

SENATE BILL REPORT

E2SSB 5930

As Amended by House, April 12, 2007

Title: An act relating to providing high quality, affordable health care to Washingtonians based on the recommendations of the blue ribbon commission on health care costs and access.

Brief Description: Providing high quality, affordable health care to Washingtonians based on the recommendations of the blue ribbon commission on health care costs and access.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Keiser, Kohl-Welles, Shin and Rasmussen; by request of Governor Gregoire).

Brief History:

Committee Activity: Health & Long-Term Care: 2/12/07, 2/19/07 [DPS-WM, w/oRec].

Ways & Means: 2/28/07, 3/05/07 [DP2S, w/oRec].

Passed Senate: 3/09/07, 48-0.

SENATE COMMITTEE ON HEALTH & LONG-TERM CARE

Majority Report: That Substitute Senate Bill No. 5930 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Keiser, Chair; Franklin, Vice Chair; Pflug, Ranking Minority Member; Fairley, Kastama, Kohl-Welles and Marr.

Minority Report: That it be referred without recommendation.

Signed by Senator Carrell.

Staff: Mich'l Needham (786-7442)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Second Substitute Senate Bill No. 5930 be substituted therefor, and the second substitute bill do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Pridemore, Vice Chair, Operating Budget; Brandland, Fairley, Hatfield, Hobbs, Keiser, Kohl-Welles, Oemig, Rasmussen, Regala, Rockefeller, Schoesler and Tom.

Minority Report: That it be referred without recommendation.

Signed by Senators Zarelli, Ranking Minority Member; Carrell, Hewitt, Honeyford, Parlette and Roach.

Staff: Elaine Deschamps (786-7441)

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Background: The 2006 Legislature established the Blue Ribbon Commission on Health Care Costs and Access and charged it with delivering a five-year plan for substantially improving access to affordable health care for all Washingtonians. The commission was co-chaired by Governor Gregoire and Senator Thibaudeau, and included 12 other legislative and state agency leaders. The commission met throughout the interim, and issued their recommendations in January 2007.

The recommendations encompass 16 main topic areas, with multiple action steps for each area. In brief, they are: use state purchasing to improve health care quality; become a leader in the prevention and management of chronic illness; provide cost and quality information for consumers and providers; deliver on the promise of health information technology; reduce unnecessary emergency room visits; reduce health care administrative costs; support community organizations that promote cost-effective care; give individuals and families more choice in selecting private insurance plans that work for them; partner with the federal government to improve coverage; organize the insurance market to make it more accessible to consumers; address the affordability of coverage for high-cost individuals; ensure the health of the next generation by linking insurance coverage with policies that improve children's health; initiate strategies to improve childhood nutrition and physical activity; pilot a health literacy program for parents and children; strengthen the public health system; and integrate prevention and health promotion into state health programs.

Summary of Engrossed Second Substitute Bill: A wide variety of projects are initiated within state agencies. The Department of Social and Health Services (DSHS) and the Health Care Authority (HCA) must initiate a number of efforts focused on quality improvements, including: developing a five-year plan by September 1, 2007, to change reimbursement to reward quality and incorporate evidence-based standards; report on trends in unnecessary emergency room use by December 1, 2007, and design a pilot to reduce such visits; and, in conjunction with Department of Labor and Industries (L&I) and Department of Health (DOH), develop a five-year plan by September 1, 2007, to integrate disease and accident prevention and health promotion into all state health programs, and implement demonstration projects and evaluations of the projects, with reports to the Legislature December 2008, 2009, and 2010.

In addition, DSHS must: design and implement medical homes for their aged, blind, and disabled clients, and evaluate chronic care management and expansion of best practices for the medical and long term care programs; seek federal waivers and state plan amendments that seek to expand coverage and leverage all available funding, explore alternative benefit designs, and expand enrollment in employer-sponsored insurance premium assistance for the state's Children's Health Insurance Program (SCHIP); and ensure enrollees are not simultaneously enrolled in the medical assistance program or SCHIP, and the Basic Health program.

In addition, HCA must: identify a certification process for patient decision aids in consultation with the National Committee for Quality Assurance, and collaborate with providers, carriers, and researchers to develop a demonstration project targeting preference-sensitive conditions with unwarranted variation; create the Washington State Quality Forum, in collaboration with the Puget Sound Health Alliance, to collect research and health care quality data; design and pilot a consumer-centric health information infrastructure with the

first health record bank; and, in collaboration with an advisory board, design a Washington Health Insurance Connector to serve employees of small businesses and other individuals, and submit implementing legislation by December 1, 2007.

DOH must: (1) provide training and technical assistance for providers of primary care, focused on caring for people with chronic conditions and high quality preventive and chronic disease care; (2) modify awards to local public health jurisdictions to include contracts with performance measures and reporting of progress; and (3) establish a web-based interactive prescription monitoring program to monitor prescribing and dispensing of schedule II, III, IV, and V substances.

The Office of Insurance Commissioner (OIC) must report on opportunities to reduce key health care administrative costs by September 1, 2007. The Office of Financial Management (OFM), in collaboration with OIC, must design a reinsurance program for individuals and small groups and submit implementing legislation and funding options by December 1, 2007.

All insurance carriers and the state employee programs must offer enrollees an opportunity to extend coverage for unmarried dependents up to age 25, effective January 1, 2008. Modifications are made to the Washington State Health Insurance Program (WSHIP) including the ability to offer at least one policy with benefits similar to those in the private, individual market, modify some benefits, modify future contracts to allow them to be replaced with policies with similar benefits, provide the Board authority to offer incentives, and direct a study of eligibility for the pool due December 1, 2007.

Access to the University of Washington Health Sciences Library is expanded for health professionals, with an increase to the licensing fees. Insurance provisions for small group products are modified: insurance carriers offering products to small employers may offer a special product free of many mandates; rating rules are modified to allow health savings accounts to be rated separately, and to allow rate variation of +/-8 percent with no review, and greater than +/-8 percent with approval of the OIC; and the premium assistance program for low-income employees of small employers (SEHIP) may be provided for any benefit plan offered by a small employer.

The following sections are null and void if not specifically funded in the Legislative Budget: Section 8-Washington State Quality Forum; Section 9-Health Information Technology health record pilot project; Section 19-Washington Health Insurance Connector; Section 36-Wellness demonstration pilots.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed, except WSHIP Sections 23-32 which have an emergency clause, and Dependent Insurance Sections 14-18 which are effective January 1, 2008.

Staff Summary of Public Testimony (Health & Long-Term Care): PRO: The state can set an example and use our purchasing power to improve quality and efficiency in health care,

implement technology improvements, chronic care management, try to reduce the 2.3 million visits to emergency rooms, explore options for the young people that represent 30 percent of the uninsured population, and provide WSHIP more flexibility. The more deliberative approach to designing a connector and reinsurance are appreciated. Additional insurance market reforms and additional flexibility for the SEHIP program could address some concerns. Linking reimbursement rates and quality improvements may be premature until the reimbursement rates are improved. This doesn't capture large employers and the 71,000 employees of large employers that are not insured now.

OTHER: There needs to be more dialogue on the connector and reinsurance components. Dental health issues are not adequately captured. The government driven system needs more checks and balances.

Persons Testifying (Health & Long-Term Care): PRO: Governor Gregoire; Pat Thibaudeau, former senator; Mellani McAleenan, Association of Washington Businesses (AWB); Jerry Belur, AWB small business owner; Gary Smith, Independent Business Association; Carolyn Logue, National Federation of Independent Businesses; Nancy Ellison, Regence Blue Shield; Karen Merrikin, Group Health; Audrey Halvorson, Premera; Sydney Zvara, Association of Washington Health Care Plans; Robby Stern, Washington State Labor Council; Susie Tracy, Washington State Medical Association; Tammy Fellin, Association of Washington Cities; Vicki Kirkpatrick, Washington State Association of Local Public Health Officials;

OTHER: Gary Shenkle, University of Washington Oral Health Collaborative; Mark Johnson, Washington Retail Association; Loren Freeman, Freeman and Associates.

Staff Summary of Public Testimony (Ways & Means): PRO: We are working to prepare a proposed second substitute that will evaluate a re-insurance program and will take out the cigarette tax. We will continue working on a bipartisan basis on this. The high-risk pool serves 3,000 enrollees as an annual cost of \$54 million—we should explore more affordable alternatives and make sure people have access to coverage. We are hoping to have a comprehensive, bipartisan health care package. We like the proposal to remove the cigarette tax, and to study rather than implement the reinsurance concept. The Governor's approach is methodical and takes a reasonable approach by proposing studies in a number of areas.

Persons Testifying (Ways & Means): PRO: Senator Keiser, prime sponsor, Senator Parlette; Mark Johnson, Washington Retail Association; Mellani McAleenan, Association of Washington Business; Mel Sorensen, America's Health Insurance Plans and Washington Association of Health Underwriters; Jonathan Seib, Governor's Policy Office; Nancee Wildermuth, Regence Blue Shield, PacifiCare, Aetna; Carolyn Logue, National Federation of Independent Business; Damaina Merryweather, United Food and Commercial Workers State Council.

House Amendment(s): HCA is given greater flexibility in implementing a shared decision-making demonstration project, may solicit and accept in-kind contributions as well as funds to operate the demonstration, and may scale the evaluation to fit within available funds. The null and void clause for the shared decision-making demonstration is removed. DOH must report adverse events that occur in a hospital to the quality forum to assist in its research on health care quality, evidence-based medicine, and patient safety. DOH may continue collecting \$3.50 increase for new

born screening fees that are set to expire June 30, 2007. The licensing fee increase for access to the University of Washington (UW) Health Sciences Library is limited to \$25, and DOH will transfer the funding to the UW.

DSHS waiver discussions will include input from interested parties before formal waiver requests are filed, and the health opportunity account pilot is limited to the transitional medical program.

Plans offered through WSHIP may be replaced but must not significantly limit access to the kinds of services covered under the replacement plan. The study of WSHIP eligibility will also include the 8 percent eligibility threshold used for screening people out of the individual market and into WSHIP, medicaid enrollees, and other publicly sponsored enrollees. The inflation adjustment can be updated annually by the OIC. The standardized screening questionnaire will be required for individuals applying for nonsubsidized Basic Health, and additional groups with creditable coverage will not be required to complete the screen. The WSHIP enrollment lid for Evergreen Health Insurance Program enrollees is lifted.

The reinsurance study will also include an examination of WSHIP, whether it should continue, and the funding sources. A preliminary report will be due December 2007 and a final report September 2008.

The eligibility for dependents up to age 25 is effective January 2009 instead of 2008, and the reference to IRS qualifying dependents is deleted.

The requirement that HCA prioritize funding for community health clinics whose clients do not inappropriately use emergency rooms is deleted. The HCA and DSHS study of emergency room utilization has a null and void clause. HCA and DSHS will determine the best way to provide access to 24/7 nurse hotlines and consider the 211 system.

Foster parents with incomes up to 300 percent federal poverty level are eligible for Basic Health coverage with a reduced premium. HCA will determine which agencies participate in the employee health demonstration projects, reports on the project are due December 2008 and 2010 rather than annually, and a null and void clause is added for the demonstration projects.

DOH will implement the prescription drug monitoring program when funding is available, hospital-based pharmacies are excluded from reporting, and the requirement that prescribers immediately submit prescription information on controlled substances is deleted. As funding becomes available, a feasibility study will be conducted to consider expansions for the program.

The small employer health insurance program created in statute within HCA is renamed the health insurance partnership, and the program will be implemented by September 2008. The requirement that the actuarial value of a health benefit plan available through the program be equivalent to the basic health plan is deleted, and the program will use small group products approved by OIC. A nine member partnership board is established to develop policies for enrollment, designate health benefit plans offered in the small group market that qualify for a subsidy, determine whether there should be a minimum employer premium contribution, determine appropriate health benefit plan rating methodologies, conduct analyses and provide recommendations as requested by the Governor and the Legislature, and authorize one or more limited health care service plans for dental care services. The "connector" study is

modified with a preliminary study of the individual and small group markets due December 2008, and a final study of WSHIP, Basic Health, Public Employees Benefits Board and K-12 employees, and an individual mandate, due September 2009. A null and void clause is provided for Board.

The OIC is directed to have an independent study of benefit mandates and rating requirements, with an interim report due December 2007 and a final report due December 2008. A null and void clause is provided for the study. The sections modifying the small group insurance benefits and rating changes are deleted.

OFM must coordinate a state health planning process to create the statewide health resources strategy that will guide the certificate of need process. The first strategy is due January 1, 2010, and must be updated every two years. A null and void clause is added for this process.

The Local Public Health Financing Account (Account) is created to fund public health services provided by local health jurisdictions. The first \$5,425,000 of the funds are to be distributed equally to all local health jurisdictions and any remaining funds are to be distributed to jurisdictions on a per capita basis. DOH is directed to develop a list of services and activities that qualify for funding from the Account and performance measures applicable to those services and activities. DOH must report to the Legislature annually on the distribution of funds and the impact of the funding on the performance of local health jurisdictions. The Secretary of Health is to determine whether or not the funds are being spent in a manner consistent with achieving the performance measures, report to the Governor if a jurisdiction is not consistent, and provide technical assistance to that jurisdiction. Funds may be discontinued if the jurisdiction is not consistent with performance measures within one year.

Medical services provided for jail inmates will be the responsibility of the unit of government that initiated the charges, and the rates charged for medical care may not exceed 160 percent of the Medicaid rates paid for the same services.