
HOUSE BILL 1540

State of Washington 57th Legislature 2001 Regular Session

By Representatives Kessler, Doumit, Hatfield and Darneille

Read first time 01/29/2001. Referred to Committee on Health Care.

1 AN ACT Relating to the establishment of a medicaid managed care
2 contracting pilot project; reenacting and amending RCW 74.09.522;
3 creating a new section; and declaring an emergency.

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

5 **Sec. 1.** RCW 74.09.522 and 1997 c 59 s 15 and 1997 c 34 s 1 are
6 each reenacted and amended to read as follows:

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

17 (2) The department of social and health services shall enter into
18 agreements with managed health care systems to provide health care

1 services to recipients of temporary assistance for needy families under
2 the following conditions:

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

5 (b) Agreements in at least one county shall include enrollment of
6 all recipients of temporary assistance for needy families;

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 twelve months:
15 AND PROVIDED FURTHER, That the department shall not restrict a
16 recipient's right to terminate enrollment in a system for good cause as
17 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 as authorized by the
23 department under federal demonstration waivers granted under section
24 1115(a) of Title XI of the federal social security act;

25 (e) Except to the extent provided in section 2 of this act, in
26 negotiating with managed health care systems the department shall adopt
27 a uniform procedure to negotiate and enter into contractual
28 arrangements, including standards regarding the quality of services to
29 be provided; and financial integrity of the responding system;

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

32 (g) The department shall, wherever possible, enter into prepaid
33 capitation contracts that include inpatient care. However, if this is
34 not possible or feasible, the department may enter into prepaid
35 capitation contracts that do not include inpatient care;

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

1 (i) Nothing in this section prevents the department from entering
2 into similar agreements for other groups of people eligible to receive
3 services under this chapter.

4 (3) The department shall ensure that publicly supported community
5 health centers and providers in rural areas, who show serious intent
6 and apparent capability to participate as managed health care systems
7 are seriously considered as contractors. The department shall
8 coordinate its managed care activities with activities under chapter
9 70.47 RCW.

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

15 (5) The legislature finds that competition in the managed health
16 care marketplace is enhanced, in the long term, by the existence of a
17 large number of managed health care system options for medicaid
18 clients. In a managed care delivery system, whose goal is to focus on
19 prevention, primary care, and improved enrollee health status,
20 continuity in care relationships is of substantial importance, and
21 disruption to clients and health care providers should be minimized.
22 To help ensure these goals are met, the following principles shall
23 guide the department in its healthy options managed health care
24 purchasing efforts:

25 (a) All managed health care systems should have an opportunity to
26 contract with the department to the extent that minimum contracting
27 requirements defined by the department are met, at payment rates that
28 enable the department to operate as far below appropriated spending
29 levels as possible, consistent with the principles established in this
30 section.

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

34 (i) Demonstrated commitment to or experience in serving low-income
35 populations;

36 (ii) Quality of services provided to enrollees;

37 (iii) Accessibility, including appropriate utilization, of services
38 offered to enrollees;

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

3 (v) Payment rates; and

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

8 (c) Consideration should be given to using multiple year
9 contracting periods.

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

13 (e) All contractors that are regulated health carriers must meet
14 state minimum net worth requirements as defined in applicable state
15 laws. The department shall adopt rules establishing the minimum net
16 worth requirements for contractors that are not regulated health
17 carriers. This subsection does not limit the authority of the
18 department to take action under a contract upon finding that a
19 contractor's financial status seriously jeopardizes the contractor's
20 ability to meet its contract obligations.

21 (f) Procedures for resolution of disputes between the department
22 and contract bidders or the department and contracting carriers related
23 to the award of, or failure to award, a managed care contract must be
24 clearly set out in the procurement document. In designing such
25 procedures, the department shall give strong consideration to the
26 negotiation and dispute resolution processes used by the Washington
27 state health care authority in its managed health care contracting
28 activities.

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

33 NEW SECTION. **Sec. 2.** (1) The department of social and health
34 services shall design and implement a pilot project to contract with
35 health carriers, as defined in RCW 48.43.005, in partnership with
36 managed health care systems that are not health carriers, to provide
37 health care services for recipients of temporary assistance for needy

1 families, for pregnant women, and for nondisabled children eligible
2 under current categorically needy medical assistance programs.

3 (2) The pilot project shall contract with health carriers, as
4 defined in RCW 48.43.005, in partnership with managed health care
5 systems that are not health carriers for two calendar years, beginning
6 January 1, 2002, in up to two counties. One county shall be a rural
7 county in western Washington.

8 (3) Any contract entered into under this section must include:

9 (a) The enrollee protections stated in RCW 74.09.522(2)(c), and
10 standards regarding the delivery or quality of services provided that
11 are applicable to managed health care systems contracting under RCW
12 74.09.522. Full accountability for compliance with these standards
13 rests with the managed health care system that is not a health carrier.
14 The health carrier may not be held accountable for compliance with
15 these standards; and

16 (b) Clear delineation of the financial accountability of the health
17 carrier and the managed health care system that is not a health
18 carrier. The managed health care system is responsible for maintaining
19 reserves adequate to pay any claims associated with persons enrolled in
20 the managed health care system through the contracts authorized in this
21 section. The level of reserves to be maintained must be actuarially
22 determined prior to execution of the contract, and must include a
23 requirement for maintaining an adequate surplus in the event that
24 actual claims experience exceeds that initially anticipated. The
25 managed health care system is primarily responsible for payment of
26 claims associated with persons enrolled through the contracts
27 authorized in this section. In the event of insolvency of the managed
28 health care system, the carrier is secondarily responsible for payment
29 of these claims.

30 (4) The activities and operations of the department of social and
31 health services under this section, including those of the managed
32 health care systems contracting with the department under this section,
33 are exempt from the provisions and requirements of Title 48 RCW, except
34 managed health care systems are subject to the provisions of RCW
35 48.43.500, 70.02.045, 48.43.505 through 48.43.535, 43.70.235,
36 48.43.545, 48.43.550, 70.02.110, and 70.02.900.

37 NEW SECTION. **Sec. 3.** This act is necessary for the immediate
38 preservation of the public peace, health, or safety, or support of the

1 state government and its existing public institutions, and takes effect
2 immediately.

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