# SENATE BILL REPORT

# ESSB 5813

As Passed Senate, March 16, 1999

**Title:** An act relating to health plan medical director licensure and accountability.

**Brief Description:** Requiring third-party payors to designate a licensed medical director for its coverage decisions.

**Sponsors:** Senate Committee on Health & Long-Term Care (originally sponsored by Senators Thibaudeau, Deccio, Costa and Winsley).

**Brief History:**
**Committee Activity:** Health & Long-Term Care: 2/24/99, 3/3/99 [DPS].
Passed Senate, 3/16/99, 46-0.

## SENATE COMMITTEE ON HEALTH & LONG-TERM CARE

**Majority Report:** That Substitute Senate Bill No. 5813 be substituted therefor, and the substitute bill do pass.

Signed by Senators Thibaudeau, Chair; Wojahn, Vice Chair; Costa, Deccio, Franklin and Winsley.

**Staff:** Jonathan Seib (786-7427)

**Background:** The term utilization review– is often used to describe a range of managed care cost containment strategies including monitoring a provider's pattern of treatment, determining the medical necessity of certain types or levels of treatment, and evaluating the efficacy, appropriateness or efficiency of certain treatments for certain health conditions. Concerns regarding the qualifications and accountability of those who are performing these sorts of activities have increased as managed care financing arrangements have come to dominate health insurance.

Although relevant standards with which insurers may voluntarily comply have been developed by national accrediting organizations, the issue is not currently addressed under state law.

**Summary of Bill:** The following are required to designate a medical director who is licensed in Washington as an allopathic or osteopathic physician: (1) any health carrier that offers a health plan; (2) any self-insured health plan subject to the jurisdiction of Washington State; (3) the Director of the Department of Labor and Industries for purposes of workers' compensation; (4) any self-insured workers' compensation plan; (5) the Secretary of the Department of Social and Health Services for purposes of Medicaid; and (6) the Administrator of the Health Care Authority.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Testimony For:** This bill does not regulate who within an insurance entity makes denial decisions based on medical necessity, but does identify who will be responsible for those decisions and holds those people administratively accountable. The bill imposes no liability beyond administrative sanctions. Those who are responsible for denial decisions based on medical necessity should be held accountable to their professional licensing board in the same way that their counterparts are accountable when making clinical decisions.

**Testimony Against:** The bill is confusing and inappropriate. The language could be interpreted to supercede contracts and to provide a basis for civil liability actions against health insurers. The bill would have the Medical Quality Assurance Commission regulating health insurance companies, including those who provide property and casualty insurance, which makes little sense. Legal obligations on health insurance companies must be codified under Title 48.

**Testified:** PRO: Andrew Dolan, Washington State Medical Association; Jeff Larsen, WOMA, WAPA; CON: Jim Halstrom, Health Care Purchasers Association, Association of Washington Business; Rick Wickman, Blue Cross; Basil Badley, HIAA; Sally Yates, Group Health.