

CERTIFICATION OF ENROLLMENT  
**SECOND SUBSTITUTE HOUSE BILL 2754**

59th Legislature  
2006 Regular Session

Passed by the House March 7, 2006  
Yeas 98 Nays 0

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**Speaker of the House of Representatives**

Passed by the Senate March 6, 2006  
Yeas 46 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 **SECOND SUBSTITUTE HOUSE BILL 2754** 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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SECOND SUBSTITUTE HOUSE BILL 2754

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AS AMENDED BY THE SENATE

Passed Legislature - 2006 Regular Session

**State of Washington                      59th Legislature                      2006 Regular Session**

**By** House Committee on Appropriations (originally sponsored by Representatives Morrell, Campbell, Green, Haigh, Appleton, Kilmer, Darneille, Cox, Ormsby, Haler, Chase, P. Sullivan, McCoy, Wallace, Sells, Serben, Curtis, Moeller, Blake, Cody, Kenney, Conway, Ericks, Clibborn, Kessler, Simpson and Linville)

READ FIRST TIME 02/07/06.

1            AN ACT Relating to creation of the veterans innovations program;  
2 amending RCW 43.60A.010 and 70.47.060; adding new sections to chapter  
3 43.60A RCW; and adding new sections to chapter 43.131 RCW.

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

5            NEW SECTION.    **Sec. 1.** The legislature finds that:

6            (1) A significant number of Washington citizens answered the call  
7 to serve our country in recent military action leaving behind families,  
8 community, employment, and education;

9            (2) Many soldiers returning to their families and communities face  
10 transition problems in areas such as family reunification, employment,  
11 education, and health;

12            (3) While the Washington state department of veterans affairs has  
13 provided services to many returning soldiers, a significant number have  
14 returned to families and communities without continuing ties to the  
15 military department or veterans' administration, but still in need of  
16 help; and

17            (4) Our state needs to honor and serve those who have protected our  
18 security and safety.

1       **Sec. 2.** RCW 43.60A.010 and 1975-'76 2nd ex.s. c 115 s 1 are each  
2 amended to read as follows:

3       As used in this chapter the following words and phrases shall have  
4 the following meanings unless the context clearly requires otherwise:

5       (1) "Department" means the department of veterans affairs((+)).

6       (2) "Director" means the director of the department of veterans  
7 affairs((+)).

8       (3) "Committee" means the veterans affairs advisory committee.

9       (4) "Board" means the veterans innovations program board.

10       NEW SECTION. **Sec. 3.** There is created in the department a  
11 veterans innovations program, which consists of the defenders' fund and  
12 the competitive grant program. The purpose of the veterans innovations  
13 program is to provide crisis and emergency relief and education,  
14 training, and employment assistance to veterans and their families in  
15 their communities.

16       NEW SECTION. **Sec. 4.** The defenders' fund is created to provide  
17 assistance to members of the Washington national guard and reservists  
18 who served in Operation Enduring Freedom, Operation Iraqi Freedom, or  
19 Operation Noble Eagle, and who are experiencing financial hardships in  
20 employment, education, housing, and health care due to the significant  
21 period of time away from home serving our country. The program shall  
22 be administered by the department. Eligibility determinations shall be  
23 made by the department. Eligible veterans may receive a one-time grant  
24 of no more than five hundred dollars.

25       NEW SECTION. **Sec. 5.** The competitive grant program is created to  
26 fund innovative initiatives to provide crisis and emergency relief,  
27 education, training, and employment assistance to veterans and their  
28 families in their communities.

29       (1) The veterans innovations program board is created to exercise  
30 the powers granted under sections 1 and 3 through 8 of this act related  
31 to the competitive grant program.

32       (a) The board consists of seven citizens of the state, appointed by  
33 the governor, with recognized experience in serving veterans and their  
34 families in the community regarding transition and readjustment issues;

1 education, training, and employment needs; and other needs experienced  
2 by veterans and their families stemming from service to their country.

3 (b) The members of the board select the chair.

4 (c) The department shall provide staff support to the board.

5 (d) Members of the board receive no compensation but shall be  
6 reimbursed for travel expenses as provided in RCW 43.03.050 and  
7 43.03.060.

8 (2) The board shall:

9 (a) Establish a competitive process to solicit proposals for and  
10 prioritize project applications for potential funding. The purpose of  
11 the proposals shall be in three categories:

12 (i) Crisis and emergency relief;

13 (ii) Education, training, and employment assistance; and

14 (iii) Community outreach and resources; and

15 (b) Report on January 1, 2007, to the appropriate standing  
16 committees of the legislature and to the joint committee on veterans  
17 and military affairs on the implementation of this act. The report  
18 must include, but is not limited to, information on the number of  
19 applications for assistance, the grant amount awarded each project, a  
20 description of each project, and performance measures of the program.

21 NEW SECTION. **Sec. 6.** (1) The department may receive gifts,  
22 grants, or endowments from public or private sources that are made from  
23 time to time, in trust or otherwise, for the use and benefit of the  
24 purposes of the defenders' fund and the competitive grant program and  
25 spend gifts, grants, or endowments or income from the public or private  
26 sources according to their terms, unless the receipt of the gifts,  
27 grants, or endowments violates RCW 42.17.710.

28 (2) The department may adopt rules under chapter 34.05 RCW as  
29 necessary to carry out the purposes of sections 1 and 3 through 8 of  
30 this act.

31 (3) The department may perform all acts and functions as necessary  
32 or convenient to carry out the powers expressly granted or implied  
33 under this act.

34 NEW SECTION. **Sec. 7.** In addition to other applicable provisions  
35 of law pertaining to conflicts of interest of public officials, no  
36 board member, appointive or otherwise, may participate in any decision

1 on any board contract in which the board member has any interests,  
2 direct or indirect, with any entity that would be the recipient of any  
3 aid under this chapter.

4 NEW SECTION. **Sec. 8.** The veterans innovations program account is  
5 created in the state treasury. Moneys in the account may be spent only  
6 after appropriation. Expenditures from the account may be used only  
7 for purposes of the veterans innovations program.

8 **Sec. 9.** RCW 70.47.060 and 2004 c 192 s 3 are each amended to read  
9 as follows:

10 The administrator has the following powers and duties:

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

1 their dependent children. In designing and revising the schedule of  
2 services, the administrator shall consider the guidelines for assessing  
3 health services under the mandated benefits act of 1984, RCW 48.47.030,  
4 and such other factors as the administrator deems appropriate.

5 (2)(a) To design and implement a structure of periodic premiums due  
6 the administrator from subsidized enrollees that is based upon gross  
7 family income, giving appropriate consideration to family size and the  
8 ages of all family members. The enrollment of children shall not  
9 require the enrollment of their parent or parents who are eligible for  
10 the plan. The structure of periodic premiums shall be applied to  
11 subsidized enrollees entering the plan as individuals pursuant to  
12 subsection (11) of this section and to the share of the cost of the  
13 plan due from subsidized enrollees entering the plan as employees  
14 pursuant to subsection (12) of this section.

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

21 (c) To determine the periodic premiums due the administrator from  
22 health coverage tax credit eligible enrollees. Premiums due from  
23 health coverage tax credit eligible enrollees must be in an amount  
24 equal to the cost charged by the managed health care system provider to  
25 the state for the plan, plus the administrative cost of providing the  
26 plan to those enrollees and the premium tax under RCW 48.14.0201. The  
27 administrator will consider the impact of eligibility determination by  
28 the appropriate federal agency designated by the Trade Act of 2002  
29 (P.L. 107-210) as well as the premium collection and remittance  
30 activities by the United States internal revenue service when  
31 determining the administrative cost charged for health coverage tax  
32 credit eligible enrollees.

33 (d) An employer or other financial sponsor may, with the prior  
34 approval of the administrator, pay the premium, rate, or any other  
35 amount on behalf of a subsidized or nonsubsidized enrollee, by  
36 arrangement with the enrollee and through a mechanism acceptable to the  
37 administrator. The administrator shall establish a mechanism for

1 receiving premium payments from the United States internal revenue  
2 service for health coverage tax credit eligible enrollees.

3 (e) To develop, as an offering by every health carrier providing  
4 coverage identical to the basic health plan, as configured on January  
5 1, 2001, a basic health plan model plan with uniformity in enrollee  
6 cost-sharing requirements.

7 (3) To evaluate, with the cooperation of participating managed  
8 health care system providers, the impact on the basic health plan of  
9 enrolling health coverage tax credit eligible enrollees. The  
10 administrator shall issue to the appropriate committees of the  
11 legislature preliminary evaluations on June 1, 2005, and January 1,  
12 2006, and a final evaluation by June 1, 2006. The evaluation shall  
13 address the number of persons enrolled, the duration of their  
14 enrollment, their utilization of covered services relative to other  
15 basic health plan enrollees, and the extent to which their enrollment  
16 contributed to any change in the cost of the basic health plan.

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

21 (5) To design and implement a structure of enrollee cost-sharing  
22 due a managed health care system from subsidized, nonsubsidized, and  
23 health coverage tax credit eligible enrollees. The structure shall  
24 discourage inappropriate enrollee utilization of health care services,  
25 and may utilize copayments, deductibles, and other cost-sharing  
26 mechanisms, but shall not be so costly to enrollees as to constitute a  
27 barrier to appropriate utilization of necessary health care services.

28 (6) To limit enrollment of persons who qualify for subsidies so as  
29 to prevent an overexpenditure of appropriations for such purposes.  
30 Whenever the administrator finds that there is danger of such an  
31 overexpenditure, the administrator shall close enrollment until the  
32 administrator finds the danger no longer exists. Such a closure does  
33 not apply to health coverage tax credit eligible enrollees who receive  
34 a premium subsidy from the United States internal revenue service as  
35 long as the enrollees qualify for the health coverage tax credit  
36 program.

37 (7) To limit the payment of subsidies to subsidized enrollees, as

1 defined in RCW 70.47.020. The level of subsidy provided to persons who  
2 qualify may be based on the lowest cost plans, as defined by the  
3 administrator.

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

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

26 (10) To receive periodic premiums from or on behalf of subsidized,  
27 nonsubsidized, and health coverage tax credit eligible enrollees,  
28 deposit them in the basic health plan operating account, keep records  
29 of enrollee status, and authorize periodic payments to managed health  
30 care systems on the basis of the number of enrollees participating in  
31 the respective managed health care systems.

32 (11) To accept applications from individuals residing in areas  
33 served by the plan, on behalf of themselves and their spouses and  
34 dependent children, for enrollment in the Washington basic health plan  
35 as subsidized, nonsubsidized, or health coverage tax credit eligible  
36 enrollees, to give priority to members of the Washington national guard  
37 and reserves who served in operation enduring freedom, operation Iraqi  
38 freedom, or operation noble eagle, and their spouses and dependents,



1 for enrollment in the Washington basic health plan, to establish  
2 appropriate minimum-enrollment periods for enrollees as may be  
3 necessary, and to determine, upon application and on a reasonable  
4 schedule defined by the authority, or at the request of any enrollee,  
5 eligibility due to current gross family income for sliding scale  
6 premiums. Funds received by a family as part of participation in the  
7 adoption support program authorized under RCW 26.33.320 and 74.13.100  
8 through 74.13.145 shall not be counted toward a family's current gross  
9 family income for the purposes of this chapter. When an enrollee fails  
10 to report income or income changes accurately, the administrator shall  
11 have the authority either to bill the enrollee for the amounts overpaid  
12 by the state or to impose civil penalties of up to two hundred percent  
13 of the amount of subsidy overpaid due to the enrollee incorrectly  
14 reporting income. The administrator shall adopt rules to define the  
15 appropriate application of these sanctions and the processes to  
16 implement the sanctions provided in this subsection, within available  
17 resources. No subsidy may be paid with respect to any enrollee whose  
18 current gross family income exceeds twice the federal poverty level or,  
19 subject to RCW 70.47.110, who is a recipient of medical assistance or  
20 medical care services under chapter 74.09 RCW. If a number of  
21 enrollees drop their enrollment for no apparent good cause, the  
22 administrator may establish appropriate rules or requirements that are  
23 applicable to such individuals before they will be allowed to reenroll  
24 in the plan.

25 (12) To accept applications from business owners on behalf of  
26 themselves and their employees, spouses, and dependent children, as  
27 subsidized or nonsubsidized enrollees, who reside in an area served by  
28 the plan. The administrator may require all or the substantial  
29 majority of the eligible employees of such businesses to enroll in the  
30 plan and establish those procedures necessary to facilitate the orderly  
31 enrollment of groups in the plan and into a managed health care system.  
32 The administrator may require that a business owner pay at least an  
33 amount equal to what the employee pays after the state pays its portion  
34 of the subsidized premium cost of the plan on behalf of each employee  
35 enrolled in the plan. Enrollment is limited to those not eligible for  
36 medicare who wish to enroll in the plan and choose to obtain the basic  
37 health care coverage and services from a managed care system  
38 participating in the plan. The administrator shall adjust the amount

1 determined to be due on behalf of or from all such enrollees whenever  
2 the amount negotiated by the administrator with the participating  
3 managed health care system or systems is modified or the administrative  
4 cost of providing the plan to such enrollees changes.

5 (13) To determine the rate to be paid to each participating managed  
6 health care system in return for the provision of covered basic health  
7 care services to enrollees in the system. Although the schedule of  
8 covered basic health care services will be the same or actuarially  
9 equivalent for similar enrollees, the rates negotiated with  
10 participating managed health care systems may vary among the systems.  
11 In negotiating rates with participating systems, the administrator  
12 shall consider the characteristics of the populations served by the  
13 respective systems, economic circumstances of the local area, the need  
14 to conserve the resources of the basic health plan trust account, and  
15 other factors the administrator finds relevant.

16 (14) To monitor the provision of covered services to enrollees by  
17 participating managed health care systems in order to assure enrollee  
18 access to good quality basic health care, to require periodic data  
19 reports concerning the utilization of health care services rendered to  
20 enrollees in order to provide adequate information for evaluation, and  
21 to inspect the books and records of participating managed health care  
22 systems to assure compliance with the purposes of this chapter. In  
23 requiring reports from participating managed health care systems,  
24 including data on services rendered enrollees, the administrator shall  
25 endeavor to minimize costs, both to the managed health care systems and  
26 to the plan. The administrator shall coordinate any such reporting  
27 requirements with other state agencies, such as the insurance  
28 commissioner and the department of health, to minimize duplication of  
29 effort.

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

34 (16) To develop a program of proven preventive health measures and  
35 to integrate it into the plan wherever possible and consistent with  
36 this chapter.

37 (17) To provide, consistent with available funding, assistance for  
38 rural residents, underserved populations, and persons of color.

1 (18) In consultation with appropriate state and local government  
2 agencies, to establish criteria defining eligibility for persons  
3 confined or residing in government-operated institutions.

4 (19) To administer the premium discounts provided under RCW  
5 48.41.200(3)(a) (i) and (ii) pursuant to a contract with the Washington  
6 state health insurance pool.

7 NEW SECTION. **Sec. 10.** A new section is added to chapter 43.131  
8 RCW to read as follows:

9 The veterans innovations program and its powers and duties shall be  
10 terminated on June 30, 2016, as provided in section 11 of this act.

11 NEW SECTION. **Sec. 11.** A new section is added to chapter 43.131  
12 RCW to read as follows:

13 The following acts or parts of acts, as now existing or hereafter  
14 amended, are each repealed, effective June 30, 2017.

- 15 (1) Section 1 of this act;
- 16 (2) Section 3 of this act;
- 17 (3) Section 4 of this act;
- 18 (4) Section 5 of this act;
- 19 (5) Section 6 of this act;
- 20 (6) Section 7 of this act; and
- 21 (7) Section 8 of this act.

22 NEW SECTION. **Sec. 12.** Sections 1 and 3 through 8 of this act are  
23 each added to chapter 43.60A RCW.

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