
HOUSE BILL 2632

State of Washington

55th Legislature

1998 Regular Session

By Representatives Cody, Conway, Kenney, O'Brien, Chopp, Kessler, Wood, Ogden, Costa, Murray, Regala, Gombosky and Wolfe; by request of Governor Locke

Read first time 01/16/98. Referred to Committee on Health Care.

1 AN ACT Relating to creating the children's health initiative
2 program; amending RCW 70.47.010, 70.47.020, and 70.47.030; and
3 reenacting and amending RCW 70.47.060.

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

5 **Sec. 1.** RCW 70.47.010 and 1993 c 492 s 208 are each amended to
6 read as follows:

7 (1) The legislature finds that:

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

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

16 (c) The use of managed health care systems has significant
17 potential to reduce the growth of health care costs incurred by the
18 people of this state generally, and by low-income pregnant women, and

1 at-risk children and adolescents who need greater access to managed
2 health care.

3 (2) The purpose of this chapter is to provide or make more readily
4 available necessary basic health care services in an appropriate
5 setting to working persons and others who lack coverage, at a cost to
6 these persons that does not create barriers to the utilization of
7 necessary health care services. To that end, this chapter establishes
8 a program to be made available to those residents not eligible for
9 medicare who share in a portion of the cost or who pay the full cost of
10 receiving basic health care services from a managed health care system.

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

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

26 (b) As a consequence, the legislature intends to extend an option
27 to enroll to certain citizens above two hundred percent of the federal
28 poverty guidelines within the state who reside in communities where the
29 plan is operational and who collectively or individually wish to
30 exercise the opportunity to purchase health care coverage through the
31 basic health plan if the purchase is done at no cost to the state. It
32 is also the intent of the legislature to allow employers and other
33 financial sponsors to financially assist such individuals to purchase
34 health care through the program so long as such purchase does not
35 result in a lower standard of coverage for employees.

36 (c) The legislature intends that, to the extent of available funds,
37 the program be available throughout Washington state to subsidized,
38 children's health initiative, and nonsubsidized enrollees. It is also

1 the intent of the legislature to enroll subsidized enrollees first, to
2 the maximum extent feasible.

3 (d) The legislature directs that the basic health plan
4 administrator identify enrollees who are likely to be eligible for
5 medical assistance and assist these individuals in applying for and
6 receiving medical assistance. The administrator and the department of
7 social and health services shall implement a seamless system to
8 coordinate eligibility determinations and benefit coverage for
9 enrollees of the basic health plan and medical assistance recipients.

10 (e) It is the intent of this chapter that the children's health
11 initiative program provide health care services to children's health
12 initiative enrollees who do not have access to medical assistance and
13 are not insured at the time of enrollment.

14 **Sec. 2.** RCW 70.47.020 and 1997 c 335 s 1 are each amended to read
15 as follows:

16 As used in this chapter:

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

21 (2) "Administrator" means the Washington basic health plan
22 administrator, who also holds the position of administrator of the
23 Washington state health care authority.

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

31 (4) "Subsidized enrollee" means an individual, or an individual
32 plus the individual's spouse or dependent children: (a) Who is not
33 eligible for medicare; (b) who is not confined or residing in a
34 government-operated institution, unless he or she meets eligibility
35 criteria adopted by the administrator; (c) who is not eligible for the
36 children's health initiative program; (d) who resides in an area of the
37 state served by a managed health care system participating in the plan;
38 ((+d)) (e) whose gross family income at the time of enrollment does

1 not exceed twice the federal poverty level as adjusted for family size
2 and determined annually by the federal department of health and human
3 services; and ~~((e))~~ (f) who chooses to obtain basic health care
4 coverage from a particular managed health care system in return for
5 periodic payments to the plan.

6 (5) "Children's health initiative enrollee" means a child enrolled
7 in the children's health initiative program in compliance with P.L.
8 105-33, Subtitle J, the state children's health insurance program under
9 Title XXI: (a) Who is under the age of nineteen; (b) who is not
10 eligible for medicare; (c) who is not confined or residing in a
11 government-operated institution, unless he or she meets eligibility
12 criteria adopted by the administrator; (d) who resides in an area of
13 the state served by a managed health care system participating in the
14 plan; (e) whose gross family income at the time of enrollment exceeds
15 two hundred percent, but does not exceed two hundred fifty percent, of
16 the federal poverty level as adjusted for family size and determined
17 annually by the federal department of health and human services; (f)
18 who meets other eligibility requirements as determined by the
19 administrator; and (g) who chooses to obtain basic health care coverage
20 from a particular managed health care system in return for periodic
21 payments to the plan.

22 (6) "Nonsubsidized enrollee" means an individual, or an individual
23 plus the individual's spouse or dependent children: (a) Who is not
24 eligible for medicare; (b) who is not confined or residing in a
25 government-operated institution, unless he or she meets eligibility
26 criteria adopted by the administrator; (c) who resides in an area of
27 the state served by a managed health care system participating in the
28 plan; (d) who chooses to obtain basic health care coverage from a
29 particular managed health care system; and (e) who pays or on whose
30 behalf is paid the full costs for participation in the plan, without
31 any subsidy from the plan.

32 ~~((6))~~ (7) "Subsidy" means the difference between the amount of
33 periodic payment the administrator makes to a managed health care
34 system on behalf of a subsidized or children's health initiative
35 enrollee plus the administrative cost to the plan of providing the plan
36 to that subsidized or children's health initiative enrollee, and the
37 amount determined to be the subsidized or children's health initiative
38 enrollee's responsibility under RCW 70.47.060(2).

1 (~~(7)~~) (8) "Premium" means a periodic payment, based upon gross
2 family income which an individual, their employer or another financial
3 sponsor makes to the plan as consideration for enrollment in the plan
4 as a subsidized (~~enrollee or a~~), children's health initiative, or
5 nonsubsidized enrollee.

6 (~~(8)~~) (9) "Rate" means the per capita amount, negotiated by the
7 administrator with and paid to a participating managed health care
8 system, that is based upon the enrollment of subsidized, children's
9 health initiative, and nonsubsidized enrollees in the plan and in that
10 system.

11 **Sec. 3.** RCW 70.47.030 and 1995 2nd sp.s. c 18 s 913 are each
12 amended to read as follows:

13 (1) The basic health plan trust account is hereby established in
14 the state treasury. Any nongeneral fund-state funds collected for this
15 program shall be deposited in the basic health plan trust account and
16 may be expended without further appropriation. Moneys in the account
17 shall be used exclusively for the purposes of this chapter, including
18 payments to participating managed health care systems on behalf of
19 enrollees in the plan and payment of costs of administering the plan.

20 During the 1995-97 fiscal biennium, the legislature may transfer
21 funds from the basic health plan trust account to the state general
22 fund.

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

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

1 **Sec. 4.** RCW 70.47.060 and 1997 c 337 s 2, 1997 c 335 s 2, 1997 c
2 245 s 6, and 1997 c 231 s 206 are each reenacted and amended to read as
3 follows:

4 The administrator has the following powers and duties:

5 (1) To design and from time to time revise a schedule of covered
6 basic health care services, including physician services, inpatient and
7 outpatient hospital services, prescription drugs and medications, and
8 other services that may be necessary for basic health care. In
9 addition, the administrator may, to the extent that funds are
10 available, offer as basic health plan services chemical dependency
11 services, mental health services and organ transplant services;
12 however, no one service or any combination of these three services
13 shall increase the actuarial value of the basic health plan benefits by
14 more than five percent excluding inflation, as determined by the office
15 of financial management. All subsidized, children's health initiative,
16 and nonsubsidized enrollees in any participating managed health care
17 system under the Washington basic health plan shall be entitled to
18 receive covered basic health care services in return for premium
19 payments to the plan. The schedule of services shall emphasize proven
20 preventive and primary health care and shall include all services
21 necessary for prenatal, postnatal, and well-child care. However, with
22 respect to coverage for groups of subsidized enrollees who are eligible
23 to receive prenatal and postnatal services through the medical
24 assistance program under chapter 74.09 RCW, the administrator shall not
25 contract for such services except to the extent that such services are
26 necessary over not more than a one-month period in order to maintain
27 continuity of care after diagnosis of pregnancy by the managed care
28 provider. The schedule of services shall also include a separate
29 schedule of basic health care services for children, eighteen years of
30 age and younger, for those subsidized, children's health initiative, or
31 nonsubsidized enrollees who choose to secure basic coverage through the
32 plan only for their dependent children. In designing and revising the
33 schedule of services, the administrator shall consider the guidelines
34 for assessing health services under the mandated benefits act of 1984,
35 RCW ((48.42.080)) 48.47.030, and such other factors as the
36 administrator deems appropriate. The administrator shall design the
37 children's health initiative program with benefit structures that
38 comply with P.L. 105-33, Subtitle J, the state children's health

1 insurance program under Title XXI and that may differ from the benefit
2 structures offered to subsidized and nonsubsidized enrollees.

3 However, with respect to coverage for subsidized enrollees who are
4 eligible to receive prenatal and postnatal services through the medical
5 assistance program under chapter 74.09 RCW, the administrator shall not
6 contract for such services except to the extent that the services are
7 necessary over not more than a one-month period in order to maintain
8 continuity of care after diagnosis of pregnancy by the managed care
9 provider.

10 (2)(a) To design and implement a structure of periodic premiums due
11 the administrator from subsidized and children's health initiative
12 enrollees that is based upon gross family income, giving appropriate
13 consideration to family size and the ages of all family members. The
14 enrollment of children shall not require the enrollment of their parent
15 or parents who are eligible for the plan. The structure of periodic
16 premiums shall be applied to subsidized and children's health
17 initiative enrollees entering the plan as individuals pursuant to
18 subsection (9) of this section and to the share of the cost of the plan
19 due from subsidized enrollees entering the plan as employees pursuant
20 to subsection (~~((10))~~) (11) of this section.

21 (b) To determine the periodic premiums due the administrator from
22 nonsubsidized enrollees. Premiums due from nonsubsidized enrollees
23 shall be in an amount equal to the cost charged by the managed health
24 care system provider to the state for the plan plus the administrative
25 cost of providing the plan to those enrollees and the premium tax under
26 RCW 48.14.0201.

27 (c) An employer or other financial sponsor may, with the prior
28 approval of the administrator, pay the premium, rate, or any other
29 amount on behalf of a subsidized or nonsubsidized enrollee, by
30 arrangement with the enrollee and through a mechanism acceptable to the
31 administrator.

32 (d) To develop, as an offering by every health carrier providing
33 coverage identical to the basic health plan, as configured on January
34 1, 1996, a basic health plan model plan with uniformity in enrollee
35 cost-sharing requirements.

36 (3) To design and implement a structure of enrollee cost sharing
37 due a managed health care system from subsidized, children's health
38 initiative, and nonsubsidized enrollees. The structure shall
39 discourage inappropriate enrollee utilization of health care services,

1 and may utilize copayments, deductibles, and other cost-sharing
2 mechanisms, but shall not be so costly to enrollees as to constitute a
3 barrier to appropriate utilization of necessary health care services.

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

9 (5) To limit the payment of subsidies to subsidized and children's
10 health initiative enrollees, as defined in RCW 70.47.020. The level of
11 subsidy provided to persons who qualify may be based on the lowest cost
12 plans, as defined by the administrator.

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

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

34 (8) To receive periodic premiums from or on behalf of subsidized,
35 children's health initiative, and nonsubsidized enrollees, deposit them
36 in the basic health plan operating account, keep records of enrollee
37 status, and authorize periodic payments to managed health care systems
38 on the basis of the number of enrollees participating in the respective
39 managed health care systems.

1 (9) To accept applications from individuals residing in areas
2 served by the plan, on behalf of themselves and their spouses and
3 dependent children, for enrollment in the Washington basic health plan
4 as subsidized or nonsubsidized enrollees, to establish appropriate
5 minimum-enrollment periods for enrollees as may be necessary, and to
6 determine, upon application and on a reasonable schedule defined by the
7 authority, or at the request of any enrollee, eligibility due to
8 current gross family income for sliding scale premiums. No subsidy may
9 be paid with respect to any enrollee whose current gross family income
10 exceeds twice the federal poverty level or, subject to RCW 70.47.110,
11 who is a recipient of medical assistance or medical care services under
12 chapter 74.09 RCW. If, as a result of an eligibility review, the
13 administrator determines that a subsidized enrollee's income exceeds
14 twice the federal poverty level and that the enrollee knowingly failed
15 to inform the plan of such increase in income, the administrator may
16 bill the enrollee for the subsidy paid on the enrollee's behalf during
17 the period of time that the enrollee's income exceeded twice the
18 federal poverty level. If a number of enrollees drop their enrollment
19 for no apparent good cause, the administrator may establish appropriate
20 rules or requirements that are applicable to such individuals before
21 they will be allowed to reenroll in the plan.

22 (10) To accept applications from individuals residing in areas
23 served by the plan, on behalf of their dependent children, for
24 enrollment as children's health initiative enrollees, to establish
25 appropriate minimum-enrollment periods for enrollees as may be
26 necessary, and to determine, upon application and on a reasonable
27 schedule defined by the authority, or at the request of any enrollee,
28 eligibility due to current gross family income. No assistance may be
29 paid with respect to any children's health initiative enrollee whose
30 current gross family income is less than two hundred percent or greater
31 than two hundred fifty percent of the federal poverty level or, subject
32 to RCW 70.47.110, who is a recipient of medical assistance or medical
33 care services under chapter 74.09 RCW. If, as a result of an
34 eligibility review, the administrator determines that a children's
35 health initiative enrollee's gross family income is greater than two
36 hundred fifty percent of the federal poverty level and that the
37 enrollee knowingly failed to inform the plan of such increase in
38 income, the administrator may bill the enrollee for the assistance paid
39 on the enrollee's behalf during the period of time that the enrollee's

1 gross family income was greater than two hundred fifty percent of the
2 federal poverty level. If a number of enrollees drop their enrollment
3 for no apparent good cause, the administrator may establish appropriate
4 rules or requirements that are applicable to such individuals before
5 they will be allowed to reenroll in the plan.

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

24 ((+11)) (12) To determine the rate to be paid to each
25 participating managed health care system in return for the provision of
26 covered basic health care services to enrollees in the system.
27 Although the schedule of covered basic health care services will be the
28 same for similar enrollees, the rates negotiated with participating
29 managed health care systems may vary among the systems. In negotiating
30 rates with participating systems, the administrator shall consider the
31 characteristics of the populations served by the respective systems,
32 economic circumstances of the local area, the need to conserve the
33 resources of the basic health plan trust account, and other factors the
34 administrator finds relevant.

35 ((+12)) (13) To monitor the provision of covered services to
36 enrollees by participating managed health care systems in order to
37 assure enrollee access to good quality basic health care, to require
38 periodic data reports concerning the utilization of health care
39 services rendered to enrollees in order to provide adequate information

1 for evaluation, and to inspect the books and records of participating
2 managed health care systems to assure compliance with the purposes of
3 this chapter. In requiring reports from participating managed health
4 care systems, including data on services rendered enrollees, the
5 administrator shall endeavor to minimize costs, both to the managed
6 health care systems and to the plan. The administrator shall
7 coordinate any such reporting requirements with other state agencies,
8 such as the insurance commissioner and the department of health, to
9 minimize duplication of effort.

10 (~~(13)~~) (14) To evaluate the effects this chapter has on private
11 employer-based health care coverage and to take appropriate measures
12 consistent with state and federal statutes that will discourage the
13 reduction of such coverage in the state.

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

17 (~~(15)~~) (16) To provide, consistent with available funding,
18 assistance for rural residents, underserved populations, and persons of
19 color.

20 (~~(16)~~) (17) In consultation with appropriate state and local
21 government agencies, to establish criteria defining eligibility for
22 persons confined or residing in government-operated institutions.

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