

# SENATE BILL REPORT

## SB 6428

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As of February 2, 2012

**Title:** An act relating to direct patient-provider primary care practice services for public employees.

**Brief Description:** Requiring a direct patient-provider primary care practice services option for public employees.

**Sponsors:** Senators Kastama, Keiser, Rolfes, Tom, Kline and Conway.

**Brief History:**

**Committee Activity:** Health & Long-Term Care: 2/01/12.

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

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

**Background:** Legislation passed in 2007 established direct patient-provider primary health care practices (direct practices) in insurance law. Direct practices charge patients a set fee for all primary care services provided in their offices, regardless of the number of visits. No insurance plan is involved, although patients may have insurance for other services beyond primary care. The direct agreement between the patient and the provider details the direct fee and services that are to be provided. The direct practice is prevented in current law from accepting payments for services provided to any direct care patients from any regulated insurance carriers, Public Employees Benefits Board (PEBB) plans and Basic Health plans. There are currently 24 direct practices in Washington, with approximately 10,000 patients.

The PEBB program within the Health Care Authority offers comprehensive health packages for all state and higher education employees and retirees, and their dependents. The PEBB must maintain the comprehensive nature of the benefits and maintain benefits that are substantially equivalent with those that were offered in 1993 when the Legislature first directed the implementation of managed competition or premium sharing.

**Summary of Bill:** Beginning with the 2012 open enrollment, the PEBB must offer at least one self-insured plan in which participants receive primary care services from a direct practice. Any plan offered must include coverage for services not provided by the direct provider so that the total coverage is comparable to other self-insured plans offered through

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the PEBB. The direct fee to the direct practice must be paid by PEBB rather than the individual subscriber.

The premiums established for the direct plan must not result in employees paying a share of total premium cost that exceed 75 percent of the share of total premium costs paid by employees enrolling in the traditional comprehensive health plan, not including the direct fee.

The PEBB must use best efforts to inform and educate enrollees of the existence and benefits of the plan. These efforts must include, but not be limited to, an invitation to direct providers eligible to participate in the plan to also participate in open enrollment meetings and other enrollee communication methods.

Direct practices may accept payment for direct fees paid on behalf of direct patients enrolled in the new health plan offered by PEBB.

**Appropriation:** None.

**Fiscal Note:** Requested on January 30, 2012.

**Committee/Commission/Task Force Created:** No.

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

**Staff Summary of Public Testimony:** PRO: Innovation is the key to economic stimulation, and it is time for a transformational change in health care. We spend way more on health care in this country than any other industrialized country and have worse health outcomes. It is time to change the model. This model focuses on primary care access which can decrease costs downstream. The intent of this bill mirrors what we have done in a pilot project with sound Health Trust, and we have brought down the overall health care expenditures. This model offers a win-win for employees and the state.

CON: We believe that the disaggregation of services will cost more. It will cost more to wrap around the self-insurance component and fill the void left when paying for primary care services separately. We have not seen any actuarial studies that delineate the approach with the HCA-PEBB population and any impacts that may result on the rest of the pool.

OTHER: HCA has pursued a number of innovations and concepts that support the expansion of primary care. We have developed a health savings account (HSA) option that is now available to employees and that would be available for employees to pay for the direct fee if they chose a direct practice today. That is consistent with the regulations for the use of HSAs. This approach directing the agency to develop a new self-insured program has significant operational difficulties, and direct practices are not set up to do business under the regulations and practices that we must follow. We have done some inquires of interest and found only one direct practice with any interest, so the take up or return on investment would be very small. As the third party administrator for the state's self-insured plan, we have concerns with this approach. We've internally estimated at least \$500,000 in start-up costs that would have to be passed on to the state. We also have concerns that the language

regarding open enrollment provides preferential status for one set of providers, since no other provider groups are allowed to participate in open enrollment activities.

**Persons Testifying:** PRO: Senator Kastama, prime sponsor; Lisa Thatcher, Qliance.

CON: Greg Devereux, WA Federation of State Employees.

OTHER: Mary Fliss and Dennis Martin, Health Care Authority; Chris Bandoli, Regence Blue Shield.