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**SUBSTITUTE SENATE BILL 6268**

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**State of Washington 57th Legislature**

**2002 Regular Session**

**By** Senate Committee on Health & Long-Term Care (originally sponsored by Senators Thibaudeau and Kohl-Welles)

READ FIRST TIME 02/08/2002.

1 AN ACT Relating to the Washington pharmacy access program; amending  
2 RCW 41.05.021, 41.05.026, and 70.14.050; adding new sections to chapter  
3 74.09 RCW; creating new sections; and making an appropriation.

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

5 NEW SECTION. **Sec. 1.** The legislature finds that access to  
6 prescription drugs is vital to the health of many Washington residents.  
7 However, increased cost and utilization of such drugs is straining the  
8 resources of many individuals, and public and private entities.  
9 Studies suggest that the elderly in particular are at risk for  
10 inappropriate drug utilization, leading to unnecessary costs and  
11 adverse outcomes. The legislature therefore intends to implement  
12 strategies to reduce the state's prescription drug expenditures, and  
13 assist state residents in accessing necessary, appropriate, and  
14 affordable medications.

15 NEW SECTION. **Sec. 2.** (1) The department shall award prescription  
16 drug information and education grants to local government or nonprofit  
17 organizations for the design and implementation of programs intended to  
18 inform and train persons age sixty-five and older in the safe,

1 appropriate, and cost-effective use of prescription and nonprescription  
2 medications.

3 (2) The grants shall be awarded on a competitive basis, using the  
4 following criteria:

5 (a) The demonstrated ability of the applicant organization to  
6 effectively administer such a program, including appropriate outreach  
7 and follow-up;

8 (b) The financial and in-kind resources that the applicant  
9 organization will bring to the program in addition to those funded by  
10 the grant;

11 (c) The extent to which the proposed program design reflects a  
12 comprehensive understanding of issues related to the safe and  
13 appropriate use of prescription drugs by seniors, and how to  
14 effectively communicate with the target audience;

15 (d) The extent to which the proposed program reflects a  
16 collaborative effort between the applicant organization and other  
17 health care providers and programs in the location to be served,  
18 including doctors, pharmacists, and long-term care providers;

19 (e) The extent to which the proposed program will serve as a model  
20 that can be replicated by other organizations around the state; and

21 (f) Any other criteria deemed appropriate by the department to  
22 ensure the quality and cost-effectiveness of the programs funded.

23 In awarding the grants, the department shall make every effort to  
24 ensure that the programs are geographically dispersed around the state.  
25 No single program shall be awarded more than twenty-five thousand  
26 dollars annually.

27 The department may solicit and accept gifts, grants, bequests,  
28 devises, and other funds from public and private sources to fund the  
29 prescription drug information and education grants authorized under  
30 this section.

31 NEW SECTION. **Sec. 3.** The department may implement any senior  
32 prescription drug assistance program authorized and funded by the  
33 federal government in accordance with the standards established under  
34 that authorization.

35 **Sec. 4.** RCW 41.05.021 and 1999 c 372 s 4 are each amended to read  
36 as follows:

1 (1) The Washington state health care authority is created within  
2 the executive branch. The authority shall have an administrator  
3 appointed by the governor, with the consent of the senate. The  
4 administrator shall serve at the pleasure of the governor. The  
5 administrator may employ up to seven staff members, who shall be exempt  
6 from chapter 41.06 RCW, and any additional staff members as are  
7 necessary to administer this chapter. The administrator may delegate  
8 any power or duty vested in him or her by this chapter, including  
9 authority to make final decisions and enter final orders in hearings  
10 conducted under chapter 34.05 RCW. The primary duties of the authority  
11 shall be to: Administer state employees' insurance benefits and  
12 retired or disabled school employees' insurance benefits; administer  
13 the basic health plan pursuant to chapter 70.47 RCW; study state-  
14 purchased health care programs in order to maximize cost containment in  
15 these programs while ensuring access to quality health care; and  
16 implement state initiatives, joint purchasing strategies, and  
17 techniques for efficient administration that have potential application  
18 to all state-purchased health services. The authority's duties  
19 include, but are not limited to, the following:

20 (a) To administer health care benefit programs for employees and  
21 retired or disabled school employees as specifically authorized in RCW  
22 41.05.065 and in accordance with the methods described in RCW  
23 41.05.075, 41.05.140, and other provisions of this chapter;

24 (b) To analyze state-purchased health care programs and to explore  
25 options for cost containment and delivery alternatives for those  
26 programs that are consistent with the purposes of those programs,  
27 including, but not limited to:

28 (i) Creation of economic incentives for the persons for whom the  
29 state purchases health care to appropriately utilize and purchase  
30 health care services, including the development of flexible benefit  
31 plans to offset increases in individual financial responsibility;

32 (ii) Utilization of provider arrangements that encourage cost  
33 containment, including but not limited to prepaid delivery systems,  
34 utilization review, and prospective payment methods, and that ensure  
35 access to quality care, including assuring reasonable access to local  
36 providers, especially for employees residing in rural areas;

37 (iii) Coordination of state agency efforts to purchase drugs  
38 effectively, including the development of a preferred drug list as  
39 provided in RCW 70.14.050, the development of consolidated prescription

1 drug purchasing strategies, and more effective use of pharmacy-based  
2 services in the delivery of any prescription drug benefit;

3 (iv) Development of recommendations and methods for purchasing  
4 medical equipment and supporting services on a volume discount basis;  
5 and

6 (v) Development of data systems to obtain utilization data from  
7 state-purchased health care programs in order to identify cost centers,  
8 utilization patterns, provider and hospital practice patterns, and  
9 procedure costs, utilizing the information obtained pursuant to RCW  
10 41.05.031;

11 (c) To analyze areas of public and private health care interaction;

12 (d) To provide information and technical and administrative  
13 assistance to the board;

14 (e) To review and approve or deny applications from counties,  
15 municipalities, and other political subdivisions of the state to  
16 provide state-sponsored insurance or self-insurance programs to their  
17 employees in accordance with the provisions of RCW 41.04.205, setting  
18 the premium contribution for approved groups as outlined in RCW  
19 41.05.050;

20 (f) To appoint a health care policy technical advisory committee as  
21 required by RCW 41.05.150;

22 (g) To establish billing procedures and collect funds from school  
23 districts and educational service districts under RCW 28A.400.400 in a  
24 way that minimizes the administrative burden on districts; and

25 (h) To promulgate and adopt rules consistent with this chapter as  
26 described in RCW 41.05.160.

27 (2) On and after January 1, 1996, the public employees' benefits  
28 board may implement strategies to promote managed competition among  
29 employee health benefit plans. Strategies may include but are not  
30 limited to:

31 (a) Standardizing the benefit package;

32 (b) Soliciting competitive bids for the benefit package;

33 (c) Limiting the state's contribution to a percent of the lowest  
34 priced qualified plan within a geographical area;

35 (d) Monitoring the impact of the approach under this subsection  
36 with regards to: Efficiencies in health service delivery, cost shifts  
37 to subscribers, access to and choice of managed care plans statewide,  
38 and quality of health services. The health care authority shall also

1 advise on the value of administering a benchmark employer-managed plan  
2 to promote competition among managed care plans.

3 **Sec. 5.** RCW 41.05.026 and 1991 c 79 s 1 are each amended to read  
4 as follows:

5 (1) When soliciting proposals for the purpose of awarding contracts  
6 for goods or services, the administrator shall, upon written request by  
7 the bidder, exempt from public inspection and copying such proprietary  
8 data, trade secrets, or other information contained in the bidder's  
9 proposal that relate to the bidder's unique methods of conducting  
10 business or of determining prices or premium rates to be charged for  
11 services under terms of the proposal.

12 (2) Actuarial formulas, statistics, cost and utilization data, or  
13 other proprietary information submitted upon request of the  
14 administrator or board by a contracting insurer, health care service  
15 contractor, health maintenance organization, or vendor may be withheld  
16 at any time from public inspection when necessary to preserve trade  
17 secrets or prevent unfair competition.

18 (3) Proprietary information submitted upon request of the  
19 administrator by any insurer, vendor, or other person or entity for the  
20 purpose of analyzing and developing cost containment options, delivery  
21 alternatives, and consolidated purchasing for state-purchased health  
22 care programs may be withheld at any time from public inspection when  
23 necessary to preserve trade secrets or prevent unfair competition.

24 (4) The board may hold an executive session during any regular or  
25 special meeting to discuss information submitted in accordance with  
26 subsection (1) or (2) of this section.

27 **Sec. 6.** RCW 70.14.050 and 1986 c 303 s 10 are each amended to read  
28 as follows:

29 (1) Each agency listed in ((RCW 70.14.010)) subsection (5) of this  
30 section shall individually or in cooperation with other agencies take  
31 any necessary actions to control costs without reducing the quality of  
32 care when reimbursing for or purchasing drugs. To accomplish this  
33 purpose, each agency shall investigate the feasibility of and may  
34 establish a ((drug formulary)) preferred drug list designating which  
35 drugs may be paid for through their health care programs. For purposes  
36 of this section, a ((drug formulary)) preferred drug list means a list

1 of drugs, either inclusive or exclusive, that defines which drugs are  
2 eligible for reimbursement by the agency.

3 (2) In developing the ((~~drug formulary~~)) preferred drug list  
4 authorized by this section, agencies:

5 (a) Shall prohibit reimbursement for drugs that are determined to  
6 be ineffective by the United States food and drug administration;

7 (b) Shall adopt rules in order to ensure that less expensive  
8 generic drugs will be substituted for brand name drugs in those  
9 instances where the quality of care is not diminished;

10 (c) Where possible, may authorize reimbursement for drugs only in  
11 economical quantities;

12 (d) May limit the prices paid for drugs by such means as central  
13 purchasing, volume contracting, or setting maximum prices to be paid;

14 (e) Shall consider the approval of drugs with lower abuse potential  
15 in substitution for drugs with significant abuse potential; and

16 (f) May take other necessary measures to control costs of drugs  
17 without reducing the quality of care.

18 (3) Agencies may provide for reasonable exceptions to the ((~~drug~~  
19 ~~formulary~~)) preferred drug list required by this section.

20 (4) Agencies may establish medical advisory committees, or utilize  
21 committees already established, to assist in the development of the  
22 ((~~drug formulary~~)) preferred drug list required by this section.

23 (5) This section applies to the department of social and health  
24 services, the health care authority, the department of health, the  
25 department of labor and industries, the department of veterans affairs,  
26 and the department of corrections.

27 NEW SECTION. **Sec. 7.** No later than January 1, 2003, the  
28 administrator of the health care authority shall submit to the governor  
29 and the legislature a progress report regarding the implementation of  
30 efforts to coordinate state agency drug purchasing pursuant to RCW  
31 41.05.021(1)(b)(iii), including an explanation of and rationale for the  
32 strategies developed, and the timeline for implementation.

33 NEW SECTION. **Sec. 8.** The sum of forty-nine thousand dollars, or  
34 as much thereof as may be necessary, is appropriated for the fiscal  
35 year ending June 30, 2003, from the general fund to the department of  
36 social and health services, all of which the department of social and

1 health services must award to local governments and nonprofit  
2 organizations under section 2 of this act.

3 NEW SECTION. **Sec. 9.** Sections 2 and 3 of this act are each added  
4 to chapter 74.09 RCW.

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