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5 On page 22, after line 28 of the amendment, insert the following:

6 "NEW SECTION. Sec. 205. A new section is added to chapter 48.43
7 RCW to read as follows:

8 POINT-OF-SERVICE PLAN OPTION. As of January 1, 1998, every health
9 carrier that offers a managed care plan, as defined in rule by the
10 commissioner, to an individual, employer, or other group shall offer a
11 point-of-service plan option, whereby a covered person may elect to
12 receive plan health care services from a provider or facility not
13 contracting with the carrier under the covered person's plan. The
14 carrier may charge the covered person an additional cost for receiving
15 such services in a manner determined in rule by the commissioner.

16 **Sec. 206.** RCW 48.46.020 and 1990 c 119 s 1 are each amended to
17 read as follows:

18 As used in this chapter, the terms defined in this section shall
19 have the meanings indicated unless the context indicates otherwise.

20 (1) "Health maintenance organization" means any organization
21 receiving a certificate of registration by the commissioner under this
22 chapter which provides comprehensive health care services, including a
23 point-of-service plan option, pursuant to section 205 of this act, to
24 enrolled participants of such organization on a group practice per
25 capita prepayment basis or on a prepaid individual practice plan,
26 except for an enrolled participant's responsibility for copayments
27 and/or deductibles, either directly or through contractual or other
28 arrangements with other institutions, entities, or persons, and which
29 qualifies as a health maintenance organization pursuant to RCW
30 48.46.030 and 48.46.040.

31 (2) "Comprehensive health care services" means basic consultative,
32 diagnostic, and therapeutic services rendered by licensed health
33 professionals together with emergency and preventive care, inpatient
34 hospital, outpatient and physician care, at a minimum, and any

1 additional health care services offered by the health maintenance
2 organization.

3 (3) "Enrolled participant" means a person who or group of persons
4 which has entered into a contractual arrangement or on whose behalf a
5 contractual arrangement has been entered into with a health maintenance
6 organization to receive health care services.

7 (4) "Health professionals" means health care practitioners who are
8 regulated by the state of Washington.

9 (5) "Health maintenance agreement" means an agreement for services
10 between a health maintenance organization which is registered pursuant
11 to the provisions of this chapter and enrolled participants of such
12 organization which provides enrolled participants with comprehensive
13 health services rendered to enrolled participants by health
14 professionals, groups, facilities, and other personnel associated with
15 the health maintenance organization.

16 (6) "Consumer" means any member, subscriber, enrollee, beneficiary,
17 or other person entitled to health care services under terms of a
18 health maintenance agreement, but not including health professionals,
19 employees of health maintenance organizations, partners, or
20 shareholders of stock corporations licensed as health maintenance
21 organizations.

22 (7) "Meaningful role in policy making" means a procedure approved
23 by the commissioner which provides consumers or elected representatives
24 of consumers a means of submitting the views and recommendations of
25 such consumers to the governing board of such organization coupled with
26 reasonable assurance that the board will give regard to such views and
27 recommendations.

28 (8) "Meaningful grievance procedure" means a procedure for
29 investigation of consumer grievances in a timely manner aimed at mutual
30 agreement for settlement according to procedures approved by the
31 commissioner, and which may include arbitration procedures.

32 (9) "Provider" means any health professional, hospital, or other
33 institution, organization, or person that furnishes any health care
34 services and is licensed or otherwise authorized to furnish such
35 services.

36 (10) "Department" means the state department of social and health
37 services.

38 (11) "Commissioner" means the insurance commissioner.

1 (12) "Group practice" means a partnership, association,
2 corporation, or other group of health professionals:

3 (a) The members of which may be individual health professionals,
4 clinics, or both individuals and clinics who engage in the coordinated
5 practice of their profession; and

6 (b) The members of which are compensated by a prearranged salary,
7 or by capitation payment or drawing account that is based on the number
8 of enrolled participants.

9 (13) "Individual practice health care plan" means an association of
10 health professionals in private practice who associate for the purpose
11 of providing prepaid comprehensive health care services on a fee-for-
12 service or capitation basis.

13 (14) "Uncovered expenditures" means the costs to the health
14 maintenance organization of health care services that are the
15 obligation of the health maintenance organization for which an enrolled
16 participant would also be liable in the event of the health maintenance
17 organization's insolvency and for which no alternative arrangements
18 have been made as provided herein. The term does not include
19 expenditures for covered services when a provider has agreed not to
20 bill the enrolled participant even though the provider is not paid by
21 the health maintenance organization, or for services that are
22 guaranteed, insured, or assumed by a person or organization other than
23 the health maintenance organization.

24 (15) "Copayment" means an amount specified in a subscriber
25 agreement which is an obligation of an enrolled participant for a
26 specific service which is not fully prepaid.

27 (16) "Deductible" means the amount an enrolled participant is
28 responsible to pay out-of-pocket before the health maintenance
29 organization begins to pay the costs associated with treatment.

30 (17) "Fully subordinated debt" means those debts that meet the
31 requirements of RCW 48.46.235(3) and are recorded as equity.

32 (18) "Net worth" means the excess of total admitted assets as
33 defined in RCW 48.12.010 over total liabilities but the liabilities
34 shall not include fully subordinated debt.

35 (19) "Participating provider" means a provider as defined in
36 subsection (9) of this section who contracts with the health
37 maintenance organization or with its contractor or subcontractor and
38 has agreed to provide health care services to enrolled participants
39 with an expectation of receiving payment, other than copayment or

1 deductible, directly or indirectly, from the health maintenance
2 organization.

3 (20) "Carrier" means a health maintenance organization, an insurer,
4 a health care services contractor, or other entity responsible for the
5 payment of benefits or provision of services under a group or
6 individual agreement.

7 (21) "Replacement coverage" means the benefits provided by a
8 succeeding carrier.

9 (22) "Insolvent" or "insolvency" means that the organization has
10 been declared insolvent and is placed under an order of liquidation by
11 a court of competent jurisdiction.

12 (23) "Point-of-service plan option" means an option whereby a
13 covered person may elect to receive plan health care services from a
14 health care provider or health care facility not contracting with the
15 carrier under the covered person's plan in a manner determined by the
16 commissioner.

17 **Sec. 207.** RCW 48.46.030 and 1990 c 119 s 2 are each amended to
18 read as follows:

19 Any corporation, cooperative group, partnership, individual,
20 association, or groups of health professionals licensed by the state of
21 Washington, public hospital district, or public institutions of higher
22 education shall be entitled to a certificate of registration from the
23 insurance commissioner as a health maintenance organization if it:

24 (1) Provides comprehensive health care services, including a point-
25 of-service plan option, pursuant to section 205 of this act, to
26 enrolled participants on a group practice per capita prepayment basis
27 or on a prepaid individual practice plan and provides such health
28 services either directly or through arrangements with institutions,
29 entities, and persons which its enrolled population might reasonably
30 require as determined by the health maintenance organization in order
31 to be maintained in good health; and

32 (2) Is governed by a board elected by enrolled participants, or
33 otherwise provides its enrolled participants with a meaningful role in
34 policy making procedures of such organization, as defined in RCW
35 48.46.020(7), and 48.46.070; and

36 (3) Affords enrolled participants with a meaningful grievance
37 procedure aimed at settlement of disputes between such persons and such

1 health maintenance organization, as defined in RCW 48.46.020(8) and
2 48.46.100; and

3 (4) Provides enrolled participants, or makes available for
4 inspection at least annually, financial statements pertaining to health
5 maintenance agreements, disclosing income and expenses, assets and
6 liabilities, and the bases for proposed rate adjustments for health
7 maintenance agreements relating to its activity as a health maintenance
8 organization; and

9 (5) Demonstrates to the satisfaction of the commissioner that its
10 facilities and personnel are reasonably adequate to provide
11 comprehensive health care services to enrolled participants and that it
12 is financially capable of providing such members with, or has made
13 adequate contractual arrangements through insurance or otherwise to
14 provide such members with, such health services; and

15 (6) Substantially complies with administrative rules and
16 regulations of the commissioner for purposes of this chapter; and

17 (7) Submits an application for a certificate of registration which
18 shall be verified by an officer or authorized representative of the
19 applicant, being in form as the commissioner prescribes, and setting
20 forth:

21 (a) A copy of the basic organizational document, if any, of the
22 applicant, such as the articles of incorporation, articles of
23 association, partnership agreement, trust agreement, or other
24 applicable documents, and all amendments thereto;

25 (b) A copy of the bylaws, rules and regulations, or similar
26 documents, if any, which regulate the conduct of the internal affairs
27 of the applicant, and all amendments thereto;

28 (c) A list of the names, addresses, members of the board of
29 directors, board of trustees, executive committee, or other governing
30 board or committee and the principal officers, partners, or members;

31 (d) A full and complete disclosure of any financial interests held
32 by any officer, or director in any provider associated with the
33 applicant or any provider of the applicant;

34 (e) A description of the health maintenance organization, its
35 facilities and its personnel, and the applicant's most recent financial
36 statement showing such organization's assets, liabilities, income, and
37 other sources of financial support;

1 (f) A description of the geographic areas and the population groups
2 to be served and the size and composition of the anticipated enrollee
3 population;

4 (g) A copy of each type of health maintenance agreement to be
5 issued to enrolled participants;

6 (h) A schedule of all proposed rates of reimbursement to
7 contracting health care facilities or providers, if any, and a schedule
8 of the proposed charges for enrollee coverage for health care services,
9 accompanied by data relevant to the formulation of such schedules;

10 (i) A description of the proposed method and schedule for
11 soliciting enrollment in the applicant health maintenance organization
12 and the basis of compensation for such solicitation services;

13 (j) A copy of the solicitation document to be distributed to all
14 prospective enrolled participants in connection with any solicitation;

15 (k) A financial projection which sets forth the anticipated results
16 during the initial two years of operation of such organization,
17 accompanied by a summary of the assumptions and relevant data upon
18 which the projection is based. The projection should include the
19 projected expenses, enrollment trends, income, enrollee utilization
20 patterns, and sources of working capital;

21 (l) A detailed description of the enrollee complaint system as
22 provided by RCW 48.46.100;

23 (m) A detailed description of the procedures and programs to be
24 implemented to assure that the health care services delivered to
25 enrolled participants will be of professional quality;

26 (n) A detailed description of procedures to be implemented to meet
27 the requirements to protect against insolvency in RCW 48.46.245;

28 (o) Documentation that the health maintenance organization has an
29 initial net worth of one million dollars and shall thereafter maintain
30 the minimum net worth required under RCW 48.46.235; and

31 (p) Such other information as the commissioner shall require by
32 rule or regulation which is reasonably necessary to carry out the
33 provisions of this section.

34 A health maintenance organization shall, unless otherwise provided
35 for in this chapter, file a notice describing any modification of any
36 of the information required by subsection (7) of this section. Such
37 notice shall be filed with the commissioner."

1 Renumber the remaining sections consecutively and correct internal
2 references accordingly.

3 EFFECT: Requires all health carriers to offer a point-of-service
4 plan along with managed care plans.

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