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HOUSE BILL 2632

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State of Washington

53rd Legislature

1994 Regular Session

By Representative Dellwo; by request of Health Care Authority

Read first time 01/19/94. Referred to Committee on Health Care.

1 AN ACT Relating to clarifying health care authority powers and  
2 duties; amending RCW 41.05.075, 70.47.020, 70.47.060, and 70.47.130;  
3 and reenacting and amending RCW 41.05.021 and 41.05.050.

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

5 **Sec. 1.** RCW 41.05.021 and 1993 c 492 s 215 and 1993 c 386 s 6 are  
6 each reenacted and amended to read as follows:

7 (1) The Washington state health care authority is created within  
8 the executive branch. The authority shall have an administrator  
9 appointed by the governor, with the consent of the senate. The  
10 administrator shall serve at the pleasure of the governor. The  
11 administrator may employ up to seven staff members, who shall be exempt  
12 from chapter 41.06 RCW, and any additional staff members as are  
13 necessary to administer this chapter. The administrator may delegate  
14 any power or duty vested in him or her by this chapter, including  
15 authority to make final decisions and enter final orders in hearings  
16 conducted under chapter 34.05 RCW. The primary duties of the authority  
17 shall be to administer state employees' insurance benefits and retired  
18 or disabled school employees' insurance benefits, study state-purchased  
19 health care programs in order to maximize cost containment in these

1 programs while ensuring access to quality health care, and implement  
2 state initiatives, joint purchasing strategies, and techniques for  
3 efficient administration that have potential application to all state-  
4 purchased health services. The authority's duties include, but are not  
5 limited to, the following:

6 (a) To administer health care benefit programs for employees and  
7 retired or disabled school employees as specifically authorized in RCW  
8 41.05.065 and in accordance with the methods described in RCW  
9 41.05.075, 41.05.140, and other provisions of this chapter;

10 (b) To analyze state-purchased health care programs and to explore  
11 options for cost containment and delivery alternatives for those  
12 programs that are consistent with the purposes of those programs,  
13 including, but not limited to:

14 (i) Creation of economic incentives for the persons for whom the  
15 state purchases health care to appropriately utilize and purchase  
16 health care services, including the development of flexible benefit  
17 plans to offset increases in individual financial responsibility;

18 (ii) Utilization of provider arrangements that encourage cost  
19 containment, including but not limited to prepaid delivery systems,  
20 utilization review, and prospective payment methods, and that ensure  
21 access to quality care, including assuring reasonable access to local  
22 providers, especially for employees residing in rural areas;

23 (iii) Coordination of state agency efforts to purchase drugs  
24 effectively as provided in RCW 70.14.050;

25 (iv) Development of recommendations and methods for purchasing  
26 medical equipment and supporting services on a volume discount basis;  
27 and

28 (v) Development of data systems to obtain utilization data from  
29 state-purchased health care programs in order to identify cost centers,  
30 utilization patterns, provider and hospital practice patterns, and  
31 procedure costs, utilizing the information obtained pursuant to RCW  
32 41.05.031;

33 (c) To analyze areas of public and private health care interaction;

34 (d) To provide information and technical and administrative  
35 assistance to the board;

36 (e) To review and approve or deny applications from counties,  
37 municipalities, and other political subdivisions of the state to  
38 provide state-sponsored insurance or self-insurance programs to their  
39 employees in accordance with the provisions of RCW 41.04.205, setting

1 the premium contribution for approved groups as outlined in RCW  
2 41.05.050;

3 (f) To appoint a health care policy technical advisory committee as  
4 required by RCW 41.05.150;

5 (g) To establish billing procedures and collect funds from school  
6 districts and educational service districts under RCW 28A.400.400 in a  
7 way that minimizes the administrative burden on districts; and

8 (h) To promulgate and adopt rules consistent with this chapter as  
9 described in RCW 41.05.160.

10 (2) The public employees' benefits board shall implement strategies  
11 to promote managed competition among employee health benefit plans by  
12 January 1, 1995, including but not limited to:

13 (a) Standardizing the benefit package;

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

15 (c) Limiting the state's contribution to a percent of the lowest  
16 priced sealed bid of a qualified plan within a geographical area. If  
17 the state's contribution is less than one hundred percent of the lowest  
18 priced sealed bid, employee financial contributions shall be structured  
19 on a sliding-scale basis related to (~~household income~~) an employee's  
20 salary;

21 (d) Monitoring the impact of the approach under this subsection  
22 with regards to: Efficiencies in health service delivery, cost shifts  
23 to subscribers, access to and choice of managed care plans state-wide,  
24 and quality of health services. The health care authority shall also  
25 advise on the value of administering a benchmark employer-managed plan  
26 to promote competition among managed care plans. The health care  
27 authority shall report its findings and recommendations to the  
28 legislature by January 1, 1997.

29 **Sec. 2.** RCW 41.05.050 and 1993 c 492 s 216 and 1993 c 386 s 7 are  
30 each reenacted and amended to read as follows:

31 (1) Every department, division, or separate agency of state  
32 government, and such county, municipal, or other political subdivisions  
33 as are covered by this chapter, shall provide contributions to  
34 insurance and health care plans for its employees and their dependents,  
35 the content of such plans to be determined by the authority.  
36 Contributions, paid by the county, the municipality, or other political  
37 subdivision for their employees, shall include an amount determined by  
38 the authority to pay such administrative expenses of the authority as

1 are necessary to administer the plans for employees of those groups.  
2 Contributions to be paid by school districts or educational service  
3 districts shall be adjusted by the authority to reflect that retired  
4 school employees are covered under RCW 41.05.250, and are not covered  
5 under RCW 41.05.080. All such contributions will be paid into the  
6 public employees' health insurance account.

7 (2) The contributions of any department, division, or separate  
8 agency of the state government, and such county, municipal, or other  
9 political subdivisions as are covered by this chapter, shall be set by  
10 the authority, subject to the approval of the governor for availability  
11 of funds as specifically appropriated by the legislature for that  
12 purpose. Insurance and health care contributions for ferry employees  
13 shall be governed by RCW 47.64.270 until December 31, 1996. On and  
14 after January 1, 1997, ferry employees shall enroll with certified  
15 health plans under chapter 492, Laws of 1993.

16 (3) (~~The administrator with the assistance of the public~~  
17 ~~employees' benefits board shall survey private industry and public~~  
18 ~~employers in the state of Washington to determine the average employer~~  
19 ~~contribution for group insurance programs under the jurisdiction of the~~  
20 ~~authority. Such survey shall be conducted during each even-numbered~~  
21 ~~year but may be conducted more frequently. The survey shall be~~  
22 ~~reported to the authority for its use in setting the amount of the~~  
23 ~~recommended employer contribution to the employee insurance benefit~~  
24 ~~program covered by this chapter.)) The authority shall transmit a  
25 recommendation for the amount of the employer contribution to the  
26 governor and the director of financial management for inclusion in the  
27 proposed budgets submitted to the legislature.~~

28 **Sec. 3.** RCW 41.05.075 and 1993 c 386 s 10 are each amended to read  
29 as follows:

30 (1) The administrator shall provide benefit plans designed by the  
31 board through a contract or contracts with insuring entities, through  
32 self-funding, self-insurance, or other methods of providing insurance  
33 coverage authorized by RCW 41.05.140.

34 (2) The administrator shall establish a contract bidding process  
35 that encourages competition among insuring entities, is timely to the  
36 state budgetary process, and sets conditions for awarding contracts to  
37 any insuring entity.

1 (3) The administrator shall establish a requirement for review of  
2 utilization and financial data from participating insuring entities on  
3 a quarterly basis.

4 (4) The administrator shall centralize the enrollment files for all  
5 employee and retired or disabled school employee health plans offered  
6 under chapter 41.05 RCW and develop enrollment demographics on a plan-  
7 specific basis.

8 ~~(5) ((The administrator shall establish methods for collecting,~~  
9 ~~analyzing, and disseminating to covered individuals information on the~~  
10 ~~cost and quality of services rendered by individual health care~~  
11 ~~providers.~~

12 ~~(6))~~ All claims data shall be the property of the state. The  
13 administrator may require of any insuring entity that submits a bid to  
14 contract for coverage all information deemed necessary to fulfill the  
15 administrator's duties as set forth in this chapter.

16 ~~((7))~~ (6) All contracts with insuring entities for the provision  
17 of health care benefits shall provide that the beneficiaries of such  
18 benefit plans may use on an equal participation basis the services of  
19 practitioners licensed pursuant to chapters 18.22, 18.25, 18.32, 18.53,  
20 18.57, 18.71, 18.74, 18.83, and 18.88 RCW. However, nothing in this  
21 subsection may preclude the administrator from establishing appropriate  
22 utilization controls approved pursuant to RCW 41.05.065(2) (a)(i), (b),  
23 and (d).

24 ~~((8))~~ (7) Beginning in January 1990, and each January thereafter,  
25 the administrator shall publish and distribute to each school district  
26 a description of health care benefit plans available through the  
27 authority and the estimated cost if school district employees were  
28 enrolled.

29 **Sec. 4.** RCW 70.47.020 and 1993 c 492 s 209 are each amended to  
30 read as follows:

31 As used in this chapter:

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

36 (2) "Administrator" means the Washington basic health plan  
37 administrator, who also holds the position of administrator of the  
38 Washington state health care authority.

1 (3) "Managed health care system" means any health care  
2 organization, including health care providers, insurers, health care  
3 service contractors, health maintenance organizations, or any  
4 combination thereof, that provides directly or by contract basic health  
5 care services, as defined by the administrator and rendered by duly  
6 licensed providers, on a prepaid capitated basis to a defined patient  
7 population enrolled in the plan and in the managed health care system.  
8 On and after July 1, 1995, "managed health care system" means a  
9 certified health plan, as defined in RCW 43.72.010.

10 (4) "Subsidized enrollee" means an individual, or an individual  
11 plus the individual's spouse or dependent children, not eligible for  
12 medicare, who resides in an area of the state served by a managed  
13 health care system participating in the plan, whose gross family income  
14 at the time of enrollment does not exceed twice the federal poverty  
15 level as adjusted for family size and determined annually by the  
16 federal department of health and human services, who the administrator  
17 determines at the time of ((application)) enrollment does not have  
18 health insurance more comprehensive than that offered by the plan, and  
19 who chooses to obtain basic health care coverage from a particular  
20 managed health care system in return for periodic payments to the plan.

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

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

36 (7) "Premium" means a periodic payment, based upon gross family  
37 income which an individual, their employer or another financial sponsor  
38 makes to the plan as consideration for enrollment in the plan as a  
39 subsidized enrollee or a nonsubsidized enrollee.

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

5 **Sec. 5.** RCW 70.47.060 and 1993 c 492 s 212 are each amended to  
6 read as follows:

7 The administrator has the following powers and duties:

8 (1) To design and from time to time revise a schedule of covered  
9 basic health care services, including physician services, inpatient and  
10 outpatient hospital services, prescription drugs and medications, and  
11 other services that may be necessary for basic health care, which  
12 subsidized and nonsubsidized enrollees in any participating managed  
13 health care system under the Washington basic health plan shall be  
14 entitled to receive in return for premium payments to the plan. The  
15 schedule of services shall emphasize proven preventive and primary  
16 health care and shall include all services necessary for prenatal,  
17 postnatal, and well-child care. However, with respect to coverage for  
18 groups of subsidized enrollees who are eligible to receive prenatal and  
19 postnatal services through the medical assistance program under chapter  
20 74.09 RCW, the administrator shall not contract for such services  
21 except to the extent that such services are necessary over not more  
22 than a one-month period in order to maintain continuity of care after  
23 diagnosis of pregnancy by the managed care provider. The schedule of  
24 services shall also include a separate schedule of basic health care  
25 services for children, eighteen years of age and younger, for those  
26 subsidized or nonsubsidized enrollees who choose to secure basic  
27 coverage through the plan only for their dependent children. In  
28 designing and revising the schedule of services, the administrator  
29 shall consider the guidelines for assessing health services under the  
30 mandated benefits act of 1984, RCW 48.42.080, and such other factors as  
31 the administrator deems appropriate. On and after July 1, 1995, the  
32 uniform benefits package adopted and from time to time revised by the  
33 Washington health services commission pursuant to RCW 43.72.130 shall  
34 be implemented by the administrator as the schedule of covered basic  
35 health care services. However, with respect to coverage for subsidized  
36 enrollees who are eligible to receive prenatal and postnatal services  
37 through the medical assistance program under chapter 74.09 RCW, the  
38 administrator shall not contract for such services except to the extent

1 that the services are necessary over not more than a one-month period  
2 in order to maintain continuity of care after diagnosis of pregnancy by  
3 the managed care provider.

4 (2)(a) To design and implement a structure of periodic premiums due  
5 the administrator from subsidized enrollees that is based upon gross  
6 family income, giving appropriate consideration to family size and the  
7 ages of all family members. The enrollment of children shall not  
8 require the enrollment of their parent or parents who are eligible for  
9 the plan. The structure of periodic premiums shall be applied to  
10 subsidized enrollees entering the plan as individuals pursuant to  
11 subsection (9) of this section and to the share of the cost of the plan  
12 due from subsidized enrollees entering the plan as employees pursuant  
13 to subsection (10) of this section.

14 (b) To determine the periodic premiums due the administrator from  
15 nonsubsidized enrollees. Premiums due from nonsubsidized enrollees  
16 shall be in an amount equal to the cost charged by the managed health  
17 care system provider to the state for the plan plus the administrative  
18 cost of providing the plan to those enrollees and the ((appropriate))  
19 premium tax ((as provided by law)) under RCW 48.14.0201, unless the  
20 premium tax is the obligation of the managed health care system  
21 provider.

22 (c) An employer or other financial sponsor may, with the prior  
23 approval of the administrator, pay the premium, rate, or any other  
24 amount on behalf of a subsidized or nonsubsidized enrollee, by  
25 arrangement with the enrollee and through a mechanism acceptable to the  
26 administrator, but in no case shall the payment made on behalf of the  
27 enrollee exceed the total premiums due from the enrollee.

28 (3) To design and implement a structure of copayments due a managed  
29 health care system from subsidized and nonsubsidized enrollees. The  
30 structure shall discourage inappropriate enrollee utilization of health  
31 care services, but shall not be so costly to enrollees as to constitute  
32 a barrier to appropriate utilization of necessary health care services.  
33 On and after July 1, 1995, the administrator shall endeavor to make the  
34 copayments structure of the plan consistent with enrollee point of  
35 service cost-sharing levels adopted by the Washington health services  
36 commission, giving consideration to funding available to the plan.

37 (4) To limit enrollment of persons who qualify for subsidies so as  
38 to prevent an overexpenditure of appropriations for such purposes.  
39 Whenever the administrator finds that there is danger of such an



1 overexpenditure, the administrator shall close enrollment until the  
2 administrator finds the danger no longer exists.

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

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

9 (7) To solicit and accept applications from managed health care  
10 systems, as defined in this chapter, for inclusion as eligible basic  
11 health care providers under the plan. The administrator shall endeavor  
12 to assure that covered basic health care services are available to any  
13 enrollee of the plan from among a selection of two or more  
14 participating managed health care systems. In adopting any rules or  
15 procedures applicable to managed health care systems and in its  
16 dealings with such systems, the administrator shall consider and make  
17 suitable allowance for the need for health care services and the  
18 differences in local availability of health care resources, along with  
19 other resources, within and among the several areas of the state.  
20 Contracts with participating managed health care systems shall ensure  
21 that basic health plan enrollees who become eligible for medical  
22 assistance may, at their option, continue to receive services from  
23 their existing providers within the managed health care system if such  
24 providers have entered into provider agreements with the department of  
25 social and health services.

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

32 (9) To accept applications from individuals residing in areas  
33 served by the plan, on behalf of themselves and their spouses and  
34 dependent children, for enrollment in the Washington basic health plan  
35 as subsidized or nonsubsidized enrollees, to establish appropriate  
36 minimum-enrollment periods for enrollees as may be necessary, and to  
37 determine, upon application and at least semiannually thereafter, or at  
38 the request of any enrollee, eligibility due to current gross family  
39 income for sliding scale premiums. No subsidy may be paid with

1 respect to any enrollee whose current gross family income exceeds twice  
2 the federal poverty level or, subject to RCW 70.47.110, who is a  
3 recipient of medical assistance or medical care services under chapter  
4 74.09 RCW. If, as a result of an eligibility review, the administrator  
5 determines that a subsidized enrollee's income exceeds twice the  
6 federal poverty level and that the enrollee knowingly failed to inform  
7 the plan of such increase in income, the administrator may bill the  
8 enrollee for the subsidy paid on the enrollee's behalf during the  
9 period of time that the enrollee's income exceeded twice the federal  
10 poverty level. If a number of enrollees drop their enrollment for no  
11 apparent good cause, the administrator may establish appropriate rules  
12 or requirements that are applicable to such individuals before they  
13 will be allowed to re-enroll in the plan.

14 (10) To accept applications from business owners on behalf of  
15 themselves and their employees, spouses, and dependent children, as  
16 subsidized or nonsubsidized enrollees, who reside in an area served by  
17 the plan. The administrator may require all or the substantial  
18 majority of the eligible employees of such businesses to enroll in the  
19 plan and establish those procedures necessary to facilitate the orderly  
20 enrollment of groups in the plan and into a managed health care system.  
21 The administrator shall require that a business owner pay at least  
22 fifty percent of the nonsubsidized premium cost of the plan on behalf  
23 of each employee enrolled in the plan. Enrollment is limited to those  
24 not eligible for medicare who wish to enroll in the plan and choose to  
25 obtain the basic health care coverage and services from a managed care  
26 system participating in the plan. The administrator shall adjust the  
27 amount determined to be due on behalf of or from all such enrollees  
28 whenever the amount negotiated by the administrator with the  
29 participating managed health care system or systems is modified or the  
30 administrative cost of providing the plan to such enrollees changes.

31 (11) To determine the rate to be paid to each participating managed  
32 health care system in return for the provision of covered basic health  
33 care services to enrollees in the system. Although the schedule of  
34 covered basic health care services will be the same for similar  
35 enrollees, the rates negotiated with participating managed health care  
36 systems may vary among the systems. In negotiating rates with  
37 participating systems, the administrator shall consider the  
38 characteristics of the populations served by the respective systems,  
39 economic circumstances of the local area, the need to conserve the

1 resources of the basic health plan trust account, and other factors the  
2 administrator finds relevant.

3 (12) To monitor the provision of covered services to enrollees by  
4 participating managed health care systems in order to assure enrollee  
5 access to good quality basic health care, to require periodic data  
6 reports concerning the utilization of health care services rendered to  
7 enrollees in order to provide adequate information for evaluation, and  
8 to inspect the books and records of participating managed health care  
9 systems to assure compliance with the purposes of this chapter. In  
10 requiring reports from participating managed health care systems,  
11 including data on services rendered enrollees, the administrator shall  
12 endeavor to minimize costs, both to the managed health care systems and  
13 to the plan. The administrator shall coordinate any such reporting  
14 requirements with other state agencies, such as the insurance  
15 commissioner and the department of health, to minimize duplication of  
16 effort.

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

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

24 (15) To provide, consistent with available funding, assistance for  
25 rural residents, underserved populations, and persons of color.

26 **Sec. 6.** RCW 70.47.130 and 1987 1st ex.s. c 5 s 15 are each amended  
27 to read as follows:

28 The activities and operations of the Washington basic health plan  
29 under this chapter, including those of managed health care systems to  
30 the extent of their participation in the plan, are exempt from the  
31 provisions and requirements of Title 48 RCW, except: As provided in  
32 RCW 70.47.070 and that the premium and prepayment tax imposed under RCW  
33 48.14.0201 shall apply to amounts received as premiums from  
34 nonsubsidized enrollees.

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