

CERTIFICATION OF ENROLLMENT

**SUBSTITUTE HOUSE BILL 1512**

59th Legislature  
2005 Regular Session

Passed by the House April 18, 2005  
Yeas 61 Nays 34

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**Speaker of the House of Representatives**

Passed by the Senate April 6, 2005  
Yeas 47 Nays 0

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**President of the Senate**

Approved

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**Governor of the State of Washington**

CERTIFICATE

I, Richard Nafziger, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **SUBSTITUTE HOUSE BILL 1512** as passed by the House of Representatives and the Senate on the dates hereon set forth.

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**Chief Clerk**

FILED

**Secretary of State  
State of Washington**

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**SUBSTITUTE HOUSE BILL 1512**

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AS AMENDED BY THE SENATE

Passed Legislature - 2005 Regular Session

**State of Washington                      59th Legislature                      2005 Regular Session**

**By** House Committee on Health Care (originally sponsored by Representatives Morrell, Clibborn, Moeller, Cody, Green, Appleton, Roberts, Sommers, Blake, Schual-Berke, Flannigan, Sells, Kenney and Kagi)

READ FIRST TIME 02/28/05.

1            AN ACT Relating to incentives to improve quality of care in state  
2 purchased health care programs; amending RCW 41.05.021 and 41.05.075;  
3 and adding a new section to chapter 74.09 RCW.

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

5            **Sec. 1.** RCW 41.05.021 and 2002 c 142 s 1 are each amended to read  
6 as follows:

7            (1) The Washington state health care authority is created within  
8 the executive branch. The authority shall have an administrator  
9 appointed by the governor, with the consent of the senate. The  
10 administrator shall serve at the pleasure of the governor. The  
11 administrator may employ up to seven staff members, who shall be exempt  
12 from chapter 41.06 RCW, and any additional staff members as are  
13 necessary to administer this chapter. The administrator may delegate  
14 any power or duty vested in him or her by this chapter, including  
15 authority to make final decisions and enter final orders in hearings  
16 conducted under chapter 34.05 RCW. The primary duties of the authority  
17 shall be to: Administer state employees' insurance benefits and  
18 retired or disabled school employees' insurance benefits; administer  
19 the basic health plan pursuant to chapter 70.47 RCW; study state-

1 purchased health care programs in order to maximize cost containment in  
2 these programs while ensuring access to quality health care; and  
3 implement state initiatives, joint purchasing strategies, and  
4 techniques for efficient administration that have potential application  
5 to all state-purchased health services. The authority's duties  
6 include, but are not limited to, the following:

7 (a) To administer health care benefit programs for employees and  
8 retired or disabled school employees as specifically authorized in RCW  
9 41.05.065 and in accordance with the methods described in RCW  
10 41.05.075, 41.05.140, and other provisions of this chapter;

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

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

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

24 (iii) Coordination of state agency efforts to purchase drugs  
25 effectively as provided in RCW 70.14.050;

26 (iv) Development of recommendations and methods for purchasing  
27 medical equipment and supporting services on a volume discount basis;  
28 ((and))

29 (v) Development of data systems to obtain utilization data from  
30 state-purchased health care programs in order to identify cost centers,  
31 utilization patterns, provider and hospital practice patterns, and  
32 procedure costs, utilizing the information obtained pursuant to RCW  
33 41.05.031; and

34 (vi) In collaboration with other state agencies that administer  
35 state purchased health care programs, private health care purchasers,  
36 health care facilities, providers, and carriers, use evidence-based  
37 medicine principles to develop common performance measures and

1 implement financial incentives in contracts with insuring entities,  
2 health care facilities, and providers that:

3 (A) Reward improvements in health outcomes for individuals with  
4 chronic diseases, increased utilization of appropriate preventive  
5 health services, and reductions in medical errors; and

6 (B) Increase, through appropriate incentives to insuring entities,  
7 health care facilities, and providers, the adoption and use of  
8 information technology that contributes to improved health outcomes,  
9 better coordination of care, and decreased medical errors;

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

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

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

19 ~~((To appoint a health care policy technical advisory committee~~  
20 ~~as required by RCW 41.05.150;~~

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

24 ~~((h))~~ (g) To publish and distribute to nonparticipating school  
25 districts and educational service districts by October 1st of each year  
26 a description of health care benefit plans available through the  
27 authority and the estimated cost if school districts and educational  
28 service district employees were enrolled; and

29 ~~((i))~~ (h) To promulgate and adopt rules consistent with this  
30 chapter as described in RCW 41.05.160.

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

35 (a) Standardizing the benefit package;

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

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

1 (d) Monitoring the impact of the approach under this subsection  
2 with regards to: Efficiencies in health service delivery, cost shifts  
3 to subscribers, access to and choice of managed care plans statewide,  
4 and quality of health services. The health care authority shall also  
5 advise on the value of administering a benchmark employer-managed plan  
6 to promote competition among managed care plans.

7 **Sec. 2.** RCW 41.05.075 and 2002 c 142 s 4 are each amended to read  
8 as follows:

9 (1) The administrator shall provide benefit plans designed by the  
10 board through a contract or contracts with insuring entities, through  
11 self-funding, self-insurance, or other methods of providing insurance  
12 coverage authorized by RCW 41.05.140.

13 (2) The administrator shall establish a contract bidding process  
14 that:

15 (a) Encourages competition among insuring entities;

16 (b) Maintains an equitable relationship between premiums charged  
17 for similar benefits and between risk pools including premiums charged  
18 for retired state and school district employees under the separate risk  
19 pools established by RCW 41.05.022 and 41.05.080 such that insuring  
20 entities may not avoid risk when establishing the premium rates for  
21 retirees eligible for medicare;

22 (c) Is timely to the state budgetary process; and

23 (d) Sets conditions for awarding contracts to any insuring entity.

24 (3) The administrator shall establish a requirement for review of  
25 utilization and financial data from participating insuring entities on  
26 a quarterly basis.

27 (4) The administrator shall centralize the enrollment files for all  
28 employee and retired or disabled school employee health plans offered  
29 under chapter 41.05 RCW and develop enrollment demographics on a plan-  
30 specific basis.

31 (5) All claims data shall be the property of the state. The  
32 administrator may require of any insuring entity that submits a bid to  
33 contract for coverage all information deemed necessary including:

34 (a) Subscriber or member demographic and claims data necessary for  
35 risk assessment and adjustment calculations in order to fulfill the  
36 administrator's duties as set forth in this chapter; and

1 (b) Subscriber or member demographic and claims data necessary to  
2 implement performance measures or financial incentives related to  
3 performance under subsection (7) of this section.

4 (6) All contracts with insuring entities for the provision of  
5 health care benefits shall provide that the beneficiaries of such  
6 benefit plans may use on an equal participation basis the services of  
7 practitioners licensed pursuant to chapters 18.22, 18.25, 18.32, 18.53,  
8 18.57, 18.71, 18.74, 18.83, and 18.79 RCW, as it applies to registered  
9 nurses and advanced registered nurse practitioners. However, nothing  
10 in this subsection may preclude the administrator from establishing  
11 appropriate utilization controls approved pursuant to RCW 41.05.065(2)  
12 (a), (b), and (d).

13 (7) The administrator shall, in collaboration with other state  
14 agencies that administer state purchased health care programs, private  
15 health care purchasers, health care facilities, providers, and  
16 carriers, use evidence-based medicine principles to develop common  
17 performance measures and implement financial incentives in contracts  
18 with insuring entities, health care facilities, and providers that:

19 (a) Reward improvements in health outcomes for individuals with  
20 chronic diseases, increased utilization of appropriate preventive  
21 health services, and reductions in medical errors; and

22 (b) Increase, through appropriate incentives to insuring entities,  
23 health care facilities, and providers, the adoption and use of  
24 information technology that contributes to improved health outcomes,  
25 better coordination of care, and decreased medical errors.

26 NEW SECTION. Sec. 3. A new section is added to chapter 74.09 RCW  
27 to read as follows:

28 The secretary shall, in collaboration with other state agencies  
29 that administer state purchased health care programs, private health  
30 care purchasers, health care facilities, providers, and carriers, use  
31 evidence-based medicine principles to develop common performance  
32 measures and implement financial incentives in contracts with insuring  
33 entities, health care facilities, and providers that:

34 (1) Reward improvements in health outcomes for individuals with  
35 chronic diseases, increased utilization of appropriate preventive  
36 health services, and reductions in medical errors; and

1           (2) Increase, through appropriate incentives to insuring entities,  
2 health care facilities, and providers, the adoption and use of  
3 information technology that contributes to improved health outcomes,  
4 better coordination of care, and decreased medical errors.

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