

# SENATE BILL REPORT

## 2SSB 5945

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As Amended by House, April 16, 2009

**Title:** An act relating to creating the Washington health partnership plan.

**Brief Description:** Creating the Washington health partnership plan.

**Sponsors:** Senate Committee on Ways & Means (originally sponsored by Senators Keiser, Franklin and Kohl-Welles).

**Brief History:**

**Committee Activity:** Health & Long-Term Care: 2/12/09, 2/24/09 [DPS-WM, DNP].

Ways & Means: 2/27/09, 3/02/09 [DP2S, DNP, w/oRec].

Passed Senate: 3/09/09, 28-19.

Passed House: 4/16/09, 62-35.

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### SENATE COMMITTEE ON HEALTH & LONG-TERM CARE

**Majority Report:** That Substitute Senate Bill No. 5945 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; Fairley, Marr and Murray.

**Minority Report:** Do not pass.

Signed by Senators Pflug, Ranking Minority Member; Becker and Parlette.

**Staff:** Mich'l Needham (786-7442)

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** That Second Substitute Senate Bill No. 5945 be substituted therefor, and the second substitute bill do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Tom, Vice Chair, Operating Budget; Fairley, Keiser, Kline, Kohl-Welles, McDermott, Murray, Oemig, Pridemore, Regala and Rockefeller.

**Minority Report:** Do not pass.

Signed by Senators Zarelli, Ranking Minority Member; Parlette and Schoesler.

**Minority Report:** That it be referred without recommendation.

Signed by Senators Brandland, Carrell and Hewitt.

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*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.*

**Staff:** Mich'l Needham (786-7442)

**Background:** The 2008 Legislature passed ESSB 6333 calling for an analysis of five health care reform proposals, including the Washington Health Partnership as outlined in legislation. The Legislature contracted with Mathematica Policy Research, Inc. to model the coverage and economic impacts of each proposal, and their initial analysis is available.

The Department of Social and Health Services (DSHS), Health Recovery Services Administration (HRSA), administers the state's medical assistance programs which include Medicaid and the State Children's Health Insurance Programs (SCHIP). The federal programs are established in the Social Security Act under Titles XIX and XXI, respectively. In general, the Medicaid program has categorical eligibility that focuses on low-income children, low-income families, or low-income individuals that meet the aged, blind, or disabled definitions. Other adults not eligible for these programs may have access to medical coverage through the state-funded programs such as the General Assistance Unemployable (GAU) program or the Basic Health program; however, the Governor's budget proposal for the upcoming biennium included elimination of the GAU program and a 42 percent cut of the Basic Health program.

Although state law has realigned the medical assistance programs for children as one unified program under Apple Health, specific programmatic functions remain separately outlined in federal Medicaid and SCHIP law, with some variations. For example, Title XIX Medicaid programs are authorized to participate in Employer-Sponsored Insurance (ESI) programs that "buy" enrollees into their employer coverage when it is cost-effective for the state to do so. To date, the Title XXI SCHIP program has not been included in the ESI option, nor have the SCHIP children been included in the federal Vaccines for Children program that largely finances the vaccines for all Medicaid children.

**Summary of Second Substitute Bill:** The Washington Health Partnership is established as a working group to focus on health reform goals that reflect the Blue Ribbon Commission goal of establishing access to affordable, comprehensive health care services for every resident by 2012. Goals for the partnership efforts include implementation of health reform in phases that include extending coverage to individuals below 200 percent of the federal poverty level in an Apple Health program for adults; consolidating purchasing of health coverage and streamlining administration; and examining the health reform proposals studied by Mathematica and selecting one, or a combination, for consideration.

Representatives of the Department of Social and Health Services (DSHS), the Health Care Authority (HCA), the Office of Financial Management (OFM), and the Legislative Health Committees must participate in the efforts to develop a proposal for the federal government to expand and revise the public medical coverage through Medicaid, extending coverage to low-income individuals with family income below 200 percent of the federal poverty level. OFM with the Washington Health Partnership must review the Mathematica research study and identify the proposals predicted to significantly lower overall costs and cover the largest percentage of uninsured individuals, offer recommendations for consolidating state purchasing of health care, make recommendations on a proposal to be considered for legislative action, and work with the congressional delegation to seek federal flexibility to implement a health reform proposal.

The Partnership will also seek to maximize federal funds for vaccines for low-income children and family planning services. The Department of Health, in collaboration with DSHS, must maximize the use of existing federal funds, as well as potential additional funds from the federal economic stimulus package, to continue to provide vaccines for non-Medicaid eligible children under 300 percent of the federal poverty level. DSHS must seek the opportunity to maximize employer-sponsored insurance for the State Children's Health Insurance Program (SCHIP) eligible children. DSHS must seek modifications to the family planning waiver that return to eligibility standards used in 2005 and, within funds provided for this purpose, expand access to up to 250 percent of the federal poverty level.

**Appropriation:** None.

**Fiscal Note:** Requested for Substitute on February 25, 2009.

**Committee/Commission/Task Force Created:** Yes.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Staff Summary of Public Testimony (Health & Long-Term Care):** PRO: This bill achieves our goal of having health care for all residents by 2012; it completes the Blue Ribbon Commission vision and it does it with significant savings for the state, consumers, and most employers. In surveys, the people of Washington confirm they want everyone covered with health care and they want access to comprehensive coverage. The recent Mathematica study confirmed that this approach extends coverage to all residents and is a responsible step to reform that includes key elements that improve health outcomes and reduce cost-shifting. There are some questions that would need further clarification on the provider networks and the level of Medicaid reimbursement. Our current system is not sustainable, with premiums projected to increase rapidly and equate to over 40 percent of the average income by 2016. Voters want affordability, choice, and a guarantee that coverage will still be available if they lose their job or their life circumstances change. The cost-shifting in our current system creates a hidden tax, and this bill eliminates that when all residents have coverage.

This approach is consistent with the vision and goals for health care reform adopted by the medical association. Access to family planning services is critical and it needs to be called out in the description of the medical home and added to the services that require no copay. Family planning services should also be added to the description of services available for those eligible for pregnancy services. The standardized comprehensive benefit package is a good design, and the goal of 88 percent of premium revenue being spent on medical care is ambitious but appropriate. The payroll tax is appropriate but the percentages are too disparate between employees, employers, and the self-employed. Employees should bear a larger portion of the payroll tax, at least equal to the employer's share.

CON: This does not help a recently laid-off employee about to lose coverage.

OTHER: A single payer approach to health reform is the gold standard but this approach includes many of the single payer goals and ensures universal access to coverage. The

benefits need to be sufficiently comprehensive to ensure the system does not devolve into a tiered approach where those with money can buy what they need. The networks need to be managed and have considerable oversight with careful auditing. Evidenced-based guidelines need to be developed for everyone and implemented equitably across all networks. The technical advisory committee should be chaired by a physician, and some thought should be given to the competitive disadvantage medium and small groups of providers may have, and some flexibility should be added for small providers that may not be able to accommodate the technology requirements.

**Persons Testifying (Health & Long-Term Care):** PRO: Senator Keiser, prime sponsor; Len McComb, Washington State Hospital Association and Community Health Network; Robby Stern, Bob Crittendon, Healthy Washington Coalition; Ingrid McDonald, AARP; Bev Spears, Washington Community Action Network; Cynthia Markus, Washington State Medical Association; Jennifer Allen, Planned Parenthood; Randy Bolerjack, Northwest Physicians Network.

CON: Jeanne Perrin, citizen.

OTHER: Sarah Weinberg, Donald Mitchell, Physicians for National Health Plan and Health Care for All; Kent Davis, Washington Health Security Coalition.

**Staff Summary of Public Testimony (Ways & Means):** PRO: This bill positions us well to work in a partnership with the federal government on health care reform and seek flexibility to increase insurance coverage and control costs. Despite the budget crisis we need to continue to move forward on this issue.

OTHER: There are gaps in coverage for children with autism; protections for those with autism need to be examined.

**Persons Testifying (Ways & Means):** PRO: Senator Keiser, prime sponsor; Sarah Cherin, United Food and Commercial Workers Local 21, Healthy Washington Coalition; Jeff Johnson, Washington State Labor Council.

OTHER: Arzu Forough, Autism Speaks.

**House Amendment(s):** The intent section is modified to reflect health care reform principles expressed by the President of the United States and opportunities to partner with the federal government. Principles for health reform discussions are modified and include choice of plans, including private insurance plans; affordable coverage; protection of families financial health; investment in prevention and wellness; portability of coverage; aiming for universality; improving safety and quality of care; and long-term fiscal sustainability, including the role of private and public sectors in financing health coverage. Current policies and activities consistent with the principles are identified such as Basic Health, Apple Health for Kids, the Health Insurance Partnership Program infrastructure, the commitment to reduce administrative expenses as expressed in 2SSB 5346, the prescription drug discount card, the Puget Sound Health Alliance efforts, the health record bank pilot projects, primary care medical home pilots consistent with SSB 5891, and numerous patient safety efforts.

The Governor must hold quarterly meetings, beginning October 1, 2009, with the Washington Health Partnership Advisory Group. The members of the advisory group include: DSHS, HCA, OFM, the Office of the Insurance Commissioner, Department of Labor and Industries, the Forum, the Puget Sound Health Alliance, the Healthy Washington Coalition, and two members each from the Senate and House of Representatives. Travel and per diem expenses will not be reimbursed, and the advisory group expires June 30, 2010. The advisory group will monitor the status and outcomes of state activities and programs, waivers submitted under this act, efforts to consolidate state health purchasing, reforms in the private insurance market, and progress of health reform at the federal level.

The amendment retains the direction for DSHS to apply for a waiver to expand medical assistance with the single eligibility standard phased in with incremental steps for low-income parents and individuals up to the goal of covering persons with income up to 200 percent of the federal poverty level. The waiver must also explore the option to share savings with Medicare for individuals with dual-eligibility for Medicare and Medicaid, and explore whether the state could serve as a Medicare special needs plan.

The amendment retains the direction to apply for a modified family planning waiver, which is to be implemented within available funds. The amendment removed the section seeking to maximize funding for children's vaccines.