
SENATE BILL 5076

State of Washington

53rd Legislature

1993 Regular Session

By Senators Talmadge, Gaspard, Snyder and Pelz; by request of Governor Gardner

Read first time 01/12/93. Referred to Committee on Health & Human Services.

1 AN ACT Relating to health care reform; amending RCW 70.47.010,
2 70.47.020, 70.47.030, 70.47.040, 70.47.060, 70.47.080, 70.47.120,
3 48.20.032, 48.21.050, 48.30.300, 48.44.220, 48.46.370, 70.170.010,
4 70.170.020, 70.170.080, 70.170.070, 5.60.070, 18.130.160, 18.130.190,
5 70.41.200, 48.14.020, 82.26.020, 82.24.020, 82.08.150, 82.08.160,
6 66.08.180, 66.24.210, 66.24.290, 41.16.050, and 41.24.030; adding a new
7 section to chapter 70.47 RCW; adding a new section to chapter 48.20
8 RCW; adding a new section to chapter 48.21 RCW; adding a new section to
9 chapter 48.44 RCW; adding a new section to chapter 48.46 RCW; adding a
10 new section to chapter 70.170 RCW; adding new sections to chapter 7.70
11 RCW; adding a new section to chapter 18.130 RCW; adding a new section
12 to Title 70 RCW; adding a new section to chapter 48.22 RCW; adding a
13 new section to chapter 43.70 RCW; adding new sections to chapter 48.14
14 RCW; adding a new section to chapter 82.04 RCW; adding a new section to
15 Title 51 RCW; adding new chapters to Title 70 RCW; creating new
16 sections; prescribing penalties; making appropriations; providing
17 effective dates; and declaring an emergency.

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

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1 (c) There should be fundamental reform of the health system with
2 due consideration for the strengths of the existing system.

3 (d) Reforms of the health system should consider the special needs
4 of underserved populations.

5 (e) All Washington residents shall be guaranteed access to a
6 comprehensive, uniform, and affordable set of confidential,
7 appropriate, and effective health services, regardless of their ability
8 to pay or preexisting health conditions.

9 (f) Financing the uniform set of health services and controlling
10 health system costs is the shared responsibility of all members of
11 society.

12 (g) Strong incentives and techniques are needed to control total
13 health system costs, enhance the efficiency by which health services
14 are delivered, reduce the provision of inappropriate and ineffective
15 health services, promote prudent use of services by consumers, and
16 equitably distribute the financing of the health system.

17 (h) The costs of health services borne by individuals should not be
18 a barrier to universal access to appropriate, effective, and affordable
19 health services, but they should discourage inappropriate use of those
20 services.

21 (i) All residents should be assured their health problems will not
22 result in their financial impoverishment.

23 (j) Individuals and communities should assume greater
24 responsibility for maintaining and improving their own health by
25 minimizing unhealthy behaviors, taking appropriate preventive measures,
26 and making informed, cost-effective decisions about the use of health
27 services.

28 (k) Public policy should strive to shift a substantial majority of
29 the state's population into integrated delivery systems that manage
30 care and assume financial risk for providing a uniform benefits package
31 to their enrollees.

32 (l) Negligent health care practices should be minimized, and
33 residents who are injured as a result of such practices should be
34 compensated appropriately.

35 (m) All individuals and communities should have the right to make
36 reasonable choices about their health, including reasonable choice of
37 health service providers, and should have the information needed to
38 make those choices.

1 (n) There should be broad public participation in developing and
2 implementing fundamental health system reform including business,
3 labor, health service providers, insurers, government, and consumers.

4 (3) In furtherance of the principles in subsection (2) of this
5 section it is the intent of this chapter to bring about reforms of the
6 health system by the following specific actions:

7 (a) The system shall be restructured so that integrated and managed
8 health care systems are developed and incentives are implemented that
9 reward improved quality and decreased cost. To accomplish this
10 restructuring, a commission is formed that has the main task of
11 structuring the health market so that incentives are in place, so that
12 effective and appropriate competition ensues, so that costs grow no
13 faster than real income, and so that sufficient information is
14 available for consumers and purchasers of care.

15 (b) Universal access to affordable health care for all employed and
16 unemployed people shall be phased in over five years. This will be
17 accomplished by expanding the basic health plan, employer-based health
18 coverage, and community-based services for people who are unable to
19 access care through other means. It is also the intent that small
20 employers join together in large purchasing groups to enable small
21 businesses more affordable access to insurance. Once developed and
22 ensured to be effective, these groups should become the primary mode of
23 purchasing for small business. Expanded access also requires reform of
24 health insurance practices that exclude people and make insurance
25 unaffordable.

26 (c) Effective public health services that are cost-effective should
27 be identified and appropriately funded.

28 (d) The health care liability system should be improved for both
29 consumers and providers.

30 NEW SECTION. **Sec. 102.** DEFINITIONS. In this chapter, unless the
31 context otherwise requires:

32 (1) "Certified health plan", "plan", or "plans" means a health care
33 product, program, or service provided or administered by an entity that
34 provides the uniform benefits package and meets standards established
35 by the commission that are consistent with the requirements set forth
36 in sections 105, 106, and 107 of this act.

37 (2) "Chair" means the presiding officer and the chief
38 administrative officer of the commission.

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

2 (4) "Employer" means an employer as defined in RCW 50.04.080; a
3 corporate officer; a partner in a partnership; a sole proprietor; and
4 an individual who is an employee for whom an assessment is not
5 collected or who earns self-employment or partnership income that is
6 essentially equivalent to wages as defined in RCW 50.04.320.

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

9 (6) "Enrollee point of service cost-share" means fees paid to
10 certified health plans or providers by enrollees at the time of
11 receiving uniform benefits package services.

12 (7) "Enrollee premium share" means a periodic payment paid to a
13 sponsor or certified health plan by an enrollee or their family members
14 for the uniform benefits package.

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

18 (9) "Health insurance purchasing cooperative" means an organization
19 that aggregates individuals and businesses into a larger group to
20 achieve economies of scale in the purchase of health coverage.

21 (10) "Health service provider" or "provider" means either:

22 (a) A licensed, certified, or registered health professional
23 regulated under chapter 18.130 RCW who the commission identifies as
24 appropriate to provide health services;

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

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

33 (11) "Maximum per capita premium" means the highest amount that a
34 certified health plan may charge for the uniform benefits package.
35 This includes all contributions from individuals, employers, and public
36 subsidies except for any enrollee point of service cost-sharing.

37 (12) "Sponsor" means an employer, trade union, health insurance
38 purchasing cooperative, or a public or private agency that purchases
39 health coverage for a large number of people.

1 (13) "Technology" means drugs, devices, equipment, and medical or
2 surgical procedures used in the delivery of health services, and the
3 organizational or supportive systems within which such services are
4 provided. It also means sophisticated and complicated machinery
5 developed as a result of ongoing research in the basic biological and
6 physical sciences, clinical medicine, electronics and computer
7 sciences, as well as the growing body of specialized professionals,
8 medical equipment, procedures, and chemical formulations used for both
9 diagnostic and therapeutic purposes.

10 (14) "Uniform benefits package" means the appropriate and effective
11 health services, as defined by the commission under section 107 of this
12 act, that are offered through certified health plans.

13 (15) "Washington resident" means individuals, including dependents,
14 living in the state who intend to reside in the state permanently or
15 indefinitely, or those individuals living in the state for the purpose
16 of engaging in employment for more than one month, but not those
17 individuals who enter the state for the primary purpose of obtaining
18 health services.

19 NEW SECTION. **Sec. 103.** CREATION OF COMMISSION--MEMBERSHIP--TERMS
20 OF OFFICE--VACANCIES--SALARIES. (1) The Washington health services
21 commission is created with the responsibility of exercising strategies
22 to control rapidly increasing health services expenditures and to
23 improve access to health services. The responsibilities and
24 authorities of the commission shall include strategies that will reduce
25 administrative waste, limit inefficient use of capital and technology,
26 reduce defensive medical practices, structure payment mechanisms to
27 provide incentives for efficient delivery of appropriate services, and
28 define the uniform benefits package and the price that may be charged
29 to provide that package to residents of the state. The annual increase
30 in the maximum per capita premium of the uniform benefits package is
31 limited by section 105 of this act. Implementation of these cost
32 control strategies is necessary to meet the goal of universal access.

33 The commission's responsibilities and authorities shall include
34 regulation that aids market forces as an effective means of cost
35 control. Increasing the use of integrated health systems to maintain
36 and improve the health of enrollees and to provide health services
37 emphasizing preventive and primary care shall guide the commission's
38 regulatory responsibilities and authorities.

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

11 (3) Members of the commission shall have no pecuniary interest
12 during their term of office in any business subject to regulation by
13 the commission and shall be subject to chapter 42.18 RCW, the executive
14 branch conflict of interest act.

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

20 NEW SECTION. Sec. 104. POWERS AND DUTIES OF THE CHAIR. The chair
21 shall be the chief administrative officer and the appointing authority
22 of the commission and has the following powers and duties:

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

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

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

12 NEW SECTION. Sec. 105. POWERS AND DUTIES OF THE COMMISSION. The
13 activities of the commission shall be limited to the following powers
14 and duties:

15 (1) Adopt necessary rules in accordance with chapter 34.05 RCW to
16 carry out the purposes of this chapter.

17 (2) Establish the uniform benefits package, as provided in section
18 107 of this act, which shall be offered to enrollees of a certified
19 health plan. The uniform benefits package shall be provided at a
20 premium no greater than that specified in subsection (3) of this
21 section. The uniform benefits package should be coordinated with
22 public health activities to achieve the greatest improvement in health
23 status.

24 (3) Establish for each year a maximum premium for the uniform
25 benefits package that an individual may be charged by a certified
26 health plan. The premium cost of the uniform benefits package in 1994
27 shall be allowed to increase by a rate no greater than the average
28 growth rate in the cost of the package between 1990 and 1993 as
29 actuarially determined. Beginning in 1995, the growth rate of the
30 package shall be reduced by two percentage points per year until the
31 growth rate is no greater than growth in Washington per capita personal
32 income, as determined by the office of financial management.

33 (4) Evaluate and monitor barriers to access for special populations
34 and develop strategies to address these barriers.

35 (5) Evaluate and monitor the extent to which racial and ethnic
36 minorities have access to and receive health services within the state.
37 The commission should include this information when certifying health
38 plans to ensure the plans are fulfilling their obligation to provide

1 equitable access. The commission shall make recommendations to the
2 governor and the legislature concerning access problems identified in
3 this process that are not within the authority of the commission.

4 (6) Monitor the actual growth in total annual health services
5 expenditures in the state.

6 (7) Encourage selective contracting by certified health plans or
7 groups of plans for expensive medical technology. The commission shall
8 monitor capital expenditures for plant and equipment and shall have the
9 authority to set standards for health plan certification for investment
10 in capital and for maximum prices for expensive services to control
11 abuses.

12 (8) Make recommendations to and cooperate with the department of
13 health in their development of the health personnel resources plan.

14 (9) Work with other interested parties to determine how clinical
15 and health-related research may be financed. Levels of support for
16 research should be explicit and within the overall spending limits
17 established for the health system.

18 (10) After consultation with certified health plans, health service
19 providers, purchasers, and consumers of health services, adopt practice
20 guidelines in specific practice areas, for providers participating in
21 any certified health plan. Such practice guidelines shall be used to
22 promote appropriate use of technology, services, drugs, and supplies,
23 and for cost containment and quality assurance.

24 (11) Encourage the development of at least two private health
25 insurance purchasing cooperatives, one east of the Cascade mountains,
26 and one on the west side of the mountains. These cooperatives should
27 assist individuals and small businesses to aggregate their purchasing
28 power and simplify their administrative functions in the purchase of
29 health coverage from certified health plans.

30 (12) Develop standards for allowable methods of payment, such as
31 capitation, salary, diagnosis-related groups, or a resource-based
32 relative value scale, by certified plans to health service providers
33 for the uniform benefits package. Such standards shall be designed to
34 promote improved management of care, provide incentives for improved
35 efficiency and effectiveness within the delivery system, and include
36 the cost of administration, operation, capital, and technology.

37 (13) Establish standards for certified health plans for individual
38 cost sharing. For employees, the enrollee premium share shall be
39 between five and fifty percent of the lowest cost certified health plan

1 in a geographical area as determined by the commission. The commission
2 shall develop guidelines to be used by employers for the enrollee
3 premium share that are adjusted on the basis of gross family income so
4 that the premium is affordable for low-income enrollees. Other cost
5 sharing measures, such as copayments, shall be established as part of
6 the uniform benefits package.

7 (14) For health services provided under the uniform benefits
8 package, adopt standards for enrollment, billing for services, claims
9 processing, accountability, and utilization management. The standards
10 shall ensure that these procedures are performed in a simplified,
11 economical, and equitable manner for all parties concerned. Subject to
12 federal approval or phase-in schedules whenever necessary or
13 appropriate, the standards shall also apply to health services
14 purchased by the department of social and health services, the
15 department of labor and industries, the department of health, the
16 health care authority, the basic health plan, and plans that provide
17 the uniform benefits package to local governments and public school
18 employees.

19 (15) Advise the department of health on the development and
20 updating of a health care data system as provided in section 504 of
21 this act. The commission may adopt the data standards developed by the
22 department of health as criteria for certification of health plans.

23 (16) Adopt standards that prevent conflicts of interest by health
24 service providers as provided in section 109 of this act.

25 (17) Certify health plans to provide the uniform benefits package
26 if determined to meet all requirements established by the commission
27 under this chapter.

28 (18) Ensure that no certified health plan or its participating
29 providers charge any additional fees or engage in any form of balance
30 billing, except as allowed under the enrollee cost sharing or premium
31 sharing guidelines established by the commission.

32 (19) Establish standards for certified health plan grievance and
33 complaint procedures whereby an enrollee may file a complaint or
34 grievance regarding any aspect of the plan and such grievance is
35 addressed expeditiously.

36 (20) In developing the uniform benefits package and other standards
37 pursuant to this section, consider the likelihood of the establishment
38 of a national health services plan by the federal government and its
39 implications.

1 (21) Monitor certified health plans for compliance with standards
2 established pursuant to this section. Establish a uniform mechanism to
3 monitor certified health plans for cost, quality, and outcome of
4 services and ensure that certified plans make this comparative
5 information available to providers, individuals, employers, and
6 sponsors.

7 (22) Undertake or facilitate evaluations of health system reform,
8 including analysis of fiscal and economic impacts, the effectiveness of
9 managed care and managed competition, and effects of reform on access
10 and quality of service. The fiscal and economic impact analysis shall
11 be conducted by the office of financial management.

12 (23) Establish standards for enrollment and prohibit discrimination
13 based upon age, sex, marital status, sexual orientation, ethnicity,
14 race, health condition, geographic location, employment, or economic
15 status in enrollment by certified health plans.

16 (24) Develop mechanisms to assess and to distribute equitably the
17 financial effects of medical risks among certified health plans. The
18 commission should recommend a proposed structure for a voluntary
19 reinsurance pool program to be funded by the plans themselves.

20 (25) Develop a plan with the department of social and health
21 services to integrate medicaid into the reformed health care system.
22 Also, develop a plan to integrate medicare into the cost control,
23 quality improvement, and system development aspects of this state-based
24 reform. Support the governor in requests for waivers or modifications
25 to federal laws necessary to implement this chapter.

26 To the extent the exercise of the powers and duties specified in
27 this section may be inconsistent with the powers and duties of other
28 state agencies, offices, or commissions, the authority of the
29 commission shall supersede that of the other state agency, office, or
30 commission. In the event there are administrative activities now being
31 done by other agencies, public or private, that fall within the
32 authority of the commission, interagency agreements or contracts shall
33 be developed so that the activity is accomplished according to the
34 standards of the commission and there is no unnecessary duplication of
35 activity.

36 NEW SECTION. **Sec. 106.** CERTIFIED HEALTH PLANS--REQUIREMENTS FOR
37 APPROVAL. The uniform benefits package established under section 107

1 of this act shall be provided through certified health plans. To
2 participate, a plan must meet at least the following requirements:

3 (1) Provide or assure the provision of services in the uniform
4 benefits package within a defined geographic area.

5 (2) Bear full financial risk and responsibility for the uniform
6 benefits package provided to enrollees.

7 (3) Provide assurances that all contracts with sponsors and
8 enrollees shall include a subrogation clause under which an enrollee
9 agrees to reimburse the plan for benefits paid if the enrollee recovers
10 on a claim in a medical malpractice action against a third party health
11 care provider. Reimbursement under this section is limited to the
12 excess the enrollee has received from the third party health care
13 provider remaining after the enrollee is fully compensated for his or
14 her loss.

15 (4) Comply with commission standards regarding health data and
16 certified health plan evaluation.

17 (5) Comply with the commission standards regarding the maximum per
18 capita premium.

19 (6) Comply with all other standards, including appropriate
20 penalties for noncompliance, established by the commission pursuant to
21 section 105 of this act.

22 NEW SECTION. **Sec. 107.** UNIFORM BENEFITS PACKAGE DESIGN. (1) In
23 developing the uniform benefits package, the commission should be
24 guided by the following principles:

25 (a) There should be one comprehensive, uniform, and affordable
26 package of confidential, appropriate, and effective health services
27 accessible to all Washington residents, encompassing their basic needs
28 for disease and injury prevention, personal health services,
29 population-based services, and other public health services.

30 (b) The uniform package should assure the receipt of only those
31 health services that are appropriate and effective.

32 (c) While the uniform package should encompass a significant share
33 of total health service expenditures, the package must also be
34 affordable to society.

35 (d) To help finance a comprehensive package, the package should
36 include cost-sharing provisions based on an individual's ability to
37 pay.

1 (e) The uniform package should give the highest priority to
2 appropriate and effective health services that improve the health of
3 the overall population, providing universal access to disease and
4 injury prevention; health promotion; and diagnosis and treatment of
5 diseases, injuries, and disabling conditions that impair a person's
6 capacity to work and carry out the general functions of daily life.
7 Development of the uniform package should give priority to defining and
8 covering primary care as the foundation of personal health services.

9 (f) Development of the uniform package should begin by considering
10 the health services common to most current health benefit plans and
11 public health programs. This process should not exclude services based
12 solely on arbitrary distinctions among types of body systems, or
13 exclude those services essential to achieving the health outcomes
14 expected from a covered service.

15 (g) The uniform package should be defined in terms of health
16 services, not providers. Potential limitations on providers should be
17 addressed as a matter of cost-effective service provision once the
18 services are determined.

19 (h) The uniform package should include acceptable techniques and
20 incentives to encourage appropriate use of the health services. In
21 particular, the uniform package should require individuals to help
22 finance their health services in order to promote prudent utilization
23 and purchasing decisions, without imposing barriers to universal access
24 to those services.

25 (2) The commission shall establish procedures to determine the
26 specific schedule of health services to be included in the uniform
27 benefits package. To assist the commission in this task, the services
28 effectiveness advisory committee shall provide guidance related to
29 appropriate and effective health services.

30 (3) In establishing the uniform benefits package, the commission
31 shall seek the opinions of, and information from, the public. The
32 commission shall consider results of official public health assessment
33 and policy development activities, including recommendations of the
34 state board of health, the department of health, and the state health
35 report in discharging its responsibilities under this section. It shall
36 coordinate this activity with the state board of health in its
37 development of the state health report pursuant to RCW 43.20.050.

38 (4) While the uniform package is to be similar for all people, it
39 should be designed so as to not limit innovation in the delivery of

1 health services as long as the innovation improves quality, increases
2 access, or decreases the cost of the services.

3 NEW SECTION. **Sec. 108.** SUPPLEMENTAL BENEFITS. Nothing in this
4 chapter shall preclude disability group insurers, health care service
5 contractors, or health maintenance organizations from insuring,
6 providing, or contracting for health services not included in the
7 uniform benefits package. Nothing in this chapter shall restrict the
8 right of an employer to offer, an employee representative to negotiate
9 for, or an individual to purchase services or coverage not included in
10 the uniform benefits package.

11 NEW SECTION. **Sec. 109.** CONFLICT OF INTEREST STANDARDS. The
12 commission shall establish standards prohibiting conflicts of interest
13 by health service providers. These standards shall be designed to
14 control inappropriate behavior by health service providers that results
15 in financial gain at the expense of and to the detriment of consumers
16 or certified health plans. These standards are not intended to inhibit
17 the efficient operation of certified health plans.

18 NEW SECTION. **Sec. 110.** REPORTS OF THE HEALTH CARE COMMISSION. In
19 carrying out its powers and duties under this chapter the commission
20 shall consider the reports of the Washington health care commission
21 established under House Concurrent Resolution No. 4443 adopted by the
22 legislature in 1990. Nothing in this chapter requires the commission,
23 created by section 103 of this act, to follow any specific
24 recommendation contained in those reports except as it may also be
25 included in this chapter or other law.

26 NEW SECTION. **Sec. 111.** ADVISORY COMMITTEES. In an effort to
27 ensure effective participation in the commission's deliberations, the
28 chair shall appoint a standing advisory committee with a balanced
29 representation of members representing consumers, business, government,
30 labor, insurers, and health service providers. The chair may also
31 appoint ad hoc and special committees for a specified time period.

32 The chair shall also appoint a service effectiveness advisory
33 committee to provide technical guidance related to appropriate and
34 effective health services, and development of the uniform benefits
35 package. This committee should include technical experts, such as

1 general practitioners, specialty physicians or providers, health
2 service researchers, health ethicists, epidemiologists, and public
3 health experts who reflect the state's ethnic and cultural diversity.

4 Members of any committee shall serve without compensation for their
5 services but shall be reimbursed for their expenses while attending
6 meetings on behalf of the commission in accordance with RCW 43.03.050
7 and 43.03.060.

8 NEW SECTION. **Sec. 112.** RESERVATION OF LEGISLATIVE POWER. The
9 legislature reserves the right to amend or repeal all or any part of
10 sections 101 through 111 of this act at any time and there shall be no
11 vested private right of any kind against such amendment or repeal. All
12 rights, privileges, or immunities conferred by sections 101 through 111
13 of this act or any act done pursuant thereto shall exist subject to the
14 power of the legislature to amend or repeal sections 101 through 111 of
15 this act at any time.

16 NEW SECTION. **Sec. 113.** NEW CHAPTER CREATED IN TITLE 70 RCW.
17 Sections 101 through 112 of this act shall constitute a new chapter in
18 Title 70 RCW.

19 NEW SECTION. **Sec. 114.** The sum of three million nine hundred
20 thousand dollars, or as much thereof as may be necessary, is
21 appropriated for the biennium ending June 30, 1995, from the health
22 services trust fund to the Washington health services commission to
23 initiate the activities and purposes of the agency.

24 NEW SECTION. **Sec. 115.** Sections 101 through 114 of this act are
25 necessary for the immediate preservation of the public peace, health,
26 or safety, or support of the state government and its existing public
27 institutions, and shall take effect July 1, 1993.

28 **PART II - EXPANSION OF 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

1 health plan in the Revised Code of Washington shall be construed to
2 mean the administrator of the Washington state health care authority.

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

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

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

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

35 NEW SECTION. **Sec. 204.** All rules and all pending business before
36 the Washington basic health plan shall be continued and acted upon by

1 the Washington state health care authority. All existing contracts and
2 obligations shall remain in full force and shall be performed by the
3 Washington state health care authority.

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

8 NEW SECTION. **Sec. 206.** If apportionments of budgeted funds are
9 required because of the transfers directed by sections 202 through 205
10 of this act, the director of financial management shall certify the
11 apportionments to the agencies affected, the state auditor, and the
12 state treasurer. Each of these shall make the appropriate transfer and
13 adjustments in funds and appropriation accounts and equipment records
14 in accordance with the certification.

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

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

22 (1) The legislature finds that:

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

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

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

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

12 (3) It is not the intent of this chapter to provide health care
13 services for those persons who are presently covered through private
14 employer-based health plans, nor to replace employer-based health
15 plans. Further, it is the intent of the legislature to expand,
16 wherever possible, the availability of private health care coverage and
17 to discourage the decline of employer-based coverage.

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

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

34 (b) As a consequence, but always limited to the extent to which
35 funds might be available to subsidize the costs of health services for
36 those in need, enrollment limitations have been modified and the
37 program shall be expanded to additional geographic areas of the state.

38 (c) In addition, the legislature intends to extend an option to
39 enroll to certain citizens above two hundred percent of the federal

1 poverty guidelines within the state who reside in communities where the
2 plan is operational and who collectively or individually wish to
3 exercise the opportunity to purchase health care coverage through the
4 basic health plan if it is done at no cost to the state. It is also
5 the intent of the legislature to allow employers and other financial
6 sponsors to financially assist such individuals to purchase health care
7 through the program.

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

10 As used in this chapter:

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

15 (2) "Administrator" means the Washington basic health plan
16 administrator, who also holds the position of administrator of the
17 Washington state health care authority.

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

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

36 (5) "Nonsubsidized enrollee" means an enrollee who pays or on whose
37 behalf is paid the full costs for participation in the plan and shall
38 not be eligible for 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 enrollee plus the administrative cost to the plan of
5 providing the plan to that enrollee, and the amount determined to be
6 the enrollee's responsibility under RCW 70.47.060(2).

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

10 (~~(7)~~) (8) "Rate" means the per capita amount, negotiated by the
11 administrator with and paid to a participating managed health care
12 system, that is based upon the enrollment of enrollees in the plan and
13 in that system.

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

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

27 (2) The basic health plan subscription account is created in the
28 custody of the state treasurer. All receipts from amounts due under
29 RCW 70.47.060 (11) and (12) shall be deposited into the account. Funds
30 in the account shall be used exclusively for the purposes of this
31 chapter, including payments to participating managed health care
32 systems on behalf of enrollees in the plan and payment of costs of
33 administering the plan. The account is subject to allotment
34 procedures under chapter 43.88 RCW, but no appropriation is required
35 for expenditures.

36 (3) The administrator shall take every precaution to see that none
37 of the funds in the separate accounts created in this section or that
38 any premiums paid either by subsidized or nonsubsidized enrollees are

1 commingled in any way, except that the administrator may combine funds
2 designated for administration of the plan into a single administrative
3 account.

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

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

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

31 (3) The administrator may appoint such technical or advisory
32 committees as he or she deems necessary. The administrator shall
33 appoint a standing technical advisory committee that is representative
34 of health care professionals, health care providers, and those directly
35 involved in the purchase, provision, or delivery of health care
36 services, as well as consumers and those knowledgeable of the ethical
37 issues involved with health care public policy. Individuals appointed
38 to any technical or other advisory committee shall serve without

1 compensation for their services as members, but may be reimbursed for
2 their travel expenses pursuant to RCW 43.03.050 and 43.03.060.

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

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

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

21 The administrator has the following powers and duties:

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

1 1992)). The schedule of services shall also include a separate
2 schedule of basic health care services for children, eighteen years of
3 age and younger, for those enrollees who choose to secure basic
4 coverage through the plan only for their dependent children. In
5 designing and revising the schedule of services, the administrator
6 shall consider the guidelines for assessing health services under the
7 mandated benefits act of 1984, RCW 48.42.080, and such other factors as
8 the administrator deems appropriate. On or after January 1, 1995, the
9 uniform benefits package adopted and from time to time revised by the
10 Washington health services commission pursuant to section 105 of this
11 act shall be implemented by the administrator as the schedule of
12 covered basic health care services.

13 (2) To design and implement a structure of periodic premiums due
14 the administrator from subsidized enrollees that is based upon gross
15 family income, giving appropriate consideration to family size as well
16 as the ages of all family members. The enrollment of children shall
17 not require the enrollment of their parent or parents who are eligible
18 for the plan.

19 (a) An employer or other financial sponsor may, with the prior
20 approval of the administrator, pay the premium, rate, or any other
21 amount on behalf of any enrollee, by arrangement with the enrollee and
22 through a mechanism acceptable to the administrator.

23 (b) Any premium, rate, or other amount determined to be due from
24 nonsubsidized enrollees shall be in an amount equal to the amount
25 negotiated by the administrator with the participating managed health
26 care system or systems plus the administrative cost of providing the
27 plan to those enrollees.

28 (c) The administrator shall comply with any schedule of
29 deductibles, copayments, and coinsurance that may be adopted by the
30 Washington health services commission, but in particular reference to
31 premium sharing by subsidized enrollees the powers, duties, and
32 responsibilities of the administrator under this section and chapter
33 shall not be superseded by action of the commission.

34 (3) To design and implement a structure of nominal copayments due
35 a managed health care system from enrollees. The structure shall
36 discourage inappropriate enrollee utilization of health care services,
37 but shall not be so costly to enrollees as to constitute a barrier to
38 appropriate utilization of necessary health care services.

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

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

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

8 (c) Coinsurance rates that are established based on specific
9 service and procedure costs and the enrollee's ability to pay for the
10 care. However, coinsurance rates for families with incomes below one
11 hundred twenty percent of the federal poverty level shall be nominal.
12 No coinsurance shall be required for specific proven prevention
13 programs, such as prenatal care. The coinsurance rate levels shall not
14 have a measurable negative effect upon the enrollee's health status;
15 and

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

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

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

34 (6) To limit the payment of any subsidies only to those enrollees,
35 as defined in RCW 70.47.020, whose gross family income at the time of
36 enrollment does not exceed twice the federal poverty level adjusted for
37 family size and determined annually by the federal department of health
38 and human services.

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

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

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

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

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

31 ~~((+9))~~ (10) To accept applications from individuals residing in
32 areas served by the plan, on behalf of themselves and their spouses and
33 dependent children, for enrollment in the Washington basic health plan,
34 to establish appropriate minimum-enrollment periods for enrollees as
35 may be necessary, and to determine, upon application and at least
36 annually thereafter, or at the request of any enrollee, eligibility due
37 to current gross family income for sliding scale premiums. An enrollee
38 who remains current in payment of the sliding-scale premium, as
39 determined under subsection (2) of this section, and whose gross family

1 income has risen above twice the federal poverty level, may continue
2 enrollment (~~((unless and until the enrollee's gross family income has~~
3 ~~remained above twice the poverty level for six consecutive months,))~~) by
4 making payment at the unsubsidized rate required for the managed health
5 care system in which he or she may be enrolled plus the administrative
6 cost of providing the plan to that enrollee. No subsidy may be paid
7 with respect to any enrollee whose current gross family income exceeds
8 twice the federal poverty level or, subject to RCW 70.47.110, who is a
9 recipient of medical assistance or medical care services under chapter
10 74.09 RCW. 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))~~ (11) To accept applications from small business owners on
15 behalf of themselves and their employees, spouses, and dependent
16 children who reside in an area served by the plan. The administrator
17 may require all or the substantial majority of the eligible employees
18 of such businesses to enroll in the plan and establish those procedures
19 necessary to facilitate the orderly enrollment of groups in the plan
20 and into a managed health care system. For the purposes of this
21 subsection, an employee means an individual who regularly works for the
22 employer for at least twenty hours per week. Such businesses shall
23 have no more than one hundred employees at the time of initial
24 enrollment and enrollment shall be limited to those not eligible for
25 medicare, who wish to enroll in the plan at no cost to the state and
26 choose to obtain the basic health care coverage and services from a
27 managed care system participating in the plan. The administrator shall
28 adjust the amount determined to be due on behalf of or from all such
29 enrollees whenever the amount negotiated by the administrator with the
30 participating managed health care system or systems is modified or the
31 administrative cost of providing the plan to such enrollees changes.
32 No enrollee of a small business group shall be eligible for any subsidy
33 from the plan and at no time shall the administrator allow the credit
34 of the state or funds from the trust account to be used or extended on
35 their behalf.

36 (12) On and after July 1, 1994, to accept applications from
37 individuals residing in areas serviced by the plan, on behalf of
38 themselves and their spouses and dependent children, and not eligible
39 for medicare, who wish to enroll in the plan at no cost to the state

1 and choose to obtain the basic health care coverage and services from
2 a managed care system participating in the plan. Any such
3 nonsubsidized enrollees must pay the amount negotiated by the
4 administrator with the participating managed health care system or
5 systems and the administrative cost of providing the plan to such
6 nonsubsidized enrollees and shall not be eligible for any subsidy from
7 the plan.

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

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

33 ((12)) (15) To monitor the access that state residents have to
34 adequate and necessary health care services, determine the extent of
35 any unmet needs for such services or lack of access that may exist from
36 time to time, and make such reports and recommendations to the
37 legislature as the administrator deems appropriate.

38 ((13)) (16) To evaluate the effects this chapter has on private
39 employer-based health care coverage and to take appropriate measures

1 consistent with state and federal statutes that will discourage the
2 reduction of such coverage in the state.

3 ~~((14))~~ (17) To develop a program of proven preventive health
4 measures and to integrate it into the plan wherever possible and
5 consistent with this chapter.

6 ~~((15))~~ (18) To provide, consistent with available resources,
7 technical assistance for rural health activities that endeavor to
8 develop needed health care services in rural parts of the state.

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

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

17 Thereafter, total ~~((enrollment shall not exceed the number
18 established by the legislature in any act appropriating funds to the
19 plan))~~ subsidized enrollment shall not result in expenditures that
20 exceed the total amount that has been made available by the legislature
21 in any act appropriating funds to the plan.

22 ~~((Before July 1, 1988, the administrator shall endeavor to secure
23 participation contracts from managed health care systems in discrete
24 geographic areas within at least five congressional districts of the
25 state and in such manner as to allow residents of both urban and rural
26 areas access to enrollment in the plan. The administrator shall make
27 a special effort to secure agreements with health care providers in one
28 such area that meets the requirements set forth in RCW 70.47.060(4).))~~

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

36 **Sec. 214.** RCW 70.47.120 and 1987 1st ex.s. c 5 s 14 are each
37 amended to read as follows:

1 In addition to the powers and duties specified in RCW 70.47.040 and
2 70.47.060, the administrator has the power to enter into contracts for
3 the following functions and services:

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

8 (2) With public or private agencies, to provide technical or
9 professional assistance to health care providers, particularly public
10 or private nonprofit organizations and providers serving rural areas,
11 who show serious intent and apparent capability to participate in the
12 plan as managed health care systems.

13 (3) With public or private agencies, including health care service
14 contractors registered under RCW 48.44.015, and doing business in the
15 state, for marketing and administrative services in connection with
16 participation of managed health care systems, enrollment of enrollees,
17 billing and collection services to the administrator, and other
18 administrative functions ordinarily performed by health care service
19 contractors, other than insurance except that the administrator may
20 purchase or arrange for the purchase of reinsurance, or self-insure for
21 reinsurance, on behalf of its participating managed health care
22 systems. Any activities of a health care service contractor pursuant
23 to a contract with the administrator under this section shall be exempt
24 from the provisions and requirements of Title 48 RCW.

25 NEW SECTION. Sec. 215. The sum of eighty-five million dollars, or
26 as much thereof as may be necessary, is appropriated for the biennium
27 ending June 30, 1995, from the health services trust fund to the
28 Washington basic health plan to increase the number of subsidized
29 enrollees and expand the program into additional urban and rural areas
30 of the state.

31 NEW SECTION. Sec. 216. Sections 201 through 214 of this act are
32 necessary for the immediate preservation of the public peace, health,
33 or safety, or support of the state government and its existing public
34 institutions, and shall take effect July 1, 1993.

35 **PART III - HEALTH INSURANCE REFORM**

1 NEW SECTION. **Sec. 301.** The legislature finds that in order to
2 make the cost of health coverage more affordable and accessible to
3 individuals and to businesses and their employees, certain marketing
4 and underwriting practices by disability insurers, health care service
5 contractors, and health maintenance organizations must be reformed and
6 more aggressively regulated. Such reforms work in the public interest
7 and guarantee coverage to individuals and businesses, and their
8 employees and employees' dependents. Practices that hinder access to,
9 affordability of, and equity in health insurance coverage are
10 unacceptable.

11 It is the intent of the legislature to prohibit certain
12 discriminatory practices and to require that insurers use community
13 rating methods, at least for individuals, and small business owners and
14 their employees, that more broadly pool and distribute risk, which is
15 a fundamental principle of health insurance coverage.

16 NEW SECTION. **Sec. 302.** A new section is added to chapter 48.20
17 RCW to read as follows:

18 (1) For the purposes of this section:

19 (a) "Group" means a person, firm, corporation, partnership,
20 association, separate franchise, or other entity that employs less than
21 one hundred individuals who reside in Washington state and are
22 regularly scheduled to work at least twenty or more hours per week for
23 at least twenty-six weeks per year. For purposes of determining the
24 number of employees of a group, all employees, owners, or principals of
25 all branches and divisions of the principal group shall be included and
26 may not be segregated by division, job responsibilities, employment
27 status, or on any other basis.

28 (b) "Preexisting condition" means a covered person's medical
29 condition that caused that person to have received medical advice or
30 treatment during the six months immediately prior to the effective date
31 of coverage.

32 (2) No insurer shall refuse to issue, cancel, or decline to renew
33 an individual or group disability insurance policy because of the
34 health condition of the individual or group or an individual in the
35 group. Every individual and group disability insurance policy shall
36 conform to the following:

37 (a) Every policy shall be guaranteed renewable except for
38 nonpayment of premium unless the insurer has obtained the prior written

1 approval of the commissioner who may, at his or her discretion, permit
2 nonrenewal when renewal would impair the insurer's ability to perform
3 its contractual duties;

4 (b) An insurer may not increase, decrease, restrict, modify, or
5 exclude benefits, terms, rates, conditions, or type of coverage on the
6 basis of the category of business, trade, occupation, employment skill,
7 or vocational or professional training of the individual, the group or
8 any member of the group;

9 (c) An insurer may not increase, decrease, restrict, modify, or
10 exclude benefits, terms, rates, conditions, or type of coverage on the
11 basis of age, sex, or health status or health condition of the
12 individual, the group or any member of the group;

13 (d) Individual and group disability insurance policies shall be
14 rated on a strict community basis that pools the experience of both
15 groups and individuals except that, with the prior written approval of
16 the commissioner given at his or her discretion, the insurer may adjust
17 the rate for an individual policy or a group policy according to
18 demonstrated differences in the cost of obtaining health services
19 within major geographical areas and according to differences in
20 coverage; and

21 (e) An insurer may not deny, exclude, or limit coverage of
22 preexisting conditions for a period longer than six months following
23 the effective date of coverage and shall waive any preexisting
24 condition exclusion or limitation for persons who had similar coverage
25 under a different policy, contract, or agreement in the three-month
26 period immediately preceding the effective date of coverage under the
27 new policy and who satisfied any six-month waiting period under such
28 preceding policy, contract, or agreement.

29 (3) The provisions of this section do not apply to policies
30 governed by chapters 48.66, 48.70, and 48.84 RCW.

31 (4) The commissioner shall adopt all rules necessary to implement
32 the provisions of this section by its effective date and thereafter as
33 necessary.

34 NEW SECTION. **Sec. 303.** A new section is added to chapter 48.21
35 RCW to read as follows:

36 (1) For the purposes of this section:

37 (a) "Group" means a person, firm, corporation, partnership,
38 association, separate franchise, or other entity that employs less than

1 one hundred individuals who reside in Washington state and are
2 regularly scheduled to work at least twenty or more hours per week for
3 at least twenty-six weeks per year. For purposes of determining the
4 number of employees of a group, all employees, owners, or principals of
5 all branches and divisions of the principal group shall be included and
6 may not be segregated by division, job responsibilities, employment
7 status, or on any other basis.

8 (b) "Preexisting condition" means a covered person's medical
9 condition that caused that person to have received medical advice or
10 treatment during the six months immediately prior to the effective date
11 of coverage.

12 (2) No insurer shall refuse to issue, cancel, or decline to renew
13 any disability insurance policy because of the health condition of the
14 individual or group or any individual in the group. Every disability
15 insurance policy shall conform to the following:

16 (a) Every policy shall be guaranteed renewable except for
17 nonpayment of premium unless the insurer has obtained the prior written
18 approval of the commissioner who may, at his or her discretion, permit
19 nonrenewal when renewal would impair the insurer's ability to perform
20 its contractual duties;

21 (b) An insurer may not increase, decrease, restrict, modify, or
22 exclude benefits, terms, rates, conditions, or type of coverage on the
23 basis of the category of business, trade, occupation, employment skill,
24 or vocational or professional training of the individual, the group or
25 any member of the group;

26 (c) An insurer may not increase, decrease, restrict, modify, or
27 exclude benefits, terms, rates, conditions, or type of coverage on the
28 basis of age, sex, or health status or health condition of the
29 individual, the group or any member of the group;

30 (d) Individual and group disability insurance policies shall be
31 rated on a strict community basis that pools the experience of both
32 groups and individuals except that, with the prior written approval of
33 the commissioner given at his or her discretion, the insurer may adjust
34 the rate for an individual policy or a group policy according to
35 demonstrated differences in the cost of obtaining health services
36 within major geographical areas and according to differences in
37 coverage; and

38 (e) An insurer may not deny, exclude, or limit coverage of
39 preexisting conditions for a period longer than six months following

1 the effective date of coverage and shall waive any preexisting
2 condition exclusion or limitation for persons who had similar coverage
3 under a different policy, contract, or agreement in the three-month
4 period immediately preceding the effective date of coverage under the
5 new policy and who satisfied any six-month waiting period under such
6 preceding policy, contract, or agreement.

7 (3) The provisions of this section do not apply to policies
8 governed by chapters 48.66, 48.70, and 48.84 RCW.

9 (4) The commissioner shall adopt all rules necessary to implement
10 the provisions of this section by its effective date and thereafter as
11 necessary.

12 NEW SECTION. **Sec. 304.** A new section is added to chapter 48.44
13 RCW to read as follows:

14 (1) For the purposes of this section:

15 (a) "Group" means a person, firm, corporation, partnership, or
16 association, separate franchise, or other entity that employs less than
17 one hundred individuals who reside in Washington state and are
18 regularly scheduled to work at least twenty or more hours per week for
19 at least twenty-six weeks per year. For purposes of determining the
20 number of employees of a group, all employees, owners, or principals of
21 all branches and divisions of the principal group shall be included and
22 may not be segregated by division, job responsibilities, employment
23 status, or on any other basis.

24 (b) "Preexisting condition" means a covered person's medical
25 condition that caused that person to have received medical advice or
26 treatment during the six months immediately prior to the effective date
27 of coverage.

28 (2) No contractor shall refuse to issue, cancel, or decline to
29 renew an individual or group contract because of the health condition
30 of the individual or group or an individual in the group. Every
31 individual and group contract shall conform to the following:

32 (a) Every contract shall be guaranteed renewable except for
33 nonpayment of premium or other amounts owed to the health care service
34 contractor by the subscriber unless the contractor has obtained the
35 prior written approval of the commissioner who may, at his or her
36 discretion, permit nonrenewal when renewal would impair the
37 contractor's ability to perform its contractual duties;

1 (b) A contractor may not increase, decrease, restrict, modify, or
2 exclude benefits, terms, rates, conditions, or type of coverage on the
3 basis of the category of business, trade, occupation, employment skill,
4 or vocational or professional training of the individual, the group or
5 any member of the group;

6 (c) A contractor may not increase, decrease, restrict, modify, or
7 exclude benefits, terms, rates, conditions, or type of coverage on the
8 basis of age, sex, or health status or health condition of the
9 individual, the group or any member of the group;

10 (d) Individual and group health care service contracts shall be
11 rated on a strict community basis that pools the experience of both
12 groups and individuals except that the contractor may, with the prior
13 written approval of the commissioner given at his or her discretion,
14 adjust the rate for an individual contract or a group contract
15 according to demonstrated differences in the cost of obtaining health
16 services within major geographical areas and according to differences
17 in coverage; and

18 (e) A contractor may not deny, exclude, or limit coverage of
19 preexisting conditions for a period longer than six months following
20 the effective date of coverage and shall waive any preexisting
21 condition exclusion or limitation for persons who had similar coverage
22 under a different policy, contract, or agreement in the three-month
23 period immediately preceding the effective date of coverage under the
24 new contract and who satisfied any six-month waiting period under such
25 preceding policy, contract, or agreement.

26 (3) The provisions of this section do not apply to contracts
27 governed by chapters 48.66, 48.70, and 48.84 RCW.

28 (4) The commissioner shall adopt all rules necessary to implement
29 the provisions of this section by its effective date and thereafter as
30 necessary.

31 NEW SECTION. **Sec. 305.** A new section is added to chapter 48.46
32 RCW to read as follows:

33 (1) For the purposes of this section:

34 (a) "Group" means a person, firm, corporation, partnership, or
35 association, separate franchise, or other entity that employs less than
36 one hundred individuals who reside in Washington state and are
37 regularly scheduled to work at least twenty or more hours per week for
38 at least twenty-six weeks per year. For purposes of determining the

1 number of employees of a group, all employees, owners, or principals of
2 all branches and divisions of the principal group shall be included and
3 may not be segregated by division, job responsibilities, employment
4 status, or on any other basis.

5 (b) "Preexisting condition" means a covered person's medical
6 condition that caused that person to have received medical advice or
7 treatment during the six months immediately prior to the effective date
8 of coverage.

9 (2) No health maintenance organization shall refuse to issue,
10 cancel, or decline to renew an individual or group agreement because of
11 the health condition of the individual or group or an individual in the
12 group. Every individual and group agreement shall conform to the
13 following:

14 (a) Every agreement shall be guaranteed renewable except for
15 nonpayment of premium or other amounts owed to the health maintenance
16 organization by the agreement holder unless the health maintenance
17 organization has obtained the prior written approval of the
18 commissioner who may, at his or her discretion, permit nonrenewal when
19 renewal would impair the organization's ability to perform its
20 contractual duties;

21 (b) An organization may not increase, decrease, restrict, modify,
22 or exclude benefits, terms, rates, conditions, or type of coverage on
23 the basis of the category of business, trade, occupation, employment
24 skill, or vocational or professional training of the individual, the
25 group or any member of the group;

26 (c) An organization may not increase, decrease, restrict, modify,
27 or exclude benefits, terms, rates, conditions, or type of coverage on
28 the basis of age, sex, or health status or health condition of the
29 individual, the group or any member of the group;

30 (d) Individual and group agreements shall be rated on a strict
31 community basis that pools the experience of both groups and
32 individuals except that the organization may, with the prior written
33 approval of the commissioner given at his or her discretion, adjust the
34 rate for an individual agreement or a group agreement according to
35 demonstrated differences in the cost of obtaining health services
36 within major geographical areas and according to differences in
37 coverage; and

38 (e) An organization may not deny, exclude, or limit coverage of
39 preexisting conditions for a period longer than six months following

1 the effective date of coverage and shall waive any preexisting
2 condition exclusion or limitation for persons who had similar coverage
3 under a different policy, contract, or agreement in the three-month
4 period immediately preceding the effective date of coverage under the
5 new agreement and who satisfied any six-month waiting period under such
6 preceding policy, contract, or agreement.

7 (3) The provisions of this section do not apply to agreements
8 governed by chapters 48.66, 48.70, and 48.84 RCW.

9 (4) The commissioner shall adopt all rules necessary to implement
10 the provisions of this section by its effective date and thereafter as
11 necessary.

12 **Sec. 306.** RCW 48.20.032 and 1951 c 229 s 4 are each amended to
13 read as follows:

14 Except as provided in RCW 48.18.130 and section 302 of this act,
15 each such policy delivered or issued for delivery to any person in this
16 state shall contain the provisions as specified in RCW 48.20.042 to
17 48.20.152, inclusive, in the words in which the same appear; except,
18 that the insurer may(~~(, at its option,)~~) substitute for one or more of
19 such provisions corresponding provisions of different wording
20 (~~(approved by the commissioner which)~~) if given prior written approval
21 by the commissioner, in his or her discretion, if he or she determines
22 that the words are in each instance not less favorable in any respect
23 to the insured or the beneficiary. Each such provision shall be
24 preceded by the applicable caption shown or, at the insurer's option,
25 by such appropriate individual or group caption or subcaption as the
26 commissioner may approve.

27 **Sec. 307.** RCW 48.21.050 and 1947 c 79 s .21.05 are each amended to
28 read as follows:

29 Except as provided in section 303 of this act, every policy of
30 group or blanket disability insurance shall contain in substance the
31 provisions as set forth in RCW 48.21.060 to 48.21.090, inclusive, or
32 provisions which in the opinion of the commissioner, and with his or
33 her prior written approval, are more favorable to the individuals
34 insured, or at least as favorable to such individuals and more
35 favorable to the policyholder. No such policy of group or blanket
36 disability insurance shall contain any provision relative to notice or
37 proof of loss, or to the time for paying benefits, or to the time

1 within which suit may be brought upon the policy, which in the opinion
2 of the commissioner is less favorable to the individuals insured than
3 would be permitted by the standard provisions required for individual
4 disability insurance policies.

5 **Sec. 308.** RCW 48.30.300 and 1975-'76 2nd ex.s. c 119 s 7 are each
6 amended to read as follows:

7 No person or entity engaged in the business of insurance in this
8 state shall refuse to issue any contract of insurance or cancel or
9 decline to renew such contract because of the sex or marital status, or
10 the presence of any sensory, mental, or physical handicap of the
11 insured or prospective insured. The amount of benefits payable, or any
12 term, rate, condition, or type of coverage shall not be restricted,
13 modified, excluded, increased or reduced on the basis of the sex or
14 marital status, or be restricted, modified, excluded or reduced on the
15 basis of the presence of any sensory, mental, or physical handicap of
16 the insured or prospective insured. Except as provided in sections 302
17 through 305 of this act, these provisions shall not prohibit fair
18 discrimination on the basis of sex, or marital status, or the presence
19 of any sensory, mental, or physical handicap when bona fide statistical
20 differences in risk or exposure have been substantiated.

21 **Sec. 309.** RCW 48.44.220 and 1983 c 154 s 4 are each amended to
22 read as follows:

23 No health care service contractor shall deny coverage to any person
24 solely on account of race, religion, national origin, or the presence
25 of any sensory, mental, or physical handicap. Except as provided in
26 section 304 of this act, nothing in this section shall be construed as
27 limiting a health care service contractor's authority to deny or
28 otherwise limit coverage to a person when the person because of a
29 medical condition does not meet the essential eligibility requirements
30 established by the health care service contractor for purposes of
31 determining coverage for any person.

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

1 **Sec. 310.** RCW 48.46.370 and 1983 c 106 s 15 are each amended to
2 read as follows:

3 No health maintenance organization may deny coverage to a person
4 solely on account of the presence of any sensory, mental, or physical
5 handicap. Except as provided in section 305 of this act, nothing in
6 this section may be construed as limiting a health maintenance
7 organization's authority to deny or otherwise limit coverage to a
8 person when the person because of a medical condition does not meet the
9 essential eligibility requirements established by the health
10 maintenance organization for purposes of determining coverage for any
11 person.

12 **PART IV - LONG-TERM CARE**

13 NEW SECTION. **Sec. 401.** LONG-TERM CARE INTEGRATION PLAN. To carry
14 out the final recommendations that the Washington health care
15 commission submitted to the governor and the legislature on November
16 30, 1992, in specific reference to long-term care, the governor shall
17 establish a process within the executive branch to address the
18 following:

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

33 (2) Recognizing that financial stability is essential to the
34 success of a comprehensive long-term care system and that current and
35 future demands are exceeding available financial resources, it is
36 likely that a dedicated fund comprised of state funds, matching federal

1 funds, public insurance funds, and sliding fee contributions by program
2 beneficiaries should be established.

3 (3) It is the intent of this section that Washington state develop
4 a program and financing structure for the provision of community-based
5 long-term care and support services for functionally disabled persons
6 as suggested in this section and that recommendations concerning any
7 necessary statutory changes or modifications in public policy be made
8 available to the governor and the legislature by January 1, 1995.

9 (4) The departments of health, retirement systems, revenue, social
10 and health services, and veterans' affairs, the offices of financial
11 management, insurance commissioner, and state actuary, along with the
12 health care authority and the health services commission established
13 under section 103 of this act will participate in the review of the
14 long-term care needs enumerated in this section and the governor will
15 call upon representatives of both the senate and house of
16 representatives to join in these deliberations.

17 NEW SECTION. **Sec. 402.** The sum of two hundred fifty thousand
18 dollars, or as much thereof as may be necessary, is appropriated for
19 the biennium ending June 30, 1995, from the health services trust fund
20 to the office of financial management to carry out the activities and
21 purposes set forth in section 401 of this act. The governor shall
22 designate the lead agency for the review. The director of the office
23 of financial management shall allocate to participating departments and
24 agencies such portions of this sum as may be necessary.

25 **PART V - HEALTH CARE DATA**

26 **Sec. 501.** RCW 70.170.010 and 1989 1st ex.s. c 9 s 501 are each
27 amended to read as follows:

28 (1) The legislature finds and declares that there is a need for
29 health care information that helps the general public understand health
30 care issues and how they can be better consumers and that is useful to
31 purchasers, payers, and providers in making health care choices and
32 negotiating payments. It is the purpose and intent of this chapter to
33 establish a hospital and health services data collection, storage, and
34 retrieval system which supports these data needs and which also
35 provides public officials and others engaged in the development of

1 state health policy the information necessary for the analysis of
2 health care issues.

3 (2) The legislature finds that rising health care costs and access
4 to health care services are of vital concern to the people of this
5 state. It is, therefore, essential that strategies be explored that
6 moderate health care costs and promote access to health care services.

7 (3) The legislature further finds that access to health care is
8 among the state's goals and the provision of such care should be among
9 the purposes of health care providers and facilities. Therefore, the
10 legislature intends that charity care requirements and related
11 enforcement provisions for hospitals be explicitly established.

12 (4) The lack of reliable statistical information about the delivery
13 of charity care is a particular concern that should be addressed. It
14 is the purpose and intent of this chapter to require hospitals to
15 provide, and report to the state, charity care to persons with acute
16 care needs, and to have a state agency both monitor and report on the
17 relative commitment of hospitals to the delivery of charity care
18 services, as well as the relative commitment of public and private
19 purchasers or payers to charity care funding.

20 (5) It is the intent of the legislature to develop an efficient
21 health services data system that shall greatly improve the information
22 available for consumers, providers, and payers. The system shall
23 include the development of an efficient electronic data system that
24 will consist of a private transaction system or systems with uniform
25 specifications, universal collection of information from those
26 transactions, a public repository for information processed through the
27 system, and public access to the information collected. This data
28 system will build upon the efforts now underway in the public and
29 private sectors to more efficiently collect billing and payment
30 information. It is understood that this system will require a number
31 of years to become fully operational, but it is important to phase in
32 private and public sponsored data as soon as is practical. The
33 development of standards for the system and the development and
34 maintenance of a repository of the information shall be equitably
35 funded by an assessment on all health providers participating in the
36 information system.

37 **Sec. 502.** RCW 70.170.020 and 1989 1st ex.s. c 9 s 502 are each
38 amended to read as follows:

1 As used in this chapter:

2 (1) "Council" means the health care access and cost control council
3 created by this chapter.

4 (2) "Department" means department of health.

5 (3) "Hospital" means any health care institution which is required
6 to qualify for a license under RCW 70.41.020(2); or as a psychiatric
7 hospital under chapter 71.12 RCW.

8 (4) "Secretary" means secretary of health.

9 (5) "Charity care" means necessary hospital health care rendered to
10 indigent persons, to the extent that the persons are unable to pay for
11 the care or to pay deductibles or co-insurance amounts required by a
12 third-party payer, as determined by the department.

13 (6) "Sliding fee schedule" means a hospital-determined, publicly
14 available schedule of discounts to charges for persons deemed eligible
15 for charity care; such schedules shall be established after
16 consideration of guidelines developed by the department.

17 (7) "Special studies" means studies which have not been funded
18 through the department's biennial or other legislative appropriations.

19 (8) "Medical service provider" means a business entity, other than
20 a hospital, required to be registered with the department of revenue
21 for payment of taxes imposed under chapter 82.04 RCW, that is primarily
22 engaged in furnishing medical, surgical, and other health services to
23 persons.

24 **Sec. 503.** RCW 70.170.080 and 1991 sp.s. c 13 s 71 are each amended
25 to read as follows:

26 (1) The basic expenses for the hospital and health services data
27 collection and reporting activities of this chapter shall be financed
28 by an assessment against hospitals (~~(of no more than)~~) and medical
29 service providers.

30 (2) Each hospital within this state shall pay, and the department
31 shall collect, an annual assessment of four one-hundredths of one
32 percent of each hospital's gross operating costs(~~(, to be levied and~~
33 collected from and after that date, upon which the similar assessment
34 levied under chapter 70.39 RCW is terminated,)) for the provision of
35 hospital services for its last fiscal year ending on or before June
36 30th of the preceding calendar year. (~~(Budgetary requirements in~~
37 ~~excess of that limit must be financed by a general fund appropriation~~
38 ~~by the legislature.)) All moneys collected under this section shall be~~

1 deposited by the state treasurer in the hospital and health services
2 data collection account which is hereby created in the state treasury.
3 The department may also charge, receive, and dispense funds or
4 authorize any contractor or outside sponsor to charge for and reimburse
5 the costs associated with special studies as specified in RCW
6 70.170.050.

7 (3) Each medical service provider engaging in business within this
8 state shall pay, and the department of revenue shall collect, an annual
9 assessment of four one-hundredths of one percent of each medical
10 service provider's gross income of the business. In administration of
11 this subsection for the enforcement and collection of the assessments
12 owing under this subsection, the department of revenue is authorized to
13 apply the provisions of chapter 82.32 RCW. All moneys collected under
14 this subsection shall be deposited by the state treasurer in the
15 hospital and health services data collection account created in the
16 state treasury under subsection (2) of this section.

17 (4) Budgetary requirements for hospital and health services data
18 collection activities in excess of amounts raised by the collection of
19 assessments from hospitals and medical service providers under
20 subsections (2) and (3) of this section must be financed by a general
21 fund appropriation by the legislature. Any amounts raised by the
22 collection of assessments from hospitals (~~provided for in this section~~
23 which)) and medical service providers that are not required to meet
24 appropriations in the budget act for the current fiscal year shall be
25 available to the department in succeeding years.

26 NEW SECTION. Sec. 504. A new section is added to chapter 70.170
27 RCW to read as follows:

28 (1) The goal of the health services data system is to develop an
29 electronic billings and payments transaction system supported by public
30 and private payers using uniform data elements and formats set by the
31 state. A repository for all appropriate data that passes through the
32 transaction system or systems shall be established and maintained by
33 the state and made available for public use.

34 (2) The department is responsible for developing standards for a
35 health services data system in collaboration with private and public
36 purchasers, providers, and consumers of health care. The department
37 shall assure that a needs assessment is conducted of the types of, and
38 format for, health data needed by consumers, purchasers, health care

1 payers, providers, local health districts, and state and federal
2 government consistent with the intent of this chapter. The department
3 may contract with a private nonprofit representative group to conduct
4 the needs assessment. The department shall be cognizant of the
5 electronic claims and payment systems, eligibility, and transaction
6 systems that are being developed and implemented in the public and
7 private sectors.

8 (3) The department shall adopt uniform standards for data
9 transmissions and uniform core data requirements. In developing these
10 standards, the department shall use national standards to the extent
11 possible. The data elements, specifications, and other distinguishing
12 features of the data system shall be established in rule by July 1,
13 1994. The standards developed shall apply to all public and private
14 electronic systems as soon as practical, but no later than July 1,
15 1996.

16 (4) The department shall establish a data repository for the
17 information collected. The state may contract with a private vendor in
18 the state of Washington to collect and store this data, but the data
19 shall remain in the custody of the state. There shall be public access
20 to the data as long as confidentiality standards are maintained. The
21 department may require a nominal charge for the data.

22 (5) The department shall assure that the data is available,
23 analyzed, and disseminated to interested parties in a useable and
24 understandable format. The department may contract with private
25 vendors to accomplish these tasks to the extent funds are available.

26 (6) The department shall continue the state-wide hospital data
27 system as required in RCW 70.170.100. When the new health services
28 data system is operational, the department shall make recommendations
29 to the governor and legislature concerning possible integration with
30 the hospital data system and any necessary statutory changes.

31 (7) All persons and any public or private agencies or entities
32 whatsoever subject to this section shall comply with any requirements
33 established by rule in the acquisition of health services data and
34 maintain the confidentiality of any information which may, in any
35 manner, identify individual persons.

36 **Sec. 505.** RCW 70.170.070 and 1989 1st ex.s. c 9 s 507 are each
37 amended to read as follows:

1 (1) Every person who shall violate or knowingly aid and abet the
2 violation of RCW 70.170.060 (5) or (6), 70.170.080, ~~((or))~~ 70.170.100,
3 or section 504 of this act, or any valid orders or rules adopted
4 pursuant to these sections, or who fails to perform any act which it is
5 herein made his or her duty to perform, shall be guilty of a
6 misdemeanor. Following official notice to the accused by the
7 department of the existence of an alleged violation, each day of
8 noncompliance upon which a violation occurs shall constitute a separate
9 violation. Any person violating the provisions of this chapter may be
10 enjoined from continuing such violation. The department has authority
11 to levy civil penalties not exceeding one thousand dollars for
12 violations of this chapter and determined pursuant to this section.

13 (2) Every person who shall violate or knowingly aid and abet the
14 violation of RCW 70.170.060 (1) or (2), or any valid orders or rules
15 adopted pursuant to such section, or who fails to perform any act which
16 it is herein made his or her duty to perform, shall be subject to the
17 following criminal and civil penalties:

18 (a) For any initial violations: The violating person shall be
19 guilty of a misdemeanor, and the department may impose a civil penalty
20 not to exceed one thousand dollars as determined pursuant to this
21 section.

22 (b) For a subsequent violation of RCW 70.170.060 (1) or (2) within
23 five years following a conviction: The violating person shall be
24 guilty of a misdemeanor, and the department may impose a penalty not to
25 exceed three thousand dollars as determined pursuant to this section.

26 (c) For a subsequent violation with intent to violate RCW
27 70.170.060 (1) or (2) within five years following a conviction: The
28 criminal and civil penalties enumerated in (a) of this subsection; plus
29 up to a three-year prohibition against the issuance of tax exempt bonds
30 under the authority of the Washington health care facilities authority;
31 and up to a three-year prohibition from applying for and receiving a
32 certificate of need.

33 (d) For a violation of RCW 70.170.060 (1) or (2) within five years
34 of a conviction under (c) of this subsection: The criminal and civil
35 penalties and prohibition enumerated in (a) and (b) of this subsection;
36 plus up to a one-year prohibition from participation in the state
37 medical assistance or medical care services authorized under chapter
38 74.09 RCW.

1 (3) The provisions of chapter 34.05 RCW shall apply to all
2 noncriminal actions undertaken by the department of health, the
3 department of social and health services, and the Washington health
4 care facilities authority pursuant to chapter 9, Laws of 1989 1st ex.
5 sess.

6 **PART VI - LIABILITY REFORMS**

7 NEW SECTION. **Sec. 601.** A new section is added to chapter 7.70 RCW
8 to read as follows:

9 MANDATORY MEDIATION. (1) All causes of action, whether based on
10 tort, contract, or otherwise, for damages for injury occurring as a
11 result of health care provided after the effective date of this section
12 shall be subject to mandatory mediation prior to trial.

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

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

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

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

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

32 (e) A means by which mediation of an action under this chapter may
33 be waived by a mediator who has determined that the claim is not
34 appropriate for mediation. If mediation is waived, the rules shall
35 require that the parties participate in at least one settlement
36 conference prior to trial; and

37 (f) Any other matters deemed necessary by the court.

1 (3) Mediators shall not impose discovery schedules upon the
2 parties.

3 NEW SECTION. **Sec. 602.** A new section is added to chapter 7.70 RCW
4 to read as follows:

5 TOLLING OF STATUTE OF LIMITATIONS. The making of a written, good
6 faith request for mediation of a dispute related to damages for injury
7 occurring as a result of health care provided prior to filing a cause
8 of action under this chapter shall toll the statute of limitations
9 provided in RCW 4.16.350.

10 NEW SECTION. **Sec. 603.** A new section is added to chapter 7.70 RCW
11 to read as follows:

12 OPTION OF TRIAL BY JURY NOT ABRIDGED. Section 601 of this act may
13 not be construed to abridge the right to trial by jury following an
14 unsuccessful attempt at mediation.

15 **Sec. 604.** RCW 5.60.070 and 1991 c 321 s 1 are each amended to read
16 as follows:

17 MEDIATION--DISCLOSURE--TESTIMONY. (1) If there is a court order to
18 mediate or a written agreement between the parties to mediate, or if
19 mediation is mandated pursuant to section 601 of this act, then any
20 communication made or materials submitted in, or in connection with,
21 the mediation proceeding, whether made or submitted to or by the
22 mediator, a mediation organization, a party, or any person present, are
23 privileged and confidential and are not subject to disclosure in any
24 judicial or administrative proceeding except:

25 (a) When all parties to the mediation agree, in writing, to
26 disclosure;

27 (b) When the written materials or tangible evidence are otherwise
28 subject to discovery, and were not prepared specifically for use in and
29 actually used in the mediation proceeding;

30 (c) When a written agreement to mediate permits disclosure;

31 (d) When disclosure is mandated by statute;

32 (e) When the written materials consist of a written settlement
33 agreement or other agreement signed by the parties resulting from a
34 mediation proceeding;

1 (f) When those communications or written materials pertain solely
2 to administrative matters incidental to the mediation proceeding,
3 including the agreement to mediate; or

4 (g) In a subsequent action between the mediator and a party to the
5 mediation arising out of the mediation.

6 (2) When there is a court order (~~(or)~~), a written agreement to
7 mediate, or when mediation is mandated under section 601 of this act,
8 as described in subsection (1) of this section, the mediator or a
9 representative of a mediation organization shall not testify in any
10 judicial or administrative proceeding unless:

11 (a) All parties to the mediation and the mediator agree in writing;
12 or

13 (b) In an action described in subsection (1)(g) of this section.

14 NEW SECTION. Sec. 605. A new section is added to chapter 18.130
15 RCW to read as follows:

16 MALPRACTICE INSURANCE COVERAGE MANDATE. Except to the extent that
17 liability insurance is not available, every licensed health care
18 practitioner whose services are included in the uniform benefits
19 package, as determined by section 107 of this act, and whose scope of
20 practice includes independent practice, shall, as a condition of
21 licensure and relicensure, be required to provide evidence of a minimum
22 level of malpractice insurance coverage. On or before January 1, 1994,
23 the department shall designate by rule:

24 (1) Those health professions whose scope of practice includes
25 independent practice;

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

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

30 NEW SECTION. Sec. 606. A new section is added to Title 70 RCW to
31 read as follows:

32 RISK MANAGEMENT TRAINING WITHIN HEALTH FACILITIES. Effective July
33 1, 1994, each health care provider, facility, or health maintenance
34 organization that self-insures for liability risks related to medical
35 malpractice and employs physicians or other independent health care
36 practitioners in Washington state shall condition each physician's and
37 practitioner's liability coverage by that entity upon that physician's

1 or practitioner's participation in risk management training offered by
2 the provider, facility, or health maintenance organization to its
3 employees. The risk management training shall provide information
4 related to avoiding adverse health outcomes resulting from substandard
5 practice and minimizing damages associated with those adverse health
6 outcomes that occur. For purposes of this section, "independent health
7 care practitioner" means those health care practitioner licensing
8 classifications designated by the department of health in rule under
9 section 605 of this act.

10 NEW SECTION. **Sec. 607.** A new section is added to chapter 48.22
11 RCW to read as follows:

12 RISK MANAGEMENT TRAINING OF INDEPENDENT HEALTH CARE PRACTITIONERS.
13 Effective July 1, 1994, a casualty insurer's issuance of a new medical
14 malpractice policy or renewal of an existing medical malpractice
15 policy, to a physician or other independent health care practitioner,
16 shall be conditioned upon that practitioner's participation in, and
17 completion of, health care liability risk management training offered
18 by the insurer. The risk management training shall provide information
19 related to avoiding adverse health outcomes resulting from substandard
20 practice and minimizing damages associated with those adverse health
21 outcomes that occur. For purposes of this section, "independent health
22 care practitioners" means those health care practitioner licensing
23 classifications designated by the department of health in rule pursuant
24 to section 605 of this act.

25 **Sec. 608.** RCW 18.130.160 and 1986 c 259 s 8 are each amended to
26 read as follows:

27 FINDING OF UNPROFESSIONAL CONDUCT--ORDERS--SANCTIONS--STAY--COSTS.
28 Upon a finding that a license holder or applicant has committed
29 unprofessional conduct or is unable to practice with reasonable skill
30 and safety due to a physical or mental condition, the disciplining
31 authority may issue an order providing for one or any combination of
32 the following:

- 33 (1) Revocation of the license;
34 (2) Suspension of the license for a fixed or indefinite term;
35 (3) Restriction or limitation of the practice;

1 (4) Requiring the satisfactory completion of a specific program of
2 remedial education or treatment;

3 (5) The monitoring of the practice by a supervisor approved by the
4 disciplining authority;

5 (6) Censure or reprimand;

6 (7) Compliance with conditions of probation for a designated period
7 of time;

8 (8) Payment of a fine for each violation of this chapter, not to
9 exceed (~~one~~) five thousand dollars per violation. Funds received
10 shall be placed in the health professions account;

11 (9) Denial of the license request;

12 (10) Corrective action;

13 (11) Refund of fees billed to and collected from the consumer.

14 Any of the actions under this section may be totally or partly
15 stayed by the disciplining authority. In determining what action is
16 appropriate, the disciplining authority must first consider what
17 sanctions are necessary to protect or compensate the public. Only
18 after such provisions have been made may the disciplining authority
19 consider and include in the order requirements designed to rehabilitate
20 the license holder or applicant. All costs associated with compliance
21 with orders issued under this section are the obligation of the license
22 holder or applicant.

23 **Sec. 609.** RCW 18.130.190 and 1991 c 3 s 271 are each amended to
24 read as follows:

25 PRACTICE WITHOUT LICENSE--INVESTIGATION OF COMPLAINTS--TEMPORARY
26 CEASE AND DESIST ORDERS--INJUNCTIONS--PENALTY. (1) The secretary shall
27 investigate complaints concerning practice by unlicensed persons of a
28 profession or business for which a license is required by the chapters
29 specified in RCW 18.130.040. In the investigation of the complaints,
30 the secretary shall have the same authority as provided the secretary
31 under RCW 18.130.050. The secretary shall issue a cease and desist
32 order to a person after notice and hearing and upon a determination
33 that the person has violated this subsection. If the secretary makes
34 a written finding of fact that the public interest will be irreparably
35 harmed by delay in issuing an order, the secretary may issue a
36 temporary cease and desist order. The cease and desist order shall not
37 relieve the person so practicing or operating a business without a
38 license from criminal prosecution therefor, but the remedy of a cease

1 and desist order shall be in addition to any criminal liability. The
2 cease and desist order is conclusive proof of unlicensed practice and
3 may be enforced under RCW 7.21.060. This method of enforcement of the
4 cease and desist order may be used in addition to, or as an alternative
5 to, any provisions for enforcement of agency orders set out in chapter
6 34.05 RCW.

7 (2) The attorney general, a county prosecuting attorney, the
8 secretary, a board, or any person may in accordance with the laws of
9 this state governing injunctions, maintain an action in the name of
10 this state to enjoin any person practicing a profession or business for
11 which a license is required by the chapters specified in RCW 18.130.040
12 without a license from engaging in such practice or operating such
13 business until the required license is secured. However, the
14 injunction shall not relieve the person so practicing or operating a
15 business without a license from criminal prosecution therefor, but the
16 remedy by injunction shall be in addition to any criminal liability.

17 (3) Unlicensed practice of a profession or operating a business for
18 which a license is required by the chapters specified in RCW
19 18.130.040, unless otherwise exempted by law, constitutes a gross
20 misdemeanor. All fees, fines, forfeitures, and penalties collected or
21 assessed by a court because of a violation of this section shall be
22 remitted to the health professions account.

23 (4) In addition to the remedies provided in this section, the
24 secretary is authorized to impose a civil penalty of up to five
25 thousand dollars on any person engaged, without a license, in a
26 profession or business for which a license is required by the chapters
27 specified in RCW 18.130.040. The imposition of such civil penalty
28 shall occur only subsequent to a hearing in conformance with the
29 provisions of chapter 34.05 RCW in any case in which the secretary
30 finds that there has been a failure or refusal to comply with the
31 provisions of any chapters specified in RCW 18.130.040.

32 **Sec. 610.** RCW 70.41.200 and 1991 c 3 s 336 are each amended to
33 read as follows:

34 MEDICAL MALPRACTICE PREVENTION PROGRAM--QUALITY ASSURANCE
35 COMMITTEE--SANCTION AND GRIEVANCE PROCEDURES--INFORMATION COLLECTION
36 AND REPORTING. (1) Every hospital shall maintain a coordinated program
37 for the identification and prevention of medical malpractice. The
38 program shall include at least the following:

1 (a) The establishment of a quality assurance committee with the
2 responsibility to review the services rendered in the hospital in order
3 to improve the quality of medical care of patients and to prevent
4 medical malpractice. The committee shall oversee and coordinate the
5 medical malpractice prevention program and shall insure that
6 information gathered pursuant to the program is used to review and to
7 revise hospital policies and procedures. At least one member of the
8 committee shall be a member of the governing board of the hospital who
9 is not otherwise affiliated with the hospital in an employment or
10 contractual capacity;

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

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

18 (d) A procedure, including but not limited to, mediation, for the
19 prompt resolution of grievances by patients or their representatives
20 related to accidents, injuries, treatment, and other events that may
21 result in claims of medical malpractice;

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

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

31 (g) Education programs dealing with patient safety, injury
32 prevention, staff responsibility to report professional misconduct, the
33 legal aspects of patient care, improved communication with patients,
34 and causes of malpractice claims for staff personnel engaged in patient
35 care activities; and

36 (h) Policies to ensure compliance with the reporting requirements
37 of this section.

38 (2) Any person who, in substantial good faith, provides information
39 to further the purposes of the medical malpractice prevention program,

1 or who, in substantial good faith, participates on the quality
2 assurance committee, or who, in substantial good faith, assists in a
3 broader scope of quality assurance by health care service providers
4 shall not be subject to an action for civil damages or other relief as
5 a result of such activity.

6 (3) Information and documents, including complaints and incident
7 reports, created, collected, and maintained about health care providers
8 arising out of the matters that are under review or have been evaluated
9 by a review committee conducting quality assurance reviews or that are
10 related to general quality assurance activities are not subject to
11 discovery or introduction into evidence in any civil action, and no
12 person who was in attendance at a meeting of such committee or board or
13 quality assurance activities shall be permitted or required to testify
14 in any civil action as to the content of such proceedings or
15 activities. This subsection does not preclude: (a) In any civil
16 action, the testimony of any person concerning the facts which form the
17 basis for the institution of such proceedings of which the person had
18 personal knowledge acquired independently of such proceedings; (b) in
19 any civil action by a health care provider regarding the restriction or
20 revocation of that individual's clinical or staff privileges,
21 introduction into evidence information collected and maintained by
22 quality assurance committees regarding such health care provider; (c)
23 in any civil action, disclosure of the fact that staff privileges were
24 terminated or restricted, including the specific restrictions imposed,
25 if any; or (d) in any civil action, discovery and introduction into
26 evidence of the patient's medical records required by regulation of the
27 department of health to be made regarding the care and treatment
28 received.

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

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

1 this subsection is punishable by a civil penalty not to exceed two
2 hundred fifty dollars.

3 (6) Violation of this section shall not be considered negligence
4 per se.

5 NEW SECTION. **Sec. 611.** DEPARTMENT OF HEALTH STUDY. By December
6 1, 1993, the department of health, in cooperation with the board of
7 health, shall evaluate and make recommendations to the governor and the
8 legislature concerning additional medical facilities, such as
9 ambulatory surgical centers and medical clinics, which should be
10 subject to licensing by the state.

11 NEW SECTION. **Sec. 612.** REVIEW BY LEGISLATIVE BUDGET COMMITTEE.
12 By December 1, 1993, the legislative budget committee shall complete an
13 evaluation of the specific recommendations submitted November 30, 1992,
14 to the governor and the legislature by the Washington health care
15 commission, dealing with the health care liability system. This
16 evaluation should extend to any legislative or executive agency
17 response or action, including that of private agencies or professional
18 associations, based upon any of the seventeen prevention and process
19 strategies. The committee shall report its findings, together with any
20 new recommendations related to the health care liability system the
21 committee may adopt, to the governor and the chairs of the judiciary
22 committee of the house of representatives and the law and justice
23 committee of the senate prior to the 1994 session of the legislature.

24 **PART VII - PUBLIC HEALTH SERVICES IMPROVEMENT PLAN**

25 NEW SECTION. **Sec. 701.** A new section is added to chapter 43.70
26 RCW to read as follows:

27 PUBLIC HEALTH SERVICES IMPROVEMENT PLAN. (1) The department of
28 health shall develop, in consultation with local health departments and
29 districts, the state board of health, the health services commission,
30 and other state agencies, health services providers, and citizens
31 concerned about public health, a public health services improvement
32 plan. The plan should provide a detailed accounting of deficits in the
33 current public health system, how any additional public health funding
34 would be used, describe the benefits expected from any new

1 expenditures, and outline appropriate funding sources for any proposed
2 expenditure.

3 (2) The plan shall include:

4 (a) Definition of minimum standards for public health protection;

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

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

8 (iii) An analysis of the costs and benefits expected from adopting
9 minimum public health standards;

10 (b) Evaluation of governance and funding issues affecting public
11 health;

12 (i) Analysis of current financial, administrative, and governance
13 structures in the public health system;

14 (ii) Recommendations on the funding responsibilities of state and
15 local government for public health;

16 (iii) Recommendations for improving the efficiency of the system
17 including how duplication of services will be avoided and the role of
18 nongovernmental agencies; and

19 (c) Recommended strategies and a schedule for improving public
20 health programs throughout the state, including:

21 (i) Strategies for transferring personal care services from the
22 public health system, into the personal care system where feasible; and

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

25 (3) By December 1, 1993, the department shall provide initial
26 recommendations of the public health services improvement plan to the
27 legislature regarding minimum public health standards, governance
28 issues, and public health programs needed to address urgent needs, such
29 as those cited in the state health report.

30 (4) By December 1, 1994, the department shall present the public
31 health services plan to the legislature, with specific recommendations
32 for each element of the plan to be implemented over the period from
33 1995 through 1999.

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

37 (6) Among the specific population-based public health activities to
38 be considered in the public health services improvement plan are:
39 Health data assessment and chronic and infectious disease surveillance;

1 rapid response to outbreaks of communicable disease; efforts to prevent
2 and control specific communicable diseases, such as tuberculosis and
3 acquired immune deficiency syndrome; health education to promote
4 healthy behaviors and to reduce the prevalence of chronic disease, such
5 as those linked to the use of tobacco; access to primary care; programs
6 to ensure children are born as healthy as possible and they receive
7 immunizations and adequate nutrition; efforts to prevent intentional
8 and unintentional injury; programs to ensure the safety of drinking
9 water and food supplies; assurance that health care providers are
10 appropriately trained and health services are provided safely, and
11 other activities that have the potential to improve the health of the
12 population or special populations and reduce the need for or cost of
13 health services.

14 NEW SECTION. **Sec. 702.** The sum of two hundred ninety thousand
15 dollars, or as much thereof as may be necessary, is appropriated for
16 the biennium ending June 30, 1995, from the health services trust fund
17 to the department of health to carry out the activities and purposes
18 set forth in section 701 of this act.

19 **PART VIII - EXECUTIVE AGENCY INITIATIVE**

20 NEW SECTION. **Sec. 801.** A new section is added to Title 51 RCW to
21 read as follows:

22 The workers' compensation advisory committee shall conduct a study
23 of the relationship between workers' compensation and the uniform
24 benefits package being developed by the Washington health services
25 commission established by section 103 of this act. This study shall
26 examine issues such as twenty-four hour coverage, the connection
27 between medical benefits and disability benefits, the possibility of a
28 common premium for health services and workers' compensation coverage,
29 the impact of allowing private insurers to provide medical benefits to
30 injured workers, and any other relevant issues.

31 The workers' compensation advisory committee shall, by January 1,
32 1994, formulate such recommendations as it deems appropriate. These
33 recommendations shall be reported to the Washington health services
34 commission.

1 NEW SECTION. **Sec. 802.** The sum of two hundred thousand dollars,
2 or as much thereof as may be necessary, is appropriated for the
3 biennium ending June 30, 1995, from the medical aid fund and the
4 accident fund to the department of labor and industries to offset the
5 costs of the study.

6 **PART IX - INDIVIDUAL AND EMPLOYER RESPONSIBILITIES**

7 NEW SECTION. **Sec. 901.** FINDINGS, INTENT, AND PRINCIPLES. The
8 legislature finds that: It is in the state's interest that access to
9 health services be made available to all of the residents of the state.
10 Expanding access is a necessary part of both health care cost
11 containment and improved health outcomes. This expansion is the
12 responsibility of individuals, employers, and government.

13 A healthy and productive work force is part of the foundation of
14 the economy of the state of Washington. Primary and preventive
15 services can protect and prolong the health of employees. The cost of
16 medical care in cases of sudden need may consume all or an excessive
17 part of an employee's resources and compromise the employee's ability
18 to maintain a home for his or her family. Prepaid health coverage
19 through a certified health plan provides protection for these
20 employees. Although most employees in the state already enjoy coverage
21 of this type either by virtue of collective bargaining agreements,
22 employer-sponsored plans, or individual initiative, there is a need to
23 extend that protection to workers and their dependents who at present
24 do not possess any or possess only inadequate coverage. Smaller
25 business firms are important to economic growth in this state, and it
26 is in the interest of the state that small firms be given special
27 consideration as an expanded requirement is placed on employers.

28 The intent of this chapter is to enumerate the responsibilities of
29 individuals and employers.

30 NEW SECTION. **Sec. 902.** DEFINITIONS. In this chapter, unless the
31 context otherwise requires:

32 (1) "Commission" means the Washington health services commission
33 created under section 103 of this act.

34 (2) "Chair" means the chair of the Washington health services
35 commission.

1 (3) An "employer" means an employer as defined in Title 50 RCW. If
2 an individual is concurrently an employee of two or more employers, the
3 principal employer is the employer who pays the employee the most
4 wages. If one of the employers who does not pay the most wages employs
5 the employee for at least thirty-five hours per week the employee may
6 determine that employer to be his or her principal employer. All other
7 employers are secondary employers. An employer so designated as the
8 principal employer shall remain the principal employer for one year or
9 until a change of employment, whichever is earlier.

10 (4) An "employee" means a person who is in the employment, as
11 defined in chapter 50.04 RCW, of an employer and a resident of the
12 state of Washington. A full-time employee is an employee who is
13 employed at least eighty hours during a calendar month.

14 NEW SECTION. **Sec. 903.** INDIVIDUAL RESPONSIBILITY. (1) All
15 residents must participate in a health system so that access may be
16 improved and so that costs may be controlled. It is the responsibility
17 of individuals to participate in available and affordable health
18 insurance.

19 (2) All residents of the state of Washington are required to
20 participate in a certified health plan no later than March 1, 1997.
21 Residents who have health coverage through self-insured employer plans
22 shall be deemed to meet this requirement.

23 (3) The Washington health services commission established under
24 section 103 of this act shall monitor the enrollment of individuals
25 into certified health plans and shall make public periodic reports
26 concerning the number of persons enrolled and not enrolled, the reasons
27 why individuals are not enrolled, recommendations to reduce the number
28 of persons not enrolled, and recommendations regarding enforcement of
29 this provision.

30 NEW SECTION. **Sec. 904.** EMPLOYER RESPONSIBILITY. (1) On July 1,
31 1994, every employer employing more than five hundred full-time
32 employees shall offer a certified health plan to all full-time
33 employees. The employer shall be required to pay no less than fifty
34 percent and no more than ninety-five percent of the premium cost of the
35 lowest cost available certified health plan as determined by the
36 commission. On July 1, 1995, all dependents of full-time employees of
37 these firms shall be offered a certified health plan with the employer

1 paying no less than fifty percent and no more than ninety-five percent
2 of the premium of the lowest cost certified health plan.

3 (2) By July 1, 1995, every employer employing more than one hundred
4 full-time employees shall offer a certified health plan to all full-
5 time employees. The employer shall be required to pay no less than
6 fifty percent and no more than ninety-five percent of the premium cost
7 of the lowest cost available certified health plan as determined by the
8 commission. On July 1, 1996, all dependents of full-time employees in
9 these firms shall be offered a certified health plan with the employer
10 paying no less than fifty percent and no more than ninety-five percent
11 of the premium of the lowest cost plan.

12 (3) By July 1, 1996, every employer shall offer a certified health
13 plan to all full-time employees. The employer shall be required to pay
14 no less than fifty percent and no more than ninety-five percent of the
15 premium cost of the lowest cost available certified health plan as
16 determined by the commission. On July 1, 1997, all dependents of full-
17 time employees in all firms shall be offered a certified health plan
18 with the employer paying no less than fifty percent and no more than
19 ninety-five percent of the premium of the lowest cost plan.

20 (4) In lieu of offering coverage for employees and their
21 dependents, an employer may combine the employer contribution with that
22 of the employee's contribution and pay the full cost of the basic
23 health plan benefit to the basic health plan within guidelines set by
24 the plan administrators. The administrator of the basic health plan
25 may require all or a substantial majority of the eligible employees of
26 such businesses to enroll in the plan and establish those procedures
27 necessary to facilitate the orderly enrollment of groups in the plan
28 and into a managed health care system. Enrollment in the basic health
29 plan is authorized via the mechanism under this subsection,
30 notwithstanding the provisions of RCW 70.47.060 concerning the maximum
31 size of firms allowed to enroll.

32 NEW SECTION. **Sec. 905.** EMPLOYERS OFFERING COVERAGE. The employer
33 shall offer the coverage required in this chapter for any full-time
34 employee and his or her dependents when the employee has been an
35 employee for two consecutive weeks.

36 An employer who has been notified by the employee, on a form
37 prescribed by the commission, that they are not the principal employer
38 shall be relieved of the duty of providing the coverage required by

1 this chapter until they are subsequently notified by the employee that
2 they have become the principal employer. In the event two adults in a
3 family are full-time employees, their dependents shall be covered by
4 both employers in an equitable fashion. The commission shall establish
5 by rule a mechanism for sharing the cost of dependents.

6 NEW SECTION. **Sec. 906.** SELF-INSURED EMPLOYERS--EMPLOYEE
7 RETIREMENT INCOME SECURITY ACT OF 1974. Employers who provide self-
8 insured coverage now regulated by the employee retirement income
9 security act of 1974 shall not be subject to the requirements in this
10 chapter until a change in the employee retirement income security act
11 of 1974 is accomplished.

12 The governor with the assistance of the commission shall seek
13 changes in the employee retirement income security act of 1974 to
14 ensure that all employees and their dependents in the state have
15 sufficient health coverage as determined by the commission.

16 NEW SECTION. **Sec. 907.** PENALTIES. Any employer who fails to
17 offer coverage as required by this chapter shall be liable to pay for
18 the health care costs incurred by an eligible employee or dependent
19 during the period in which the employer failed to offer coverage.

20 If an employer fails to comply with this chapter, he or she shall
21 pay a penalty at a rate of 1.25 times the cost of the lowest cost
22 certified health plan calculated on a daily basis. The penalty shall
23 be assessed under rules established under this section and shall be
24 deposited in the premium supplementation trust fund.

25 NEW SECTION. **Sec. 908.** PREMIUM SUPPLEMENTATION TRUST FUND
26 CREATED--ASSISTANCE FOR SMALL BUSINESS. (1) The premium
27 supplementation trust fund is created in the custody of the treasurer.
28 Expenditures from the fund may be used only for the supplementation of
29 premiums paid to certified health plans by small businesses. All
30 premium supplementation payable under this section shall be paid from
31 this fund. The fund shall consist of all money appropriated by the
32 state for premium supplementation and all fines and penalties collected
33 pursuant to this chapter.

34 (2) The commission shall, subject to appropriation or subject to
35 the availability of unappropriated funds, establish a premium

1 supplementation program to assist employers severely impacted by the
2 requirements of this chapter.

3 (a) The program shall, subject to available funds, provide
4 assistance to employers with fewer than ten employees and a total
5 profit of less than fifty thousand dollars for supplementing the
6 premiums paid to certified health plans. An employer shall be eligible
7 for subsidization of that portion of premium costs above five percent
8 of employee wages, hereby termed "excess premium costs." Only that
9 portion of excess premium costs above ten percent of an employer's
10 total profit may be subsidized.

11 (b) An employer qualifying for the supplementation shall file a
12 claim in the manner set out in rule by the commission.

13 (c) For the purposes of this section "total profit" means the sum
14 of any profit, income of owners, wages of highly compensated employees,
15 and retained earnings directly attributable to the business in which
16 such employees are employed.

17 NEW SECTION. **Sec. 909.** RESPONSIBILITY OF HEALTH SERVICES
18 COMMISSION. The chair of the Washington health services commission
19 shall administer and enforce this chapter. The commission shall adopt
20 necessary rules in accordance with chapter 34.05 RCW to carry out the
21 purposes of this chapter.

22 NEW SECTION. **Sec. 910.** NEW CHAPTER CREATED IN TITLE 70 RCW.
23 Sections 901 through 909 of this act shall constitute a new chapter in
24 Title 70 RCW.

25 **PART X - TAXES FOR HEALTH SERVICES TRUST FUND**

26 NEW SECTION. **Sec. 1001.** HEALTH SERVICES TRUST FUND CREATED. The
27 health services trust fund is created in the custody of the state
28 treasurer. All designated receipts generated under the provisions of
29 sections 1002 through 1004 of this act and RCW 48.14.020, 82.26.020,
30 82.24.020, 82.08.150, 82.08.160, 66.08.180, 66.24.210, 66.24.290, and
31 41.16.050 shall be deposited in the health services trust fund, subject
32 to appropriation. Expenditures from the fund may be used only for the
33 enrollment of those individuals or families that require a subsidy in
34 the Washington basic health plan, the support of activities of the
35 commission established under this chapter, and such other public

1 programs engaged in the delivery or provision of health services as the
2 legislature may deem appropriate.

3 NEW SECTION. **Sec. 1002.** A new section is added to chapter 48.14
4 RCW to read as follows:

5 (1) Each health care service contractor, as defined in RCW
6 48.44.010(3), shall on or before March 1, 1995, and the first day of
7 March of each year thereafter, pay to the state treasurer through the
8 commissioner's office a tax on prepayments for health care services.
9 Such tax shall be in the amount of one and fifty-five one-hundredths
10 percent of all prepayments for health care services collected or
11 received by the health care service contractor during the preceding
12 calendar year.

13 (2) Health care service contractors shall prepay the tax due under
14 this section. The minimum amount of the prepayments shall be
15 percentages of the health care service contractor's tax obligation for
16 the preceding calendar year recomputed using the rate in effect for the
17 current year: PROVIDED, That the minimum amount of prepayments due
18 during calendar year 1994 shall be calculated as if the tax had been in
19 effect during calendar year 1993. The tax prepayments shall be paid to
20 the state treasurer through the commissioner's office by the due dates
21 and in the following amounts:

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

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

29 (3) The state treasurer upon receipt of taxes collected and
30 remitted under this section shall credit fifty-five and seventy-seven
31 one-hundredths percent of the sums collected and remitted to the state
32 general fund, forty-one and ninety-one one-hundredths percent of the
33 sums collected and remitted to the health services trust fund created
34 under section 1001 of this act, one and twenty-three one-hundredths
35 percent of the sums collected and remitted to the volunteer fire
36 fighters' relief and pension principal fund created under RCW
37 41.24.030, and one and nine one-hundredths percent of the sums

1 collected and remitted to the firemen's pension fund created under RCW
2 41.16.050.

3 NEW SECTION. **Sec. 1003.** A new section is added to chapter 48.14
4 RCW to read as follows:

5 (1) Each health maintenance organization, as defined in RCW
6 48.46.020(1), shall on or before March 1, 1995, and the first day of
7 March of each year thereafter, pay to the state treasurer through the
8 commissioner's office a tax on prepayments for health care services.
9 Such tax shall be in the amount of one and fifty-five one-hundredths
10 percent of all prepayments for health care services collected or
11 received by the health maintenance organization during the preceding
12 calendar year.

13 (2) Health maintenance organizations shall prepay the tax due
14 under this section. The minimum amount of the prepayments shall be
15 percentages of the health maintenance organization's tax obligation for
16 the preceding calendar year recomputed using the rate in effect for the
17 current year: PROVIDED, That the minimum amount of prepayments due
18 during calendar year 1994 shall be calculated as if the tax had been in
19 effect during calendar year 1993. The tax prepayments shall be paid to
20 the state treasurer through the commissioner's office by the due dates
21 and in the following amounts:

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

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

29 (3) The state treasurer upon receipt of taxes collected and
30 remitted under this section shall credit fifty-five and seventy-seven
31 one-hundredths percent of the sums collected and remitted to the state
32 general fund, forty-one and ninety-one one-hundredths percent of the
33 sums collected and remitted to the health services trust fund created
34 under section 1001 of this act, one and twenty-three one-hundredths
35 percent of the sums collected and remitted to the volunteer fire
36 fighters' relief and pension principal fund created under RCW
37 41.24.030, and one and nine one-hundredths percent of the sums

1 collected and remitted to the firemen's pension fund created under RCW
2 41.16.050.

3 NEW SECTION. **Sec. 1004.** A new section is added to chapter 82.04
4 RCW to read as follows:

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

9 **Sec. 1005.** RCW 48.14.020 and 1986 c 296 s 1 are each amended to
10 read as follows:

11 (1) Subject to other provisions of this chapter, each authorized
12 insurer except title insurers shall on or before the first day of March
13 of each year pay to the state treasurer through the commissioner's
14 office a tax on premiums. Except as provided in subsection (2) of this
15 section, such tax shall be in the amount of (~~two~~) one and fifty-five
16 one-hundredths percent of all premiums, excluding amounts returned to
17 or the amount of reductions in premiums allowed to holders of
18 industrial life policies for payment of premiums directly to an office
19 of the insurer, collected or received by the insurer during the
20 preceding calendar year other than ocean marine and foreign trade
21 insurances, after deducting premiums paid to policyholders as returned
22 premiums, upon risks or property resident, situated, or to be performed
23 in this state. For the purposes of this section the consideration
24 received by an insurer for the granting of an annuity shall not be
25 deemed to be a premium.

26 (2) In the case of insurers which require the payment by their
27 policyholders at the inception of their policies of the entire premium
28 thereon in the form of premiums or premium deposits which are the same
29 in amount, based on the character of the risks, regardless of the
30 length of term for which such policies are written, such tax shall be
31 in the amount of (~~two~~) one and fifty-five one-hundredths percent of
32 the gross amount of such premiums and premium deposits upon policies on
33 risks resident, located, or to be performed in this state, in force as
34 of the thirty-first day of December next preceding, less the unused or
35 unabsorbed portion of such premiums and premium deposits computed at
36 the average rate thereof actually paid or credited to policyholders or

1 applied in part payment of any renewal premiums or premium deposits on
2 one-year policies expiring during such year.

3 (3) Each authorized insurer shall with respect to all ocean marine
4 and foreign trade insurance contracts written within this state during
5 the preceding calendar year, on or before the first day of March of
6 each year pay to the state treasurer through the commissioner's office
7 a tax of ninety-five one-hundredths of one percent on its gross
8 underwriting profit. Such gross underwriting profit shall be
9 ascertained by deducting from the net premiums (i.e., gross premiums
10 less all return premiums and premiums for reinsurance) on such ocean
11 marine and foreign trade insurance contracts the net losses paid (i.e.,
12 gross losses paid less salvage and recoveries on reinsurance ceded)
13 during such calendar year under such contracts. In the case of
14 insurers issuing participating contracts, such gross underwriting
15 profit shall not include, for computation of the tax prescribed by this
16 subsection, the amounts refunded, or paid as participation dividends,
17 by such insurers to the holders of such contracts.

18 (4) The state does hereby preempt the field of imposing excise or
19 privilege taxes upon insurers or their agents, other than title
20 insurers, and no county, city, town or other municipal subdivision
21 shall have the right to impose any such taxes upon such insurers or
22 their agents.

23 (5) If an authorized insurer collects or receives any such premiums
24 on account of policies in force in this state which were originally
25 issued by another insurer and which other insurer is not authorized to
26 transact insurance in this state on its own account, such collecting
27 insurer shall be liable for and shall pay the tax on such premiums.

28 (6) This section shall be effective as to and shall govern the
29 payment of all taxes due for calendar year 1994 and thereafter.

30 **Sec. 1006.** RCW 82.26.020 and 1983 2nd ex.s. c 3 s 16 are each
31 amended to read as follows:

32 (1) (~~From and after June 1, 1971,~~) There is levied and there
33 shall be collected a tax upon the sale, use, consumption, handling, or
34 distribution of all tobacco products in this state at the rate of (a)
35 forty-five percent, and (b) effective July 1, 1993, an additional nine
36 and five-tenths percent, of the wholesale sales price of such tobacco
37 products. Such tax shall be imposed at the time the distributor
38 ((+a)) (i) brings, or causes to be brought, into this state from

1 without the state tobacco products for sale, (~~(b)~~) (ii) makes,
2 manufactures, or fabricates tobacco products in this state for sale in
3 this state, or (~~(e)~~) (iii) ships or transports tobacco products to
4 retailers in this state, to be sold by those retailers.

5 (2) An additional tax is imposed equal to the rate specified in RCW
6 82.02.030 multiplied by the tax payable under subsection (1)(a) of this
7 section.

8 (3) The moneys collected under subsection (1)(b) of this section
9 shall be deposited in the health services trust fund created under
10 section 1001 of this act.

11 **Sec. 1007.** RCW 82.24.020 and 1989 c 271 s 504 are each amended to
12 read as follows:

13 (1) There is levied and there shall be collected as hereinafter
14 provided, a tax upon the sale, use, consumption, handling, possession
15 or distribution of all cigarettes, in an amount equal to the rate of
16 (a) eleven and one-half mills per cigarette, and (b) effective July 1,
17 1993, an additional two and one-half mills per cigarette.

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

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

29 (4) For purposes of this chapter, "possession" shall mean both (a)
30 physical possession by the purchaser and, (b) when cigarettes are being
31 transported to or held for the purchaser or his designee by a person
32 other than the purchaser, constructive possession by the purchaser or
33 his designee, which constructive possession shall be deemed to occur at
34 the location of the cigarettes being so transported or held.

35 (5) The moneys collected under subsection (1)(b) of this section
36 shall be deposited in the health services trust fund created under
37 section 1001 of this act.

1 **Sec. 1008.** RCW 82.08.150 and 1989 c 271 s 503 are each amended to
2 read as follows:

3 (1) There is levied and shall be collected a tax upon each retail
4 sale of spirits, or strong beer in the original package at the rate of
5 (a) fifteen percent, and (b) effective July 1, 1993, an additional one
6 and seven-tenths percent, of the selling price. The tax imposed in
7 this subsection shall apply to all such sales including sales by the
8 Washington state liquor stores and agencies, but excluding sales to
9 class H licensees.

10 (2) There is levied and shall be collected a tax upon each sale of
11 spirits, or strong beer in the original package at the rate of (a) ten
12 percent, and (b) effective July 1, 1993, an additional one and one-
13 tenth percent, of the selling price on sales by Washington state liquor
14 stores and agencies to class H licensees.

15 (3) There is levied and shall be collected an additional tax upon
16 each retail sale of spirits in the original package at the rate of (a)
17 one dollar and seventy-two cents, and (b) effective July 1, 1993, an
18 additional twenty cents, per liter. The additional tax imposed in this
19 subsection shall apply to all such sales including sales by Washington
20 state liquor stores and agencies, and including sales to class H
21 licensees.

22 (4) An additional tax is imposed equal to the rate specified in RCW
23 82.02.030 multiplied by the taxes payable under subsections (1)(a),
24 (2)(a), and (3)(a) of this section.

25 (5) Until July 1, 1995, an additional tax is imposed upon each
26 retail sale of spirits in the original package at the rate of seven
27 cents per liter. The additional tax imposed in this subsection shall
28 apply to all such sales including sales by Washington state liquor
29 stores and agencies, and including sales to class H licensees. All
30 revenues collected during any month from this additional tax shall be
31 deposited in the drug enforcement and education account under RCW
32 69.50.520 by the twenty-fifth day of the following month.

33 (6) The tax imposed in RCW 82.08.020, as now or hereafter amended,
34 shall not apply to sales of spirits or strong beer in the original
35 package.

36 (7) The taxes imposed in this section shall be paid by the buyer to
37 the seller, and each seller shall collect from the buyer the full
38 amount of the tax payable in respect to each taxable sale under this
39 section. The taxes required by this section to be collected by the

1 seller shall be stated separately from the selling price and for
2 purposes of determining the tax due from the buyer to the seller, it
3 shall be conclusively presumed that the selling price quoted in any
4 price list does not include the taxes imposed by this section.

5 (8) As used in this section, the terms, "spirits," "strong beer,"
6 and "package" shall have the meaning ascribed to them in chapter 66.04
7 RCW.

8 (9) The moneys collected under subsections (1)(b), (2)(b), and
9 (3)(b) of this section shall be deposited into the health services
10 trust fund created under section 1001 of this act.

11 **Sec. 1009.** RCW 82.08.160 and 1982 1st ex.s. c 35 s 4 are each
12 amended to read as follows:

13 On or before the twenty-fifth day of each month, all taxes
14 collected under RCW 82.08.150 during the preceding month shall be
15 remitted to the state department of revenue, to be deposited with the
16 state treasurer. Upon receipt of such moneys the state treasurer shall
17 credit one hundred percent of the sums collected and remitted under RCW
18 82.08.150 (1)(b), (2)(b), and (3)(b) to the health services trust fund
19 created under section 1001 of this act; sixty-five percent of the sums
20 collected and remitted under RCW 82.08.150 (1)(a) and (2)(a) and one
21 hundred percent of the sums collected and remitted under RCW 82.08.150
22 (3)(a) and (4) to the state general fund; and thirty-five percent of
23 the sums collected and remitted under RCW 82.08.150 (1)(a) and (2)(a)
24 to a fund which is hereby created to be known as the "liquor excise tax
25 fund."

26 **Sec. 1010.** RCW 66.08.180 and 1987 c 458 s 10 are each amended to
27 read as follows:

28 Moneys in the liquor revolving fund shall be distributed by the
29 board at least once every three months in accordance with RCW
30 66.08.190, 66.08.200 and 66.08.210: PROVIDED, That the board shall
31 reserve from distribution such amount not exceeding five hundred
32 thousand dollars as may be necessary for the proper administration of
33 this title: AND PROVIDED FURTHER, That all license fees, penalties and
34 forfeitures derived under this act from class H licenses or class H
35 licensees shall every three months be disbursed by the board as
36 follows:

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

4 (2) 1.75 percent, but in no event less than one hundred fifty
5 thousand dollars per biennium, to the University of Washington to
6 conduct the state toxicological laboratory pursuant to RCW
7 (~~68.08.107~~) 68.50.107;

8 (3) 88.33 percent to the general fund to be used by the department
9 of social and health services solely to carry out the purposes of RCW
10 70.96.085(~~(, as now or hereafter amended)~~);

11 (4) The first fifty-five dollars per license fee provided in RCW
12 66.24.320 and 66.24.330 up to a maximum of one hundred fifty thousand
13 dollars annually shall be disbursed every three months by the board to
14 the general fund to be used for juvenile alcohol and drug prevention
15 programs for kindergarten through third grade to be administered by the
16 superintendent of public instruction;

17 (5) Twenty percent of the remaining total amount derived from
18 license fees pursuant to RCW 66.24.320, 66.24.330, 66.24.340,
19 66.24.350, 66.24.360, and 66.24.370, shall be transferred to the
20 general fund to be used by the department of social and health services
21 solely to carry out the purposes of RCW 70.96.085; and

22 (6) One-fourth cent per liter of the tax imposed by RCW 66.24.210,
23 except for the additional tax under RCW 66.24.210(5), shall every three
24 months be disbursed by the board to Washington State University solely
25 for wine and wine grape research, extension programs related to wine
26 and wine grape research, and resident instruction in both wine grape
27 production and the processing aspects of the wine industry in
28 accordance with RCW 28B.30.068. The director of financial management
29 shall prescribe suitable accounting procedures to ensure that the funds
30 transferred to the general fund to be used by the department of social
31 and health services and appropriated are separately accounted for.

32 **Sec. 1011.** RCW 66.24.210 and 1991 c 192 s 3 are each amended to
33 read as follows:

34 (1) There is hereby imposed upon all wines sold to wine wholesalers
35 and the Washington state liquor control board, within the state a tax
36 at the rate of twenty and one-fourth cents per liter: PROVIDED,
37 HOWEVER, That wine sold or shipped in bulk from one winery to another
38 winery shall not be subject to such tax. The tax provided for in this

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

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

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

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

1 All revenues collected during any month from this additional tax shall
2 be deposited in the drug enforcement and education account under RCW
3 69.50.520 by the twenty-fifth day of the following month.

4 (5) Effective July 1, 1993, an additional tax is imposed on all
5 wine subject to taxes under subsection (1) of this section. The
6 additional tax is equal to four and fifty-four one-hundredths cents per
7 liter on fortified wine as defined in RCW 66.04.010(34) when bottled or
8 packaged by the manufacturer and two and twenty-nine one-hundredths
9 cents per liter on all other wines. All revenues collected from the
10 additional tax imposed under this subsection shall be deposited in the
11 health services trust fund created under section 1001 of this act.

12 **Sec. 1012.** RCW 66.24.290 and 1989 c 271 s 502 are each amended to
13 read as follows:

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

37 (2) An additional tax is imposed equal to the rate specified in RCW
38 82.02.030 multiplied by the tax payable under subsection (1) of this

1 section. All revenues collected during any month from this additional
2 tax shall be transferred to the state general fund by the twenty-fifth
3 day of the following month.

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

10 (4) Effective July 1, 1993, an additional tax is imposed on all
11 beer subject to tax under subsection (1) of this section. The
12 additional tax is equal to forty-eight cents per barrel of thirty-one
13 gallons.

14 (5) The moneys collected under subsection (4) of this section shall
15 be deposited in the health services trust fund created under section
16 1001 of this act.

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

19 **Sec. 1013.** RCW 41.16.050 and 1986 c 296 s 3 are each amended to
20 read as follows:

21 There is hereby created and established in the treasury of each
22 municipality a fund which shall be known and designated as the
23 firemen's pension fund, which shall consist of: (1) All bequests,
24 fees, gifts, emoluments or donations given or paid thereto; (2) forty-
25 five percent of all moneys received by the state from taxes on fire
26 insurance premiums; (3) one and nine one-hundredths percent of all
27 taxes paid by health maintenance organizations under section 1003 of
28 this act; (4) one and nine one-hundredths percent of all taxes paid by
29 health care service contractors under section 1002 of this act; (5)
30 taxes paid pursuant to the provisions of RCW 41.16.060; (~~(4)~~) (6)
31 interest on the investments of the fund; and (~~(5)~~) (7) contributions
32 by firemen as provided for herein. The moneys received from the tax on
33 fire insurance premiums under the provisions of this chapter shall be
34 distributed in the proportion that the number of paid firemen in the
35 city, town or fire protection district bears to the total number of
36 paid firemen throughout the state to be ascertained in the following
37 manner: The secretary of the firemen's pension board of each city,
38 town and fire protection district now or hereafter coming under the

1 provisions of this chapter shall within thirty days after June 7, 1961,
2 and on or before the fifteenth day of January thereafter, certify to
3 the state treasurer the number of paid firemen in the fire department
4 in such city, town or fire protection district. The state treasurer
5 shall on or before the first day of June of each year deliver to the
6 treasurer of each city, town and fire protection district coming under
7 the provisions of this chapter his warrant, payable to each city, town
8 or fire protection district for the amount due such city, town or fire
9 protection district ascertained as herein provided and the treasurer of
10 each such city, town or fire protection district shall place the amount
11 thereof to the credit of the firemen's pension fund of such city, town
12 or fire protection district.

13 **Sec. 1014.** RCW 41.24.030 and 1992 c 97 s 1 are each amended to
14 read as follows:

15 (1) There is created in the state treasury a trust fund for the
16 benefit of the fire fighters of the state covered by this chapter,
17 which shall be designated the volunteer fire fighters' relief and
18 pension principal fund and shall consist of:

19 (a) All bequests, fees, gifts, emoluments, or donations given or
20 paid to the fund.

21 (b) An annual fee for each member of its fire department to be paid
22 by each municipal corporation for the purpose of affording the members
23 of its fire department with protection from death or disability as
24 provided in this chapter as follows:

25 (i) Ten dollars for each volunteer or part-paid member of its fire
26 department;

27 (ii) A sum equal to one and one-half of one percent of the annual
28 salary attached to the rank of each full-paid member of its fire
29 department, prorated for 1970 on the basis of services prior to March
30 1, 1970.

31 (c) Where a municipal corporation has elected to make available to
32 the members of its fire department the retirement provisions as
33 provided in this chapter, an annual fee of sixty dollars for each of
34 its fire fighters electing to enroll therein, thirty dollars of which
35 shall be paid by the municipality and thirty dollars of which shall be
36 paid by the fire fighter.

37 (d) ~~((Forty percent of all moneys received by the state from taxes
38 on fire insurance premiums shall be paid into the state treasury and~~

1 ~~credited to the administrative fund created in subsection (2) of this~~
2 ~~section.~~

3 (~~e~~)) The state investment board, upon request of the state
4 treasurer shall have full power to invest or reinvest such portion of
5 the amounts credited to the principal fund as is not, in the judgment
6 of the treasurer, required to meet current withdrawals. Such
7 investments shall be made in the manner prescribed by RCW 43.84.150 and
8 not otherwise.

9 (~~f~~)) (e) All bonds or other obligations purchased according to
10 (~~e~~)) (d) of this subsection shall be forthwith placed in the custody
11 of the state treasurer, and he or she shall collect the principal
12 thereof and interest thereon when due.

13 The state investment board may sell any of the bonds or obligations
14 so acquired and the proceeds thereof shall be paid to the state
15 treasurer.

16 The interest and proceeds from the sale and redemption of any bonds
17 or other obligations held by the fund and invested by the state
18 investment board shall be credited to and form a part of the principal
19 fund, less the allocation to the state investment board expense account
20 pursuant to RCW 43.33A.160.

21 All amounts credited to the principal fund shall be available for
22 making the benefit payments required by this chapter.

23 The state treasurer shall make an annual report showing the
24 condition of the fund.

25 (2) The volunteer fire fighters' relief and pension administrative
26 fund is hereby created in the state treasury, and shall consist of
27 forty percent of all moneys received by the state from taxes on fire
28 insurance premiums, one and twenty-three one-hundredths percent of all
29 taxes paid by health maintenance organizations under section 1003 of
30 this act, and one and twenty-three one-hundredths percent of all taxes
31 paid by health care service contractors under section 1002 of this act.
32 Moneys in the account, including unanticipated revenues under RCW
33 43.79.270, may be spent only after appropriation, and may be used only
34 for operating expenses of the volunteer fire fighters' relief and
35 pension principal fund, the operating expenses of the volunteer fire
36 fighters' relief and pension administrative fund, or for transfer from
37 the administrative fund to the principal fund.

38 (a) The state board shall compute a percentage of the amounts
39 credited to the administrative fund to be paid into the principal fund.

1 (b) For the purpose of providing amounts to be used to defray the
2 cost of administration of the principal and administrative funds, the
3 state board shall ascertain at the beginning of each biennium and
4 request from the legislature an appropriation from the administrative
5 fund sufficient to cover estimated expenses for the biennium.

6 NEW SECTION. **Sec. 1015.** (1) Sections 1001 and 1006 through 1012
7 of this act are necessary for the immediate preservation of the public
8 peace, health, or safety, or support of the state government and its
9 existing public institutions, and shall take effect July 1, 1993.

10 (2) Sections 1002, 1003, 1004, 1013, and 1014 of this act shall
11 take effect January 1, 1994.

12 NEW SECTION. **Sec. 1016.** Table of contents, part headings, and
13 section captions as used in this act constitute no part of the law.

14 NEW SECTION. **Sec. 1017.** If any provision of this act or its
15 application to any person or circumstance is held invalid, the
16 remainder of the act or the application of the provision to other
17 persons or circumstances is not affected.

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