
HOUSE BILL 1577

State of Washington**53rd Legislature****1993 Regular Session**

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Read first time 02/01/93. Referred to Committee on Health Care.

1 AN ACT Relating to health care; amending RCW 70.47.010, 70.47.020,
2 70.47.030, 70.47.040, 70.47.060, 70.47.080, 41.05.011, 41.05.021,
3 41.05.050, 41.05.055, 41.05.065, 41.05.120, 41.05.140, 70.170.100,
4 70.170.110, 28B.125.010, 28B.115.080, 70.185.030, 43.70.460, 43.70.470,
5 48.30.300, 48.44.020, 48.46.060, 48.44.260, 48.46.380, 48.44.220,
6 18.72.400, 43.70.320, 18.130.190, 70.41.200, 70.41.230, 5.60.070,
7 4.22.070, 82.26.020, 82.24.020, 82.08.150, 66.08.180, 66.24.210,
8 66.24.290, 82.02.030, 42.17.2401, and 43.20.050; reenacting and
9 amending RCW 48.21.200; adding a new section to chapter 70.47 RCW;
10 adding a new section to Title 43 RCW; adding a new section to chapter
11 41.05 RCW; adding new sections to chapter 70.170 RCW; adding a new
12 section to chapter 71.12 RCW; adding new sections to chapter 48.20 RCW;
13 adding a new section to chapter 48.30 RCW; adding a new section to
14 chapter 48.21 RCW; adding a new section to chapter 48.44 RCW; adding a
15 new section to chapter 48.46 RCW; adding new sections to chapter 43.70
16 RCW; adding a new section to chapter 18.130 RCW; adding a new section
17 to chapter 48.22 RCW; adding a new section to chapter 48.05 RCW; adding
18 new sections to chapter 7.70 RCW; adding new sections to chapter 48.14
19 RCW; adding a new section to chapter 82.04 RCW; adding a new chapter to
20 Title 43 RCW; creating new sections; repealing RCW 48.46.370,

1 48.46.160, and 48.46.905; prescribing penalties; making appropriations;
2 providing an effective date; and declaring an emergency.

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

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PART I. FINDINGS, GOALS, AND INTENT

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

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

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

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

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

NEW SECTION. **Sec. 102.** LEGISLATIVE INTENT AND GOALS. (1) The legislature intends that state government policy stabilize health services costs, assure access to essential services for all residents,

1 improve the public's health, and reduce unwarranted health services
2 costs to preserve the viability of nonmedical care businesses.

3 (2) The legislature intends that:

4 (a) Total health services costs be stabilized and kept within rates
5 of increase similar to the rates of general economic inflation within
6 a publicly regulated, private marketplace that preserves personal
7 choice;

8 (b) State residents be enrolled in the certified health plan of
9 their choice that meets state standards regarding affordability,
10 accessibility, cost-effectiveness, and comprehensiveness;

11 (c) Individuals and businesses have the option to purchase any
12 health or medical services they may choose in addition to those
13 contained in the benefits package determined by the state to be
14 essential, so long as such supplemental services are purchased through
15 certified health plans or purchased directly from health care
16 providers;

17 (d) All state residents, businesses, employees, and government
18 participate in payment for health services, and total costs to
19 individuals be on a sliding scale based on income with the lowest
20 income citizens exempt from most payments; and

21 (e) These goals be accomplished within a reformed system using
22 private service providers and facilities in a way that allows consumers
23 to choose among competing plans operating within budget limits and
24 other regulations that promote the public good.

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

28 **PART II. BASIC HEALTH PLAN**

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

31 The powers, duties, and functions of the Washington basic health
32 plan are hereby transferred to the Washington state health care
33 authority. All references to the administrator of the Washington basic
34 health plan in the Revised Code of Washington shall be construed to
35 mean the administrator of the Washington state health care authority.

1 NEW SECTION. **Sec. 202.** All reports, documents, surveys, books,
2 records, files, papers, or written material in the possession of the
3 Washington basic health plan shall be delivered to the custody of the
4 Washington state health care authority. All cabinets, furniture,
5 office equipment, motor vehicles, and other tangible property used by
6 the Washington basic health plan shall be made available to the
7 Washington state health care authority. All funds, credits, or other
8 assets held by the Washington basic health plan shall be assigned to
9 the Washington state health care authority.

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

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

25 NEW SECTION. **Sec. 203.** All employees of the Washington basic
26 health plan are transferred to the jurisdiction of the Washington state
27 health care authority. All employees classified under chapter 41.06
28 RCW, the state civil service law, are assigned to the Washington state
29 health care authority to perform their usual duties upon the same terms
30 as formerly, without any loss of rights, subject to any action that may
31 be appropriate thereafter in accordance with the laws and rules
32 governing state civil service.

33 NEW SECTION. **Sec. 204.** All rules and all pending business before
34 the Washington basic health plan shall be continued and acted upon by
35 the Washington state health care authority. All existing contracts and
36 obligations shall remain in full force and shall be performed by the
37 Washington state health care authority.

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

5 NEW SECTION. **Sec. 206.** If apportionments of budgeted funds are
6 required because of the transfers directed by sections 201 through 205
7 of this act, the director of financial management shall certify the
8 apportionments to the agencies affected, the state auditor, and the
9 state treasurer. Each of these shall make the appropriate transfer and
10 adjustments in funds and appropriation accounts and equipment records
11 in accordance with the certification.

12 NEW SECTION. **Sec. 207.** Nothing contained in sections 201 through
13 206 of this act may be construed to alter any existing collective
14 bargaining unit or the provisions of any existing collective bargaining
15 agreement until the agreement has expired or until the bargaining unit
16 has been modified by action of the personnel board as provided by law.

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

19 (1) The legislature finds that:

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

23 (b) This lack of basic health care coverage is detrimental to the
24 health of the individuals lacking coverage and to the public welfare,
25 and results in substantial expenditures for emergency and remedial
26 health care, often at the expense of health care providers, health care
27 facilities, and all purchasers of health care, including the state; and

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

33 (2) The purpose of this chapter is to provide or make more readily
34 available necessary basic health care services in an appropriate
35 setting to working persons and others who lack coverage, at a cost to
36 these persons that does not create barriers to the utilization of

1 necessary health care services. To that end, this chapter establishes
2 a program to be made available to those residents (~~((under sixty five~~
3 ~~years of age))~~) not (~~((otherwise))~~) eligible for medicare (~~((with gross~~
4 ~~family income at or below two hundred percent of the federal poverty~~
5 ~~guidelines))~~) who share in a portion of the cost or who pay the full
6 cost of receiving basic health care services from a managed health care
7 system.

8 (3) It is not the intent of this chapter to provide health care
9 services for those persons who are presently covered through private
10 employer-based health plans, nor to replace employer-based health
11 plans. However, the legislature recognizes that cost-effective and
12 affordable health plans may not always be available to small employers.
13 Further, it is the intent of the legislature to expand, wherever
14 possible, the availability of private health care coverage and to
15 discourage the decline of employer-based coverage.

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

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

31 (b) As a consequence, the legislature intends to extend an option
32 to enroll to certain citizens above two hundred percent of the federal
33 poverty guidelines within the state who reside in communities where the
34 plan is operational and who collectively or individually wish to
35 exercise the opportunity to purchase health care coverage through the
36 basic health plan if the purchase is done at no cost to the state. It
37 is also the intent of the legislature to allow employers and other
38 financial sponsors to financially assist such individuals to purchase
39 health care through the program. It is also the intent of the

1 legislature to condition access to this plan for nonsubsidized
2 enrollees upon the prior placement of subsidized enrollees, to the
3 extent funding is available.

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

6 As used in this chapter:

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

11 (2) "Administrator" means the Washington basic health plan
12 administrator, who also holds the position of administrator of the
13 Washington state health care authority.

14 (3) "Managed health care system" means any health care
15 organization, including health care providers, insurers, health care
16 service contractors, health maintenance organizations, or any
17 combination thereof, that provides directly or by contract basic health
18 care services, as defined by the administrator and rendered by duly
19 licensed providers, on a prepaid capitated basis to a defined patient
20 population enrolled in the plan and in the managed health care system.

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

31 (5) "Nonsubsidized enrollee" means an individual, or an individual
32 plus the individual's spouse and/or dependent children, not eligible
33 for medicare, who resides in an area of the state served by a managed
34 health care system participating in the plan, who chooses to obtain
35 basic health care coverage from a particular managed health care system
36 and who pays or on whose behalf is paid the full costs for
37 participation in the plan, without any subsidy from the plan.

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

8 ~~((+6))~~ (7) "Premium" means a periodic payment, based upon gross
9 family income ~~((and determined under RCW 70.47.060(2),))~~ which an
10 ~~((enrollee))~~ individual, their employer or another financial sponsor
11 makes to the plan as consideration for enrollment in the plan as a
12 subsidized enrollee or a nonsubsidized enrollee.

13 ~~((+7))~~ (8) "Rate" means the per capita amount, negotiated by the
14 administrator with and paid to a participating managed health care
15 system, that is based upon the enrollment of subsidized and
16 nonsubsidized enrollees in the plan and in that system.

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

19 (1) The basic health plan trust account is hereby established in
20 the state treasury. ~~((All))~~ Any nongeneral fund-state funds collected
21 for this program shall be deposited in the basic health plan trust
22 account and may be expended without further appropriation. Moneys in
23 the account shall be used exclusively for the purposes of this chapter,
24 including payments to participating managed health care systems on
25 behalf of enrollees in the plan and payment of costs of administering
26 the plan. ~~((After July 1, 1993, the administrator shall not expend or~~
27 encumber for an ensuing fiscal period amounts exceeding ninety five
28 percent of the amount anticipated to be spent for purchased services
29 during the fiscal year.))

30 (2) The basic health plan subscription account is created in the
31 custody of the state treasurer. All receipts from amounts due from or
32 on behalf of nonsubsidized enrollees shall be deposited into the
33 account. Funds in the account shall be used exclusively for the
34 purposes of this chapter, including payments to participating managed
35 health care systems on behalf of nonsubsidized enrollees in the plan
36 and payment of costs of administering the plan. The account is subject
37 to allotment procedures under chapter 43.88 RCW, but no appropriation
38 is required for expenditures.

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

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

9 (1) The Washington basic health plan is created as (~~(an independent~~
10 ~~agency of the state)) a program within the Washington state health care~~

11 authority. The administrative head and appointing authority of the
12 plan shall be the administrator (~~(who shall be appointed by the~~
13 ~~governor, with the consent of the senate, and shall serve at the~~
14 ~~pleasure of the governor. The salary for this office shall be set by~~
15 ~~the governor pursuant to RCW 43.03.040)) of the Washington state health~~

16 care authority. The administrator shall appoint a medical director.
17 The (~~(administrator,)~~) medical director(~~(,)~~) and up to five other
18 employees of the plan shall be exempt from the civil service law,
19 chapter 41.06 RCW.

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

34 (3) The administrator may appoint such technical or advisory
35 committees as he or she deems necessary. The administrator shall
36 appoint a standing technical advisory committee that is representative
37 of health care professionals, health care providers, and those directly
38 involved in the purchase, provision, or delivery of health care

1 services, as well as consumers and those knowledgeable of the ethical
2 issues involved with health care public policy. Individuals appointed
3 to any technical or other advisory committee shall serve without
4 compensation for their services as members, but may be reimbursed for
5 their travel expenses pursuant to RCW 43.03.050 and 43.03.060.

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

12 (~~In the design, organization, and administration of the plan~~
13 ~~under this chapter, the administrator shall consider the report of the~~
14 ~~Washington health care project commission established under chapter~~
15 ~~303, Laws of 1986. Nothing in this chapter requires the administrator~~
16 ~~to follow any specific recommendation contained in that report except~~
17 ~~as it may also be included in this chapter or other law)) Whenever
18 feasible, the administrator shall reduce the administrative cost of
19 operating the program by adopting joint policies or procedures
20 applicable to both the basic health plan and employee health plans.~~

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

23 The administrator has the following powers and duties:

24 (1) To design and from time to time revise a schedule of covered
25 basic health care services, including physician services, inpatient and
26 outpatient hospital services, and other services that may be necessary
27 for basic health care, which subsidized and nonsubsidized enrollees in
28 any participating managed health care system under the Washington basic
29 health plan shall be entitled to receive in return for premium payments
30 to the plan. The schedule of services shall emphasize proven
31 preventive and primary health care and shall include all services
32 necessary for prenatal, postnatal, and well-child care. However, (~~for~~
33 ~~the period ending June 30, 1993,~~) with respect to coverage for groups
34 of subsidized enrollees, the administrator shall not contract for
35 prenatal or postnatal services that are provided under the medical
36 assistance program under chapter 74.09 RCW except to the extent that
37 such services are necessary over not more than a one-month period in
38 order to maintain continuity of care after diagnosis of pregnancy by

1 the managed care provider(~~(, or except to provide any such services~~
2 ~~associated with pregnancies diagnosed by the managed care provider~~
3 ~~before July 1, 1992))~~). The schedule of services shall also include a
4 separate schedule of basic health care services for children, eighteen
5 years of age and younger, for those subsidized or nonsubsidized
6 enrollees who choose to secure basic coverage through the plan only for
7 their dependent children. In designing and revising the schedule of
8 services, the administrator shall consider the guidelines for assessing
9 health services under the mandated benefits act of 1984, RCW 48.42.080,
10 and such other factors as the administrator deems appropriate. On or
11 after July 1, 1995, the uniform benefits package adopted and from time
12 to time revised by the Washington health services commission pursuant
13 to section 606 of this act shall be implemented by the administrator as
14 the schedule of covered basic health care services. However, with
15 respect to coverage for subsidized enrollees, the administrator shall
16 not contract for prenatal or postnatal services that are provided under
17 the medical assistance program under chapter 74.09 RCW except to the
18 extent that the services are necessary over not more than a one-month
19 period in order to maintain continuity of care after diagnosis of
20 pregnancy by the managed care provider.

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

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

37 (c) An employer or other financial sponsor may, with the prior
38 approval of the administrator, pay the premium, rate, or any other
39 amount on behalf of a subsidized or nonsubsidized enrollee, by

1 arrangement with the enrollee and through a mechanism acceptable to the
2 administrator, but in no case shall the payment made on behalf of the
3 enrollee exceed ninety-five percent of the total premiums due from the
4 enrollee.

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

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

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

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

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

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

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

37 The potential financial liability of the plan to any such providers
38 shall not exceed in the aggregate an amount greater than that which
39 might otherwise have been incurred by the plan on the basis of the

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

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

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

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

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

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

26 (7) To solicit and accept applications from managed health care
27 systems, as defined in this chapter, for inclusion as eligible basic
28 health care providers under the plan. The administrator shall endeavor
29 to assure that covered basic health care services are available to any
30 enrollee of the plan from among a selection of two or more
31 participating managed health care systems. In adopting any rules or
32 procedures applicable to managed health care systems and in its
33 dealings with such systems, the administrator shall consider and make
34 suitable allowance for the need for health care services and the
35 differences in local availability of health care resources, along with
36 other resources, within and among the several areas of the state.

37 (8) To receive periodic premiums from or on behalf of subsidized
38 and nonsubsidized enrollees, deposit them in the basic health plan
39 operating account, keep records of enrollee status, and authorize

1 periodic payments to managed health care systems on the basis of the
2 number of enrollees participating in the respective managed health care
3 systems.

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

26 (10) To accept applications from small business owners on behalf of
27 themselves and their employees, spouses, and dependent children, as
28 subsidized or nonsubsidized enrollees, who reside in an area served by
29 the plan. The administrator may require all or the substantial
30 majority of the eligible employees of such businesses to enroll in the
31 plan and establish those procedures necessary to facilitate the orderly
32 enrollment of groups in the plan and into a managed health care system.
33 The administrator shall require that a small business owner pay at
34 least fifty percent but not more than ninety-five percent of the cost
35 of the plan for nonsubsidized enrollees on behalf of each employee
36 enrolled in the plan. Effective on or after July 1, 1997, the employer
37 participation levels established by the health services commission
38 pursuant to section 619 of this act shall govern employer participation
39 levels under this section. For the purposes of this subsection, an

1 employee means an individual who regularly works for the small business
2 for at least twenty hours per week. The businesses may have no more
3 than one hundred employees at the time of initial enrollment and
4 enrollment is limited to those not eligible for medicare, who wish to
5 enroll in the plan and choose to obtain the basic health care coverage
6 and services from a managed care system participating in the plan. The
7 administrator shall adjust the amount determined to be due on behalf of
8 or from all such enrollees whenever the amount negotiated by the
9 administrator with the participating managed health care system or
10 systems is modified or the administrative cost of providing the plan to
11 such enrollees changes.

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

23 (~~(11)~~) (12) To monitor the provision of covered services to
24 enrollees by participating managed health care systems in order to
25 assure enrollee access to good quality basic health care, to require
26 periodic data reports concerning the utilization of health care
27 services rendered to enrollees in order to provide adequate information
28 for evaluation, and to inspect the books and records of participating
29 managed health care systems to assure compliance with the purposes of
30 this chapter. In requiring reports from participating managed health
31 care systems, including data on services rendered enrollees, the
32 administrator shall endeavor to minimize costs, both to the managed
33 health care systems and to the (~~administrator~~) plan. The
34 administrator shall coordinate any such reporting requirements with
35 other state agencies, such as the insurance commissioner and the
36 department of health, to minimize duplication of effort.

37 (~~(12)~~) (13) To monitor the access that state residents have to
38 adequate and necessary health care services, determine the extent of
39 any unmet needs for such services or lack of access that may exist from

1 time to time, and make such reports and recommendations to the
2 legislature as the administrator deems appropriate.

3 ~~((13))~~ (14) To evaluate the effects this chapter has on private
4 employer-based health care coverage and to take appropriate measures
5 consistent with state and federal statutes that will discourage the
6 reduction of such coverage in the state.

7 ~~((14))~~ (15) To develop a program of proven preventive health
8 measures and to integrate it into the plan wherever possible and
9 consistent with this chapter.

10 ~~((15))~~ (16) To provide, consistent with available resources,
11 technical assistance for rural health activities that endeavor to
12 develop needed health care services in rural parts of the state.

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

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

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

24 Before July 1, 1988, the administrator shall endeavor to secure
25 participation contracts from managed health care systems in discrete
26 geographic areas within at least five congressional districts of the
27 state and in such manner as to allow residents of both urban and rural
28 areas access to enrollment in the plan. The administrator shall make
29 a special effort to secure agreements with health care providers in one
30 such area that meets the requirements set forth in RCW 70.47.060(4))
31 subsidized enrollment shall not result in expenditures that exceed the
32 total amount that has been made available by the legislature in any act
33 appropriating funds to the plan.

34 The administrator shall at all times closely monitor growth
35 patterns of enrollment so as not to exceed that consistent with the
36 orderly development of the plan as a whole, in any area of the state or
37 in any participating managed health care system. The annual or
38 biennial enrollment limitations derived from operation of the plan

1 under this section do not apply to nonsubsidized enrollees as defined
2 in RCW 70.47.020(5).

3 **PART III. STATE-PURCHASED HEALTH SERVICES**

4 **Sec. 301.** RCW 41.05.011 and 1990 c 222 s 2 are each amended to
5 read as follows:

6 Unless the context clearly requires otherwise, the definitions in
7 this section shall apply throughout this chapter.

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

9 (2) "State purchased health care" or "health care" means medical
10 and health care, pharmaceuticals, and medical equipment purchased with
11 state and federal funds by the department of social and health
12 services, the department of health, the basic health plan, the state
13 health care authority, the department of labor and industries, the
14 department of corrections, the department of veterans affairs, and
15 local school districts.

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

17 (4) "Insuring entity" means an insurance carrier as defined in
18 chapter 48.21 or 48.22 RCW, a health care service contractor as defined
19 in chapter 48.44 RCW, or a health maintenance organization as defined
20 in chapter 48.46 RCW.

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

25 (6) "Employee" includes all full-time and career seasonal employees
26 of the state, whether or not covered by civil service; all full-time
27 employees of school districts; elected and appointed officials of the
28 executive branch of government, including full-time members of boards,
29 commissions, or committees; and includes any or all part-time and
30 temporary employees under the terms and conditions established under
31 this chapter by the authority; justices of the supreme court and judges
32 of the court of appeals and the superior courts; and members of the
33 state legislature or of the legislative authority of any county, city,
34 or town who are elected to office after February 20, 1970. "Employee"
35 also includes employees of a county, municipality, or other political
36 subdivision of the state if the legislative authority of the county,
37 municipality, or other political subdivision of the state seeks and

1 receives the approval of the authority to provide any of its insurance
2 programs by contract with the authority, as provided in RCW
3 41.04.205(~~(, and employees of a school district if the board of~~
4 ~~directors of the school district seeks and receives the approval of the~~
5 ~~authority to provide any of its insurance programs by contract with the~~
6 ~~authority as provided in RCW 28A.400.350))).~~

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

9 **Sec. 302.** RCW 41.05.021 and 1990 c 222 s 3 are each amended to
10 read as follows:

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

25 ~~((+1))~~ (a) To administer a health care benefit program for
26 employees as specifically authorized in RCW 41.05.065 and in accordance
27 with the methods described in RCW 41.05.075, 41.05.140, and other
28 provisions of this chapter;

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

33 ~~((+a))~~ (i) Creation of economic incentives for the persons for
34 whom the state purchases health care to appropriately utilize and
35 purchase health care services, including the development of flexible
36 benefit plans to offset increases in individual financial
37 responsibility;

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

5 ~~((e))~~ (iii) Coordination of state agency efforts to purchase
6 drugs effectively as provided in RCW 70.14.050;

7 ~~((d))~~ (iv) Development of recommendations and methods for
8 purchasing medical equipment and supporting services on a volume
9 discount basis; and

10 ~~((e))~~ (v) Development of data systems to obtain utilization data
11 from state-purchased health care programs in order to identify cost
12 centers, utilization patterns, provider and hospital practice patterns,
13 and procedure costs, utilizing the information obtained pursuant to RCW
14 41.05.031;

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

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

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

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

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

29 (2) The public employees' benefits board shall implement strategies
30 to promote managed competition among employee health benefit plans by
31 July 1, 1994, including but not limited to:

32 (a) Standardizing the benefit package;

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

34 (c) Limiting the state's contribution to a percent of the lowest
35 priced sealed bid of a qualified plan within a geographical area. If
36 the state's contribution is less than one hundred percent of the lowest
37 priced sealed bid, employee financial contributions shall be structured
38 on a sliding-scale basis based upon the income of the employee;

39 (d) Ensuring access to quality health services;

1 (e) Monitoring the impact of the approach under this subsection
2 with regards to: Efficiencies in health service delivery, cost shifts
3 to subscribers, access to and choice of managed care plans state-wide,
4 and quality of health services. The health care authority shall also
5 advise on the value of administering a benchmark indemnity plan to
6 promote competition among managed care plans. The health care
7 authority shall report its findings and recommendations to the
8 legislature by January 1, 1996.

9 **Sec. 303.** RCW 41.05.050 and 1988 c 107 s 18 are each amended to
10 read as follows:

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

22 (2) The contributions of any department, division, or separate
23 agency of the state government, and such county, municipal, or other
24 political subdivisions as are covered by this chapter, shall be set by
25 the authority, subject to the approval of the governor for availability
26 of funds as specifically appropriated by the legislature for that
27 purpose. However, insurance and health care contributions for ferry
28 employees shall be governed by RCW 47.64.270.

29 (3) The administrator with the assistance of the ((state)) public
30 employees' benefits board shall survey private industry and public
31 employers in the state of Washington to determine the average employer
32 contribution for group insurance programs under the jurisdiction of the
33 authority. Such survey shall be conducted during each even-numbered
34 year but may be conducted more frequently. The survey shall be
35 reported to the authority for its use in setting the amount of the
36 recommended employer contribution to the employee insurance benefit
37 program covered by this chapter. The authority shall transmit a
38 recommendation for the amount of the employer contribution to the

1 governor and the director of financial management for inclusion in the
2 proposed budgets submitted to the legislature.

3 **Sec. 304.** RCW 41.05.055 and 1989 c 324 s 1 are each amended to
4 read as follows:

5 (1) The (~~state~~) public employees' benefits board is created
6 within the authority. The function of the board is to design and
7 approve insurance benefit plans for state employees and school district
8 employees.

9 (2) The board shall be composed of (~~seven~~) nine members appointed
10 by the governor as follows:

11 (a) Three representatives of state employees, one of whom shall
12 represent an employee association certified as exclusive representative
13 of at least one bargaining unit of classified employees, one of whom
14 shall represent an employee union certified as exclusive representative
15 of at least one bargaining unit of classified employees, and one of
16 whom is retired, is covered by a program under the jurisdiction of the
17 board, and represents an organized group of retired public employees;

18 (b) Two representatives of school district employees, one of whom
19 is retired;

20 (c) Three members with experience in health benefit management and
21 cost containment; and

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

23 (3) The governor shall appoint the initial members of the board to
24 staggered terms not to exceed four years. Members appointed thereafter
25 shall serve two-year terms. Members of the board shall be compensated
26 in accordance with RCW 43.03.250 and shall be reimbursed for their
27 travel expenses while on official business in accordance with RCW
28 43.03.050 and 43.03.060. The board shall prescribe rules for the
29 conduct of its business. The administrator shall serve as chair of the
30 board. Meetings of the board shall be at the call of the chair.

31 **Sec. 305.** RCW 41.05.065 and 1988 c 107 s 8 are each amended to
32 read as follows:

33 (1) The board shall study all matters connected with the provision
34 of health care coverage, life insurance, liability insurance,
35 accidental death and dismemberment insurance, and disability income
36 insurance or any of, or a combination of, the enumerated types of
37 insurance for employees and their dependents on the best basis possible

1 with relation both to the welfare of the employees and to the state(~~(+
2 PROVIDED, That))~~), however liability insurance shall not be made
3 available to dependents.

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

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

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

13 (c) Wellness incentives that focus on proven strategies, such as
14 smoking cessation, exercise, and automobile and motorcycle safety;

15 (d) Utilization review procedures including, but not limited to
16 prior authorization of services, hospital inpatient length of stay
17 review, requirements for use of outpatient surgeries and second
18 opinions for surgeries, review of invoices or claims submitted by
19 service providers, and performance audit of providers; (~~and~~)

20 (e) Effective coordination of benefits;

21 (f) Minimum standards for insuring entities; and

22 (g) Minimum scope and content of standard benefit plans to be
23 offered to enrollees participating in the employee health benefit
24 plans. On or after July 1, 1995, the uniform benefits package and
25 schedule of premiums and other individual cost-sharing adopted and from
26 time to time revised by the Washington health services commission
27 pursuant to section 606 of this act shall be implemented by the
28 administrator for purposes of employee health benefit plans.

29 (3) The board shall design benefits and determine the terms and
30 conditions of employee participation and coverage, including
31 establishment of eligibility criteria.

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

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

38 (5) Employees may choose participation in only one of the health
39 care benefit plans developed by the board.

1 (6) The board shall review plans proposed by insurance carriers
2 that desire to offer property insurance and/or accident and casualty
3 insurance to state employees through payroll deduction. The board may
4 approve any such plan for payroll deduction by carriers holding a valid
5 certificate of authority in the state of Washington and which the board
6 determines to be in the best interests of employees and the state. The
7 board shall promulgate rules setting forth criteria by which it shall
8 evaluate the plans.

9 **Sec. 306.** RCW 41.05.120 and 1991 sp.s. c 13 s 100 are each amended
10 to read as follows:

11 (1) The ((state)) public employees' insurance account is hereby
12 established in the custody of the state treasurer, to be used by the
13 administrator for the deposit of contributions, reserves, dividends,
14 and refunds, and for payment of premiums for employee insurance benefit
15 contracts. Moneys from the account shall be disbursed by the state
16 treasurer by warrants on vouchers duly authorized by the administrator.

17 (2) The state treasurer and the state investment board may invest
18 moneys in the ((state)) public employees' insurance account. All such
19 investments shall be in accordance with RCW 43.84.080 or 43.84.150,
20 whichever is applicable. The administrator shall determine whether the
21 state treasurer or the state investment board or both shall invest
22 moneys in the ((state)) public employees' insurance account.

23 **Sec. 307.** RCW 41.05.140 and 1988 c 107 s 12 are each amended to
24 read as follows:

25 (1) The authority may self-fund, self-insure, or enter into other
26 methods of providing insurance coverage for insurance programs under
27 its jurisdiction except property and casualty insurance. The authority
28 shall contract for payment of claims or other administrative services
29 for programs under its jurisdiction. If a program does not require the
30 prepayment of reserves, the authority shall establish such reserves
31 within a reasonable period of time for the payment of claims as are
32 normally required for that type of insurance under an insured program.
33 Reserves established by the authority shall be held in a separate trust
34 fund by the state treasurer and shall be known as the ((state)) public
35 employees' insurance reserve fund. The state investment board shall
36 act as the investor for the funds and, except as provided in RCW
37 43.33A.160, one hundred percent of all earnings from these investments

1 shall accrue directly to the ((state)) public employees' insurance
2 reserve fund.

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

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

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

13 (5) The authority shall file a quarterly statement of the financial
14 condition, transactions, and affairs of any program created under this
15 section in a form and manner prescribed by the insurance commissioner.
16 The statement shall contain information as required by the commissioner
17 for the type of insurance being offered under the program. A copy of
18 the annual statement shall be filed with the speaker of the house of
19 representatives and the president of the senate.

20 NEW SECTION. **Sec. 308.** A new section is added to Title 43 RCW to
21 read as follows:

22 STATE HEALTH SERVICES AGENT. (1) The health care authority is
23 hereby designated as the single state agent for purchasing health
24 services. Beginning in January 1994, the governor shall submit
25 necessary legislation to place all state-purchased health services in
26 a community-rated, single risk pool under the direct administrative
27 authority of the state purchasing agent by July 1, 1997, including at
28 least the basic health plan, the purchasing of health benefits for K-12
29 system active and retired employees, the medical aid fund portion of
30 the workers' compensation program, personal health services purchased
31 through the department of health, the Washington state health insurance
32 purchasing cooperative established under section 309 of this act, and
33 state employee and retiree health benefits. At the earliest
34 opportunity the governor shall seek necessary federal waivers and state
35 legislation to place the medical assistance program of the department
36 of social and health services in this single risk pool after July 1995,
37 but in no event later than July 1997.

1 (2) At a minimum, and regardless of other legislative enactments,
2 the state medical care purchasing agent must:

3 (a) Ensure immediate coverage if a state resident eligible for
4 state-subsidized health services chooses to receive state-sponsored
5 care;

6 (b) Require that a public agency that provides subsidies for a
7 substantial portion of services now covered under the basic health plan
8 or a uniform benefits package as adopted by the Washington health
9 services commission as provided in section 614 of this act, use uniform
10 eligibility processes, insofar as may be possible, and ensure that
11 multiple eligibility determinations are not required;

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

17 (d) Strive to integrate purchasing for all publicly sponsored
18 health services in order to maximize the cost control potential and
19 promote the most efficient methods of financing and coordinating
20 services;

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

24 (f) Consult regularly with the governor, the legislature, and state
25 agency directors whose operations are affected by the implementation of
26 this section;

27 (g) Notwithstanding other provisions of law, assure that state
28 residents receiving public subsidies for health care in July 1995 or
29 thereafter, are enrolled in a certified health plan and receive the
30 uniform benefits package as adopted and from time to time revised by
31 the Washington health services commission, as provided in section 614
32 of this act.

33 NEW SECTION. **Sec. 309.** A new section is added to chapter 41.05
34 RCW to read as follows:

35 (1) The Washington state health insurance purchasing cooperative is
36 established for the purpose of coordinating and enhancing the health
37 care purchasing power of the groups identified in subsection (2) of

1 this section. The purchasing cooperative shall be administered by the
2 administrator.

3 (2) The following organizations or entities may seek the approval
4 of the administrator for membership in the purchasing cooperative:

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

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

14 (c) Owners and operators of child day care centers and family child
15 care homes licensed under chapter 74.15 RCW on behalf of themselves and
16 their employees and employees' spouses and dependent children;

17 (d) Foster parents contracting with the department of social and
18 health services under chapter 74.13 RCW and licensed under chapter
19 74.15 RCW on behalf of themselves and their spouses and dependent
20 children; and

21 (e) Small business owners on behalf of themselves and their
22 employees and employees' spouses and dependent children. For purposes
23 of this subsection, a small business may have no more than one hundred
24 employees at the time of initial enrollment. An employee means an
25 individual who regularly works for the employer for at least twenty
26 hours per week.

27 (3) In administering the purchasing cooperative, the administrator
28 shall:

29 (a) Negotiate and enter into contracts on behalf of the purchasing
30 cooperative's members in conjunction with its contracting and
31 purchasing activities for employee benefit plans under RCW 41.05.075,
32 except that purchasing cooperative contracts may not include self-
33 funded or insured indemnity plans as an option for enrollment. Until
34 July 1, 1997, in negotiating and contracting with insuring entities on
35 behalf of employees and purchasing cooperative members, two distinct
36 experience pools shall be maintained. On and after that date, the
37 purchasing cooperative shall be placed into the single risk pool for
38 all state-purchased health services, as provided in section 308 of this
39 act;

1 (b) Review and approve or deny applications from entities seeking
2 membership in the purchasing cooperative:

3 (i) The administrator may require all or the substantial majority
4 of the employees of the organizations or entities listed in subsection
5 (2) (a), (c), (d), and (e) of this section to enroll in the purchasing
6 cooperative.

7 (ii) The administrator shall require, that as a condition of
8 membership in the purchasing cooperative, an entity or organization
9 listed in subsection (2) (a), (c), (d), and (e) of this section pay at
10 least fifty percent but not more than ninety-five percent of the cost
11 of the insurance coverage for each employee enrolled in the purchasing
12 cooperative.

13 (iii) In offering and administering the purchasing cooperative, the
14 administrator may not discriminate against individuals or groups based
15 on age, gender, geographic area, industry, or medical history.

16 (4) On or after July 1, 1995, the uniform benefits package adopted
17 by the health services commission pursuant to section 614 of this act
18 shall constitute the benefit package offered through the cooperative.

19 **PART IV. DATA COLLECTION**

20 **Sec. 401.** RCW 70.170.100 and 1990 c 269 s 12 are each amended to
21 read as follows:

22 (1) To promote the public interest consistent with the purposes of
23 chapter . . . , Laws of 1993 (this act), the department is responsible
24 for the development, implementation, and custody of a state-wide
25 ((hospital)) health care data system, with policy direction and
26 oversight to be provided by the Washington health services commission.
27 As part of the design stage for development of the system, the
28 department shall undertake a needs assessment of the types of, and
29 format for, ((hospital)) health care data needed by consumers,
30 purchasers, health care payers, ((hospitals)) providers, and state
31 government as consistent with the intent of chapter . . . , Laws of 1993
32 (this act) ((chapter)). The department shall identify a set of
33 ((hospital)) health care data elements and report specifications which
34 satisfy these needs. The ((council)) Washington health services
35 commission, created by section 603 of this act, shall review the design
36 of the data system ((and)) may ((direct the department to)) establish
37 a technical advisory committee on health data and may recommend that

1 the department contract with a private vendor for assistance in the
2 design of the data system or for any part of the work to be performed
3 under this section. The data elements, specifications, and other
4 ~~((design))~~ distinguishing features of this data system shall be made
5 available for public review and comment and shall be published, with
6 comments, as the department's first data plan by ~~((January 1, 1990))~~
7 July 1, 1994.

8 (2) Subsequent to the initial development of the data system as
9 published as the department's first data plan, revisions to the data
10 system shall be considered ~~((through the department's development of a~~
11 ~~biennial data plan, as proposed to,))~~ with the oversight and policy
12 guidance of the Washington health services commission or its technical
13 advisory committee and funded by~~((7))~~ the legislature through the
14 biennial appropriations process with funds appropriated to the state
15 health services trust fund. ~~((Costs of data activities outside of~~
16 ~~these data plans except for special studies shall be funded through~~
17 ~~legislative appropriations.~~

18 ~~(3))~~ In designing the state-wide ~~((hospital))~~ health care data
19 system and any data plans, the department shall identify ~~((hospital))~~
20 health care data elements relating to ~~((both hospital finances))~~ health
21 care costs, the quality of health care services, the outcomes of health
22 care services, and ~~((the))~~ use of ~~((services by patients))~~ health care
23 by consumers. Data elements ~~((relating to hospital finances))~~ shall be
24 reported ~~((by hospitals))~~ as the Washington health services commission
25 directs by reporters in conformance with a uniform ~~((system of))~~
26 reporting ~~((as specified by the department and shall))~~ system
27 established by the department, which shall be adopted by reporters. In
28 the case of hospitals this includes data elements identifying each
29 hospital's revenues, expenses, contractual allowances, charity care,
30 bad debt, other income, total units of inpatient and outpatient
31 services, and other financial information reasonably necessary to
32 fulfill the purposes of chapter . . . , Laws of 1993 ~~((chapter))~~
33 act, for hospital activities as a whole and, as feasible and
34 appropriate, for specified classes of hospital purchasers and payers.
35 Data elements relating to use of hospital services by patients shall,
36 at least initially, be the same as those currently compiled by
37 hospitals through inpatient discharge abstracts ~~((and reported to the~~
38 ~~Washington state hospital commission))~~. The commission and the

1 department shall encourage and permit reporting by electronic
2 transmission or hard copy as is practical and economical to reporters.

3 ~~((4))~~ (3) The state-wide ~~((hospital))~~ health care data system
4 shall be uniform in its identification of reporting requirements for
5 ~~((hospitals))~~ reporters across the state to the extent that such
6 uniformity is ~~((necessary))~~ useful to fulfill the purposes of chapter
7 . . . , Laws of 1993 (this ~~((chapter))~~ act). Data reporting
8 requirements may reflect differences ~~((in hospital size; urban or rural~~
9 ~~location; scope, type, and method of providing service; financial~~
10 ~~structure; or other pertinent distinguishing factors))~~ that involve
11 pertinent distinguishing features as determined by the Washington
12 health services commission by rule. So far as ~~((possible))~~ is
13 practical, the data system shall be coordinated with any requirements
14 of the trauma care data registry as authorized in RCW 70.168.090, the
15 federal department of health and human services in its administration
16 of the medicare program, ~~((and))~~ the state in its role of gathering
17 public health statistics, or any other payer program of consequence so
18 as to minimize any unduly burdensome reporting requirements imposed on
19 ~~((hospitals))~~ reporters.

20 ~~((5))~~ (4) In identifying financial reporting requirements under
21 the state-wide ~~((hospital))~~ health care data system, the department may
22 require both annual reports and condensed quarterly reports from
23 reporters, so as to achieve both accuracy and timeliness in reporting,
24 but shall craft such requirements with due regard of the data reporting
25 burdens of reporters.

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

32 (7) Until such time as the state wide hospital data system and
33 first data plan are developed and implemented and hospitals are able to
34 comply with reporting requirements, the department shall require
35 hospitals to continue to submit the hospital financial and patient
36 discharge information previously required to be submitted to the
37 Washington state hospital commission. Upon publication of the first
38 data plan, hospitals shall have a reasonable period of time to comply
39 with any new reporting requirements and, even in the event that new

1 reporting requirements differ greatly from past requirements, shall
2 comply within two years of July 1, 1989.

3 ~~(8))~~ (5) The ~~((hospital))~~ health care data collected ((and)),
4 maintained, and studied by the department or the Washington health
5 services commission shall only be available for retrieval in original
6 or processed form to public and private requestors who are certified
7 health plans, or who are purchasers of certified health plan services
8 and shall be available within a reasonable period of time after the
9 date of request. The cost of retrieving data for state officials and
10 agencies shall be funded through the state general appropriation. The
11 cost of retrieving data for individuals and organizations engaged in
12 research or private use of data or studies shall be funded by a fee
13 schedule developed by the department which reflects the direct cost of
14 retrieving the data or study in the requested form.

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

18 **Sec. 402.** RCW 70.170.110 and 1989 1st ex.s. c 9 s 511 are each
19 amended to read as follows:

20 The department shall provide, or may contract with a private entity
21 to provide, ~~((hospital))~~ analyses and reports or any studies it chooses
22 to conduct consistent with the purposes of chapter . . . , Laws of 1993
23 (this ((chapter)) act), subject to the availability of funds and any
24 policy direction that may be given by the Washington health services
25 commission. ((Prior to release, the department shall provide affected
26 hospitals with an opportunity to review and comment on reports which
27 identify individual hospital data with respect to accuracy and
28 completeness, and otherwise shall focus on aggregate reports of
29 hospital performance.)) These studies, analyses, or reports shall
30 include:

31 (1) Consumer guides on purchasing ((hospital care services and)) or
32 consuming health care and publications providing verifiable and useful
33 aggregate comparative information to ((consumers on hospitals and
34 hospital services)) the public on health care services, their cost,
35 their efficacy, and the quality of health care providers who
36 participate in certified health plans;

37 (2) Reports for use by classes of purchasers, who purchase from
38 certified health plans, health care payers, and providers as specified

1 for content and format in the state-wide data system and data plan;
2 ((and))

3 (3) Reports on relevant ((hospital)) health care policy ((issues))
4 including the distribution of hospital charity care obligations among
5 hospitals; absolute and relative rankings of Washington and other
6 states, regions, and the nation with respect to expenses, net revenues,
7 and other key indicators; ((hospital)) provider efficiencies; and the
8 effect of medicare, medicaid, and other public health care programs on
9 rates paid by other purchasers of ((hospital)) health care; and

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

13 NEW SECTION. Sec. 403. A new section is added to chapter 70.170
14 RCW to read as follows:

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

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

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

33 (3) The commission shall establish cost data sources and shall
34 require each certified health plan as defined in section 602 of this
35 act to provide the commission and the department of health with
36 enrollee care and cost information, to include: (a) Enrollee
37 identifier, including date of birth, sex, and ethnicity; (b) provider
38 identifier; (c) diagnosis; (d) health care services or procedures

1 provided; (e) provider charges; and (f) amount paid. The department
2 shall establish by rule confidentiality standards to safeguard the
3 information from inappropriate use or release.

4 NEW SECTION. **Sec. 404.** A new section is added to chapter 70.170
5 RCW to read as follows:

6 (1) The department is responsible for the implementation and
7 custody of a state-wide personal health services data and information
8 system. The data elements, specifications, and other design features
9 of this data system shall be consistent with criteria adopted by the
10 Washington health services commission. The department shall provide
11 the commission with reasonable assistance in the development of these
12 criteria, and shall provide the commission with periodic progress
13 reports related to the implementation of the system or systems related
14 to those criteria.

15 (2) The department shall coordinate the development and
16 implementation of the personal health services data and information
17 system with related private activities and with the implementation
18 activities of the data sources identified by the commission. Data
19 shall include: (a) Enrollee identifier, including date of birth, sex,
20 and ethnicity; (b) provider identifier; (c) diagnosis; (d) health
21 services or procedures provided; (e) provider charges; and (f) amount
22 paid. The commission shall establish by rule, confidentiality
23 standards to safeguard the information from inappropriate use or
24 release. The department shall assist the commission in establishing
25 reasonable time frames for the completion of the system development and
26 system implementation.

27 NEW SECTION. **Sec. 405.** A new section is added to chapter 70.170
28 RCW to read as follows:

29 Consistent with the data reporting requirements of the department
30 of health, each hospital licensed under RCW 70.41.090 or chapter 71.12
31 RCW, shall report to the department annually with respect to its
32 operations in the preceding fiscal year, in a form as the department
33 may by rule require. The report shall include, but not be limited to:
34 (1) Salaries, by classification for each position in the hospital; (2)
35 total number of full-time equivalent employees employed under each
36 classification; (3) salaries and fringe benefits for the twenty highest
37 paid administrative positions; (4) the name of each corporation related

1 to the hospital; (5) the salaries paid to hospital employees by each
2 related corporation and by the hospital to the employees of related
3 corporations; and (6) a breakdown of hospital and department budgets by
4 administrative, supervisory, and direct service categories.

5 NEW SECTION. **Sec. 406.** A new section is added to chapter 71.12
6 RCW to read as follows:

7 (1) The chief executive officer of a hospital licensed under this
8 chapter and the superintendent of a state hospital shall establish and
9 maintain a procedure for disclosing to physicians and other health care
10 providers with admitting privileges the charges of all in-house health
11 care services to be ordered for their patients. These charges shall be
12 posted on the patient's chart and shall include total charges to date
13 and an itemization of charges for the previous day. The physician or
14 other health care provider may inform the patient of these charges.

15 (2) The department of health, in consultation with the Washington
16 state hospital association, the Washington state medical association,
17 Washington state nurses association, and other appropriate interested
18 parties, shall develop a protocol that establishes a standardized
19 system of disclosure of charges of hospital-based services for the
20 purposes of chapter . . . , Laws of 1993 (this act); that promotes
21 dialogue between hospitals, physicians, nurses, and other health care
22 providers for encouraging a better cost consciousness regarding the
23 services, procedures, medications and supplies which are ordered for
24 hospital in-patients; that invites more cost-benefit comparisons of
25 appropriate alternatives; and that minimizes the costs of instituting
26 this standardized information system by the hospitals in this state.

27 (3) The department of health shall report to the legislature by
28 December 31, 1993, on the status of the development of the protocol
29 developed pursuant to this section and its implementation by hospitals,
30 with recommendations on any necessary revisions to this act (chapter
31 . . . , Laws of 1993), including its continued necessity and the
32 appropriateness of its repeal.

33 **PART V. HEALTH PROFESSIONAL SHORTAGES**

34 NEW SECTION. **Sec. 501.** LEGISLATIVE INTENT. The legislature finds
35 that the successful implementation of health care reform will depend on
36 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. 502.** RCW 28B.125.010 and 1991 c 332 s 5 are each amended to
8 read as follows:

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

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

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

27 The committee shall appoint subcommittees for the purpose of
28 assisting in the development of the institutional plans required under
29 this chapter. Such subcommittees shall at least include those
30 committee members that have statutory responsibility for planning,
31 coordination, or administration of the training and education
32 institutions for which the institutional plans are being developed. In
33 preparing the institutional plans for four-year institutes of higher
34 education, the subcommittee shall be composed of at least the higher
35 education coordinating board and the state's four-year higher education
36 institutions. The appointment of subcommittees to develop portions of
37 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) A strategy and coordinated state-wide policy developed by the
2 subcommittees authorized in subsection (1) of this section for
3 increasing the number of graduates intending to serve in shortage areas
4 after graduation, including such strategies as the establishment of
5 preferential admissions and designated enrollment slots.

6 (g) Guidelines and policies developed by the subcommittees
7 authorized in subsection (1) of this section for allowing academic
8 credit for on-the-job experience such as internships, volunteer
9 experience, apprenticeships, and community service programs.

10 (h) A strategy developed by the subcommittees authorized in
11 subsection (1) of this section for making required internships and
12 residency programs available that are geographically accessible and
13 sufficiently diverse to meet both general and specialized training
14 needs as identified in the plan when such programs are required.

15 (i) A description of the need for multiskilled health care
16 professionals and an implementation plan to restructure educational and
17 training programming to meet these needs.

18 (j) An analysis of the types and estimated numbers of health care
19 personnel that will need to be recruited from out-of-state to meet the
20 health professional needs not met by in-state trained personnel.

21 (k) An analysis of the need for educational articulation within the
22 various health care disciplines and a plan for addressing the need.

23 (l) An analysis of the training needs of those members of the long-
24 term care profession that are not regulated and that have no formal
25 training requirements. Programs to meet these needs should be
26 developed in a cost-effective and a state-wide accessible manner that
27 provide for the basic training needs of these individuals.

28 (m) A designation of the professions and geographic locations in
29 which loan repayment and scholarships should be available based upon
30 objective data-based forecasts of health professional shortages. A
31 description of the criteria used to select professions and geographic
32 locations shall be included. Designations of professions and
33 geographic locations may be amended by the department of health when
34 circumstances warrant as provided for in RCW 28B.115.070.

35 (n) A description of needed changes in regulatory laws governing
36 the credentialing of health professionals.

37 (o) A description of linguistic and cultural training needs of
38 foreign-trained health care professionals to assure safe and effective
39 practice of their health care profession.

1 (p) A plan to implement the recommendations of the state-wide
2 nursing plan authorized by RCW 74.39.040.

3 (q) A description of criteria and standards that institutional
4 plans provided for in this section must address in order to meet the
5 requirements of the state-wide health personnel resource plan,
6 including funding requirements to implement the plans. The committee
7 shall also when practical identify specific outcome measures to measure
8 progress in meeting the requirements of this plan. The criteria and
9 standards shall be established in a manner as to provide flexibility to
10 the institutions in meeting state-wide plan requirements. The
11 committee shall establish required submission dates for the
12 institutional plans that permit inclusion of funding requests into the
13 institutions budget requests to the state.

14 (r) A description of how the higher education coordinating board,
15 state board for community (~~college education~~) and technical colleges,
16 superintendent of public instruction, department of health, and
17 department of social and health services coordinated in the creation
18 and implementation of the state plan including the areas of
19 responsibility each agency shall assume. The plan should also include
20 a description of the steps taken to assure participation by the groups
21 that are to be consulted with.

22 (s) A description of the estimated fiscal requirements for
23 implementation of the state-wide health resource plan that include a
24 description of cost saving activities that reduce potential costs by
25 avoiding administrative duplication, coordinating programming
26 activities, and other such actions to control costs.

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

31 (4) State agencies involved in the development and implementation
32 of the plan shall to the extent possible utilize existing personnel and
33 financial resources in the development and implementation of the state-
34 wide health personnel resource plan.

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

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

5 (7) Implementation of the state-wide plan shall begin by July 1,
6 1993.

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

12 (9) Each publicly funded two-year and four-year institute of higher
13 education authorized under Title 28B RCW and vocational-technical
14 institution authorized under Title 28A RCW that offers health training
15 and education programs shall biennially prepare and submit an
16 institutional plan to the committee. The institutional plan shall
17 identify specific programming and activities of the institution that
18 meet the requirements of the state-wide health professional resource
19 plan.

20 The committee shall review and assess whether the institutional
21 plans meet the requirements of the state-wide health personnel resource
22 plan and shall prepare a report with its determination. The report
23 shall become part of the institutional plan and shall be submitted to
24 the governor and the legislature.

25 The institutional plan shall be included with the institution's
26 biennial budget submission. The institution's budget shall identify
27 proposed spending to meet the requirements of the institutional plan.
28 Each vocational-technical institution, college, or university shall be
29 responsible for implementing its institutional plan.

30 **Sec. 503.** RCW 28B.115.080 and 1991 c 332 s 21 are each amended to
31 read as follows:

32 After June 1, 1992, the board, in consultation with the department
33 and the department of social and health services, shall:

34 (1) Establish the annual award amount for each credentialed health
35 care profession which shall be based upon an assessment of reasonable
36 annual eligible expenses involved in training and education for each
37 credentialed health care profession. The annual award amount may be
38 established at a level less than annual eligible expenses. The annual

1 award amount shall (~~not be more than fifteen thousand dollars per~~
2 ~~year~~) be established by the board for each eligible health profession.
3 The awards shall not be paid for more than a maximum of five years per
4 individual;

5 (2) Determine any scholarship awards for prospective physicians in
6 such a manner to require the recipients declare an interest in serving
7 in rural areas of the state of Washington. Preference for scholarships
8 shall be given to students who reside in a rural physician shortage
9 area or a nonshortage rural area of the state prior to admission to the
10 eligible education and training program in medicine. Highest
11 preference shall be given to students seeking admission who are
12 recommended by sponsoring communities and who declare the intent of
13 serving as a physician in a rural area. The board may require the
14 sponsoring community located in a nonshortage rural area to financially
15 contribute to the eligible expenses of a medical student if the student
16 will serve in the nonshortage rural area;

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

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

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

29 **Sec. 504.** RCW 70.185.030 and 1991 c 332 s 9 are each amended to
30 read as follows:

31 (1) The department (~~shall~~) may, subject to funding, establish
32 (~~up to three~~) community-based recruitment and retention project sites
33 to 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 areas of Washington
36 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. 505.** RCW 43.70.460 and 1992 c 113 s 2 are each amended to
19 read as follows:

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

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

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

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

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

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

37 (3) The state and its employees who operate the program shall be
38 immune from any civil or criminal action involving claims against

1 clinics or physicians that provided health care services under this
2 section and RCW 43.70.470. This protection of immunity shall not
3 extend to any clinic or ((physician)) primary care provider
4 participating in the program.

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

8 (5) The department may provide liability insurance under chapter
9 113, Laws of 1992 only to the extent funds are provided for this
10 purpose by the legislature.

11 **Sec. 506.** RCW 43.70.470 and 1992 c 113 s 3 are each amended to
12 read as follows:

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

18 (1) The participating ((physician)) primary care provider
19 associated with the clinic shall hold a valid license to practice
20 ((~~medicine and surgery~~)) as a physician under chapter 18.71 or 18.57
21 RCW, a physician assistant under chapter 18.71A or 18.57A RCW, or an
22 advanced registered nurse practitioner under chapter 18.88 RCW in this
23 state and otherwise be in conformity with current requirements for
24 licensure as a retired ((physician)) primary care health care provider,
25 including continuing education requirements;

26 (2) The participating ((physician)) primary care health care
27 provider shall limit the scope of practice in the clinic to primary
28 care. Primary care shall be limited to noninvasive procedures and
29 shall not include obstetrical care, or any specialized care and
30 treatment. Noninvasive procedures include injections, suturing of
31 minor lacerations, and incisions of boils or superficial abscesses;

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

35 (4) The participating ((physician)) primary care health care
36 provider shall limit the provision of health care services to low-
37 income persons provided that clinics may, but are not required to,

1 provide means tests for eligibility as a condition for obtaining health
2 care services;

3 (5) The participating ((physician)) primary care health care
4 provider shall not accept compensation for providing health care
5 services from patients served pursuant to this section and RCW
6 43.70.460, nor from clinics serving these patients. "Compensation"
7 shall mean any remuneration of value to the participating ((physician))
8 primary care health care provider for services provided by the
9 ((physician)) primary care health care provider, but shall not be
10 construed to include any nominal copayments charged by the clinic, nor
11 reimbursement of related expenses of a participating ((physician))
12 primary care health care provider authorized by the clinic in advance
13 of being incurred; and

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

19 NEW SECTION. Sec. 507. MEDICAL SCHOOL GRADUATES SERVING IN RURAL
20 AND MEDICALLY UNDERSERVED AREAS OF THE STATE--LEGISLATIVE INTENT. The
21 legislature finds that the shortage of primary care physicians
22 practicing in rural and medically underserved areas of the state has
23 created a severe public health and safety problem. If unaddressed,
24 this problem is expected to worsen with health care reform since an
25 increased demand for primary care services will only contribute further
26 to these shortages.

27 The legislature further finds that the medical training program at
28 the University of Washington is an important and well respected
29 resource to the people of this state in the training of primary care
30 physicians. Currently, only a small proportion of medical school
31 graduates are Washington residents who serve as primary care
32 practitioners in certain parts of this state.

33 NEW SECTION. Sec. 508. MEDICAL SCHOOL TRAINING SHORTAGE PLAN
34 DEVELOPMENT. The University of Washington school of medicine shall
35 prepare by December 1, 1993, a medical school shortage plan that
36 identifies specific activities that it will pursue within its current
37 level of spending to increase the number of Washington residents

1 serving as primary care physicians in rural and medically underserved
2 urban areas of the state. The goal of the plan shall be to pursue
3 activities that will result in no fewer than thirty-five percent of all
4 medical school graduates being Washington residents who are primary
5 care physicians serving in rural or medically underserved urban areas
6 of the state by 1997. Rural and medically underserved urban areas
7 shall be those identified in the state's health personnel resource plan
8 as authorized in chapter 28B.125 RCW.

9 **PART VI. HEALTH SERVICES COMMISSION--CERTIFIED HEALTH PLANS**

10 NEW SECTION. **Sec. 601.** INTENT. The legislature intends that
11 chapter . . . , Laws of 1993 (this act) establish structures, processes,
12 and specific financial limits to stabilize the overall cost of medical
13 care within the economy, reduce the demand for unneeded medical care,
14 provide universal access to essential health and medical services,
15 improve public health, and ensure that medical system costs do not
16 undermine the financial viability of nonmedical care businesses.

17 NEW SECTION. **Sec. 602.** DEFINITIONS. In this chapter, unless the
18 context otherwise requires:

19 (1) "Certified health plan" or "plan" means a disability group
20 insurer regulated under chapter 48.20 or 48.21 RCW, a health care
21 service contractor as defined in RCW 48.44.010, or a health maintenance
22 organization as defined in RCW 48.46.020, that contracts to administer
23 or provide the uniform benefits package consistent with the
24 requirements of this chapter.

25 (2) "Chair" means the presiding officer of the Washington health
26 services commission.

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

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

31 (5) "Employee" means a person who is in the employment of an
32 employer, as defined by chapter 50.04 RCW. A full-time employee is an
33 employee who is employed at least eighty hours during a calendar month.

34 (6) "Employers' cooperative health purchasing group" or "purchasing
35 group" means a group of employers in a distinct geographical region
36 defined by the health services commission that: (a) Has as one of its

1 purposes the purchase of uniform health benefits on a group basis from
2 certified health plans; (b) purchases the benefits only for its
3 members' employees and dependents; (c) is composed of members whose
4 businesses or activities are principally located in the specified
5 geographical region; (d) purchases the uniform benefits package for not
6 less than five thousand persons; and (e) does not deny participation to
7 any business, partnership, or corporation within its geographical
8 region.

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

11 (8) "Enrollee point of service cost-sharing" means copayments paid
12 to certified health plans by enrollees for receipt of specific uniform
13 benefits package services, within limits established by the commission.

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

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

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

34 (12) "Health care provider" or "provider" means either:

35 (a) A physician licensed under chapter 18.71 or 18.57 RCW or any
36 other licensed, certified, or registered health professional regulated
37 under chapter 18.130 RCW whom the commission identifies as appropriate
38 to provide health services;

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

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

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

16 (14) "Managed care" means an integrated system of insurance and
17 health services delivery functions, using a defined network of
18 providers, that assumes financial risk for delivery of health services.

19 (15) "Maximum enrollee financial participation" means the income-
20 related total annual payments that may be required of an enrollee per
21 family who chooses one of the three lowest priced plans in a geographic
22 region including both premium-sharing and enrollee point of service
23 cost-sharing.

24 (16) "Premium" means the level of payment a certified health plan
25 receives from all sources for all expenses, including administration,
26 operation, and capital, determined on an annual basis by the commission
27 for providing the uniform benefits package to an individual, either
28 adult or child, or a family.

29 (17) "Technology" means the drugs, devices, equipment, and medical
30 or surgical procedures used in the delivery of health services, and the
31 organizational or supportive systems within which such services are
32 provided. It also means sophisticated and complicated machinery
33 developed as a result of ongoing research in the basic biological and
34 physical sciences, clinical medicine, electronics, and computer
35 sciences, as well as specialized professionals, medical equipment,
36 procedures, and chemical formulations used for both diagnostic and
37 therapeutic purposes.

38 (18) "Uniform benefits package" means those appropriate and
39 effective health services, defined by the commission under section 614

1 of this act, that must be offered to all Washington residents through
2 certified health plans.

3 (19) "Washington resident" or "resident" means a person who intends
4 to reside in the state permanently or indefinitely and who did not move
5 to Washington for the primary purpose of securing health services under
6 sections 609 through 619 of this act. "Washington resident" also
7 includes people and their accompanying family members who are in the
8 state for the purpose of engaging in employment for at least one month,
9 who did not enter the state for the primary purpose of obtaining health
10 services. The confinement of a person in a nursing home, hospital, or
11 other medical institution in the state shall not by itself be
12 sufficient to qualify such person as a resident.

13 NEW SECTION. **Sec. 603.** CREATION OF COMMISSION--MEMBERSHIP--TERMS
14 OF OFFICE--VACANCIES--SALARIES. (1) There is created an agency of
15 state government to be known as the Washington health services
16 commission. The commission shall consist of the insurance
17 commissioner, the state health officer and three other members
18 appointed by the governor with the consent of the senate. One member,
19 who may not be either the insurance commissioner or the state health
20 officer, shall be designated by the governor as chair and shall serve
21 at the pleasure of the governor. Of the initial members, one shall be
22 appointed to a term of three years, one shall be appointed to a term of
23 four years, and one shall be appointed to a term of five years.
24 Thereafter, members shall be appointed to five-year terms. Vacancies
25 shall be filled by appointment for the remainder of the unexpired term
26 of the position being vacated.

27 (2) Members of the commission shall have no pecuniary interest in
28 any business subject to regulation by the commission and shall be
29 subject to chapter 42.18 RCW, the executive branch conflict of interest
30 act.

31 (3) Except for the insurance commissioner and the state health
32 officer, members of the commission shall occupy their positions on a
33 full-time basis and are exempt from the provisions of chapter 41.06
34 RCW. Commission members and the professional commission staff are
35 subject to the public disclosure provisions of chapter 42.17 RCW.
36 Members shall be paid a salary to be fixed by the governor in
37 accordance with RCW 43.03.040. A majority of the members of the
38 commission constitutes a quorum for the conduct of business.

1 NEW SECTION. **Sec. 604.** STAKEHOLDERS' COMMITTEE. (1) In an effort
2 to ensure effective participation in the commission's deliberations,
3 the chair shall appoint a stakeholders' committee with a balanced
4 representation of members representing consumers, business, government,
5 labor, insurers, and health care providers. The chair may also appoint
6 ad hoc and special committees for a specified time period.

7 (2) The chair shall also appoint health services effectiveness
8 panels for specified periods of time to provide technical guidance
9 related to appropriate and effective health services, use of technology
10 and practice guidelines, and development of the uniform benefits
11 package. Panels should include technical experts, such as general
12 practitioners, specialty physicians or providers, health service
13 researchers, health ethicists, epidemiologists, and public health
14 experts who reflect the state's ethnic and cultural diversity.

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

19 NEW SECTION. **Sec. 605.** POWERS AND DUTIES OF THE CHAIR. The chair
20 shall be the chief administrative officer and the appointing authority
21 of the commission and has the following powers and duties:

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

25 (2) Employ personnel of the commission, in accordance with chapter
26 41.06 RCW, and prescribe their duties. With the approval of a majority
27 of the commission, the chair may appoint persons to administer any
28 entity established pursuant to subsection (8) of this section, and up
29 to seven additional employees all of whom shall be exempt from the
30 provisions of chapter 41.06 RCW;

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

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

34 (5) Delegate administrative functions of the commission to
35 employees of the commission as the chair deems necessary to ensure
36 efficient administration;

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

4 (7) Preside at meetings of the commission;

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

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

12 NEW SECTION. **Sec. 606.** POWERS AND DUTIES OF THE COMMISSION. The
13 commission has the following powers and duties:

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

18 (2) Ensure that all residents of Washington state have access to
19 appropriate and effective health services. If certified health plans
20 are insufficient or unable to meet a population's needs for access to
21 certified health plan services, authorize appropriate state agencies,
22 local health departments, community or migrant health centers or other
23 nonprofit health service entities to take actions necessary to assure
24 such access. This may include authority to contract for or to directly
25 deliver services described within the uniform benefits package to
26 special populations.

27 (3) Adopt necessary rules in accordance with chapter 34.05 RCW to
28 carry out the purposes of chapter . . . , Laws of 1993 (this act),
29 provided that an initial set of draft rules establishing at least the
30 commission's organization structure, the uniform benefits package,
31 enrollee financial participation, and standards for certified health
32 plan certification, must be submitted in draft form to appropriate
33 committees of the legislature by December 1, 1994.

34 (4) Establish and modify as necessary, in consultation with the
35 state board of health and the department of health, a uniform set of
36 health services based on the recommendations of the health care cost
37 control and access commission.

1 (5) Establish and modify as necessary, the uniform benefits
2 package, as provided in section 614 of this act, which shall be offered
3 to enrollees of a certified health plan. The benefit package shall be
4 provided at no more than the maximum premium specified in subsection
5 (6) of this section.

6 (6) Establish for each year a strictly community-rated maximum
7 premium for the uniform benefits package that a certified health plan
8 may receive. The premium cost of the uniform benefits package in 1995
9 shall be allowed to increase by a rate no greater than the average
10 growth rate in the cost of the package between 1991 and 1994 as
11 actuarially determined. Beginning in 1995, the growth rate of the
12 package shall be reduced by two percentage points per year until the
13 growth rate is no greater than growth in Washington per capita personal
14 income, as determined by the office of financial management. In
15 addition, and in order to promote price competition, the commission
16 shall establish annual premium shares and amounts that shall be paid by
17 employers, government sponsors, and enrollees defined in relation to
18 the price of the lowest priced certified health plan in a region of the
19 state, so long as the total premiums received by a certified health
20 plan do not exceed the maximum premium levels established under this
21 subsection. Enrollee premium share levels shall be related to enrollee
22 household income and shall not present a barrier to access for low-
23 income residents. The commission shall establish regions within the
24 state by rule.

25 (7) Monitor the actual growth in total annual health services
26 costs.

27 (8) Establish standards for capital expenditures by certified
28 health plans. A major capital expenditure is defined as any single
29 expenditure for capital acquisitions, including medical technological
30 equipment, as defined by the commission, costing more than one million
31 dollars. Periodically the commission shall prioritize the proposed
32 projects based on standards of cost-effectiveness and access. The
33 commission shall then approve those projects in rank order that are
34 within the limits of the capital budget. The Washington health care
35 facilities authority authorized in chapter 70.37 RCW may not approve
36 financing for a major capital expenditure unless it has been approved
37 by the commission under this subsection.

1 (9) Establish maximum enrollee financial participation levels. The
2 levels shall be related to enrollee household income and shall not
3 present a barrier to access for low-income residents.

4 (10) Suggest that certified health plans adopt certain practice
5 guidelines or risk management protocols for quality assurance,
6 utilization review, or provider payment. The commission may consider
7 guidelines or protocols recommended according to section 801 of this
8 act for these purposes.

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

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

17 (13) Adopt standards that prevent conflict of interest by health
18 care providers as provided in section 607 of this act.

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

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

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

35 NEW SECTION. **Sec. 607.** CONFLICT OF INTEREST STANDARDS. The
36 commission shall establish standards prohibiting conflicts of interest
37 by health service providers. These standards shall be designed to
38 control inappropriate behavior by health service providers that results

1 in financial gain at the expense of and to the detriment of consumers
2 or certified health plans. These standards are not intended to inhibit
3 the efficient delivery of uniform benefits package services.

4 NEW SECTION. **Sec. 608.** CONTINUOUS QUALITY IMPROVEMENT AND TOTAL
5 QUALITY MANAGEMENT. To ensure the highest quality health services at
6 the lowest total cost, the commission shall establish a total quality
7 management system of continuous quality improvement. Such endeavor
8 shall be based upon the recognized quality science for continuous
9 quality improvement. The commission shall impanel a committee composed
10 of persons from the private sector and related sciences who have broad
11 knowledge and successful experiences in continuous quality improvement
12 and total quality management applications. It shall be the
13 responsibility of the committee to develop standards for a Washington
14 state health services supplier certification process and recommend such
15 standards to the commission for review and adoption. Once adopted, the
16 commission shall establish a schedule, with full compliance no later
17 than July 1, 1996, whereby all health service providers and health
18 service facilities shall be certified prior to providing uniform
19 benefits package services. In conjunction with the commission's total
20 quality management efforts, the department of health shall develop a
21 regulatory system that supports the development and maintenance of
22 quality assurance plans throughout the medical community.

23 NEW SECTION. **Sec. 609.** CERTIFIED HEALTH PLANS--REGISTRATION
24 REQUIRED--PENALTY. (1) On or after July 1, 1997, no person or entity
25 in this state shall, by mail or otherwise, offer for sale, sell,
26 promote, or provide the uniform benefits package as defined in section
27 602 of this act without being certified as a certified health plan by
28 the insurance commissioner.

29 (2) On or after July 1, 1997, the uniform benefits package shall be
30 purchased only from entities certified as certified health plans.

31 NEW SECTION. **Sec. 610.** HEALTH PLAN CERTIFICATION STANDARDS. A
32 certified health plan shall:

33 (1) Provide the benefits prescribed by the uniform benefits package
34 to enrolled Washington residents on a prepaid per capita community-
35 rated basis for a total cost, which may not exceed the maximum premium
36 established by the commission and provides such health services either

1 directly or through arrangements with institutions, entities, and
2 persons that its enrolled population might reasonably require in
3 accordance with the rules established by the commission;

4 (2) Accept for enrollment any state resident and provides or
5 assures the provision of all services within the uniform benefits
6 package regardless of age, sex, family structure, ethnicity, race,
7 health condition, geographic location, employment status, or other
8 condition or situation;

9 (3) Demonstrate to the satisfaction of the insurance commissioner
10 in consultation with the department of health and the commission that
11 its facilities and personnel are adequate to provide the benefits
12 prescribed in the uniform benefits package to enrolled Washington
13 residents, and that it is financially capable of providing such
14 residents with, or has made adequate contractual arrangements with
15 health care providers and facilities to provide the residents with such
16 services;

17 (4) Comply with portability of benefits requirements prescribed by
18 the commission;

19 (5) Comply with administrative rules prescribed by the commission,
20 the insurance commissioner, and other appropriate state agencies
21 governing the conduct of the certified health plans;

22 (6) Provide all enrollees with instruction and informational
23 materials to increase individual and family awareness of injury and
24 illness prevention; encourages assumption of personal responsibility
25 for protecting personal health; and stimulates discussion about the use
26 and limits of medical care in improving the health of individuals and
27 communities;

28 (7) Include in all of its contracts issued for uniform benefits
29 package coverage a subrogation provision that allows the certified
30 health plan to recover the costs of uniform benefits package services
31 incurred to care for an enrollee injured by a negligent third party.
32 The costs recovered shall be limited to:

33 (a) If the certified health plan has not intervened in the action
34 by an injured enrollee against a negligent third party, then the amount
35 of costs the certified health plan can recover shall be limited to
36 seventy percent of the excess remaining after the enrollee has been
37 fully compensated for his or her loss or the amount of the plan's
38 incurred costs, whichever is less;

1 (b) If the certified health plan has intervened in the action by an
2 injured enrollee against a negligent third party, then the amount of
3 costs the certified health plan can recover shall be the excess
4 remaining after the enrollee has been fully compensated for his or her
5 loss or the amount of the plan's incurred costs, whichever is less; and

6 (8) Establish and maintain a grievance procedure approved by the
7 commissioner, to provide a reasonable and effective resolution of
8 complaints initiated by enrollees concerning any matter relating to the
9 provision of benefits under the uniform benefits package, access to
10 health care services, and quality of services. Each certified health
11 plan shall respond to complaints filed with the insurance commissioner
12 within twenty working days. The insurance commissioner in consultation
13 with the commission shall establish standards for grievance procedures
14 and resolution.

15 NEW SECTION. **Sec. 611.** EMPLOYERS' COOPERATIVE HEALTH CARE
16 PURCHASING GROUP--DEFINITION, OPEN ACCESS, REGISTRATION. A purchasing
17 group that intends to purchase health care coverage from a certified
18 health plan shall furnish notice to the commissioner which shall: (1)
19 Identify the principal name and address of the purchasing group, (2)
20 furnish the names and addresses of the officers of the purchasing
21 group, (3) include copies of letters of agreement for participation in
22 the purchasing group including minimum term of participation, and (4)
23 provide any other information as prescribed by the insurance
24 commissioner in consultation with the commission to verify that the
25 purchasing group is qualified and managed by competent and trustworthy
26 individuals.

27 NEW SECTION. **Sec. 612.** ENFORCEMENT AUTHORITY OF COMMISSIONER.
28 For the purposes of this chapter, the insurance commissioner shall have
29 the same powers and duties of enforcement as are provided in RCW
30 48.02.080.

31 NEW SECTION. **Sec. 613.** STATE AND FEDERAL ANTI-TRUST IMMUNITY.
32 (1) The legislature finds that competition in the health services and
33 insurance markets is not in the public interest unless it operates
34 within publicly established constraints that seek to (1) contain the
35 aggregate cost of most health services, (2) promote the comparability
36 of health insurance products, (3) improve the cost-effectiveness of

1 those products relative to health promotion, disease prevention, and
2 the amelioration or cure of illness, (4) assure universal access to a
3 publicly determined, uniform package of health benefits, and (5) create
4 reasonable equity in the distribution of funds, treatment, and medical
5 risk among purchasing groups, insurance groups, health care providers,
6 and Washington residents.

7 (2) The legislature recognizes that chapter . . . , Laws of 1993
8 (this act) may result in a reduction of competition in the provision of
9 health services or insurance.

10 (3) The legislature intends that reductions in health services or
11 insurance competition occur as a result of chapter . . . , Laws of 1993
12 (this act) for the purposes stated in this section and elsewhere in
13 chapter . . . , Laws of 1993 (this act). To these ends, any actions
14 taken pursuant to subsection (4) of this section by any entity created
15 or regulated by chapter . . . , Laws of 1993 (this act) are declared to
16 be taken pursuant to state statute and in furtherance of the public
17 purposes of the state of Washington.

18 (4) The commission may, upon request of a certified health plan or
19 entities seeking to establish a certified health plan, authorize
20 specific anticompetitive conduct by such certified health plan or
21 entity upon a showing by the certified health plan or entity that the
22 conduct is necessary to achieve the policy goals of chapter . . . , Laws
23 of 1993 (this act).

24 (5) The commission shall periodically review the conduct of
25 certified health plans and entities authorized under subsection (4) of
26 this section.

27 NEW SECTION. **Sec. 614.** UNIFORM BENEFITS PACKAGE DESIGN--
28 LEGISLATIVE VETO. (1) The commission shall define the uniform benefits
29 package, which shall include those health services based on the best
30 available scientific health information, deemed to be effective and
31 necessary on a societal basis for the maintenance of the health of
32 citizens of the state, and weighed against the availability of funding
33 in the state health services budget.

34 (a) The legislature intends that the uniform benefits package be
35 comparable in scope to health benefits plans offered to employees of
36 state agencies, and that it be comprehensive and meet the health needs
37 of residents of the state.

38 The uniform benefits package shall include at least:

1 (i) Diagnosis/assessment and selection of treatment/care;
2 (ii) Clinical preventive services;
3 (iii) Emergency health services, including ground and air ambulance
4 services;
5 (iv) Reproductive and maternity services;
6 (v) Clinical management and provision of treatment;
7 (vi) Therapeutic drugs, biologicals, supplies, and equipment;
8 (vii) Vision, hearing, and dental care;
9 (viii) Inpatient and outpatient mental health and chemical
10 dependency treatments;
11 (ix) Inpatient and outpatient hospital and surgical services;
12 (x) Effective organ transplants; and
13 (xi) Rehabilitative services, including physical, occupational, and
14 speech therapies.

15 (b) The commission shall establish a schedule of enrollee point of
16 service cost-sharing, related to enrollee household income, such that
17 financial considerations are not a barrier to access for low-income
18 persons, but that, for those of means, the uniform benefits package
19 provides for moderate point of service cost-sharing.

20 (c) The uniform benefits package may include other services
21 determined by the commission to be effective, necessary, and consistent
22 with the goals and intent of chapter . . . , Laws of 1993 (this act).

23 (2) The commission shall determine the specific schedule of health
24 services within the uniform benefits package, including limitations on
25 scope and duration of services. The commission shall consider the
26 recommendations of health services effectiveness panels established
27 pursuant to section 604 of this act in carrying out this task.

28 (3) In determining the uniform benefits package, the commission
29 shall endeavor to seek the opinions of and information from the public.
30 The commission shall consider the results of official public health
31 assessment and policy development activities including recommendations
32 of the department of health in discharging its responsibilities under
33 this section.

34 (4) The commission shall submit its initial uniform benefits
35 package and any changes it may wish to make to the legislature
36 annually. The legislature may disapprove of the uniform benefits
37 package by a concurrent resolution of the legislature at any time prior
38 to the close of its regular annual legislative session. If such
39 disapproval action is taken, the commission shall with all deliberate

1 speed resubmit a modified uniform benefits package, which must be
2 approved or disapproved within thirty days of submittal to the
3 legislature.

4 NEW SECTION. **Sec. 615.** No health care provider may be required by
5 law or contract in any circumstances to participate in the provision of
6 any uniform benefit if she or he objects to so doing for reason of
7 conscience or religion. No person may be discriminated against in
8 employment or professional privileges because of such objection.

9 NEW SECTION. **Sec. 616.** SUPPLEMENTAL BENEFITS. Nothing in this
10 chapter shall preclude certified health plans from insuring, providing,
11 or contracting for health services not included in the uniform benefits
12 package, and nothing in this chapter shall restrict the right of an
13 employer to offer, and employee representative to negotiate for, or an
14 individual to purchase services not included in the uniform benefits
15 package.

16 NEW SECTION. **Sec. 617.** LONG-TERM CARE INTEGRATION PLAN. (1) To
17 meet the health needs of the residents of Washington state, it is
18 critical to establish a foundation for financing and providing
19 community-based long-term care and support services through an
20 integrated, comprehensive system that promotes human dignity and
21 recognizes the individuality of all functionally disabled persons.
22 This system shall be available, accessible, and responsive to all
23 residents based upon an assessment of their functional disabilities.
24 The governor and the legislature recognize that families, volunteers,
25 and community organizations are essential for the delivery of effective
26 and efficient community-based long-term care and support services, and
27 that this private and public service infrastructure should be supported
28 and strengthened. Further, it is important to provide benefits in
29 perpetuity without requiring family or program beneficiary
30 impoverishment for service eligibility.

31 (2) To realize the need for a strong community-based long-term care
32 system and to carry out the November 30, 1992, final recommendations of
33 the Washington health care commission related to long-term care, the
34 commission shall:

35 (a) Engage in a planning process that has the goal of phasing-in
36 coverage of long-term care services through the uniform benefits

1 package established under section 614 of this act within five years of
2 the effective date of this section;

3 (b) Include in its planning process consideration of the scope of
4 services to be covered, the cost of and financing of such coverage, and
5 the means through which existing long-term care programs and delivery
6 systems can be coordinated and integrated.

7 (3) The commission shall submit recommendations concerning any
8 necessary statutory changes or modifications of public policy to the
9 governor and the legislature by January 1, 1995.

10 (4) The departments of health, retirement systems, revenue, social
11 and health services, and veterans' affairs, the offices of financial
12 management, insurance commissioner, and state actuary, along with the
13 health care authority, shall participate in the review of the long-term
14 care needs enumerated in this section and provide necessary supporting
15 documentation and staff expertise as requested by the commission.

16 NEW SECTION. **Sec. 618.** INDIVIDUAL PARTICIPATION. (1) All
17 residents of the state of Washington are required to participate in a
18 certified health plan no later than July 1, 1997. If a federal waiver
19 of the Employee Retirement Income Security Act is not obtained by July
20 1997, residents who have health coverage through self-insured employer
21 plans shall be deemed to meet this requirement.

22 (2) The commission shall monitor the enrollment of individuals into
23 certified health plans and shall make public periodic reports
24 concerning the number of persons enrolled and not enrolled, the reasons
25 why individuals are not enrolled, recommendations to reduce the number
26 of persons not enrolled, and recommendations regarding enforcement of
27 this provision.

28 NEW SECTION. **Sec. 619.** EMPLOYER PARTICIPATION. (1) On July 1,
29 1995, every employer employing more than five hundred full-time
30 employees shall offer a choice of certified health plans to all full-
31 time employees. The employer shall be required to pay no less than
32 fifty percent and no more than ninety-five percent of the premium cost
33 of the lowest cost available certified health plan within their
34 geographic region as determined by the commission. On July 1, 1996,
35 all dependents of full-time employees of these firms shall be offered
36 a choice of certified health plans with the employer paying no less
37 than fifty percent and no more than ninety-five percent of the premium

1 of the lowest cost certified health plan within their geographic region
2 as determined by the commission.

3 (2) By July 1, 1996, every employer employing more than one hundred
4 full-time employees shall offer a choice of certified health plans to
5 all full-time employees. The employer shall be required to pay no less
6 than fifty percent and no more than ninety-five percent of the premium
7 cost of the lowest cost available certified health plan as determined
8 by the commission. On July 1, 1997, all dependents of full-time
9 employees in these firms shall be offered a choice of certified health
10 plans with the employer paying no less than fifty percent and no more
11 than ninety-five percent of the premium of the lowest cost plan within
12 their geographic area as determined by the commission.

13 (3) By July 1, 1997, every employer shall offer a choice of
14 certified health plans to all full-time employees. The employer shall
15 be required to pay no less than fifty percent and no more than ninety-
16 five percent of the premium cost of the lowest cost available certified
17 health plan as determined by the commission. On July 1, 1998, all
18 dependents of full-time employees in all firms shall be offered a
19 choice of certified health plans with the employer paying no less than
20 fifty percent and no more than ninety-five percent of the premium of
21 the lowest cost plan within their geographic area as determined by the
22 commission.

23 (4) In lieu of sponsoring coverage for employees and their
24 dependents through direct contracts with certified health plans, an
25 employer may combine the employer contribution with that of the
26 employee's contribution and enroll in the basic health plan as provided
27 in section 201 of this act and chapter 70.47 RCW, the Washington state
28 health insurance purchasing cooperative as provided in section 309 of
29 this act, or an employer cooperative health purchasing group
30 established under section 611 of this act.

31 (5) The commission shall submit its employer contribution levels
32 and any changes it may wish to make to the legislature annually. The
33 legislature may disapprove of the levels by a concurrent resolution of
34 the legislature at any time prior to the close of its regular annual
35 legislative session. If such disapproval action is taken, the
36 commission shall with all deliberate speed resubmit a modified employer
37 contribution level, which must be approved or disapproved within thirty
38 days of submittal to the legislature.

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

3 (a) The procedures by which persons ((insured)) covered under such
4 policies, contracts, and agreements are to be made aware of the
5 existence of such a provision;

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

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

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

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

12 (f) Reasonable claim administration procedures to expedite claim
13 payments and prevent duplication of payments or benefits under such a
14 provision(~~(: PROVIDED, HOWEVER, That any group disability insurance~~
15 ~~policy which is issued as part of an employee insurance benefit program~~
16 ~~authorized by RCW 41.05.025(3) may exclude all or part of any~~
17 ~~deductible amounts from the definition of total allowable expenses for~~
18 ~~purposes of coordination of benefits within the plan and between such~~
19 ~~plan and other applicable group coverages: AND PROVIDED FURTHER, That~~
20 ~~any group disability insurance policy providing coverage for persons in~~
21 ~~this state may exclude all or part of any deductible amounts required~~
22 ~~by a group disability insurance policy from the definition of total~~
23 ~~allowable expenses for purposes of coordination of benefits between~~
24 ~~such policy and a group disability insurance policy issued as part of~~
25 ~~an employee insurance benefit program authorized by RCW 41.05.025(3).~~

26 ~~(3) The provisions of this section shall apply to health care~~
27 ~~service contractor contracts and health maintenance organization~~
28 ~~agreements)).~~

29 NEW SECTION. Sec. 703. A new section is added to chapter 48.30
30 RCW to read as follows:

31 (1) No disability insurer, health care service contractor, or
32 health maintenance organization may deny, exclude, or limit coverage of
33 preexisting conditions for a period longer than six months following
34 the effective date of coverage and shall waive any preexisting
35 condition exclusion or limitation for persons who had similar coverage
36 under a different policy, contract, or agreement in the three-month
37 period immediately preceding the effective date of coverage under the

1 new policy and who satisfied any six-month waiting period under such
2 preceding policy, contract, or agreement.

3 (2) The commissioner shall adopt rules establishing guidelines for
4 identifying coverage that is similar and for determining when a
5 preexisting condition waiting period has been satisfied.

6 **Sec. 704.** RCW 48.30.300 and 1975-'76 2nd ex.s. c 119 s 7 are each
7 amended to read as follows:

8 Notwithstanding any provision contained in Title 48 RCW to the
9 contrary:

10 (1) No person or entity engaged in the business of insurance in
11 this state ((shall)) and no health care service contractor or health
12 maintenance organization may refuse to issue any contract of insurance
13 or contract or agreement for health care services or cancel or decline
14 to renew such contract or agreement because of the sex or marital
15 status, or the presence of any sensory, mental, or physical handicap of
16 the insured, subscriber, or enrollee or prospective insured,
17 subscriber, or enrollee. The amount of benefits payable, or any term,
18 rate, condition, or type of coverage shall not be restricted, modified,
19 excluded, increased or reduced on the basis of the sex or marital
20 status, or be restricted, modified, excluded or reduced on the basis of
21 the presence of any sensory, mental, or physical handicap of the
22 insured, subscriber, or enrollee or prospective insured, subscriber, or
23 enrollee. Subject to the provisions of subsection (2) of this section
24 these provisions shall not prohibit fair discrimination on the basis of
25 sex, or marital status, or the presence of any sensory, mental, or
26 physical handicap when bona fide statistical differences in risk or
27 exposure have been substantiated.

28 (2) With respect to disability policies, health care service
29 contracts, and health maintenance agreements:

30 (a) No insurer, contractor, or health maintenance organization may
31 terminate any person covered under an individual or group policy,
32 contract, or agreement because of a change in the physical or mental
33 condition or health of such person except that, after approval of the
34 insurance commissioner, an insurer, health care service contractor, or
35 health maintenance organization may discharge its obligation to
36 continue coverage for such person by obtaining coverage with another
37 insurer, contractor, or health maintenance organization, which coverage
38 is comparable in terms of premiums and benefits.

1 (b) It is an unfair discriminatory practice to modify a policy,
2 contract, or agreement form and fail to make such modification on a
3 class basis. The insurer, contractor, or health maintenance
4 organization may terminate a form if all policyholders, subscribers, or
5 enrollees having such coverage are offered equivalent alternative
6 coverage without health screening or, upon obtaining the written
7 approval of the commissioner, the insurer, contractor, or health
8 maintenance organization obtains coverage with another insurer,
9 contractor, or health maintenance organization that provides equivalent
10 benefits for value paid.

11 (c) It is an unfair practice for insurers, contractors, and health
12 maintenance organizations to engage in a pattern or practice of
13 subjecting high-risk persons to substantial rate increases by
14 discontinuing issuance of policy, contract, or agreement forms and
15 requiring the high-risk person covered under the form to undergo health
16 screening to qualify for coverage under new, lower cost forms. The
17 insurer, contractor, or health maintenance organization may limit
18 issuance of coverage without health screening under a new form to a
19 period of not less than thirty days from the date such coverage is
20 offered.

21 **Sec. 705.** RCW 48.44.020 and 1990 c 120 s 5 are each amended to
22 read as follows:

23 (1) Any health care service contractor may enter into contracts
24 with or for the benefit of persons or groups of persons which require
25 prepayment for health care services by or for such persons in
26 consideration of such health care service contractor providing one or
27 more health care services to such persons and unless expressly
28 provided, such activity shall not be subject to the laws relating to
29 insurance if the health care services are rendered by the health care
30 service contractor or by a participating provider.

31 (2) The commissioner may on examination, subject to the right of
32 the health care service contractor to demand and receive a hearing
33 under chapters 48.04 and 34.05 RCW, disapprove any contract form for
34 any of the following grounds:

35 (a) If it contains or incorporates by reference any inconsistent,
36 ambiguous or misleading clauses, or exceptions and conditions which
37 unreasonably or deceptively affect the risk purported to be assumed in
38 the general coverage of the contract; or

1 (b) If it has any title, heading or other indication of its
2 provisions which is misleading; or

3 (c) If purchase of health care services thereunder is being
4 solicited by deceptive advertising; or

5 (d) If, the benefits provided therein are unreasonable in relation
6 to the amount charged for the contract;

7 (e) If it contains unreasonable restrictions on the treatment of
8 patients;

9 (f) If it violates any provision of this chapter;

10 (g) If it fails to conform to minimum provisions or standards
11 required by regulation made by the commissioner pursuant to chapter
12 34.05 RCW;

13 (h) If any contract for health care services with any state agency,
14 division, subdivision, board or commission or with any political
15 subdivision, municipal corporation, or quasi-municipal corporation
16 fails to comply with state law.

17 (3)(a) Every contract between a health care service contractor and
18 a participating provider of health care services shall be in writing
19 and shall state that in the event the health care service contractor
20 fails to pay for health care services as provided in the contract, the
21 enrolled participant shall not be liable to the provider for sums owed
22 by the health care service contractor. Every such contract shall
23 provide that this requirement shall survive termination of the
24 contract.

25 (b) No participating provider, agent, trustee or assignee may
26 maintain any action against an enrolled participant to collect sums
27 owed by the health care service contractor.

28 **Sec. 706.** RCW 48.46.060 and 1989 c 10 s 10 are each amended to
29 read as follows:

30 (1) Any health maintenance organization may enter into agreements
31 with or for the benefit of persons or groups of persons, which require
32 prepayment for health care services by or for such persons in
33 consideration of the health maintenance organization providing health
34 care services to such persons. Unless expressly provided, such
35 activity is not subject to the laws relating to insurance if the health
36 care services are rendered directly by the health maintenance
37 organization or by any provider which has a contract or other

1 arrangement with the health maintenance organization to render health
2 services to enrolled participants.

3 (2) All forms of health maintenance agreements issued by the
4 organization to enrolled participants or other marketing documents
5 purporting to describe the organization's comprehensive health care
6 services shall comply with such minimum standards as the commissioner
7 deems reasonable and necessary in order to carry out the purposes and
8 provisions of this chapter, and which fully inform enrolled
9 participants of the health care services to which they are entitled,
10 including any limitations or exclusions thereof, and such other rights,
11 responsibilities and duties required of the contracting health
12 maintenance organization.

13 (3) Subject to the right of the health maintenance organization to
14 demand and receive a hearing under chapters 48.04 and 34.05 RCW, the
15 commissioner may disapprove an agreement form for any of the following
16 grounds:

17 (a) If it contains or incorporates by reference any inconsistent,
18 ambiguous, or misleading clauses, or exceptions or conditions which
19 unreasonably or deceptively affect the risk purported to be assumed in
20 the general coverage of the agreement;

21 (b) If it has any title, heading, or other indication which is
22 misleading;

23 (c) If purchase of health care services thereunder is being
24 solicited by deceptive advertising;

25 (d) If the benefits provided therein are unreasonable in relation
26 to the amount charged for the agreement;

27 (e) If it contains unreasonable restrictions on the treatment of
28 patients;

29 (f) If it is in any respect in violation of this chapter or if it
30 fails to conform to minimum provisions or standards required by the
31 commissioner by rule under chapter 34.05 RCW; or

32 (g) If any agreement for health care services with any state
33 agency, division, subdivision, board or commission or with any
34 political subdivision, municipal corporation, or quasi-municipal
35 corporation fails to comply with state law.

36 (4) No health maintenance organization authorized under this
37 chapter shall cancel or fail to renew the enrollment on any basis of an
38 enrolled participant or refuse to transfer an enrolled participant from
39 a group to an individual basis for reasons relating solely to age, sex,

1 race, or health status(~~(: PROVIDED HOWEVER, That)~~). Nothing contained
2 herein shall prevent cancellation of an agreement with enrolled
3 participants (a) who violate any published policies of the organization
4 which have been approved by the commissioner, or (b) who are entitled
5 to become eligible for medicare benefits and fail to enroll for a
6 medicare supplement plan offered by the health maintenance organization
7 and approved by the commissioner, or (c) for failure of such enrolled
8 participant to pay the approved charge, including cost-sharing,
9 required under such contract, or (d) for a material breach of the
10 health maintenance agreement.

11 (5) No agreement form or amendment to an approved agreement form
12 shall be used unless it is first filed with the commissioner.

13 **Sec. 707.** RCW 48.44.260 and 1979 c 133 s 3 are each amended to
14 read as follows:

15 Every authorized health care service contractor, upon canceling,
16 denying, or refusing to renew any individual health care service
17 contract, shall, upon written request, directly notify in writing the
18 applicant or (~~(insured)~~) subscriber, as the case may be, of the reasons
19 for the action by the health care service contractor. Any benefits,
20 terms, rates, or conditions of such a contract which are restricted,
21 excluded, modified, increased, or reduced (~~(because of the presence of~~
22 ~~a sensory, mental, or physical handicap)~~) shall, upon written request,
23 be set forth in writing and supplied to the (~~(insured)~~) subscriber.
24 The written communications required by this section shall be phrased in
25 simple language which is readily understandable to a person of average
26 intelligence, education, and reading ability.

27 **Sec. 708.** RCW 48.46.380 and 1983 c 106 s 16 are each amended to
28 read as follows:

29 Every authorized health maintenance organization, upon canceling,
30 denying, or refusing to renew any individual health maintenance
31 agreement, shall, upon written request, directly notify in writing the
32 applicant or enrolled participant as appropriate, of the reasons for
33 the action by the health maintenance organization. Any benefits,
34 terms, rates, or conditions of such agreement which are restricted,
35 excluded, modified, increased, or reduced (~~(because of the presence of~~
36 ~~a sensory, mental, or physical handicap)~~) shall, upon written request,
37 be set forth in writing and supplied to the individual. The written

1 communications required by this section shall be phrased in simple
2 language which is readily understandable to a person of average
3 intelligence, education, and reading ability.

4 **Sec. 709.** RCW 48.44.220 and 1983 c 154 s 4 are each amended to
5 read as follows:

6 ~~((No health care service contractor shall deny coverage to any
7 person solely on account of race, religion, national origin, or the
8 presence of any sensory, mental, or physical handicap. Nothing in this
9 section shall be construed as limiting a health care service
10 contractor's authority to deny or otherwise limit coverage to a person
11 when the person because of a medical condition does not meet the
12 essential eligibility requirements established by the health care
13 service contractor for purposes of determining coverage for any
14 person.))~~

15 No health care service contractor shall refuse to provide
16 reimbursement or indemnity to any person for covered health care
17 services for reasons that the health care services were provided by a
18 holder of a license under chapter 18.22 RCW.

19 NEW SECTION. **Sec. 710.** The following acts or parts of acts are
20 each repealed:

- 21 (1) RCW 48.46.370 and 1983 c 106 s 15;
- 22 (2) RCW 48.46.160 and 1975 1st ex.s. c 290 s 17; and
- 23 (3) RCW 48.46.905 and 1975 1st ex.s. c 290 s 25.

24 NEW SECTION. **Sec. 711.** A new section is added to chapter 48.20
25 RCW to read as follows:

26 Whenever the provisions of this chapter governing the sale and
27 content of disability insurance conflict with the provision of sections
28 601 through 619 of this act, sections 601 through 619 of this act shall
29 control.

30 NEW SECTION. **Sec. 712.** A new section is added to chapter 48.21
31 RCW to read as follows:

32 Whenever the provisions of this chapter governing the sale and
33 content of disability insurance conflict with the provision of sections
34 601 through 619 of this act, sections 601 through 619 of this act shall
35 control.

1 (3) Recommend the use of practice guidelines and risk management
2 protocols in quality assurance, utilization review, or provider payment
3 to the health services commission.

4 **PART IX. HEALTH CARE LIABILITY REFORM**

5 **Sec. 901.** RCW 18.72.400 and 1991 c 3 s 171 are each amended to
6 read as follows:

7 (1) The secretary of health shall allocate all appropriated funds
8 to accomplish the purposes of this chapter.

9 (2) Upon a showing by the secretary of health, on behalf of the
10 medical disciplinary board, that expenditures in excess of levels
11 authorized by legislative appropriation are necessary to meet
12 unanticipated public demand for investigation of, and disciplinary
13 action against, unsafe or impaired physicians or surgeons, the office
14 of financial management may authorize necessary expenditures from the
15 medical disciplinary account in excess of appropriated levels.

16 **Sec. 902.** RCW 43.70.320 and 1991 sp.s. c 13 s 18 are each amended
17 to read as follows:

18 (1) There is created in the state treasury an account to be known
19 as the health professions account. All fees received by the department
20 for health professions licenses, registration, certifications,
21 renewals, or examinations and the civil penalties assessed and
22 collected by the department under RCW 18.130.190(4) shall be forwarded
23 to the state treasurer who shall credit such moneys to the health
24 professions account.

25 (2) All expenses incurred in carrying out the health professions
26 licensing activities of the department shall be paid from the account
27 as authorized by legislative appropriation. Upon a showing by the
28 department, on behalf of an individual health profession regulatory
29 board, that expenditures in excess of levels authorized by legislative
30 appropriation are necessary to meet unanticipated public demand for
31 investigation of, and disciplinary action against, unsafe or impaired
32 health care practitioners, the office of financial management may
33 authorize necessary expenditures from the health professions account in
34 excess of appropriated levels. Any residue in the account shall be
35 accumulated and shall not revert to the general fund at the end of the
36 biennium.

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

5 **Sec. 903.** RCW 18.130.190 and 1991 c 3 s 271 are each amended to
6 read as follows:

7 (1) The secretary shall investigate complaints concerning practice
8 by unlicensed persons of a profession or business for which a license
9 is required by the chapters specified in RCW 18.130.040. In the
10 investigation of the complaints, the secretary shall have the same
11 authority as provided the secretary under RCW 18.130.050. The
12 secretary shall issue a cease and desist order to a person after notice
13 and hearing and upon a determination that the person has violated this
14 subsection. If the secretary makes a written finding of fact that the
15 public interest will be irreparably harmed by delay in issuing an
16 order, the secretary may issue a temporary cease and desist order. The
17 cease and desist order shall not relieve the person so practicing or
18 operating a business without a license from criminal prosecution
19 therefor, but the remedy of a cease and desist order shall be in
20 addition to any criminal liability. The cease and desist order is
21 conclusive proof of unlicensed practice and may be enforced under RCW
22 7.21.060. This method of enforcement of the cease and desist order may
23 be used in addition to, or as an alternative to, any provisions for
24 enforcement of agency orders set out in chapter 34.05 RCW.

25 (2) The attorney general, a county prosecuting attorney, the
26 secretary, a board, or any person may in accordance with the laws of
27 this state governing injunctions, maintain an action in the name of
28 this state to enjoin any person practicing a profession or business for
29 which a license is required by the chapters specified in RCW 18.130.040
30 without a license from engaging in such practice or operating such
31 business until the required license is secured. However, the
32 injunction shall not relieve the person so practicing or operating a
33 business without a license from criminal prosecution therefor, but the
34 remedy by injunction shall be in addition to any criminal liability.

35 (3) Unlicensed practice of a profession or operating a business for
36 which a license is required by the chapters specified in RCW
37 18.130.040, unless otherwise exempted by law, constitutes a gross
38 misdemeanor. All fees, fines, forfeitures, and penalties collected or

1 assessed by a court because of a violation of this section shall be
2 remitted to the health professions account.

3 (4) In addition to the remedies provided in this section, the
4 secretary is authorized to impose a civil penalty of up to five
5 thousand dollars on a person engaged, without a license, in a
6 profession or business for which a license is required by the chapters
7 specified in RCW 18.130.040. The imposition of the civil penalty shall
8 occur only upon a finding by the secretary, after affording an
9 opportunity for a hearing, that there has been a failure or refusal to
10 obtain a license as required in any of the chapters specified in RCW
11 18.130.040.

12 NEW SECTION. Sec. 904. A new section is added to chapter 18.130
13 RCW to read as follows:

14 MALPRACTICE INSURANCE COVERAGE MANDATE. Except to the extent that
15 liability insurance is not available, every licensed health care
16 practitioner whose services are included in the uniform benefits
17 package, as determined by section 614 of this act, and whose scope of
18 practice includes independent practice, shall, as a condition of
19 licensure and relicensure, be required to provide evidence of a minimum
20 level of malpractice insurance coverage. On or before January 1, 1994,
21 the department shall designate by rule:

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

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

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

28 NEW SECTION. Sec. 905. A new section is added to chapter 48.22
29 RCW to read as follows:

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

1 practice and minimizing damages associated with the adverse health
2 outcomes that do occur. For purposes of this section, "independent
3 health care practitioners" means those health care practitioner
4 licensing classifications designated by the department of health in
5 rule pursuant to section 904 of this act.

6 NEW SECTION. **Sec. 906.** A new section is added to chapter 48.05
7 RCW to read as follows:

8 RISK MANAGEMENT TRAINING OF INDEPENDENT HEALTH CARE PRACTITIONERS.
9 Effective July 1, 1994, each health care provider, facility, or health
10 maintenance organization that self-insures for liability risks related
11 to medical malpractice and employs physicians or other independent
12 health care practitioners in Washington state shall condition each
13 physician's and practitioner's liability coverage by that entity upon
14 that physician's or practitioner's participation in risk management
15 training offered by the provider, facility, or health maintenance
16 organization to its employees. The risk management training shall
17 provide information related to avoiding adverse health outcomes
18 resulting from substandard practice and minimizing damages associated
19 with those adverse health outcomes that do occur. For purposes of this
20 section, "independent health care practitioner" means those health care
21 practitioner licensing classifications designated by the department of
22 health in rule pursuant to section 904 of this act.

23 **Sec. 907.** RCW 70.41.200 and 1991 c 3 s 336 are each amended to
24 read as follows:

25 (1) Every hospital shall maintain a coordinated quality improvement
26 program for the improvement of the quality of health care services
27 rendered to patients and the identification and prevention of medical
28 malpractice. The program 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. 908.** RCW 70.41.230 and 1991 c 3 s 337 are each amended to
2 read as follows:

3 (1) Prior to granting or renewing clinical privileges or
4 association of any physician or hiring a physician, a hospital or
5 facility approved pursuant to this chapter shall request from the
6 physician and the physician shall provide the following information:

7 (a) The name of any hospital or facility with or at which the
8 physician had or has any association, employment, privileges, or
9 practice;

10 (b) If such association, employment, privilege, or practice was
11 discontinued, the reasons for its discontinuation;

12 (c) Any pending professional medical misconduct proceedings or any
13 pending medical malpractice actions in this state or another state, the
14 substance of the allegations in the proceedings or actions, and any
15 additional information concerning the proceedings or actions as the
16 physician deems appropriate;

17 (d) The substance of the findings in the actions or proceedings and
18 any additional information concerning the actions or proceedings as the
19 physician deems appropriate;

20 (e) A waiver by the physician of any confidentiality provisions
21 concerning the information required to be provided to hospitals
22 pursuant to this subsection; and

23 (f) A verification by the physician that the information provided
24 by the physician is accurate and complete.

25 (2) Prior to granting privileges or association to any physician or
26 hiring a physician, a hospital or facility approved pursuant to this
27 chapter shall request from any hospital with or at which the physician
28 had or has privileges, was associated, or was employed, the following
29 information concerning the physician:

30 (a) Any pending professional medical misconduct proceedings or any
31 pending medical malpractice actions, in this state or another state;

32 (b) Any judgment or settlement of a medical malpractice action and
33 any finding of professional misconduct in this state or another state
34 by a licensing or disciplinary board; and

35 (c) Any information required to be reported by hospitals pursuant
36 to RCW 18.72.265.

37 (3) The medical disciplinary board shall be advised within thirty
38 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. 909.** A new section is added to chapter 43.70
10 RCW to read as follows:

11 (1)(a) Health care institutions and medical facilities, other than
12 hospitals, that are licensed by the department, and certified health
13 plans approved pursuant to section 610 of this act may maintain a
14 coordinated quality improvement program for the improvement of the
15 quality of health care services rendered to patients and the
16 identification and prevention of medical malpractice as set forth in
17 RCW 70.41.200.

18 (b) All such programs shall comply with the requirements of RCW
19 70.41.200(1)(a), (c), (d), (e), (f), (g), and (h) as modified to
20 reflect the structural organization of the institution, facility, or
21 certified health plan, unless an alternative quality improvement
22 program substantially equivalent to RCW 70.41.200(1)(a) is developed.
23 All such programs, whether complying with the requirement set forth in
24 RCW 70.41.200(1)(a) or in the form of an alternative program, must be
25 approved by the department before the discovery limitations provided in
26 subsections (3) and (4) of this section shall apply. In reviewing
27 plans submitted by licensed entities that are associated with
28 physicians' offices, the department shall ensure that the discovery
29 limitations of this section are applied only to information and
30 documents related specifically to quality improvement activities
31 undertaken by the licensed entity.

32 (2) Physician groups of thirty or more physicians may maintain a
33 coordinated quality improvement program for the improvement of the
34 quality of health care services rendered to patients and the
35 identification and prevention of medical malpractice as set forth in
36 RCW 70.41.200. All such programs shall comply with the requirements of
37 RCW 70.41.200(1)(a), (c), (d), (e), (f), (g), and (h) as modified to
38 reflect the structural organization of the physician group. All such

1 programs must be approved by the department before the discovery
2 limitations provided in subsections (3) and (4) of this section shall
3 apply.

4 (3) Any person who, in substantial good faith, provides information
5 to further the purposes of the quality improvement and medical
6 malpractice prevention program or who, in substantial good faith,
7 participates on the quality improvement committee shall not be subject
8 to an action for civil damages or other relief as a result of such
9 activity.

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

36 (5) The department of health shall adopt rules as are necessary to
37 implement this section.

1 NEW SECTION. **Sec. 910.** (1) The administrator for the courts shall
2 coordinate a collaborative effort to develop a voluntary system for
3 review of medical malpractice claims by health services experts prior
4 to the filing of a cause of action under chapter 7.70 RCW.

5 (2) The system shall have at least the following components:

6 (a) Review would be initiated, by agreement of the injured claimant
7 and the health care provider, at the point at which a medical
8 malpractice claim is submitted to a malpractice insurer or a self-
9 insured health care provider.

10 (b) By agreement of the parties, an expert would be chosen from a
11 pool of health services experts who have agreed to review claims on a
12 voluntary basis.

13 (c) The mutually agreed upon expert would conduct an impartial
14 review of the claim and provide his or her opinion to the parties.

15 (d) A pool of available experts would be established and maintained
16 for each category of health care practitioner by the corresponding
17 practitioner association, such as the Washington state medical
18 association and the Washington state nurses association.

19 (3) The administrator for the courts shall seek to involve at least
20 the following organizations in a collaborative effort to develop the
21 informal review system described in subsection (2) of this section:

22 (a) The Washington defense trial lawyers association;

23 (b) The Washington state trial lawyers association;

24 (c) The Washington state medical association;

25 (d) The Washington state nurses association;

26 (e) The Washington state hospital association;

27 (f) The Washington state physicians insurance exchange and
28 association;

29 (g) The Washington casualty company;

30 (h) The doctor's agency;

31 (i) Group health cooperative of Puget Sound;

32 (j) The University of Washington; and

33 (k) The department of health.

34 (4) On or before January 1, 1994, the administrator for the courts
35 shall provide a report on the status of the development of the system
36 described in this section to the governor and the appropriate
37 committees of the senate and the house of representatives.

1 NEW SECTION. Sec. 911. A new section is added to chapter 7.70 RCW
2 to read as follows:

3 MANDATORY MEDIATION OF HEALTH CARE MALPRACTICE CLAIMS. (1) All
4 causes of action, whether based in tort, contract, or otherwise, for
5 damages arising from injury occurring as a result of health care
6 provided after the effective date of this section shall be subject to
7 mandatory mediation prior to trial.

8 (2) The supreme court shall by rule adopt procedures to implement
9 mandatory mediation of actions under this chapter. The rules shall
10 address, at a minimum:

11 (a) Procedures for the appointment of, and qualifications of,
12 mediators. A mediator shall have experience or expertise related to
13 actions arising from injury occurring as a result of health care, and
14 be a member of the state bar association who has been admitted to the
15 bar for a minimum of five years or who is a retired judge. The parties
16 may stipulate to a nonlawyer mediator. The court may prescribe
17 additional qualifications of mediators. Mediators shall be
18 compensated in the same amount and manner as judges pro tempore of the
19 superior court unless the parties agree to a different amount or manner
20 of compensation;

21 (b) The number of days following the filing of a claim under this
22 chapter within which a mediator must be selected;

23 (c) The method by which a mediator is selected. The rule shall
24 provide for designation of a mediator by the superior court if the
25 parties are unable to agree upon a mediator;

26 (d) The number of days following the selection of a mediator
27 within which a mediation conference must be held;

28 (e) A means by which mediation of an action under this chapter may
29 be waived by a mediator who has determined that the claim is not
30 appropriate for mediation. If mediation is waived, the rules shall
31 require that the parties participate in at least one settlement
32 conference prior to trial; 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. 912. 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. 913.** A new section is added to chapter 7.70 RCW
7 to read as follows:

8 MANDATORY MEDIATION OF HEALTH CARE MALPRACTICE CLAIMS. Section 911
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. 914.** RCW 5.60.070 and 1991 c 321 s 1 are each amended to read
12 as follows:

13 (1) If there is a court order to mediate ~~((or))~~, a written
14 agreement between the parties to mediate, or if mediation is mandated
15 under section 911 of this act, then any communication made or materials
16 submitted in, or in connection with, the mediation proceeding, whether
17 made or submitted to or by the mediator, a mediation organization, a
18 party, or any person present, are privileged and confidential and are
19 not subject to disclosure in any judicial or administrative proceeding
20 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 911 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. 915.** RCW 4.22.070 and 1986 c 305 s 401 are each amended to
8 read as follows:

9 (1) Except as provided in subsection (4) of this section, in all
10 actions involving fault of more than one entity, the trier of fact
11 shall determine the percentage of the total fault which is attributable
12 to every entity which caused the claimant's damages, including the
13 claimant or person suffering personal injury or incurring property
14 damage, defendants, third-party defendants, entities released by the
15 claimant, entities immune from liability to the claimant and entities
16 with any other individual defense against the claimant. Judgment shall
17 be entered against each defendant except those who have been released
18 by the claimant or are immune from liability to the claimant or have
19 prevailed on any other individual defense against the claimant in an
20 amount which represents that party's proportionate share of the
21 claimant's total damages. The liability of each defendant shall be
22 several only and shall not be joint except:

23 (a) A party shall be responsible for the fault of another person or
24 for payment of the proportionate share of another party where both were
25 acting in concert or when a person was acting as an agent or servant of
26 the party.

27 (b) If the trier of fact determines that the claimant or party
28 suffering bodily injury or incurring property damages was not at fault,
29 the defendants against whom judgment is entered shall be jointly and
30 severally liable for the sum of their proportionate shares of the
31 claimants total damages.

32 (2) If a defendant is jointly and severally liable under one of the
33 exceptions listed in subsection(~~s~~) (1)(a) or (1)(b) or (4) (a) or (b)
34 of this section, such defendant's rights to contribution against
35 another jointly and severally liable defendant, and the effect of
36 settlement by either such defendant, shall be determined under RCW
37 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, provided that the total damages
35 shall first be reduced by any amount paid to the claimant by a released
36 entity.

37 **PART X. PUBLIC HEALTH SERVICES IMPROVEMENT PLAN**

1 NEW SECTION. **Sec. 1001.** A new section is added to chapter 43.70
2 RCW to read as follows:

3 PUBLIC HEALTH SERVICES IMPROVEMENT PLAN. (1) The department of
4 health shall develop, in consultation with local health departments and
5 districts, the state board of health, the health services commission,
6 and other state agencies, health services providers, and citizens
7 concerned about public health, a public health services improvement
8 plan. The plan should provide a detailed accounting of deficits in the
9 core functions of assessment, policy development, assurance of the
10 current public health system, how additional public health funding
11 would be used, and describe the benefits expected from expanded
12 expenditures.

13 (2) The plan shall include:

14 (a) Definition of minimum standards for public health protection
15 through assessment, policy development, and assurances;

16 (i) Enumeration of communities not meeting those standards;

17 (ii) A budget and staffing plan for bringing all communities up to
18 minimum standards;

19 (iii) An analysis of the costs and benefits expected from adopting
20 minimum public health standards for assessment, policy development, and
21 assurances; and

22 (b) Recommended strategies and a schedule for improving public
23 health programs throughout the state, including:

24 (i) Strategies for transferring personal care services from the
25 public health system, into the uniform benefits package where feasible;
26 and

27 (ii) Timing of increased funding for public health services linked
28 to specific objectives for improving public health.

29 (3) By March 1, 1994, the department shall provide initial
30 recommendations of the public health services improvement plan to the
31 legislature regarding minimum public health standards, and public
32 health programs needed to address urgent needs, such as those cited in
33 subsection (6) of this section.

34 (4) By December 1, 1994, the department shall present the public
35 health services plan to the legislature, with specific recommendations
36 for each element of the plan to be implemented over the period from
37 1995 through 1997.

1 (5) Thereafter, the department shall update the public health
2 services improvement plan for presentation to the legislature prior to
3 the beginning of a new biennium.

4 (6) Among the specific population-based public health activities to
5 be considered in the public health services improvement plan are:
6 Health data assessment and chronic and infectious disease surveillance;
7 rapid response to outbreaks of communicable disease; efforts to prevent
8 and control specific communicable diseases, such as tuberculosis and
9 acquired immune deficiency syndrome; health education to promote
10 healthy behaviors and to reduce the prevalence of chronic disease, such
11 as those linked to the use of tobacco; access to primary care; programs
12 to ensure children are born as healthy as possible and they receive
13 immunizations and adequate nutrition; efforts to prevent intentional
14 and unintentional injury; programs to ensure the safety of drinking
15 water and food supplies; and other activities that have the potential
16 to improve the health of the population or special populations and
17 reduce the need for or cost of health services.

18 **PART XI. STATE HEALTH SERVICES BUDGET, TRUST FUND, AND ACCOUNTS**

19 NEW SECTION. **Sec. 1101.** TRUST FUND AND ACCOUNTS. (1) The
20 Washington health services trust fund is hereby established in the
21 state treasury. All public funds regulated by chapter . . . , Laws of
22 1993 (this act) shall be deposited in the Washington health services
23 trust fund. These funds shall include at least:

24 (a) Medicare, parts A and B, Title XVIII of the federal social
25 security act, as amended;

26 (b) Medicaid, Title XIX of the federal social security act, as
27 amended;

28 (c) Other federal funds that are allocated for the purposes of
29 health services included in the accounts established pursuant to this
30 section; and

31 (d) Legislative general fund--state appropriations for any health
32 services purchased by the state on behalf of any state resident
33 including state, local, or school district employees, those who are
34 poor or near poor or those who are chronically disabled, elderly, or
35 who, for any other reason, are dependent upon the state to finance
36 their health services, and for any health system, data collection, data
37 analysis, or regulatory activities required by chapter . . . , Laws of

1 1993 (this act) to include funds for the state health services
2 commission and the state insurance commissioner.

3 (2) The trust fund shall consist of three accounts:

4 (a) The personal health services account from which funds shall be
5 appropriated to appropriate agencies for contracts with certified
6 health plans to deliver the uniform benefits package and other health
7 services authorized by state or federal law to public employees and all
8 persons eligible for public subsidies.

9 (b) The public health account from which funds shall be
10 appropriated to maintain and improve the health of all Washington
11 residents, by assuring adequate financing for a public system to: (i)
12 Assess and report on the population's health status; (ii) develop
13 public policy that promotes and maintains health; and (iii) assure the
14 availability and delivery of appropriate and effective health
15 interventions. This public system shall be composed of the state board
16 of health, state department of health, and local public health
17 departments and districts. No less than three percent of the state
18 health services budget shall be used for these assessment, policy
19 development, and assurance functions as defined by the state board of
20 health in rule through this system by June 30, 1997, and no less than
21 five percent of the state health services budget shall be used for the
22 functions by June 30, 1999. These funds may include fees, federal
23 funds, and general or dedicated state or local tax revenue. The state
24 board of health shall develop policies regarding the extent to which
25 local revenue or fees may be used to meet the five-percent requirement.
26 None of the funds shall be used for any service reimbursable through
27 the uniform benefits package. The department of health shall consider
28 the results of official public health assessment and policy development
29 including recommendations of the state board of health, the department
30 of health, and the state health report in discharging its
31 responsibilities, including the assurance of access to appropriate and
32 effective health services and the determination of the actual
33 percentage used for core public health functions.

34 (c) The health professions, data systems, health systems regulation
35 and research account from which funds shall be appropriated to:

36 (i) Retain needed health care providers in a manner consistent with
37 the health professional shortage provisions set forth in chapter 332,
38 Laws of 1991;

1 (ii) Conduct research as may be needed on the operation of
2 certified health plans, conduct the operations and activities of the
3 commission, as required by this act, or to conduct research on public
4 health consistent with the principles set forth in chapter . . . , Laws
5 of 1993 (this act); and

6 (iii) Finance the development, operation, and maintenance of the
7 health data system according to chapter 70.170 RCW to support the
8 purposes of chapter . . . , Laws of 1993 (this act).

9 **PART XII. STUDIES AND ADMINISTRATIVE DIRECTIVES**

10 NEW SECTION. **Sec. 1201.** CODE REVISIONS AND WAIVERS. (1) The
11 commission shall consider the analysis of state and federal laws that
12 would need to be repealed, amended, or waived to implement chapter
13 . . . , Laws of 1993 (this act), as prepared by the transition team
14 pursuant to chapter . . . , Laws of 1993 (this act), and report its
15 recommendations, with proposed revisions to the Revised Code of
16 Washington, to the governor, and appropriate committees of the
17 legislature by January 1, 1994.

18 (2) The commission in consultation with the governor shall take the
19 following steps in an effort to receive waivers or exemptions from
20 federal statutes necessary to fully implement chapter . . . , Laws of
21 1993 (this act):

22 (a) Negotiate with the United States congress and the federal
23 department of health and human services, health care financing
24 administration to obtain a statutory or regulatory waiver of provisions
25 of the medicaid statute, Title XIX of the federal social security act
26 that currently constitute barriers to full implementation of provisions
27 of chapter . . . , Laws of 1993 (this act) related to access to health
28 services for low-income residents of Washington state. Such waivers
29 shall include any waiver needed to implement managed care programs.
30 Waived provisions may include and are not limited to: Categorical
31 eligibility restrictions related to age, disability, blindness, or
32 family structure; income and resource limitations tied to financial
33 eligibility requirements of the federal aid to families with dependent
34 children and supplemental security income programs; administrative
35 requirements regarding single state agencies, choice of providers, and
36 fee for service reimbursement programs; and other limitations on health
37 services provider payment methods.

1 (b) Negotiate with the United States congress and the federal
2 department of health and human services, health care financing
3 administration to obtain a statutory or regulatory waiver of provisions
4 of the medicare statute, Title XVIII of the federal social security act
5 that currently constitute barriers to full implementation of provisions
6 of chapter . . . , Laws of 1993 (this act) related to access to health
7 services for elderly and disabled residents of Washington state. Such
8 waivers shall include any waivers needed to implement managed care
9 programs. Waived provisions include and are not limited to:
10 Beneficiary cost-sharing requirements; restrictions on scope of
11 services; and limitations on health services provider payment methods.

12 (c) Negotiate with the United States congress and the federal
13 department of health and human services to obtain any statutory or
14 regulatory waivers of provisions of the United States public health
15 services act necessary to ensure integration of federally funded
16 community health clinics and other health services funded through the
17 public health services act into the health services system established
18 pursuant to chapter . . . , Laws of 1993 (this act).

19 If the commission fails to obtain all necessary federal statutory
20 changes or regulatory waivers necessary to fully implement chapter
21 . . . , Laws of 1993 (this act) by January 1, 1996, it shall report to
22 the governor and appropriate committees of the legislature on the
23 extent to which chapter . . . , Laws of 1993 (this act) can be
24 implemented without receipt of all of such waivers.

25 (d) Negotiate with the United States Congress to obtain a statutory
26 exemption from provisions of the Employee Retirement Income Security
27 Act that limit the state's ability to enact legislation relating to
28 employee health benefits plans administered by employers, including
29 health benefits plans offered by self-insured employers.

30 NEW SECTION. **Sec. 1202.** REPORTS OF HEALTH CARE COST CONTROL AND
31 ACCESS COMMISSION. In carrying out its powers and duties under chapter
32 . . . , Laws of 1993 (this act), the design of the uniform benefits
33 package, and the development of guidelines and standards, the
34 commission shall consider the reports of the health care cost control
35 and access commission established under House Concurrent Resolution No.
36 4443 adopted by the legislature in 1990. Nothing in chapter . . . ,
37 Laws of 1993 (this act) requires the commission to follow any specific

1 recommendation contained in those reports except as it may also be
2 included in chapter . . . , Laws of 1993 (this act) or other law.

3 NEW SECTION. **Sec. 1203.** EVALUATIONS, PLANS, AND STUDIES. (1) By
4 July 1, 1997, the legislative budget committee either directly or by
5 contract shall conduct studies to determine the desirability and
6 feasibility of consolidating the following programs, services, and
7 funding sources into the certified health plans:

8 (a) A study to determine whether the administrative structure of
9 the Washington health services commission as set forth in section 603
10 of this act should be continued. The study shall analyze the structure
11 as set forth in this act, a single administering-agency model, and at
12 least one other salient organizational model, and recommend a structure
13 that would be most efficient and effective. The report, including
14 recommendations and an outline of any needed legislation, shall be
15 submitted to the governor and the appropriate committees of the
16 legislature by October 1, 1997, for consideration by the legislature
17 during the 1998 session;

18 (b) State and federal veterans' health services; and

19 (c) Civilian health and medical program of the uniformed services
20 (CHAMPUS) of the federal department of defense and other federal
21 agencies.

22 (2) The legislative budget committee shall evaluate the
23 implementation of the provisions of chapter . . . , Laws of 1993 (this
24 act). The study shall determine to what extent chapter . . . , Laws of
25 1993 (this act) has been implemented consistent with the principles and
26 elements set forth in chapter . . . , Laws of 1993 (this act) and shall
27 report its findings to the governor and appropriate committees of the
28 legislature by July 1, 2003.

29 **PART XIII. WORKERS' COMPENSATION**

30 NEW SECTION. **Sec. 1301.** WORKERS' COMPENSATION MEDICAL BENEFITS.
31 (1) An employer who makes premium payments to a certified health plan
32 on behalf of employees, or who self-insures for employee medical
33 benefits or workers' compensation benefits and who meets the
34 requirements for a certified health plan under section 610 of this act,
35 may apply to the department of labor and industries for an exemption

1 from the requirements of Title 51 RCW regarding the medical portion of
2 the workers' compensation program.

3 (2) The director of the department of labor and industries shall
4 grant such an exemption if he or she finds that (a) the applicant
5 employer has a record of no less than two years of compliance with the
6 requirements to be a certified health plan, (b) the uniform benefits
7 package provided by the certified health plan that would assume
8 workers' compensation responsibilities include medically necessary
9 services available under the workers' compensation program in 1992,
10 including payments for disability determinations, (c) the state has
11 achieved access by no less than ninety-seven percent of all state
12 residents to coverage for the uniform benefits package, (d) there is no
13 reasonable expectation that granting such an exemption will result in
14 a reduction in needed time loss awards or rehabilitative services, (e)
15 the employees' share of workers' compensation medical aid fund
16 contributions are returned to the employee as increased wages, and (f)
17 a majority of employees in the employer's company do not object to the
18 exemption.

19 (3) If, after periodic review of exemptions granted under this
20 section, the director of labor and industries finds that the conditions
21 in subsection (2) of this section are not present, he or she may
22 withdraw the exemption and immediately require the employer to
23 reestablish a separate workers' compensation medical aid fund program.

24 (4) In consultation with representatives of organized labor and the
25 large and small business communities of the state, and consistent with
26 chapter . . . , Laws of 1993 (this act), the long-term disability task
27 force and the department of labor and industries shall propose a plan
28 and timeline for including the medical services of the workers'
29 compensation program of the department of labor and industries in the
30 services offered by certified health plans. No plan or timeline may be
31 proposed that does not assure that (a) no less than ninety-seven
32 percent of state residents have access to the uniform benefits package
33 as required in chapter . . . , Laws of 1993 (this act), (b) the uniform
34 benefits package provides benefits which are medically necessary under
35 the workers' compensation program in 1993, including payment for
36 medical determinations of disability under chapter RCW, (c)
37 statutory assurances are provided that time loss benefits and
38 rehabilitative services will not be reduced as a result of the
39 transfer, (d) employers who self-fund for health insurance or workers'

1 compensation and who do not choose to become certified health plans
2 under chapter . . . , Laws of 1993 (this act), will continue to be
3 required to provide workers' compensation benefits as required under
4 1993 law, (e) the employees' share of the workers' compensation medical
5 aid fund contribution is returned to employees as increased wages, and
6 (f) a majority of employees in the employer's company do not object to
7 the change.

8 To help in developing this plan the department of labor and
9 industries may immediately implement pilot projects to assess the
10 effects of this consolidation on the cost, quality comparability, and
11 employer/employee satisfaction with various consolidation proposals.

12 The plan and timeline required under this subsection shall be
13 presented to the governor and the appropriate committees of the
14 legislature by January 1, 1995. The timeline shall include full
15 implementation of needed rules by July 1, 1997.

16 **PART XIV. APPROPRIATIONS**

17 NEW SECTION. **Sec. 1401.** (1) A total of eighty million dollars is
18 appropriated from the Washington health services trust fund to the
19 basic health plan for the biennium ending June 30, 1995. This
20 appropriation is subject to the following conditions and limitations:

21 (a) The administrator of the basic health plan shall devise a
22 schedule to expand individual enrollment by twenty thousand
23 individuals.

24 (b) The administrator shall devise a plan to enroll fifteen
25 thousand subsidized business-sponsored individuals.

26 (c) The administrator shall devise a plan to enroll five thousand
27 nonsubsidized business-sponsored individuals.

28 (d) In devising and implementing the enrollment increases in (a)
29 through (c) of this subsection, the administrator shall: (i) Strive to
30 phase-in enrollment evenly throughout the biennium; (ii) access actual
31 enrollment growth on a quarterly basis. The administrator may
32 distribute excess enrollment capacity from one category to another at
33 the end of each quarter; (iii) ensure that the mix and number of
34 enrollees in June 1995 results in a monthly state subsidy cost not
35 exceeding four million five hundred eighty-three thousand dollars; (iv)
36 manage enrollment to avoid sudden changes in enrollment levels or mix;
37 (v) take into account the administrative delays which may be

1 encountered in enrolling new members under (b) and (c) of this
2 subsection.

3 (2) The sum of fifteen million dollars, or as much thereof as may
4 be necessary, is appropriated for the biennium ending June 30, 1995,
5 from the health services trust fund to the public health account to be
6 used for the purposes of the public health services improvement plan in
7 section 1001 of this act and to meet the need for immediate
8 improvements in public health programs including a counter-measure
9 media campaign directed at reducing teen risk behaviors, reducing the
10 incidences of sexually transmitted diseases, reducing teen pregnancy,
11 and increasing rates of childhood immunization.

12 (3) The sum of six million five hundred thousand dollars, or as
13 much thereof as may be necessary, is appropriated for the biennium
14 ending June 30, 1995, from the health services trust fund to the health
15 professions, data systems, and research account for the purposes of
16 section 1001 of this act.

17 (4) The sum of one million seven hundred thousand dollars, or as
18 much thereof as may be necessary, is appropriated for the biennium
19 ending June 30, 1995, from the health services trust fund to the
20 department of health for the following purposes: Four hundred thousand
21 dollars for preparation of the health personnel resource plan under
22 chapter 28B.125 RCW, one million dollars for community-based health
23 professional recruitment and retention activities under chapter 70.185
24 RCW, and two hundred thousand dollars for the malpractice insurance
25 program under RCW 43.70.460 and 43.70.470.

26 (5) The sum of two million three hundred thousand dollars, or as
27 much thereof as may be necessary, is appropriated for the biennium
28 ending June 30, 1995, from the health services trust fund to the
29 University of Washington for the following purposes: Two million
30 dollars for the state-wide family medicine program authorized under
31 chapter 70.112 RCW and three hundred thousand dollars for the training
32 of physician assistants.

33 (6) The sum of two million dollars, or as much thereof as may be
34 necessary, is appropriated for the biennium ending June 30, 1995, from
35 the health services trust fund to the higher education coordinating
36 board for the purposes of making awards through the health professional
37 scholarship and loan repayment under chapter 28B.115 RCW.

1 NEW SECTION. **Sec. 1501.** A new section is added to chapter 48.14
2 RCW to read as follows:

3 (1) Each health care service contractor, as defined in RCW
4 48.44.010, shall on or before the first day of March of each year pay
5 to the state treasurer through the commissioner's office a tax on
6 prepayments for health care services. The tax shall be in the amount
7 of two percent of all prepayments for health care services collected or
8 received by the health care service contractor during the preceding
9 calendar year.

10 (2) Health care service contractors shall prepay the tax due under
11 this section. The minimum amount of the prepayments shall be
12 percentages of the health care service contractor's tax obligation for
13 the preceding calendar year recomputed using the rate in effect for the
14 current year. For calendar year 1994 the minimum amount of prepayments
15 due shall be calculated as if the tax had been in effect during
16 calendar year 1993.

17 The tax prepayments shall be paid to the state treasurer through
18 the commissioner's office by the due dates and in the following
19 amounts:

- 20 (a) On or before June 15, forty-five percent;
- 21 (b) On or before September 15, twenty-five percent;
- 22 (c) On or before December 15, twenty-five percent.

23 For good cause demonstrated in writing, the commissioner may
24 approve an amount smaller than the preceding calendar year's tax
25 obligation as recomputed for calculating the health care service
26 contractor's prepayment obligations for the current tax year.

27 (3) The state treasurer upon receipt of taxes collected and
28 remitted under this section shall credit fifty-five and seventy-seven
29 one-hundredths percent of the sums collected and remitted to the state
30 general fund, forty-one and ninety-one one-hundredths percent of the
31 sums collected and remitted to the health services trust fund created
32 under section 1101 of this act, one and twenty-three one-hundredths
33 percent of the sums collected and remitted to the volunteer fire
34 fighters' relief and pension principal fund created under RCW
35 41.24.030, and one and nine one-hundredths percent of the sums
36 collected and remitted to the firemen's pension fund created under RCW
37 41.16.050.

1 NEW SECTION. **Sec. 1502.** A new section is added to chapter 48.14
2 RCW to read as follows:

3 (1) Each health maintenance organization, as defined in RCW
4 48.46.020, shall on or before the first day of March of each year pay
5 to the state treasurer through the commissioner's office a tax on
6 prepayments for health care services. The tax shall be in the amount
7 of two percent of all prepayments for health care services collected or
8 received by the health maintenance organization during the preceding
9 calendar year.

10 (2) Health maintenance organizations shall prepay the tax due under
11 this section. The minimum amount of the prepayments shall be
12 percentages of the health maintenance organization's tax obligation for
13 the preceding calendar year recomputed using the rate in effect for
14 the current year. For calendar year 1994 the minimum amount of
15 prepayments due shall be calculated as if the tax had been in effect
16 during calendar year 1993.

17 The tax prepayments shall be paid to the state treasurer through
18 the commissioner's office by the due dates and in the following
19 amounts:

- 20 (a) On or before June 15, forty-five percent;
- 21 (b) On or before September 15, twenty-five percent;
- 22 (c) On or before December 15, twenty-five percent.

23 For good cause demonstrated in writing, the commissioner may
24 approve an amount smaller than the preceding calendar year's tax
25 obligation as recomputed for calculating the health maintenance
26 organization's prepayment obligations for the current tax year.

27 (3) The state treasurer upon receipt of taxes collected and
28 remitted under this section shall credit fifty-five and seventy-seven
29 one-hundredths percent of the sums collected and remitted to the state
30 general fund, forty-one and ninety-one one-hundredths percent of the
31 sums collected and remitted to the health services trust fund created
32 under section 1101 of this act, one and twenty-three one-hundredths
33 percent of the sums collected and remitted to the volunteer fire
34 fighters' relief and pension principal fund created under RCW
35 41.24.030, and one and nine one-hundredths percent of the sums
36 collected and remitted to the firemen's pension fund created under RCW
37 41.16.050.

1 NEW SECTION. **Sec. 1503.** A new section is added to chapter 82.04
2 RCW to read as follows:

3 This chapter does not apply to any person in respect to health
4 maintenance organization or health care service contractor business
5 upon which a tax based on amounts collected or received as prepayments
6 for health care services is paid to the state under chapter 48.14 RCW.

7 **Sec. 1504.** RCW 82.26.020 and 1983 2nd ex.s. c 3 s 16 are each
8 amended to read as follows:

9 (1) (~~From and after June 1, 1971,~~) There is levied and there
10 shall be collected a tax upon the sale, use, consumption, handling, or
11 distribution of all tobacco products in this state at the rate of
12 forty-five percent of the wholesale sales price of such tobacco
13 products. (~~Such tax~~)

14 (2) Taxes under this section shall be imposed at the time the
15 distributor (a) brings, or causes to be brought, into this state from
16 without the state tobacco products for sale, (b) makes, manufactures,
17 or fabricates tobacco products in this state for sale in this state, or
18 (c) ships or transports tobacco products to retailers in this state, to
19 be sold by those retailers.

20 (~~(2)~~) (3) An additional tax is imposed equal to (~~the rate~~
21 ~~specified in RCW 82.02.030~~) seven percent multiplied by the tax
22 payable under subsection (1) of this section.

23 (4) An additional tax is imposed equal to five and seven-tenths
24 percent of the wholesale sales price of tobacco products. The moneys
25 collected under this subsection shall be deposited in the health
26 services trust fund created under section 1101 of this act.

27 **Sec. 1505.** RCW 82.24.020 and 1989 c 271 s 504 are each amended to
28 read as follows:

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

33 (2) Until July 1, 1995, an additional tax is imposed upon the sale,
34 use, consumption, handling, possession, or distribution of all
35 cigarettes, in an amount equal to the rate of one and one-half mills
36 per cigarette. All revenues collected during any month from this
37 additional tax shall be deposited in the drug enforcement and education

1 account under RCW 69.50.520 by the twenty-fifth day of the following
2 month.

3 (3) An additional tax is imposed upon the sale, use, consumption,
4 handling, possession, or distribution of all cigarettes, in an amount
5 equal to the rate of one and one-half mills per cigarette. All
6 revenues collected during any month from this additional tax shall be
7 deposited in the health services trust fund created under section 1101
8 of this act by the twenty-fifth day of the following month.

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

13 (~~(4)~~) (5) For purposes of this chapter, "possession" shall mean
14 both (a) physical possession by the purchaser and, (b) when cigarettes
15 are being transported to or held for the purchaser or his designee by
16 a person other than the purchaser, constructive possession by the
17 purchaser or his designee, which constructive possession shall be
18 deemed to occur at the location of the cigarettes being so transported
19 or held.

20 **Sec. 1506.** RCW 82.08.150 and 1989 c 271 s 503 are each amended to
21 read as follows:

22 (1) There is levied and shall be collected a tax upon each retail
23 sale of spirits, or strong beer in the original package at the rate of
24 fifteen percent of the selling price. The tax imposed in this
25 subsection shall apply to all such sales including sales by the
26 Washington state liquor stores and agencies, but excluding sales to
27 class H licensees.

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

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

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

4 (5) Until July 1, 1995, an additional tax is imposed upon each
5 retail sale of spirits in the original package at the rate of seven
6 cents per liter. The additional tax imposed in this subsection shall
7 apply to all such sales including sales by Washington state liquor
8 stores and agencies, and including sales to class H licensees. All
9 revenues collected during any month from this additional tax shall be
10 deposited in the drug enforcement and education account under RCW
11 69.50.520 by the twenty-fifth day of the following month.

12 (6) An additional tax is imposed equal to ten percent multiplied by
13 the taxes payable under subsections (1), (2), and (3) of this section.
14 All revenues collected during any month from this additional tax shall
15 be deposited in the health services trust fund created under section
16 1101 of this act by the twenty-fifth day of the following month.

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

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

28 (~~(+8)~~) (9) As used in this section, the terms, "spirits," "strong
29 beer," and "package" shall have the meaning ascribed to them in chapter
30 66.04 RCW.

31 **Sec. 1507.** RCW 66.08.180 and 1987 c 458 s 10 are each amended to
32 read as follows:

33 Moneys in the liquor revolving fund shall be distributed by the
34 board at least once every three months in accordance with RCW
35 66.08.190, 66.08.200 and 66.08.210: PROVIDED, That the board shall
36 reserve from distribution such amount not exceeding five hundred
37 thousand dollars as may be necessary for the proper administration of
38 this title: AND PROVIDED FURTHER, That all license fees, penalties and

1 forfeitures derived under this act from class H licenses or class H
2 licensees shall every three months be disbursed by the board as
3 follows:

4 (1) 5.95 percent to the University of Washington and 3.97 percent
5 to Washington State University for alcoholism and drug abuse research
6 and for the dissemination of such research;

7 (2) 1.75 percent, but in no event less than one hundred fifty
8 thousand dollars per biennium, to the University of Washington to
9 conduct the state toxicological laboratory pursuant to RCW
10 (~~68.08.107~~) 68.50.107;

11 (3) 88.33 percent to the general fund to be used by the department
12 of social and health services solely to carry out the purposes of RCW
13 70.96.085(~~(, as now or hereafter amended)~~);

14 (4) The first fifty-five dollars per license fee provided in RCW
15 66.24.320 and 66.24.330 up to a maximum of one hundred fifty thousand
16 dollars annually shall be disbursed every three months by the board to
17 the general fund to be used for juvenile alcohol and drug prevention
18 programs for kindergarten through third grade to be administered by the
19 superintendent of public instruction;

20 (5) Twenty percent of the remaining total amount derived from
21 license fees pursuant to RCW 66.24.320, 66.24.330, 66.24.340,
22 66.24.350, 66.24.360, and 66.24.370, shall be transferred to the
23 general fund to be used by the department of social and health services
24 solely to carry out the purposes of RCW 70.96.085; and

25 (6) One-fourth cent per liter of the tax imposed by RCW
26 66.24.210(1) shall every three months be disbursed by the board to
27 Washington State University solely for wine and wine grape research,
28 extension programs related to wine and wine grape research, and
29 resident instruction in both wine grape production and the processing
30 aspects of the wine industry in accordance with RCW 28B.30.068. The
31 director of financial management shall prescribe suitable accounting
32 procedures to ensure that the funds transferred to the general fund to
33 be used by the department of social and health services and
34 appropriated are separately accounted for.

35 **Sec. 1508.** RCW 66.24.210 and 1991 c 192 s 3 are each amended to
36 read as follows:

37 (1) There is hereby imposed upon all wines sold to wine wholesalers
38 and the Washington state liquor control board, within the state a tax

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

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

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

38 (4) Until July 1, 1995, an additional tax is imposed on all wine
39 subject to tax under subsection (1) of this section. The additional

1 tax is equal to twenty-three and forty-four one-hundredths cents per
2 liter on fortified wine as defined in RCW 66.04.010(34) when bottled or
3 packaged by the manufacturer and one cent per liter on all other wine.
4 All revenues collected during any month from this additional tax shall
5 be deposited in the drug enforcement and education account under RCW
6 69.50.520 by the twenty-fifth day of the following month.

7 (5) An additional tax is imposed on all wine subject to taxes under
8 subsection (1) of this section. The additional tax is equal to four
9 cents per liter on fortified wine as defined in RCW 66.04.010(34) when
10 bottled or packaged by the manufacturer and two cents per liter on all
11 other wines. All revenues collected from the additional tax imposed
12 under this subsection shall be deposited in the health services trust
13 fund created under section 1101 of this act.

14 **Sec. 1509.** RCW 66.24.290 and 1989 c 271 s 502 are each amended to
15 read as follows:

16 (1) Any brewer or beer wholesaler licensed under this title may
17 sell and deliver beer to holders of authorized licenses direct, but to
18 no other person, other than the board; and every such brewer or beer
19 wholesaler shall report all sales to the board monthly, pursuant to the
20 regulations, and shall pay to the board as an added tax for the
21 privilege of manufacturing and selling the beer within the state a tax
22 of two dollars and sixty cents per barrel of thirty-one gallons on
23 sales to licensees within the state and on sales to licensees within
24 the state of bottled and canned beer shall pay a tax computed in
25 gallons at the rate of two dollars and sixty cents per barrel of
26 thirty-one gallons. Any brewer or beer wholesaler whose applicable tax
27 payment is not postmarked by the twentieth day following the month of
28 sale will be assessed a penalty at the rate of two percent per month or
29 fraction thereof. Each such brewer or wholesaler shall procure from
30 the board revenue stamps representing such tax in form prescribed by
31 the board and shall affix the same to the barrel or package in such
32 manner and in such denominations as required by the board, and shall
33 cancel the same prior to commencing delivery from his or her place of
34 business or warehouse of such barrels or packages. Beer shall be sold
35 by brewers and wholesalers in sealed barrels or packages. The revenue
36 stamps herein provided for need not be affixed and canceled in the
37 making of resales of barrels or packages already taxed by the
38 affixation and cancellation of stamps as provided in this section.

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

6 (3) Until July 1, 1995, an additional tax is imposed on all beer
7 subject to tax under subsection (1) of this section. The additional
8 tax is equal to two dollars per barrel of thirty-one gallons. All
9 revenues collected during any month from this additional tax shall be
10 deposited in the drug enforcement and education account under RCW
11 69.50.520 by the twenty-fifth day of the following month.

12 (4) An additional tax is imposed on all beer subject to tax under
13 subsection (1) of this section. The additional tax is equal to forty-
14 two cents per barrel of thirty-one gallons. The moneys collected under
15 this subsection shall be deposited in the health services trust fund
16 created under section 1101 of this act.

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

19 **Sec. 1510.** RCW 82.02.030 and 1990 c 42 s 319 are each amended to
20 read as follows:

21 (~~(1)~~) The rate of the additional taxes under RCW 54.28.020(2),
22 54.28.025(2), (~~(66.24.210(2), 66.24.290(2),~~) 82.04.2901, 82.16.020(2),
23 (~~(82.26.020(2),~~) 82.27.020(5), and 82.29A.030(2) shall be seven
24 percent(~~(; and~~

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

27 **PART XVI. MISCELLANEOUS**

28 NEW SECTION. **Sec. 1601.** SHORT TITLE. This act may be known and
29 cited as the Washington health services act of 1993.

30 **Sec. 1602.** RCW 42.17.2401 and 1991 c 200 s 404 are each amended to
31 read as follows:

32 For the purposes of RCW 42.17.240, the term "executive state
33 officer" includes:

34 (1) The chief administrative law judge, the director of
35 agriculture, the administrator of the office of marine safety, the

1 administrator of the Washington basic health plan, the director of the
2 department of services for the blind, the director of the state system
3 of community and technical colleges, the director of community
4 development, the secretary of corrections, the director of ecology, the
5 commissioner of employment security, the chairman of the energy
6 facility site evaluation council, the director of the energy office,
7 the secretary of the state finance committee, the director of financial
8 management, the director of fisheries, the executive secretary of the
9 forest practices appeals board, the director of the gambling
10 commission, the director of general administration, the secretary of
11 health, the administrator of the Washington state health care
12 authority, the executive secretary of the health care facilities
13 authority, the executive secretary of the higher education facilities
14 authority, the director of the higher education personnel board, the
15 executive secretary of the horse racing commission, the executive
16 secretary of the human rights commission, the executive secretary of
17 the indeterminate sentence review board, the director of the department
18 of information services, the director of the interagency committee for
19 outdoor recreation, the executive director of the state investment
20 board, the director of labor and industries, the director of licensing,
21 the director of the lottery commission, the director of the office of
22 minority and women's business enterprises, the director of parks and
23 recreation, the director of personnel, the executive director of the
24 public disclosure commission, the director of retirement systems, the
25 director of revenue, the secretary of social and health services, the
26 chief of the Washington state patrol, the executive secretary of the
27 board of tax appeals, the director of trade and economic development,
28 the secretary of transportation, the secretary of the utilities and
29 transportation commission, the director of veterans affairs, the
30 director of wildlife, the president of each of the regional and state
31 universities and the president of The Evergreen State College, each
32 district and each campus president of each state community college;

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

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

35 (4) Central Washington University board of trustees, board of
36 trustees of each community college, each member of the state board for
37 community and technical colleges (~~(education)~~), state convention and
38 trade center board of directors, committee for deferred compensation,
39 Eastern Washington University board of trustees, Washington economic

1 development finance authority, The Evergreen State College board of
2 trustees, forest practices appeals board, forest practices board,
3 gambling commission, Washington health care facilities authority, each
4 member of the Washington health services commission, higher education
5 coordinating board, higher education facilities authority, higher
6 education personnel board, horse racing commission, state housing
7 finance commission, human rights commission, indeterminate sentence
8 review board, board of industrial insurance appeals, information
9 services board, interagency committee for outdoor recreation, state
10 investment board, liquor control board, lottery commission, marine
11 oversight board, oil and gas conservation committee, Pacific Northwest
12 electric power and conservation planning council, parks and recreation
13 commission, personnel appeals board, personnel board, board of pilotage
14 (~~{commissioners}~~) commissioners, pollution control hearings board,
15 public disclosure commission, public pension commission, shorelines
16 hearing board, (~~{state}~~) public employees' benefits board, board of tax
17 appeals, transportation commission, University of Washington board of
18 regents, utilities and transportation commission, Washington state
19 maritime commission, Washington public power supply system executive
20 board, Washington State University board of regents, Western Washington
21 University board of trustees, and wildlife commission.

22 **Sec. 1603.** RCW 43.20.050 and 1992 c 34 s 4 are each amended to
23 read as follows:

24 (1) The state board of health shall provide a forum for the
25 development of public health policy in Washington state. It is
26 authorized to recommend to the secretary means for obtaining
27 appropriate citizen and professional involvement in all public health
28 policy formulation and other matters related to the powers and duties
29 of the department. It is further empowered to hold hearings and
30 explore ways to improve the health status of the citizenry.

31 (a) At least every five years, the state board shall convene
32 regional forums to gather citizen input on public health issues.

33 (b) Every two years, in coordination with the development of the
34 state biennial budget, the state board shall prepare the state public
35 health report that outlines the health priorities of the ensuing
36 biennium. The report shall:

37 (i) Consider the citizen input gathered at the (~~{health}~~) forums;

38 (ii) Be developed with the assistance of local health departments;

1 (iii) Be based on the best available information collected and
2 reviewed according to RCW 43.70.050 and recommendations from the
3 council;

4 (iv) Be developed with the input of state health care agencies. At
5 least the following directors of state agencies shall provide timely
6 recommendations to the state board on suggested health priorities for
7 the ensuing biennium: The secretary of social and health services, the
8 health care authority administrator, the insurance commissioner, the
9 superintendent of public instruction, the director of labor and
10 industries, the director of ecology, and the director of agriculture;

11 (v) Be used by state health care agency administrators in preparing
12 proposed agency budgets and executive request legislation;

13 (vi) Be submitted by the state board to the governor by ((June))
14 January 1 of each even-numbered year for adoption by the governor. The
15 governor, no later than ((September)) March 1 of that year, shall
16 approve, modify, or disapprove the state public health report.

17 (c) In fulfilling its responsibilities under this subsection, the
18 state board ((shall)) may create ad hoc committees or other such
19 committees of limited duration as necessary. ((Membership should
20 include legislators, providers, consumers, bioethicists, medical
21 economics experts, legal experts, purchasers, and insurers, as
22 necessary.))

23 (2) In order to protect public health, the state board of health
24 shall:

25 (a) Adopt rules necessary to assure safe and reliable public
26 drinking water and to protect the public health. Such rules shall
27 establish requirements regarding:

28 (i) The design and construction of public water system facilities,
29 including proper sizing of pipes and storage for the number and type of
30 customers;

31 (ii) Drinking water quality standards, monitoring requirements, and
32 laboratory certification requirements;

33 (iii) Public water system management and reporting requirements;

34 (iv) Public water system planning and emergency response
35 requirements;

36 (v) Public water system operation and maintenance requirements;

37 (vi) Water quality, reliability, and management of existing but
38 inadequate public water systems; and

1 (vii) Quality standards for the source or supply, or both source
2 and supply, of water for bottled water plants.

3 (b) Adopt rules and standards for prevention, control, and
4 abatement of health hazards and nuisances related to the disposal of
5 wastes, solid and liquid, including but not limited to sewage, garbage,
6 refuse, and other environmental contaminants; adopt standards and
7 procedures governing the design, construction, and operation of sewage,
8 garbage, refuse and other solid waste collection, treatment, and
9 disposal facilities;

10 (c) Adopt rules controlling public health related to environmental
11 conditions including but not limited to heating, lighting, ventilation,
12 sanitary facilities, cleanliness and space in all types of public
13 facilities including but not limited to food service establishments,
14 schools, institutions, recreational facilities and transient
15 accommodations and in places of work;

16 (d) Adopt rules for the imposition and use of isolation and
17 quarantine;

18 (e) Adopt rules for the prevention and control of infectious and
19 noninfectious diseases, including food and vector borne illness, and
20 rules governing the receipt and conveyance of remains of deceased
21 persons, and such other sanitary matters as admit of and may best be
22 controlled by universal rule; and

23 (f) Adopt rules for accessing existing data bases for the purposes
24 of performing health related research.

25 (3) The state board may delegate any of its rule-adopting authority
26 to the secretary and rescind such delegated authority.

27 (4) All local boards of health, health authorities and officials,
28 officers of state institutions, police officers, sheriffs, constables,
29 and all other officers and employees of the state, or any county, city,
30 or township thereof, shall enforce all rules adopted by the state board
31 of health. In the event of failure or refusal on the part of any
32 member of such boards or any other official or person mentioned in this
33 section to so act, he shall be subject to a fine of not less than fifty
34 dollars, upon first conviction, and not less than one hundred dollars
35 upon second conviction.

36 (5) The state board may advise the secretary on health policy
37 issues pertaining to the department of health and the state.

1 NEW SECTION. **Sec. 1604.** SEVERABILITY. If any provision of this
2 act or its application to any person or circumstance is held invalid,
3 the remainder of the act or the application of the provision to other
4 persons or circumstances is not affected.

5 NEW SECTION. **Sec. 1605.** SAVINGS CLAUSE. The enactment of this
6 act does not have the effect of terminating, or in any way modifying,
7 any obligation or any liability, civil or criminal, which was already
8 in existence on the effective date of this act.

9 NEW SECTION. **Sec. 1606.** CAPTIONS. Captions used in this act do
10 not constitute any part of the law.

11 NEW SECTION. **Sec. 1607.** RESERVATION OF LEGISLATIVE AUTHORITY.
12 The legislature reserves the right to amend or repeal all or any part
13 of this act at any time and there shall be no vested private right of
14 any kind against such amendment or repeal. All the rights, privileges,
15 or immunities conferred by this act or any acts done pursuant thereto
16 shall exist subject to the power of the legislature to amend or repeal
17 this act at any time.

18 NEW SECTION. **Sec. 1608.** EFFECTIVE DATE CLAUSE. (1) This act is
19 necessary for the immediate preservation of the public peace, health,
20 or safety, or support of the state government and its existing public
21 institutions, and shall take effect immediately except for sections
22 1504 through 1510 of this act which shall take effect July 1, 1993.

23 (2) Sections 1501, 1502, and 1503 of this act shall take effect
24 January 1, 1994. Sections 1501 and 1502 of this act shall be effective
25 in respect to taxes due March 1, 1995, and thereafter.

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