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SECOND SUBSTITUTE SENATE BILL 5722

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State of Washington

59th Legislature

2005 Regular Session

By Senate Committee on Ways & Means (originally sponsored by Senators Keiser, Thibaudeau, McAuliffe, Kline, Franklin, Prentice, Kastama, Rasmussen and Kohl-Welles)

READ FIRST TIME 03/08/05.

1 AN ACT Relating to expanding access to insurance coverage through  
2 the small business assist program; amending RCW 70.47.010, 70.47.015,  
3 70.47.020, 70.47.060, 70.47.100, 70.47.120, 70.47.130, 48.41.090,  
4 70.47.160, and 41.05.140; reenacting and amending RCW 43.79A.040;  
5 adding new sections to chapter 70.47 RCW; and adding a new section to  
6 chapter 74.09 RCW.

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

8 **Sec. 1.** RCW 70.47.010 and 2000 c 79 s 42 are each amended to read  
9 as follows:

10 ~~(1)((a) The legislature finds that limitations on access to health~~  
11 ~~care services for enrollees in the state, such as in rural and~~  
12 ~~underserved areas, are particularly challenging for the basic health~~  
13 ~~plan. Statutory restrictions have reduced the options available to the~~  
14 ~~administrator to address the access needs of basic health plan~~  
15 ~~enrollees. It is the intent of the legislature to authorize the~~  
16 ~~administrator to develop alternative purchasing strategies to ensure~~  
17 ~~access to basic health plan enrollees in all areas of the state,~~  
18 ~~including: (i) The use of differential rating for managed health care~~

1 ~~systems based on geographic differences in costs; and (ii) limited use~~  
2 ~~of self insurance in areas where adequate access cannot be assured~~  
3 ~~through other options.~~

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

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

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

18 (b) This lack of basic health care coverage is detrimental to the  
19 health of the individuals lacking coverage and to the public welfare,  
20 and results in substantial expenditures for emergency and remedial  
21 health care, often at the expense of health care providers, health care  
22 facilities, and all purchasers of health care, including the state; and

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

28 ~~((3))~~ (2) The purpose of this chapter is to provide or make more  
29 readily available necessary basic health care services in an  
30 appropriate setting to working persons and others who lack coverage, at  
31 a cost to these persons that does not create barriers to the  
32 utilization of necessary health care services. To that end, this  
33 chapter establishes a program to be made available to those residents  
34 not eligible for medicare who share in a portion of the cost or who pay  
35 the full cost of receiving basic health care services from a managed  
36 health care system.

37 (3) The legislature further finds that many small employers  
38 struggle with the cost of providing employer-sponsored health insurance

1 coverage to their employees and their employees' families, while others  
2 are unable to offer employer-sponsored health insurance due to its high  
3 cost. Low-wage workers also struggle with the burden of paying their  
4 share of the costs of employer-sponsored health insurance, while others  
5 turn down their employer's offer of coverage due to its costs.

6 (4) It is not the intent of this chapter to provide health care  
7 services for those persons who are presently covered through private  
8 employer-based health plans, nor to replace employer-based health  
9 plans. However, the legislature recognizes that cost-effective and  
10 affordable health plans may not always be available to small business  
11 employers. Further, it is the intent of the legislature to expand,  
12 wherever possible, the availability of private health care coverage and  
13 to discourage the decline of employer-based coverage.

14 (5)(a) It is the purpose of this chapter to acknowledge the initial  
15 success of ~~((this))~~ the basic health plan program that has (i) assisted  
16 thousands of families in their search for affordable health care; (ii)  
17 demonstrated that low-income, uninsured families are willing to pay for  
18 their own health care coverage to the extent of their ability to pay;  
19 and (iii) proved that local health care providers are willing to enter  
20 into a public-private partnership as a managed care system.

21 (b) As a consequence, the legislature intends to extend an option  
22 to enroll to certain citizens above two hundred percent of the federal  
23 poverty guidelines within the state who reside in communities where the  
24 plan is operational and who collectively or individually wish to  
25 exercise the opportunity to purchase health care coverage through the  
26 basic health plan if the purchase is done at no cost to the state. It  
27 is also the intent of the legislature to allow ~~((employers and other))~~  
28 financial sponsors to financially assist such individuals to purchase  
29 health care through the program so long as such purchase does not  
30 result in a lower standard of coverage for employees.

31 (c) The legislature intends that, to the extent of available funds,  
32 the programs administered under this chapter be available throughout  
33 Washington state ~~((to subsidized and nonsubsidized enrollees))~~. It is  
34 also the intent of the legislature to enroll subsidized enrollees  
35 first, to the maximum extent feasible.

36 (d) The legislature directs that the basic health plan  
37 administrator identify enrollees who are likely to be eligible for  
38 medical assistance and assist these individuals in applying for and

1 receiving medical assistance. The administrator and the department of  
2 social and health services shall implement a seamless system to  
3 coordinate eligibility determinations and benefit coverage for  
4 enrollees of the basic health plan and medical assistance recipients.

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

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

17 (1) The small business assist program is hereby established. The  
18 legislature intends that the small business assist program make health  
19 care coverage more affordable to small employers, their employees, and  
20 dependents. By blending private and public funds through the premium  
21 assistance option authorized by this section, the legislature intends  
22 to increase the number of low-income workers with health coverage in  
23 Washington state. The administrator shall offer two options to small  
24 employers:

25 (a) Enrollment as a group in a small business assist plan offered  
26 by the administrator under subsections (2) through (6) of this section;  
27 and

28 (b) Enrollment of low-income employees in the premium assistance  
29 option authorized in subsections (7) through (11) of this section.

30 (2) No later than January 1, 2007, the administrator may accept  
31 applications from employers on behalf of themselves and their  
32 employees, spouses, and dependent children, as small business assist  
33 plan enrollees. Small employers who have not provided  
34 employer-sponsored health care coverage for at least six months prior  
35 to the date of application may apply for enrollment in the plan. For  
36 purposes of this section, prior employer-sponsored coverage as a

1 subsidized enrollee in the basic health plan shall not be considered  
2 employer-sponsored health coverage.

3 (3) The administrator may require all or the substantial majority  
4 of the eligible employees of small employers to enroll in the plan and  
5 may establish procedures necessary to facilitate the orderly enrollment  
6 of small employer groups in a small business assist plan and into a  
7 managed health care system.

8 (4) The initial benefit option offered through the small business  
9 assist plan option shall be the schedule of basic health care services  
10 established under RCW 70.47.060(1). The administrator may design and  
11 from time to time revise one or more additional schedules of covered  
12 services to be provided to small business assist plan enrollees.  
13 Additional schedules of covered services may vary with respect to  
14 services covered, deductibles, or other cost-sharing amounts paid by  
15 enrollees. A high deductible health plan option shall be included  
16 among any additional schedules of covered services offered through the  
17 small business assist plan option. The structure shall discourage  
18 inappropriate enrollee utilization of health care services. In  
19 designing and revising the schedule of services, the administrator  
20 shall consider the guidelines for assessing health services under RCW  
21 48.47.030.

22 (5) The administrator shall determine the periodic premiums to be  
23 paid by small business assist plan enrollees. Premiums due from small  
24 business assist plan enrollees shall be in an amount equal to the  
25 amount negotiated by the administrator with the participating managed  
26 health care system or systems plus the administrative cost of providing  
27 coverage through the plan to those enrollees and the premium tax under  
28 RCW 48.14.0201. The administrator shall adjust the premium amount  
29 determined to be due on behalf of or from all such enrollees whenever  
30 the amount negotiated by the administrator with the participating  
31 managed health care system or systems is modified or the administrative  
32 cost of providing coverage through the plan to such enrollees changes.

33 (6) Small business assist plan enrollees shall be included in the  
34 basic health plan subsidized risk pool for purposes of contracting with  
35 managed health care systems. The administrator shall monitor the  
36 impact of inclusion of small business assist plan enrollees on the risk  
37 profile and claims experience of the basic health plan subsidized risk  
38 pool, and on the costs of basic health plan subsidized coverage. If

1 significant impacts are identified, the administrator shall report such  
2 impacts to the governor and to relevant policy and fiscal committees of  
3 the legislature.

4 (7) Beginning July 1, 2006, the administrator may accept  
5 applications from individuals whose current small employer has not  
6 offered health insurance within the last six months, on behalf of  
7 themselves and their spouses and dependent children, for assistance in  
8 paying premiums to health plans as defined in RCW 48.43.005. The  
9 administrator may determine the minimum premium contribution to be paid  
10 by small employers whose employees are participating in this premium  
11 assistance option.

12 (8) To the extent funds are appropriated for this purpose, the  
13 administrator may make premium assistance payments when:

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

23 (b) The cost of paying the premium assistance employee's employer  
24 health benefit plan premium obligation would be less than the subsidy  
25 that would be paid if the individual, or the individual plus his or her  
26 spouse and dependent children, were to enroll in the Washington basic  
27 health plan under this chapter as subsidized enrollees. The amount of  
28 an individual's premium assistance shall be determined by applying the  
29 sliding scale subsidy schedule developed for subsidized basic health  
30 plan enrollees under RCW 70.47.060 to the employee's premium obligation  
31 for his or her employer's health benefit plan;

32 (c) The premium assistance enrollee agrees to provide verification  
33 of continued enrollment in his or her small employer's health benefit  
34 plan on a semiannual basis, or to notify the administrator whenever his  
35 or her enrollment status changes, whichever is earlier. Verification  
36 or notification may be made directly by the employee, or through his or  
37 her employer or the carrier providing the small employer health benefit

1 plan. When necessary, the administrator has the authority to perform  
2 retrospective audits on premium assistance accounts.

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

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

12 (11) Funds received by a family as part of participation in the  
13 adoption support program authorized under RCW 26.33.320 and 74.13.100  
14 through 74.13.145 may not be counted toward a family's current gross  
15 family income for the purposes of this act. No premium assistance may  
16 be paid to an employee whose current gross family income exceeds twice  
17 the federal poverty level or, subject to RCW 70.47.110, who is a  
18 recipient of medical assistance or medical care services under chapter  
19 74.09 RCW.

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

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

26 ~~(2) ((It is the intent of the legislature that the basic health  
27 plan enrollment be expanded expeditiously, consistent with funds  
28 available in the health services account, with the goal of two hundred  
29 thousand adult subsidized basic health plan enrollees and one hundred  
30 thirty thousand children covered through expanded medical assistance  
31 services by June 30, 1997, with the priority of providing needed health  
32 services to children in conjunction with other public programs.~~

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

36 ~~((4))~~ (3) No later than July 1, 1996, the administrator shall  
37 implement procedures whereby hospitals licensed under chapters 70.41

1 and 71.12 RCW, health carrier, rural health care facilities regulated  
2 under chapter 70.175 RCW, and community and migrant health centers  
3 funded under RCW 41.05.220, may expeditiously assist patients and their  
4 families in applying for basic health plan or medical assistance  
5 coverage, and in submitting such applications directly to the health  
6 care authority or the department of social and health services. The  
7 health care authority and the department of social and health services  
8 shall make every effort to simplify and expedite the application and  
9 enrollment process.

10 ~~((5) No later than July 1, 1996,))~~ (4) The administrator (~~(shall)~~)  
11 may implement procedures whereby health insurance agents and brokers,  
12 licensed under chapter 48.17 RCW, may expeditiously assist patients and  
13 their families in applying for basic health plan or ~~((medical~~  
14 ~~assistance coverage,))~~ small business assist coverage and in submitting  
15 such applications directly to the health care authority ~~((or the~~  
16 ~~department of social and health services))~~. Brokers and agents may  
17 receive a commission for each individual sale of the basic health plan  
18 or the small business assist program to anyone not signed up within the  
19 previous five years ~~((and a commission for each group sale of the basic~~  
20 ~~health plan))~~, if sufficient funding ~~((for this purpose is provided in~~  
21 ~~a specific appropriation))~~ is appropriated to the health care authority  
22 for marketing and administration. No commission shall be provided upon  
23 a renewal. ~~((Commissions shall be determined based on the estimated~~  
24 ~~annual cost of the basic health plan, however, commissions shall not~~  
25 ~~result in a reduction in the premium amount paid to health carriers.))~~  
26 For purposes of this section "health carrier" is as defined in RCW  
27 48.43.005. The administrator may establish: (a) Minimum educational  
28 requirements that must be completed by the agents or brokers; (b) an  
29 appointment process for agents or brokers marketing the basic health  
30 plan or the small business assist program; or (c) standards for  
31 revocation of the appointment of an agent or broker to submit  
32 applications for cause, including untrustworthy or incompetent conduct  
33 or harm to the public. The health care authority and the department of  
34 social and health services shall make every effort to simplify and  
35 expedite the application and enrollment process.

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



1 As used in this chapter:

2 (1) "Washington basic health plan" or "plan" means the system of  
3 enrollment and payment for basic health care services, administered by  
4 the plan administrator through participating managed health care  
5 systems, created by this chapter.

6 (2) "Administrator" means the Washington basic health plan  
7 administrator, who also holds the position of administrator of the  
8 Washington state health care authority.

9 (3) "Small employer" means the same as is defined in RCW  
10 48.43.005(24).

11 (4) "Enrollee" means a subsidized enrollee, nonsubsidized enrollee,  
12 health coverage tax credit eligible enrollee, or small business assist  
13 plan enrollee.

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

20 ((+4)) (6) "Health coverage tax credit eligible enrollee" means  
21 individual workers and their qualified family members who lose their  
22 jobs due to the effects of international trade and are eligible for  
23 certain trade adjustment assistance benefits; or are eligible for  
24 benefits under the alternative trade adjustment assistance program; or  
25 are people who receive benefits from the pension benefit guaranty  
26 corporation and are at least fifty-five years old.

27 ((+5)) (7) "Managed health care system" means: (a) Any health  
28 care organization, including health care providers, insurers, health  
29 care service contractors, health maintenance organizations, or any  
30 combination thereof, that provides directly or by contract ((basic))  
31 health care services, as defined by the administrator and rendered by  
32 duly licensed providers, to a defined patient population enrolled in  
33 ((the plan)) a program administered under this chapter and in the  
34 managed health care system; or (b) a self-funded or self-insured method  
35 of providing insurance coverage to subsidized enrollees provided under  
36 RCW 41.05.140 and subject to the limitations under RCW 70.47.100(7).

37 ((+6)) (8) "Subsidized enrollee" means an individual, or an  
38 individual plus the individual's spouse or dependent children: (a) Who

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

19 ~~((7))~~ (9) "Nonsubsidized 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) who chooses to obtain basic health care coverage from a  
26 particular managed health care system; and (e) who pays or on whose  
27 behalf is paid the full costs for participation in the plan, without  
28 any subsidy from the plan.

29 ~~((8))~~ (10) "Small business assist plan enrollee" means an  
30 employee who is employed by a small employer and who resides or works  
31 in Washington and enrolls in the small business assist program created  
32 under section 2 of this act.

33 (11) "Subsidy" means the difference between the amount of periodic  
34 payment the administrator makes to a managed health care system on  
35 behalf of a subsidized enrollee plus the administrative cost to the  
36 plan of providing the plan to that subsidized enrollee, and the amount  
37 determined to be the subsidized enrollee's responsibility under RCW  
38 70.47.060(2).

1        ~~((9))~~ (12) "Premium" means a periodic payment, based upon  
2 ~~((gross))~~ family income which an individual, ~~((their))~~ an employer, or  
3 ~~((another))~~ a financial sponsor makes to the ~~((plan))~~ administrator as  
4 consideration for enrollment in ~~((the plan as a subsidized enrollee, a~~  
5 ~~nonsubsidized enrollee, or a health coverage tax credit eligible~~  
6 ~~enrollee))~~ a program administered under this chapter.

7        ~~((10))~~ (13) "Rate" means the amount, negotiated by the  
8 administrator with and paid to a participating managed health care  
9 system, that is based upon the ~~((enrollment of subsidized,~~  
10 ~~nonsubsidized, and health coverage tax credit eligible))~~ number of  
11 enrollees in ~~((the plan and in))~~ that system.

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

14        The administrator has the following powers and duties:

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

1 separate schedule of basic health care services for children, eighteen  
2 years of age and younger, for those subsidized or nonsubsidized  
3 enrollees who choose to secure basic coverage through the plan only for  
4 their dependent children. In designing and revising the schedule of  
5 services, the administrator shall consider the guidelines for assessing  
6 health services under the mandated benefits act of 1984, RCW 48.47.030,  
7 and such other factors as the administrator deems appropriate.

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

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

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

36 (d) (~~((An employer or other))~~) A financial sponsor may, with the  
37 prior approval of the administrator, pay the premium, rate, or any  
38 other amount on behalf of a subsidized or nonsubsidized enrollee, by

1 arrangement with the enrollee and through a mechanism acceptable to the  
2 administrator. The administrator shall establish a mechanism for  
3 receiving premium payments from the United States internal revenue  
4 service for health coverage tax credit eligible enrollees.

5 ~~((e) To develop, as an offering by every health carrier providing  
6 coverage identical to the basic health plan, as configured on January  
7 1, 2001, a basic health plan model plan with uniformity in enrollee  
8 cost-sharing requirements.))~~

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

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

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

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

1 long as the enrollees qualify for the health coverage tax credit  
2 program.

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

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

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

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

37 (11) To accept applications from individuals residing in areas  
38 served by the plan, on behalf of themselves and their spouses and

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

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

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

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

17 ~~((14))~~ (13) To monitor the provision of covered services to  
18 enrollees by participating managed health care systems in order to  
19 assure enrollee access to good quality basic health care, to require  
20 periodic data reports concerning the utilization of health care  
21 services rendered to enrollees in order to provide adequate information  
22 for evaluation, and to inspect the books and records of participating  
23 managed health care systems to assure compliance with the purposes of  
24 this chapter. In requiring reports from participating managed health  
25 care systems, including data on services rendered enrollees, the  
26 administrator shall endeavor to minimize costs, both to the managed  
27 health care systems and to the plan. The administrator shall  
28 coordinate any such reporting requirements with other state agencies,  
29 such as the insurance commissioner and the department of health, to  
30 minimize duplication of effort.

31 ~~((15))~~ (14) To evaluate the effects this chapter has on private  
32 employer-based health care coverage and to take appropriate measures  
33 consistent with state and federal statutes that will discourage the  
34 reduction of such coverage in the state.

35 ~~((16))~~ (15) To develop a program of proven preventive health  
36 measures and to integrate it into the plan wherever possible and  
37 consistent with this chapter.





1 administrator shall endeavor to establish a uniform period for such  
2 opportunity. The plan shall allow enrollees to transfer their  
3 enrollment to another participating managed health care system at any  
4 time upon a showing of good cause for the transfer.

5 (3) Prior to negotiating with any managed health care system, the  
6 administrator shall determine, on an actuarially sound basis, the  
7 reasonable cost of providing the schedule of ((~~basic~~)) health care  
8 services, expressed in terms of upper and lower limits, and recognizing  
9 variations in the cost of providing the services through the various  
10 systems and in different areas of the state.

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

14 (a) The administrator shall issue a request for proposals,  
15 including standards regarding the quality of services to be provided;  
16 financial integrity of the responding systems; and responsiveness to  
17 the unmet health care needs of the local communities or populations  
18 that may be served;

19 (b) The administrator shall then review responsive proposals and  
20 may negotiate with respondents to the extent necessary to refine any  
21 proposals;

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

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

28 (5) The administrator may contract with a managed health care  
29 system to provide covered ((~~basic~~)) health care services to subsidized  
30 enrollees, nonsubsidized enrollees, health coverage tax credit eligible  
31 enrollees, small business assist plan enrollees, or any combination  
32 thereof.

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

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

5 (~~i) The authority~~) the administrator determines that no managed  
6 health care system other than the authority is willing and able to  
7 provide access(~~, as defined in the request for proposal documents,~~)  
8 to covered (~~basic~~) health care services (~~for all subsidized~~  
9 ~~enrollees~~) in (~~an~~) a given area(~~;~~ ~~or~~

10 (~~ii) The authority determines that no other managed health care~~  
11 ~~system is willing to provide access, as defined in the request for~~  
12 ~~proposal documents, for one hundred thirty three percent of the~~  
13 ~~statewide benchmark price or less, and the authority is able to offer~~  
14 ~~such coverage at a price that is less than the lowest price at which~~  
15 ~~any other managed health care system is willing to provide such access~~  
16 ~~in an area.~~

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

21 (~~c) The administrator may not implement a self-funded or self-~~  
22 ~~insured method of providing insurance in an area unless~~), and the  
23 administrator has received a certification from a member of the  
24 American academy of actuaries that the funding available in the basic  
25 health plan or small business assist plan self-insurance reserve  
26 account is sufficient for the self-funded or self-insured risk assumed,  
27 or expected to be assumed, by the administrator.

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

30 In addition to the powers and duties specified in RCW 70.47.040 and  
31 70.47.060, the administrator has the power to enter into contracts for  
32 the following functions and services:

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

1 (2) With public or private agencies, to provide technical or  
2 professional assistance to health care providers, particularly public  
3 or private nonprofit organizations and providers serving rural areas,  
4 who show serious intent and apparent capability to participate in the  
5 plan as managed health care systems.

6 (3) With public or private agencies, including health care service  
7 contractors registered under RCW 48.44.015, and doing business in the  
8 state, for marketing and administrative services in connection with  
9 participation of managed health care systems, enrollment of enrollees,  
10 billing and collection services to the administrator, and other  
11 administrative functions ordinarily performed by health care service  
12 contractors, other than insurance. Any activities of a health care  
13 service contractor pursuant to a contract with the administrator under  
14 this section shall be exempt from the provisions and requirements of  
15 Title 48 RCW except that persons appointed or authorized to solicit  
16 applications for enrollment in (~~the basic health plan~~) a program  
17 administered under this chapter shall comply with chapter 48.17 RCW.

18 **Sec. 8.** RCW 70.47.130 and 2004 c 115 s 2 are each amended to read  
19 as follows:

20 (1) The activities and operations of the Washington basic health  
21 plan under this chapter, including those of managed health care systems  
22 to the extent of their participation in the plan, are exempt from the  
23 provisions and requirements of Title 48 RCW except:

24 (a) Benefits as provided in RCW 70.47.070;

25 (b) Managed health care systems are subject to the provisions of  
26 RCW 48.43.022, 48.43.500, 70.02.045, 48.43.505 through 48.43.535,  
27 43.70.235, 48.43.545, 48.43.550, 70.02.110, and 70.02.900;

28 (c) Persons appointed or authorized to solicit applications for  
29 enrollment in the (~~basic health plan, including employees of the~~  
30 ~~health care authority,~~) programs administered under this chapter must  
31 comply with chapter 48.17 RCW. For purposes of this subsection (1)(c),  
32 "solicit" does not include distributing information and applications  
33 for the basic health plan and responding to questions; and

34 (d) Amounts paid to a managed health care system by the basic  
35 health plan for participating in the basic health plan and providing  
36 health care services for nonsubsidized enrollees in the basic health  
37 plan must comply with RCW 48.14.0201.

1 (2) The purpose of the 1994 amendatory language to this section in  
2 chapter 309, Laws of 1994 is to clarify the intent of the legislature  
3 that premiums paid on behalf of nonsubsidized enrollees in the basic  
4 health plan are subject to the premium and prepayment tax. The  
5 legislature does not consider this clarifying language to either raise  
6 existing taxes nor to impose a tax that did not exist previously.

7 **Sec. 9.** RCW 48.41.090 and 2000 c 79 s 11 are each amended to read  
8 as follows:

9 (1) Following the close of each accounting year, the pool  
10 administrator shall determine the net premium (premiums less  
11 administrative expense allowances), the pool expenses of  
12 administration, and incurred losses for the year, taking into account  
13 investment income and other appropriate gains and losses.

14 (2)(a) Each member's proportion of participation in the pool shall  
15 be determined annually by the board based on annual statements and  
16 other reports deemed necessary by the board and filed by the member  
17 with the commissioner; and shall be determined by multiplying the total  
18 cost of pool operation by a fraction. The numerator of the fraction  
19 equals that member's total number of resident insured persons,  
20 including spouse and dependents, covered under all health plans in the  
21 state by that member during the preceding calendar year. The  
22 denominator of the fraction equals the total number of resident insured  
23 persons, including spouses and dependents, covered under all health  
24 plans in the state by all pool members during the preceding calendar  
25 year.

26 (b) For purposes of calculating the numerator and the denominator  
27 under (a) of this subsection:

28 (i) All health plans in the state by the state health care  
29 authority include only the uniform medical plan and the small business  
30 assist plan option established under section 2 of this act; and

31 (ii) Each ten resident insured persons, including spouse and  
32 dependents, under a stop loss plan or the uniform medical plan shall  
33 count as one resident insured person.

34 (c) Except as provided in RCW 48.41.037, any deficit incurred by  
35 the pool shall be recouped by assessments among members apportioned  
36 under this subsection pursuant to the formula set forth by the board  
37 among members.

1 (3) The board may abate or defer, in whole or in part, the  
2 assessment of a member if, in the opinion of the board, payment of the  
3 assessment would endanger the ability of the member to fulfill its  
4 contractual obligations. If an assessment against a member is abated  
5 or deferred in whole or in part, the amount by which such assessment is  
6 abated or deferred may be assessed against the other members in a  
7 manner consistent with the basis for assessments set forth in  
8 subsection (2) of this section. The member receiving such abatement or  
9 deferment shall remain liable to the pool for the deficiency.

10 (4) If assessments exceed actual losses and administrative expenses  
11 of the pool, the excess shall be held at interest and used by the board  
12 to offset future losses or to reduce pool premiums. As used in this  
13 subsection, "future losses" includes reserves for incurred but not  
14 reported claims.

15 NEW SECTION. **Sec. 10.** A new section is added to chapter 70.47 RCW  
16 to read as follows:

17 On or before December 15, 2006, the administrator shall provide a  
18 report to the governor and relevant policy and fiscal committees of the  
19 senate and the house of representatives. The report shall present  
20 options for providing a subsidy to small business assist plan enrollees  
21 or their employers to help pay the cost of their coverage. The options  
22 shall limit subsidies to enrollees with household income up to two  
23 hundred percent of the federal poverty level as adjusted for family  
24 size and determined annually by the federal department of health and  
25 human services.

26 NEW SECTION. **Sec. 11.** A new section is added to chapter 74.09 RCW  
27 to read as follows:

28 (1) The department shall make every effort to maximize  
29 opportunities to blend public and private funds through subsidization  
30 of small employer health benefit plan premiums on behalf of individuals  
31 eligible for medical assistance and children eligible for the state  
32 children's health insurance program when such subsidization is cost-  
33 effective for the state. In developing policies under this section,  
34 the department shall consult with the health care authority and, to the  
35 extent allowed by federal law, develop policies that are consistent  
36 with those policies developed by the health care authority under the

1 premium assistance option in section 2 of this act so that entire  
2 families have the opportunity to enroll in the same small employer  
3 health benefit plan.

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

13 **Sec. 12.** RCW 70.47.160 and 1995 c 266 s 3 are each amended to read  
14 as follows:

15 (1) The legislature recognizes that every individual possesses a  
16 fundamental right to exercise their religious beliefs and conscience.  
17 The legislature further recognizes that in developing public policy,  
18 conflicting religious and moral beliefs must be respected. Therefore,  
19 while recognizing the right of conscientious objection to participating  
20 in specific health services, the state shall also recognize the right  
21 of individuals enrolled with (~~the basic health plan~~) a program  
22 administered under this chapter to receive the full range of services  
23 covered under (~~the basic health plan~~) that program.

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

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

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

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

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

4 (c) The administrator shall establish a mechanism or mechanisms to  
5 recognize the right to exercise conscience while ensuring enrollees  
6 timely access to services and to assure prompt payment to service  
7 providers.

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

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

17 (c) The administrator shall define the process through which health  
18 carriers may offer the (~~basic health plan~~) programs administered  
19 under this chapter to individuals and organizations identified in (a)  
20 and (b) of this subsection in accordance with the provisions of  
21 subsection (2)(c) of this section.

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

26 **Sec. 13.** RCW 41.05.140 and 2000 c 80 s 5 are each amended to read  
27 as follows:

28 (1) Except for property and casualty insurance, the authority may  
29 self-fund, self-insure, or enter into other methods of providing  
30 insurance coverage for insurance programs under its jurisdiction,  
31 including the basic health plan and the small business assist plan  
32 option as provided in chapter 70.47 RCW. The authority shall contract  
33 for payment of claims or other administrative services for programs  
34 under its jurisdiction. If a program does not require the prepayment  
35 of reserves, the authority shall establish such reserves within a  
36 reasonable period of time for the payment of claims as are normally  
37 required for that type of insurance under an insured program. The



1 authority shall endeavor to reimburse basic health plan health care  
2 providers under this section at rates similar to the average  
3 reimbursement rates offered by the statewide benchmark plan determined  
4 through the request for proposal process.

5 (2) Reserves established by the authority for employee and retiree  
6 benefit programs shall be held in a separate trust fund by the state  
7 treasurer and shall be known as the public employees' and retirees'  
8 insurance reserve fund. The state investment board shall act as the  
9 investor for the funds and, except as provided in RCW 43.33A.160 and  
10 43.84.160, one hundred percent of all earnings from these investments  
11 shall accrue directly to the public employees' and retirees' insurance  
12 reserve fund.

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

16 (4) Reserves established by the authority to provide insurance  
17 coverage for the basic health plan under chapter 70.47 RCW shall be  
18 held in a separate trust account in the custody of the state treasurer  
19 and shall be known as the basic health plan self-insurance reserve  
20 account. The state investment board shall act as the investor for the  
21 funds as set forth in RCW 43.33A.230 and, except as provided in RCW  
22 43.33A.160 and 43.84.160, one hundred percent of all earnings from  
23 these investments shall accrue directly to the basic health plan self-  
24 insurance reserve account.

25 (5) Reserves established by the authority to provide insurance  
26 coverage for the small business assist plan option under chapter 70.47  
27 RCW shall be held in a separate trust account in the custody of the  
28 state treasurer and shall be known as the small business assist self-  
29 insurance reserve account. The state investment board shall act as the  
30 investor for the funds as set forth in RCW 43.33A.230 and, except as  
31 provided in RCW 43.33A.160 and 43.84.160, one hundred percent of all  
32 earnings from these investments shall accrue directly to the small  
33 business assist self-insurance reserve account.

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

1       (~~(6)~~) (7) The authority shall keep full and adequate accounts and  
2 records of the assets, obligations, transactions, and affairs of any  
3 program created under this section.

4       (~~(7)~~) (8) The authority shall file a quarterly statement of the  
5 financial condition, transactions, and affairs of any program created  
6 under this section in a form and manner prescribed by the insurance  
7 commissioner. The statement shall contain information as required by  
8 the commissioner for the type of insurance being offered under the  
9 program. A copy of the annual statement shall be filed with the  
10 speaker of the house of representatives and the president of the  
11 senate.

12       **Sec. 14.** RCW 43.79A.040 and 2004 c 246 s 8 and 2004 c 58 s 10 are  
13 each reenacted and amended to read as follows:

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

18       (2) All income received from investment of the treasurer's trust  
19 fund shall be set aside in an account in the treasury trust fund to be  
20 known as the investment income account.

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

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

32       (b) The following accounts and funds shall receive their  
33 proportionate share of earnings based upon each account's or fund's  
34 average daily balance for the period: The Washington promise  
35 scholarship account, the college savings program account, the  
36 Washington advanced college tuition payment program account, the  
37 agricultural local fund, the American Indian scholarship endowment

1 fund, the students with dependents grant account, the basic health plan  
2 self-insurance reserve account, the small business assist self-  
3 insurance reserve account, the contract harvesting revolving account,  
4 the Washington state combined fund drive account, the Washington  
5 international exchange scholarship endowment fund, the developmental  
6 disabilities endowment trust fund, the energy account, the fair fund,  
7 the fruit and vegetable inspection account, the future teachers  
8 conditional scholarship account, the game farm alternative account, the  
9 grain inspection revolving fund, the juvenile accountability incentive  
10 account, the law enforcement officers' and fire fighters' plan 2  
11 expense fund, the local tourism promotion account, the produce railcar  
12 pool account, the rural rehabilitation account, the stadium and  
13 exhibition center account, the youth athletic facility account, the  
14 self-insurance revolving fund, the sulfur dioxide abatement account,  
15 the children's trust fund, the Washington horse racing commission  
16 Washington bred owners' bonus fund account, the Washington horse racing  
17 commission class C purse fund account, and the Washington horse racing  
18 commission operating account (earnings from the Washington horse racing  
19 commission operating account must be credited to the Washington horse  
20 racing commission class C purse fund account). However, the earnings  
21 to be distributed shall first be reduced by the allocation to the state  
22 treasurer's service fund pursuant to RCW 43.08.190.

23 (c) The following accounts and funds shall receive eighty percent  
24 of their proportionate share of earnings based upon each account's or  
25 fund's average daily balance for the period: The advanced right of way  
26 revolving fund, the advanced environmental mitigation revolving  
27 account, the city and county advance right-of-way revolving fund, the  
28 federal narcotics asset forfeitures account, the high occupancy vehicle  
29 account, the local rail service assistance account, and the  
30 miscellaneous transportation programs account.

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

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

36 The small business assist trust account is hereby established in  
37 the custody of the state treasurer. Any premium payments or other

1 revenues collected from sources other than the state treasury for the  
2 small business assist program shall be deposited in the small business  
3 assist trust account. Funds may be expended from the small business  
4 assist trust account without further appropriation. Moneys in the  
5 account shall be used exclusively for the purposes of administering the  
6 small business assist plan option, including payments to participating  
7 managed health care systems on behalf of small business assist plan  
8 enrollees.

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

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

--- END ---