

CERTIFICATION OF ENROLLMENT

SUBSTITUTE SENATE BILL 5125

55th Legislature
1997 Regular Session

Passed by the Senate March 11, 1997
YEAS 47 NAYS 0

President of the Senate

Passed by the House April 8, 1997
YEAS 92 NAYS 0

**Speaker of the
House of Representatives**

Approved

Governor of the State of Washington

CERTIFICATE

I, Mike O Connell, Secretary of the Senate of the State of Washington, do hereby certify that the attached is **SUBSTITUTE SENATE BILL 5125** as passed by the Senate and the House of Representatives on the dates hereon set forth.

Secretary

FILED

**Secretary of State
State of Washington**

SUBSTITUTE SENATE BILL 5125

Passed Legislature - 1997 Regular Session

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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