
SENATE BILL 5748

State of Washington

59th Legislature

2005 Regular Session

By Senators Kastama, Keiser, Poulsen and Rockefeller

Read first time 02/04/2005. Referred to Committee on Health & Long-Term Care.

1 AN ACT Relating to creating the office of health information and
2 planning; amending RCW 70.47.060; adding new sections to chapter 41.05
3 RCW; adding a new section to chapter 48.43 RCW; creating a new section;
4 making appropriations; and providing an effective date.

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

6 NEW SECTION. **Sec. 1.** The legislature finds:

7 (1) Assuring the well-being of our state's residents through a
8 viable, accessible health care system is one of our fundamental
9 responsibilities. The current system, however, is broken and
10 unsustainable. Medical expenditures threaten to overwhelm government
11 budgets, displacing other essential public goods. Double digit cost
12 increases have become routine, dampening our economy and denying an
13 increasing number of people even their basic health care needs. Yet
14 the product of these expenditures is too often poor; too much is spent
15 on that which contributes little to quality or length of life;

16 (2) The state must be a leader in the development of an affordable,
17 effective, and sustainable health care system, that acknowledges that
18 resources are limited, and directs the use of those limited resources
19 to those things that do the most to maintain and improve the health

1 status of our population as a whole. We cannot promise every service
2 to every resident, but we can assure everyone's access to a basic level
3 of care, and the best health outcomes given the resources available;

4 (3) The foundation of such a system is good information, and the
5 use of that information by all to reduce the need and demand for
6 medical treatment, and assure that when treatment is necessary, it
7 provides the best expected result at the lowest possible cost; and

8 (4) Recent efforts in this state to collect, analyze, and act on
9 information to improve health care decision making have not been
10 sufficiently comprehensive or coordinated. Our continued reliance on
11 incomplete information, and a lack of uniform standards, will only
12 perpetuate current inefficiencies. A statewide, systematic approach is
13 necessary to more clearly define the purpose of our health care system,
14 and align its various components to serve that purpose.

15 NEW SECTION. **Sec. 2.** A new section is added to chapter 41.05 RCW
16 to read as follows:

17 (1) The office of health information and planning is created within
18 the authority to:

19 (a) Make systematic, long-term improvements in the quantity and
20 quality of information and data used to make health care decisions in
21 both the public and private sector in Washington state; and

22 (b) Where appropriate, promote and coordinate the use and
23 application of that information and data on a statewide basis in
24 support of:

25 (i) The proper allocation of financial and human resources within
26 the health care system, including public health, to best maintain and
27 improve the health status of all Washington residents;

28 (ii) Intelligent and informed purchasing and reimbursement
29 decisions by state agencies, employers, health carriers, and others
30 responsible for financing medical treatment;

31 (iii) Treatment decisions by health care providers that result in
32 the best health outcomes at the lowest possible cost; and

33 (iv) Consumer choices to improve their own health, reduce the
34 demand for medical treatment, and when treatment is necessary, receive
35 only the most efficacious and cost-effective treatment available.

36 (2) The office of health information and planning may receive
37 gifts, grants, and endowments from public or private sources that may

1 be made from time to time, in trust or otherwise, for the use and
2 benefit of the purposes of the office and spend gifts, grants, or
3 endowments or any income from the public or private sources according
4 to their terms.

5 (3) All state agencies shall cooperate with the office of health
6 information and planning in the implementation of its duties.

7 NEW SECTION. **Sec. 3.** A new section is added to chapter 41.05 RCW
8 to read as follows:

9 (1) The office of health information and planning shall develop and
10 maintain a comprehensive plan for statewide health care information and
11 data collection, distribution, and exchange. For each of the areas
12 listed in section (2)(1)(b) (i) through (iv) of this act, the plan
13 shall:

14 (a) Include an inventory and evaluation of public and private
15 sources of information and data currently used to support the relevant
16 health care decision making;

17 (b) Include an assessment of and strategies to overcome the
18 organizational and structural barriers, including electronic
19 telecommunications capacity, to the collection of data and information
20 and its appropriate and timely distribution and exchange to and among
21 the parties relevant to the various decisions;

22 (c) Identify individual and institutional incentives and
23 disincentives to the consistent use of the best available information
24 and data to improve decisions affecting the health of Washington
25 residents, and means to create the incentives and eliminate the
26 disincentives;

27 (d) Address plan implementation, including costs, a timeline, and
28 the appropriate delegation of responsibility among public and private
29 entities for the various components of the plan;

30 (e) Include recommendations to the legislature regarding any
31 changes in law necessary to implement the plan;

32 (f) Be consistent with any relevant federal laws or guidelines,
33 including the privacy provisions of the federal health insurance
34 portability and accountability act; and

35 (g) Be developed in consultation with other state and federal
36 health care agencies, and an advisory committee representing the

1 interests and expertise of affected parties in the public and private
2 sector.

3 (2) Beginning December 2005, the office of health information and
4 planning shall report to the legislature regarding plan development and
5 implementation. The report shall be submitted again in December 2006,
6 and biennially thereafter.

7 NEW SECTION. **Sec. 4.** A new section is added to chapter 41.05 RCW
8 to read as follows:

9 The office of health information and planning shall design and
10 implement a centralized technology assessment pilot project to
11 strengthen the capacity of state health care agencies and others to
12 obtain and evaluate scientific evidence regarding evolving health care
13 procedures, services, and technology in support of appropriate coverage
14 and medical necessity decisions and criteria. A preliminary evaluation
15 of the project is due to the legislature by May 2007, with a final
16 evaluation by March 2008.

17 NEW SECTION. **Sec. 5.** A new section is added to chapter 41.05 RCW
18 to read as follows:

19 The office of health information and planning shall:

20 (1) Design and periodically update model health benefit plans
21 reflecting the conscientious, explicit, and judicious use of current
22 best evidence with regard to patient care. In designing the schedule
23 of benefits and enrollee cost sharing, the office shall:

24 (a) Include preventive care services, based on the recommendations
25 of the United States preventive services task force, with no enrollee
26 cost sharing;

27 (b) Include other benefits determined to be the most efficacious
28 and cost-effective use of the funds available within the limits
29 established in this section. Any benefit otherwise mandated by state
30 law, requiring coverage of certain types of providers, services, or
31 conditions, shall not be included unless explicitly determined by the
32 office to meet the requirements of this subsection; and

33 (c) Structure enrollee cost sharing to discourage demand for
34 inappropriate or unnecessary treatment, encourage enrollee
35 responsibility, including the use of efficacious and cost-effective

1 services and products, and promote quality care. Costs imposed on
2 enrollees should not be a barrier to the appropriate use of necessary
3 health care services;

4 (2) Develop at least three model plans: Plan A, with an actuarial
5 value equal to that of the basic health plan as of January 1, 2006;
6 plan B, with an actuarial value twenty percent less than that of the
7 basic health plan as of January 1, 2006; and plan C, with an actuarial
8 value twenty percent more than that of the basic health plan as of
9 January 1, 2006;

10 (3) Develop contract standards for the administration of the model
11 health benefit plans which address the role of the plan administrator
12 in:

13 (a) Educating enrollees regarding proper health care decision
14 making, engaging them in health promotion and wellness activities, and
15 assuring their receipt of appropriate preventive services;

16 (b) Identifying and encouraging appropriate, efficacious, and
17 cost-effective care by providers based on evidence of best practices,
18 and promoting the use of quality providers by enrollees;

19 (c) Identifying enrollees with, or with the potential for, chronic
20 or other high-cost conditions and providing them coordinated care
21 through disease and demand management programs;

22 (d) Encouraging innovative, efficient, and patient-centered
23 facility designs and service delivery methods that improve enrollee
24 access to care and health outcomes; and

25 (4) Develop contract standards for the medical treatment of
26 enrollees by providers in the model health benefit plans to assure the
27 receipt of appropriate, efficacious, and cost-effective care.

28 NEW SECTION. **Sec. 6.** A new section is added to chapter 48.43 RCW
29 to read as follows:

30 (1) By January 1, 2008, a carrier offering any individual health
31 benefit plan in this state shall offer to all individuals at least one
32 of the model health benefit plans designed by the office of health
33 information and planning under section 5 of this act.

34 (2) By January 1, 2008, a carrier offering any small group health
35 benefit plan in this state shall offer to all small groups at least one
36 of the model health benefit plans designed by the office of health
37 information and planning under section 5 of this act.

1 **Sec. 7.** RCW 70.47.060 and 2004 c 192 s 3 are each amended to read
2 as follows:

3 The administrator has the following powers and duties:

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

1 to the population served by the basic health plan, as long as other
2 modifications in the benefits are made so that the actuarial value of
3 the plan remains the same.

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

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

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

32 (d) An employer or other financial sponsor may, with the prior
33 approval of the administrator, pay the premium, rate, or any other
34 amount on behalf of a subsidized or nonsubsidized enrollee, by
35 arrangement with the enrollee and through a mechanism acceptable to the
36 administrator. The administrator shall establish a mechanism for
37 receiving premium payments from the United States internal revenue
38 service for health coverage tax credit eligible enrollees.

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

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

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

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

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

35 ~~((7))~~ (6) To limit the payment of subsidies to subsidized
36 enrollees, as defined in RCW 70.47.020. The level of subsidy provided
37 to persons who qualify may be based on the lowest cost plans, as
38 defined by the administrator.

1 ~~((+8))~~ (7) To adopt a schedule for the orderly development of the
2 delivery of services and availability of the plan to residents of the
3 state, subject to the limitations contained in RCW 70.47.080 or any act
4 appropriating funds for the plan.

5 ~~((+9))~~ (8) To solicit and accept applications from managed health
6 care systems, as defined in this chapter, for inclusion as eligible
7 basic health care providers under the plan for subsidized enrollees,
8 nonsubsidized enrollees, or health coverage tax credit eligible
9 enrollees. The administrator shall endeavor to assure that covered
10 basic health care services are available to any enrollee of the plan
11 from among a selection of two or more participating managed health care
12 systems. In adopting any rules or procedures applicable to managed
13 health care systems and in its dealings with such systems, the
14 administrator shall consider and make suitable allowance for the need
15 for health care services and the differences in local availability of
16 health care resources, along with other resources, within and among the
17 several areas of the state. Contracts with participating managed
18 health care systems shall ensure that basic health plan enrollees who
19 become eligible for medical assistance may, at their option, continue
20 to receive services from their existing providers within the managed
21 health care system if such providers have entered into provider
22 agreements with the department of social and health services.

23 ~~((+10))~~ (9) To receive periodic premiums from or on behalf of
24 subsidized, nonsubsidized, and health coverage tax credit eligible
25 enrollees, deposit them in the basic health plan operating account,
26 keep records of enrollee status, and authorize periodic payments to
27 managed health care systems on the basis of the number of enrollees
28 participating in the respective managed health care systems.

29 ~~((+11))~~ (10) To accept applications from individuals residing in
30 areas served by the plan, on behalf of themselves and their spouses and
31 dependent children, for enrollment in the Washington basic health plan
32 as subsidized, nonsubsidized, or health coverage tax credit eligible
33 enrollees, to establish appropriate minimum-enrollment periods for
34 enrollees as may be necessary, and to determine, upon application and
35 on a reasonable schedule defined by the authority, or at the request of
36 any enrollee, eligibility due to current gross family income for
37 sliding scale premiums. Funds received by a family as part of
38 participation in the adoption support program authorized under RCW

1 26.33.320 and 74.13.100 through 74.13.145 shall not be counted toward
2 a family's current gross family income for the purposes of this
3 chapter. When an enrollee fails to report income or income changes
4 accurately, the administrator shall have the authority either to bill
5 the enrollee for the amounts overpaid by the state or to impose civil
6 penalties of up to two hundred percent of the amount of subsidy
7 overpaid due to the enrollee incorrectly reporting income. The
8 administrator shall adopt rules to define the appropriate application
9 of these sanctions and the processes to implement the sanctions
10 provided in this subsection, within available resources. No subsidy
11 may be paid with respect to any enrollee whose current gross family
12 income exceeds twice the federal poverty level or, subject to RCW
13 70.47.110, who is a recipient of medical assistance or medical care
14 services under chapter 74.09 RCW. If a number of enrollees drop their
15 enrollment for no apparent good cause, the administrator may establish
16 appropriate rules or requirements that are applicable to such
17 individuals before they will be allowed to reenroll in the plan.

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

36 ~~((+13))~~ (12) To determine the rate to be paid to each
37 participating managed health care system in return for the provision of
38 covered basic health care services to enrollees in the system.

1 Although the schedule of covered basic health care services will be the
2 same or actuarially equivalent for similar enrollees, the rates
3 negotiated with participating managed health care systems may vary
4 among the systems. In negotiating rates with participating systems,
5 the administrator shall consider the characteristics of the populations
6 served by the respective systems, economic circumstances of the local
7 area, the need to conserve the resources of the basic health plan trust
8 account, and other factors the administrator finds relevant.

9 ~~((14))~~ (13) To monitor the provision of covered services to
10 enrollees by participating managed health care systems in order to
11 assure enrollee access to good quality basic health care, to require
12 periodic data reports concerning the utilization of health care
13 services rendered to enrollees in order to provide adequate information
14 for evaluation, and to inspect the books and records of participating
15 managed health care systems to assure compliance with the purposes of
16 this chapter. In requiring reports from participating managed health
17 care systems, including data on services rendered enrollees, the
18 administrator shall endeavor to minimize costs, both to the managed
19 health care systems and to the plan. The administrator shall
20 coordinate any such reporting requirements with other state agencies,
21 such as the insurance commissioner and the department of health, to
22 minimize duplication of effort.

23 ~~((15))~~ (14) To evaluate the effects this chapter has on private
24 employer-based health care coverage and to take appropriate measures
25 consistent with state and federal statutes that will discourage the
26 reduction of such coverage in the state.

27 ~~((16))~~ (15) To develop a program of proven preventive health
28 measures and to integrate it into the plan wherever possible and
29 consistent with this chapter.

30 ~~((17))~~ (16) To provide, consistent with available funding,
31 assistance for rural residents, underserved populations, and persons of
32 color.

33 ~~((18))~~ (17) In consultation with appropriate state and local
34 government agencies, to establish criteria defining eligibility for
35 persons confined or residing in government-operated institutions.

36 ~~((19))~~ (18) To administer the premium discounts provided under
37 RCW 48.41.200(3)(a) (i) and (ii) pursuant to a contract with the
38 Washington state health insurance pool.

1 NEW SECTION. **Sec. 8.** (1) The sum of one million dollars, or as
2 much thereof as may be necessary, is appropriated for the fiscal year
3 ending June 30, 2006, from the general fund to the health care
4 authority for the purposes of this act.

5 (2) The sum of one million dollars, or as much thereof as may be
6 necessary, is appropriated for the fiscal year ending June 30, 2007,
7 from the general fund to the health care authority for the purposes of
8 this act.

9 NEW SECTION. **Sec. 9.** Section 7 of this act takes effect January
10 1, 2008.

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