

2SHB 2069 - H AMD 288

By Representative Cody

ADOPTED 03/14/2005

1 Strike everything after the enacting clause and insert the
2 following:

3 "Sec. 1. RCW 70.47.010 and 2000 c 79 s 42 are each amended to read
4 as follows:

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

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

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

28 (a) A significant percentage of the population of this state does
29 not have reasonably available insurance or other coverage of the costs
30 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 (3) The legislature further finds that many small employers
21 struggle with the cost of providing employer-sponsored health insurance
22 coverage to their employees and their employees' families, while others
23 are unable to offer employer-sponsored health insurance due to its high
24 cost. Low-wage workers also struggle with the burden of paying their
25 share of the costs of employer-sponsored health insurance, while others
26 turn down their employer's offer of coverage due to its costs.

27 (4) It is not the intent of this chapter to provide health care
28 services for those persons who are presently covered through private
29 employer-based health plans, nor to replace employer-based health
30 plans. However, the legislature recognizes that cost-effective and
31 affordable health plans may not always be available to small business
32 employers. Further, it is the intent of the legislature to expand,
33 wherever possible, the availability of private health care coverage and
34 to discourage the decline of employer-based coverage.

35 (5)(a) It is the purpose of this chapter to acknowledge the initial
36 success of ~~((this))~~ the basic health plan program that has (i) assisted
37 thousands of families in their search for affordable health care; (ii)
38 demonstrated that low-income, uninsured families are willing to pay for

1 their own health care coverage to the extent of their ability to pay;
2 and (iii) proved that local health care providers are willing to enter
3 into a public-private partnership as a managed care system.

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

14 (c) The legislature intends that, to the extent of available funds,
15 the programs administered under this chapter be available throughout
16 Washington state (~~to subsidized and nonsubsidized enrollees~~). It is
17 also the intent of the legislature to enroll subsidized enrollees
18 first, to the maximum extent feasible.

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

26 (6) The legislature further finds that limitations on access to
27 health care services for enrollees in the state, such as in rural and
28 underserved areas, are particularly challenging. It is the intent of
29 the legislature to authorize the administrator to develop alternative
30 purchasing strategies to ensure access to enrollees of the programs
31 administered under this chapter in all areas of the state, including
32 but not limited to: (a) The use of differential rating for managed
33 health care systems based on geographic differences in costs; and (b)
34 self-insurance in areas where adequate access cannot be ensured through
35 other options.

36 NEW SECTION. Sec. 2. A new section is added to chapter 70.47 RCW
37 to read as follows:

1 (1) The small business assist program is hereby established, to be
2 separate and distinct from the Washington basic health plan. The
3 legislature intends that the small business assist program make health
4 care coverage more affordable to small employers, their employees, and
5 dependents. By blending private and public funds through the premium
6 assistance option authorized by this section, the legislature intends
7 to increase the number of low-income workers with health coverage in
8 Washington state. The administrator shall offer two coverage options
9 to small employers, their employees and dependents through the small
10 business assist program:

11 (a) Group enrollment in a small business assist health benefit plan
12 offered by the administrator under subsections (2) through (6) of this
13 section; and

14 (b) Premium assistance for low-income employees under subsections
15 (7) through (11) of this section.

16 (2) No later than January 1, 2007, the administrator may accept
17 applications from employers on behalf of themselves and their
18 employees, spouses, and dependent children, as small business assist
19 group enrollees. Small employers who have not provided
20 employer-sponsored health care coverage for at least six months prior
21 to the date of application may apply for enrollment as a group. For
22 purposes of this section, prior employer-sponsored coverage as a
23 subsidized enrollee in the basic health plan shall not be considered
24 employer-sponsored health coverage.

25 (3) The administrator may require all or the substantial majority
26 of the eligible employees of small employers to enroll and may
27 establish procedures necessary to facilitate the orderly enrollment of
28 small employer groups in the small business assist program and into a
29 managed health care system.

30 (4) The administrator shall design and from time to time revise one
31 or more health benefit plans to be provided to small business assist
32 group enrollees. Alternative health benefit plans may vary with
33 respect to services covered, deductibles, or other cost-sharing amounts
34 paid by enrollees. A high deductible health benefit plan option shall
35 be included if two or more health benefit plans are offered through the
36 small business assist group option. The structure of covered services
37 and cost-sharing shall discourage inappropriate enrollee utilization of

1 health care services. In designing and revising health benefit plans,
2 the administrator shall consider the guidelines for assessing health
3 services under RCW 48.47.030.

4 (5) The administrator shall determine the periodic premiums to be
5 paid by small business assist group enrollees. Premiums due from small
6 business assist group enrollees shall be in an amount equal to the
7 amount negotiated by the administrator with the participating managed
8 health care system or systems plus the administrative cost of providing
9 coverage to those enrollees and the premium tax under RCW 48.14.0201.
10 The administrator shall adjust the premium amount determined to be due
11 on behalf of or from all such enrollees whenever the amount negotiated
12 by the administrator with the participating managed health care system
13 or systems is modified or the administrative cost of providing coverage
14 to such enrollees changes.

15 (6) Small business assist group health benefit plans offered under
16 this section are subject to the requirements of Title 48 RCW.

17 (7) Beginning July 1, 2006, the administrator may accept
18 applications for premium assistance from individuals whose current
19 small employer has not offered health insurance within the last six
20 months, on behalf of themselves and their spouses and dependent
21 children. The administrator may determine the minimum premium
22 contribution to be paid by small employers whose employees are
23 participating in this premium assistance option.

24 (8) To the extent of funding provided in the biennial operating
25 budget, the administrator may make premium assistance payments to help
26 employees pay their premium obligation for their employer's health
27 benefit plan, including small business assist group enrollment under
28 this section. Premium assistance payments may be made when:

29 (a) The individual seeking premium assistance, plus the
30 individual's spouse and dependent children: (i) Is not confined or
31 residing in a government-operated institution, unless he or she meets
32 eligibility criteria adopted by the administrator; (ii) has gross
33 family income at the time of enrollment that does not exceed two
34 hundred percent of the federal poverty level as adjusted for family
35 size and determined annually by the federal department of health and
36 human services; (iii) resides within the state of Washington; and (iv)
37 meets the definition of eligible employee as defined in RCW 48.43.005;

1 (b) The premium assistance paid would be less than the subsidy that
2 would be paid if the individual, or the individual plus his or her
3 spouse and dependent children, were to enroll in the Washington basic
4 health plan under this chapter as subsidized enrollees. The amount of
5 an individual's premium assistance shall be determined by applying the
6 percent of premium subsidy paid for subsidized basic health plan
7 enrollees under RCW 70.47.060 to the employee's premium obligation for
8 his or her employer's health benefit plan;

9 (c) The premium assistance enrollee agrees to provide verification
10 of continued enrollment in his or her small employer's health benefit
11 plan on a semiannual basis, or to notify the administrator whenever his
12 or her enrollment status changes, whichever is earlier. Verification
13 or notification may be made directly by the employee, or through his or
14 her employer or the carrier providing the small employer health benefit
15 plan. When necessary, the administrator has the authority to perform
16 retrospective audits on premium assistance accounts.

17 (9) The administrator may adopt standards for minimum thresholds of
18 small employer health benefit plans for which premium assistance will
19 be paid under this section. The office of insurance commissioner under
20 Title 48 RCW shall certify that small employer health benefit plans
21 meet any standards developed under this subsection.

22 (10) The administrator, in consultation with small employers,
23 carriers, and the office of insurance commissioner under Title 48 RCW,
24 shall determine an effective and efficient method for the payment of
25 premium assistance and adopt rules necessary for its implementation.

26 (11) Funds received by a family as part of participation in the
27 adoption support program authorized under RCW 26.33.320 and 74.13.100
28 through 74.13.145 may not be counted toward a family's current gross
29 family income for the purposes of this act. No premium assistance may
30 be paid to an employee whose current gross family income exceeds twice
31 the federal poverty level or who is a recipient of medical assistance
32 or medical care services under chapter 74.09 RCW.

33 (12) Administrative functions necessary to implement this section
34 may be carried out by staff of the Washington basic health plan in
35 order to minimize administrative costs of operating the small business
36 assist program.

1 **Sec. 3.** RCW 70.47.015 and 1997 c 337 s 1 are each amended to read
2 as follows:

3 (1) The legislature finds that the basic health plan has been an
4 effective program in providing health coverage for uninsured residents.
5 Further, since 1993, substantial amounts of public funds have been
6 allocated for subsidized basic health plan enrollment.

7 ~~((It is the intent of the legislature that the basic health
8 plan enrollment be expanded expeditiously, consistent with funds
9 available in the health services account, with the goal of two hundred
10 thousand adult subsidized basic health plan enrollees and one hundred
11 thirty thousand children covered through expanded medical assistance
12 services by June 30, 1997, with the priority of providing needed health
13 services to children in conjunction with other public programs.~~

14 ~~(3))~~ Effective January 1, 1996, basic health plan enrollees whose
15 income is less than one hundred twenty-five percent of the federal
16 poverty level shall pay at least a ten-dollar premium share.

17 ~~((4))~~ (3) No later than July 1, 1996, the administrator shall
18 implement procedures whereby hospitals licensed under chapters 70.41
19 and 71.12 RCW, health carrier, rural health care facilities regulated
20 under chapter 70.175 RCW, and community and migrant health centers
21 funded under RCW 41.05.220, may expeditiously assist patients and their
22 families in applying for basic health plan or medical assistance
23 coverage, and in submitting such applications directly to the health
24 care authority or the department of social and health services. The
25 health care authority and the department of social and health services
26 shall make every effort to simplify and expedite the application and
27 enrollment process.

28 ~~((5) No later than July 1, 1996,))~~ (4) The administrator ~~((shall))~~
29 may implement procedures whereby health insurance agents and brokers,
30 licensed under chapter 48.17 RCW, may expeditiously assist patients and
31 their families in applying for basic health plan or ~~((medical
32 assistance coverage,))~~ small business assist coverage and in submitting
33 such applications directly to the health care authority ~~((or the
34 department of social and health services))~~. Brokers and agents may
35 receive a commission for each individual sale of the basic health plan
36 or small business assist group enrollment to anyone not signed up
37 within the previous five years ~~((and a commission for each group sale
38 of the basic health plan))~~, if sufficient funding ~~((for this purpose is~~

1 ~~provided in a specific appropriation))~~ is appropriated to the health
2 care authority for marketing and administration. No commission shall
3 be provided upon a renewal. (~~Commissions shall be determined based on~~
4 ~~the estimated annual cost of the basic health plan, however,~~
5 ~~commissions shall not result in a reduction in the premium amount paid~~
6 ~~to health carriers.~~) For purposes of this section "health carrier" is
7 as defined in RCW 48.43.005. The administrator may establish: (a)
8 Minimum educational requirements that must be completed by the agents
9 or brokers; (b) an appointment process for agents or brokers marketing
10 the basic health plan or the small business assist program; or (c)
11 standards for revocation of the appointment of an agent or broker to
12 submit applications for cause, including untrustworthy or incompetent
13 conduct or harm to the public. The health care authority and the
14 department of social and health services shall make every effort to
15 simplify and expedite the application and enrollment process.

16 **Sec. 4.** RCW 70.47.020 and 2004 c 192 s 1 are each amended to read
17 as follows:

18 As used in this chapter:

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

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

26 (3) "Small employer" means the same as is defined in RCW
27 48.43.005(24).

28 (4) "Enrollee" means a subsidized enrollee, nonsubsidized enrollee,
29 health coverage tax credit eligible enrollee, or small business assist
30 group enrollee.

31 (5) "Health coverage tax credit program" means the program created
32 by the Trade Act of 2002 (P.L. 107-210) that provides a federal tax
33 credit that subsidizes private health insurance coverage for displaced
34 workers certified to receive certain trade adjustment assistance
35 benefits and for individuals receiving benefits from the pension
36 benefit guaranty corporation.

1 (~~(4)~~) (6) "Health coverage tax credit eligible enrollee" means
2 individual workers and their qualified family members who lose their
3 jobs due to the effects of international trade and are eligible for
4 certain trade adjustment assistance benefits; or are eligible for
5 benefits under the alternative trade adjustment assistance program; or
6 are people who receive benefits from the pension benefit guaranty
7 corporation and are at least fifty-five years old.

8 (~~(5)~~) (7) "Managed health care system" means: (a) Any health
9 care organization, including health care providers, insurers, health
10 care service contractors, health maintenance organizations, or any
11 combination thereof, that provides directly or by contract (~~(basic)~~)
12 health care services, as defined by the administrator and rendered by
13 duly licensed providers, to a defined patient population enrolled in
14 (~~(the plan)~~) a program administered under this chapter and in the
15 managed health care system; or (b) a self-funded or self-insured method
16 of providing insurance coverage to (~~(subsidized)~~) enrollees provided
17 under RCW 41.05.140 and subject to the limitations under RCW
18 70.47.100(7).

19 (~~(6)~~) (8) "Subsidized enrollee" means an individual, or an
20 individual plus the individual's spouse or dependent children: (a) Who
21 is not eligible for medicare; (b) who is not confined or residing in a
22 government-operated institution, unless he or she meets eligibility
23 criteria adopted by the administrator; (c) who resides in an area of
24 the state served by a managed health care system participating in the
25 plan; (d) whose gross family income at the time of enrollment does not
26 exceed two hundred percent of the federal poverty level as adjusted for
27 family size and determined annually by the federal department of health
28 and human services; and (e) who chooses to obtain basic health care
29 coverage from a particular managed health care system in return for
30 periodic payments to the plan. To the extent that state funds are
31 specifically appropriated for this purpose, with a corresponding
32 federal match, "subsidized enrollee" also means an individual, or an
33 individual's spouse or dependent children, who meets the requirements
34 in (a) through (c) and (e) of this subsection and whose gross family
35 income at the time of enrollment is more than two hundred percent, but
36 less than two hundred fifty-one percent, of the federal poverty level
37 as adjusted for family size and determined annually by the federal
38 department of health and human services.

1 ~~((7))~~ (9) "Nonsubsidized enrollee" means an individual, or an
2 individual plus the individual's spouse or dependent children: (a) Who
3 is not eligible for medicare; (b) who is not confined or residing in a
4 government-operated institution, unless he or she meets eligibility
5 criteria adopted by the administrator; (c) who resides in an area of
6 the state served by a managed health care system participating in the
7 plan; (d) who chooses to obtain basic health care coverage from a
8 particular managed health care system; and (e) who pays or on whose
9 behalf is paid the full costs for participation in the plan, without
10 any subsidy from the plan.

11 ~~((8))~~ (10) "Small business assist group enrollee" means an
12 employee who is employed by a small employer and who resides or works
13 in Washington and enrolls in the small business assist program through
14 the group enrollment option created under section 2 of this act.

15 (11) "Subsidy" means the difference between the amount of periodic
16 payment the administrator makes to a managed health care system on
17 behalf of a subsidized enrollee plus the administrative cost to the
18 plan of providing the plan to that subsidized enrollee, and the amount
19 determined to be the subsidized enrollee's responsibility under RCW
20 70.47.060(2).

21 ~~((9))~~ (12) "Premium" means a periodic payment ~~(, based upon gross~~
22 ~~family income)~~ which an individual, ~~((their))~~ an employer, or
23 ~~((another))~~ a financial sponsor makes to the ~~((plan))~~ administrator as
24 consideration for ~~((enrollment in the plan as a subsidized enrollee, a~~
25 ~~nonsubsidized enrollee, or a health coverage tax credit eligible~~
26 ~~enrollee))~~ health care coverage through small business assist group
27 enrollment or a program administered under this chapter.

28 ~~((10))~~ (13) "Rate" means the amount, negotiated by the
29 administrator with and paid to a participating managed health care
30 system, that is based upon the ~~((enrollment of subsidized,~~
31 ~~nonsubsidized, and health coverage tax credit eligible))~~ number of
32 enrollees in ~~((the plan and in))~~ that system.

33 **Sec. 5.** RCW 70.47.060 and 2004 c 192 s 3 are each amended to read
34 as follows:

35 The administrator has the following powers and duties:

36 (1) To design and from time to time revise a schedule of covered
37 basic health care services, including physician services, inpatient and

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

29 (2)(a) To design and implement a structure of periodic premiums due
30 the administrator from subsidized enrollees that is based upon gross
31 family income, giving appropriate consideration to family size and the
32 ages of all family members. The enrollment of children shall not
33 require the enrollment of their parent or parents who are eligible for
34 the plan. The structure of periodic premiums shall be applied to
35 subsidized enrollees entering the plan (~~((as individuals))~~) pursuant to
36 subsection (11) of this section (~~((and to the share of the cost of the
37 plan due from subsidized enrollees entering the plan as employees
38 pursuant to subsection (12) of this section))~~).

1 (b) To determine the periodic premiums due the administrator from
2 nonsubsidized enrollees. Premiums due from nonsubsidized enrollees
3 shall be in an amount equal to the cost charged by the managed health
4 care system provider to the state for the plan plus the administrative
5 cost of providing the plan to those enrollees and the premium tax under
6 RCW 48.14.0201.

7 (c) To determine the periodic premiums due the administrator from
8 health coverage tax credit eligible enrollees. Premiums due from
9 health coverage tax credit eligible enrollees must be in an amount
10 equal to the cost charged by the managed health care system provider to
11 the state for the plan, plus the administrative cost of providing the
12 plan to those enrollees and the premium tax under RCW 48.14.0201. The
13 administrator will consider the impact of eligibility determination by
14 the appropriate federal agency designated by the Trade Act of 2002
15 (P.L. 107-210) as well as the premium collection and remittance
16 activities by the United States internal revenue service when
17 determining the administrative cost charged for health coverage tax
18 credit eligible enrollees.

19 (d) (~~(An employer or other)~~) A financial sponsor may, with the
20 prior approval of the administrator, pay the premium, rate, or any
21 other amount on behalf of a subsidized or nonsubsidized enrollee, by
22 arrangement with the enrollee and through a mechanism acceptable to the
23 administrator. The administrator shall establish a mechanism for
24 receiving premium payments from the United States internal revenue
25 service for health coverage tax credit eligible enrollees.

26 (~~((e) To develop, as an offering by every health carrier providing
27 coverage identical to the basic health plan, as configured on January
28 1, 2001, a basic health plan model plan with uniformity in enrollee
29 cost sharing requirements.))~~)

30 (3) To evaluate, with the cooperation of participating managed
31 health care system providers, the impact on the basic health plan of
32 enrolling health coverage tax credit eligible enrollees. The
33 administrator shall issue to the appropriate committees of the
34 legislature preliminary evaluations on June 1, 2005, and January 1,
35 2006, and a final evaluation by June 1, 2006. The evaluation shall
36 address the number of persons enrolled, the duration of their
37 enrollment, their utilization of covered services relative to other

1 basic health plan enrollees, and the extent to which their enrollment
2 contributed to any change in the cost of the basic health plan.

3 (4) To end the participation of health coverage tax credit eligible
4 enrollees in the basic health plan if the federal government reduces or
5 terminates premium payments on their behalf through the United States
6 internal revenue service.

7 (5) To design and implement a structure of enrollee cost-sharing
8 due a managed health care system from subsidized, nonsubsidized, and
9 health coverage tax credit eligible enrollees. The structure shall
10 discourage inappropriate enrollee utilization of health care services,
11 and may utilize copayments, deductibles, and other cost-sharing
12 mechanisms, but shall not be so costly to enrollees as to constitute a
13 barrier to appropriate utilization of necessary health care services.

14 (6) To limit enrollment of persons who qualify for subsidies so as
15 to prevent an overexpenditure of appropriations for such purposes.
16 Whenever the administrator finds that there is danger of such an
17 overexpenditure, the administrator shall close enrollment until the
18 administrator finds the danger no longer exists. Such a closure does
19 not apply to health coverage tax credit eligible enrollees who receive
20 a premium subsidy from the United States internal revenue service as
21 long as the enrollees qualify for the health coverage tax credit
22 program.

23 (7) To limit the payment of subsidies to subsidized enrollees, as
24 defined in RCW 70.47.020. The level of subsidy provided to persons who
25 qualify may be based on the lowest cost plans, as defined by the
26 administrator.

27 (8) To adopt a schedule for the orderly development of the delivery
28 of services and availability of the plan to residents of the state,
29 subject to the limitations contained in RCW 70.47.080 or any act
30 appropriating funds for the plan.

31 (9) To solicit and accept applications from managed health care
32 systems, as defined in this chapter, for inclusion as ~~((eligible
33 basic))~~ health care providers under the ~~((plan for subsidized
34 enrollees, nonsubsidized enrollees, or health coverage tax credit
35 eligible enrollees))~~ programs administered under this chapter. The
36 administrator shall endeavor to assure that covered basic health care
37 services are available to any enrollee of the basic health plan from
38 among a selection of two or more participating managed health care

1 systems. In adopting any rules or procedures applicable to managed
2 health care systems and in its dealings with such systems, the
3 administrator shall consider and make suitable allowance for the need
4 for health care services and the differences in local availability of
5 health care resources, along with other resources, within and among the
6 several areas of the state. Contracts with participating managed
7 health care systems shall ensure that basic health plan enrollees who
8 become eligible for medical assistance may, at their option, continue
9 to receive services from their existing providers within the managed
10 health care system if such providers have entered into provider
11 agreements with the department of social and health services.

12 (10) To receive periodic premiums from or on behalf of
13 (~~subsidized, nonsubsidized, and health coverage tax credit eligible~~)
14 enrollees, deposit them in the (~~basic health plan~~) appropriate
15 operating account, keep records of enrollee status, and authorize
16 periodic payments to managed health care systems on the basis of the
17 number of enrollees participating in the respective managed health care
18 systems.

19 (11) To accept applications from individuals residing in areas
20 served by the plan, on behalf of themselves and their spouses and
21 dependent children, for enrollment in the Washington basic health plan
22 as subsidized, nonsubsidized, or health coverage tax credit eligible
23 enrollees, to establish appropriate minimum-enrollment periods for
24 enrollees as may be necessary, and to determine, upon application and
25 on a reasonable schedule defined by the authority, or at the request of
26 any enrollee, eligibility due to current gross family income for
27 sliding scale premiums. Funds received by a family as part of
28 participation in the adoption support program authorized under RCW
29 26.33.320 and 74.13.100 through 74.13.145 shall not be counted toward
30 a family's current gross family income for the purposes of this
31 chapter. When an enrollee fails to report income or income changes
32 accurately, the administrator shall have the authority either to bill
33 the enrollee for the amounts overpaid by the state or to impose civil
34 penalties of up to two hundred percent of the amount of subsidy
35 overpaid due to the enrollee incorrectly reporting income. The
36 administrator shall adopt rules to define the appropriate application
37 of these sanctions and the processes to implement the sanctions
38 provided in this subsection, within available resources. No subsidy

1 may be paid with respect to any enrollee whose current gross family
2 income exceeds twice the federal poverty level or, subject to RCW
3 70.47.110, who is a recipient of medical assistance or medical care
4 services under chapter 74.09 RCW. If a number of enrollees drop their
5 enrollment for no apparent good cause, the administrator may establish
6 appropriate rules or requirements that are applicable to such
7 individuals before they will be allowed to reenroll in the plan.

8 ~~(12) ((To accept applications from business owners on behalf of
9 themselves and their employees, spouses, and dependent children, as
10 subsidized or nonsubsidized enrollees, who reside in an area served by
11 the plan. The administrator may require all or the substantial
12 majority of the eligible employees of such businesses to enroll in the
13 plan and establish those procedures necessary to facilitate the orderly
14 enrollment of groups in the plan and into a managed health care system.
15 The administrator may require that a business owner pay at least an
16 amount equal to what the employee pays after the state pays its portion
17 of the subsidized premium cost of the plan on behalf of each employee
18 enrolled in the plan. Enrollment is limited to those not eligible for
19 medicare who wish to enroll in the plan and choose to obtain the basic
20 health care coverage and services from a managed care system
21 participating in the plan. The administrator shall adjust the amount
22 determined to be due on behalf of or from all such enrollees whenever
23 the amount negotiated by the administrator with the participating
24 managed health care system or systems is modified or the administrative
25 cost of providing the plan to such enrollees changes.~~

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

37 ~~((14))~~ (13) To monitor the provision of covered services to
38 enrollees by participating managed health care systems in order to

1 assure enrollee access to good quality (~~basic~~) health care, to
2 require periodic data reports concerning the utilization of health care
3 services rendered to enrollees in order to provide adequate information
4 for evaluation, and to inspect the books and records of participating
5 managed health care systems to assure compliance with the purposes of
6 this chapter. In requiring reports from participating managed health
7 care systems, including data on services rendered enrollees, the
8 administrator shall endeavor to minimize costs, both to the managed
9 health care systems and to the (~~plan~~) state. The administrator shall
10 coordinate any such reporting requirements with other state agencies,
11 such as the insurance commissioner and the department of health, to
12 minimize duplication of effort.

13 (~~(15)~~) (14) To evaluate the effects this chapter has on private
14 employer-based health care coverage and to take appropriate measures
15 consistent with state and federal statutes that will discourage the
16 reduction of such coverage in the state.

17 (~~(16)~~) (15) To develop a program of proven preventive health
18 measures and to integrate it into the plan wherever possible and
19 consistent with this chapter.

20 (~~(17)~~) (16) To provide, consistent with available funding,
21 assistance for rural residents, underserved populations, and persons of
22 color.

23 (~~(18)~~) (17) In consultation with appropriate state and local
24 government agencies, to establish criteria defining eligibility for
25 persons confined or residing in government-operated institutions.

26 (~~(19)~~) (18) To administer the premium discounts provided under
27 RCW 48.41.200(3)(a) (i) and (ii) pursuant to a contract with the
28 Washington state health insurance pool.

29 **Sec. 6.** RCW 70.47.100 and 2004 c 192 s 4 are each amended to read
30 as follows:

31 (1) A managed health care system participating in (~~the plan~~) a
32 program administered under this chapter shall do so by contract with
33 the administrator and shall provide, directly or by contract with other
34 health care providers, covered (~~basic~~) health care services to each
35 enrollee covered by its contract with the administrator as long as
36 payments from the administrator on behalf of the enrollee are current.
37 A participating managed health care system may offer, without

1 additional cost, health care benefits or services not included in the
2 schedule of covered services under the plan. A participating managed
3 health care system shall not give preference in enrollment to enrollees
4 who accept such additional health care benefits or services.
5 Participating managed health care systems (~~(participating in the plan)~~)
6 shall not discriminate against any potential or current enrollee based
7 upon health status, sex, race, ethnicity, or religion. The
8 administrator may receive and act upon complaints from enrollees
9 regarding failure to provide covered services or efforts to obtain
10 payment, other than authorized copayments, for covered services
11 directly from enrollees, but nothing in this chapter empowers the
12 administrator to impose any sanctions under Title 18 RCW or any other
13 professional or facility licensing statute.

14 (2) The plan shall allow, at least annually, an opportunity for
15 enrollees to transfer their enrollments among participating managed
16 health care systems serving their respective areas. The administrator
17 shall establish a period of at least twenty days in a given year when
18 this opportunity is afforded enrollees, and in those areas served by
19 more than one participating managed health care system the
20 administrator shall endeavor to establish a uniform period for such
21 opportunity. The plan shall allow enrollees to transfer their
22 enrollment to another participating managed health care system at any
23 time upon a showing of good cause for the transfer.

24 (3) Prior to negotiating with any managed health care system, the
25 administrator shall determine, on an actuarially sound basis, the
26 reasonable cost of providing the schedule of (~~basic~~) health care
27 services, expressed in terms of upper and lower limits, and recognizing
28 variations in the cost of providing the services through the various
29 systems and in different areas of the state.

30 (4) In negotiating with managed health care systems for
31 participation (~~(in the plan)~~), the administrator shall adopt a uniform
32 procedure that includes at least the following:

33 (a) The administrator shall issue a request for proposals,
34 including standards regarding the quality of services to be provided;
35 financial integrity of the responding systems; and responsiveness to
36 the unmet health care needs of the local communities or populations
37 that may be served;

1 (b) The administrator shall then review responsive proposals and
2 may negotiate with respondents to the extent necessary to refine any
3 proposals;

4 (c) The administrator may then select one or more systems to
5 provide the covered services within a local area; and

6 (d) The administrator may adopt a policy that gives preference to
7 respondents, such as nonprofit community health clinics, that have a
8 history of providing quality health care services to low-income
9 persons.

10 (5) The administrator may contract with a managed health care
11 system to provide covered (~~(basic)~~) health care services to subsidized
12 enrollees, nonsubsidized enrollees, health coverage tax credit eligible
13 enrollees, small business assist group enrollees, or any combination
14 thereof.

15 (6) The administrator may establish procedures and policies to
16 further negotiate and contract with managed health care systems
17 following completion of the request for proposal process in subsection
18 (4) of this section, upon a determination by the administrator that it
19 is necessary to provide access, as defined in the request for proposal
20 documents, to covered (~~(basic)~~) health care services for enrollees.

21 (7)~~((a))~~ The administrator (~~(shall)~~) may implement a self-funded
22 or self-insured method of providing insurance coverage to
23 (~~(subsidized)~~) enrollees, as provided under RCW 41.05.140, if (~~(one of~~
24 ~~the following conditions is met:~~

25 ~~(i) The authority)):~~

26 (a) The administrator determines that no managed health care system
27 other than the authority is willing and able to provide access(~~(, as~~
28 ~~defined in the request for proposal documents,)~~) to covered (~~(basic)~~)
29 health care services (~~(for all subsidized enrollees)~~) in (~~(an)~~) a given
30 area(~~(; or~~

31 ~~(ii) The authority determines that no other managed health care~~
32 ~~system is willing to provide access, as defined in the request for~~
33 ~~proposal documents, for one hundred thirty three percent of the~~
34 ~~statewide benchmark price or less, and the authority is able to offer~~
35 ~~such coverage at a price that is less than the lowest price at which~~
36 ~~any other managed health care system is willing to provide such access~~
37 ~~in an area.~~

1 ~~(b) The authority shall initiate steps to provide the coverage~~
2 ~~described in (a) of this subsection within ninety days of making its~~
3 ~~determination that the conditions for providing a self-funded or self-~~
4 ~~insured method of providing insurance have been met.~~

5 ~~(c) The administrator may not implement a self-funded or self-~~
6 ~~insured method of providing insurance in an area unless)) for~~
7 ~~subsidized enrollees at a rate consistent with the appropriation and~~
8 ~~enrollment levels assumed in the biennial operating budget, and for~~
9 ~~other enrollees, at a rate consistent with the cost of comparable~~
10 ~~health benefit plans in the commercial market; and~~

11 (b) The administrator has received a certification from a member of
12 the American academy of actuaries that the funding available in the
13 basic health plan or small business assist self-insurance reserve
14 account is sufficient for the self-funded or self-insured risk assumed,
15 or expected to be assumed, by the administrator.

16 **Sec. 7.** RCW 70.47.120 and 1997 c 337 s 7 are each amended to read
17 as follows:

18 In addition to the powers and duties specified in RCW 70.47.040 and
19 70.47.060, the administrator has the power to enter into contracts for
20 the following functions and services:

21 (1) With public or private agencies, to assist the administrator in
22 her or his duties to design or revise the schedule of covered (~~basic~~
23 ~~health care~~) services for a program administered under this chapter,
24 and/or to monitor or evaluate the performance of participating managed
25 health care systems.

26 (2) With public or private agencies, to provide technical or
27 professional assistance to health care providers, particularly public
28 or private nonprofit organizations and providers serving rural areas,
29 who show serious intent and apparent capability to participate in (~~the~~
30 ~~plan~~) a program administered under this chapter as managed health care
31 systems.

32 (3) With public or private agencies, including health care service
33 contractors registered under RCW 48.44.015, and doing business in the
34 state, for marketing and administrative services in connection with
35 participation of managed health care systems, enrollment of enrollees,
36 billing and collection services to the administrator, and other
37 administrative functions ordinarily performed by health care service

1 contractors, other than insurance. Any activities of a health care
2 service contractor pursuant to a contract with the administrator under
3 this section shall be exempt from the provisions and requirements of
4 Title 48 RCW except that persons appointed or authorized to solicit
5 applications for enrollment in (~~the basic health plan~~) a program
6 administered under this chapter shall comply with chapter 48.17 RCW.

7 NEW SECTION. **Sec. 8.** A new section is added to chapter 74.09 RCW
8 to read as follows:

9 (1) The department shall make every effort to maximize
10 opportunities to blend public and private funds through subsidization
11 of small employer health benefit plan premiums on behalf of individuals
12 eligible for medical assistance and children eligible for the state
13 children's health insurance program when such subsidization is cost-
14 effective for the state. In developing policies under this section,
15 the department shall consult with the health care authority and, to the
16 extent allowed by federal law, develop policies that are consistent
17 with those policies developed by the health care authority under the
18 premium assistance option in section 2 of this act so that entire
19 families have the opportunity to enroll in the same small employer
20 health benefit plan.

21 (2) If a federal waiver is necessary to achieve consistency with
22 health care authority policies under section 2 of this act, the
23 department shall notify the relevant fiscal and policy committees of
24 the legislature on or before December 1, 2005. The notification must
25 include recommendations regarding federal waiver options that would
26 provide the flexibility needed to optimize the use of medical
27 assistance and state children's health insurance program funds to
28 subsidize small employer health benefit plan premiums on behalf of low-
29 income families.

30 **Sec. 9.** RCW 70.47.160 and 1995 c 266 s 3 are each amended to read
31 as follows:

32 (1) The legislature recognizes that every individual possesses a
33 fundamental right to exercise their religious beliefs and conscience.
34 The legislature further recognizes that in developing public policy,
35 conflicting religious and moral beliefs must be respected. Therefore,
36 while recognizing the right of conscientious objection to participating

1 in specific health services, the state shall also recognize the right
2 of individuals enrolled with (~~the basic health plan~~) a program
3 administered under this chapter to receive the full range of services
4 covered under (~~the basic health plan~~) that program.

5 (2)(a) No individual health care provider, religiously sponsored
6 health carrier, or health care facility may be required by law or
7 contract in any circumstances to participate in the provision of or
8 payment for a specific service if they object to so doing for reason of
9 conscience or religion. No person may be discriminated against in
10 employment or professional privileges because of such objection.

11 (b) The provisions of this section are not intended to result in an
12 enrollee being denied timely access to any service included in (~~the~~
13 ~~basic health plan~~) their benefits package. Each health carrier shall:

14 (i) Provide written notice to enrollees, upon enrollment with the
15 plan, listing services that the carrier refuses to cover for reason of
16 conscience or religion;

17 (ii) Provide written information describing how an enrollee may
18 directly access services in an expeditious manner; and

19 (iii) Ensure that enrollees refused services under this section
20 have prompt access to the information developed pursuant to (b)(ii) of
21 this subsection.

22 (c) The administrator shall establish a mechanism or mechanisms to
23 recognize the right to exercise conscience while ensuring enrollees
24 timely access to services and to assure prompt payment to service
25 providers.

26 (3)(a) No individual or organization with a religious or moral
27 tenet opposed to a specific service may be required to purchase
28 coverage for that service or services if they object to doing so for
29 reason of conscience or religion.

30 (b) The provisions of this section shall not result in an enrollee
31 being denied coverage of, and timely access to, any service or services
32 excluded from their benefits package as a result of their employer's or
33 another individual's exercise of the conscience clause in (a) of this
34 subsection.

35 (c) The administrator shall define the process through which health
36 carriers may offer the (~~basic health plan~~) programs administered
37 under this chapter to individuals and organizations identified in (a)

1 and (b) of this subsection in accordance with the provisions of
2 subsection (2)(c) of this section.

3 (4) Nothing in this section requires the health care authority,
4 health carriers, health care facilities, or health care providers to
5 provide any (~~basic health plan~~) service without payment of
6 appropriate premium share or enrollee cost sharing.

7 **Sec. 10.** RCW 41.05.140 and 2000 c 80 s 5 are each amended to read
8 as follows:

9 (1) Except for property and casualty insurance, the authority may
10 self-fund, self-insure, or enter into other methods of providing
11 insurance coverage for insurance programs under its jurisdiction,
12 including the basic health plan and the small business assist group
13 enrollment option as provided in chapter 70.47 RCW. The authority
14 shall contract for payment of claims or other administrative services
15 for programs under its jurisdiction. If a program does not require the
16 prepayment of reserves, the authority shall establish such reserves
17 within a reasonable period of time for the payment of claims as are
18 normally required for that type of insurance under an insured program.
19 The authority shall endeavor to reimburse basic health plan health care
20 providers under this section at rates similar to the average
21 reimbursement rates offered by the statewide benchmark plan determined
22 through the request for proposal process.

23 (2) Reserves established by the authority for employee and retiree
24 benefit programs shall be held in a separate trust fund by the state
25 treasurer and shall be known as the public employees' and retirees'
26 insurance reserve fund. The state investment board shall act as the
27 investor for the funds and, except as provided in RCW 43.33A.160 and
28 43.84.160, one hundred percent of all earnings from these investments
29 shall accrue directly to the public employees' and retirees' insurance
30 reserve fund.

31 (3) Any savings realized as a result of a program created for
32 employees and retirees under this section shall not be used to increase
33 benefits unless such use is authorized by statute.

34 (4) Reserves established by the authority to provide insurance
35 coverage for the basic health plan under chapter 70.47 RCW shall be
36 held in a separate trust account in the custody of the state treasurer
37 and shall be known as the basic health plan self-insurance reserve

1 account. The state investment board shall act as the investor for the
2 funds as set forth in RCW 43.33A.230 and, except as provided in RCW
3 43.33A.160 and 43.84.160, one hundred percent of all earnings from
4 these investments shall accrue directly to the basic health plan self-
5 insurance reserve account.

6 (5) Reserves established by the authority to provide insurance
7 coverage for the small business assist plan option under chapter 70.47
8 RCW shall be held in a separate trust account in the custody of the
9 state treasurer and shall be known as the small business assist self-
10 insurance reserve account. The state investment board shall act as the
11 investor for the funds as set forth in RCW 43.33A.230 and, except as
12 provided in RCW 43.33A.160 and 43.84.160, one hundred percent of all
13 earnings from these investments shall accrue directly to the small
14 business assist self-insurance reserve account.

15 (6) Any program created under this section shall be subject to the
16 examination requirements of chapter 48.03 RCW as if the program were a
17 domestic insurer. In conducting an examination, the commissioner shall
18 determine the adequacy of the reserves established for the program.

19 ~~((6))~~ (7) The authority shall keep full and adequate accounts and
20 records of the assets, obligations, transactions, and affairs of any
21 program created under this section.

22 ~~((7))~~ (8) The authority shall file a quarterly statement of the
23 financial condition, transactions, and affairs of any program created
24 under this section in a form and manner prescribed by the insurance
25 commissioner. The statement shall contain information as required by
26 the commissioner for the type of insurance being offered under the
27 program. A copy of the annual statement shall be filed with the
28 speaker of the house of representatives and the president of the
29 senate.

30 **Sec. 11.** RCW 43.79A.040 and 2004 c 246 s 8 and 2004 c 58 s 10 are
31 each reenacted and amended to read as follows:

32 (1) Money in the treasurer's trust fund may be deposited, invested,
33 and reinvested by the state treasurer in accordance with RCW 43.84.080
34 in the same manner and to the same extent as if the money were in the
35 state treasury.

36 (2) All income received from investment of the treasurer's trust

1 fund shall be set aside in an account in the treasury trust fund to be
2 known as the investment income account.

3 (3) The investment income account may be utilized for the payment
4 of purchased banking services on behalf of treasurer's trust funds
5 including, but not limited to, depository, safekeeping, and
6 disbursement functions for the state treasurer or affected state
7 agencies. The investment income account is subject in all respects to
8 chapter 43.88 RCW, but no appropriation is required for payments to
9 financial institutions. Payments shall occur prior to distribution of
10 earnings set forth in subsection (4) of this section.

11 (4)(a) Monthly, the state treasurer shall distribute the earnings
12 credited to the investment income account to the state general fund
13 except under (b) and (c) of this subsection.

14 (b) The following accounts and funds shall receive their
15 proportionate share of earnings based upon each account's or fund's
16 average daily balance for the period: The Washington promise
17 scholarship account, the college savings program account, the
18 Washington advanced college tuition payment program account, the
19 agricultural local fund, the American Indian scholarship endowment
20 fund, the students with dependents grant account, the basic health plan
21 self-insurance reserve account, the small business assist self-
22 insurance reserve account, the contract harvesting revolving account,
23 the Washington state combined fund drive account, the Washington
24 international exchange scholarship endowment fund, the developmental
25 disabilities endowment trust fund, the energy account, the fair fund,
26 the fruit and vegetable inspection account, the future teachers
27 conditional scholarship account, the game farm alternative account, the
28 grain inspection revolving fund, the juvenile accountability incentive
29 account, the law enforcement officers' and fire fighters' plan 2
30 expense fund, the local tourism promotion account, the produce railcar
31 pool account, the rural rehabilitation account, the stadium and
32 exhibition center account, the youth athletic facility account, the
33 self-insurance revolving fund, the sulfur dioxide abatement account,
34 the children's trust fund, the Washington horse racing commission
35 Washington bred owners' bonus fund account, the Washington horse racing
36 commission class C purse fund account, and the Washington horse racing
37 commission operating account (earnings from the Washington horse racing
38 commission operating account must be credited to the Washington horse

1 racing commission class C purse fund account). However, the earnings
2 to be distributed shall first be reduced by the allocation to the state
3 treasurer's service fund pursuant to RCW 43.08.190.

4 (c) The following accounts and funds shall receive eighty percent
5 of their proportionate share of earnings based upon each account's or
6 fund's average daily balance for the period: The advanced right of way
7 revolving fund, the advanced environmental mitigation revolving
8 account, the city and county advance right-of-way revolving fund, the
9 federal narcotics asset forfeitures account, the high occupancy vehicle
10 account, the local rail service assistance account, and the
11 miscellaneous transportation programs account.

12 (5) In conformance with Article II, section 37 of the state
13 Constitution, no trust accounts or funds shall be allocated earnings
14 without the specific affirmative directive of this section.

15 NEW SECTION. **Sec. 12.** A new section is added to chapter 70.47 RCW
16 to read as follows:

17 The small business assist trust account is hereby established in
18 the state treasury. Any nongeneral fund--state funds collected for the
19 small business assist group enrollment option shall be deposited in the
20 small business assist trust account and may be expended without further
21 appropriation. Moneys in the account shall be used exclusively for the
22 purposes of administering the small business assist group enrollment
23 option, including payments to participating managed health care systems
24 on behalf of small business assist enrollees.

25 NEW SECTION. **Sec. 13.** A new section is added to chapter 70.47 RCW
26 to read as follows:

27 The administrator may adopt rules to carry out the purposes of this
28 act. All rules shall be adopted in accordance with chapter 34.05 RCW."

29 Correct the title.

--- END ---