
SENATE BILL 5392

State of Washington 59th Legislature 2005 Regular Session

By Senators Keiser, Parlette, Kastama, Roach, Pflug and Kline

Read first time 01/24/2005. Referred to Committee on Health & Long-Term Care.

1 AN ACT Relating to improving the quality of health care through the
2 use of clinical information technologies; amending RCW 41.05.011,
3 41.05.021, and 41.05.075; adding a new section to chapter 82.04 RCW;
4 and adding a new section to chapter 74.09 RCW.

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

6 NEW SECTION. **Sec. 1.** A new section is added to chapter 82.04 RCW
7 to read as follows:

8 (1) Subject to the limits and provisions of this section, a credit
9 is authorized against the tax otherwise due under this chapter for
10 licensed physicians who are solo practitioners or in group practices
11 with five or fewer practitioners and who acquire, develop, enhance, or
12 implement clinical information technologies, as defined in RCW
13 41.05.011, that are certified by the health care authority to be
14 consistent with recognized national standards related to:

15 (a) Interoperability;

16 (b) Security;

17 (c) The protection of confidentiality, consistent with the
18 regulations adopted under section 264(c) of the health insurance

1 portability and accountability act (42 U.S.C. 1320d-2 note) and chapter
2 70.02 RCW; and

3 (d) Other subjects determined appropriate by the health care
4 authority.

5 (2) The amount of the tax credit shall be equal to fifty percent of
6 the amount spent to acquire, develop, enhance, or implement clinical
7 information technologies up to a maximum tax credit of ten thousand
8 dollars or the total amount of tax due for the calendar year, whichever
9 is less.

10 (3) No application is necessary for the tax credit. The person
11 must keep records necessary for the department to verify eligibility
12 under this section. These records must include the certification of
13 the clinical information technology by the health care authority.

14 (4) If at any time the department finds that a person is not
15 eligible for the tax credit under this section, the amount of taxes for
16 which a credit has been used is immediately due. The department shall
17 assess interest, but not penalties, on the credited taxes for which the
18 person is not eligible. The interest shall be assessed at the rate
19 provided for delinquent excise taxes under chapter 82.32 RCW, shall be
20 assessed retroactively to the date the tax credit was taken, and shall
21 accrue until the taxes for which a credit has been used are repaid.

22 (5) The credit under this section may be used against any tax due
23 under this chapter, but in no case may a credit earned during one
24 calendar year be carried over to be credited against taxes incurred in
25 a subsequent calendar year. No refunds may be granted for credits
26 under this section.

27 (6) As used in this section, "clinical information technologies"
28 means a computerized system that:

29 (a) Maintains and provides access to patients' medical records in
30 an electronic format;

31 (b) Permits a qualified practitioner who wishes to enter an order
32 for a medication, treatment, diagnostic procedure, or other
33 intervention or service to enter such order via a computer that is
34 linked to a data base capable of accessing the medical record of the
35 patient who is intended to receive such medication, treatment,
36 diagnostic procedure, or other intervention;

37 (c) Incorporates error notification software so that a warning is

1 generated by such system if an order is entered that is likely to lead
2 to a significant adverse outcome for the patient;

3 (d) Provides electronic alerts and reminders to improve compliance
4 with best practices, promote regular screenings and other preventive
5 practices, and facilitate diagnoses and treatments; and

6 (e) Allows the secure electronic transmission of information to
7 other health care providers.

8 **Sec. 2.** RCW 41.05.011 and 2001 c 165 s 2 are each amended to read
9 as follows:

10 Unless the context clearly requires otherwise, the definitions in
11 this section shall apply throughout this chapter.

12 (1) "Administrator" means the administrator of the authority.

13 (2) "State purchased health care" or "health care" means medical
14 and health care, pharmaceuticals, and medical equipment purchased with
15 state and federal funds by the department of social and health
16 services, the department of health, the basic health plan, the state
17 health care authority, the department of labor and industries, the
18 department of corrections, the department of veterans affairs, and
19 local school districts.

20 (3) "Authority" means the Washington state health care authority.

21 (4) "Insuring entity" means an insurer as defined in chapter 48.01
22 RCW, a health care service contractor as defined in chapter 48.44 RCW,
23 or a health maintenance organization as defined in chapter 48.46 RCW.

24 (5) "Flexible benefit plan" means a benefit plan that allows
25 employees to choose the level of health care coverage provided and the
26 amount of employee contributions from among a range of choices offered
27 by the authority.

28 (6) "Employee" includes all full-time and career seasonal employees
29 of the state, whether or not covered by civil service; elected and
30 appointed officials of the executive branch of government, including
31 full-time members of boards, commissions, or committees; and includes
32 any or all part-time and temporary employees under the terms and
33 conditions established under this chapter by the authority; justices of
34 the supreme court and judges of the court of appeals and the superior
35 courts; and members of the state legislature or of the legislative
36 authority of any county, city, or town who are elected to office after
37 February 20, 1970. "Employee" also includes: (a) Employees of a

1 county, municipality, or other political subdivision of the state if
2 the legislative authority of the county, municipality, or other
3 political subdivision of the state seeks and receives the approval of
4 the authority to provide any of its insurance programs by contract with
5 the authority, as provided in RCW 41.04.205; (b) employees of employee
6 organizations representing state civil service employees, at the option
7 of each such employee organization, and, effective October 1, 1995,
8 employees of employee organizations currently pooled with employees of
9 school districts for the purpose of purchasing insurance benefits, at
10 the option of each such employee organization; and (c) employees of a
11 school district if the authority agrees to provide any of the school
12 districts' insurance programs by contract with the authority as
13 provided in RCW 28A.400.350.

14 (7) "Board" means the public employees' benefits board established
15 under RCW 41.05.055.

16 (8) "Retired or disabled school employee" means:

17 (a) Persons who separated from employment with a school district or
18 educational service district and are receiving a retirement allowance
19 under chapter 41.32 or 41.40 RCW as of September 30, 1993;

20 (b) Persons who separate from employment with a school district or
21 educational service district on or after October 1, 1993, and
22 immediately upon separation receive a retirement allowance under
23 chapter 41.32, 41.35, or 41.40 RCW;

24 (c) Persons who separate from employment with a school district or
25 educational service district due to a total and permanent disability,
26 and are eligible to receive a deferred retirement allowance under
27 chapter 41.32, 41.35, or 41.40 RCW.

28 (9) "Benefits contribution plan" means a premium only contribution
29 plan, a medical flexible spending arrangement, or a cafeteria plan
30 whereby state and public employees may agree to a contribution to
31 benefit costs which will allow the employee to participate in benefits
32 offered pursuant to 26 U.S.C. Sec. 125 or other sections of the
33 internal revenue code.

34 (10) "Salary" means a state employee's monthly salary or wages.

35 (11) "Participant" means an individual who fulfills the eligibility
36 and enrollment requirements under the benefits contribution plan.

37 (12) "Plan year" means the time period established by the
38 authority.

1 (13) "Separated employees" means persons who separate from
2 employment with an employer as defined in:

3 (a) RCW 41.32.010(11) on or after July 1, 1996; or

4 (b) RCW 41.35.010 on or after September 1, 2000; or

5 (c) RCW 41.40.010 on or after March 1, 2002;

6 and who are at least age fifty-five and have at least ten years of
7 service under the teachers' retirement system plan 3 as defined in RCW
8 41.32.010(40), the Washington school employees' retirement system plan
9 3 as defined in RCW 41.35.010, or the public employees' retirement
10 system plan 3 as defined in RCW 41.40.010.

11 (14) "Emergency service personnel killed in the line of duty" means
12 law enforcement officers and fire fighters as defined in RCW 41.26.030,
13 and reserve officers and fire fighters as defined in RCW 41.24.010 who
14 die as a result of injuries sustained in the course of employment as
15 determined consistent with Title 51 RCW by the department of labor and
16 industries.

17 (15) "Clinical information technologies" means a computerized
18 system that:

19 (a) Maintains and provides access to patients' medical records in
20 an electronic format;

21 (b) Permits a qualified practitioner who wishes to enter an order
22 for a medication, treatment, diagnostic procedure, or other
23 intervention or service to enter such order via a computer that is
24 linked to a data base capable of accessing the medical record of the
25 patient who is intended to receive such medication, treatment,
26 diagnostic procedure, or other intervention;

27 (c) Incorporates error notification software so that a warning is
28 generated by such system if an order is entered that is likely to lead
29 to a significant adverse outcome for the patient;

30 (d) Provides electronic alerts and reminders to improve compliance
31 with best practices, promote regular screenings and other preventive
32 practices, and facilitate diagnoses and treatments; and

33 (e) Allows the secure electronic transmission of information to
34 other health care providers.

35 **Sec. 3.** RCW 41.05.021 and 2002 c 142 s 1 are each amended to read
36 as follows:

37 (1) The Washington state health care authority is created within

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

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

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

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

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

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

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

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

9 (vi) Coordination and collaboration with state health purchasing
10 agencies to develop methods to implement financial incentives in
11 contracts with insuring entities and providers that increase the
12 adoption and use of clinical information technologies as defined in RCW
13 41.05.011 that contribute to improved health outcomes, better
14 coordination of care, and decreased medical errors;

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

16 (d) To provide information and technical and administrative
17 assistance to the board;

18 (e) To review and approve or deny applications from counties,
19 municipalities, and other political subdivisions of the state to
20 provide state-sponsored insurance or self-insurance programs to their
21 employees in accordance with the provisions of RCW 41.04.205, setting
22 the premium contribution for approved groups as outlined in RCW
23 41.05.050;

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

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

29 (h) To publish and distribute to nonparticipating school districts
30 and educational service districts by October 1st of each year a
31 description of health care benefit plans available through the
32 authority and the estimated cost if school districts and educational
33 service district employees were enrolled; (~~and~~)

34 (i) To promulgate and adopt rules consistent with this chapter as
35 described in RCW 41.05.160; and

36 (j) Certify as eligible for a tax credit under section 1 of this
37 act clinical information technologies that are acquired, developed,

1 enhanced, or implemented by licensed physicians and are consistent with
2 recognized national standards related to:

- 3 (i) Interoperability;
- 4 (ii) Security;
- 5 (iii) The protection of confidentiality, consistent with the
6 regulations adopted under section 264(c) of the health insurance
7 portability and accountability act (42 U.S.C. 1320d-2 note) and chapter
8 70.02 RCW; and
- 9 (iv) Other subjects determined appropriate by the authority.

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

- 14 (a) Standardizing the benefit package;
- 15 (b) Soliciting competitive bids for the benefit package;
- 16 (c) Limiting the state's contribution to a percent of the lowest
17 priced qualified plan within a geographical area;
- 18 (d) Monitoring the impact of the approach under this subsection
19 with regards to: Efficiencies in health service delivery, cost shifts
20 to subscribers, access to and choice of managed care plans statewide,
21 and quality of health services. The health care authority shall also
22 advise on the value of administering a benchmark employer-managed plan
23 to promote competition among managed care plans.

24 **Sec. 4.** RCW 41.05.075 and 2002 c 142 s 4 are each amended to read
25 as follows:

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

30 (2) The administrator shall establish a contract bidding process
31 that:

- 32 (a) Encourages competition among insuring entities;
- 33 (b) Maintains an equitable relationship between premiums charged
34 for similar benefits and between risk pools including premiums charged
35 for retired state and school district employees under the separate risk
36 pools established by RCW 41.05.022 and 41.05.080 such that insuring

1 entities may not avoid risk when establishing the premium rates for
2 retirees eligible for medicare;

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

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

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

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

12 (5) All claims data shall be the property of the state. The
13 administrator may require of any insuring entity that submits a bid to
14 contract for coverage all information deemed necessary including
15 subscriber or member demographic and claims data necessary for risk
16 assessment and adjustment calculations in order to fulfill the
17 administrator's duties as set forth in this chapter.

18 (6) All contracts with insuring entities for the provision of
19 health care benefits shall provide that the beneficiaries of such
20 benefit plans may use on an equal participation basis the services of
21 practitioners licensed pursuant to chapters 18.22, 18.25, 18.32, 18.53,
22 18.57, 18.71, 18.74, 18.83, and 18.79 RCW, as it applies to registered
23 nurses and advanced registered nurse practitioners. However, nothing
24 in this subsection may preclude the administrator from establishing
25 appropriate utilization controls approved pursuant to RCW 41.05.065(2)
26 (a), (b), and (d).

27 (7) The administrator shall increase reimbursement in contracts
28 with insuring entities and providers who adopt and use clinical
29 information technologies as defined in RCW 41.05.011 that contribute to
30 improved health outcomes, better coordination of care, and decreased
31 medical errors. To be eligible for increased reimbursements, the
32 clinical information technology used by the provider must be consistent
33 with recognized national standards related to (a) interoperability; (b)
34 security; (c) the protection of confidentiality, consistent with the
35 regulations adopted under section 264(c) of the health insurance
36 portability and accountability act (42 U.S.C. 1320d-2 note) and chapter
37 70.02 RCW; and (d) other subjects determined appropriate by the

1 administrator. The amount of the increase in reimbursement shall be
2 equal to five percent of the amount of the reimbursement.

3 NEW SECTION. Sec. 5. A new section is added to chapter 74.09 RCW
4 to read as follows:

5 The secretary shall increase reimbursement in contracts with
6 insuring entities and providers who adopt and use clinical information
7 technologies as defined in RCW 41.05.011 that contribute to improved
8 health outcomes, better coordination of care, and decreased medical
9 errors. To be eligible for increased reimbursements, the clinical
10 information technology used by the provider must be consistent with
11 recognized national standards related to (1) interoperability; (2)
12 security; (3) the protection of confidentiality, consistent with the
13 regulations adopted under section 264(c) of the health insurance
14 portability and accountability act (42 U.S.C. 1320d-2 note) and chapter
15 70.02 RCW; and (4) other subjects determined appropriate by the
16 administrator. The amount of the increase in reimbursement shall be
17 equal to five percent of the amount of the reimbursement.

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