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**SUBSTITUTE SENATE BILL 5125**

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**State of Washington**

**55th Legislature**

**1997 Regular Session**

**By** Senate Committee on Health & Long-Term Care (originally sponsored by Senators Deccio, Wojahn and Winsley; by request of Department of Social and Health Services)

Read first time 03/03/97.

1 AN ACT Relating to statutory authority to revise medical assistance  
2 managed care contracting under federal demonstration waivers granted  
3 under section 1115; amending RCW 74.09.522; repealing RCW 48.46.150;  
4 and declaring an emergency.

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

6 **Sec. 1.** RCW 74.09.522 and 1989 c 260 s 2 are each amended to read  
7 as follows:

8 (1) For the purposes of this section, "managed health care system"  
9 means any health care organization, including health care providers,  
10 insurers, health care service contractors, health maintenance  
11 organizations, health insuring organizations, or any combination  
12 thereof, that provides directly or by contract health care services  
13 covered under RCW 74.09.520 and rendered by licensed providers, on a  
14 prepaid capitated (~~case management~~) basis and that meets the  
15 requirements of section 1903(m)(1)(A) of Title XIX of the federal  
16 social security act or federal demonstration waivers granted under  
17 section 1115(a) of Title XI of the federal social security act.

18 (2) (~~No later than July 1, 1991,~~) The department of social and  
19 health services shall enter into agreements with managed health care

1 systems to provide health care services to recipients of aid to  
2 families with dependent children under the following conditions:

3 (a) Agreements shall be made for at least thirty thousand  
4 recipients state-wide;

5 (b) Agreements in at least one county shall include enrollment of  
6 all recipients of aid to families with dependent children;

7 (c) To the extent that this provision is consistent with section  
8 1903(m) of Title XIX of the federal social security act or federal  
9 demonstration waivers granted under section 1115(a) of Title XI of the  
10 federal social security act, recipients shall have a choice of systems  
11 in which to enroll and shall have the right to terminate their  
12 enrollment in a system: PROVIDED, That the department may limit  
13 recipient termination of enrollment without cause to the first month of  
14 a period of enrollment, which period shall not exceed (~~six~~) twelve  
15 months: AND PROVIDED FURTHER, That the department shall not restrict  
16 a recipient's right to terminate enrollment in a system for good cause  
17 as established by the department by rule;

18 (d) To the extent that this provision is consistent with section  
19 1903(m) of Title XIX of the federal social security act, participating  
20 managed health care systems shall not enroll a disproportionate number  
21 of medical assistance recipients within the total numbers of persons  
22 served by the managed health care systems, except (~~that this~~  
23 ~~subsection (d) shall not apply to entities described in subparagraph~~  
24 ~~(B) of section 1903(m)~~) as authorized by the department under federal  
25 demonstration waivers granted under section 1115(a) of Title ((XIX)) XI  
26 of the federal social security act;

27 (e) (~~Prior to negotiating with any managed health care system, the~~  
28 ~~department shall estimate, on an actuarially sound basis, the expected~~  
29 ~~cost of providing the health care services expressed in terms of upper~~  
30 ~~and lower limits, and recognizing variations in the cost of providing~~  
31 ~~the services through the various systems and in different project~~  
32 ~~areas.)) In negotiating with managed health care systems the  
33 department shall adopt a uniform procedure to negotiate and enter into  
34 contractual arrangements, including standards regarding the quality of  
35 services to be provided; and financial integrity of the responding  
36 system;~~

37 (f) The department shall seek waivers from federal requirements as  
38 necessary to implement this chapter;

1 (g) The department shall, wherever possible, enter into prepaid  
2 capitation contracts that include inpatient care. However, if this is  
3 not possible or feasible, the department may enter into prepaid  
4 capitation contracts that do not include inpatient care;

5 (h) The department shall define those circumstances under which a  
6 managed health care system is responsible for ~~((out-of-system))~~ out-of-  
7 plan services and assure that recipients shall not be charged for such  
8 services; and

9 (i) Nothing in this section prevents the department from entering  
10 into similar agreements for other groups of people eligible to receive  
11 services under this chapter ~~((74.09 RCW))~~.

12 (3) ~~((The department shall seek to obtain a large number of  
13 contracts with providers of health services to medicaid recipients.))~~  
14 The department shall ensure that publicly supported community health  
15 centers and providers in rural areas, who show serious intent and  
16 apparent capability to participate ~~((in the project))~~ as managed health  
17 care systems are seriously considered as ~~((providers in the project))~~  
18 contractors. The department shall coordinate ~~((these projects with the  
19 plans developed))~~ its managed care activities with activities under  
20 chapter 70.47 RCW.

21 (4) The department shall work jointly with the state of Oregon and  
22 other states in this geographical region in order to develop  
23 recommendations to be presented to the appropriate federal agencies and  
24 the United States congress for improving health care of the poor, while  
25 controlling related costs.

26 (5) The legislature finds that competition in the managed health  
27 care marketplace is enhanced, in the long term, by the existence of a  
28 large number of managed health care system options for medicaid  
29 clients. In a managed care delivery system, whose goal is to focus on  
30 prevention, primary care, and improved enrollee health status,  
31 continuity in care relationships is of substantial importance, and  
32 disruption to clients and health care providers should be minimized.  
33 To help ensure these goals are met, the following principles shall  
34 guide the department in its healthy options managed health care  
35 purchasing efforts:

36 (a) All managed health care systems should have an opportunity to  
37 contract with the department to the extent that minimum contracting  
38 requirements defined by the department are met, at payment rates that  
39 enable the department to operate as far below appropriated spending

1 levels as possible, consistent with the principles established in this  
2 section.

3 (b) Managed health care systems should compete for the award of  
4 contracts and assignment of medicaid beneficiaries who do not  
5 voluntarily select a contracting system, based upon:

6 (i) Demonstrated commitment to or experience in serving low-income  
7 populations;

8 (ii) Quality of services provided to enrollees;

9 (iii) Accessibility, including appropriate utilization, of services  
10 offered to enrollees;

11 (iv) Demonstrated capability to perform contracted services,  
12 including ability to supply an adequate provider network;

13 (v) Payment rates; and

14 (vi) The ability to meet other specifically defined contract  
15 requirements established by the department, including consideration of  
16 past and current performance and participation in other state or  
17 federal health programs as a contractor.

18 (c) Consideration should be given to using multiple year  
19 contracting periods.

20 (d) Quality, accessibility, and demonstrated commitment to serving  
21 low-income populations shall be given significant weight in the  
22 contracting, evaluation, and assignment process.

23 (e) All contractors that are regulated health carriers must meet  
24 state minimum net worth requirements as defined in applicable state  
25 laws. The department shall adopt rules establishing the minimum net  
26 worth requirements for contractors that are not regulated health  
27 carriers. This subsection does not limit the authority of the  
28 department to take action under a contract upon finding that a  
29 contractor's financial status seriously jeopardizes the contractor's  
30 ability to meet its contract obligations.

31 (f) Procedures for resolution of disputes between the department  
32 and contract bidders or the department and contracting carriers related  
33 to the award of, or failure to award, a managed care contract must be  
34 clearly set out in the procurement document. In designing such  
35 procedures, the department shall give strong consideration to the  
36 negotiation and dispute resolution processes used by the Washington  
37 state health care authority in its managed health care contracting  
38 activities.

1       (6) The department may apply the principles set forth in subsection  
2 (5) of this section to its managed health care purchasing efforts on  
3 behalf of clients receiving supplemental security income benefits to  
4 the extent appropriate.

5       NEW SECTION. Sec. 2. RCW 48.46.150 and 1975 1st ex.s. c 290 s 16  
6 are each repealed.

7       NEW SECTION. Sec. 3. This act is necessary for the immediate  
8 preservation of the public peace, health, or safety, or support of the  
9 state government and its existing public institutions, and takes effect  
10 immediately.

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