 through 457 of this act, sections 401 through
6 407, 409, and 424 through 457 of this act shall control.

7 NEW SECTION. **Sec. 293.** A new section is added to chapter 48.46
8 RCW to read as follows:

9 CERTIFIED HEALTH PLAN PROVISIONS--APPLICATION. Whenever the
10 provisions of this chapter conflict with the provision of sections 401
11 through 407, 409, and 424 through 457 of this act, sections 401 through
12 407, 409, and 424 through 457 of this act shall control.

13 **Sec. 294.** RCW 48.44.095 and 1983 c 202 s 3 are each amended to
14 read as follows:

15 ANNUAL STATEMENT. (1) Every health care service contractor shall
16 annually, (~~within one hundred twenty days of the closing date of its~~
17 ~~fiscal year~~) before the first day of March, file with the commissioner
18 a statement verified by at least two of the principal officers of the
19 health care service contractor showing its financial condition as of
20 the (~~closing date of its fiscal year~~) last day of the preceding
21 calendar year. The statement shall be in such form as is furnished or
22 prescribed by the commissioner. The commissioner may for good reason
23 allow a reasonable extension of the time within which such annual
24 statement shall be filed.

25 (2) The commissioner may suspend or revoke the certificate of
26 registration of any health care service contractor failing to file its
27 annual statement when due or during any extension of time therefor
28 which the commissioner, for good cause, may grant.

29 **Sec. 295.** RCW 48.46.080 and 1983 c 202 s 10 and 1983 c 106 s 6 are
30 each reenacted and amended to read as follows:

31 ANNUAL STATEMENT. (1) Every health maintenance organization shall
32 annually, (~~within one hundred twenty days of the closing date of its~~
33 ~~fiscal year~~) before the first day of March, file with the commissioner
34 a statement verified by at least two of the principal officers of the
35 health maintenance organization showing its financial condition as of

1 the (~~closing date of its fiscal year~~) last day of the preceding
2 calendar year.

3 (2) Such annual report shall be in such form as the commissioner
4 shall prescribe and shall include:

5 (a) A financial statement of such organization, including its
6 balance sheet and receipts and disbursements for the preceding year,
7 which reflects at a minimum;

8 (i) all prepayments and other payments received for health care
9 services rendered pursuant to health maintenance agreements;

10 (ii) expenditures to all categories of health care facilities,
11 providers, insurance companies, or hospital or medical service plan
12 corporations with which such organization has contracted to fulfill
13 obligations to enrolled participants arising out of its health
14 maintenance agreements, together with all other direct expenses
15 including depreciation, enrollment, and commission; and

16 (iii) expenditures for capital improvements, or additions thereto,
17 including but not limited to construction, renovation, or purchase of
18 facilities and capital equipment;

19 (b) The number of participants enrolled and terminated during the
20 report period. Every employer offering health care benefits to their
21 employees through a group contract with a health maintenance
22 organization shall furnish said health maintenance organization with a
23 list of their employees enrolled under such plan;

24 (c) The number of doctors by type of practice who, under contract
25 with or as an employee of the health maintenance organization,
26 furnished health care services to consumers during the past year;

27 (d) A report of the names and addresses of all officers, directors,
28 or trustees of the health maintenance organization during the preceding
29 year, and the amount of wages, expense reimbursements, or other
30 payments to such individuals for services to such organization. For
31 partnership and professional service corporations, a report shall be
32 made for partners or shareholders as to any compensation or expense
33 reimbursement received by them for services, other than for services
34 and expenses relating directly for patient care;

35 (e) Such other information relating to the performance of the
36 health maintenance organization or the health care facilities or
37 providers with which it has contracted as reasonably necessary to the
38 proper and effective administration of this chapter, in accordance with
39 rules and regulations; and

1 (f) Disclosure of any financial interests held by officers and
2 directors in any providers associated with the health maintenance
3 organization or any provider of the health maintenance organization.

4 (3) The commissioner may for good reason allow a reasonable
5 extension of the time within which such annual statement shall be
6 filed.

7 (4) The commissioner may suspend or revoke the certificate of
8 registration of any health maintenance organization failing to file its
9 annual statement when due or during any extension of time therefor
10 which the commissioner, for good cause, may grant.

11 (5) No person shall knowingly file with any public official or
12 knowingly make, publish, or disseminate any financial statement of a
13 health maintenance organization which does not accurately state the
14 health maintenance organization's financial condition.

15 **PART III. TAXES AND APPROPRIATIONS**

16 NEW SECTION. **Sec. 301.** A new section is added to chapter 48.14
17 RCW to read as follows:

18 TAX ON PREMIUMS AND PREPAYMENTS. (1) As used in this section,
19 "taxpayer" means a health maintenance organization, as defined in RCW
20 48.46.020, a health care service contractor, as defined in RCW
21 48.44.010, or a certified health plan certified under section 432 of
22 this act.

23 (2) Each taxpayer shall pay a tax on or before the first day of
24 March of each year to the state treasurer through the insurance
25 commissioner's office. The tax shall be equal to the total amount of
26 all premiums and prepayments for health care services received by the
27 taxpayer during the preceding calendar year multiplied by the rate of
28 two percent.

29 (3) Taxpayers shall prepay their tax obligations under this
30 section. The minimum amount of the prepayments shall be percentages of
31 the taxpayer's tax obligation for the preceding calendar year
32 recomputed using the rate in effect for the current year. For the
33 prepayment of taxes due during the first calendar year, the minimum
34 amount of the prepayments shall be percentages of the taxpayer's tax
35 obligation that would have been due had the tax been in effect during
36 the previous calendar year. The tax prepayments shall be paid to the

1 state treasurer through the commissioner's office by the due dates and
2 in the following amounts:

3 (a) On or before June 15, forty-five percent;

4 (b) On or before September 15, twenty-five percent;

5 (c) On or before December 15, twenty-five percent.

6 (4) For good cause demonstrated in writing, the commissioner may
7 approve an amount smaller than the preceding calendar year's tax
8 obligation as recomputed for calculating the health maintenance
9 organization's prepayment obligations for the current tax year.

10 (5) Moneys collected under this section shall be deposited in the
11 health services account under section 460 of this act.

12 (6) The taxes imposed in this section do not apply to:

13 (a) Amounts received by any taxpayer from the United States or any
14 instrumentality thereof as prepayments for health care services
15 provided under Title XVIII (medicare) of the federal social security
16 act. This exemption shall expire July 1, 1997.

17 (b) Amounts received by any health care service contractor, as
18 defined in RCW 48.44.010, as prepayments for health care services
19 included within the definition of practice of dentistry under RCW
20 18.32.020. This exemption does not apply to amounts received under a
21 certified health plan certified under section 432 of this act.

22 **Sec. 302.** RCW 48.14.080 and 1949 c 190 s 21 are each amended to
23 read as follows:

24 **PREMIUM TAX IN LIEU OF OTHER FORMS.** As to insurers other than
25 title insurers, the taxes imposed by this title shall be in lieu of all
26 other taxes, except taxes on real and tangible personal property
27 ~~((and))~~, excise taxes on the sale, purchase or use of such property,
28 and the tax imposed in RCW 82.04.260(15).

29 NEW SECTION. **Sec. 303.** A new section is added to chapter 82.04
30 RCW to read as follows:

31 **EXEMPTION FROM BUSINESS AND OCCUPATION TAX.** This chapter does not
32 apply to any health maintenance organization, health care service
33 contractor, or certified health plan in respect to premiums or
34 prepayments that are taxable under section 301 of this act.

35 **Sec. 304.** RCW 82.04.260 and 1991 c 272 s 15 are each amended to
36 read as follows:

TAX ON HOSPITALS OPERATED AS NONPROFIT CORPORATIONS. (1) Upon

every person engaging within this state in the business of buying wheat, oats, dry peas, dry beans, lentils, triticale, corn, rye and barley, but not including any manufactured or processed products thereof, and selling the same at wholesale; the tax imposed shall be equal to the gross proceeds derived from such sales multiplied by the rate of one one-hundredth of one percent.

(2) Upon every person engaging within this state in the business of manufacturing wheat into flour, barley into pearl barley, soybeans into soybean oil, or sunflower seeds into sunflower oil; as to such persons the amount of tax with respect to such business shall be equal to the value of the flour, pearl barley, or oil manufactured, multiplied by the rate of one-eighth of one percent.

(3) Upon every person engaging within this state in the business of splitting or processing dried peas; as to such persons the amount of tax with respect to such business shall be equal to the value of the peas split or processed, multiplied by the rate of one-quarter of one percent.

(4) Upon every person engaging within this state in the business of manufacturing seafood products which remain in a raw, raw frozen, or raw salted state at the completion of the manufacturing by that person; as to such persons the amount of tax with respect to such business shall be equal to the value of the products manufactured, multiplied by the rate of one-eighth of one percent.

(5) Upon every person engaging within this state in the business of manufacturing by canning, preserving, freezing or dehydrating fresh fruits and vegetables; as to such persons the amount of tax with respect to such business shall be equal to the value of the products canned, preserved, frozen or dehydrated multiplied by the rate of three-tenths of one percent.

(6) Upon every nonprofit corporation and nonprofit association engaging within this state in research and development, as to such corporations and associations, the amount of tax with respect to such activities shall be equal to the gross income derived from such activities multiplied by the rate of forty-four one-hundredths of one percent.

(7) Upon every person engaging within this state in the business of slaughtering, breaking and/or processing perishable meat products and/or selling the same at wholesale only and not at retail; as to such

1 persons the tax imposed shall be equal to the gross proceeds derived
2 from such sales multiplied by the rate of twenty-five one-hundredths of
3 one percent through June 30, 1986, and one-eighth of one percent
4 thereafter.

5 (8) Upon every person engaging within this state in the business of
6 making sales, at retail or wholesale, of nuclear fuel assemblies
7 manufactured by that person, as to such persons the amount of tax with
8 respect to such business shall be equal to the gross proceeds of sales
9 of the assemblies multiplied by the rate of twenty-five one-hundredths
10 of one percent.

11 (9) Upon every person engaging within this state in the business of
12 manufacturing nuclear fuel assemblies, as to such persons the amount of
13 tax with respect to such business shall be equal to the value of the
14 products manufactured multiplied by the rate of twenty-five one-
15 hundredths of one percent.

16 (10) Upon every person engaging within this state in the business
17 of acting as a travel agent; as to such persons the amount of the tax
18 with respect to such activities shall be equal to the gross income
19 derived from such activities multiplied by the rate of twenty-five one-
20 hundredths of one percent.

21 (11) Upon every person engaging within this state in business as an
22 international steamship agent, international customs house broker,
23 international freight forwarder, vessel and/or cargo charter broker in
24 foreign commerce, and/or international air cargo agent; as to such
25 persons the amount of the tax with respect to only international
26 activities shall be equal to the gross income derived from such
27 activities multiplied by the rate of thirty-three one-hundredths of one
28 percent.

29 (12) Upon every person engaging within this state in the business
30 of stevedoring and associated activities pertinent to the movement of
31 goods and commodities in waterborne interstate or foreign commerce; as
32 to such persons the amount of tax with respect to such business shall
33 be equal to the gross proceeds derived from such activities multiplied
34 by the rate of thirty-three one hundredths of one percent. Persons
35 subject to taxation under this subsection shall be exempt from payment
36 of taxes imposed by chapter 82.16 RCW for that portion of their
37 business subject to taxation under this subsection. Stevedoring and
38 associated activities pertinent to the conduct of goods and commodities
39 in waterborne interstate or foreign commerce are defined as all

1 activities of a labor, service or transportation nature whereby cargo
2 may be loaded or unloaded to or from vessels or barges, passing over,
3 onto or under a wharf, pier, or similar structure; cargo may be moved
4 to a warehouse or similar holding or storage yard or area to await
5 further movement in import or export or may move to a consolidation
6 freight station and be stuffed, unstuffed, containerized, separated or
7 otherwise segregated or aggregated for delivery or loaded on any mode
8 of transportation for delivery to its consignee. Specific activities
9 included in this definition are: Wharfage, handling, loading,
10 unloading, moving of cargo to a convenient place of delivery to the
11 consignee or a convenient place for further movement to export mode;
12 documentation services in connection with the receipt, delivery,
13 checking, care, custody and control of cargo required in the transfer
14 of cargo; imported automobile handling prior to delivery to consignee;
15 terminal stevedoring and incidental vessel services, including but not
16 limited to plugging and unplugging refrigerator service to containers,
17 trailers, and other refrigerated cargo receptacles, and securing ship
18 hatch covers.

19 (13) Upon every person engaging within this state in the business
20 of disposing of low-level waste, as defined in RCW 43.145.010; as to
21 such persons the amount of the tax with respect to such business shall
22 be equal to the gross income of the business, excluding any fees
23 imposed under chapter 43.200 RCW, multiplied by the rate of fifteen
24 percent.

25 (a) The rate specified in this subsection shall be reduced to ten
26 percent on May 20, 1991.

27 (b) The rate specified in this subsection shall be further reduced
28 to five percent on January 1, 1992.

29 (c) The rate specified in this subsection shall be further reduced
30 to three percent on July 1, 1993.

31 If the gross income of the taxpayer is attributable to activities
32 both within and without this state, the gross income attributable to
33 this state shall be determined in accordance with the methods of
34 apportionment required under RCW 82.04.460.

35 (14) Upon every person engaging within this state as an insurance
36 agent, insurance broker, or insurance solicitor licensed under chapter
37 48.17 RCW; as to such persons, the amount of the tax with respect to
38 such licensed activities shall be equal to the gross income of such
39 business multiplied by the rate of one percent.

1 (15) Upon every person engaging within this state in business as a
2 hospital, as defined in chapter 70.41 RCW, that is operated as a
3 nonprofit corporation, as to such persons, the amount of tax with
4 respect to such activities shall be equal to the gross income of the
5 business multiplied by the rate of five-tenths of one percent through
6 June 30, 1995, and one and five-tenths percent thereafter. The moneys
7 collected under this subsection shall be deposited in the health
8 services account created under section 460 of this act.

9 **Sec. 305.** RCW 82.04.4289 and 1981 c 178 s 2 are each amended to
10 read as follows:

11 HOSPITAL EXEMPTION DELETED. (~~In computing tax there may be~~
12 ~~deducted from the measure of tax~~) This chapter does not apply to
13 amounts derived as compensation for services rendered to patients or
14 from sales of prescription drugs as defined in RCW 82.08.0281 furnished
15 as an integral part of services rendered to patients by ((a hospital,
16 as defined in chapter 70.41 RCW, which is operated as a nonprofit
17 corporation,) a kidney dialysis facility operated as a nonprofit
18 corporation, (~~whether or not operated in connection with a hospital,~~)
19 nursing homes, and homes for unwed mothers operated as religious or
20 charitable organizations, but only if no part of the net earnings
21 received by such an institution inures directly or indirectly, to any
22 person other than the institution entitled to deduction hereunder.
23 (~~In no event shall any such deduction be allowed, unless the hospital~~
24 ~~building is entitled to exemption from taxation under the property tax~~
25 ~~laws of this state.~~)

26 NEW SECTION. **Sec. 306.** REPEALER--PRESCRIPTION DRUG DEDUCTION FOR
27 PUBLICLY OPERATED HOSPITALS. RCW 82.04.4288 and 1980 c 37 s 9 are each
28 repealed.

29 **Sec. 307.** RCW 82.24.020 and 1989 c 271 s 504 are each amended to
30 read as follows:

31 TAX ON CIGARETTES. (1) There is levied and there shall be
32 collected as (~~hereinafter~~) provided in this chapter, a tax upon the
33 sale, use, consumption, handling, possession or distribution of all
34 cigarettes, in an amount equal to the rate of eleven and one-half mills
35 per cigarette.

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

8 (3) An additional tax is imposed upon the sale, use, consumption,
9 handling, possession, or distribution of all cigarettes, in an amount
10 equal to the rate of ten mills per cigarette through June 30, 1994,
11 elevan and one-fourth mills per cigarette for the period July 1, 1994,
12 through June 30, 1995, twenty mills per cigarette for the period July
13 1, 1995, through June 30, 1996, and twenty and one-half mills per
14 cigarette thereafter. All revenues collected during any month from
15 this additional tax shall be deposited in the health services account
16 created under section 460 of this act by the twenty-fifth day of the
17 following month.

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

22 ((+4)) (5) For purposes of this chapter, "possession" shall mean
23 both (a) physical possession by the purchaser and, (b) when cigarettes
24 are being transported to or held for the purchaser or his or her
25 designee by a person other than the purchaser, constructive possession
26 by the purchaser or his designee, which constructive possession shall
27 be deemed to occur at the location of the cigarettes being so
28 transported or held.

29 **Sec. 308.** RCW 82.24.080 and 1972 ex.s. c 157 s 4 are each amended
30 to read as follows:

31 TAX LIABILITY--CIGARETTE TAX. It is the intent and purpose of this
32 chapter to levy a tax on all of the articles taxed ((herein)) under
33 this chapter, sold, used, consumed, handled, possessed, or distributed
34 within this state and to collect the tax from the person who first
35 sells, uses, consumes, handles, possesses (either physically or
36 constructively, in accordance with RCW 82.24.020) or distributes them
37 in the state. It is further the intent and purpose of this chapter
38 that whenever any of the articles ((herein)) taxed under this chapter

1 is given away for advertising or any other purpose, it shall be taxed
2 in the same manner as if it were sold, used, consumed, handled,
3 possessed, or distributed in this state.

4 It is also the intent and purpose of this chapter that the tax
5 shall be imposed at the time and place of the first taxable event
6 occurring within this state(~~(: PROVIDED, HOWEVER, That)~~). Failure to
7 pay the tax with respect to a taxable event shall not prevent tax
8 liability from arising by reason of a subsequent taxable event.

9 In the event of an increase in the rate of the tax imposed under
10 this chapter, it is the intent of the legislature that the first person
11 who sells, uses, consumes, handles, possesses, or distributes
12 previously taxed articles after the effective date of the rate increase
13 shall be liable for the additional tax represented by the rate
14 increase, but the failure to pay the additional tax with respect to the
15 first taxable event after the effective date of a rate increase shall
16 not prevent tax liability for the additional tax from arising from a
17 subsequent taxable event.

18 **Sec. 309.** RCW 82.26.020 and 1983 2nd ex.s. c 3 s 16 are each
19 amended to read as follows:

20 TAX ON TOBACCO PRODUCTS. (1) (~~From and after June 1, 1971,~~)
21 There is levied and there shall be collected a tax upon the sale, use,
22 consumption, handling, or distribution of all tobacco products in this
23 state at the rate of forty-five percent of the wholesale sales price of
24 such tobacco products. (~~Such tax~~)

25 (2) Taxes under this section shall be imposed at the time the
26 distributor (a) brings, or causes to be brought, into this state from
27 without the state tobacco products for sale, (b) makes, manufactures,
28 or fabricates tobacco products in this state for sale in this state, or
29 (c) ships or transports tobacco products to retailers in this state, to
30 be sold by those retailers.

31 (~~(+2)~~) (3) An additional tax is imposed equal to (~~the rate~~
32 ~~specified in RCW 82.02.030~~) seven percent multiplied by the tax
33 payable under subsection (1) of this section.

34 (4) An additional tax is imposed equal to ten percent of the
35 wholesale sales price of tobacco products. The moneys collected under
36 this subsection shall be deposited in the health services account
37 created under section 460 of this act.

1 **Sec. 310.** RCW 82.08.150 and 1989 c 271 s 503 are each amended to
2 read as follows:

3 TAX ON SPIRITS. (1) There is levied and shall be collected a tax
4 upon each retail sale of spirits, or strong beer in the original
5 package at the rate of fifteen percent of the selling price. The tax
6 imposed in this subsection shall apply to all such sales including
7 sales by the Washington state liquor stores and agencies, but excluding
8 sales to class H licensees.

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

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

19 (4) An additional tax is imposed equal to (~~the rate specified in~~
20 ~~RCW 82.02.030~~) fourteen percent multiplied by the taxes payable under
21 subsections (1), (2), and (3) of this section.

22 (5) Until July 1, 1995, an additional tax is imposed upon each
23 retail sale of spirits in the original package at the rate of seven
24 cents per liter. The additional tax imposed in this subsection shall
25 apply to all such sales including sales by Washington state liquor
26 stores and agencies, and including sales to class H licensees. All
27 revenues collected during any month from this additional tax shall be
28 deposited in the drug enforcement and education account under RCW
29 69.50.520 by the twenty-fifth day of the following month.

30 (6)(a) An additional tax is imposed upon retail sale of spirits in
31 the original package at the rate of one and seven-tenths percent of the
32 selling price through June 30, 1995, two and six-tenths percent of the
33 selling price for the period July 1, 1995, through June 30, 1997, and
34 three and four-tenths of the selling price thereafter. This additional
35 tax applies to all such sales including sales by Washington state
36 liquor stores and agencies, but excluding sales to class H licensees.

37 (b) An additional tax is imposed upon retail sale of spirits in the
38 original package at the rate of one and one-tenth percent of the
39 selling price through June 30, 1995, one and seven-tenths percent of

1 the selling price for the period July 1, 1995, through June 30, 1997,
2 and two and three-tenths of the selling price thereafter. This
3 additional tax applies to all such sales to class H licensees.

4 (c) An additional tax is imposed upon each retail sale of spirits
5 in the original package at the rate of twenty cents per liter through
6 June 30, 1995, thirty cents per liter for the period July 1, 1995,
7 through June 30, 1997, and forty-one cents per liter thereafter. This
8 additional tax applies to all such sales including sales by Washington
9 state liquor stores and agencies, and including sales to class H
10 licensees.

11 (d) All revenues collected during any month from additional taxes
12 under this subsection shall be deposited in the health services account
13 created under section 460 of this act by the twenty-fifth day of the
14 following month.

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

18 ((+7)) (8) The taxes imposed in this section shall be paid by the
19 buyer to the seller, and each seller shall collect from the buyer the
20 full amount of the tax payable in respect to each taxable sale under
21 this section. The taxes required by this section to be collected by
22 the seller shall be stated separately from the selling price and for
23 purposes of determining the tax due from the buyer to the seller, it
24 shall be conclusively presumed that the selling price quoted in any
25 price list does not include the taxes imposed by this section.

26 ((+8)) (9) As used in this section, the terms, "spirits," "strong
27 beer," and "package" shall have the meaning ascribed to them in chapter
28 66.04 RCW.

29 **Sec. 311.** RCW 66.24.210 and 1991 c 192 s 3 are each amended to
30 read as follows:

31 TAX ON WINE--REDUCED RATE FOR CERTAIN WINERIES. (1) There is
32 hereby imposed upon all wines sold to wine wholesalers and the
33 Washington state liquor control board, within the state a tax at the
34 rate of twenty and one-fourth cents per liter(~~(: PROVIDED, HOWEVER,~~
35 ~~That)).~~ Wine sold or shipped in bulk from one winery to another winery
36 shall not be subject to such tax. The tax provided for in this section
37 may, if so prescribed by the board, be collected by means of stamps to
38 be furnished by the board, or by direct payments based on wine

1 purchased by wine wholesalers. Every person purchasing wine under the
2 provisions of this section shall on or before the twentieth day of each
3 month report to the board all purchases during the preceding calendar
4 month in such manner and upon such forms as may be prescribed by the
5 board, and with such report shall pay the tax due from the purchases
6 covered by such report unless the same has previously been paid. Any
7 such purchaser of wine whose applicable tax payment is not postmarked
8 by the twentieth day following the month of purchase will be assessed
9 a penalty at the rate of two percent a month or fraction thereof. If
10 this tax be collected by means of stamps, every such person shall
11 procure from the board revenue stamps representing the tax in such form
12 as the board shall prescribe and shall affix the same to the package or
13 container in such manner and in such denomination as required by the
14 board and shall cancel the same prior to the delivery of the package or
15 container containing the wine to the purchaser. If the tax is not
16 collected by means of stamps, the board may require that every such
17 person shall execute to and file with the board a bond to be approved
18 by the board, in such amount as the board may fix, securing the payment
19 of the tax. If any such person fails to pay the tax when due, the
20 board may forthwith suspend or cancel the license until all taxes are
21 paid.

22 (2) An additional tax is imposed equal to (~~the rate specified in~~
23 ~~RCW 82.02.030~~) seven percent multiplied by the tax payable under
24 subsection (1) of this section. All revenues collected during any
25 month from this additional tax shall be transferred to the state
26 general fund by the twenty-fifth day of the following month.

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

33 (4) Until July 1, 1995, an additional tax is imposed on all wine
34 subject to tax under subsection (1) of this section. The additional
35 tax is equal to twenty-three and forty-four one-hundredths cents per
36 liter on fortified wine as defined in RCW 66.04.010(34) when bottled or
37 packaged by the manufacturer and one cent per liter on all other wine.
38 All revenues collected during any month from this additional tax shall

1 be deposited in the drug enforcement and education account under RCW
2 69.50.520 by the twenty-fifth day of the following month.

3 (5)(a) An additional tax is imposed on all wine subject to tax
4 under subsection (1) of this section. On fortified wine as defined in
5 RCW 66.04.010(34) when bottled or packaged by the manufacturer the
6 additional tax is equal to four and five-tenths cents per liter through
7 June 30, 1995, five and seven-tenths cents per liter for the period
8 July 1, 1995, through June 30, 1997, and twenty-two and seven-tenths
9 cents per liter thereafter. On all other wines the additional tax is
10 equal to two and three-tenths cents per liter through June 30, 1995,
11 five and seven-tenths cents per liter for the period July 1, 1995,
12 through June 30, 1997, and eleven and five-tenths cents per liter
13 thereafter.

14 (b) The additional tax imposed under this subsection (5) does not
15 apply in respect to nonfortified wine produced during a calendar year
16 by any winery that produced one million gallons of wine or less during
17 the previous calendar year.

18 (c) A single reduced tax rate applies under this subsection (5) in
19 respect to all nonfortified wine produced during a calendar year by any
20 winery that produced more than one million but less than two million
21 gallons of wine during the previous calendar year. The reduced tax
22 rate is equal to the rate per liter otherwise applicable under (a) of
23 this subsection, multiplied by one percent for each ten thousand
24 gallons produced in excess of one million gallons by the winery during
25 the previous calendar year.

26 (d) All revenues collected from the additional tax imposed under
27 this subsection (5) shall be deposited in the health services account
28 under section 460 of this act by the twenty-fifth day of the following
29 month.

30 **Sec. 312.** RCW 66.24.290 and 1989 c 271 s 502 are each amended to
31 read as follows:

32 TAX ON BEER--REDUCED RATE FOR CERTAIN BREWERIES. (1) Any brewer or
33 beer wholesaler licensed under this title may sell and deliver beer to
34 holders of authorized licenses direct, but to no other person, other
35 than the board; and every such brewer or beer wholesaler shall report
36 all sales to the board monthly, pursuant to the regulations, and shall
37 pay to the board as an added tax for the privilege of manufacturing and
38 selling the beer within the state a tax of two dollars and sixty cents

1 per barrel of thirty-one gallons on sales to licensees within the state
2 and on sales to licensees within the state of bottled and canned beer
3 shall pay a tax computed in gallons at the rate of two dollars and
4 sixty cents per barrel of thirty-one gallons. Any brewer or beer
5 wholesaler whose applicable tax payment is not postmarked by the
6 twentieth day following the month of sale will be assessed a penalty at
7 the rate of two percent per month or fraction thereof. Each such
8 brewer or wholesaler shall procure from the board revenue stamps
9 representing such tax in form prescribed by the board and shall affix
10 the same to the barrel or package in such manner and in such
11 denominations as required by the board, and shall cancel the same prior
12 to commencing delivery from his or her place of business or warehouse
13 of such barrels or packages. Beer shall be sold by brewers and
14 wholesalers in sealed barrels or packages. The revenue stamps
15 ~~((herein))~~ provided ~~((for))~~ under this section need not be affixed and
16 canceled in the making of resales of barrels or packages already taxed
17 by the affixation and cancellation of stamps as provided in this
18 section.

19 (2) An additional tax is imposed equal to ~~((the rate specified in~~
20 ~~RCW 82.02.030))~~ seven percent multiplied by the tax payable under
21 subsection (1) of this section. All revenues collected during any
22 month from this additional tax shall be transferred to the state
23 general fund by the twenty-fifth day of the following month.

24 (3) Until July 1, 1995, an additional tax is imposed on all beer
25 subject to tax under subsection (1) of this section. The additional
26 tax is equal to two dollars per barrel of thirty-one gallons. All
27 revenues collected during any month from this additional tax shall be
28 deposited in the drug enforcement and education account under RCW
29 69.50.520 by the twenty-fifth day of the following month.

30 (4)(a) An additional tax is imposed on all beer subject to tax
31 under subsection (1) of this section. The additional tax is equal to
32 ninety-six cents per barrel of thirty-one gallons through June 30,
33 1995, two dollars and thirty-nine cents per barrel of thirty-one
34 gallons for the period July 1, 1995, through June 30, 1997, and four
35 dollars and seventy-eight cents per barrel of thirty-one gallons
36 thereafter.

37 (b) The additional tax imposed under this subsection does not apply
38 to the sale of the first sixty thousand barrels of beer each year by
39 breweries that are entitled to a reduced rate of tax under 26 U.S.C.

1 Sec. 5051, as existing on the effective date of this section or such
2 subsequent date as may be provided by the board by rule consistent with
3 the purposes of this exemption.

4 (c) All revenues collected from the additional tax imposed under
5 this subsection (4) shall be deposited in the health services account
6 under section 460 of this act.

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

9 **Sec. 313.** RCW 82.02.030 and 1990 c 42 s 319 are each amended to
10 read as follows:

11 ADDITIONAL TAX RATES. ~~((1))~~ The rate of the additional taxes
12 under RCW 54.28.020(2), 54.28.025(2), ~~((66.24.210(2), 66.24.290(2),~~)
13 82.04.2901, 82.16.020(2), ~~((82.26.020(2),~~) 82.27.020(5), and
14 82.29A.030(2) shall be seven percent ~~((; and~~

15 ~~((2) The rate of the additional taxes under RCW 82.08.150(4) shall~~
16 ~~be fourteen percent))~~.

17 NEW SECTION. **Sec. 314.** APPROPRIATIONS. The following
18 appropriations are made for the biennium ending June 30, 1995, to
19 implement this act:

20 (1) The sum of one hundred seventy three million nine hundred
21 thousand dollars is appropriated from the health services account to
22 the personal health services account for subsidized health access for
23 low-income Washington residents.

24 (2) The sum of five million dollars is appropriated from the health
25 services account to the personal health services account for community
26 and migrant clinic services to low-income individuals and families.

27 (3) The sum of twenty million dollars is appropriated from the
28 health services account to the public health services account for the
29 purpose of maintaining and improving the health of Washington
30 residents. Specific improvements shall include but are not limited to:
31 Expanded immunization, counter message advertising, pregnancy and
32 sexually transmitted disease prevention services, tuberculosis control,
33 and HIV programs.

34 (4) The sum of four million three hundred thousand dollars is
35 appropriated from the health services account to the health system
36 capacity account for the state-wide family medicine program and
37 training of physician assistants and nurse practitioners, for health

1 professional scholarship and loan repayment programs, and for other
2 activities designed to improve the supply of primary health care
3 providers.

4 (5) The sum of four million dollars is appropriated to the public
5 health services account for maintaining and enhancing services provided
6 through the department of health.

7 (6) The sum of six million five hundred thousand dollars is
8 appropriated to the health system capacity account for the operation of
9 the health care commission and data services and analytical activities
10 in support of the health care system.

11 **PART IV. HEALTH AND MEDICAL SYSTEM REFORM**

12 NEW SECTION. **Sec. 401.** INTENT. The legislature intends that
13 chapter . . . , Laws of 1993 (this act) establish structures, processes,
14 and specific financial limits to stabilize the overall cost of medical
15 care within the economy, reduce the demand for unneeded medical care,
16 provide access to essential health and medical services, improve public
17 health, and ensure that medical system costs do not undermine the
18 financial viability of nonmedical care businesses.

19 NEW SECTION. **Sec. 402.** DEFINITIONS. In this chapter, unless the
20 context otherwise requires:

21 (1)(a) "Certified health plan" or "plan" means a disability insurer
22 regulated under chapter 48.20 or 48.21 RCW, a health care service
23 contractor as defined in RCW 48.44.010, a health maintenance
24 organization as defined in RCW 48.46.020, or an entity certified in
25 accordance with sections 431 through 442 of this act which insurer,
26 contractor, health maintenance organization, or entity contracts to
27 administer or provide the uniform benefits package in a managed care
28 setting consistent with the requirements of this chapter.

29 (b) "Certified health plan" or "plan" also means an employee health
30 benefits plan maintained by an employer who self-insures such benefits
31 and chooses to comply with sections 431 through 442 of this act.

32 (2) "Chair" means the presiding officer of the Washington health
33 services commission.

34 (3) "Commission" means the Washington health services commission.

35 (4) "Community rate" means the rating method used to establish the
36 premium for the uniform benefits package adjusted to reflect

1 actuarially demonstrated differences in utilization or cost
2 attributable to geographic region and family size as determined by the
3 commission.

4 (5) "Continuous quality improvement and total quality management"
5 means a continuous process to improve health services while reducing
6 costs.

7 (6) "Employee" means a resident who is in the employment of an
8 employer, as defined by chapter 50.04 RCW. A qualified employee for
9 full employer contributions is an employee who is employed at least
10 thirty hours during a week or one hundred twenty hours during a
11 calendar month.

12 (7) "Enrollee" means any person who is a Washington resident
13 enrolled in a certified health plan.

14 (8) "Enrollee point of service cost-sharing" means copayments or
15 coinsurance paid to certified health plans directly providing services,
16 health care providers, or health care facilities by enrollees for
17 receipt of specific uniform benefits package services, within limits
18 established by the commission.

19 (9) "Enrollee premium sharing" means that portion of the premium,
20 determined by the commission, that is paid by enrollees or their family
21 members.

22 (10) "Federal poverty level" means the federal poverty guidelines
23 determined annually by the United States department of health and human
24 services or successor agency.

25 (11) "Health care facility" or "facility" means hospices licensed
26 under chapter 70.127 RCW, hospitals licensed under chapter 70.41 RCW,
27 rural health facilities as defined in RCW 70.175.020, psychiatric
28 hospitals licensed under chapter 71.12 RCW, nursing homes licensed
29 under chapter 18.51 RCW, community mental health centers licensed under
30 chapter 71.05 or 71.24 RCW, kidney disease treatment centers licensed
31 under chapter 70.41 RCW, ambulatory diagnostic, treatment or surgical
32 facilities licensed under chapter 70.41 RCW, drug and alcohol treatment
33 facilities licensed under chapter 70.96A RCW, and home health agencies
34 licensed under chapter 70.127 RCW, and includes such facilities if
35 owned and operated by a political subdivision or instrumentality of the
36 state and such other facilities as required by federal law and
37 implementing regulations, but does not include Christian Science
38 sanatoriums operated, listed, or certified by the First Church of
39 Christ Scientist, Boston, Massachusetts.

1 (12) "Health care provider" or "provider" means:

2 (a) A person regulated under Title 18 RCW to practice health or
3 health-related services or otherwise practicing health care services in
4 this state consistent with state law; or

5 (b) An employee or agent of a person described in (a) of this
6 subsection, acting in the course and scope of his or her employment.

7 (13) "Health insurance purchasing cooperative" or "cooperative"
8 means a member-owned and governed nonprofit organization certified in
9 accordance with sections 424 and 425 of this act.

10 (14) "Long-term care" means institutional, residential, outpatient,
11 or community-based services that meet the individual needs of persons
12 of all ages who are limited in their functional capacities or have
13 disabilities and require assistance with performing two or more
14 activities of daily living for an extended or indefinite period of
15 time. These services include case management, protective supervision,
16 in-home care, nursing services, convalescent, custodial, chronic, and
17 terminally ill care.

18 (15) "Major capital expenditure" means any single expenditure for
19 capital construction, renovations, or acquisition, including medical
20 technological equipment, as defined by the commission, costing more
21 than one million dollars.

22 (16) "Managed care" means an integrated system of insurance,
23 financing, and health services delivery functions that assumes
24 financial risk for delivery of health services and that uses a defined
25 network of providers or that promotes the efficient delivery of health
26 services through provider assumption of some financial risk including
27 capitation, prospective payment, resource-based relative value scales,
28 fee schedules, or similar method of limiting payments to health care
29 providers.

30 (17) "Maximum enrollee financial participation" means the income-
31 related total annual payments that may be required of an enrollee per
32 family who chooses one of the three lowest priced plans in a geographic
33 region including both premium-sharing and enrollee point of service
34 cost-sharing.

35 (18) "Persons of color" means Asians/Pacific Islanders, African,
36 Hispanic, and Native Americans.

37 (19) "Premium" means all sums charged, received, or deposited by a
38 certified health plan as consideration for a uniform benefits package
39 or the continuance of a uniform benefits package. Any assessment, or

1 any "membership," "policy," "contract," "service," or similar fee or
2 charge made by the certified health plan in consideration for the
3 uniform benefits package is deemed part of the premium.

4 (20) "Supplemental benefits" means those appropriate and effective
5 health services, defined by the commission, in accordance with section
6 449 of this act, that expand coverage under the uniform benefits
7 package and that may be offered to all Washington residents through
8 certified health plans.

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

18 (22) "Uniform benefits package" or "package" means those
19 appropriate and effective health services, defined by the commission
20 under section 448 of this act, that must be offered to all Washington
21 residents through certified health plans.

22 (23) "Washington resident" or "resident" means a person who intends
23 to reside in the state permanently or indefinitely and who did not move
24 to Washington for the primary purpose of securing health services under
25 sections 426 through 457 of this act. "Washington resident" also
26 includes people and their accompanying family members who are in the
27 state for the purpose of engaging in employment for at least one month,
28 who did not enter the state for the primary purpose of obtaining health
29 services. The confinement of a person in a nursing home, hospital, or
30 other medical institution in the state shall not by itself be
31 sufficient to qualify such person as a resident.

32 **A. THE WASHINGTON HEALTH SERVICES COMMISSION**

33 NEW SECTION. **Sec. 403.** CREATION OF COMMISSION--MEMBERSHIP--TERMS
34 OF OFFICE--VACANCIES--SALARIES. (1) There is created an agency of
35 state government to be known as the Washington health services
36 commission. The commission shall consist of five members reflecting
37 ethnic and racial diversity, appointed by the governor, with the

1 consent of the senate. One member shall be designated by the governor
2 as chair and shall serve at the pleasure of the governor. The
3 insurance commissioner shall serve as a nonvoting member. Of the
4 initial members, one shall be appointed to a term of three years, one
5 shall be appointed to a term of four years, and one shall be appointed
6 to a term of five years. Thereafter, members shall be appointed to
7 five-year terms. Vacancies shall be filled by appointment for the
8 remainder of the unexpired term of the position being vacated.

9 (2) Members of the commission shall have no pecuniary interest in
10 any business subject to regulation by the commission and shall be
11 subject to chapter 42.18 RCW, the executive branch conflict of interest
12 act.

13 (3) Members of the commission shall occupy their positions on a
14 full-time basis and are exempt from the provisions of chapter 41.06
15 RCW. Commission members and the professional commission staff are
16 subject to the public disclosure provisions of chapter 42.17 RCW.
17 Members shall be paid a salary to be fixed by the governor in
18 accordance with RCW 43.03.040. A majority of the members of the
19 commission constitutes a quorum for the conduct of business.

20 NEW SECTION. **Sec. 404.** ADVISORY COMMITTEES. (1)(a) The
21 commission shall appoint a technical advisory committee with a balanced
22 representation of members representing consumers, business, government,
23 labor, insurers, health care providers, and health services
24 researchers; the membership shall reflect ethnic and racial diversity.
25 The chair may also appoint ad hoc and special committees for a
26 specified time period.

27 (b) The commission shall also appoint health services effectiveness
28 panels for specified periods of time to provide specific technical
29 guidance related to appropriate and effective health services, use of
30 technology and practice guidelines, and development of the uniform
31 benefits package. Panels should include technical experts, such as
32 general practitioners, specialty physicians or providers, health
33 service researchers, health ethicists, epidemiologists, and public
34 health experts who reflect the state's ethnic and cultural diversity.

35 (c) The commission shall also appoint a small business advisory
36 committee composed of seven small business owners to assist the
37 commission in development of the small business economic impact

1 statement and the small business assistance program, as provided in
2 sections 448(7) and 457 of this act.

3 (2) Members of committees and panels shall serve without
4 compensation for their services but shall be reimbursed for their
5 expenses while attending meetings on behalf of the commission in
6 accordance with RCW 43.03.050 and 43.03.060.

7 NEW SECTION. **Sec. 405.** POWERS AND DUTIES OF THE CHAIR. The chair
8 shall be the chief administrative officer and the appointing authority
9 of the commission and has the following powers and duties:

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

13 (2) Employ personnel of the commission, representative of ethnic
14 diversity, in accordance with chapter 41.06 RCW, and prescribe their
15 duties. With the approval of a majority of the commission, the chair
16 may appoint persons to administer any entity established pursuant to
17 subsection (8) of this section, and up to seven additional employees
18 all of whom shall be exempt from the provisions of chapter 41.06 RCW;

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

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

22 (5) Delegate administrative functions of the commission to
23 employees of the commission as the chair deems necessary to ensure
24 efficient administration;

25 (6) Subject to approval of the commission, appoint advisory
26 committees and undertake studies, research, and analysis necessary to
27 support activities of the commission;

28 (7) Preside at meetings of the commission;

29 (8) Consistent with policies and rules established by the
30 commission, establish such administrative divisions, offices, or
31 programs as are necessary to carry out the purposes of chapter . . . ,
32 Laws of 1993 (this act); and

33 (9) Perform such other administrative and technical duties as are
34 consistent with chapter . . . , Laws of 1993 (this act) and the rules
35 and policies of the commission.

36 NEW SECTION. **Sec. 406.** POWERS AND DUTIES OF THE COMMISSION. The
37 commission has the following powers and duties:

1 (1) Ensure that all residents of Washington state are enrolled in
2 a certified health plan to receive the uniform benefits package,
3 regardless of age, sex, family structure, ethnicity, race, health
4 condition, geographic location, employment, or economic status.

5 (2) Endeavor to ensure that all residents of Washington state have
6 access to appropriate, timely, confidential, and effective health
7 services, and monitor the degree of access to such services. If the
8 commission finds that individuals or populations lack access to
9 certified health plan services, the commission shall:

10 (a) Authorize appropriate state agencies, local health departments,
11 community or migrant health clinics, public hospital districts, or
12 other nonprofit health service entities to take actions necessary to
13 assure such access. This includes authority to contract for or
14 directly deliver services described within the uniform benefits package
15 to special populations; or

16 (b) Notify appropriate certified health plans and the insurance
17 commissioner of such findings. The commission shall adopt by rule
18 standards by which the insurance commissioner may, in such event,
19 require certified health plans in closest proximity to such individuals
20 and populations to extend their catchment areas to those individuals
21 and populations and offer them enrollment.

22 (3) Adopt necessary rules in accordance with chapter 34.05 RCW to
23 carry out the purposes of chapter . . . , Laws of 1993 (this act). An
24 initial set of draft rules establishing at least the commission's
25 organization structure, the uniform benefits package, enrollee and
26 employer financial participation, levels of and standards for certified
27 health plan certification, must be submitted in draft form to
28 appropriate committees of the legislature by December 1, 1994.

29 (4) Establish and modify as necessary, in consultation with the
30 state board of health and the department of health, and coordination
31 with the planning process set forth in section 458 of this act a
32 uniform set of health services based on the recommendations of the
33 health care cost control and access commission.

34 (5) Establish and modify as necessary, the uniform benefits package
35 and supplemental benefits packages, as provided in sections 448 and 449
36 of this act, which shall be offered to enrollees of a certified health
37 plan. The benefit package shall be provided at no more than the
38 maximum premium specified in subsection (6) of this section.

1 (6)(a) Establish for each year a community-rated maximum premium
2 for the uniform benefits package. The premium cost of the uniform
3 benefits package in 1995 shall be based upon an actuarial determination
4 of the costs of providing the uniform benefits package, assuming cost
5 impacts that may result from reductions in cost shifting, the use of
6 managed care, identification of cost-effective and clinically
7 efficacious services, and any other factors deemed relevant by the
8 commission. Beginning in 1996, the growth rate of the uniform benefits
9 package shall be allowed to increase by a rate no greater than the
10 average growth rate in the cost of the package between 1990 and 1993 as
11 actuarially determined, reduced by two percentage points per year until
12 the growth rate is no greater than growth in Washington per capita
13 personal income, as determined by the office of financial management.

14 (b) If the commission adds or deletes services or benefits to the
15 uniform benefits package in subsequent years, it may increase or
16 decrease the maximum premium to reflect the actual cost experience of
17 a broad sample of providers of that service in the state, considering
18 the factors enumerated in (a) of this subsection and adjusted
19 actuarially. The addition of services or benefits shall not result in
20 a redetermination of the entire cost of the uniform benefits package.

21 (7) In order to promote price competition, establish annual premium
22 shares and amounts that shall be paid by employers, government
23 sponsors, and enrollees defined in relation to the price of the lowest
24 priced plan in the region providing the uniform benefits package in a
25 manner that ensures adequate quality of services. Enrollee premium
26 share levels shall be related to enrollee household income and shall
27 not apply to enrollees with income less than the federal poverty level.
28 The commission shall develop mechanisms through which enrollees whose
29 premium share levels are reduced as a result of low household income
30 can obtain subsidies necessary for enrollment in a certified health
31 plan. The availability of subsidies shall be conditioned upon the
32 appropriation of funds specifically for this purpose.

33 (8) Determine the need for medical risk adjustment mechanisms to
34 minimize financial incentives for certified health plans to enroll
35 individuals who present lower health risks and avoid enrolling
36 individuals who present higher health risks, and to minimize financial
37 incentives for employer hiring practices that discriminate against
38 individuals who present higher health risks. In the design of medical
39 risk distribution mechanisms under this subsection, the commission

1 shall (a) balance the benefits of price competition with the need to
2 protect certified health plans from any unsustainable negative effects
3 of adverse selection and (b) consider the development of a system that
4 creates a risk profile of each certified health plan's enrollee
5 population that does not create disincentives for a plan to control
6 benefit utilization, that requires contributions from plans that enjoy
7 a low-risk enrollee population to plans that have a high-risk enrollee
8 population, and that does not permit an adjustment of the premium
9 charged for the uniform benefits package or supplemental coverage based
10 upon either receipt or contribution of assessments. Proposed medical
11 risk adjustment mechanisms shall be submitted to the legislature as
12 provided in section 450 of this act.

13 (9) Design a mechanism to assure minors have access to confidential
14 health care services as currently provided in RCW 70.24.110 and
15 71.34.030.

16 (10) Monitor the actual growth in total annual health services
17 costs.

18 (11) Establish reporting requirements for certified health plans
19 that own or manage health care facilities, health care facilities, and
20 health care providers to periodically report to the commission
21 regarding major capital expenditures of the plans. The commission
22 shall review and monitor such reports from providers and shall report
23 to the legislature regarding major capital expenditures by providers on
24 at least an annual basis. The Washington health care facilities
25 authority authorized in chapter 70.37 RCW may not approve financing for
26 a major capital expenditure unless it has been approved by the
27 commission under this subsection.

28 (12) Establish maximum enrollee financial participation levels.
29 The levels shall be related to enrollee household income and shall not
30 result in household income being reduced below the federal poverty
31 level.

32 (13) For health services provided under the uniform benefits
33 package, adopt standards for enrollment, and standardized billing and
34 claims processing forms. The standards shall ensure that these
35 procedures minimize administrative burdens on health care providers,
36 certified health plans, and consumers. Subject to federal approval or
37 phase-in schedules whenever necessary or appropriate, the standards
38 also shall apply to state-purchased health services, as defined in RCW
39 41.05.011.

1 (14) Suggest that certified health plans adopt certain practice
2 indicators or risk management protocols for quality assurance,
3 utilization review, or provider payment. The commission may consider
4 indicators or protocols recommended according to section 410 of this
5 act for these purposes.

6 (15) Suggest other guidelines to certified health plans for
7 utilization management, use of technology and methods of payment, such
8 as diagnosis-related groups and a resource-based relative value scale.
9 Such guidelines shall be voluntary and shall be designed to promote
10 improved management of care, and provide incentives for improved
11 efficiency and effectiveness within the delivery system.

12 (16) Adopt standards and oversee and develop policy for personal
13 health data and information system as provided in chapter 70.170 RCW.

14 (17) Adopt standards that prevent conflict of interest by health
15 care providers as provided in section 408 of this act.

16 (18) Consider the extent to which medical research activities
17 should be included within the health service system set forth in this
18 chapter . . . , Laws of 1993 (this act).

19 (19) Evaluate and monitor the extent to which racial and ethnic
20 minorities have access and to receive health services within the state,
21 and develop strategies to address barriers to access.

22 (20) Develop standards for the certification process to certify
23 health plans to provide the uniform benefits package, according to the
24 provisions for certified health plans under chapter . . . , Laws of 1993
25 (this act).

26 (21) Develop rules for implementation of individual and employer
27 participation under sections 454 and 455 of this act specifically
28 applicable to persons who work in this state but do not live in the
29 state or persons who live in this state but work outside of the state.
30 The rules shall be designed so that these persons receive coverage and
31 financial requirements that are comparable to that received by persons
32 who both live and work in the state.

33 (22) Establish a process for purchase of uniform benefits package
34 services by enrollees when they are out-of-state.

35 (23) Develop recommendations to the legislature as to whether state
36 and school district employees, on whose behalf health benefits are or
37 will be purchased by the health care authority pursuant to chapter
38 41.05 RCW, should have the option to purchase health benefits through

1 health insurance purchasing cooperatives on and after July 1, 1997. In
2 developing its recommendations, the commission shall consider:

3 (a) The impact of state or school district employees purchasing
4 through health insurance purchasing cooperatives on the ability of the
5 state to control its health care costs; and

6 (b) Whether state or school district employees purchasing through
7 health insurance purchasing cooperatives will result in inequities in
8 health benefits between or within groups of state and school district
9 employees.

10 (24) Establish guidelines for providers dealing with terminal or
11 static conditions, taking into consideration the ethics of providers,
12 patient and family wishes, costs, and survival possibilities.

13 (25) Evaluate the extent to which Taft-Hartley health care trusts
14 provide benefits to certain individuals in the state; review the
15 federal laws under which these joint employee-employer entities are
16 organized; and make appropriate recommendations to the governor and the
17 legislature about how these trusts can be brought under the provisions
18 of chapter . . . , Laws of 1993 (this act) when it is fully implemented.

19 (26) Evaluate whether Washington is experiencing a higher
20 percentage in in-migration of residents from other states and
21 territories than would be expected by normal trends as a result of the
22 availability of comprehensive subsidized health care benefits for all
23 residents and report to the governor and the legislature their
24 findings.

25 (27) In developing the uniform benefits package and other standards
26 pursuant to this section, consider the likelihood of the establishment
27 of a national health services plan adopted by the federal government
28 and its implications.

29 (28) Evaluate the effect of reforms under chapter . . . , Laws of
30 1993 (this act) on access to care and economic development in rural
31 areas.

32 To the extent that the exercise of any of the powers and duties
33 specified in this section may be inconsistent with the powers and
34 duties of other state agencies, offices, or commissions, the authority
35 of the commission shall supersede that of such other state agency,
36 office, or commission, except in matters of personal health data, where
37 the commission shall have primary data system policymaking authority
38 and the department of health shall have primary responsibility for the
39 maintenance and routine operation of personal health data systems.

1 NEW SECTION. **Sec. 407.** MODIFICATION OF MAXIMUM PREMIUM. Upon the
2 recommendation of the insurance commissioner, and on the basis of
3 evidence established by independent actuarial analysis, if the
4 commission finds that the economic viability of a significant number of
5 the state's certified health plans is seriously threatened, the
6 commission may increase the maximum premium to the extent mandated by
7 the Constitution, and must immediately thereafter submit to the
8 legislature a proposal for a new formula for adjusting the maximum
9 premium that must be approved in law by each house of the legislature
10 by a sixty percent vote.

11 NEW SECTION. **Sec. 408.** A new section is added to chapter 18.130
12 RCW to read as follows:

13 CONFLICT OF INTEREST STANDARDS. The Washington health services
14 commission established by section 403 of this act, in consultation with
15 the secretary of health, and the health care disciplinary authorities
16 under RCW 18.130.040(2)(b), shall establish standards and monetary
17 penalties in rule prohibiting provider investments and referrals that
18 present a conflict of interest resulting from inappropriate financial
19 gain for the provider or his or her immediate family. These standards
20 are not intended to inhibit the efficient operation of managed health
21 care systems or certified health plans. The commission shall report to
22 the health policy committees of the senate and house of representatives
23 by December 1, 1994, on the development of the standards and any
24 recommended statutory changes necessary to implement the standards.

25 NEW SECTION. **Sec. 409.** CONTINUOUS QUALITY IMPROVEMENT AND TOTAL
26 QUALITY MANAGEMENT. To ensure the highest quality health services at
27 the lowest total cost, the commission shall establish a total quality
28 management system of continuous quality improvement. Such endeavor
29 shall be based upon the recognized quality science for continuous
30 quality improvement. The commission shall impanel a committee composed
31 of persons from the private sector and related sciences who have broad
32 knowledge and successful experiences in continuous quality improvement
33 and total quality management applications. It shall be the
34 responsibility of the committee to develop standards for a Washington
35 state health services supplier certification process and recommend such
36 standards to the commission for review and adoption. Once adopted, the
37 commission shall establish a schedule, with full compliance no later

1 than July 1, 1996, whereby all health service providers and health
2 service facilities shall be certified prior to providing uniform
3 benefits package services.

4 **B. PRACTICE INDICATORS**

5 NEW SECTION. **Sec. 410.** A new section is added to chapter 43.70
6 RCW to read as follows:

7 PRACTICE INDICATORS. The department of health shall consult with
8 health care providers, purchasers, health professional regulatory
9 authorities under RCW 18.130.040, appropriate research and clinical
10 experts, and consumers of health care services to identify specific
11 practice areas where practice indicators and risk management protocols
12 have been developed, including those that have been demonstrated to be
13 effective among persons of color. Practice indicators shall be based
14 upon expert consensus and best available scientific evidence. The
15 department shall:

16 (1) Develop a definition of expert consensus and best available
17 scientific evidence so that practice indicators can serve as a standard
18 for excellence in the provision of health care services.

19 (2) Establish a process to identify and evaluate practice
20 indicators and risk management protocols as they are developed by the
21 appropriate professional, scientific, and clinical communities.

22 (3) Recommend the use of practice indicators and risk management
23 protocols in quality assurance, utilization review, or provider payment
24 to the health services commission.

25 **C. HEALTH CARE LIABILITY REFORMS**

26 **Sec. 411.** RCW 43.70.320 and 1991 sp.s. c 13 s 18 are each amended
27 to read as follows:

28 HEALTH PROFESSIONS ACCOUNT. (1) There is created in the state
29 treasury an account to be known as the health professions account. All
30 fees received by the department for health professions licenses,
31 registration, certifications, renewals, or examinations and the civil
32 penalties assessed and collected by the department under RCW 18.130.190
33 shall be forwarded to the state treasurer who shall credit such moneys
34 to the health professions account.

1 (2) All expenses incurred in carrying out the health professions
2 licensing activities of the department shall be paid from the account
3 as authorized by legislative appropriation. Any residue in the account
4 shall be accumulated and shall not revert to the general fund at the
5 end of the biennium.

6 (3) The secretary shall biennially prepare a budget request based
7 on the anticipated costs of administering the health professions
8 licensing activities of the department which shall include the
9 estimated income from health professions fees.

10 NEW SECTION. **Sec. 412.** A new section is added to chapter 18.130
11 RCW to read as follows:

12 MALPRACTICE INSURANCE COVERAGE MANDATE. Except to the extent that
13 liability insurance is not available, every licensed health care
14 practitioner whose services are included in the uniform benefits
15 package, as determined by section 448 of this act, and whose scope of
16 practice includes independent practice, shall, as a condition of
17 licensure and relicensure, be required to provide evidence of a minimum
18 level of malpractice insurance coverage issued by a company authorized
19 to do business in this state. On or before January 1, 1994, the
20 department shall designate by rule:

21 (1) Those health professions whose scope of practice includes
22 independent practice;

23 (2) For each health profession whose scope of practice includes
24 independent practice, whether malpractice insurance is available; and

25 (3) If such insurance is available, the appropriate minimum level
26 of mandated coverage.

27 NEW SECTION. **Sec. 413.** A new section is added to chapter 48.22
28 RCW to read as follows:

29 RISK MANAGEMENT TRAINING OF INDEPENDENT HEALTH CARE PRACTITIONERS.
30 Effective July 1, 1994, a casualty insurer's issuance of a new medical
31 malpractice policy or renewal of an existing medical malpractice policy
32 to a physician or other independent health care practitioner shall be
33 conditioned upon that practitioner's participation in, and completion
34 of, health care liability risk management training. The risk
35 management training shall provide information related to avoiding
36 adverse health outcomes resulting from substandard practice and
37 minimizing damages associated with the adverse health outcomes that do

1 occur. For purposes of this section, "independent health care
2 practitioners" means those health care practitioner licensing
3 classifications designated by the department of health in rule pursuant
4 to section 412 of this act.

5 NEW SECTION. **Sec. 414.** A new section is added to chapter 48.05
6 RCW to read as follows:

7 RISK MANAGEMENT TRAINING OF INDEPENDENT HEALTH CARE PRACTITIONERS.
8 Effective July 1, 1994, each health care provider, facility, or health
9 maintenance organization that self-insures for liability risks related
10 to medical malpractice and employs physicians or other independent
11 health care practitioners in Washington state shall condition each
12 physician's and practitioner's liability coverage by that entity upon
13 that physician's or practitioner's participation in risk management
14 training offered by the provider, facility, or health maintenance
15 organization to its employees. The risk management training shall
16 provide information related to avoiding adverse health outcomes
17 resulting from substandard practice and minimizing damages associated
18 with those adverse health outcomes that do occur. For purposes of this
19 section, "independent health care practitioner" means those health care
20 practitioner licensing classifications designated by the department of
21 health in rule pursuant to section 412 of this act.

22 **Sec. 415.** RCW 70.41.200 and 1991 c 3 s 336 are each amended to
23 read as follows:

24 QUALITY IMPROVEMENT PROGRAM. (1) Every hospital shall maintain a
25 coordinated quality improvement program for the improvement of the
26 quality of health care services rendered to patients and the
27 identification and prevention of medical malpractice. The program
28 shall include at least the following:

29 (a) The establishment of a quality ((assurance)) improvement
30 committee with the responsibility to review the services rendered in
31 the hospital, both retrospectively and prospectively, in order to
32 improve the quality of medical care of patients and to prevent medical
33 malpractice. The committee shall oversee and coordinate the quality
34 improvement and medical malpractice prevention program and shall insure
35 that information gathered pursuant to the program is used to review and
36 to revise hospital policies and procedures(~~(. At least one member of~~
37 ~~the committee shall be a member of the governing board of the hospital~~

1 ~~who is not otherwise affiliated with the hospital in an employment or~~
2 ~~contractual capacity));~~

3 (b) A medical staff privileges sanction procedure through which
4 credentials, physical and mental capacity, and competence in delivering
5 health care services are periodically reviewed as part of an evaluation
6 of staff privileges;

7 (c) The periodic review of the credentials, physical and mental
8 capacity, and competence in delivering health care services of all
9 persons who are employed or associated with the hospital;

10 (d) A procedure for the prompt resolution of grievances by patients
11 or their representatives related to accidents, injuries, treatment, and
12 other events that may result in claims of medical malpractice;

13 (e) The maintenance and continuous collection of information
14 concerning the hospital's experience with negative health care outcomes
15 and incidents injurious to patients, patient grievances, professional
16 liability premiums, settlements, awards, costs incurred by the hospital
17 for patient injury prevention, and safety improvement activities;

18 (f) The maintenance of relevant and appropriate information
19 gathered pursuant to (a) through (e) of this subsection concerning
20 individual physicians within the physician's personnel or credential
21 file maintained by the hospital;

22 (g) Education programs dealing with quality improvement, patient
23 safety, injury prevention, staff responsibility to report professional
24 misconduct, the legal aspects of patient care, improved communication
25 with patients, and causes of malpractice claims for staff personnel
26 engaged in patient care activities; and

27 (h) Policies to ensure compliance with the reporting requirements
28 of this section.

29 (2) Any person who, in substantial good faith, provides information
30 to further the purposes of the quality improvement and medical
31 malpractice prevention program or who, in substantial good faith,
32 participates on the quality ((assurance)) improvement committee shall
33 not be subject to an action for civil damages or other relief as a
34 result of such activity.

35 (3) Information and documents, including complaints and incident
36 reports, created specifically for, and collected, and maintained
37 ((~~about health care providers arising out of the matters that are under~~
38 ~~review or have been evaluated~~)) by a ((~~review~~)) quality improvement
39 committee ((~~conducting quality assurance reviews~~)) are not subject to

1 discovery or introduction into evidence in any civil action, and no
2 person who was in attendance at a meeting of such committee or
3 (~~board~~) who participated in the creation, collection, or maintenance
4 of information or documents specifically for the committee shall be
5 permitted or required to testify in any civil action as to the content
6 of such proceedings or the documents and information prepared
7 specifically for the committee. This subsection does not preclude:
8 (a) In any civil action, the discovery of the identity of persons
9 involved in the medical care that is the basis of the civil action
10 whose involvement was independent of any quality improvement activity;
11 (b) in any civil action, the testimony of any person concerning the
12 facts which form the basis for the institution of such proceedings of
13 which the person had personal knowledge acquired independently of such
14 proceedings; (~~(b)~~) (c) in any civil action by a health care provider
15 regarding the restriction or revocation of that individual's clinical
16 or staff privileges, introduction into evidence information collected
17 and maintained by quality (~~assurance~~) improvement committees
18 regarding such health care provider; (~~(c)~~) (d) in any civil action,
19 disclosure of the fact that staff privileges were terminated or
20 restricted, including the specific restrictions imposed, if any and the
21 reasons for the restrictions; or (~~(d)~~) (e) in any civil action,
22 discovery and introduction into evidence of the patient's medical
23 records required by regulation of the department of health to be made
24 regarding the care and treatment received.

25 (4) The department of health shall adopt such rules as are deemed
26 appropriate to effectuate the purposes of this section.

27 (5) The medical disciplinary board or the board of osteopathic
28 medicine and surgery, as appropriate, may review and audit the records
29 of committee decisions in which a physician's privileges are terminated
30 or restricted. Each hospital shall produce and make accessible to the
31 board the appropriate records and otherwise facilitate the review and
32 audit. Information so gained shall not be subject to the discovery
33 process and confidentiality shall be respected as required by
34 subsection (3) of this section. Failure of a hospital to comply with
35 this subsection is punishable by a civil penalty not to exceed two
36 hundred fifty dollars.

37 (6) Violation of this section shall not be considered negligence
38 per se.

1 **Sec. 416.** RCW 70.41.230 and 1991 c 3 s 337 are each amended to
2 read as follows:

3 REQUEST FOR STAFF PRIVILEGES. (1) Prior to granting or renewing
4 clinical privileges or association of any physician or hiring a
5 physician, a hospital or facility approved pursuant to this chapter
6 shall request from the physician and the physician shall provide the
7 following information:

8 (a) The name of any hospital or facility with or at which the
9 physician had or has any association, employment, privileges, or
10 practice;

11 (b) If such association, employment, privilege, or practice was
12 discontinued, the reasons for its discontinuation;

13 (c) Any pending professional medical misconduct proceedings or any
14 pending medical malpractice actions in this state or another state, the
15 substance of the allegations in the proceedings or actions, and any
16 additional information concerning the proceedings or actions as the
17 physician deems appropriate;

18 (d) The substance of the findings in the actions or proceedings and
19 any additional information concerning the actions or proceedings as the
20 physician deems appropriate;

21 (e) A waiver by the physician of any confidentiality provisions
22 concerning the information required to be provided to hospitals
23 pursuant to this subsection; and

24 (f) A verification by the physician that the information provided
25 by the physician is accurate and complete.

26 (2) Prior to granting privileges or association to any physician or
27 hiring a physician, a hospital or facility approved pursuant to this
28 chapter shall request from any hospital with or at which the physician
29 had or has privileges, was associated, or was employed, the following
30 information concerning the physician:

31 (a) Any pending professional medical misconduct proceedings or any
32 pending medical malpractice actions, in this state or another state;

33 (b) Any judgment or settlement of a medical malpractice action and
34 any finding of professional misconduct in this state or another state
35 by a licensing or disciplinary board; and

36 (c) Any information required to be reported by hospitals pursuant
37 to RCW 18.72.265.

38 (3) The medical disciplinary board shall be advised within thirty
39 days of the name of any physician denied staff privileges, association,

1 or employment on the basis of adverse findings under subsection (1) of
2 this section.

3 (4) A hospital or facility that receives a request for information
4 from another hospital or facility pursuant to subsections (1) and (2)
5 of this section shall provide such information concerning the physician
6 in question to the extent such information is known to the hospital or
7 facility receiving such a request, including the reasons for
8 suspension, termination, or curtailment of employment or privileges at
9 the hospital or facility. A hospital, facility, or other person
10 providing such information in good faith is not liable in any civil
11 action for the release of such information.

12 (5) Information and documents, including complaints and incident
13 reports, created specifically for, and collected, and maintained
14 ~~((about health care providers arising out of the matters that are under
15 review or have been evaluated))~~ by a ~~((review))~~ quality improvement
16 committee ~~((conducting quality assurance reviews))~~ are not subject to
17 discovery or introduction into evidence in any civil action, and no
18 person who was in attendance at a meeting of such committee or
19 ~~((board))~~ who participated in the creation, collection, or maintenance
20 of information or documents specifically for the committee shall be
21 permitted or required to testify in any civil action as to the content
22 of such proceedings or the documents and information prepared
23 specifically for the committee. This subsection does not preclude:
24 (a) In any civil action, the discovery of the identity of persons
25 involved in the medical care that is the basis of the civil action
26 whose involvement was independent of any quality improvement activity;
27 (b) in any civil action, the testimony of any person concerning the
28 facts which form the basis for the institution of such proceedings of
29 which the person had personal knowledge acquired independently of such
30 proceedings; ~~((b))~~ (c) in any civil action by a health care provider
31 regarding the restriction or revocation of that individual's clinical
32 or staff privileges, introduction into evidence information collected
33 and maintained by quality ~~((assurance))~~ improvement committees
34 regarding such health care provider; ~~((e))~~ (d) in any civil action,
35 disclosure of the fact that staff privileges were terminated or
36 restricted, including the specific restrictions imposed, if any and the
37 reasons for the restrictions; or ~~((d))~~ (e) in any civil action,
38 discovery and introduction into evidence of the patient's medical

1 records required by regulation of the department of health to be made
2 regarding the care and treatment received.

3 (6) Hospitals shall be granted access to information held by the
4 medical disciplinary board and the board of osteopathic medicine and
5 surgery pertinent to decisions of the hospital regarding credentialing
6 and recredentialing of practitioners.

7 (7) Violation of this section shall not be considered negligence
8 per se.

9 NEW SECTION. **Sec. 417.** A new section is added to chapter 43.70
10 RCW to read as follows:

11 COORDINATED QUALITY IMPROVEMENT PROGRAM. (1)(a) Health care
12 institutions and medical facilities, other than hospitals, that are
13 licensed by the department, professional societies or organizations,
14 and certified health plans approved pursuant to section 427 of this act
15 may maintain a coordinated quality improvement program for the
16 improvement of the quality of health care services rendered to patients
17 and the identification and prevention of medical malpractice as set
18 forth in RCW 70.41.200.

19 (b) All such programs shall comply with the requirements of RCW
20 70.41.200(1)(a), (c), (d), (e), (f), (g), and (h) as modified to
21 reflect the structural organization of the institution, facility,
22 professional societies or organizations, or certified health plan,
23 unless an alternative quality improvement program substantially
24 equivalent to RCW 70.41.200(1)(a) is developed. All such programs,
25 whether complying with the requirement set forth in RCW 70.41.200(1)(a)
26 or in the form of an alternative program, must be approved by the
27 department before the discovery limitations provided in subsections (3)
28 and (4) of this section shall apply. In reviewing plans submitted by
29 licensed entities that are associated with physicians' offices, the
30 department shall ensure that the discovery limitations of this section
31 are applied only to information and documents related specifically to
32 quality improvement activities undertaken by the licensed entity.

33 (2) Health care provider groups of ten or more providers may
34 maintain a coordinated quality improvement program for the improvement
35 of the quality of health care services rendered to patients and the
36 identification and prevention of medical malpractice as set forth in
37 RCW 70.41.200. All such programs shall comply with the requirements of
38 RCW 70.41.200(1)(a), (c), (d), (e), (f), (g), and (h) as modified to

1 reflect the structural organization of the health care provider group.
2 All such programs must be approved by the department before the
3 discovery limitations provided in subsections (3) and (4) of this
4 section shall apply.

5 (3) Any person who, in substantial good faith, provides information
6 to further the purposes of the quality improvement and medical
7 malpractice prevention program or who, in substantial good faith,
8 participates on the quality improvement committee shall not be subject
9 to an action for civil damages or other relief as a result of such
10 activity.

11 (4) Information and documents, including complaints and incident
12 reports, created specifically for, and collected, and maintained by a
13 quality improvement committee are not subject to discovery or
14 introduction into evidence in any civil action, and no person who was
15 in attendance at a meeting of such committee or who participated in the
16 creation, collection, or maintenance of information or documents
17 specifically for the committee shall be permitted or required to
18 testify in any civil action as to the content of such proceedings or
19 the documents and information prepared specifically for the committee.
20 This subsection does not preclude: (a) In any civil action, the
21 discovery of the identity of persons involved in the medical care that
22 is the basis of the civil action whose involvement was independent of
23 any quality improvement activity; (b) in any civil action, the
24 testimony of any person concerning the facts that form the basis for
25 the institution of such proceedings of which the person had personal
26 knowledge acquired independently of such proceedings; (c) in any civil
27 action by a health care provider regarding the restriction or
28 revocation of that individual's clinical or staff privileges,
29 introduction into evidence information collected and maintained by
30 quality improvement committees regarding such health care provider; (d)
31 in any civil action, disclosure of the fact that staff privileges were
32 terminated or restricted, including the specific restrictions imposed,
33 if any and the reasons for the restrictions; or (e) in any civil
34 action, discovery and introduction into evidence of the patient's
35 medical records required by rule of the department of health to be made
36 regarding the care and treatment received.

37 (5) The department of health shall adopt rules as are necessary to
38 implement this section.

1 NEW SECTION. **Sec. 418.** MEDICAL MALPRACTICE REVIEW. (1) The
2 administrator for the courts shall coordinate a collaborative effort to
3 develop a voluntary system for review of medical malpractice claims by
4 health services experts prior to the filing of a cause of action under
5 chapter 7.70 RCW.

6 (2) The system shall have at least the following components:

7 (a) Review would be initiated, by agreement of the injured claimant
8 and the health care provider, at the point at which a medical
9 malpractice claim is submitted to a malpractice insurer or a self-
10 insured health care provider.

11 (b) By agreement of the parties, an expert would be chosen from a
12 pool of health services experts who have agreed to review claims on a
13 voluntary basis.

14 (c) The mutually agreed upon expert would conduct an impartial
15 review of the claim and provide his or her opinion to the parties.

16 (d) A pool of available experts would be established and maintained
17 for each category of health care practitioner by the corresponding
18 practitioner association, such as the Washington state medical
19 association and the Washington state nurses association.

20 (3) The administrator for the courts shall seek to involve at least
21 the following organizations in a collaborative effort to develop the
22 informal review system described in subsection (2) of this section:

23 (a) The Washington defense trial lawyers association;

24 (b) The Washington state trial lawyers association;

25 (c) The Washington state medical association;

26 (d) The Washington state nurses association;

27 (e) The Washington state hospital association;

28 (f) The Washington state physicians insurance exchange and
29 association;

30 (g) The Washington casualty company;

31 (h) The doctor's agency;

32 (i) Group health cooperative of Puget Sound;

33 (j) The University of Washington;

34 (k) Washington osteopathic medical association;

35 (l) Washington state chiropractic association;

36 (m) Washington association of naturopathic physicians; and

37 (n) The department of health.

38 (4) On or before January 1, 1994, the administrator for the courts
39 shall provide a report on the status of the development of the system

1 described in this section to the governor and the appropriate
2 committees of the senate and the house of representatives.

3 NEW SECTION. **Sec. 419.** A new section is added to chapter 7.70 RCW
4 to read as follows:

5 MANDATORY MEDIATION OF HEALTH CARE MALPRACTICE CLAIMS. (1) All
6 causes of action, whether based in tort, contract, or otherwise, for
7 damages arising from injury occurring as a result of health care
8 provided after the effective date of this section shall be subject to
9 mandatory mediation prior to trial.

10 (2) The supreme court shall by rule adopt procedures to implement
11 mandatory mediation of actions under this chapter. The rules shall
12 address, at a minimum:

13 (a) Procedures for the appointment of, and qualifications of,
14 mediators. A mediator shall have experience or expertise related to
15 actions arising from injury occurring as a result of health care, and
16 be a member of the state bar association who has been admitted to the
17 bar for a minimum of five years or who is a retired judge. The parties
18 may stipulate to a nonlawyer mediator. The court may prescribe
19 additional qualifications of mediators. Mediators shall be
20 compensated in the same amount and manner as judges pro tempore of the
21 superior court unless the parties agree to a different amount or manner
22 of compensation;

23 (b) The number of days following the filing of a claim under this
24 chapter within which a mediator must be selected;

25 (c) The method by which a mediator is selected. The rule shall
26 provide for designation of a mediator by the superior court if the
27 parties are unable to agree upon a mediator;

28 (d) The number of days following the selection of a mediator within
29 which a mediation conference must be held;

30 (e) A means by which mediation of an action under this chapter may
31 be waived by a mediator who has determined that the claim is not
32 appropriate for mediation; and

33 (f) Any other matters deemed necessary by the court.

34 (3) Mediators shall not impose discovery schedules upon the
35 parties.

36 NEW SECTION. **Sec. 420.** A new section is added to chapter 7.70 RCW
37 to read as follows:

1 MANDATORY MEDIATION OF HEALTH CARE MALPRACTICE. The making of a
2 written, good faith request for mediation of a dispute related to
3 damages for injury occurring as a result of health care provided prior
4 to filing a cause of action under this chapter shall toll the statute
5 of limitations provided in RCW 4.16.350.

6 NEW SECTION. Sec. 421. A new section is added to chapter 7.70 RCW
7 to read as follows:

8 MANDATORY MEDIATION OF HEALTH CARE MALPRACTICE CLAIMS. Section 419
9 of this act may not be construed to abridge the right to trial by jury
10 following an unsuccessful attempt at mediation.

11 **Sec. 422.** RCW 5.60.070 and 1991 c 321 s 1 are each amended to read
12 as follows:

13 MEDIATION--COMMUNICATIONS PRIVILEGED. (1) If there is a court
14 order to mediate (~~(or)~~), a written agreement between the parties to
15 mediate, or if mediation is mandated under section 419 of this act,
16 then any communication made or materials submitted in, or in connection
17 with, the mediation proceeding, whether made or submitted to or by the
18 mediator, a mediation organization, a party, or any person present, are
19 privileged and confidential and are not subject to disclosure in any
20 judicial or administrative proceeding except:

21 (a) When all parties to the mediation agree, in writing, to
22 disclosure;

23 (b) When the written materials or tangible evidence are otherwise
24 subject to discovery, and were not prepared specifically for use in and
25 actually used in the mediation proceeding;

26 (c) When a written agreement to mediate permits disclosure;

27 (d) When disclosure is mandated by statute;

28 (e) When the written materials consist of a written settlement
29 agreement or other agreement signed by the parties resulting from a
30 mediation proceeding;

31 (f) When those communications or written materials pertain solely
32 to administrative matters incidental to the mediation proceeding,
33 including the agreement to mediate; or

34 (g) In a subsequent action between the mediator and a party to the
35 mediation arising out of the mediation.

36 (2) When there is a court order (~~(or)~~), a written agreement to
37 mediate, or when mediation is mandated under section 419 of this act,

1 as described in subsection (1) of this section, the mediator or a
2 representative of a mediation organization shall not testify in any
3 judicial or administrative proceeding unless:

4 (a) All parties to the mediation and the mediator agree in writing;
5 or

6 (b) In an action described in subsection (1)(g) of this section.

7 **Sec. 423.** RCW 4.22.070 and 1986 c 305 s 401 are each amended to
8 read as follows:

9 PERCENTAGE OF FAULT--JOINT AND SEVERAL LIABILITY. (1) Except as
10 provided in subsection (4) of this section, in all actions involving
11 fault of more than one entity, the trier of fact shall determine the
12 percentage of the total fault which is attributable to every entity
13 which caused the claimant's damages, including the claimant or person
14 suffering personal injury or incurring property damage, defendants,
15 third-party defendants, entities released by the claimant, entities
16 immune from liability to the claimant and entities with any other
17 individual defense against the claimant. Judgment shall be entered
18 against each defendant except those who have been released by the
19 claimant or are immune from liability to the claimant or have prevailed
20 on any other individual defense against the claimant in an amount which
21 represents that party's proportionate share of the claimant's total
22 damages. The liability of each defendant shall be several only and
23 shall not be joint except:

24 (a) A party shall be responsible for the fault of another person or
25 for payment of the proportionate share of another party where both were
26 acting in concert or when a person was acting as an agent or servant of
27 the party.

28 (b) If the trier of fact determines that the claimant or party
29 suffering bodily injury or incurring property damages was not at fault,
30 the defendants against whom judgment is entered shall be jointly and
31 severally liable for the sum of their proportionate shares of the
32 claimants total damages.

33 (2) If a defendant is jointly and severally liable under one of the
34 exceptions listed in subsection(~~s~~) (1)(a) or (1)(b) or (4) (a) or (b)
35 of this section, such defendant's rights to contribution against
36 another jointly and severally liable defendant, and the effect of
37 settlement by either such defendant, shall be determined under RCW
38 4.22.040, 4.22.050, and 4.22.060.

1 (3)(a) Nothing in this section affects any cause of action relating
2 to hazardous wastes or substances or solid waste disposal sites.

3 (b) Nothing in this section shall affect a cause of action arising
4 from the tortious interference with contracts or business relations.

5 (c) Nothing in this section shall affect any cause of action
6 arising from the manufacture or marketing of a fungible product in a
7 generic form which contains no clearly identifiable shape, color, or
8 marking.

9 (4) In all actions governed by chapter 7.70 RCW involving fault of
10 more than one entity, the trier of fact shall determine the percentage
11 of the total fault that is attributable to every entity that caused the
12 claimant's damages, including the claimant or person suffering personal
13 injury or incurring property damage, defendants, third-party
14 defendants, entities released by the claimant, entities immune from
15 liability to the claimant, and entities with any other individual
16 defense against the claimant. Judgment shall be entered against each
17 defendant except those who have been released by the claimant or are
18 immune from liability to the claimant or have prevailed on any other
19 individual defense against the claimant in an amount that represents
20 that party's proportionate share of the claimant's total damages. The
21 total damages shall first be reduced by any amount paid to the claimant
22 by a released entity. The liability of each defendant shall be several
23 only and shall not be joint except:

24 (a) A party shall be responsible for the fault of another person or
25 for payment of the proportionate share of another party where both were
26 acting in concert or when a person was acting as an agent or servant of
27 the party.

28 (b) If the trier of fact determines that the claimant or party
29 suffering bodily injury or incurring property damages was not at fault,
30 the defendants against whom judgment is entered shall be jointly and
31 severally liable for the sum of their proportionate shares of the
32 claimant's total damages.

33 (c) A defendant shall be responsible to the claimant for any fault
34 of an entity released by the claimant. The total damages shall first
35 be reduced by any amount paid to the claimant by a released entity,
36 and, where some fault has been attributed to the claimant, by the
37 claimant's proportionate share of his or her total damages.

38 **D. HEALTH INSURANCE PURCHASING COOPERATIVES**

1 NEW SECTION. **Sec. 424.** HEALTH INSURANCE PURCHASING COOPERATIVES--
2 DESIGNATION OF REGIONS BY COMMISSION, INFORMATION SYSTEMS, MINIMUM
3 STANDARDS, AND RULES. (1) The commission shall designate large
4 geographic regions within the state in which health insurance
5 purchasing cooperatives may operate, based upon population, assuming
6 that each cooperative must serve no less than one hundred fifty
7 thousand persons; geographic factors; market conditions; and other
8 factors deemed appropriate by the commission. The commission shall
9 designate one health insurance purchasing cooperative per region.
10 However, the commission may designate certain regions of the state as
11 areas where more than one cooperative may operate upon a determination
12 that a sufficient population base exists within such region to
13 efficiently support more than one cooperative.

14 (2) In coordination with the commission and consistent with the
15 provisions of chapter 70.170 RCW, the department of health shall
16 establish an information clearinghouse for the collection and
17 dissemination of information necessary for the efficient operation of
18 cooperatives, including the establishment of a risk profile information
19 system related to certified health plan enrollees that would permit the
20 equitable distribution of losses among plans in accordance with section
21 406(8) of this act.

22 (3) Every health insurance purchasing cooperative shall:

23 (a) Admit all individuals, employers, or other groups wishing to
24 participate in the cooperative;

25 (b) Make available for purchase by cooperative members every health
26 care program offered by every certified health plan operating within
27 the cooperative's region;

28 (c) Be operated as a member-governed and owned, nonprofit
29 cooperative in which no certified health plan, health maintenance
30 organization, health care service contractor, independent practice
31 association, independent physician organization, or any individual with
32 a pecuniary interest in any such organization, shall have any pecuniary
33 interest in or management control of the cooperative;

34 (d) Provide for centralized enrollment and premium collection and
35 distribution among certified health plans; and

36 (e) Serve as an ombudsman for its members to resolve inquiries,
37 complaints, or other concerns with certified health plans.

38 (4) Every health insurance purchasing cooperative shall assist
39 members in selecting certified health plans and for this purpose may

1 devise a rating system or similar system to judge the quality and cost-
2 effectiveness of certified health plans consistent with guidelines
3 established by the commission. For this purpose, each cooperative and
4 directors, officers, and other employees of the cooperative are immune
5 from liability in any civil action or suit arising from the publication
6 of any report, brochure, or guide, or dissemination of information
7 related to the services, quality, price, or cost-effectiveness of
8 certified plans unless actual malice, fraud, or bad faith is shown.
9 Such immunity is in addition to any common law or statutory privilege
10 or immunity enjoyed by such person, and nothing in this section is
11 intended to abrogate or modify in any way such common law or statutory
12 privilege or immunity.

13 (5) Every health insurance purchasing cooperative shall bear the
14 full cost of its operations, including the costs of participating in
15 the information clearinghouse, through assessments upon its members.
16 Such assessments shall be billed and accounted for separately from
17 premiums collected and distributed for the purchase of the uniform
18 benefits package or any other supplemental insurance or health services
19 program.

20 (6) No health insurance purchasing cooperative may bear any
21 financial risk for the delivery of uniform benefits package services,
22 or for any other supplemental insurance or health services program.

23 (7) No health insurance purchasing cooperative may directly broker,
24 sell, contract for, or provide any insurance or health services
25 program. However, nothing contained in this section shall be deemed to
26 prohibit the use or employment of insurance agents or brokers by the
27 cooperative for other purposes or to prohibit the facilitation of the
28 sale and purchase by members of supplemental insurance or health
29 services programs.

30 (8) The commission may adopt rules necessary for the implementation
31 of this section including rules governing charter and bylaw provisions
32 of cooperatives and may adopt rules prohibiting or permitting other
33 activities by cooperatives.

34 (9) The commission shall consider ways in which cooperatives can
35 develop, encourage, and provide incentives for employee wellness
36 programs.

37 NEW SECTION. **Sec. 425.** LICENSING AND REGULATION OF HEALTH
38 INSURANCE PURCHASING COOPERATIVES BY THE INSURANCE COMMISSIONER. (1)

1 No person may establish or operate a health insurance purchasing
2 cooperative without having first obtained a certificate of authority
3 from the insurance commissioner.

4 (2) Every proposed cooperative shall furnish notice to the
5 insurance commissioner that shall:

6 (a) Identify the principal name and address of the cooperative;

7 (b) Furnish the names and addresses of the initial officers of the
8 cooperative;

9 (c) Include copies of letters of agreement for participation in the
10 cooperative including minimum term of participation;

11 (d) Furnish copies of its proposed articles and bylaws; and

12 (e) Provide other information as prescribed by the insurance
13 commissioner in consultation with the health services commission to
14 verify that the cooperative is qualified and is managed by competent
15 and trustworthy individuals.

16 (3)(a) The commissioner shall approve applications for certificates
17 in accordance with the order received.

18 (b) The commissioner shall establish by rule a fee to be paid by
19 cooperatives in an amount necessary to review and approve applications
20 for a certificate of authority. Such fee shall accompany the
21 application and no certificate may be issued until such fee is paid.
22 Fees collected for such purpose shall be deposited in the insurance
23 commissioner's regulatory account in the state treasury.

24 (4) All funds representing premiums or return premiums received by
25 a cooperative in its fiduciary capacity shall be accounted for and
26 maintained in a separate account from all other funds. Each willful
27 violation of this section constitutes a misdemeanor.

28 (5) Every cooperative shall keep at its principal address, a record
29 of all transactions it has consummated on behalf of its members with
30 certified health plans. All such records shall be kept available and
31 open to the inspection of the insurance commissioner at any business
32 time during a five-year period immediately after the date of completion
33 of the transaction.

34

E. CERTIFIED HEALTH PLANS

35 NEW SECTION. **Sec. 426.** CERTIFIED HEALTH PLANS--REGISTRATION
36 REQUIRED--PENALTY. (1) On and after July 1, 1995, no person or entity
37 in this state shall provide the uniform benefits package and

1 supplemental benefits as defined in section 402 of this act without
2 being certified as a certified health plan by the insurance
3 commissioner.

4 (2) On and after July 1, 1995, the uniform benefits package and
5 supplemental benefits shall be purchased only from entities certified
6 as certified health plans.

7 (3) On and after July 1, 1995, the uniform benefits package shall
8 be the minimum benefits package of any certified health plan.

9 NEW SECTION. **Sec. 427.** HEALTH PLAN CERTIFICATION STANDARDS. A
10 certified health plan shall:

11 (1) Provide the benefits included in the uniform benefits package
12 and offer supplemental benefits packages to enrolled Washington
13 residents for a prepaid per capita community-rated premium not to
14 exceed the maximum premium established by the commission and provide
15 such benefits through managed care in accordance with rules adopted by
16 the commission;

17 (2) Accept for enrollment any state resident within the plan's
18 service area and provide or assure the provision of all services within
19 the uniform benefits package and offer supplemental benefits packages
20 regardless of factors referenced in RCW 49.60.020, including age, sex,
21 family structure, ethnicity, race, health condition, geographic
22 location, employment status, socioeconomic status, or other condition
23 or situation, however, the insurance commissioner may grant a temporary
24 exemption from this subsection, if, upon application by a certified
25 health plan, the commissioner finds that the clinical, financial, or
26 administrative capacity to serve existing enrollees will be impaired if
27 a certified health plan is required to continue enrollment of
28 additional eligible individuals;

29 (3) If the plan provides benefits through contracts with, ownership
30 of, or management of health care facilities and contracts with or
31 employs health care providers, demonstrate to the satisfaction of the
32 insurance commissioner in consultation with the department of health
33 and the commission that its facilities and personnel are adequate to
34 provide the benefits prescribed in the uniform benefits package and
35 offer supplemental benefits packages to enrolled Washington residents,
36 and that it is financially capable of providing such residents with, or
37 has made adequate contractual arrangements with health care providers
38 and facilities to provide enrollees with such benefits;

1 (4) Comply with portability of benefits requirements prescribed by
2 the commission;

3 (5) Comply with administrative rules prescribed by the commission,
4 the insurance commissioner, and other state agencies governing
5 certified health plans;

6 (6) Provide all enrollees with instruction and informational
7 materials to increase individual and family awareness of injury and
8 illness prevention; encourage assumption of personal responsibility for
9 protecting personal health; and stimulate discussion about the use and
10 limits of medical care in improving the health of individuals and
11 communities;

12 (7) Discloses to enrollees the charity care requirements under
13 chapter 70.170 RCW;

14 (8) Include in all of its contracts with health care providers and
15 health care facilities a provision prohibiting such providers and
16 facilities from billing enrollees for any amounts in excess of
17 applicable enrollee point of service cost-sharing obligations for
18 services included in the uniform benefits package and the supplemental
19 benefits package;

20 (9) Include in all of its contracts issued for uniform benefits
21 package and supplemental benefits package coverage a subrogation
22 provision that allows the certified health plan to recover the costs of
23 uniform benefits package and supplemental benefits package services
24 incurred to care for an enrollee injured by a negligent third party.
25 The costs recovered shall be limited to:

26 (a) If the certified health plan has not intervened in the action
27 by an injured enrollee against a negligent third party, then the amount
28 of costs the certified health plan can recover shall be limited to the
29 excess remaining after the enrollee has been fully compensated for his
30 or her loss minus a proportionate share of the enrollee's costs and
31 fees in bringing the action. The proportionate share shall be
32 determined by:

33 (i) The fees and costs approved by the court in which the action
34 was initiated; or

35 (ii) The written agreement between the attorney and client that
36 established fees and costs when fees and costs are not addressed by the
37 court.

38 When fees and costs have been approved by a court, after notice to
39 the certified health plan, the certified health plan shall have the

1 right to be heard on the matter of attorneys' fees and costs or its
2 proportionate share;

3 (b) If the certified health plan has intervened in the action by an
4 injured enrollee against a negligent third party, then the amount of
5 costs the certified health plan can recover shall be the excess
6 remaining after the enrollee has been fully compensated for his or her
7 loss or the amount of the plan's incurred costs, whichever is less;

8 (10) Establish and maintain a grievance procedure approved by the
9 commissioner, to provide a reasonable and effective resolution of
10 complaints initiated by enrollees concerning any matter relating to the
11 provision of benefits under the uniform benefits package and
12 supplemental benefits, access to health care services, and quality of
13 services. Each certified health plan shall respond to complaints filed
14 with the insurance commissioner within fifteen working days. The
15 insurance commissioner in consultation with the commission shall
16 establish standards for grievance procedures and resolution;

17 (11) Comply with the provisions of chapter 48.30 RCW prohibiting
18 unfair and deceptive acts and practices to the extent such provisions
19 are not modified or superseded by the provisions of chapter . . . , Laws
20 of 1993 (this act) and be prohibited from offering or supplying
21 incentives that would have the effect of avoiding the requirements of
22 subsection (2) of this section;

23 (12) Have culturally sensitive health promotion programs that
24 include approaches that are specifically effective for persons of color
25 and accommodating to different cultural value systems, gender, and age;
26 and

27 (13) Permit every class of health care providers to provide health
28 services or care for conditions included in the uniform benefits
29 package and in the supplemental benefits package to the extent that:

30 (a) The provision of such health services or care is within the
31 health care providers' permitted scope of practice; and

32 (b) The providers agree to abide by standards related to:

33 (i) Provision, utilization review, and cost containment of health
34 services;

35 (ii) Management and administrative procedures; and

36 (iii) Provision of cost-effective and clinically efficacious health
37 services.

1 NEW SECTION. **Sec. 428.** LIMITED CERTIFIED HEALTH PLAN FOR DENTAL
2 SERVICES. (1) For the purposes of this section "limited certified
3 dental plan" or "dental plan" means a certified health plan offering
4 coverage for dental services only and that complies with all certified
5 health plan requirements for managed care, community rating,
6 portability, and nondiscrimination.

7 (2) A dental plan may provide coverage for dental services directly
8 to individuals or to employers for the benefit of employees. If an
9 individual or an employer purchases uniform dental services from a
10 dental plan, the certified health plan covering the individual or the
11 employees need not provide dental services required under the uniform
12 benefits package. A certified health plan may subcontract with a
13 dental plan to provide the dental benefits required under the uniform
14 benefits package.

15 (3) The commission shall establish maximum premiums and maximum
16 enrollee financial participation amounts that may be charged by dental
17 plans and shall adopt rules defining the minimum, uniform dental
18 services that must be offered by dental plans. The commission shall
19 also establish maximum premiums and maximum enrollee financial
20 participation amounts for certified health plans not providing dental
21 benefits by virtue of the individual's or employee's coverage by a
22 dental plan, and rules governing the percentage change in the premium
23 charged by a dental plan subcontracting with a certified health plan
24 when the maximum premiums are changed by the commission.

25 (4) Rules governing dental plan premiums and financial
26 participation amounts, and rules defining minimum, uniform dental
27 services shall be adopted and shall apply to dental plans in accordance
28 with the implementation dates applicable to certified health plans with
29 respect to similar requirements.

30 NEW SECTION. **Sec. 429.** CONTRACTS BETWEEN CERTIFIED HEALTH PLANS
31 AND HEALTH SERVICE PROVIDERS. (1) The legislature finds that not all
32 health service providers, individually or as a class, provide the most
33 cost-effective, efficacious health services for every health need. A
34 fundamental goal of health care reform is to contain the growth in
35 health care costs and related costs in purchasing coverage for health
36 services. In order to achieve this goal, health service providers must
37 either adjust their practice to achieve necessary levels of quality and
38 cost-effectiveness or risk exclusion from certified health plans.

1 Balancing the need for health care reform and the need to protect
2 health service providers, as a class and as individual providers, from
3 improper exclusion presents a problem that can be satisfied with the
4 creation of a process to ensure fair consideration of the inclusion of
5 health service providers in managed care systems operated by certified
6 health plans. It is therefore the intent of the legislature that the
7 insurance commissioner in developing rules in accordance with this
8 section and the attorney general in monitoring the level of competition
9 in the various geographic markets, balance the need for cost-effective
10 and quality delivery of health services with the need for inclusion of
11 both individual health service providers and classes of health service
12 providers in managed care programs developed by certified health plans.
13 All licensed health service providers, irrespective of the type or kind
14 of practice licensed by the state, should be afforded the opportunity
15 to compete for inclusion in certified health plans consistent with the
16 goals of health care reform.

17 (2) The insurance commissioner shall adopt rules requiring
18 certified health plans to publish general criteria for the plan's
19 selection of health service providers. In adopting such rules, the
20 commissioner shall not require the disclosure of criteria deemed by the
21 plan to be of a proprietary or competitive nature that would hurt the
22 plan's ability to compete or to manage health services. If the
23 commissioner and the plan disagree as to whether criteria is
24 proprietary or its disclosure is anticompetitive, the plan shall be
25 entitled to a hearing and the hearing shall be conducted in a manner
26 that affords the protection of such disputed information from public
27 disclosure. In part, disclosure of criteria is proprietary or
28 anticompetitive if revealing the criteria would have the tendency to
29 cause health service providers to alter their practice pattern in a
30 manner that would harm efforts to contain health care costs and is
31 proprietary if revealing the criteria would cause the plan's
32 competitors to obtain valuable business information.

33 (3) If a certified health plan uses unpublished criteria to judge
34 the quality and cost-effectiveness of a health service provider's
35 practice under any specific program within the plan, the plan may not
36 terminate the provider participating in that program based upon such
37 criteria until the provider has been informed that his or her practice
38 fails to meet such criteria and is given a reasonable opportunity to
39 conform to such criteria.

1 (4) In consultation with the attorney general's office, the
2 insurance commissioner shall adopt rules:

3 (a) Prescribing the terms, conditions, and procedures for binding
4 resolution of contractual disputes between providers and certified
5 health plans to be included in all contracts between providers and
6 plans; and

7 (b) Prescribing the terms, conditions, and procedures for provider
8 appeal to the plan of a decision by the plan not to include the
9 services of the provider.

10 (5) The attorney general with the assistance of the insurance
11 commissioner shall analyze the market power of certified health plans
12 and develop a standard for determining when the market share of any
13 program of a certified health plan reaches a point where the plan's
14 exclusion of health service providers from a program of the plan would
15 result in the substantial inability of providers to continue their
16 practice thereby unreasonably restricting consumer access to needed
17 health services. Whenever, as a result of this analysis, the attorney
18 general determines that a program's share of the market would have the
19 tendency to substantially lessen competition for health services in the
20 relevant market, the certified health plan must allow all providers
21 within the affected market to participate in the program of the
22 certified health plan subject to the following conditions:

23 (a) The provider must meet all published criteria of the program
24 pertaining to the selection of providers;

25 (b) The provider must agree to abide by all published requirements
26 of the program pertaining to utilization review, quality review, and
27 cost containment; and

28 (c) The provider must agree to abide by all administrative and
29 management procedures of the program.

30 Notwithstanding the provisions of this subsection, if the certified
31 health plan demonstrates to the satisfaction of the attorney general
32 that health service utilization data and similar information shows that
33 the inclusion of additional health service providers would
34 substantially lessen the plan's ability to control health care costs
35 and that the plan's procedures for selection of providers are not
36 improperly exclusive of providers, the plan need not include additional
37 providers within the plan's program.

38 (6) Nothing contained in this section shall be construed to require
39 a plan to allow or to continue the participation of a provider:

1 (a) Who violates the terms and conditions of a contract with the
2 plan;

3 (b) Whose provision of health services is inefficient or of poor
4 quality when compared to a provider's peer group which group is
5 objectively determined;

6 (c) Whose health services violate any statute or regulation
7 governing the provider's profession;

8 (d) Whose services are unnecessary because the uniform benefits
9 package does not provide coverage for such services or with respect to
10 a supplemental benefit program, because a supplemental benefit program
11 does not provide coverage for such services; or

12 (e) If the plan is a federally qualified health maintenance
13 organization and the participation of the provider or providers would
14 prevent the health maintenance organization from operating as a health
15 maintenance organization in accordance with 42 U.S.C Sec. 300e.

16 NEW SECTION. **Sec. 430.** CERTIFIED HEALTH PLANS--REGISTRATION
17 REQUIRED--PENALTY. (1) No person or entity in this state may, by mail
18 or otherwise, act or hold himself or herself out to be a certified
19 health plan as defined by section 402 of this act without being
20 registered as a certified health plan with the insurance commissioner.

21 (2) Anyone violating subsection (1) of this section is liable for
22 a fine not to exceed ten thousand dollars and imprisonment not to
23 exceed six months for each instance of such violation.

24 NEW SECTION. **Sec. 431.** ELIGIBILITY REQUIREMENTS FOR CERTIFICATE
25 OF REGISTRATION--APPLICATION REQUIREMENTS. Any corporation,
26 cooperative group, partnership, association, or groups of health
27 professionals licensed by the state of Washington, public hospital
28 district, or public institutions of higher education are entitled to a
29 certificate from the insurance commissioner as a certified health plan
30 if it:

31 (1) Submits an application for certification as a certified health
32 plan, which shall be verified by an officer or authorized
33 representative of the applicant, being in a form as the insurance
34 commissioner prescribes in consultation with the health services
35 commission;

1 (2) Meets the minimum net worth requirements set forth in section
2 437 of this act and the funding reserve requirements set forth in
3 section 438 of this act;

4 (3) A certified health plan may establish the geographic boundaries
5 in which they will obligate themselves to deliver the services required
6 under the uniform benefits package and include such information in
7 their application for certification, but the commissioner shall review
8 such boundaries and may disapprove, in conformance to guidelines
9 adopted by the commission, those which have been clearly drawn to be
10 exclusionary within a health care catchment area.

11 NEW SECTION. **Sec. 432.** ISSUANCE OF CERTIFICATE--GROUNDS FOR
12 REFUSAL. The commissioner shall issue a certificate as a certified
13 health plan to an applicant within one hundred twenty days of such
14 filing unless the commissioner notifies the applicant within such time
15 that such application is not complete and the reasons therefor; or that
16 the commissioner is not satisfied that:

17 (1) The basic organization document of the applicant permits the
18 applicant to conduct business as a certified health plan;

19 (2) The applicant has demonstrated the intent and ability to assure
20 that the health services will be provided in a manner to assure both
21 their availability and accessibility;

22 (3) The organization is financially responsible and may be
23 reasonably expected to meet its obligations to its enrolled
24 participants. In making this determination, the commissioner shall
25 consider among other relevant factors:

26 (a) Any agreements with a casualty insurer, a government agency, or
27 any other organization paying or insuring payment for health care
28 services;

29 (b) Any agreements with providers for the provision of health care
30 services; and

31 (c) Any arrangements for liability and malpractice insurance
32 coverage.

33 (4) The procedures for offering health care services are reasonable
34 and equitable; and

35 (5) Procedures have been established to:

36 (a) Monitor the quality of care provided by the certified health
37 plan including standards and guidelines provided by the health services
38 commission and other appropriate state agencies;

1 (b) Operate internal peer review mechanisms; and
2 (c) Resolve complaints and grievances in accordance with section
3 442 of this act and rules established by the insurance commissioner in
4 consultation with the commission.

5 NEW SECTION. **Sec. 433.** PREMIUMS AND ENROLLEE PAYMENT AMOUNTS--
6 FILING OF PREMIUMS AND ENROLLEE PAYMENT AMOUNTS--ADDITIONAL CHARGES
7 PROHIBITED. (1) The insurance commissioner shall verify that the
8 certified health plan and its providers are charging no more than the
9 maximum premiums and enrollee financial participation amounts during
10 the course of financial and market conduct examinations or more
11 frequently if justified in the opinion of the insurance commissioner or
12 upon request by the health services commission.

13 (2) The certified health plans shall file the premium schedules
14 including employer contributions, enrollee premium sharing, and
15 enrollee point of service cost sharing amounts with the insurance
16 commissioner, within thirty days of establishment by the health
17 services commission.

18 (3) No certified health plan or its provider may charge any fees,
19 assessments, or charges in addition to the premium amount or in excess
20 of the maximum enrollee financial participation limits established by
21 the health services commission. The certified health plan that
22 directly provides health care services may charge and collect the
23 enrollee point of service cost sharing fees as established in the
24 uniform benefits package or other approved benefit plan.

25 NEW SECTION. **Sec. 434.** ANNUAL STATEMENT FILING--CONTENTS--PENALTY
26 FOR FAILURE TO FILE--ACCURACY REQUIRED. (1) Every certified health
27 plan shall annually not later than March 1 of the calendar year, file
28 with the insurance commissioner a statement verified by at least two of
29 its principal officers showing its financial condition as of December
30 31 of the preceding year.

31 (2) Such annual report shall be in such form as the insurance
32 commissioner shall prescribe and shall include:

33 (a) A financial statement of the certified health plan, including
34 its balance sheet and receipts and disbursements for the preceding
35 year, which reflects at a minimum;

36 (i) All prepayments and other payments received for health care
37 services rendered pursuant to certified health plan benefit packages;

1 (ii) Expenditures to all categories of health care facilities,
2 providers, and organizations with which the plan has contracted to
3 fulfill obligations to enrolled residents arising out of the uniform
4 benefits package and other approved supplemental benefit agreements,
5 together with all other direct expenses including depreciation,
6 enrollment, and commission; and

7 (iii) Expenditures for capital improvements, or additions thereto,
8 including but not limited to construction, renovation, or purchase of
9 facilities and capital equipment;

10 (b) A report of the names and addresses of all officers, directors,
11 or trustees of the certified health plan during the preceding year, and
12 the amount of wages, expense reimbursements, or other payments to such
13 individuals. For partnership and professional service corporations, a
14 report shall be made for partners or shareholders as to any
15 compensation or expense reimbursement received by them for services,
16 other than for services and expenses relating directly for patient
17 care;

18 (c) The number of residents enrolled and terminated during the
19 report period. Additional information regarding the enrollment and
20 termination pattern for a certified health plan may be required by the
21 commissioner to demonstrate compliance with the open enrollment and
22 free access requirements of chapter . . . , Laws of 1993 (this act).
23 The insurance commissioner shall specify additional information to be
24 reported, which may include but not be limited to age, sex, location,
25 and health status information;

26 (d) Such other information relating to the performance of the
27 certified health plan or the health care facilities or providers with
28 which it has contracted as reasonably necessary to the proper and
29 effective administration of this chapter in accordance with rules;

30 (e) Disclosure of any financial interests held by officers and
31 directors in any providers associated with the certified health plan or
32 provider of the certified health plan.

33 (3) The commissioner may require quarterly reporting of financial
34 information, such information to be furnished in a format prescribed by
35 the commissioner in consultation with the commission.

36 (4) The commissioner may for good reason allow a reasonable
37 extension of time within which such annual statement shall be filed.

38 (5) The commissioner may suspend or revoke the certificate of a
39 certified health plan for failing to file its annual statement when due

1 or during any extension of time therefor that the commissioner, for
2 good cause, may grant.

3 (6) The commissioner shall publish and make available to the health
4 services commission and the major newspapers of the state an annual
5 summary report of at least the information required in subsections (2)
6 and (3) of this section.

7 (7) No person may knowingly file with any public official or
8 knowingly make, publish, or disseminate any financial statement of a
9 certified health plan that does not accurately state the certified
10 health plan's financial condition.

11 NEW SECTION. **Sec. 435.** PENALTY FOR VIOLATIONS. A certified
12 health plan that, or person who, violates any provision of this chapter
13 is guilty of a gross misdemeanor, unless the penalty is otherwise
14 specifically provided.

15 NEW SECTION. **Sec. 436.** PROVIDER CONTRACTS--ENROLLED RESIDENT'S
16 LIABILITY, COMMISSIONER'S REVIEW. (1) Subject to subsection (2) of
17 this section, every contract between a certified health plan and its
18 providers of health care services shall be in writing and shall set
19 forth that in the event the certified health plan fails to pay for
20 health care services as set forth in the uniform benefits package, the
21 enrollee is not liable to the provider for any sums owed by the
22 certified health plan. Every such contract shall provide that this
23 requirement shall survive termination of the contract.

24 (2) The provisions of subsection (1) of this section shall not
25 apply to emergency care from a provider who is not a contracting
26 provider with the certified health plan, or to emergent and urgently
27 needed out-of-area services.

28 (3) The certified health plan shall file the contracts with the
29 insurance commissioner for approval thirty days prior to use.

30 NEW SECTION. **Sec. 437.** MINIMUM NET WORTH--REQUIREMENTS TO
31 MAINTAIN--DETERMINATION OF AMOUNT. (1) Every certified health plan
32 must maintain a minimum net worth equal to the greater of:

33 (a) One million dollars; or

34 (b) Two percent of annual premium revenues as reported on the most
35 recent annual financial statement filed with the insurance commissioner
36 on the first one hundred fifty million dollars of premium and one

1 percent of annual premium on the premium in excess of one hundred fifty
2 million dollars; or

3 (c) An amount equal to the sum of three months' uncovered
4 expenditures as reported on the most recent financial statement filed
5 with the commissioner.

6 (2)(a) In determining net worth, no debt may be considered fully
7 subordinated unless the subordination clause is in a form acceptable to
8 the commissioner. An interest obligation relating to the repayment of
9 a subordinated debt must be similarly subordinated.

10 (b) The interest expenses relating to the repayment of a fully
11 subordinated debt may not be considered uncovered expenditures.

12 (c) A subordinated debt incurred by a note meeting the requirements
13 of this section, and otherwise acceptable to the insurance
14 commissioner, may not be considered a liability and shall be recorded
15 as equity.

16 (3) Every certified health plan shall, in determining liabilities,
17 include an amount estimated in the aggregate to provide for unearned
18 premiums and for the payment of claims for health care expenditures
19 that have been incurred, whether reported or unreported, that are
20 unpaid and for which such organization is or may be liable and to
21 provide for the expense of adjustment or settlement of such claims.

22 The claims shall be computed in accordance with rules adopted by
23 the insurance commissioner in consultation with the health services
24 commission.

25 NEW SECTION. **Sec. 438.** FUNDED RESERVE REQUIREMENTS. (1) Each
26 certified health plan obtaining certification from the insurance
27 commissioner under sections 426 through 443 of this act shall provide
28 and maintain a funded reserve of one hundred fifty thousand dollars.
29 The funded reserve shall be deposited with the insurance commissioner
30 or with any organization acceptable to the commissioner in the form of
31 cash, securities eligible for investment under chapter 48.13 RCW,
32 approved surety bond, or any combination of these, and must be equal to
33 or exceed one hundred fifty thousand dollars. The funded reserve shall
34 be established as an assurance that the uncovered expenditures
35 obligations of the certified health plan to the enrolled Washington
36 residents shall be performed.

1 (2) All income from reserves on deposit with the commissioner shall
2 belong to the depositing certified health plan and shall be paid to it
3 as it becomes available.

4 (3) Funded reserves required by this section shall be considered an
5 asset in determining the plan's net worth.

6 NEW SECTION. **Sec. 439.** EXAMINATION OF CERTIFIED HEALTH PLANS,
7 POWERS OF COMMISSIONER, DUTIES OF PLANS, INDEPENDENT AUDIT REPORTS.

8 (1) The insurance commissioner shall make an examination of the
9 operations of a certified health plan as often as the commissioner
10 deems it necessary in order to assure the financial security and health
11 and safety of the enrolled residents. The insurance commissioner shall
12 make an examination of a certified health plan not less than once every
13 three calendar years.

14 (2) Every certified health plan shall submit its books and records
15 relating to its operation for financial condition and market conduct
16 examinations and in every way facilitate them. The quality or
17 appropriateness of medical services and systems shall be examined by
18 the department of health except that the insurance commissioner may
19 review such areas to the extent that such items impact the financial
20 condition or the market conduct of the certified health plan. For the
21 purpose of the examinations the insurance commissioner may issue
22 subpoenas, administer oaths, and examine the officers and principals of
23 the certified health plans concerning their business.

24 (3) The insurance commissioner may elect to accept and rely on
25 audit reports made by an independent certified public accountant for
26 the certified health plan in the course of that part of the insurance
27 commissioner's examination covering the same general subject matter as
28 the audit. The commissioner may incorporate the audit report in his or
29 her report of the examination.

30 (4) Certified health plans shall be equitably assessed to cover the
31 cost of financial condition and market conduct examinations, the costs
32 of adopting rules, and the costs of enforcing the provisions of this
33 chapter. The assessments shall be levied not less frequently than
34 once every twelve months and shall be in an amount expected to fund the
35 examinations, adoption of rules, and enforcement of the provisions of
36 this chapter including a reasonable margin for cost variations. The
37 assessments shall be established by rules adopted by the commissioner
38 in consultation with the health services commission but may not exceed

1 five and one-half cents per month per resident enrolled in the
2 certified health plan. The minimum assessment shall be one thousand
3 dollars. Assessment receipts shall be deposited in the insurance
4 commissioner's regulatory account in the state treasury and shall be
5 used for the purpose of funding the examinations authorized in
6 subsection (1) of this section. Assessments received shall be used to
7 pay a pro rata share of the costs, including overhead of regulating
8 certified health plans. Amounts remaining in the separate account at
9 the end of a biennium shall be applied to reduce the assessments in
10 succeeding biennia.

11 NEW SECTION. **Sec. 440.** INSOLVENCY--COMMISSIONER'S DUTIES,
12 CONTINUATION OF BENEFITS, ALLOCATION OF COVERAGE. (1) In the event of
13 insolvency of a certified health plan and upon order of the
14 commissioner, all other certified health plans shall offer the enrolled
15 Washington residents of the insolvent certified health plan the
16 opportunity to enroll in a solvent certified health plan. Enrollment
17 shall be without prejudice for any preexisting condition and shall be
18 continuous provided the resident enrolls in the new certified health
19 plan within thirty days of the date of insolvency and otherwise
20 complies with the certified health plan's managed care procedures
21 within the thirty-day open enrollment period.

22 (2) The insurance commissioner, in consultation with the health
23 services commission, shall establish guidelines for the equitable
24 distribution of the insolvent certified health plan's enrollees to the
25 remaining certified health plans. The guidelines may include
26 limitations to enrollment based on financial conditions, provider
27 delivery network, administrative capabilities of the certified health
28 plan, and other reasonable measures of the certified health plan's
29 ability to provide benefits to the newly enrolled residents.

30 (3) Each certified health plan shall have a plan for handling
31 insolvency that allows for continuation of benefits for the duration of
32 the coverage period for which premiums have been paid and continuation
33 of benefits to enrolled Washington residents who are confined on the
34 date of insolvency in an inpatient facility until their discharge or
35 transfer to a new certified health plan as provided in subsection (1)
36 of this section. The plan shall be approved by the insurance
37 commissioner at the time of certification and shall be submitted for

1 review and approval on an annual basis. The commissioner shall approve
2 such a plan if it includes:

3 (a) Insurance to cover the expenses to be paid for continued
4 benefits after insolvency;

5 (b) Provisions in provider contracts that obligate the provider to
6 provide services for the duration of the period after the certified
7 health plan's insolvency for which premium payment has been made and
8 until the enrolled participant is transferred to a new certified health
9 plan in accordance with subsection (1) of this section. Such extension
10 of coverage shall not obligate the provider of service beyond thirty
11 days following the date of insolvency;

12 (c) Use of the funded reserve requirements as provided under
13 section 438 of this act;

14 (d) Acceptable letters of credit or approved surety bonds; or

15 (e) Other arrangements the insurance commissioner and certified
16 health plan mutually agree are appropriate to assure that benefits are
17 continued.

18 NEW SECTION. **Sec. 441.** FINANCIAL FAILURE, SUPERVISION OF
19 COMMISSIONER--PRIORITY OF DISTRIBUTION OF ASSETS. (1) Any
20 rehabilitation, liquidation, or conservation of a certified health plan
21 shall be deemed to be the rehabilitation, liquidation, or conservation
22 of an insurance company and shall be conducted under the supervision of
23 the insurance commissioner under the law governing the rehabilitation,
24 liquidation, or conservation of insurance companies. The insurance
25 commissioner may apply for an order directing the insurance
26 commissioner to rehabilitate, liquidate, or conserve a certified health
27 plan upon one or more of the grounds set forth in RCW 48.31.030,
28 48.31.050, and 48.31.080. Enrolled residents shall have the same
29 priority in the event of liquidation or rehabilitation as the law
30 provides to policyholders of an insurer.

31 (2) For purposes of determining the priority of distribution of
32 general assets, claims of enrolled residents and their dependents shall
33 have the same priority as established by RCW 48.31.280 for
34 policyholders and their dependents of insurance companies. If an
35 enrolled resident is liable to a provider for services under and
36 covered by a certified health plan, that liability shall have the
37 status of an enrolled resident claim for distribution of general
38 assets.

1 (3) A provider who is obligated by statute or agreement to hold
2 enrolled residents harmless from liability for services provided under
3 and covered by a certified health plan shall have a priority of
4 distribution of the general assets immediately following that of
5 enrolled residents and enrolled residents' dependents as described in
6 this section, and immediately proceeding the priority of distribution
7 described in RCW 48.31.280(2)(e).

8 NEW SECTION. **Sec. 442.** GRIEVANCE PROCEDURE. A certified health
9 plan shall establish and maintain a grievance procedure approved by the
10 commissioner, to provide a reasonable and effective resolution of
11 complaints initiated by enrolled Washington residents concerning any
12 matter relating to the provision of benefits under the uniform benefits
13 package, access to health care services, and quality of services. Each
14 certified health plan shall respond to complaints filed with the
15 insurance commissioner within twenty working days. The insurance
16 commissioner in consultation with the health care commission shall
17 establish standards for grievance procedures and resolution.

18 NEW SECTION. **Sec. 443.** EXEMPTION. The provisions of sections 431
19 through 442 of this act do not apply to any disability insurance
20 company, health care service contractor, or health maintenance
21 organization authorized to do business in Washington.

22 NEW SECTION. **Sec. 444.** ENFORCEMENT AUTHORITY OF COMMISSIONER.
23 For the purposes of chapter . . . , Laws of 1993 (this act), the
24 insurance commissioner shall have the same powers and duties of
25 enforcement as are provided in Title 48 RCW.

26 NEW SECTION. **Sec. 445.** ANNUAL REPORT BY THE INSURANCE
27 COMMISSIONER TO THE HEALTH SERVICES COMMISSION. Beginning January 1,
28 1997, the insurance commissioner shall report annually to the health
29 services commission on the compliance of certified health plans and
30 health insurance purchasing cooperatives with the provisions of chapter
31 . . . , Laws of 1993 (this act). The report shall include information
32 on (1) compliance with chapter . . . , Laws of 1993 (this act) open
33 enrollment and antidiscrimination provisions, (2) financial solvency
34 requirements, (3) the mix of enrollee characteristics within and among
35 plans and groups including age, sex, ethnicity, and any easily

1 obtainable information related to medical risk, (4) the geographic
2 distribution of plans and groups, and (5) other information which the
3 commission may request consistent with the goals of chapter . . . , Laws
4 of 1993 (this act).

5 **F. MANAGED COMPETITION AND LIMITED ANTI-TRUST IMMUNITY**

6 NEW SECTION. **Sec. 446.** MANAGED COMPETITION FINDINGS AND INTENT.

7 (1) The legislature recognizes that competition among health care
8 providers, payers, and purchasers will yield the best allocation of
9 health care resources, the lowest prices for health care, and the
10 highest quality of health care when there exists a large number of
11 buyers and sellers, easily comparable health care plans and services,
12 minimal barriers to entry and exit into the health care market, and
13 adequate information for buyers and sellers to base purchasing and
14 production decisions. However, the legislature finds that purchasers of
15 health care services and health care coverage do not have adequate
16 information upon which to base purchasing decisions; that providers of
17 health care services face legal and market disincentives to develop
18 economies of scale or to provide the most cost-efficient and
19 efficacious service; that providers of health care coverage face market
20 disincentives in providing health care coverage to those Washington
21 residents with the most need for health care coverage; and that
22 potential competitors in the provision of health care coverage bear
23 unequal burdens in entering the market for health care coverage.

24 (2) The legislature therefore intends to displace competition in
25 the health care market to the extent necessary to contain the aggregate
26 cost of health care services; to promote comparability of health care
27 coverage; to improve the cost-effectiveness in providing health care
28 coverage relative to health promotion, disease prevention, and the
29 amelioration or cure of illness; to assure access to a publicly
30 determined, uniform package of health care benefits; and to create
31 reasonable equity in the distribution of funds, treatment, and medical
32 risk among purchasers of health care coverage, payers of health care
33 services, providers of health care services, and Washington residents.
34 To these ends, any lawful action taken pursuant to chapter . . . , Laws
35 of 1993 (this act) by any person or entity created or regulated by
36 chapter . . . , Laws of 1993 (this act) are declared to be taken

1 pursuant to state statute and in furtherance of the public purposes of
2 the state of Washington.

3 (3) The legislature does not intend and unless explicitly permitted
4 in accordance with section 447 of this act or under rules adopted
5 pursuant to chapter . . . , Laws of 1993 (this act), does not authorize
6 any person or entity to engage in activities or to conspire to engage
7 in activities that would constitute per se violations of state and
8 federal anti-trust laws including but not limited to conspiracies to
9 agree or agreements:

10 (a) Among competing health care providers not to grant discounts,
11 not to provide services, or to fix the terms and conditions of their
12 services;

13 (b) Among certified health plans as to the price or level of
14 reimbursement for health care services;

15 (c) Among certified health plans to boycott a group or class of
16 health care service providers;

17 (d) Among purchasers of certified health plan coverage to boycott
18 a particular plan or class of plans;

19 (e) Among certified health plans to divide the market for health
20 care coverage; or

21 (f) Among certified health plans and purchasers to attract or
22 discourage enrollment of any Washington resident or groups of residents
23 in a certified health plan based upon the perceived or actual risk of
24 loss in including such resident or group of residents in a certified
25 health plan or purchasing group.

26 NEW SECTION. **Sec. 447.** COMPETITIVE OVERSIGHT AND ANTI-TRUST
27 IMMUNITY. (1) A certified health plan, health care facility, health
28 care provider, or other person involved in the development or marketing
29 of health care or certified health plans may request, in writing, that
30 the attorney general issue an informal opinion as to whether particular
31 conduct is authorized by chapter . . . , Laws of 1993 (this act). The
32 attorney general shall issue such opinion within thirty days of receipt
33 of a written request for an opinion or within thirty days of receipt of
34 any additional information requested by the attorney general necessary
35 for rendering an opinion. If the attorney general concludes that such
36 conduct is not authorized by chapter . . . , Laws of 1993 (this act),
37 the person or organization making the request may petition the

1 commission for review and approval of such conduct in accordance with
2 subsection (2) of this section.

3 (2) After consultation with and subject to the approval of the
4 attorney general, the health services commission may authorize conduct
5 requested by petition of a certified health plan, health care facility,
6 health care provider, or any other person that could tend to lessen
7 competition in the relevant market upon a clear and convincing showing
8 that the conduct is necessary to achieve the policy goals of
9 chapter. . . , Laws of 1993 (this act) and a more competitive
10 alternative is unavailable or impractical. Such petition shall be
11 filed in a form and manner prescribed by rule of the commission.

12 After a public hearing, the commission shall issue a written
13 decision approving or denying a petition filed in accordance with this
14 section. The decision shall set forth findings as to benefits and
15 disadvantages and explaining whether the benefits clearly outweigh the
16 disadvantages. Upon the advice of the attorney general, the commission
17 shall consider whether one or more of the following benefits may
18 result:

- 19 (a) Enhancement of the quality of health services to consumers;
- 20 (b) Gains in cost-efficiency of health services;
- 21 (c) Improvements in utilization of health services and equipment;
- 22 or
- 23 (d) Avoidance of duplication of health services resources.

24 These benefits must outweigh disadvantages including and not
25 limited to:

- 26 (i) Reduced competition among certified health plans, health care
27 providers, or health care facilities;
- 28 (ii) Adverse impact on quality, availability or price of health
29 care services to consumers; or
- 30 (iii) The availability of arrangements less restrictive to
31 competition that achieve the same benefits.

32 (3) Conduct authorized by the commission shall be deemed taken
33 pursuant to state statute and in the furtherance of the public purposes
34 of the state of Washington.

35 (4) With the assistance of the attorney general's office, the
36 commission shall actively supervise any conduct authorized under this
37 section and shall periodically review such conduct to determine whether
38 such conduct should be continued and whether a more competitive
39 alternative is available or practical. If the commission determines

1 that the likely benefits of conduct approved by the commission no
2 longer outweigh the disadvantages attributable to potential reduction
3 in competition, the commission shall order a modification or
4 discontinuance of such conduct and such conduct shall no longer be
5 deemed to be taken pursuant to state statute and in the furtherance of
6 the public purposes of the state of Washington.

7 (5) The commission may adopt all rules necessary to implement this
8 section.

9 (6) After consultation with and subject to the approval of the
10 attorney general, the commission shall adopt rules:

11 (a) Governing conduct among providers, health care facilities, and
12 certified health plans including but not limited to the use of "most
13 favored nation" clauses and exclusive dealing clauses in provider
14 contracts;

15 (b) Permitting health service providers within the service area of
16 a plan to collectively negotiate terms and conditions of contracts with
17 a certified health plan; and

18 (c) Governing the merger of health care facilities.

19 **G. THE UNIFORM BENEFITS PACKAGE**

20 NEW SECTION. **Sec. 448.** UNIFORM BENEFITS PACKAGE DESIGN. (1) The
21 commission shall define the uniform benefits package, which shall
22 include those health services that, consistent with the goals and
23 intent of chapter . . . , Laws of 1993 (this act), are effective and
24 necessary on a societal basis for the maintenance of the health of
25 citizens of the state, weighed against the need to control state health
26 services expenditures. As the future rate of increase in health
27 services expenditures is controlled, the commission shall consider
28 whether the uniform benefits package should be revised to enhance the
29 services or level of services included in the package.

30 (2) The schedule of covered health services shall emphasize proven
31 preventive and primary health care and shall include primary and
32 specialty health services; inpatient and outpatient hospital services;
33 prescription drugs and medications; reproductive services; services
34 necessary for maternity and well-child care, including preventive
35 dental services for children; case managed mental health services;
36 short-term skilled nursing facility, home health, and hospice services,
37 subject to preapproval; and other services deemed necessary by the

1 commission. The commission shall determine the specific schedule of
2 health services within the uniform benefits package, including
3 limitations on scope and duration of services. The commission shall
4 consider the recommendations of health services effectiveness panels
5 established pursuant to section 404 of this act in defining the uniform
6 benefits package.

7 (3) The uniform benefits package shall not limit coverage for
8 preexisting or prior conditions, except that the commission shall
9 establish exclusions for preexisting or prior conditions to the extent
10 necessary to prevent residents from waiting until health services are
11 needed before enrolling in a certified health plan.

12 (4) The commission shall establish a schedule of enrollee point of
13 service cost-sharing for nonpreventive health services, related to
14 enrollee household income, such that financial considerations are not
15 a barrier to access for low-income persons, but that, for those of
16 means, the uniform benefits package provides for moderate point of
17 service cost-sharing. All point of service cost-sharing and cost
18 control requirements shall apply uniformly to all health care providers
19 providing substantially similar uniform benefits package services. The
20 schedule shall provide for an alternate and lower schedule of cost-
21 sharing applicable to enrollees with household income below the federal
22 poverty level.

23 (5) The commission shall adopt rules related to coordination of
24 benefits where a resident has duplicate coverage. The rules shall not
25 have the effect of eliminating enrollee premium sharing or point of
26 service cost-sharing. The commission shall endeavor to assure an
27 equitable distribution, among both employers and employees, of the
28 costs of coverage for those households composed of more than one member
29 in the work force.

30 (6) In determining the uniform benefits package, the commission
31 shall endeavor to seek the opinions of and information from the public.
32 The commission shall consider the results of official public health
33 assessment and policy development activities including recommendations
34 of the department of health in discharging its responsibilities under
35 this section.

36 (7) The commission shall submit the following to the legislature by
37 December 1, 1994, and annually thereafter: (a) The uniform benefits
38 package and any changes it may wish to make; (b) an independent
39 actuarial analysis of the cost of the proposed package giving

1 consideration to the factors enumerated in section 406(6) of this act;
2 (c) a small business economic impact statement, to be prepared in
3 consultation with the small business advisory committee, describing the
4 economic impact on small business of providing the uniform benefits
5 package to employees and dependents; and (d) if the small business
6 economic impact statement indicates a need for assistance to small
7 businesses, recommended mechanisms to offer such assistance. In
8 developing its recommendations, the commission shall evaluate the
9 potential effectiveness of business and occupation tax credits, a small
10 business assistance fund, and any other mechanism deemed appropriate by
11 the commission.

12 NEW SECTION. **Sec. 449.** SUPPLEMENTAL BENEFIT PACKAGES DESIGN. The
13 commission shall define several supplemental benefits packages, which
14 shall include those health services that, consistent with the goals and
15 intent of chapter . . . , Laws of 1993 (this act), are desirable to
16 expand the available health services defined in the uniform benefits
17 package. Such supplemental benefit packages must be offered only by
18 certified health plans and must be designed in conformance with the
19 procedures and requirements for the design of the uniform benefits
20 package under section 448 of this act.

21 (1) Such packages may not combine medical and dental services
22 together, but the commission may design complementary packages that
23 include each kind of service and that may be offered together by a
24 certified health plan. A certified health plan that offers a
25 supplemental benefits package containing only dental services is
26 subject to section 427 of this act only in the sale of such package to
27 the Washington state health care authority.

28 (2) In designing such supplemental benefits packages, the
29 commission shall consider the approach taken by congress and federal
30 agencies in regulating the offering and design of medicare supplemental
31 health insurance policies and the commission shall develop a regulatory
32 method to ensure that pricing of such supplemental benefits packages is
33 consistent with the maximum premium requirements for the uniform
34 benefits package under section 406(6) of this act.

35 NEW SECTION. **Sec. 450.** The legislature may disapprove of the
36 packages developed under sections 448 and 449 of this act and medical
37 risk adjustment mechanisms developed under section 406(8) of this act

1 by an act of law at any time prior to the thirtieth day of the
2 following regular legislative session. If such disapproval action is
3 taken, the commission shall resubmit modified packages to the
4 legislature within fifteen days of the disapproval. If the legislature
5 does not disapprove the packages or modify them by an act of law by the
6 end of that regular session, they are deemed approved.

7 NEW SECTION. **Sec. 451.** LONG-TERM CARE INTEGRATION PLAN. (1) To
8 meet the health needs of the residents of Washington state, it is
9 critical to finance and provide long-term care and support services
10 through an integrated, comprehensive system that promotes human dignity
11 and recognizes the individuality of all functionally disabled persons.
12 This system shall be available, accessible, and responsive to all
13 residents based upon an assessment of their functional disabilities.
14 The governor and the legislature recognize that families, volunteers,
15 and community organizations are essential for the delivery of effective
16 and efficient long-term care and support services, and that this
17 private and public service infrastructure should be supported and
18 strengthened. Further, it is important to provide benefits without
19 requiring family or program beneficiary impoverishment for service
20 eligibility.

21 (2) To realize the need for a strong long-term care system and to
22 carry out the November 30, 1992, final recommendations of the
23 Washington health care commission related to long-term care, the
24 commission shall:

25 (a) Engage in a planning process, in conjunction with an advisory
26 committee appointed for this purpose, for the inclusion of long-term
27 care services in the uniform benefits package established under section
28 448 of this act as soon as practicable, but not later than July 1998;

29 (b) Include in its planning process consideration of the scope of
30 services to be covered, the cost of and financing of such coverage, and
31 the means through which existing long-term care programs and delivery
32 systems can be coordinated and integrated.

33 (3) The commission shall submit recommendations concerning any
34 necessary statutory changes or modifications of public policy to the
35 governor and the legislature by January 1, 1995.

36 (4) The departments of health, retirement systems, revenue, social
37 and health services, and veterans' affairs, the offices of financial
38 management, insurance commissioner, and state actuary, along with the

1 health care authority, shall participate in the review of the long-term
2 care needs enumerated in this section and provide necessary supporting
3 documentation and staff expertise as requested by the commission.

4 (5) The commission shall include in its planning process, the
5 development of two social health maintenance organization long-term
6 care pilot projects. The two pilot projects shall be referred to as
7 the Washington life care pilot projects. Each life care pilot program
8 shall be a single-entry system administered by an individual
9 organization that is responsible for bringing together a full range of
10 medical and long-term care services. The commission, in coordination
11 with the appropriate agencies and departments, shall establish a
12 Washington life care benefits package that shall include the uniform
13 benefits package established in chapter . . . , Laws of 1993 (this act)
14 and long-term care services. The Washington life care benefits package
15 shall include, but not be limited to, the following long-term care
16 services: Case management, intake and assessment, nursing home care,
17 adult family home care, home health and home health aide care, hospice,
18 chore services/homemaker/personal care, adult day care, respite care,
19 and appropriate social services. The pilot project shall develop
20 assessment and case management protocol that emphasize home and
21 community-based care long-term care options.

22 (a) In designing the pilot projects, the commission shall address
23 the following issues: Costs for the long-term care benefits, a
24 projected case-mix based upon disability, the required federal waiver
25 package, reimbursement, capitation methodology, marketing and
26 enrollment, management information systems, identification of the most
27 appropriate case management models, provider contracts, and the
28 preferred organizational design that will serve as a functioning model
29 for efficiently and effectively transitioning long-term care services
30 into the uniform benefits package established in chapter . . . , Laws of
31 1993 (this act). The commission shall also be responsible for
32 establishing the size of the two membership pools.

33 (b) Each program shall enroll applicants based on their level of
34 functional disability and personal care needs. The distribution of
35 these functional level categories and ethnicity within the enrolled
36 program population shall be representative of their distribution within
37 the community, using the best available data to estimate the community
38 distributions.

1 (c) The two sites selected for the Washington life care pilot
2 program shall be drawn from the largest urban areas and include one
3 site in the eastern part of the state and one site in the western part
4 of the state. The two organizations selected to manage and coordinate
5 the life care services shall have the proven ability to provide
6 ambulatory care, personal care/chore services, dental care, case
7 management and referral services, must be accredited and licensed to
8 provide long-term care for home health services, and may be licensed to
9 provide nursing home care.

10 (d) The report on the development and establishment date of the two
11 social health maintenance organizations shall be submitted to the
12 governor and appropriate committees of the legislature by September 16,
13 1994. If the necessary federal waivers cannot be secured by January 1,
14 1995, the commission may elect to not establish the two pilot programs.

15 NEW SECTION. **Sec. 452.** SUPPLEMENTAL AND ADDITIONAL BENEFITS
16 NEGOTIATION. (1) Nothing in chapter . . . , Laws of 1993 (this act)
17 shall preclude insurers, health care service contractors, health
18 maintenance organizations, or certified health plans from insuring,
19 providing, or contracting for additional benefits not included in the
20 uniform benefits package or in supplemental benefits packages designed
21 by the commission.

22 (2) Nothing in chapter . . . , Laws of 1993 (this act) shall
23 restrict the right of an employer to offer, an employee representative
24 to negotiate for, or an individual to purchase supplemental or
25 additional benefits not included in the uniform benefits package.

26 (3) Nothing in chapter . . . , Laws of 1993 (this act) shall
27 restrict the right of an employer to offer or an employee
28 representative to negotiate for payment of up to one hundred percent of
29 the premium of the lowest priced uniform benefits package available in
30 the geographic area where the employer is located.

31 (4) Pending receipt of necessary federal waivers, nothing in
32 chapter . . . , Laws of 1993 (this act) shall be construed to limit the
33 collective bargaining rights of employee organizations under state or
34 federal law.

35 NEW SECTION. **Sec. 453.** CONSCIENCE OR RELIGION. (1) No certified
36 health plan or health care provider may be required by law or contract
37 in any circumstances to participate in the provision of any uniform

1 benefit if they object to so doing for reason of conscience or
2 religion. No person may be discriminated against in employment or
3 professional privileges because of such objection.

4 (2) The provisions of this section are not intended to result in an
5 enrollee being denied timely access to any service included in the
6 uniform benefits package. Each certified health plan shall:

7 (a) Provide written notice to certified health plan enrollees, upon
8 enrollment with the plan and upon enrollee request thereafter, listing,
9 by provider, services that any provider refuses to perform for reason
10 of conscience or religion;

11 (b) Develop written information describing how an enrollee may
12 directly access, in an expeditious manner, services that a provider
13 refuses to perform; and

14 (c) Ensure that enrollees refused services under this section have
15 prompt access to the information developed pursuant to (b) of this
16 subsection.

17 **H. STATE RESIDENT AND EMPLOYER PARTICIPATION**

18 NEW SECTION. **Sec. 454.** INDIVIDUAL PARTICIPATION. (1) All
19 residents of the state of Washington are required to purchase a uniform
20 benefits package from a certified health plan no later than July 1,
21 1998. This participation requirement may be waived if imposition of
22 the requirement would constitute a violation of the freedom of religion
23 provisions set forth in the First Amendment, United States Constitution
24 and Article I, section 11 of the state Constitution. Residents of the
25 state of Washington who work in another state for an out-of-state
26 employer shall be deemed to have satisfied the requirements of this
27 section if they receive health insurance coverage through such
28 employer.

29 (2) The commission shall monitor the enrollment of individuals into
30 certified health plans and shall make public periodic reports
31 concerning the number of persons enrolled and not enrolled, the reasons
32 why individuals are not enrolled, recommendations to reduce the number
33 of persons not enrolled, and recommendations regarding enforcement of
34 this provision.

35 NEW SECTION. **Sec. 455.** EMPLOYER PARTICIPATION. (1) The
36 legislature recognizes that small businesses play an essential and

1 increasingly important role in the state's economy. The legislature
2 further recognizes that many of the state's small business owners
3 provide health insurance to their employees through small group
4 policies at a cost that directly affects their profitability. Other
5 small business owners are prevented from providing health benefits to
6 their employees by the lack of access to affordable health insurance
7 coverage. The legislature intends that the provisions of chapter
8 . . . , Laws of 1993 (this act) make health insurance more available and
9 affordable to small businesses in Washington state through strong cost
10 control mechanisms and the option to purchase health benefits through
11 the basic health plan, the Washington state group purchasing
12 association, and health insurance purchasing cooperatives.

13 (2) In defining the level of mandated employer participation under
14 this section, the commission shall consider the impact of such
15 participation on the financial well-being of the state's employers. In
16 its deliberations, the commission shall evaluate the following:

17 (a) Whether employers' premium payments should be related to the
18 number of qualified employees the business employs;

19 (b) Whether different levels of employer premium payments should be
20 applied to employees and dependents;

21 (c) The profitability of small businesses in Washington state; and

22 (d) Any other factors deemed necessary by the commission.

23 (3) On July 1, 1995, every employer employing more than five
24 hundred qualified employees shall:

25 (a) Offer a choice of the uniform benefits package as provided by
26 at least three available certified health plans, one of which shall be
27 the lowest cost available package within their geographic region, to
28 all qualified employees. The employer shall be required to pay no less
29 than fifty percent and no more than ninety-five percent of the premium
30 cost of the lowest cost available package within their geographic
31 region as determined by the commission. On July 1, 1996, all
32 dependents of qualified employees of these firms shall be offered a
33 choice of packages as provided in this section with the employer paying
34 no less than fifty percent and no more than ninety-five percent of the
35 premium of the lowest cost package within their geographic region as
36 determined by the commission.

37 (b) For employees who work less than thirty hours during a week or
38 one hundred twenty hours during a calendar month, and their dependents,
39 pay the amount resulting from application of the following formula:

1 The number of hours worked by the employee in a month is multiplied by
2 the amount of a qualified employee's premium, and that amount is then
3 divided by one hundred twenty.

4 (c) If an employee under (b) of this subsection is the dependent of
5 a qualified employee, and is therefore covered as a dependent by the
6 qualified employee's employer, then the employer of the employee under
7 (b) of this subsection shall not be required to participate in the cost
8 of the uniform benefits package for that employee.

9 (4) By July 1, 1996, every employer employing more than one hundred
10 qualified employees shall:

11 (a) Offer a choice of the uniform benefits package as provided by
12 at least three available certified health plans, one of which shall be
13 the lowest cost available package within their geographic region, to
14 all qualified employees. The employer shall be required to pay no less
15 than fifty percent and no more than ninety-five percent of the premium
16 cost of the lowest cost available package as determined by the
17 commission. On July 1, 1997, all dependents of qualified employees in
18 these firms shall be offered a choice of packages as provided in this
19 section with the employer paying no less than fifty percent and no more
20 than ninety-five percent of the premium of the lowest cost package
21 within their geographic area as determined by the commission.

22 (b) For employees who work less than thirty hours during a week or
23 one hundred twenty hours during a calendar month, and their dependents,
24 pay the amount resulting from application of the following formula:
25 The number of hours worked by the employee in a month is multiplied by
26 the amount of a qualified employee's premium, and that amount is then
27 divided by one hundred twenty.

28 (c) If an employee under (b) of this subsection is the dependent of
29 a qualified employee, and is therefore covered as a dependent by the
30 qualified employee's employer, then the employer of the employee under
31 (b) of this subsection shall not be required to participate in the cost
32 of the uniform benefits package for that employee.

33 (5) By July 1, 1997, every employer shall:

34 (a) Offer a choice of the uniform benefits package as provided by
35 at least three available certified health plans, one of which shall be
36 the lowest cost available package within their geographic region, to
37 all qualified employees. The employer shall be required to pay no less
38 than fifty percent and no more than ninety-five percent of the premium
39 cost of the lowest cost available package as determined by the

1 commission. On July 1, 1998, all dependents of qualified employees in
2 all firms shall be offered a choice of packages as provided in this
3 section with the employer paying no less than fifty percent and no more
4 than ninety-five percent of the premium of the lowest cost package
5 within their geographic area as determined by the commission.

6 (b) For employees who work less than thirty hours during a week or
7 one hundred twenty hours during a calendar month, and their dependents,
8 pay the amount resulting from application of the following formula:
9 The number of hours worked by the employee in a month is multiplied by
10 the amount of a qualified employee's premium, and that amount is then
11 divided by one hundred twenty.

12 (c) If an employee under (b) of this subsection is the dependent of
13 a qualified employee, and is therefore covered as a dependent by the
14 qualified employee's employer, then the employer of the employee under
15 (b) of this subsection shall not be required to participate in the cost
16 of the uniform benefits package for that employee.

17 (6) This employer participation requirement may be waived if
18 imposition of the requirement would constitute a violation of the
19 freedom of religion provisions of the First Amendment of the United
20 States Constitution and Article I, section 11, of the state
21 Constitution. In such case the employer shall, pursuant to commission
22 rules, set aside an amount equal to the applicable employer
23 contribution level in a manner that would permit his or her employee to
24 fully comply with the requirements of this chapter.

25 (7) In lieu of offering the uniform benefits package to employees
26 and their dependents through direct contracts with certified health
27 plans, an employer may combine the employer contribution with that of
28 the employee's contribution and enroll in the basic health plan as
29 provided in chapter 70.47 RCW or a health insurance purchasing
30 cooperative established under sections 426 and 427 of this act.

31 (8) The commission shall submit its employer contribution levels
32 and any changes it may wish to make to the legislature by December 1,
33 1994, and annually thereafter.

34 NEW SECTION. **Sec. 456.** LEGISLATIVE DISAPPROVAL OF EMPLOYER
35 PARTICIPATION LEVELS. The legislature may disapprove of the levels
36 under section 455 of this act by an act of law at any time prior to the
37 thirtieth day of the following regular legislative session. If such
38 disapproval action is taken, the commission shall resubmit regular

1 modified employer contribution levels to the legislature within fifteen
2 days of the disapproval. If the legislature does not disapprove the
3 levels or modify them by an act of law by the end of that regular
4 session they shall be deemed approved.

5 NEW SECTION. **Sec. 457.** SMALL FIRM FINANCIAL ASSISTANCE. (1)
6 Beginning July 1, 1997, firms with fewer than twenty-five workers that
7 face barriers to providing health insurance for their employees may,
8 upon application, be eligible to receive financial assistance with
9 funds set aside from the health services account. Firms with the
10 following characteristics shall be given preference in the distribution
11 of funds: (1) New firms, (2) employers with low average wages, (3)
12 employers with low profits, and (4) firms in economically distressed
13 areas.

14 (2) All employers in existence on or before July 1, 1997, who meet
15 the criteria set forth in this section, and rules adopted under this
16 section, may apply to the health services commission for assistance.
17 Such employers may not receive premium assistance beyond July 1, 2001.
18 New employers, who come into existence after July 1, 1997, may apply
19 for and receive premium assistance for a limited period of time, as
20 determined by the commission.

21 (3) The total funds available for small business assistance shall
22 not exceed one hundred million dollars for the biennium beginning July
23 1, 1997. Thereafter, the amount of total funds available for premium
24 assistance shall be determined by the office of financial management,
25 based on a forecast of inflation, employment, and the number of
26 eligible firms.

27 (4) By July 1, 1997, the health services commission, with
28 assistance from the small business advisory committee established in
29 section 404 of this act, shall develop specific definitions, rules, and
30 procedures governing all aspects of the small business assistance
31 program, including application procedures, thresholds regarding firm
32 size, wages, profits, and age of firm, and rules governing duration of
33 assistance.

34 (5) Final determination of the amount of the premium assistance to
35 be dispensed to an employer shall be made by the commission based on
36 rules, definitions, and procedures developed under this section. If
37 total claims for assistance are above the amount of total funds
38 available for such purposes, the commission shall have the authority to

1 prorate employer claims so that the amount of available funds is not
2 exceeded.

3 (6) The office of financial management, in consultation with the
4 commission, shall establish appropriate criteria for monitoring and
5 evaluating the economic and labor market impacts of the premium
6 assistance program and report its findings to the commission annually
7 through July 1, 2001.

8 **I. PUBLIC HEALTH SERVICES IMPROVEMENT PLAN**

9 NEW SECTION. **Sec. 458.** A new section is added to chapter 43.70
10 RCW to read as follows:

11 PUBLIC HEALTH SERVICES IMPROVEMENT PLAN. (1) The legislature finds
12 that the public health functions of community assessment, policy
13 development, and assurance of service delivery are essential elements
14 in achieving the objectives of health reform in Washington state. The
15 legislature further finds that the population-based services provided
16 by state and local health departments are cost-effective and are a
17 critical strategy for the long-term containment of health care costs.
18 The legislature further finds that the public health system in the
19 state lacks the capacity to fulfill these functions consistent with the
20 needs of a reformed health care system.

21 (2) The department of health shall develop, in consultation with
22 local health departments and districts, the state board of health, the
23 health services commission, area Indian health service, and other state
24 agencies, health services providers, and citizens concerned about
25 public health, a public health services improvement plan. The plan
26 should provide a detailed accounting of deficits in the core functions
27 of assessment, policy development, assurance of the current public
28 health system, how additional public health funding would be used, and
29 describe the benefits expected from expanded expenditures.

30 (3) The plan shall include:

31 (a) Definition of minimum standards for public health protection
32 through assessment, policy development, and assurances;

33 (i) Enumeration of communities not meeting those standards;

34 (ii) A budget and staffing plan for bringing all communities up to
35 minimum standards;

1 (iii) An analysis of the costs and benefits expected from adopting
2 minimum public health standards for assessment, policy development, and
3 assurances;

4 (b) Recommended strategies and a schedule for improving public
5 health programs throughout the state, including:

6 (i) Strategies for transferring personal health care services from
7 the public health system, into the uniform benefits package where
8 feasible; and

9 (ii) Timing of increased funding for public health services linked
10 to specific objectives for improving public health; and

11 (c) A recommended level of dedicated funding for public health
12 services to be expressed in terms of a percentage of total health
13 service expenditures in the state or a set per person amount; such
14 recommendation shall also include methods to ensure that such funding
15 does not supplant existing federal, state, and local funds received by
16 local health departments, and methods of distributing funds among local
17 health departments.

18 (4) The department shall coordinate this planning process with the
19 study activities required in section 255 of this act.

20 (5) By March 1, 1994, the department shall provide initial
21 recommendations of the public health services improvement plan to the
22 legislature regarding minimum public health standards, and public
23 health programs needed to address urgent needs, such as those cited in
24 subsection (7) of this section.

25 (6) By December 1, 1994, the department shall present the public
26 health services improvement plan to the legislature, with specific
27 recommendations for each element of the plan to be implemented over the
28 period from 1995 through 1997.

29 (7) Thereafter, the department shall update the public health
30 services improvement plan for presentation to the legislature prior to
31 the beginning of a new biennium.

32 (8) Among the specific population-based public health activities to
33 be considered in the public health services improvement plan are:
34 Health data assessment and chronic and infectious disease surveillance;
35 rapid response to outbreaks of communicable disease; efforts to prevent
36 and control specific communicable diseases, such as tuberculosis and
37 acquired immune deficiency syndrome; health education to promote
38 healthy behaviors and to reduce the prevalence of chronic disease, such
39 as those linked to the use of tobacco; access to primary care in

1 coordination with existing community and migrant health clinics and
2 other not for profit health care organizations; programs to ensure
3 children are born as healthy as possible and they receive immunizations
4 and adequate nutrition; efforts to prevent intentional and
5 unintentional injury; programs to ensure the safety of drinking water
6 and food supplies; poison control; trauma services; and other
7 activities that have the potential to improve the health of the
8 population or special populations and reduce the need for or cost of
9 health services.

10 NEW SECTION. **Sec. 459.** A new section is added to chapter 70.170
11 RCW to read as follows:

12 **AMERICAN INDIAN HEALTH CARE DELIVERY ELEMENT.** Consistent with
13 funds appropriated specifically for this purpose, the department shall
14 establish in conjunction with the area Indian health services system
15 and providers an advisory group comprised of Indian and non-Indian
16 health care facilities and providers to formulate an American Indian
17 health care delivery element for the public health services improvement
18 plan. The element shall include:

19 (1) Recommendations to providers and facilities methods for
20 coordinating and joint venturing with the Indian health services for
21 service delivery;

22 (2) Methods to improve American Indian-specific health programming;
23 and

24 (3) Creation of co-funding recommendations and opportunities for
25 the unmet health services programming needs of American Indians.

26 **J. HEALTH ACCOUNTS**

27 NEW SECTION. **Sec. 460.** **HEALTH SERVICES ACCOUNT.** The health
28 services account is created in the state treasury. Moneys in the
29 account may be spent only after appropriation. Moneys in the account
30 may be expended only for maintaining and expanding health services
31 access for low-income residents, maintaining and expanding the public
32 health system, maintaining and improving the capacity of the health
33 care system, containing health care costs, and the regulation,
34 planning, and administering of the health care system.

1 of the medicaid statute, Title XIX of the federal social security act
2 that currently constitute barriers to full implementation of provisions
3 of chapter . . . , Laws of 1993 (this act) related to access to health
4 services for low-income residents of Washington state. Such waivers
5 shall include any waiver needed to implement managed care programs.
6 Waived provisions may include and are not limited to: Categorical
7 eligibility restrictions related to age, disability, blindness, or
8 family structure; income and resource limitations tied to financial
9 eligibility requirements of the federal aid to families with dependent
10 children and supplemental security income programs; administrative
11 requirements regarding single state agencies, choice of providers, and
12 fee for service reimbursement programs; and other limitations on health
13 services provider payment methods.

14 (b) Negotiate with the United States congress and the federal
15 department of health and human services, health care financing
16 administration to obtain a statutory or regulatory waiver of provisions
17 of the medicare statute, Title XVIII of the federal social security act
18 that currently constitute barriers to full implementation of provisions
19 of chapter . . . , Laws of 1993 (this act) related to access to health
20 services for elderly and disabled residents of Washington state. Such
21 waivers shall include any waivers needed to implement managed care
22 programs. Waived provisions include and are not limited to:
23 Beneficiary cost-sharing requirements; restrictions on scope of
24 services; and limitations on health services provider payment methods.

25 (c) Negotiate with the United States congress and the federal
26 department of health and human services to obtain any statutory or
27 regulatory waivers of provisions of the United States public health
28 services act necessary to ensure integration of federally funded
29 community and migrant health clinics and other health services funded
30 through the public health services act into the health services system
31 established pursuant to chapter . . . , Laws of 1993 (this act). The
32 commission shall request in the waiver that funds from these sources
33 continue to be allocated to federally funded community and migrant
34 health clinics to the extent that such clinics' patients are not yet
35 enrolled in certified health plans.

36 (d) Negotiate with the United States Congress to obtain a statutory
37 exemption from provisions of the Employee Retirement Income Security
38 Act that limit the state's ability to enact legislation relating to

1 employee health benefits plans administered by employers, including
2 health benefits plans offered by self-insured employers.

3 (3) On or before December 1, 1995, the commission shall report the
4 following to the appropriate committees of the legislature:

5 (a) The status of its efforts to obtain the waivers provided in
6 subsection (2) of this section;

7 (b) The extent to which chapter . . . , Laws of 1993 (this act) can
8 be implemented, given the status of waivers requested or granted; and

9 (c) If a waiver of the Employee Retirement Income Security Act has
10 not been granted and likely will not be granted in the foreseeable
11 future, changes in chapter . . . , Laws of 1993 (this act) necessary to
12 implement a single-sponsor system, or to implement an alternative
13 system that will assure access to care and control health services
14 costs.

15 NEW SECTION. **Sec. 465.** REPORTS OF HEALTH CARE COST CONTROL AND
16 ACCESS COMMISSION. In carrying out its powers and duties under chapter
17 . . . , Laws of 1993 (this act), the design of the uniform benefits
18 package, and the development of guidelines and standards, the
19 commission shall consider the reports of the health care cost control
20 and access commission established under House Concurrent Resolution No.
21 4443 adopted by the legislature in 1990. Nothing in chapter . . . ,
22 Laws of 1993 (this act) requires the commission to follow any specific
23 recommendation contained in those reports except as it may also be
24 included in chapter . . . , Laws of 1993 (this act) or other law.

25 NEW SECTION. **Sec. 466.** EVALUATIONS, PLANS, AND STUDIES. (1) By
26 July 1, 1997, the legislative budget committee either directly or by
27 contract shall conduct the following studies:

28 (a) A study to determine whether the administrative structure of
29 the Washington health services commission as set forth in section 403
30 of this act should be continued. The study shall analyze the structure
31 as set forth in chapter . . . , Laws of 1993 (this act), a single
32 administering-agency model, and at least one other salient
33 organizational model, and recommend a structure that would be most
34 efficient and effective;

35 (b) A study to determine the desirability and feasibility of
36 consolidating the following programs, services, and funding sources

1 into the delivery and financing of uniform benefits package services
2 through certified health plans:

3 (i) State and federal veterans' health services;

4 (ii) Civilian health and medical program of the uniformed services
5 (CHAMPUS) of the federal department of defense and other federal
6 agencies; and

7 (iii) Federal employee health benefits.

8 (2) The legislative budget committee shall evaluate the
9 implementation of the provisions of chapter . . . , Laws of 1993 (this
10 act). The study shall determine to what extent chapter . . . , Laws of
11 1993 (this act) has been implemented consistent with the principles and
12 elements set forth in chapter . . . , Laws of 1993 (this act) and shall
13 report its findings to the governor and appropriate committees of the
14 legislature by July 1, 2003.

15 NEW SECTION. **Sec. 467.** FINANCIAL AND ACCOUNTING STRUCTURE OF
16 STATE PURCHASED HEALTH CARE. The commission, the office of financial
17 management, and the legislative evaluation and accountability program
18 committee shall jointly review the financial and accounting structure
19 of all current state-purchased health care programs and any new
20 programs established in chapter . . . , Laws of 1993 (this act). They
21 shall report to the legislature on or before December 1, 1994, with
22 recommendations on how to structure a state-purchased health services
23 budget that: (1) Meets federal and state audit requirements; (2)
24 exercises adequate fiscal and programmatic control; (3) provides
25 management and organizational accountability and control; and (4)
26 provides continuity with historical health services expenditure data.

27 NEW SECTION. **Sec. 468.** EVALUATION OF REFORM EFFORT. The office
28 of financial management may undertake or facilitate evaluations of
29 health care reform, including analysis of fiscal and economic impacts,
30 the effectiveness of managed care and managed competition, and effects
31 of reform on access and quality of service.

32 NEW SECTION. **Sec. 469.** COORDINATION OF CERTIFIED HEALTH PLANS AND
33 OTHER INSURANCE. (1) On or before December 1, 1994, the legislative
34 budget committee, whether directly or by contract, shall conduct a
35 study related to coordination of certified health plans and other
36 property and casualty insurance products. The goal of the study shall

1 be to determine methods for containing costs of health services paid
2 for through coverage underwritten by property and casualty insurers.

3 (2) The study shall address methods to integrate coverage sold by
4 property and casualty insurance companies that covers medical and
5 hospital expenses with coverage provided through certified health
6 plans. In conducting the study, the legislative budget committee shall
7 evaluate at least the following options:

8 (a) Requiring all property and casualty insurance coverage of
9 health services to be provided through managed care systems rather than
10 through fee for service or indemnification plans;

11 (b) Prohibiting certified health plans from recovering from
12 property and casualty insurance companies amounts that the plan has
13 expended for health services even if coverage for such services is
14 available under property and casualty insurance policies;

15 (c) Requiring persons injured as a result of an accident, however
16 caused, to obtain health services through a certified health plan, even
17 if coverage for health services is available under a property and
18 casualty insurance policy;

19 (d) Requiring property and casualty insurance companies to reduce
20 premium rates for all coverage duplicated by a certified health plan to
21 the extent that a certified health plan is denied subrogation rights
22 against the property and casualty insurer;

23 (e) Prohibiting litigation by any person to recover amounts paid
24 for health services available under a certified health plan, except in
25 limited circumstances such as product liability or other areas of
26 negligence where the negligent party would benefit from such a system
27 without contributing to the costs of providing coverage under certified
28 health plans; and

29 (f) Limiting property and casualty insurance companies' sale of
30 coverage that would duplicate coverage provided by certified health
31 plans.

32 NEW SECTION. **Sec. 470.** A new section is added to chapter 70.170
33 RCW to read as follows:

34 HOSPITAL REGULATION STUDY. The department, through a competitive
35 bidding process restricted to those with suitable expertise to conduct
36 such a study, shall contract for an examination of local, state, and
37 federal regulations that apply to hospitals and shall report to the

1 health care policy committees of the legislature by July 1, 1994, on
2 the following:

3 (1) An inventory of health and safety regulations that apply to
4 hospitals;

5 (2) A description of the costs to local, state, and federal
6 agencies for operating the regulatory programs;

7 (3) An estimate of the costs to hospitals to comply with the
8 regulations;

9 (4) A description of whether regulatory functions are duplicated
10 among different regulatory programs;

11 (5) An analysis of the effectiveness of regulatory programs in
12 meeting their safety and health objectives;

13 (6) An analysis of hospital charity care requirements under RCW
14 70.170.060 and their relevance under the health care reforms created
15 under chapter . . . , Laws of 1993 (this act);

16 (7) Recommendations on elimination or consolidation of unnecessary
17 or duplicative regulatory activities that would not result in a
18 reduction in the health and safety objectives.

19 NEW SECTION. **Sec. 471.** NURSING HOME DOCUMENTATION STUDY. The
20 department of social and health services aging and adult services
21 administration shall, to the extent that resources are available,
22 review all federal and state laws, and departmental rules that require
23 health care providers in nursing homes to submit documentation. The
24 departmental review shall be conducted to determine what documentation
25 or protocols are redundant and can be modified or eliminated without
26 jeopardizing the health and safety of residents or violating federal
27 regulations. The review shall result in an itemized evaluation of the
28 number of forms requiring physician's review and signature together
29 with a citation of their origin. In addition, the department shall
30 review and suggest efficiencies that could be realized through the
31 development of standardized physicians' protocols for repetitive but
32 nonlifethreatening conditions, such as but not limited to, skin tears,
33 early stage decubiti, bowel and bladder care, and other common and
34 predictable nursing home patient conditions. Whenever possible, source
35 documentation should be enabled to allow multiple attestations to be
36 consolidated into a single document. The department shall conduct this
37 review in coordination with different nursing home care constituent
38 groups and professions, including but not limited to, a gerontologist

1 to be selected by the Washington state medical association and the
2 Washington osteopathic medical association, a nurse to be selected by
3 the Washington state nurses association, one representative from each
4 of the two largest nursing home associations, and a representative of
5 a nursing home residency advocacy group to be selected by the
6 department. The department shall make appropriate regulatory changes,
7 or recommend appropriate regulatory changes to the appropriate
8 regulatory agency, resulting from this review and report its actions
9 and any statutory changes needed to further the goal of regulatory
10 simplification to the chair of the house of representatives health care
11 committee and the chair of the senate health and human services
12 committee by December 12, 1994.

13 NEW SECTION. **Sec. 472.** CERTIFIED HEALTH PLAN LICENSING STUDY.
14 The insurance commissioner shall undertake a study of the feasibility
15 and benefits of developing a single licensing category for certified
16 health plans that would replace current statues licensing disability
17 insurers, health care service contractors, and health maintenance
18 organizations. The commissioner shall report his or her findings and
19 recommendations to the legislature by January 1, 1994. In conducting
20 such study, the commissioner shall:

21 (1) Consider standards for the regulation and inclusion of
22 preferred provider organizations, independent practice associations,
23 and independent physician organizations under such new certified health
24 plan statute;

25 (2) Review existing capital and reserve statutes governing
26 insurers, contractors, and health maintenance organizations to
27 determine the appropriate level of capital and reserve for licensing of
28 certified health plans to protect consumers while encouraging
29 competition in the certified health plan market from new entrants into
30 the market;

31 (3) Review existing rate regulation of disability insurance
32 policies, health care service contracts, and health maintenance
33 agreements and propose a uniform approach for regulation of rates that
34 balances the need of certified health plans to freely compete and the
35 need to protect consumers from inadequate, excessive, or unfairly
36 discriminatory rates;

37 (4) Consider regulatory methods to ensure the adequate provision of
38 and contracting with health care facilities and providers by certified

1 health plans to meet the health care needs of enrollees of certified
2 health plans;

3 (5) Consider the need to modify existing insurance statutes and
4 regulations to govern the integration, development, and marketing of
5 health care coverage that would supplement the uniform benefits
6 package; and

7 (6) Consult with health care service contractors, health
8 maintenance organizations, disability insurance companies, and other
9 health care service providers who would be affected by such changes.

10 NEW SECTION. **Sec. 473.** CRIME VICTIMS' COMPENSATION MEDICAL
11 BENEFITS. (1) On or before January 1, 1995, the department of labor
12 and industries in coordination with the commission, shall complete a
13 study related to the medical services component of the crime victims'
14 compensation program of the department of labor and industries. The
15 goal of the study shall be to determine whether and how the medical
16 services component of the crime victims' compensation program can be
17 modified to provide appropriate medical services to crime victims in a
18 more cost-effective manner. In conducting the study, consideration
19 shall be given to at least the following factors: Required benefit
20 design, necessary statutory changes, and the use of managed care to
21 provide services to crime victims. The study shall evaluate at least
22 the following options:

23 (a) Whether the medical services component of the crime victims'
24 compensation program should be maintained within the department of
25 labor and industries, and its purchasing and other practices modified
26 to control costs and increase efficacy of health services provided to
27 crime victims;

28 (b) Whether the medical services component of the crime victims'
29 compensation program should be administered by the health care
30 authority as the state health care purchasing agent;

31 (c) Whether the medical services component of the crime victims'
32 compensation program should be included in the services offered by
33 certified health plans.

34 (2) The department of labor and industries shall present the
35 recommendations to the governor and the appropriate committees of the
36 legislature by January 1, 1995.

37

L. WORKERS' COMPENSATION

1 NEW SECTION. **Sec. 474.** WORKERS' COMPENSATION MEDICAL BENEFITS.

2 (1) An employer who self-insures for employee medical benefits or
3 workers' compensation benefits and who meets the requirements for a
4 certified health plan under section 427 of this act, may apply to the
5 department of labor and industries for an exemption from the
6 requirements of Title 51 RCW regarding the medical portion of the
7 workers' compensation program.

8 (2) The director of the department of labor and industries shall
9 grant such an exemption if he or she finds that (a) the applicant
10 employer has a record of no less than two years of compliance with the
11 requirements to be a certified health plan, (b) the uniform benefit
12 package provided by the certified health plan that would assume
13 workers' compensation responsibilities include medically necessary
14 services available under the workers' compensation program in 1992,
15 including payments for disability determinations, (c) the state has
16 achieved access by no less than ninety-seven percent of all state
17 residents to coverage for the uniform benefit package, (d) there is no
18 reasonable expectation that granting such an exemption will result in
19 a reduction in needed time loss awards or rehabilitative services, (e)
20 the employees' share of workers' compensation medical aid fund
21 contributions are returned to the employee as increased wages, and (f)
22 a majority of employees in the employer's company do not object to the
23 exemption.

24 (3) If, after periodic review of exemptions granted under this
25 section, the director of labor and industries finds that the conditions
26 in subsection (2) of this section are not present, he or she may
27 withdraw the exemption and immediately require the employer to
28 reestablish a separate workers' compensation medical aid fund program.

29 (4) In consultation with representatives of organized labor and the
30 large and small business communities of the state, and consistent with
31 chapter . . . , Laws of 1993 (this act), the statutory workers'
32 compensation advisory committee and the department of labor and
33 industries shall propose a plan and timeline for including the medical
34 services of the workers' compensation program of the department of
35 labor and industries in the services offered by certified health plans.
36 No plan or timeline may take effect until at least ninety-seven percent
37 of state residents have access to the uniform benefit package as
38 required in chapter . . . , Laws of 1993 (this act). No plan or
39 timeline may be proposed that does not assure that (a) the uniform

1 benefit package provides benefits which are medically necessary under
2 the workers' compensation program in 1993, including payment for
3 medical determinations of disability under chapter RCW, (b)
4 statutory assurances are provided that time loss benefits and
5 rehabilitative services will not be reduced as a result of the
6 transfer, (c) employers who self-fund for health insurance or workers'
7 compensation and who do not choose to become certified health plans
8 under chapter . . . , Laws of 1993 (this act), will continue to be
9 required to provide workers' compensation benefits as required under
10 1993 law, (d) the employees' share of the workers' compensation medical
11 aid fund contribution is returned to employees as increased wages, and
12 (e) a majority of employees in the employer's company do not object to
13 the change.

14 The medical aid fund portion of the workers' compensation program
15 affected by this section shall not be less than the percentage of the
16 medical aid portion of the workers' compensation program in 1992.

17 To help in developing this plan the department of labor and
18 industries may immediately implement pilot projects to assess the
19 effects of this consolidation on the cost, quality comparability, and
20 employer/employee satisfaction with various consolidation proposals.

21 The plan and timeline required under this subsection shall be
22 presented to the governor and the appropriate committees of the
23 legislature by January 1, 1995. The timeline shall include full
24 implementation of needed rules by July 1, 1998.

25 NEW SECTION. **Sec. 475.** MANAGED CARE PILOT PROJECTS. (1) The
26 department of labor and industries, in consultation with the workers'
27 compensation advisory committee, may implement pilot projects to
28 purchase medical services for injured workers through managed care
29 arrangements. The projects shall assess the effects of managed care on
30 the cost and quality of, and employer and employee satisfaction with,
31 medical services provided to injured workers.

32 (2) The pilot projects may be limited to specific employers. The
33 implementation of a pilot project shall be conditioned upon a
34 participating employer's and a majority of its employees, or the
35 employees' representative, if a collective bargaining agreement exists,
36 voluntarily agreeing to the terms of the pilot. Both the employer and
37 employees are bound by the project agreements for the duration of the
38 project.

1 (3) For participating employers and for the purpose of completing
2 these pilot projects, the projects shall be exempt from the
3 requirements of Title 51 RCW that would prohibit implementation of the
4 pilot projects. Such exemption relates solely to the purpose and
5 duration of the study. Managed care arrangements for the pilot
6 projects may include the designation of doctors responsible for the
7 care delivered to injured workers participating in the projects.

8 (4) The projects shall conclude no later than January 1, 1996. The
9 department shall present the results of the pilot projects and any
10 recommendations related to the projects to the governor and appropriate
11 committees of the legislature on or before October 1, 1996.

12

M. MISCELLANEOUS

13 NEW SECTION. **Sec. 476.** SHORT TITLE. This act may be known and
14 cited as the Washington health services act of 1993.

15 **Sec. 477.** RCW 42.17.2401 and 1991 c 200 s 404 are each amended to
16 read as follows:

17 EXECUTIVE STATE OFFICERS. For the purposes of RCW 42.17.240, the
18 term "executive state officer" includes:

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

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

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

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

19 (4) Central Washington University board of trustees, board of
20 trustees of each community college, each member of the state board for
21 community and technical colleges ((education)), state convention and
22 trade center board of directors, committee for deferred compensation,
23 Eastern Washington University board of trustees, Washington economic
24 development finance authority, The Evergreen State College board of
25 trustees, forest practices appeals board, forest practices board,
26 gambling commission, Washington health care facilities authority, each
27 member of the Washington health services commission, higher education
28 coordinating board, higher education facilities authority, higher
29 education personnel board, horse racing commission, state housing
30 finance commission, human rights commission, indeterminate sentence
31 review board, board of industrial insurance appeals, information
32 services board, interagency committee for outdoor recreation, state
33 investment board, liquor control board, lottery commission, marine
34 oversight board, oil and gas conservation committee, Pacific Northwest
35 electric power and conservation planning council, parks and recreation
36 commission, personnel appeals board, personnel board, board of pilotage
37 ((~~commissioners~~)) commissioners, pollution control hearings board,
38 public disclosure commission, public pension commission, shorelines
39 hearing board, ((state)) public employees' benefits board, board of tax

1 appeals, transportation commission, University of Washington board of
2 regents, utilities and transportation commission, Washington state
3 maritime commission, Washington public power supply system executive
4 board, Washington State University board of regents, Western Washington
5 University board of trustees, and wildlife commission.

6 **Sec. 478.** RCW 43.20.050 and 1992 c 34 s 4 are each amended to read
7 as follows:

8 STATE BOARD OF HEALTH--PUBLIC HEALTH POLICY. (1) The state board
9 of health shall provide a forum for the development of public health
10 policy in Washington state. It is authorized to recommend to the
11 secretary means for obtaining appropriate citizen and professional
12 involvement in all public health policy formulation and other matters
13 related to the powers and duties of the department. It is further
14 empowered to hold hearings and explore ways to improve the health
15 status of the citizenry.

16 (a) At least every five years, the state board shall convene
17 regional forums to gather citizen input on public health issues.

18 (b) Every two years, in coordination with the development of the
19 state biennial budget, the state board shall prepare the state public
20 health report that outlines the health priorities of the ensuing
21 biennium. The report shall:

22 (i) Consider the citizen input gathered at the ((health)) forums;

23 (ii) Be developed with the assistance of local health departments;

24 (iii) Be based on the best available information collected and
25 reviewed according to RCW 43.70.050 and recommendations from the
26 council;

27 (iv) Be developed with the input of state health care agencies. At
28 least the following directors of state agencies shall provide timely
29 recommendations to the state board on suggested health priorities for
30 the ensuing biennium: The secretary of social and health services, the
31 health care authority administrator, the insurance commissioner, the
32 superintendent of public instruction, the director of labor and
33 industries, the director of ecology, and the director of agriculture;

34 (v) Be used by state health care agency administrators in preparing
35 proposed agency budgets and executive request legislation;

36 (vi) Be submitted by the state board to the governor by ((June))
37 January 1 of each even-numbered year for adoption by the governor. The

1 governor, no later than (~~September~~) March 1 of that year, shall
2 approve, modify, or disapprove the state public health report.

3 (c) In fulfilling its responsibilities under this subsection, the
4 state board (~~shall~~) may create ad hoc committees or other such
5 committees of limited duration as necessary. (~~Membership should~~
6 ~~include legislators, providers, consumers, bioethicists, medical~~
7 ~~economics experts, legal experts, purchasers, and insurers, as~~
8 ~~necessary.~~)

9 (2) In order to protect public health, the state board of health
10 shall:

11 (a) Adopt rules necessary to assure safe and reliable public
12 drinking water and to protect the public health. Such rules shall
13 establish requirements regarding:

14 (i) The design and construction of public water system facilities,
15 including proper sizing of pipes and storage for the number and type of
16 customers;

17 (ii) Drinking water quality standards, monitoring requirements, and
18 laboratory certification requirements;

19 (iii) Public water system management and reporting requirements;

20 (iv) Public water system planning and emergency response
21 requirements;

22 (v) Public water system operation and maintenance requirements;

23 (vi) Water quality, reliability, and management of existing but
24 inadequate public water systems; and

25 (vii) Quality standards for the source or supply, or both source
26 and supply, of water for bottled water plants.

27 (b) Adopt rules and standards for prevention, control, and
28 abatement of health hazards and nuisances related to the disposal of
29 wastes, solid and liquid, including but not limited to sewage, garbage,
30 refuse, and other environmental contaminants; adopt standards and
31 procedures governing the design, construction, and operation of sewage,
32 garbage, refuse and other solid waste collection, treatment, and
33 disposal facilities;

34 (c) Adopt rules controlling public health related to environmental
35 conditions including but not limited to heating, lighting, ventilation,
36 sanitary facilities, cleanliness and space in all types of public
37 facilities including but not limited to food service establishments,
38 schools, institutions, recreational facilities and transient
39 accommodations and in places of work;

1 (d) Adopt rules for the imposition and use of isolation and
2 quarantine;

3 (e) Adopt rules for the prevention and control of infectious and
4 noninfectious diseases, including food and vector borne illness, and
5 rules governing the receipt and conveyance of remains of deceased
6 persons, and such other sanitary matters as admit of and may best be
7 controlled by universal rule; and

8 (f) Adopt rules for accessing existing data bases for the purposes
9 of performing health related research.

10 (3) The state board may delegate any of its rule-adopting authority
11 to the secretary and rescind such delegated authority.

12 (4) All local boards of health, health authorities and officials,
13 officers of state institutions, police officers, sheriffs, constables,
14 and all other officers and employees of the state, or any county, city,
15 or township thereof, shall enforce all rules adopted by the state board
16 of health. In the event of failure or refusal on the part of any
17 member of such boards or any other official or person mentioned in this
18 section to so act, he shall be subject to a fine of not less than fifty
19 dollars, upon first conviction, and not less than one hundred dollars
20 upon second conviction.

21 (5) The state board may advise the secretary on health policy
22 issues pertaining to the department of health and the state.

23 NEW SECTION. **Sec. 479.** REPEAL--DENTISTRY--SOLICITATION. RCW
24 18.32.675 and 1935 c 112 s 19 are each repealed.

25 NEW SECTION. **Sec. 480.** SEVERABILITY. If any provision of this
26 act or its application to any person or circumstance is held invalid,
27 the remainder of the act or the application of the provision to other
28 persons or circumstances is not affected.

29 NEW SECTION. **Sec. 481.** SAVINGS CLAUSE. The enactment of this act
30 does not have the effect of terminating, or in any way modifying, any
31 obligation or any liability, civil or criminal, which was already in
32 existence on the effective date of this act.

33 NEW SECTION. **Sec. 482.** CAPTIONS. Captions used in this act do
34 not constitute any part of the law.

1 NEW SECTION. **Sec. 483.** CODIFICATION. (1) Sections 401 through
2 407, 409, 424, 426 through 428, and 446 through 457 of this act shall
3 constitute a new chapter in Title 43 RCW.

4 (2) Sections 425 and 429 through 445 of this act shall constitute
5 a new chapter in Title 48 RCW.

6 NEW SECTION. **Sec. 484.** RESERVATION OF LEGISLATIVE AUTHORITY. The
7 legislature reserves the right to amend or repeal all or any part of
8 this act at any time and there shall be no vested private right of any
9 kind against such amendment or repeal. All the rights, privileges, or
10 immunities conferred by this act or any acts done pursuant thereto
11 shall exist subject to the power of the legislature to amend or repeal
12 this act at any time.

13 NEW SECTION. **Sec. 485.** EFFECTIVE DATE CLAUSE. This act is
14 necessary for the immediate preservation of the public peace, health,
15 or safety, or support of the state government and its existing public
16 institutions, and shall take effect July 1, 1993, except for:

17 (1) Sections 231 through 254 of this act, which shall take effect
18 July 1, 1994; and

19 (2) Sections 301 through 303 of this act, which shall take effect
20 January 1, 1996."

--- END ---