
SECOND SUBSTITUTE HOUSE BILL 2098

State of Washington 60th Legislature 2007 Regular Session

By House Committee on Appropriations (originally sponsored by Representatives Cody, Upthegrove, Morrell, Kenney, Conway, Simpson, Hudgins and Ormsby; by request of Governor Gregoire)

READ FIRST TIME 03/05/07.

1 AN ACT Relating to providing high quality, affordable health care
2 to Washingtonians based on the recommendations of the blue ribbon
3 commission on health care costs and access; amending RCW 43.70.110,
4 41.05.220, 48.41.110, and 41.05.065; adding new sections to chapter
5 41.05 RCW; adding a new section to chapter 74.09 RCW; adding a new
6 section to chapter 43.70 RCW; adding a new section to chapter 48.20
7 RCW; adding a new section to chapter 48.21 RCW; adding a new section to
8 chapter 48.44 RCW; adding a new section to chapter 48.46 RCW; adding a
9 new section to chapter 48.43 RCW; creating new sections; and providing
10 an effective date.

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

12 **USE STATE PURCHASING TO IMPROVE HEALTH CARE QUALITY**

13 NEW SECTION. **Sec. 1.** The health care authority and the department
14 of social and health services shall, by September 1, 2007, develop a
15 five-year plan to change reimbursement within state purchased health
16 care programs to:

17 (1) Reward quality health outcomes rather than simply paying for
18 the receipt of particular services or procedures;

1 (2) Pay for care that reflects patient preference and is of proven
2 value;

3 (3) Require the use of evidence-based standards of care where
4 available;

5 (4) Tie provider rate increases to measurable improvements in
6 access to quality care;

7 (5) Direct enrollees to quality care systems;

8 (6) Better support primary care and provide a medical home to all
9 enrollees through reimbursement policies that create incentives for
10 providers to enter and remain in primary care practice and that address
11 disparities in payment between specialty procedures and primary care
12 services; and

13 (7) Pay for e-mail consultations, telemedicine, and telehealth
14 where doing so reduces the overall cost of care.

15 The plan shall identify any existing barriers and opportunities to
16 support implementation, including needed changes to state or federal
17 law and be submitted to the governor and the legislature upon
18 completion.

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

21 (1) The health care authority shall implement a pilot for shared
22 decision making for common medical decisions. The authority shall
23 select or create not more than two patient decision aids in
24 collaboration with the state agency medical directors group. Criteria
25 for selection of the patient decision aids shall include common medical
26 decisions which have no more than five treatment options, and where
27 there exists sound evidence about medical effectiveness.

28 (2) The authority shall seek up to two contracts with provider
29 organizations or health carriers to pilot the use of patient decision
30 aids. These contracts shall require an evaluation of the resulting
31 outcomes of utilizing the patient decision aids. The authority shall
32 provide a report to the governor and the legislature on the pilot
33 results by June 30, 2009.

34 (3) For purposes of this section:

35 (a) "Patient decision aid" means: (i) High quality, up-to-date
36 information about the condition, including risk and benefits of
37 available options and, if appropriate, a discussion of the limits of

1 scientific knowledge about outcomes; (ii) values clarification to help
2 patients sort out their values and preferences; and (iii) guidance or
3 coaching in deliberation, designed to improve the patient's involvement
4 in the decision process; and

5 (b) "Shared decision making" means a process in which the physician
6 discloses to the patient the risks and benefits associated with all
7 treatment alternatives, including no treatment, that a reasonable
8 person in the patient's situation could consider significant in
9 selecting a particular path of medical care. The patient then shares
10 with the physician all relevant personal information that might make
11 one treatment or side effect more or less desirable than others.

12 **PREVENTION AND MANAGEMENT OF CHRONIC ILLNESS**

13 NEW SECTION. **Sec. 3.** A new section is added to chapter 74.09 RCW
14 to read as follows:

15 (1) The department of social and health services, in collaboration
16 with the department of health, shall:

17 (a) Design and implement medical homes for its aged, blind, and
18 disabled clients in conjunction with chronic care management programs
19 to improve health outcomes, access, and cost-effectiveness. Programs
20 must be evidence based, facilitating the use of information technology
21 to improve quality of care, must acknowledge the role of primary care
22 providers and include financial and other supports to enable these
23 providers to effectively carry out their role in chronic care
24 management, and must improve coordination of primary, acute, and long-
25 term care for those clients with multiple chronic conditions. The
26 department shall consider expansion of existing medical home and
27 chronic care management programs and build on the Washington state
28 collaborative initiative. The department shall use best practices in
29 identifying those clients best served under a chronic care management
30 model using predictive modeling through claims or other health risk
31 information; and

32 (b) Evaluate the effectiveness of the intensive chronic care
33 management pilot project that manages the needs of long-term care
34 clients with multiple chronic conditions and the department's chronic
35 care management program to determine if the models support medical home
36 infrastructure and improved client outcomes.

1 (2) For purposes of this section:

2 (a) "Medical home" means a site of care that provides comprehensive
3 preventive and coordinated care centered on the patient needs and
4 assures high quality, accessible, and efficient care.

5 (b) "Chronic care management" means the department's program that
6 provides care management and coordination activities for medical
7 assistance clients determined to be at risk for high medical costs.
8 "Chronic care management" provides education and training and/or
9 coordination that assist program participants in improving self-
10 management skills to improve health outcomes and reduce medical costs
11 by educating clients to better utilize services.

12 NEW SECTION. **Sec. 4.** A new section is added to chapter 43.70 RCW
13 to read as follows:

14 (1) The department shall conduct a program of training and
15 technical assistance regarding care of people with chronic conditions
16 for providers of primary care. The program shall emphasize evidence-
17 based high quality preventive and chronic disease care. The department
18 may designate one or more chronic conditions to be the subject of the
19 program.

20 (2) The training and technical assistance program shall include the
21 following elements:

22 (a) Clinical information systems and sharing and organization of
23 patient data;

24 (b) Decision support to promote evidence-based care;

25 (c) Clinical delivery system design;

26 (d) Support for patients managing their own conditions; and

27 (e) Identification and use of community resources that are
28 available in the community for patients and their families.

29 (3) In selecting primary care providers to participate in the
30 program, the department shall consider the number and type of patients
31 with chronic conditions the provider serves, and the provider's
32 participation in the medicaid and medicare programs.

33 **COST AND QUALITY INFORMATION FOR CONSUMERS AND PROVIDERS**

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

1 The Washington state quality forum is established within the
2 authority. The forum shall collaborate with the Puget Sound health
3 alliance and other local organizations and shall:

4 (1) Collect and disseminate research regarding health care quality,
5 evidence-based medicine, and patient safety to promote best practices,
6 in collaboration with the technology assessment program and the
7 prescription drug program;

8 (2) Coordinate the collection of health care quality data among
9 state health care purchasing agencies;

10 (3) Adopt a set of measures to evaluate and compare health care
11 cost and quality and provider performance;

12 (4) Identify and disseminate information regarding variations in
13 clinical practice patterns across the state; and

14 (5) Produce an annual quality report detailing clinical practice
15 patterns identified to purchasers, providers, insurers, and policy
16 makers.

17 NEW SECTION. **Sec. 6.** A new section is added to chapter 41.05 RCW
18 to read as follows:

19 (1) The administrator shall design and pilot a consumer-centric
20 health information infrastructure and the first health record banks
21 that will facilitate the secure exchange of health information when and
22 where needed and shall:

23 (a) Complete the plan of initial implementation, including but not
24 limited to determining the technical infrastructure for health record
25 banks and the account locator service, setting criteria and standards
26 for health record banks, and determining oversight of health record
27 banks;

28 (b) Implement the first health record banks in pilot sites as
29 funding allows;

30 (c) Involve health care consumers in meaningful ways in the design,
31 implementation, oversight, and dissemination of information on the
32 health record bank system; and

33 (d) Promote adoption of electronic medical records and health
34 information exchange through continuation of the Washington health
35 information collaborative, and by working with private payors and other
36 organizations in restructuring reimbursement to provide incentives for
37 providers to adopt electronic medical records in their practices.

1 (2) The administrator may establish an advisory board, a
2 stakeholder committee, and subcommittees to assist in carrying out the
3 duties under this section. The administrator may reappoint health
4 information infrastructure advisory board members to assure continuity
5 and shall appoint any additional representatives that may be required
6 for their expertise and experience.

7 (a) The administrator shall appoint the chair of the advisory
8 board, chairs, and cochairs of the stakeholder committee, if formed;

9 (b) Meetings of the board, stakeholder committee, and any advisory
10 group are subject to chapter 42.30 RCW, the open public meetings act,
11 including RCW 42.30.110(1)(1), which authorizes an executive session
12 during a regular or special meeting to consider proprietary or
13 confidential nonpublished information; and

14 (c) The members of the board, stakeholder committee, and any
15 advisory group:

16 (i) Shall agree to the terms and conditions imposed by the
17 administrator regarding conflicts of interest as a condition of
18 appointment;

19 (ii) Are immune from civil liability for any official acts
20 performed in good faith as members of the board, stakeholder committee,
21 or any advisory group.

22 (3) Members of the board may be compensated in accordance with a
23 personal services contract to be executed after appointment and before
24 commencement of activities related to the work of the board. Members
25 of the stakeholder committee shall not receive compensation but shall
26 be reimbursed under RCW 43.03.050 and 43.03.060.

27 (4) The administrator may work with public and private entities to
28 develop and encourage the use of personal health records which are
29 portable, interoperable, secure, and respectful of patients' privacy.

30 (5) The administrator may enter into contracts to issue,
31 distribute, and administer grants that are necessary or proper to carry
32 out this section.

33 **Sec. 7.** RCW 43.70.110 and 2006 c 72 s 3 are each amended to read
34 as follows:

35 (1) The secretary shall charge fees to the licensee for obtaining
36 a license. After June 30, 1995, municipal corporations providing
37 emergency medical care and transportation services pursuant to chapter

1 18.73 RCW shall be exempt from such fees, provided that such other
2 emergency services shall only be charged for their pro rata share of
3 the cost of licensure and inspection, if appropriate. The secretary
4 may waive the fees when, in the discretion of the secretary, the fees
5 would not be in the best interest of public health and safety, or when
6 the fees would be to the financial disadvantage of the state.

7 (2) Except as provided in (~~RCW 18.79.202, until June 30, 2013, and~~
8 ~~except for the cost of regulating retired volunteer medical workers in~~
9 ~~accordance with RCW 18.130.360~~) subsection (3) of this section, fees
10 charged shall be based on, but shall not exceed, the cost to the
11 department for the licensure of the activity or class of activities and
12 may include costs of necessary inspection.

13 (3) License fees shall include amounts in addition to the cost of
14 licensure activities in the following circumstances:

15 (a) For registered nurses and licensed practical nurses licensed
16 under chapter 18.79 RCW, support of a central nursing resource center
17 as provided in RCW 18.79.202, until June 30, 2013;

18 (b) For all health care providers licensed under RCW 18.130.040,
19 the cost of regulatory activities for retired volunteer medical worker
20 licensees as provided in RCW 18.130.360; and

21 (c) For physicians licensed under chapter 18.71 RCW, physician
22 assistants licensed under chapter 18.71A RCW, osteopathic physicians
23 licensed under chapter 18.57 RCW, osteopathic physicians' assistants
24 licensed under chapter 18.57A RCW, naturopaths licensed under chapter
25 18.36A RCW, podiatrists licensed under chapter 18.22 RCW, chiropractors
26 licensed under chapter 18.25 RCW, psychologists licensed under chapter
27 18.83 RCW, registered nurses licensed under chapter 18.79 RCW,
28 optometrists licensed under chapter 18.53 RCW, mental health counselors
29 licensed under chapter 18.225 RCW, massage therapists licensed under
30 chapter 18.108 RCW, clinical social workers licensed under chapter
31 18.225 RCW, and acupuncturists licensed under chapter 18.06 RCW, the
32 license fees shall include the cost to the department of contracting
33 with the University of Washington to allow online access to selected
34 vital clinical resources negotiated and maintained for the exclusive
35 use of the licensed health professionals included in this subsection by
36 the University of Washington health sciences library.

37 (4) Department of health advisory committees may review fees

1 established by the secretary for licenses and comment upon the
2 appropriateness of the level of such fees.

3 **REDUCING UNNECESSARY EMERGENCY ROOM USE**

4 **Sec. 8.** RCW 41.05.220 and 1998 c 245 s 38 are each amended to read
5 as follows:

6 (1) State general funds appropriated to the department of health
7 for the purposes of funding community health centers to provide primary
8 health and dental care services, migrant health services, and maternity
9 health care services shall be transferred to the state health care
10 authority. Any related administrative funds expended by the department
11 of health for this purpose shall also be transferred to the health care
12 authority. The health care authority shall exclusively expend these
13 funds through contracts with community health centers to provide
14 primary health and dental care services, migrant health services, and
15 maternity health care services. The administrator of the health care
16 authority shall establish requirements necessary to assure community
17 health centers provide quality health care services that are
18 appropriate and effective and are delivered in a cost-efficient manner.
19 The administrator shall further assure that community health centers
20 have appropriate referral arrangements for acute care and medical
21 specialty services not provided by the community health centers.

22 (2) The authority, in consultation with the department of health,
23 shall work with community and migrant health clinics and other
24 providers of care to underserved populations, to ensure that the number
25 of people of color and underserved people receiving access to managed
26 care is expanded in proportion to need, based upon demographic data.

27 (3) In contracting with community health centers to provide primary
28 health and dental services, migrant health services, and maternity
29 health care services under subsection (1) of this section the authority
30 shall give priority to those community health centers working with
31 local hospitals to successfully reduce unnecessary emergency room use.

32 NEW SECTION. **Sec. 9.** The Washington state health care authority
33 and the department of social and health services shall report to the
34 legislature by December 1, 2007, on recent trends in unnecessary
35 emergency room use by enrollees in state purchased health care

1 programs, and then partner with community organizations and local
2 health care providers to design a demonstration pilot to reduce such
3 unnecessary visits.

4 **REDUCE HEALTH CARE ADMINISTRATIVE COSTS**

5 NEW SECTION. **Sec. 10.** By September 1, 2007, the insurance
6 commissioner shall provide a report to the governor and the legislature
7 that identifies the key contributors to health care administrative
8 costs and evaluates opportunities to reduce them, including suggested
9 changes to state law. The report shall be completed in collaboration
10 with health care providers, carriers, state health purchasing agencies,
11 the Washington healthcare forum, and other interested parties.

12 **COVERAGE FOR DEPENDENTS TO AGE TWENTY-FIVE**

13 NEW SECTION. **Sec. 11.** A new section is added to chapter 41.05 RCW
14 to read as follows:

15 (1) Any plan offered to public employees under this chapter must
16 offer each public employee the option of covering any unmarried
17 dependent of the employee under the age of twenty-five regardless of
18 whether the dependent is enrolled in an educational institution.

19 (2) Any employee choosing under subsection (1) of this section to
20 cover a dependent who is: (a) Age twenty through twenty-three and not
21 a registered student at an accredited secondary school, college,
22 university, vocational school, or school of nursing; or (b) age twenty-
23 four, shall be required to pay the full cost of such coverage.

24 NEW SECTION. **Sec. 12.** A new section is added to chapter 48.20 RCW
25 to read as follows:

26 Any disability insurance contract that provides coverage for a
27 subscriber's dependent must offer the option of covering any unmarried
28 dependent under the age of twenty-five regardless of whether the
29 dependent is enrolled in an educational institution.

30 NEW SECTION. **Sec. 13.** A new section is added to chapter 48.21 RCW
31 to read as follows:

32 Any group disability insurance contract or blanket disability

1 insurance contract that provides coverage for a participating member's
2 dependent must offer each participating member the option of covering
3 any unmarried dependent under the age of twenty-five regardless of
4 whether the dependent is enrolled in an educational institution.

5 NEW SECTION. **Sec. 14.** A new section is added to chapter 48.44 RCW
6 to read as follows:

7 (1) Any individual health care service plan contract that provides
8 coverage for a subscriber's dependent must offer the option of covering
9 any unmarried dependent under the age of twenty-five regardless of
10 whether the dependent is enrolled in an educational institution.

11 (2) Any group health care service plan contract that provides
12 coverage for a participating member's dependent must offer each
13 participating member the option of covering any unmarried dependent
14 under the age of twenty-five regardless of whether the dependent is
15 enrolled in an educational institution.

16 NEW SECTION. **Sec. 15.** A new section is added to chapter 48.46 RCW
17 to read as follows:

18 (1) Any individual health maintenance agreement that provides
19 coverage for a subscriber's dependent must offer the option of covering
20 any unmarried dependent under the age of twenty-five regardless of
21 whether the dependent is enrolled in an educational institution.

22 (2) Any group health maintenance agreement that provides coverage
23 for a participating member's dependent must offer each participating
24 member the option of covering any unmarried dependent under the age of
25 twenty-five regardless of whether the dependent is enrolled in an
26 educational institution.

27 **SUSTAINABILITY AND ACCESS TO PUBLIC PROGRAMS**

28 NEW SECTION. **Sec. 16.** (1) The department of social and health
29 services shall seek necessary federal waivers and state plan amendments
30 to expand coverage and leverage federal and state resources for the
31 state's basic health program, for the medical assistance program, as
32 codified at Title XIX of the federal social security act, and the
33 state's children's health insurance program, as codified at Title XXI

1 of the federal social security act. The department shall propose
2 options including but not limited to:

3 (a) Offering alternative benefit designs to promote high quality
4 care, improve health outcomes, and encourage cost-effective treatment
5 options, including benefit designs that discourage the use of emergency
6 rooms for nonemergent care, and redirect savings to finance additional
7 coverage; and

8 (b) Promoting private health insurance plans and premium subsidies
9 to purchase employer-sponsored insurance wherever possible, including
10 federal approval to expand the department's employer-sponsored
11 insurance premium assistance program to enrollees covered through the
12 state's children's health insurance program.

13 (2) The department of social and health services, in collaboration
14 with the Washington state health care authority, shall ensure that
15 enrollees are not simultaneously enrolled in the state's basic health
16 program and the medical assistance program or the state's children's
17 health insurance program to ensure coverage for the maximum number of
18 people within available funds. Priority enrollment in the basic health
19 program shall be given to those who disenrolled from the program in
20 order to enroll in medicaid, and subsequently became ineligible for
21 medicaid coverage.

22 NEW SECTION. **Sec. 17.** A new section is added to chapter 48.43 RCW
23 to read as follows:

24 When the department of social and health services determines that
25 it is cost-effective to enroll a person eligible for medical assistance
26 under chapter 74.09 RCW in an employer-sponsored health plan, a carrier
27 shall permit the enrollment of the person in the health plan for which
28 he or she is otherwise eligible without regard to any open enrollment
29 period restrictions.

30 **REINSURANCE**

31 NEW SECTION. **Sec. 18.** (1) The office of financial management, in
32 collaboration with the office of the insurance commissioner, shall
33 design a state-supported reinsurance program to address the impact of
34 high cost enrollees in the individual and small group health insurance
35 markets, and submit implementing legislation and supporting

1 information, including financing options, to the governor and the
2 legislature by December 1, 2007. In designing the program, the office
3 of financial management shall:

4 (a) Estimate the quantitative impact on premium savings, premium
5 stability over time and across groups of enrollees, individual and
6 employer take-up, number of uninsured, and government costs associated
7 with a government-funded stop-loss insurance program, including
8 distinguishing between one-time premium savings and savings in
9 subsequent years;

10 (b) Identify all relevant design issues and alternative options for
11 each issue. Where quantitative impacts cannot be estimated, the office
12 of financial management shall assess qualitative impacts of design
13 issues and their options, including potential disincentives for
14 reducing premiums, achieving premium stability, sustaining/increasing
15 take-up, decreasing the number of uninsured, and managing government's
16 stop-loss insurance costs;

17 (c) Identify market and regulatory changes needed to maximize the
18 chance of the program achieving its policy goals, including how the
19 program will relate to other coverage programs and markets;

20 (d) Address conditions under which overall expenditures could
21 increase as a result of a government-funded stop-loss program and
22 options to mitigate those conditions, such as passive versus aggressive
23 use of disease and care management programs by insurers;

24 (e) Evaluate, and quantify where possible, the behavioral responses
25 of insurers to the program including impacts on insurer premiums and
26 practices for settling legal disputes around large claims; and

27 (f) Provide alternatives for transitioning from the status quo and,
28 where applicable, alternatives for phasing in some design elements,
29 such as threshold or corridor levels, to balance government costs and
30 premium savings.

31 (2) Within funds specifically appropriated for this purpose, the
32 office of financial management may contract with actuaries and other
33 experts as necessary to meet the requirements of this section.

34 **THE WASHINGTON STATE HEALTH INSURANCE POOL**

35 **Sec. 19.** RCW 48.41.110 and 2001 c 196 s 4 are each amended to read
36 as follows:

1 (1) The pool shall offer one or more care management plans of
2 coverage. Such plans may, but are not required to, include point of
3 service features that permit participants to receive in-network
4 benefits or out-of-network benefits subject to differential cost
5 shares. ~~((Covered persons enrolled in the pool on January 1, 2001, may
6 continue coverage under the pool plan in which they are enrolled on
7 that date. However,))~~ The pool may incorporate managed care features
8 and requirements to participate in chronic care and disease management
9 and evidence-based protocols into ~~((such))~~ existing plans.

10 (2) The administrator shall prepare a brochure outlining the
11 benefits and exclusions of ~~((the))~~ pool ~~((policy))~~ policies in plain
12 language. After approval by the board, such brochure shall be made
13 reasonably available to participants or potential participants.

14 (3) The health insurance ~~((policy))~~ policies issued by the pool
15 shall pay only reasonable amounts for medically necessary eligible
16 health care services rendered or furnished for the diagnosis or
17 treatment of covered illnesses, injuries, and conditions ~~((which are
18 not otherwise limited or excluded))~~. Eligible expenses are the
19 reasonable amounts for the health care services and items for which
20 benefits are extended under ~~((the))~~ a pool policy. ~~((Such benefits
21 shall at minimum include, but not be limited to, the following services
22 or related items))~~

23 (4) The pool shall offer at least one policy which at a minimum
24 includes, but is not limited to, the following services or related
25 items:

26 (a) Hospital services, including charges for the most common
27 semiprivate room, for the most common private room if semiprivate rooms
28 do not exist in the health care facility, or for the private room if
29 medically necessary, but limited to a total of one hundred eighty
30 inpatient days in a calendar year, and limited to thirty days inpatient
31 care for mental and nervous conditions, or alcohol, drug, or chemical
32 dependency or abuse per calendar year;

33 (b) Professional services including surgery for the treatment of
34 injuries, illnesses, or conditions, other than dental, which are
35 rendered by a health care provider, or at the direction of a health
36 care provider, by a staff of registered or licensed practical nurses,
37 or other health care providers;

1 (c) The first twenty outpatient professional visits for the
2 diagnosis or treatment of one or more mental or nervous conditions or
3 alcohol, drug, or chemical dependency or abuse rendered during a
4 calendar year by one or more physicians, psychologists, or community
5 mental health professionals, or, at the direction of a physician, by
6 other qualified licensed health care practitioners, in the case of
7 mental or nervous conditions, and rendered by a state certified
8 chemical dependency program approved under chapter 70.96A RCW, in the
9 case of alcohol, drug, or chemical dependency or abuse;

10 (d) Drugs and contraceptive devices requiring a prescription;

11 (e) Services of a skilled nursing facility, excluding custodial and
12 convalescent care, for not more than one hundred days in a calendar
13 year as prescribed by a physician;

14 (f) Services of a home health agency;

15 (g) Chemotherapy, radioisotope, radiation, and nuclear medicine
16 therapy;

17 (h) Oxygen;

18 (i) Anesthesia services;

19 (j) Prostheses, other than dental;

20 (k) Durable medical equipment which has no personal use in the
21 absence of the condition for which prescribed;

22 (l) Diagnostic x-rays and laboratory tests;

23 (m) Oral surgery limited to the following: Fractures of facial
24 bones; excisions of mandibular joints, lesions of the mouth, lip, or
25 tongue, tumors, or cysts excluding treatment for temporomandibular
26 joints; incision of accessory sinuses, mouth salivary glands or ducts;
27 dislocations of the jaw; plastic reconstruction or repair of traumatic
28 injuries occurring while covered under the pool; and excision of
29 impacted wisdom teeth;

30 (n) Maternity care services;

31 (o) Services of a physical therapist and services of a speech
32 therapist;

33 (p) Hospice services;

34 (q) Professional ambulance service to the nearest health care
35 facility qualified to treat the illness or injury; and

36 (r) Other medical equipment, services, or supplies required by
37 physician's orders and medically necessary and consistent with the
38 diagnosis, treatment, and condition.

1 ~~((4))~~ (5) The pool shall offer at least one policy which closely
2 adheres to benefits available in the private, individual market.

3 (6) The board shall design and employ cost containment measures and
4 requirements such as, but not limited to, care coordination, provider
5 network limitations, preadmission certification, and concurrent
6 inpatient review which may make the pool more cost-effective.

7 ~~((5))~~ (7) The pool benefit policy may contain benefit
8 limitations, exceptions, and cost shares such as copayments,
9 coinsurance, and deductibles that are consistent with managed care
10 products, except that differential cost shares may be adopted by the
11 board for nonnetwork providers under point of service plans. The pool
12 benefit policy cost shares and limitations must be consistent with
13 those that are generally included in health plans approved by the
14 insurance commissioner; however, no limitation, exception, or reduction
15 may be used that would exclude coverage for any disease, illness, or
16 injury.

17 ~~((6))~~ (8) The pool may not reject an individual for health plan
18 coverage based upon preexisting conditions of the individual or deny,
19 exclude, or otherwise limit coverage for an individual's preexisting
20 health conditions; except that it shall impose a six-month benefit
21 waiting period for preexisting conditions for which medical advice was
22 given, for which a health care provider recommended or provided
23 treatment, or for which a prudent layperson would have sought advice or
24 treatment, within six months before the effective date of coverage.
25 The preexisting condition waiting period shall not apply to prenatal
26 care services. The pool may not avoid the requirements of this section
27 through the creation of a new rate classification or the modification
28 of an existing rate classification. Credit against the waiting period
29 shall be as provided in subsection ~~((7))~~ (9) of this section.

30 ~~((7))~~ (9)(a) Except as provided in (b) of this subsection, the
31 pool shall credit any preexisting condition waiting period in its plans
32 for a person who was enrolled at any time during the sixty-three day
33 period immediately preceding the date of application for the new pool
34 plan. For the person previously enrolled in a group health benefit
35 plan, the pool must credit the aggregate of all periods of preceding
36 coverage not separated by more than sixty-three days toward the waiting
37 period of the new health plan. For the person previously enrolled in
38 an individual health benefit plan other than a catastrophic health

1 plan, the pool must credit the period of coverage the person was
2 continuously covered under the immediately preceding health plan toward
3 the waiting period of the new health plan. For the purposes of this
4 subsection, a preceding health plan includes an employer-provided self-
5 funded health plan.

6 (b) The pool shall waive any preexisting condition waiting period
7 for a person who is an eligible individual as defined in section
8 2741(b) of the federal health insurance portability and accountability
9 act of 1996 (42 U.S.C. 300gg-41(b)).

10 ~~((+8))~~ (10) If an application is made for the pool policy as a
11 result of rejection by a carrier, then the date of application to the
12 carrier, rather than to the pool, should govern for purposes of
13 determining preexisting condition credit.

14 (11) The pool shall contract with organizations that provide care
15 management that has been demonstrated to be effective and shall require
16 that enrollees who are eligible for care management services
17 participate in such programs on a continuous basis as a condition of
18 receiving pool coverage.

19 PREVENTION AND HEALTH PROMOTION

20 NEW SECTION. **Sec. 20.** The Washington state health care authority,
21 the department of social and health services, the department of labor
22 and industries, and the department of health shall, by September 1,
23 2007, develop a five-year plan to integrate disease and accident
24 prevention and health promotion into state health programs by:

25 (1) Structuring benefits and reimbursements to promote healthy
26 choices and disease and accident prevention;

27 (2) Requiring enrollees in state health programs to complete a
28 health assessment, and providing appropriate follow up;

29 (3) Reimbursing for cost-effective prevention activities;

30 (4) Developing prevention and health promotion contracting
31 standards for state programs that contract with health carriers; and

32 (5) Strengthening the state's employee wellness program in
33 partnership with the state's health and productivity committee.

34 The plan shall identify any existing barriers and opportunities to
35 support implementation, including needed changes to state or federal

1 law, and be submitted to the governor and the legislature upon
2 completion.

3 **Sec. 21.** RCW 41.05.065 and 2006 c 299 s 2 are each amended to read
4 as follows:

5 (1) The board shall study all matters connected with the provision
6 of health care coverage, life insurance, liability insurance,
7 accidental death and dismemberment insurance, and disability income
8 insurance or any of, or a combination of, the enumerated types of
9 insurance for employees and their dependents on the best basis possible
10 with relation both to the welfare of the employees and to the state.
11 However, liability insurance shall not be made available to dependents.

12 (2) The board shall develop employee benefit plans that include
13 comprehensive health care benefits for all employees. In developing
14 these plans, the board shall consider the following elements:

15 (a) Methods of maximizing cost containment while ensuring access to
16 quality health care;

17 (b) Development of provider arrangements that encourage cost
18 containment and ensure access to quality care, including but not
19 limited to prepaid delivery systems and prospective payment methods;

20 (c) Wellness incentives that focus on proven strategies, such as
21 smoking cessation, injury and accident prevention, reduction of alcohol
22 misuse, appropriate weight reduction, exercise, automobile and
23 motorcycle safety, blood cholesterol reduction, and nutrition
24 education;

25 (d) Utilization review procedures including, but not limited to a
26 cost-efficient method for prior authorization of services, hospital
27 inpatient length of stay review, requirements for use of outpatient
28 surgeries and second opinions for surgeries, review of invoices or
29 claims submitted by service providers, and performance audit of
30 providers;

31 (e) Effective coordination of benefits;

32 (f) Minimum standards for insuring entities; and

33 (g) Minimum scope and content of public employee benefit plans to
34 be offered to enrollees participating in the employee health benefit
35 plans. To maintain the comprehensive nature of employee health care
36 benefits, employee eligibility criteria related to the number of hours
37 worked and the benefits provided to employees shall be substantially

1 equivalent to the state employees' health benefits plan and eligibility
2 criteria in effect on January 1, 1993. Nothing in this subsection
3 (2)(g) shall prohibit changes or increases in employee point-of-service
4 payments or employee premium payments for benefits or the
5 administration of a high deductible health plan in conjunction with a
6 health savings account.

7 (3) The board shall design benefits and determine the terms and
8 conditions of employee and retired employee participation and coverage,
9 including establishment of eligibility criteria. The same terms and
10 conditions of participation and coverage, including eligibility
11 criteria, shall apply to state employees and to school district
12 employees and educational service district employees.

13 (4) The board may authorize premium contributions for an employee
14 and the employee's dependents in a manner that encourages the use of
15 cost-efficient managed health care systems. During the 2005-2007
16 fiscal biennium, the board may only authorize premium contributions for
17 an employee and the employee's dependents that are the same, regardless
18 of an employee's status as represented or nonrepresented by a
19 collective bargaining unit under the personnel system reform act of
20 2002. The board shall require participating school district and
21 educational service district employees to pay at least the same
22 employee premiums by plan and family size as state employees pay.

23 (5) The board shall develop a health savings account option for
24 employees that conform to section 223, Part VII of subchapter B of
25 chapter 1 of the internal revenue code of 1986. The board shall comply
26 with all applicable federal standards related to the establishment of
27 health savings accounts.

28 (6) Notwithstanding any other provision of this chapter, the board
29 shall develop a high deductible health plan to be offered in
30 conjunction with a health savings account developed under subsection
31 (5) of this section.

32 (7) Employees shall choose participation in one of the health care
33 benefit plans developed by the board and may be permitted to waive
34 coverage under terms and conditions established by the board.

35 (8) The board shall review plans proposed by insuring entities that
36 desire to offer property insurance and/or accident and casualty
37 insurance to state employees through payroll deduction. The board may
38 approve any such plan for payroll deduction by insuring entities

1 holding a valid certificate of authority in the state of Washington and
2 which the board determines to be in the best interests of employees and
3 the state. The board shall promulgate rules setting forth criteria by
4 which it shall evaluate the plans.

5 (9) Before January 1, 1998, the public employees' benefits board
6 shall make available one or more fully insured long-term care insurance
7 plans that comply with the requirements of chapter 48.84 RCW. Such
8 programs shall be made available to eligible employees, retired
9 employees, and retired school employees as well as eligible dependents
10 which, for the purpose of this section, includes the parents of the
11 employee or retiree and the parents of the spouse of the employee or
12 retiree. Employees of local governments and employees of political
13 subdivisions not otherwise enrolled in the public employees' benefits
14 board sponsored medical programs may enroll under terms and conditions
15 established by the administrator, if it does not jeopardize the
16 financial viability of the public employees' benefits board's long-term
17 care offering.

18 (a) Participation of eligible employees or retired employees and
19 retired school employees in any long-term care insurance plan made
20 available by the public employees' benefits board is voluntary and
21 shall not be subject to binding arbitration under chapter 41.56 RCW.
22 Participation is subject to reasonable underwriting guidelines and
23 eligibility rules established by the public employees' benefits board
24 and the health care authority.

25 (b) The employee, retired employee, and retired school employee are
26 solely responsible for the payment of the premium rates developed by
27 the health care authority. The health care authority is authorized to
28 charge a reasonable administrative fee in addition to the premium
29 charged by the long-term care insurer, which shall include the health
30 care authority's cost of administration, marketing, and consumer
31 education materials prepared by the health care authority and the
32 office of the insurance commissioner.

33 (c) To the extent administratively possible, the state shall
34 establish an automatic payroll or pension deduction system for the
35 payment of the long-term care insurance premiums.

36 (d) The public employees' benefits board and the health care
37 authority shall establish a technical advisory committee to provide
38 advice in the development of the benefit design and establishment of

1 underwriting guidelines and eligibility rules. The committee shall
2 also advise the board and authority on effective and cost-effective
3 ways to market and distribute the long-term care product. The
4 technical advisory committee shall be comprised, at a minimum, of
5 representatives of the office of the insurance commissioner, providers
6 of long-term care services, licensed insurance agents with expertise in
7 long-term care insurance, employees, retired employees, retired school
8 employees, and other interested parties determined to be appropriate by
9 the board.

10 (e) The health care authority shall offer employees, retired
11 employees, and retired school employees the option of purchasing long-
12 term care insurance through licensed agents or brokers appointed by the
13 long-term care insurer. The authority, in consultation with the public
14 employees' benefits board, shall establish marketing procedures and may
15 consider all premium components as a part of the contract negotiations
16 with the long-term care insurer.

17 (f) In developing the long-term care insurance benefit designs, the
18 public employees' benefits board shall include an alternative plan of
19 care benefit, including adult day services, as approved by the office
20 of the insurance commissioner.

21 (g) The health care authority, with the cooperation of the office
22 of the insurance commissioner, shall develop a consumer education
23 program for the eligible employees, retired employees, and retired
24 school employees designed to provide education on the potential need
25 for long-term care, methods of financing long-term care, and the
26 availability of long-term care insurance products including the
27 products offered by the board.

28 (h) By December 1998, the health care authority, in consultation
29 with the public employees' benefits board, shall submit a report to the
30 appropriate committees of the legislature, including an analysis of the
31 marketing and distribution of the long-term care insurance provided
32 under this section.

33 (10) The health savings account option for employees under
34 subsection (5) of this section shall be offered to employees during the
35 open enrollment period in 2008.

36 NEW SECTION. Sec. 22. Subheadings used in this act are not any
37 part of the law.

1 NEW SECTION. **Sec. 23.** Sections 11 through 15 of this act take
2 effect January 1, 2008.

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