
HOUSE BILL 2057

State of Washington

62nd Legislature

2011 Regular Session

By Representatives Cody, Hinkle, and Hunter; by request of Health Care Authority and Department of Social and Health Services

Read first time 04/09/11. Referred to Committee on Ways & Means.

1 AN ACT Relating to limiting payments for health care services
2 provided to low-income enrollees in state purchased health care
3 programs; amending RCW 70.47.100; reenacting and amending RCW 74.09.522
4 and 70.47.020; adding a new section to chapter 70.47 RCW; and creating
5 a new section.

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

7 NEW SECTION. **Sec. 1.** (1) The legislature finds that:

8 (a) There is an increasing level of dispute and uncertainty
9 regarding the amount of payment nonparticipating providers may receive
10 for health care services provided to enrollees of state purchased
11 health care programs designed to serve low-income individuals and
12 families, such as basic health and the medicaid managed care programs;

13 (b) The dispute has resulted in litigation, including a recent
14 Washington superior court ruling that determined nonparticipating
15 providers were entitled to receive billed charges from a managed health
16 care system for services provided to medicaid and basic health plan
17 enrollees. The decision would allow a nonparticipating provider to
18 demand and receive payment in an amount exceeding the payment managed

1 health care system network providers receive for the same services.
2 Similar provider lawsuits have now been filed in other jurisdictions in
3 the state;

4 (c) In the biennial operating budget, the legislature has
5 previously indicated its intent that payment to nonparticipating
6 providers for services provided to medicaid managed care enrollees
7 should be limited to amounts paid to medicaid fee-for-service
8 providers. The duration of these provisions is limited to the period
9 during which the operating budget is in effect. A more permanent
10 resolution of these issues is needed; and

11 (d) Continued failure to resolve this dispute will have adverse
12 impacts on state purchased health care programs serving low-income
13 enrollees, including: (i) Diminished ability for the state to
14 negotiate cost-effective contracts with managed health care systems;
15 (ii) a potential for significant reduction in the willingness of
16 providers to participate in managed health care system provider
17 networks; (iii) a reduction in providers participating in the managed
18 health care systems; and (iv) increased exposure for program enrollees
19 to balance billing practices by nonparticipating providers.
20 Ultimately, fewer eligible people will get the care they need as state
21 purchased health care programs will operate with less efficiency and
22 reduced access to cost-effective and quality health care coverage for
23 program enrollees.

24 (2) It is the intent of the legislature to create a legislative
25 solution that reduces the cost borne by the state to provide public
26 health care coverage to low-income enrollees in managed health care
27 systems, protects enrollees and state purchased health care programs
28 from balance billing by nonparticipating providers, provides
29 appropriate payment to health care providers for services provided to
30 enrollees of state purchased health care programs, and limits the risk
31 for managed health care systems that contract with the state programs.

32 **Sec. 2.** RCW 74.09.522 and 1997 c 59 s 15 and 1997 c 34 s 1 are
33 each reenacted and amended to read as follows:

34 (1) For the purposes of this section((7)):

35 (a) "Managed health care system" means any health care
36 organization, including health care providers, insurers, health care
37 service contractors, health maintenance organizations, health insuring

1 organizations, or any combination thereof, that provides directly or by
2 contract health care services covered under ((RCW 74.09.520)) this
3 chapter and rendered by licensed providers, on a prepaid capitated
4 basis and that meets the requirements of section 1903(m)(1)(A) of Title
5 XIX of the federal social security act or federal demonstration waivers
6 granted under section 1115(a) of Title XI of the federal social
7 security act;

8 (b) "Nonparticipating provider" means a person, health care
9 provider, practitioner, facility, or entity, acting within their scope
10 of practice, that does not have a written contract to participate in a
11 managed health care system's provider network, but provides health care
12 services to enrollees of programs authorized under this chapter whose
13 health care services are provided by the managed health care system.

14 (2) The department of social and health services shall enter into
15 agreements with managed health care systems to provide health care
16 services to recipients of temporary assistance for needy families under
17 the following conditions:

18 (a) Agreements shall be made for at least thirty thousand
19 recipients statewide;

20 (b) Agreements in at least one county shall include enrollment of
21 all recipients of temporary assistance for needy families;

22 (c) To the extent that this provision is consistent with section
23 1903(m) of Title XIX of the federal social security act or federal
24 demonstration waivers granted under section 1115(a) of Title XI of the
25 federal social security act, recipients shall have a choice of systems
26 in which to enroll and shall have the right to terminate their
27 enrollment in a system: PROVIDED, That the department may limit
28 recipient termination of enrollment without cause to the first month of
29 a period of enrollment, which period shall not exceed twelve months:
30 AND PROVIDED FURTHER, That the department shall not restrict a
31 recipient's right to terminate enrollment in a system for good cause as
32 established by the department by rule;

33 (d) To the extent that this provision is consistent with section
34 1903(m) of Title XIX of the federal social security act, participating
35 managed health care systems shall not enroll a disproportionate number
36 of medical assistance recipients within the total numbers of persons
37 served by the managed health care systems, except as authorized by the

1 department under federal demonstration waivers granted under section
2 1115(a) of Title XI of the federal social security act;

3 (e) In negotiating with managed health care systems the department
4 shall adopt a uniform procedure to negotiate and enter into contractual
5 arrangements, including standards regarding the quality of services to
6 be provided; and financial integrity of the responding system;

7 (f) The department shall seek waivers from federal requirements as
8 necessary to implement this chapter;

9 (g) The department shall, wherever possible, enter into prepaid
10 capitation contracts that include inpatient care. However, if this is
11 not possible or feasible, the department may enter into prepaid
12 capitation contracts that do not include inpatient care;

13 (h) The department shall define those circumstances under which a
14 managed health care system is responsible for out-of-plan services and
15 assure that recipients shall not be charged for such services; and

16 (i) Nothing in this section prevents the department from entering
17 into similar agreements for other groups of people eligible to receive
18 services under this chapter.

19 (3) The department shall ensure that publicly supported community
20 health centers and providers in rural areas, who show serious intent
21 and apparent capability to participate as managed health care systems
22 are seriously considered as contractors. The department shall
23 coordinate its managed care activities with activities under chapter
24 70.47 RCW.

25 (4) The department shall work jointly with the state of Oregon and
26 other states in this geographical region in order to develop
27 recommendations to be presented to the appropriate federal agencies and
28 the United States congress for improving health care of the poor, while
29 controlling related costs.

30 (5) The legislature finds that competition in the managed health
31 care marketplace is enhanced, in the long term, by the existence of a
32 large number of managed health care system options for medicaid
33 clients. In a managed care delivery system, whose goal is to focus on
34 prevention, primary care, and improved enrollee health status,
35 continuity in care relationships is of substantial importance, and
36 disruption to clients and health care providers should be minimized.
37 To help ensure these goals are met, the following principles shall

1 guide the department in its healthy options managed health care
2 purchasing efforts:

3 (a) All managed health care systems should have an opportunity to
4 contract with the department to the extent that minimum contracting
5 requirements defined by the department are met, at payment rates that
6 enable the department to operate as far below appropriated spending
7 levels as possible, consistent with the principles established in this
8 section.

9 (b) Managed health care systems should compete for the award of
10 contracts and assignment of medicaid beneficiaries who do not
11 voluntarily select a contracting system, based upon:

12 (i) Demonstrated commitment to or experience in serving low-income
13 populations;

14 (ii) Quality of services provided to enrollees;

15 (iii) Accessibility, including appropriate utilization, of services
16 offered to enrollees;

17 (iv) Demonstrated capability to perform contracted services,
18 including ability to supply an adequate provider network;

19 (v) Payment rates; and

20 (vi) The ability to meet other specifically defined contract
21 requirements established by the department, including consideration of
22 past and current performance and participation in other state or
23 federal health programs as a contractor.

24 (c) Consideration should be given to using multiple year
25 contracting periods.

26 (d) Quality, accessibility, and demonstrated commitment to serving
27 low-income populations shall be given significant weight in the
28 contracting, evaluation, and assignment process.

29 (e) All contractors that are regulated health carriers must meet
30 state minimum net worth requirements as defined in applicable state
31 laws. The department shall adopt rules establishing the minimum net
32 worth requirements for contractors that are not regulated health
33 carriers. This subsection does not limit the authority of the
34 department to take action under a contract upon finding that a
35 contractor's financial status seriously jeopardizes the contractor's
36 ability to meet its contract obligations.

37 (f) Procedures for resolution of disputes between the department
38 and contract bidders or the department and contracting carriers related

1 to the award of, or failure to award, a managed care contract must be
2 clearly set out in the procurement document. In designing such
3 procedures, the department shall give strong consideration to the
4 negotiation and dispute resolution processes used by the Washington
5 state health care authority in its managed health care contracting
6 activities.

7 (6) The department may apply the principles set forth in subsection
8 (5) of this section to its managed health care purchasing efforts on
9 behalf of clients receiving supplemental security income benefits to
10 the extent appropriate.

11 (7) A managed health care system shall pay a nonparticipating
12 provider that provides a service covered under this chapter to the
13 system's enrollee no more than the amount paid for that service under
14 the state's medicaid fee-for-service program.

15 (8) For services covered under this chapter to medical assistance
16 or medical care services enrollees and provided on or after the
17 effective date of this section, nonparticipating providers must accept
18 as payment in full the amount paid by the managed health care system
19 under subsection (7) of this section in addition to any deductible,
20 coinsurance, or copayment that is due from the enrollee for the service
21 provided. An enrollee is not liable to any nonparticipating provider
22 for covered services, except for amounts due for any deductible,
23 coinsurance, or copayment under the terms and conditions set forth in
24 the managed health care system contract to provide services under this
25 section. Any attempt by a nonparticipating provider to recover funds
26 inconsistent with this subsection constitutes a violation of RCW
27 18.130.180(7).

28 **Sec. 3.** RCW 70.47.020 and 2009 c 568 s 2 are each reenacted and
29 amended to read as follows:

30 As used in this chapter:

31 (1) "Administrator" means the Washington basic health plan
32 administrator, who also holds the position of administrator of the
33 Washington state health care authority.

34 (2) "Health coverage tax credit eligible enrollee" means individual
35 workers and their qualified family members who lose their jobs due to
36 the effects of international trade and are eligible for certain trade
37 adjustment assistance benefits; or are eligible for benefits under the

1 alternative trade adjustment assistance program; or are people who
2 receive benefits from the pension benefit guaranty corporation and are
3 at least fifty-five years old.

4 (3) "Health coverage tax credit program" means the program created
5 by the Trade Act of 2002 (P.L. 107-210) that provides a federal tax
6 credit that subsidizes private health insurance coverage for displaced
7 workers certified to receive certain trade adjustment assistance
8 benefits and for individuals receiving benefits from the pension
9 benefit guaranty corporation.

10 (4) "Managed health care system" means: (a) Any health care
11 organization, including health care providers, insurers, health care
12 service contractors, health maintenance organizations, or any
13 combination thereof, that provides directly or by contract basic health
14 care services, as defined by the administrator and rendered by duly
15 licensed providers, to a defined patient population enrolled in the
16 plan and in the managed health care system; or (b) a self-funded or
17 self-insured method of providing insurance coverage to subsidized
18 enrollees provided under RCW 41.05.140 and subject to the limitations
19 under RCW 70.47.100(~~(+7)~~) (8).

20 (5) "Nonparticipating provider" means a person, health care
21 provider, practitioner, facility, or entity, acting within their
22 authorized scope of practice or licensure, that does not have a written
23 contract to participate in a managed health care system's provider
24 network, but provides services to plan enrollees who receive coverage
25 through the managed health care system.

26 (6) "Nonsubsidized enrollee" means an individual, or an individual
27 plus the individual's spouse or dependent children: (a) Who is not
28 eligible for medicare; (b) who is not confined or residing in a
29 government-operated institution, unless he or she meets eligibility
30 criteria adopted by the administrator; (c) who is accepted for
31 enrollment by the administrator as provided in RCW 48.43.018, either
32 because the potential enrollee cannot be required to complete the
33 standard health questionnaire under RCW 48.43.018, or, based upon the
34 results of the standard health questionnaire, the potential enrollee
35 would not qualify for coverage under the Washington state health
36 insurance pool; (d) who resides in an area of the state served by a
37 managed health care system participating in the plan; (e) who chooses

1 to obtain basic health care coverage from a particular managed health
2 care system; and (f) who pays or on whose behalf is paid the full costs
3 for participation in the plan, without any subsidy from the plan.

4 ~~((+6))~~ (7) "Premium" means a periodic payment, which an
5 individual, their employer or another financial sponsor makes to the
6 plan as consideration for enrollment in the plan as a subsidized
7 enrollee, a nonsubsidized enrollee, or a health coverage tax credit
8 eligible enrollee.

9 ~~((+7))~~ (8) "Rate" means the amount, negotiated by the
10 administrator with and paid to a participating managed health care
11 system, that is based upon the enrollment of subsidized, nonsubsidized,
12 and health coverage tax credit eligible enrollees in the plan and in
13 that system.

14 ~~((+8))~~ (9) "Subsidy" means the difference between the amount of
15 periodic payment the administrator makes to a managed health care
16 system on behalf of a subsidized enrollee plus the administrative cost
17 to the plan of providing the plan to that subsidized enrollee, and the
18 amount determined to be the subsidized enrollee's responsibility under
19 RCW 70.47.060(2).

20 ~~((+9))~~ (10) "Subsidized enrollee" means:

21 (a) An individual, or an individual plus the individual's spouse or
22 dependent children:

23 (i) Who is not eligible for medicare;

24 (ii) Who is not confined or residing in a government-operated
25 institution, unless he or she meets eligibility criteria adopted by the
26 administrator;

27 (iii) Who is not a full-time student who has received a temporary
28 visa to study in the United States;

29 (iv) Who resides in an area of the state served by a managed health
30 care system participating in the plan;

31 (v) Whose gross family income at the time of enrollment does not
32 exceed two hundred percent of the federal poverty level as adjusted for
33 family size and determined annually by the federal department of health
34 and human services;

35 (vi) Who chooses to obtain basic health care coverage from a
36 particular managed health care system in return for periodic payments
37 to the plan; and

1 (vii) Who is not receiving medical assistance administered by the
2 department of social and health services;

3 (b) An individual who meets the requirements in (a)(i) through
4 (iv), (vi), and (vii) of this subsection and who is a foster parent
5 licensed under chapter 74.15 RCW and whose gross family income at the
6 time of enrollment does not exceed three hundred percent of the federal
7 poverty level as adjusted for family size and determined annually by
8 the federal department of health and human services; and

9 (c) To the extent that state funds are specifically appropriated
10 for this purpose, with a corresponding federal match, an individual, or
11 an individual's spouse or dependent children, who meets the
12 requirements in (a)(i) through (iv), (vi), and (vii) of this subsection
13 and whose gross family income at the time of enrollment is more than
14 two hundred percent, but less than two hundred fifty-one percent, of
15 the federal poverty level as adjusted for family size and determined
16 annually by the federal department of health and human services.

17 (~~(+10)~~) (11) "Washington basic health plan" or "plan" means the
18 system of enrollment and payment for basic health care services,
19 administered by the plan administrator through participating managed
20 health care systems, created by this chapter.

21 **Sec. 4.** RCW 70.47.100 and 2009 c 568 s 5 are each amended to read
22 as follows:

23 (1) A managed health care system participating in the plan shall do
24 so by contract with the administrator and shall provide, directly or by
25 contract with other health care providers, covered basic health care
26 services to each enrollee covered by its contract with the
27 administrator as long as payments from the administrator on behalf of
28 the enrollee are current. A participating managed health care system
29 may offer, without additional cost, health care benefits or services
30 not included in the schedule of covered services under the plan. A
31 participating managed health care system shall not give preference in
32 enrollment to enrollees who accept such additional health care benefits
33 or services. Managed health care systems participating in the plan
34 shall not discriminate against any potential or current enrollee based
35 upon health status, sex, race, ethnicity, or religion. The
36 administrator may receive and act upon complaints from enrollees
37 regarding failure to provide covered services or efforts to obtain

1 payment, other than authorized copayments, for covered services
2 directly from enrollees, but nothing in this chapter empowers the
3 administrator to impose any sanctions under Title 18 RCW or any other
4 professional or facility licensing statute.

5 (2) A managed health care system shall pay a nonparticipating
6 provider that provides a service covered under this chapter to the
7 system's enrollee no more than the amount paid for that service under
8 the state's medicaid fee-for-service program.

9 (3) The plan shall allow, at least annually, an opportunity for
10 enrollees to transfer their enrollments among participating managed
11 health care systems serving their respective areas. The administrator
12 shall establish a period of at least twenty days in a given year when
13 this opportunity is afforded enrollees, and in those areas served by
14 more than one participating managed health care system the
15 administrator shall endeavor to establish a uniform period for such
16 opportunity. The plan shall allow enrollees to transfer their
17 enrollment to another participating managed health care system at any
18 time upon a showing of good cause for the transfer.

19 ~~((+3))~~ (4) Prior to negotiating with any managed health care
20 system, the administrator shall determine, on an actuarially sound
21 basis, the reasonable cost of providing the schedule of basic health
22 care services, expressed in terms of upper and lower limits, and
23 recognizing variations in the cost of providing the services through
24 the various systems and in different areas of the state.

25 ~~((+4))~~ (5) In negotiating with managed health care systems for
26 participation in the plan, the administrator shall adopt a uniform
27 procedure that includes at least the following:

28 (a) The administrator shall issue a request for proposals,
29 including standards regarding the quality of services to be provided;
30 financial integrity of the responding systems; and responsiveness to
31 the unmet health care needs of the local communities or populations
32 that may be served;

33 (b) The administrator shall then review responsive proposals and
34 may negotiate with respondents to the extent necessary to refine any
35 proposals;

36 (c) The administrator may then select one or more systems to
37 provide the covered services within a local area; and

1 (d) The administrator may adopt a policy that gives preference to
2 respondents, such as nonprofit community health clinics, that have a
3 history of providing quality health care services to low-income
4 persons.

5 ~~((+5))~~ (6) The administrator may contract with a managed health
6 care system to provide covered basic health care services to subsidized
7 enrollees, nonsubsidized enrollees, health coverage tax credit eligible
8 enrollees, or any combination thereof.

9 ~~((+6))~~ (7) The administrator may establish procedures and policies
10 to further negotiate and contract with managed health care systems
11 following completion of the request for proposal process in subsection
12 ~~((+4))~~ (5) of this section, upon a determination by the administrator
13 that it is necessary to provide access, as defined in the request for
14 proposal documents, to covered basic health care services for
15 enrollees.

16 ~~((+7))~~ (8) The administrator may implement a self-funded or self-
17 insured method of providing insurance coverage to subsidized enrollees,
18 as provided under RCW 41.05.140. Prior to implementing a self-funded
19 or self-insured method, the administrator shall ensure that funding
20 available in the basic health plan self-insurance reserve account is
21 sufficient for the self-funded or self-insured risk assumed, or
22 expected to be assumed, by the administrator. If implementing a self-
23 funded or self-insured method, the administrator may request funds to
24 be moved from the basic health plan trust account or the basic health
25 plan subscription account to the basic health plan self-insurance
26 reserve account established in RCW 41.05.140.

27 NEW SECTION. **Sec. 5.** A new section is added to chapter 70.47 RCW
28 to read as follows:

29 For services provided to plan enrollees on or after the effective
30 date of this section, nonparticipating providers must accept as payment
31 in full the amount paid by the managed health care system under RCW
32 70.47.100(2) in addition to any deductible, coinsurance, or copayment
33 that is due from the enrollee under the terms and conditions set forth
34 in the managed health care system contract with the administrator. A
35 plan enrollee is not liable to any nonparticipating provider for
36 covered services, except for amounts due for any deductible,
37 coinsurance, or copayment under the terms and conditions set forth in

1 the managed health care system contract with the administrator. Any
2 attempt by a nonparticipating provider to recover funds inconsistent
3 with this section constitutes a violation of RCW 18.130.180(7).

4 NEW SECTION. **Sec. 6.** If any provision of this act or its
5 application to any person or circumstance is held invalid, the
6 remainder of the act or the application of the provision to other
7 persons or circumstances is not affected.

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