

1 insurance are more likely to be in poor health, more likely to have
2 missed needed medications and treatment, and more likely to have
3 chronic conditions that are not properly managed;

4 (d) Persons without health insurance are at significant risk of
5 financial ruin or personal bankruptcy;

6 (e) The unpaid cost of health services provided to uninsured people
7 is shifted to paying patients, which increases the cost of health
8 services for employers, individuals, and state and local government.
9 Controlling health care costs can be more readily achieved if a greater
10 share of working people and their families have health benefits; and

11 (f) The state of Washington provides health insurance to low-income
12 working families through medicaid, the state children's health
13 insurance program, and the basic health plan. These programs are
14 paying the cost of coverage for people who work for large employers and
15 are not provided with health care coverage through employment. The
16 state also funds hospitals, community clinics, and other safety net
17 providers that provide care to those working people whose employers do
18 not provide affordable health coverage to workers and their families as
19 well as to other uninsured persons.

20 (2) It is therefore the intent of the legislature to:

21 (a) Expand access to health care by imposing a fee on large
22 employers, generating revenue that will be used to provide health care
23 through basic health plan enrollment of the employees of employers
24 paying the tax, and their dependents. However, consistent with this
25 act, large employers can reduce or eliminate their fee through
26 expenditures on health services for their employees;

27 (b) Maintain existing protections in law for persons eligible for
28 public programs including, but not limited to, medical assistance
29 programs, the state children's health insurance program, and the basic
30 health plan.

31 (3) In enacting this act, it is not the intent of the legislature
32 to influence the content or administration of employee benefit plans,
33 and the legislature is neutral as to whether large employers choose to
34 pay the tax or provide health services to their employees and
35 dependents.

36 NEW SECTION. **Sec. 102.** The definitions in this section apply
37 throughout this chapter unless the context clearly requires otherwise.

1 (1) "Administrator" means the administrator of the state health
2 care authority, as established in chapter 41.05 RCW.

3 (2) "Authority" means the state health care authority, as
4 established in chapter 41.05 RCW.

5 (3) "Basic health plan" means the program established in chapter
6 70.47 RCW.

7 (4) "Dependent" has the same meaning as defined in RCW 48.43.005.
8 "Dependent" does not include a dependent who is provided coverage by
9 another employer or who is an eligible enrollee as a consequence of
10 that dependent's employment status.

11 (5) "Enrollee" means a person who works at least eighty-six hours
12 per month for any individual employer and has worked for that employer
13 for three months. "Enrollee" includes sole proprietors or partners of
14 a partnership, if they are actively engaged at least one hundred hours
15 per month in that business.

16 (6) "Fee" means the fee as determined in sections 103 through 105
17 of this act.

18 (7) "Large employer" means any person, firm, corporation,
19 partnership, association, political subdivision, or self-employed
20 individual that is actively engaged in business that, on at least fifty
21 percent of its working days during the preceding calendar quarter,
22 employed fifty or more full-time equivalent employees, the majority of
23 whom were employed within this state, and is not formed primarily for
24 purposes of buying health insurance and in which a bona fide employer-
25 employee relationship exists. In determining the number of eligible
26 employees, companies that are affiliated companies, or that are
27 eligible to file a combined tax return for purposes of taxation by this
28 state, are considered an employer.

29 (8) "Medicaid" means Title XIX of the federal social security act,
30 as administered by the department of social and health services under
31 chapter 74.09 RCW.

32 (9) "State children's health insurance program" means the program
33 established under RCW 74.09.450 and administered by the department of
34 social and health services.

35 NEW SECTION. **Sec. 103.** (1) Except as otherwise provided in this
36 chapter, beginning October 1, 2004, every large employer shall pay a
37 fee as specified in this chapter.

1 (2) The administrator shall establish the level of the fee by
2 determining the total amount necessary to pay for basic health plan,
3 medicaid, or state children's health insurance program coverage, as
4 applicable, for all enrollees and their dependents. The fee must be
5 based upon the composite cost of providing the basic health plan,
6 medicaid, or state children's health insurance program benefit package,
7 as applicable, to enrollees and their dependents, based upon the
8 funding assumptions in the biennial operating budget.

9 (3) The fee to be paid by each large employer must be based on the
10 number of potential enrollees, and if applicable, dependents, using the
11 large employer's own work force on a date specified by the
12 administrator as the basis for the allocation and such other factors as
13 the administrator may determine in order to provide coverage that meets
14 the standards of this section. To assist the administrator in
15 determining the fee, each large employer shall provide to the
16 administrator information as specified by the administrator regarding
17 potential enrollees and dependents. To the extent feasible, the
18 administrator shall work with the employment security department to
19 facilitate the provision of information regarding the number of
20 potential enrollees and dependents.

21 (4) In setting the fee, the administrator may include costs
22 associated with the administration of the fund, including those costs
23 associated with collection of the fee and its enforcement by the
24 employment security department. The program implemented under this act
25 shall be fully supported by the fees and basic health plan enrollee
26 premium contributions collected under this section and section 205 of
27 this act.

28 (5) The fees collected under this act may not be used for any
29 purpose other than providing the basic health plan for enrollees and
30 their dependents, as well as costs associated with the administration
31 of the plan and with collection of the fee under this chapter and its
32 enforcement by the employment security department.

33 NEW SECTION. **Sec. 104.** (1) The administrator shall provide notice
34 to the employment security department of the amount of the fee in a
35 time and manner that permits the employment security department to
36 provide notice to all large employers of the estimated fee for the
37 budget year. The fee shall be based upon the number of enrollees.

1 (2) The employment security department shall modify the fee due
2 from any large employer that is entitled to a credit under section 105
3 of this act. The employment security department shall specify the
4 manner and means by which that credit may be claimed by a large
5 employer.

6 (3) Revenue from the fee must be deposited into the basic health
7 plan employer fee account established in RCW 70.47.030.

8 (4) Coverage of an enrollee and dependents may not be contingent
9 upon payment of the fee required under this act by the employer of that
10 enrollee or dependents. If a large employer fails to pay the required
11 fee, for whatever reason, the large employer is responsible to the
12 account for payment of a penalty of two hundred percent of the amount
13 of any fee that would have otherwise been paid by the large employer
14 including for the period that the enrollee and dependents should have
15 received coverage but for the large employer's conduct in violation of
16 this section.

17 (5) If amounts due under this section, including penalties, are not
18 paid on the date on which they are due and payable as prescribed by the
19 administrator, the whole or part thereof remaining unpaid shall bear
20 interest at the rate of one percent per month or fraction thereof from
21 and after such date until payment plus accrued interest is received by
22 the administrator. The date as of which payment of contributions, if
23 mailed, is deemed to have been received may be determined by rule.
24 Interest collected pursuant to this section shall be paid into the
25 basic health plan employer fee account created in RCW 70.47.030.

26 (6) Nothing in this section precludes a large employer from
27 purchasing additional benefits or coverage, in addition to paying the
28 fee.

29 NEW SECTION. **Sec. 105.** A large employer may deduct from the fee
30 owed for each employee under section 103 of this act the average amount
31 paid by the employer per employee for providing health insurance
32 coverage or other health care benefits for its employees, allowable for
33 the current quarter by the internal revenue service as a deductible
34 business expense. However, a nonincorporated large employer may deduct
35 from the amount owed for each employee under section 103 of this act
36 its average expenses per employee for providing health insurance
37 coverage or other health care benefits for its employees as reported

1 and allowed pursuant to rules adopted by the employment security
2 department. Further, such a deduction for a large employer may not
3 reduce the contribution for any employee below zero.

4 NEW SECTION. **Sec. 106.** Sections 101 through 105 of this act
5 constitute a new chapter in Title 50 RCW.

6 **PART 2**

7 **BASIC HEALTH PLAN MODIFICATIONS AND RELATED PROVISIONS**

8 **Sec. 201.** RCW 70.47.010 and 2000 c 79 s 42 are each amended to
9 read as follows:

10 ~~(1)((a) The legislature finds that limitations on access to health~~
11 ~~care services for enrollees in the state, such as in rural and~~
12 ~~underserved areas, are particularly challenging for the basic health~~
13 ~~plan. Statutory restrictions have reduced the options available to the~~
14 ~~administrator to address the access needs of basic health plan~~
15 ~~enrollees. It is the intent of the legislature to authorize the~~
16 ~~administrator to develop alternative purchasing strategies to ensure~~
17 ~~access to basic health plan enrollees in all areas of the state,~~
18 ~~including: (i) The use of differential rating for managed health care~~
19 ~~systems based on geographic differences in costs; and (ii) limited use~~
20 ~~of self insurance in areas where adequate access cannot be assured~~
21 ~~through other options.~~

22 ~~(b) In developing alternative purchasing strategies to address~~
23 ~~health care access needs, the administrator shall consult with~~
24 ~~interested persons including health carriers, health care providers,~~
25 ~~and health facilities, and with other appropriate state agencies~~
26 ~~including the office of the insurance commissioner and the office of~~
27 ~~community and rural health. In pursuing such alternatives, the~~
28 ~~administrator shall continue to give priority to prepaid managed care~~
29 ~~as the preferred method of assuring access to basic health plan~~
30 ~~enrollees followed, in priority order, by preferred providers, fee for~~
31 ~~service, and self funding.~~

32 ~~(2))~~ The legislature ~~((further))~~ finds that:

33 (a) A significant percentage of the population of this state does
34 not have reasonably available insurance or other coverage of the costs
35 of necessary basic health care services;

1 (b) This lack of basic health care coverage is detrimental to the
2 health of the individuals lacking coverage and to the public welfare,
3 and results in substantial expenditures for emergency and remedial
4 health care, often at the expense of health care providers, health care
5 facilities, and all purchasers of health care, including the state; and

6 (c) The use of managed health care systems has significant
7 potential to reduce the growth of health care costs incurred by the
8 people of this state generally, and by low-income pregnant women, and
9 at-risk children and adolescents who need greater access to managed
10 health care.

11 ~~((+3))~~ (2) The purpose of this chapter is to provide or make more
12 readily available necessary basic health care services in an
13 appropriate setting to working persons and others who lack coverage, at
14 a cost to these persons that does not create barriers to the
15 utilization of necessary health care services. To that end, this
16 chapter establishes a program to be made available to those residents
17 not eligible for medicare who share in a portion of the cost or who pay
18 the full cost of receiving basic health care services from a managed
19 health care system.

20 ~~((+4))~~ (3)(a) The legislature further finds that many small
21 employers struggle with the cost of providing employer-sponsored health
22 insurance coverage to their employees and their employees' families,
23 while others are unable to offer employer-sponsored health insurance
24 due to its high cost. Low-wage workers also struggle with the burden
25 of paying their share of the costs of employer-sponsored health
26 insurance, while others turn down their employer's offer of coverage
27 due to its costs.

28 (b) It is not the intent of this chapter to ~~((provide health care~~
29 ~~services for those persons who are presently covered through private~~
30 ~~employer-based health plans, nor to)) replace employer-based health
31 plans. However, the legislature recognizes that cost-effective and
32 affordable health plans may not always be available to small
33 ~~((business))~~ employers and that the basic health plan provides an
34 opportunity to blend private and public funds in a manner that makes
35 employer-based health plans more affordable for both small employers
36 and their employees. ~~((Further, it is the intent of the legislature to~~
37 ~~expand, wherever possible,)) By blending private and public funds, the~~~~

1 legislature intends to expand the availability of private health care
2 coverage and to discourage the decline of employer-based coverage.

3 ~~((+5))~~ (4)(a) It is the purpose of this chapter to acknowledge the
4 initial success of this program that has (i) assisted thousands of
5 families in their search for affordable health care; (ii) demonstrated
6 that low-income, uninsured families are willing to pay for their own
7 health care coverage to the extent of their ability to pay; and (iii)
8 proved that local health care providers are willing to enter into a
9 public-private partnership as a managed care system.

10 (b) As a consequence, the legislature intends to extend an option
11 to enroll to certain citizens above two hundred percent of the federal
12 poverty guidelines within the state who reside in communities where the
13 plan is operational and who collectively or individually wish to
14 exercise the opportunity to purchase health care coverage through the
15 basic health plan if the purchase is done at no cost to the state. It
16 is also the intent of the legislature to allow employers and other
17 financial sponsors to financially assist such individuals to purchase
18 health care through the program (~~so long as such purchase does not~~
19 ~~result in a lower standard of coverage for employees~~).

20 (c) The legislature intends that, to the extent of available funds,
21 the program be available throughout Washington state to subsidized and
22 nonsubsidized enrollees. It is also the intent of the legislature to
23 enroll subsidized enrollees first, to the maximum extent feasible.

24 (d) The legislature directs that the basic health plan
25 administrator identify enrollees who are likely to be eligible for
26 medical assistance and assist these individuals in applying for and
27 receiving medical assistance. The administrator and the department of
28 social and health services shall implement a seamless system to
29 coordinate eligibility determinations and benefit coverage for
30 enrollees of the basic health plan and medical assistance recipients.

31 (5)(a) The legislature further finds that limitations on access to
32 health care services for enrollees in the state, such as in rural and
33 underserved areas, are particularly challenging for the basic health
34 plan. Statutory restrictions have reduced the options available to the
35 administrator to address the access needs of basic health plan
36 enrollees. It is the intent of the legislature to authorize the
37 administrator to develop alternative purchasing strategies to ensure
38 access to basic health plan enrollees in all areas of the state,

1 including: (i) The use of differential rating for managed health care
2 systems based on geographic differences in costs; and (ii) limited use
3 of self-insurance in areas where adequate access cannot be ensured
4 through other options.

5 (b) In developing alternative purchasing strategies to address
6 health care access needs, the administrator shall consult with
7 interested persons including health carriers, health care providers,
8 and health facilities, and with other appropriate state agencies
9 including the office of the insurance commissioner and the office of
10 community and rural health. In pursuing such alternatives, the
11 administrator shall continue to give priority to prepaid managed care
12 as the preferred method of ensuring access to basic health plan
13 enrollees followed, in priority order, by preferred providers,
14 fee-for-service, and self-funding.

15 **Sec. 202.** RCW 70.47.020 and 2000 c 79 s 43 are each amended to
16 read as follows:

17 As used in this chapter:

18 (1) "Washington basic health plan" or "plan" means the system of
19 enrollment and payment for basic health care services, administered by
20 the plan administrator through participating managed health care
21 systems or as provided in RCW 70.47.060(9), created by this chapter.

22 (2) "Administrator" means the Washington basic health plan
23 administrator, who also holds the position of administrator of the
24 Washington state health care authority.

25 (3) "Managed health care system" means: (a) Any health care
26 organization, including health care providers, insurers, health care
27 service contractors, health maintenance organizations, or any
28 combination thereof, that provides directly or by contract basic health
29 care services, as defined by the administrator and rendered by duly
30 licensed providers, to a defined patient population enrolled in the
31 plan and in the managed health care system; or (b) a self-funded or
32 self-insured method of providing insurance coverage to subsidized or
33 fee supported enrollees provided under RCW 41.05.140 and subject to the
34 limitations under RCW 70.47.100(7).

35 (4) "Subsidized enrollee" means an individual, or an individual
36 plus the individual's spouse or dependent children: (a) Who is not
37 eligible for medicare; (b) who is not confined or residing in a

1 government-operated institution, unless he or she meets eligibility
2 criteria adopted by the administrator; (c) who resides in an area of
3 the state served by a managed health care system participating in the
4 plan; (d) whose gross family income at the time of enrollment does not
5 exceed two hundred percent of the federal poverty level as adjusted for
6 family size and determined annually by the federal department of health
7 and human services; and (e) who chooses to obtain basic health care
8 coverage from a particular managed health care system in return for
9 periodic payments to the plan. To the extent that state funds are
10 specifically appropriated for this purpose, with a corresponding
11 federal match, "subsidized enrollee" also means an individual, or an
12 individual's spouse or dependent children, who meets the requirements
13 in (a) through (c) and (e) of this subsection and whose gross family
14 income at the time of enrollment is more than two hundred percent, but
15 less than two hundred fifty-one percent, of the federal poverty level
16 as adjusted for family size and determined annually by the federal
17 department of health and human services.

18 (5) "Nonsubsidized enrollee" means an individual, or an individual
19 plus the individual's spouse or dependent children: (a) Who is not
20 eligible for medicare; (b) who is not confined or residing in a
21 government-operated institution, unless he or she meets eligibility
22 criteria adopted by the administrator; (c) who resides in an area of
23 the state served by a managed health care system participating in the
24 plan; (d) who chooses to obtain basic health care coverage from a
25 particular managed health care system; and (e) who pays or on whose
26 behalf is paid the full costs for participation in the plan, without
27 any subsidy from the plan.

28 (6) "Fee supported enrollee" means an individual, or an individual
29 plus the individual's spouse or dependent children, not eligible for
30 medicare whose employer has paid a fee deposited in the basic health
31 plan employer fee account according to section 103 of this act and who
32 chooses to obtain basic health plan coverage from a participating
33 managed health care system in return for periodic payments to the plan.

34 (7) "Premium assistance enrollee" means an individual or an
35 individual plus the individual's spouse and dependent children: (a)
36 Who is not eligible for medicare; (b) who is not confined or residing
37 in a government-operated institution, unless he or she meets
38 eligibility criteria adopted by the administrator; (c) whose gross

1 family income at the time of enrollment does not exceed two hundred
2 percent of the federal poverty level as adjusted for family size and
3 determined annually by the federal department of health and human
4 services; (d) who resides within the state of Washington; and (e) who
5 qualifies for and chooses to participate in the small employer-
6 sponsored health insurance premium assistance option under RCW
7 70.47.060(9).

8 (8) "Subsidy" means the difference between the amount of periodic
9 payment the administrator makes to a managed health care system on
10 behalf of a subsidized or fee supported enrollee or the amount of a
11 periodic payment made under RCW 70.47.060(9) on behalf of a premium
12 assistance enrollee plus the administrative cost to the plan of
13 providing the plan to that subsidized, fee supported, or premium
14 assistance enrollee, and the amount determined to be the subsidized,
15 fee supported, or premium assistance enrollee's responsibility under
16 (~~RCW 70.47.060(2)~~) section 205 of this act.

17 (~~(7)~~) (9) "Premium" means a periodic payment, based upon gross
18 family income which an individual, their employer, or another financial
19 sponsor makes to the plan as consideration for enrollment in the plan
20 as a subsidized enrollee, a fee supported enrollee, a premium
21 assistance enrollee, or a nonsubsidized enrollee.

22 (~~(8)~~) (10) "Rate" means the amount, negotiated by the
23 administrator with and paid to a participating managed health care
24 system, that is based upon the enrollment of subsidized, fee supported,
25 and nonsubsidized enrollees in the plan and in that system.

26 (11) "Small employer" has the same meaning as defined in RCW
27 48.43.005.

28 **Sec. 203.** RCW 70.47.030 and 1995 2nd sp.s. c 18 s 913 are each
29 amended to read as follows:

30 (1) The basic health plan trust account is hereby established in
31 the state treasury. Any nongeneral fund-state funds collected for this
32 program shall be deposited in the basic health plan trust account and
33 may be expended without further appropriation. Moneys in the account
34 shall be used exclusively for the purposes of this chapter, including
35 payments to participating managed health care systems on behalf of
36 enrollees in the plan and payment of costs of administering the plan.

1 (~~During the 1995-97 fiscal biennium, the legislature may transfer~~
2 ~~funds from the basic health plan trust account to the state general~~
3 ~~fund.~~)

4 (2) The basic health plan subscription account is created in the
5 custody of the state treasurer. All receipts from amounts due from or
6 on behalf of nonsubsidized enrollees shall be deposited into the
7 account. Funds in the account shall be used exclusively for the
8 purposes of this chapter, including payments to participating managed
9 health care systems on behalf of nonsubsidized enrollees in the plan
10 and payment of costs of administering the plan. The account is subject
11 to allotment procedures under chapter 43.88 RCW, but no appropriation
12 is required for expenditures.

13 (3)(a) The basic health plan employer fee account is created in the
14 custody of the state treasurer. All receipts from fees collected under
15 sections 103 through 105 of this act must be deposited in the account.
16 Expenditures from the account may be used only for the purposes of this
17 chapter and chapter 74.09 RCW, including payments to participating
18 managed health care systems on behalf of fee supported enrollees in the
19 basic health plan, payment of costs of administering the basic health
20 plan, and payments to managed health care systems or health care
21 providers for medicaid or state children's health insurance program
22 coverage of individuals on whose behalf a large employer has paid a fee
23 and who are eligible for medicaid or the state children's health
24 insurance program. Only the administrator or the administrator's
25 designee may authorize expenditures from the account. The account is
26 subject to allotment procedures under chapter 43.88 RCW, but an
27 appropriation is not required for expenditures.

28 (b) The administrator may transfer funds from the basic health plan
29 employer fee account to the department of social and health services
30 exclusively for the purposes of payments to managed health care systems
31 or health care providers for medicaid or state children's health
32 insurance program coverage of individuals on whose behalf a large
33 employer has paid a fee and who are eligible for medicaid or the state
34 children's health insurance program.

35 (4) The administrator shall take every precaution to see that none
36 of the funds in the separate accounts created in this section or that
37 any premiums paid either by subsidized or nonsubsidized enrollees are

1 commingled in any way, except that the administrator may combine funds
2 designated for administration of the plan into a single administrative
3 account.

4 **Sec. 204.** RCW 70.47.060 and 2001 c 196 s 13 are each amended to
5 read as follows:

6 The administrator has the following powers and duties:

7 (1) To design and from time to time revise a schedule of covered
8 basic health care services, including physician services, inpatient and
9 outpatient hospital services, prescription drugs and medications, and
10 other services that may be necessary for basic health care. In
11 addition, the administrator may, to the extent that funds are
12 available, offer as basic health plan services chemical dependency
13 services, mental health services and organ transplant services;
14 however, no one service or any combination of these three services
15 shall increase the actuarial value of the basic health plan benefits by
16 more than five percent excluding inflation, as determined by the office
17 of financial management. All subsidized, fee supported, and
18 nonsubsidized enrollees in any participating managed health care system
19 under the Washington basic health plan shall be entitled to receive
20 covered basic health care services in return for premium payments to
21 the plan. The schedule of services shall emphasize proven preventive
22 and primary health care and shall include all services necessary for
23 prenatal, postnatal, and well-child care. However, with respect to
24 coverage for subsidized enrollees who are eligible to receive prenatal
25 and postnatal services through the medical assistance program under
26 chapter 74.09 RCW, the administrator shall not contract for such
27 services except to the extent that such services are necessary over not
28 more than a one-month period in order to maintain continuity of care
29 after diagnosis of pregnancy by the managed care provider. The
30 schedule of services shall also include a separate schedule of basic
31 health care services for children, eighteen years of age and younger,
32 for those subsidized or nonsubsidized enrollees who choose to secure
33 basic coverage through the plan only for their dependent children. In
34 designing and revising the schedule of services, the administrator
35 shall consider the guidelines for assessing health services under the
36 mandated benefits act of 1984, RCW 48.47.030, and such other factors as
37 the administrator deems appropriate.

1 ~~(2)((a) To design and implement a structure of periodic premiums~~
2 ~~due the administrator from subsidized enrollees that is based upon~~
3 ~~gross family income, giving appropriate consideration to family size~~
4 ~~and the ages of all family members. The enrollment of children shall~~
5 ~~not require the enrollment of their parent or parents who are eligible~~
6 ~~for the plan. The structure of periodic premiums shall be applied to~~
7 ~~subsidized enrollees entering the plan as individuals pursuant to~~
8 ~~subsection (9) of this section and to the share of the cost of the plan~~
9 ~~due from subsidized enrollees entering the plan as employees pursuant~~
10 ~~to subsection (10) of this section.~~

11 ~~(b) To determine the periodic premiums due the administrator from~~
12 ~~nonsubsidized enrollees. Premiums due from nonsubsidized enrollees~~
13 ~~shall be in an amount equal to the cost charged by the managed health~~
14 ~~care system provider to the state for the plan plus the administrative~~
15 ~~cost of providing the plan to those enrollees and the premium tax under~~
16 ~~RCW 48.14.0201.~~

17 ~~(c) An employer or other financial sponsor may, with the prior~~
18 ~~approval of the administrator, pay the premium, rate, or any other~~
19 ~~amount on behalf of a subsidized or nonsubsidized enrollee, by~~
20 ~~arrangement with the enrollee and through a mechanism acceptable to the~~
21 ~~administrator.~~

22 ~~(d) To develop, as an offering by every health carrier providing~~
23 ~~coverage identical to the basic health plan, as configured on January~~
24 ~~1, 2001, a basic health plan model plan with uniformity in enrollee~~
25 ~~cost-sharing requirements.~~

26 ~~(3))~~ To design and implement a structure of enrollee cost-sharing
27 due a managed health care system from subsidized, fee supported, and
28 nonsubsidized enrollees. The structure shall discourage inappropriate
29 enrollee utilization of health care services, and may utilize
30 copayments, deductibles, and other cost-sharing mechanisms, but shall
31 not be so costly to enrollees as to constitute a barrier to appropriate
32 utilization of necessary health care services.

33 ~~((4))~~ (3) To limit enrollment of persons who qualify for
34 subsidies or premium assistance so as to prevent an overexpenditure of
35 appropriations for such purposes. Whenever the administrator finds
36 that there is danger of such an overexpenditure, the administrator
37 shall close enrollment until the administrator finds the danger no
38 longer exists.

1 ~~((+5))~~ (4) To limit the payment of subsidies or premium assistance
2 to subsidized enrollees, fee supported enrollees, and premium
3 assistance enrollees, as defined in RCW 70.47.020, except to the extent
4 authorized in section 206 of this act. The level of subsidy provided
5 to persons who qualify may be based on the lowest cost plans, as
6 defined by the administrator.

7 ~~((+6))~~ (5) To adopt a schedule for the orderly development of the
8 delivery of services and availability of the plan to residents of the
9 state, subject to the limitations contained in RCW 70.47.080 or any act
10 appropriating funds for the plan.

11 ~~((+7))~~ (6) To solicit and accept applications from managed health
12 care systems, as defined in this chapter, for inclusion as eligible
13 basic health care providers under the plan for ~~((either))~~ subsidized
14 enrollees, fee supported enrollees, or nonsubsidized enrollees~~((, or~~
15 ~~both))~~. The administrator shall endeavor to assure that covered basic
16 health care services are available to any enrollee of the plan from
17 among a selection of two or more participating managed health care
18 systems. In adopting any rules or procedures applicable to managed
19 health care systems and in its dealings with such systems, the
20 administrator shall consider and make suitable allowance for the need
21 for health care services and the differences in local availability of
22 health care resources, along with other resources, within and among the
23 several areas of the state. Contracts with participating managed
24 health care systems shall ensure that basic health plan enrollees who
25 become eligible for medical assistance may, at their option, continue
26 to receive services from their existing providers within the managed
27 health care system if such providers have entered into provider
28 agreements with the department of social and health services.

29 ~~((+8))~~ ~~To receive periodic premiums from or on behalf of subsidized~~
30 ~~and nonsubsidized enrollees, deposit them in the basic health plan~~
31 ~~operating account, keep records of enrollee status, and authorize~~
32 ~~periodic payments to managed health care systems on the basis of the~~
33 ~~number of enrollees participating in the respective managed health care~~
34 ~~systems.~~

35 ~~(+9))~~ (7) To accept applications from individuals residing in areas
36 served by the plan, on behalf of themselves and their spouses and
37 dependent children, for enrollment in the Washington basic health plan
38 as subsidized, fee supported, premium assistance, or nonsubsidized

1 enrollees, to establish appropriate minimum-enrollment periods for
2 enrollees as may be necessary, and to determine, upon application and
3 on a reasonable schedule defined by the authority, or at the request of
4 any enrollee, eligibility due to current gross family income for
5 sliding scale premiums. Applications as fee supported enrollees may be
6 submitted for calendar years beginning January 1, 2005. Applications
7 as premium assistance enrollees may be accepted by the administrator
8 only during those biennia for which the biennial appropriations act
9 includes funding sufficient to support enrollment of at least one
10 hundred thousand subsidized or fee supported enrollees. If
11 appropriations in a subsequent biennium are not sufficient to support
12 enrollment of at least one hundred thousand subsidized or fee supported
13 enrollees, current premium assistance enrollees will maintain their
14 enrolled status. Funds received by a family as part of participation
15 in the adoption support program authorized under RCW 26.33.320 and
16 74.13.100 through 74.13.145 shall not be counted toward a family's
17 current gross family income for the purposes of this chapter. When an
18 enrollee fails to report income or income changes accurately, the
19 administrator shall have the authority either to bill the enrollee for
20 the amounts overpaid by the state or to impose civil penalties of up to
21 two hundred percent of the amount of subsidy overpaid due to the
22 enrollee incorrectly reporting income. The administrator shall adopt
23 rules to define the appropriate application of these sanctions and the
24 processes to implement the sanctions provided in this subsection,
25 within available resources. No subsidy may be paid with respect to any
26 subsidized enrollee whose current gross family income exceeds twice the
27 federal poverty level or, subject to RCW 70.47.110, who is a recipient
28 of medical assistance or medical care services under chapter 74.09 RCW.
29 If a number of enrollees drop their enrollment for no apparent good
30 cause, the administrator may establish appropriate rules or
31 requirements that are applicable to such individuals before they will
32 be allowed to reenroll in the plan.

33 ((+10)) (8) To accept applications from business owners on behalf
34 of themselves and their employees, spouses, and dependent children, as
35 subsidized or nonsubsidized enrollees, who reside in an area served by
36 the plan. The administrator may require all or the substantial
37 majority of the eligible employees of such businesses to enroll in the
38 plan and establish those procedures necessary to facilitate the orderly

1 enrollment of groups in the plan and into a managed health care system.
2 The administrator may require that a business owner pay at least an
3 amount equal to what the employee pays after the state pays its portion
4 of the subsidized premium cost of the plan on behalf of each employee
5 enrolled in the plan. Enrollment is limited to those not eligible for
6 medicare who wish to enroll in the plan and choose to obtain the basic
7 health care coverage and services from a managed care system
8 participating in the plan. The administrator shall adjust the amount
9 determined to be due on behalf of or from all such enrollees whenever
10 the amount negotiated by the administrator with the participating
11 managed health care system or systems is modified or the administrative
12 cost of providing the plan to such enrollees changes.

13 ~~((+11+))~~ (9)(a) To accept applications from individuals as premium
14 assistance enrollees, on behalf of themselves and their spouses and
15 dependent children, for assistance in payment of small employer-
16 sponsored health insurance premiums, and to determine, upon application
17 and on a reasonable schedule defined by the authority, or at the
18 request of any enrollee, eligibility due to current gross family income
19 for sliding scale premium assistance. The administrator may use basic
20 health plan funds for payment of small employer-sponsored health
21 insurance premiums on behalf of premium assistance enrollees when:

22 (i) The cost of paying the premium assistance enrollee's employer-
23 sponsored health insurance premium obligation would be less than the
24 subsidy that would be paid if the individual, or the individual plus
25 his or her spouse and dependent children, were to enroll in a
26 participating managed care system;

27 (ii) The small employer-sponsored health insurance product for
28 which the enrollee is seeking premium assistance provides coverage of
29 a broader set of health services than those covered through
30 catastrophic coverage, at cost-sharing levels less than those
31 applicable to catastrophic coverage. The administrator may, in
32 consultation with the office of the insurance commissioner, adopt
33 standards for minimum thresholds of small employer-sponsored health
34 insurance coverage under this subsection (9). The office of the
35 insurance commissioner is responsible for certifying small employer
36 health insurance products that meet standards developed under this
37 subsection (9);

1 (iii) The premium assistance enrollee agrees to provide
2 verification of continued enrollment in his or her small employer's
3 employer-sponsored health insurance plan on a semiannual basis, or to
4 notify the administrator whenever his or her enrollment status changes,
5 whichever is earlier. Verification or notification may be made
6 directly by the employee, or through their employer or the carrier
7 providing the small employer health insurance product.

8 (b) The administrator, in consultation with small employers,
9 carriers, and the office of the insurance commissioner, shall determine
10 the most efficient method for payment of premium assistance, with a
11 goal of minimizing the administrative burden on small employers.

12 (c) Funds received by a family as part of participation in the
13 adoption support program authorized under RCW 26.33.320 and 74.13.100
14 through 74.13.145 shall not be counted toward a family's current gross
15 family income for the purposes of this chapter. The enrollee reporting
16 and sanctions provisions of subsection (7) of this section apply to
17 premium assistance enrollees. No premium assistance may be paid with
18 respect to any enrollee whose current gross family income exceeds twice
19 the federal poverty level or, subject to RCW 70.47.110, who is a
20 recipient of medical assistance or medical care services under chapter
21 74.09 RCW.

22 (10) To determine the rate to be paid to each participating managed
23 health care system in return for the provision of covered basic health
24 care services to enrollees in the system. Although the schedule of
25 covered basic health care services will be the same or actuarially
26 equivalent for similar enrollees, the rates negotiated with
27 participating managed health care systems may vary among the systems.
28 In negotiating rates with participating systems, the administrator
29 shall consider the characteristics of the populations served by the
30 respective systems, economic circumstances of the local area, the need
31 to conserve the resources of the basic health plan trust account, and
32 other factors the administrator finds relevant.

33 ~~((+12+))~~ (11) To monitor the provision of covered services to
34 enrollees by participating managed health care systems in order to
35 assure enrollee access to good quality basic health care, to require
36 periodic data reports concerning the utilization of health care
37 services rendered to enrollees in order to provide adequate information
38 for evaluation, and to inspect the books and records of participating

1 managed health care systems to assure compliance with the purposes of
2 this chapter. In requiring reports from participating managed health
3 care systems, including data on services rendered enrollees, the
4 administrator shall endeavor to minimize costs, both to the managed
5 health care systems and to the plan. The administrator shall
6 coordinate any such reporting requirements with other state agencies,
7 such as the insurance commissioner and the department of health, to
8 minimize duplication of effort.

9 ~~((13))~~ (12) To evaluate the effects this chapter has on private
10 employer-based health care coverage and to take appropriate measures
11 consistent with state and federal statutes that will discourage the
12 reduction of such coverage in the state.

13 ~~((14))~~ (13) To develop a program of proven preventive health
14 measures and to integrate it into the plan wherever possible and
15 consistent with this chapter.

16 ~~((15))~~ (14) To provide, consistent with available funding,
17 assistance for rural residents, underserved populations, and persons of
18 color.

19 ~~((16))~~ (15) In consultation with appropriate state and local
20 government agencies, to establish criteria defining eligibility for
21 persons confined or residing in government-operated institutions.

22 ~~((17))~~ (16) To administer the premium discounts provided under
23 RCW 48.41.200(3)(a) (i) and (ii) pursuant to a contract with the
24 Washington state health insurance pool.

25 NEW SECTION. **Sec. 205.** A new section is added to chapter 70.47
26 RCW to read as follows:

27 (1) The administrator shall:

28 (a) Design and implement a structure of periodic premiums due from
29 subsidized, premium assistance, and fee supported enrollees that is
30 based upon gross family income, giving appropriate consideration to
31 family size and the ages of all family members. A subsidized or fee
32 supported enrollee's premium may not exceed twenty percent of the age-
33 adjusted rate paid to the participating managed health care system that
34 the subsidized or fee supported enrollee has chosen to enroll in. The
35 enrollment of children does not require the enrollment of their parent
36 or parents who are eligible for the plan. The structure of periodic
37 premiums must be applied to subsidized enrollees and fee supported

1 enrollees entering the plan as individuals under RCW 70.47.060(7), to
2 the share of the cost of the plan due from subsidized enrollees
3 entering the plan as employees under RCW 70.47.060(8), and to the share
4 of the cost of their small employer-sponsored health insurance coverage
5 due from premium assistance enrollees entering the plan under RCW
6 70.47.060(9);

7 (b) Determine the periodic premiums due the administrator from
8 nonsubsidized enrollees. Premiums due from nonsubsidized enrollees
9 must be in an amount equal to the cost charged by the managed health
10 care system provider to the state for the plan plus the administrative
11 cost of providing the plan to those enrollees and the premium tax under
12 RCW 48.14.0201.

13 (2) An employer or other financial sponsor may, with the prior
14 approval of the administrator, pay the premium, rate, or any other
15 amount on behalf of a subsidized or nonsubsidized enrollee, by
16 arrangement with the enrollee and through a mechanism acceptable to the
17 administrator.

18 (3) The administrator shall receive periodic premiums from or on
19 behalf of subsidized, fee supported, and nonsubsidized enrollees,
20 deposit them in the appropriate account, keep records of enrollee
21 status, and authorize periodic payments to managed health care systems
22 on the basis of the number of enrollees participating in the respective
23 managed health care systems.

24 NEW SECTION. **Sec. 206.** A new section is added to chapter 70.47
25 RCW to read as follows:

26 (1) To the extent that savings result from the conversion of
27 subsidized enrollees to fee supported enrollees under sections 101
28 through 105 of this act, the administrator shall establish an option
29 for small employer group enrollment in the basic health plan in
30 addition to group enrollment under RCW 70.47.060(8). Under this
31 option, the administrator may accept applications for group coverage
32 from small employers who meet the requirements of this section on
33 behalf of themselves and their employees, spouses, and dependent
34 children who reside in an area served by the plan and are not eligible
35 for medicare.

36 (2) A small employer seeking coverage through the basic health plan
37 must certify upon application, and annually thereafter, that at least

1 seventy-five percent of the small employer's employees have wages or
2 salary that are at or below two hundred percent of the federal poverty
3 guidelines as adjusted for a family of three and determined annually by
4 the federal department of health and human services. Small employer
5 group coverage through the basic health plan is not conditioned upon
6 all of the employer's employees meeting the eligibility requirements
7 for subsidized enrollees as defined in RCW 70.47.020. The
8 administrator may not require employers to report total household
9 income of their employees as a condition of receiving group coverage
10 through the basic health plan.

11 (3) The administrator may require all or the substantial majority
12 of the eligible employees of small employers to enroll in the plan and
13 establish those procedures necessary to facilitate the orderly
14 enrollment of small employer groups in the plan and into a managed
15 health care system.

16 (4) Basic health plan coverage must be purchased for small employer
17 group enrollees through the basic health plan subsidized enrollee pool,
18 even though not all employees in the group may be subsidized enrollees
19 as defined in RCW 70.47.020.

20 (5) Enrollment is limited to small employer groups who wish to
21 enroll in the plan and choose to obtain basic health care coverage and
22 services from a managed care system participating in the plan. For
23 each employee of the small employer group with wages below the level
24 established in subsection (2) of this section, the employer must pay
25 forty percent, the employee must pay twenty percent, and the plan must
26 pay forty percent, of the age-adjusted rate paid to the participating
27 managed health care system that the small employer group has chosen to
28 enroll in. No state subsidy may be paid on behalf of employees with
29 wages in excess of the level established in subsection (2) of this
30 section. The administrator shall adjust the amount determined to be
31 due from small employer group enrollees whenever the amount negotiated
32 by the administrator with the participating managed health care system
33 or systems is modified or the administrative cost of providing the plan
34 to such enrollees changes.

35 NEW SECTION. **Sec. 207.** A new section is added to chapter 48.21
36 RCW to read as follows:

37 On or after July 1, 2004, regardless of any applicable open

1 enrollment period, an insurer shall enroll any individual or family
2 member of an individual who requests enrollment in a group disability
3 insurance contract for health care within thirty days after becoming
4 eligible for a basic health plan small employer-sponsored health
5 insurance premium assistance under RCW 70.47.060(9).

6 NEW SECTION. **Sec. 208.** A new section is added to chapter 48.44
7 RCW to read as follows:

8 On or after July 1, 2004, regardless of any applicable open
9 enrollment period, a health care service contractor shall enroll any
10 individual or family member of an individual who requests enrollment in
11 a group health care service contract within thirty days after becoming
12 eligible for a basic health plan small employer-sponsored health
13 insurance premium assistance under RCW 70.47.060(9).

14 NEW SECTION. **Sec. 209.** A new section is added to chapter 48.46
15 RCW to read as follows:

16 On or after July 1, 2004, regardless of any applicable open
17 enrollment period, a health maintenance organization shall enroll any
18 individual or family member of an individual who requests enrollment in
19 a group health maintenance agreement within thirty days after becoming
20 eligible for a basic health plan small employer-sponsored health
21 insurance premium assistance under RCW 70.47.060(9).

22 NEW SECTION. **Sec. 210.** A new section is added to chapter 74.09
23 RCW to read as follows:

24 (1) The department shall make every effort to maximize
25 opportunities to blend public and private funds through subsidization
26 of small employer-sponsored health insurance premiums on behalf of
27 individuals eligible for medical assistance and children eligible for
28 the state children's health insurance program when such subsidization
29 is cost-effective for the state. In developing policies under this
30 section, the department shall consult with the health care authority
31 and, to the extent allowed by federal law, develop policies that are
32 consistent with those developed by the health care authority under RCW
33 70.47.060(9) so that entire families will have the opportunity to
34 enroll in the same small employer-sponsored health insurance plan.

1 (2) If a federal waiver is necessary to achieve consistency with
2 health care authority policies under RCW 70.47.060(9), the department
3 shall notify the relevant fiscal and policy committees of the
4 legislature on or before September 1, 2004. The notification must
5 include recommendations regarding federal waiver options that would
6 provide the flexibility needed to optimize the use of medical
7 assistance and state children's health insurance program funds to
8 subsidize small employer-sponsored health insurance premiums on behalf
9 of low-income families.

10 **PART 3**

11 **COST CONTAINMENT AND QUALITY IMPROVEMENT STUDY**

12 NEW SECTION. **Sec. 301.** (1) The legislature finds that:

13 (a) While increasing access to health care coverage for the state's
14 uninsured residents is critical, no effort to address improvements in
15 our health care system can proceed without close examination of health
16 care costs and quality; and

17 (b) A comprehensive examination of health care cost and quality
18 must include meaningful participation of a broad array of interests,
19 including health care purchasers, health care providers, and insurers.

20 (2) The administrator of the health care authority shall conduct a
21 study and prepare recommendations to the legislature related to cost
22 containment and quality improvement in the state's health care system.
23 The report must be submitted to the governor and appropriate committees
24 of the legislature by October 1, 2005.

25 (3) In conducting the study and preparing recommendations, the
26 administrator of the health care authority shall establish and actively
27 consult with an advisory committee that includes representatives of at
28 least the following individuals or entities: Business; labor
29 organizations; consumers, including people with disabilities;
30 communities of color; health care providers and facilities; health
31 insurance carriers; academic or health care research institutions;
32 health care ethicists; and the department of social and health
33 services, the department of health, the Washington state board of
34 health, and the department of labor and industries.

35 (4) The administrator of the health care authority, in consultation

1 with the advisory committee, shall, at a minimum, examine and address
2 the following issues:

3 (a) Assessing Washington state's health care needs and available
4 resources;

5 (b) Containing the cost of health care coverage;

6 (c) Improving the quality and effectiveness of the health care
7 system through increased focus upon evidence-based medicine, proven
8 preventive health services, management of chronic disease,
9 implementation of proven patient safety strategies, and other
10 appropriate mechanisms;

11 (d) Decreasing health disparities between racial and ethnic groups;

12 (e) Increasing the transparency of health care costs and the
13 relative efficiency with which care is delivered; and

14 (f) Consolidation of existing state programs to achieve
15 efficiencies where possible.

16 NEW SECTION. **Sec. 302.** If any part of this act is found to be in
17 conflict with federal requirements that are a prescribed condition to
18 the allocation of federal funds to the state or the eligibility of
19 employers in this state for federal unemployment tax credits, the
20 conflicting part of this act is inoperative solely to the extent of the
21 conflict, and the finding or determination does not affect the
22 operation of the remainder of this act. Rules adopted under this act
23 must meet federal requirements that are a necessary condition to the
24 receipt of federal funds by the state or the granting of federal
25 unemployment tax credits to employers in this state.

26 NEW SECTION. **Sec. 303.** This act shall be known as the "health
27 care for Washington workers act."

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