

# SENATE BILL REPORT

## ESB 6589

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As Passed Senate, February 14, 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 and Tom.

**Brief History:**

**Committee Activity:** Ways & Means: 2/07/12 [DP].  
Passed Senate: 2/14/12, 41-8.

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** Do pass.

Signed by Senators Kilmer, Vice Chair, Capital Budget Chair; Zarelli, Ranking Minority Member; Parlette, Ranking Minority Member Capital; Baumgartner, Brown, Harper, Hatfield, Hewitt, Holmquist Newbry, Honeyford, Kastama, Padden, Regala, Schoesler and Tom.

**Staff:** Erik Sund (786-7454)

**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.

PEBB program within the Health Care Authority offers comprehensive health packages for all state and higher education employees and retirees, and their dependents. PEBB must maintain the comprehensive nature of the benefits and maintain benefits that are substantially

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equivalent with those that were offered in 1993 when the Legislature first directed the implementation of managed competition or premium sharing.

**Summary of Engrossed Bill:** During 2013 and 2014, must offer as a pilot project the option for members enrolled in a self-insured health plan to receive primary care services from a direct practice. Enrollment in the direct practice option is restricted to members who used at least twice the median level of medical services for PEBB members during the prior plan year, except that a member already enrolled in the option may continue enrollment regardless of the member's service utilization level. Additionally, the enrollment is limited to no more than 2000 members living in King and Pierce Counties. The direct fee to the direct practice must be paid by PEBB rather than the individual subscriber. The direct practice option is additional to the basic benefits provided by the self-insured plans and does not affect members' coverage for other services.

PEBB must submit a report to the Legislature no later than November 1, 2014, describing the impact of the direct practice option on plan costs and the health of the members enrolled in the option.

PEBB must use best efforts to inform and educate prospective 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. The direct fee may vary to reflect the intensity of services associated with the enrollees in the pilot project.

**Appropriation:** None.

**Fiscal Note:** Available.

**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: Direct practices reduce downstream medical costs for insurers dramatically. Direct practices become primary care medical homes providing excellent, efficient care that is very accessible to patients.

CON: The disaggregation of services caused by the incorporation of direct practices into PEBB plans will increase costs. This bill generates guaranteed business for direct practices while leaving the PEBB plans to cover the cost of serious medical problems without having the benefit of coordinated coverage. There isn't enough real actuarial data to support the direct practices' claims of efficiency.

OTHER: The Health Care Authority has studied direct practices and submitted a report to the Legislature last year evaluating their suitability for PEBB members. Direct practices are already available to employees using a Flexible Spending Account or a Health Savings

Account. Incorporating direct practices into PEBB plans as required by this bill will cost too much and benefit too few.

**Persons Testifying:** PRO: Lisa Thatcher, Qliance Medical Management Inc.

CON: Alia Griffing, WA Federation of State Employees.

OTHER: Dennis Martin, WA State Health Care Authority.