
SENATE BILL 5609

State of Washington

62nd Legislature

2011 Regular Session

By Senators Kohl-Welles, Conway, Nelson, Kline, Murray, and Chase

Read first time 02/01/11. Referred to Committee on Health & Long-Term Care.

1 AN ACT Relating to health care financing; amending RCW 41.05.130,
2 66.24.290, 82.24.020, 82.26.020, 82.08.150, and 41.05.220; reenacting
3 and amending RCW 41.05.120 and 43.79.480; adding new sections to
4 chapter 82.02 RCW; adding a new chapter to Title 43 RCW; creating new
5 sections; repealing RCW 82.04.260 and 48.14.0201; providing effective
6 dates; and providing an expiration date.

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

8 NEW SECTION. **Sec. 1.** (1) There is a crisis in health care
9 accessibility, affordability, and choice in Washington state. Health
10 care through insurance companies has failed to control costs, increase
11 access, or preserve choice. More than six hundred thousand Washington
12 residents have no health care coverage. Individual plans are
13 unavailable or unaffordable in most counties. Many clinics, physician
14 practices, and emergency departments, especially in rural areas, are
15 failing. Employers, faced with fewer choices and more expensive
16 premiums, are reducing employment-based health care coverage.
17 Simplifying health care financing and eliminating administrative waste
18 inherent in multiple insurance plans can create sufficient savings to

1 extend health care coverage to all residents and enhance fairness in
2 the system.

3 (2) The people of the state of Washington declare their intention
4 to create a single health financing entity called the Washington health
5 security trust. Through public hearings, research, and consensus
6 building, the trust will: (a) Provide fair, simple, and accountable
7 health care financing for all Washington residents using a single
8 health care financing entity; (b) cover a comprehensive package of
9 effective and necessary personal health services; (c) make health care
10 coverage independent from employment; (d) eliminate excessive
11 administrative costs resulting from the current fragmented system of
12 multiple insurers; (e) generate savings sufficient to ensure coverage
13 for all Washington residents; (f) integrate current publicly sponsored
14 health programs into the health security trust; (g) preserve choice of
15 providers for Washington residents; (h) protect patient rights; (i)
16 keep clinical decisions in the hands of health professionals and
17 patients, rather than administrative personnel; (j) promote health care
18 quality; and (k) control excessive health care costs.

19 NEW SECTION. **Sec. 2.** The definitions in this section apply
20 throughout this chapter unless the context clearly requires otherwise.

21 (1) "Board" means the board of trustees of the Washington health
22 security trust, created in section 3 of this act.

23 (2) "Capitation" means a mechanism of payment in which a provider
24 is paid a negotiated monthly sum and is obliged to provide all covered
25 services for specific patients who enroll with that provider.

26 (3) "Case rate" means a method of payment based on diagnosis. Case
27 rate assumes that a given set of services shall be provided and the
28 rate is based on the total compensation for those services.

29 (4) "Chair" means the presiding officer of the board.

30 (5) "Employer" means any person, partnership, corporation,
31 association, joint venture, or public or private entity operating in
32 Washington state and employing for wages, salary, or other
33 compensation, one or more residents.

34 (6) "Federal poverty level" means the federal poverty guidelines
35 determined annually by the United States department of health and human
36 services or its successor agency.

1 (7) "Group practice" or "group" means a group of practitioners
2 voluntarily joined into an organization for the purpose of sharing
3 administrative costs, negotiating with payers and controlling the
4 circumstances of their medical practice, and, in some cases, sharing
5 revenues. The group may be of a single specialty or include more than
6 one specialty.

7 (8) "Health care facility" or "facility" includes any of the
8 following appropriately accredited entities: Hospices licensed
9 pursuant to chapter 70.127 RCW; hospitals licensed pursuant to chapter
10 70.41 RCW; rural health care facilities as defined in RCW 70.175.020;
11 psychiatric hospitals licensed pursuant to chapter 71.12 RCW; nursing
12 homes licensed pursuant to chapter 18.51 RCW; community mental health
13 centers licensed pursuant to chapter 71.05 or 71.24 RCW; kidney disease
14 treatment centers licensed pursuant to chapter 70.41 RCW; ambulatory
15 diagnostic, treatment, or surgical facilities licensed pursuant to
16 chapter 70.41 RCW; approved drug and alcohol treatment facilities
17 certified by the department of social and health services; home health
18 agencies licensed pursuant to chapter 70.127 RCW; and such facilities
19 if owned and operated by a political subdivision or instrumentality of
20 the state and such other facilities as required by federal law and
21 implementing regulations.

22 (9) "Health care practitioner" or "practitioner" means a person
23 licensed or certified under Title 18 RCW or chapter 70.127 RCW, and
24 covered by the all categories of provider law, RCW 48.43.045, providing
25 health care services in Washington state consistent with their lawful
26 scope of practice.

27 (10) "Health care provider" or "provider" means any health care
28 facility, or health care practitioner or group practice licensed or
29 certified under Washington state law to provide health or
30 health-related services in Washington state.

31 (11) "Income" means the adjusted gross household income for federal
32 income tax purposes.

33 (12) "Long-term care" means institutional, residential, outpatient,
34 or community-based services that meet the individual needs of persons
35 of all ages who are limited in their functional capacities or have
36 disabilities and require assistance with performing two or more
37 activities of daily living for an extended or indefinite period of

1 time. These services include case management, protective supervision,
2 in-home care, nursing services, convalescent, custodial, chronic, and
3 terminally ill care.

4 (13) "Native American" means an American Indian or Alaska native as
5 defined under 25 U.S.C. Sec. 1603.

6 (14) "Payroll" means any amount paid to Washington state residents
7 and defined as "wages" under section 3121 of the internal revenue code.

8 (15) "Resident" means an individual who presents evidence of
9 established, permanent residency in the state of Washington, who did
10 not enter the state for the primary purpose of obtaining health
11 services. "Resident" also includes people and their accompanying
12 family members who are residing in the state for the purpose of
13 engaging in employment for at least one month. The confinement of a
14 person in a nursing home, hospital, or other medical institution in the
15 state may not by itself be sufficient to qualify such person as a
16 resident.

17 (16) "Trust" means the Washington health security trust created in
18 section 3 of this act.

19 NEW SECTION. **Sec. 3.** An agency of state government known as the
20 Washington health security trust is created. The purpose of the trust
21 is to provide coverage for a set of health services for all residents.

22 NEW SECTION. **Sec. 4.** (1) The trust shall be governed by a board
23 of trustees. The board consists of nine trustees selected for
24 expertise in health care financing and delivery, and representing
25 Washington citizens, business, labor, and health professions. The
26 initial trustees shall be appointed by the governor, subject to
27 confirmation by the senate. The governor shall appoint the initial
28 board by December 31, 2011. Of the initial trustees, three shall be
29 appointed to terms of two years, three shall be appointed to terms of
30 four years, and three shall be appointed to terms of six years.
31 Thereafter, trustees shall be elected to six-year terms, one trustee
32 from each congressional district; the first class of trustees shall be
33 elected from the first, second, and ninth congressional districts; the
34 second class from the third, seventh, and eighth congressional
35 districts; and the third class from the fourth, fifth, and sixth

1 congressional districts. The governor shall appoint a trustee to serve
2 the remaining term for a vacancy from any cause. The initial board
3 shall convene no later than March 15, 2012.

4 (2) Members of the board shall have no pecuniary interest in any
5 business subject to regulation by the board. Members of the board are
6 subject to chapter 42.52 RCW.

7 (3) The initial, appointed members of the board shall occupy their
8 positions on a full-time basis and are exempt from the provisions of
9 chapter 41.06 RCW. The elected trustees shall occupy their positions
10 according to the bylaws, rules, and relevant governing documents of the
11 board. The board and its professional staff are subject to the public
12 disclosure provisions of chapter 42.17 RCW. Trustees shall be paid a
13 salary to be fixed by the governor in accordance with RCW 43.03.040.
14 Five trustees constitute a quorum for the conduct of business.

15 (4) One member of the board shall be designated by the governor as
16 chair, subject to confirmation by a majority of the other trustees.
17 The chair shall serve in this capacity, subject to continuing
18 confidence of a majority of the board.

19 (5) If convinced by a preponderance of the evidence in a due
20 process hearing that a trustee has failed to perform required duties or
21 has a conflict with the public interest, the governor may remove that
22 trustee and appoint another to serve the unexpired term.

23 NEW SECTION. **Sec. 5.** (1) Subject to the approval of the board,
24 the chair shall appoint three standing committees:

25 (a) A financial advisory committee consisting of financial experts
26 from the office of financial management, the office of the state
27 treasurer, and the office of the insurance commissioner. The financial
28 advisory committee shall recommend specific details for major budget
29 decisions and for appropriations, taxes, and other funding legislation
30 necessary to conduct the operations of the Washington health security
31 trust;

32 (b) A citizens' advisory committee consisting of balanced
33 representation from health experts, business, labor, and consumers.
34 The citizens' advisory committee shall hold public hearings on
35 priorities for inclusion in the set of health services, survey public
36 satisfaction, investigate complaints, and identify and report on health
37 care access and other priority issues for residents; and

1 (c) A technical advisory committee consisting of members with broad
2 experience in and knowledge of health care delivery, research, and
3 policy, as well as public and private funding of health care services.
4 The technical advisory committee shall make recommendations to the
5 board on technical issues related to covered benefits, quality
6 assurance, utilization, and other issues as requested by the board.

7 (2) The board shall consult with the citizens' advisory committee
8 at least quarterly, receive its reports and recommendations, and then
9 report to the governor and legislature at least annually on board
10 actions in response to citizens' advisory committee input. The board
11 shall also seek financially sound recommendations from the financial
12 advisory committee whenever the board requests funding legislation
13 necessary to operate the Washington health security trust and whenever
14 the board considers major budget decisions.

15 (3) Subject to approval of the board, the chair may appoint other
16 committees and task forces as needed.

17 (4) Members of committees shall serve without compensation for
18 their services but shall be reimbursed for their expenses while
19 attending meetings on behalf of the board in accordance with RCW
20 43.03.050 and 43.03.060.

21 NEW SECTION. **Sec. 6.** The chair is the presiding officer of the
22 board and has the following powers and duties:

23 (1) Appoint an executive director with the approval of the board.
24 The executive director, with approval of the board, shall employ staff
25 in accordance with chapter 41.06 RCW necessary to execute the policies
26 and decisions of the board;

27 (2) Enter into contracts on behalf of the board. All contracts are
28 subject to review and binding legal opinions by the attorney general's
29 office if disputed in a due process hearing by a party to such a
30 contract;

31 (3) Subject to explicit approval of a majority of the board, accept
32 and expend gifts, donations, grants, and other funds received by the
33 board; and

34 (4) Delegate administrative functions of the board to the executive
35 director and staff of the trust as necessary to ensure efficient
36 administration.

1 NEW SECTION. **Sec. 7.** (1) The board shall: (a) With advice from
2 the citizens' advisory committee and the technical advisory committee,
3 establish and keep current a set of health services to be financed by
4 the trust, as provided in section 11 of this act; (b) seek all
5 necessary waivers so that (i) current federal and state payments for
6 health services to residents will be paid directly to the trust, and
7 (ii) the trust complies with the federal patient protection and
8 affordable care act; (c) request legislation authorizing the health
9 security assessments and premiums necessary to operate the trust and
10 make rules, policies, guidelines, and timetables needed for the trust
11 to finance the set of health services for all residents starting May
12 15, 2013; (d) develop or contract for development of a statewide,
13 anonymous health care data system to use for quality assurance and cost
14 containment; (e) with advice from the technical advisory committee,
15 develop health care practice guidelines and quality standards; (f)
16 develop policies to protect confidentiality of patient records
17 throughout the health care delivery system and the claims payment
18 system; (g) make eligibility rules, including eligibility for residents
19 temporarily out-of-state; (h) develop or contract for development of a
20 streamlined uniform claims processing system that must pay providers in
21 a timely manner for covered health services; (i) develop appeals
22 procedures for residents and providers; (j) integrate functions with
23 other state agencies; (k) work with the citizens' advisory committee
24 and the technical advisory committee to balance benefits and provider
25 payments with revenues, and develop effective measures to control
26 excessive and unnecessary health care costs; (l) address nonfinancial
27 barriers to health care access; (m) monitor population migration into
28 Washington state to detect any trends related to availability of
29 universal health care coverage; (n) develop an annual budget for the
30 trust; and (o) comply with all insurance related provisions of the
31 federal patient protection and affordable care act.

32 (2) To the extent that the exercise of any of the powers and duties
33 specified in this section may be inconsistent with the powers and
34 duties of other state agencies, offices, or commissions, the authority
35 of the board supersedes that of such other state agency, office, or
36 commission.

1 NEW SECTION. **Sec. 8.** Beginning May 15, 2014, the board shall
2 adopt, in consultation with the office of financial management, an
3 annual Washington health security trust budget. Except by legislative
4 approval, each annual budget shall not exceed the budget for the
5 preceding year by more than the Washington state consumer price index.
6 If operations expenses exceed revenues generated in two consecutive
7 years, the board shall recommend adjustments in either benefits or
8 revenues, or both, to the legislature.

9 NEW SECTION. **Sec. 9.** (1) The board shall report annual changes in
10 total Washington health care costs, along with the financial position
11 and the status of the trust, to the governor and legislature at least
12 once a year.

13 (2) The board shall seek audits annually from the state auditor.

14 (3) The board shall contract with the state auditor for a
15 performance audit every two years.

16 (4) The board shall adopt bylaws, rules, and other appropriate
17 governance documents to assure accountable, open, fair, effective
18 operations of the trust, including methods for electing trustees and
19 rules under which reserve funds may be prudently invested subject to
20 advice of the state treasurer and the director of the department of
21 financial management.

22 (5) The board shall submit any internal rules or policies it adopts
23 to the secretary of state. The internal rules or policies must be made
24 available by the secretary of state for public inspection.

25 NEW SECTION. **Sec. 10.** (1) All residents are eligible for coverage
26 through the trust.

27 (2) If a resident has health insurance coverage for any health
28 services provided in the state, the benefits provided in this act are
29 secondary to that insurance. Nonresidents are covered for emergency
30 services and emergency transportation only.

31 (3) Until federal waivers are accomplished, residents covered under
32 federal health programs shall continue to use that coverage, and
33 benefits provided by the trust shall extend only to costs not covered
34 by the federal health programs unless: (a) The resident voluntarily
35 elects to participate in the trust; (b) the resident's pay is
36 considered in calculating the employer's health security assessment

1 defined under section 16 of this act; and (c) either the employer or
2 the employee pays the health security premium under section 17 of this
3 act.

4 (4) The board shall make provisions for determining eligibility for
5 coverage for residents while they are temporarily out of the state.

6 (5) Pending integration of federally qualified trusts into the
7 health security trust, employees covered under the trusts are not
8 eligible for coverage through the health security trust unless: (a)
9 The employee's pay is considered in calculating the employer's health
10 security assessment defined under section 16 of this act; and (b)
11 either the employer or the employee pays the health security premium
12 under section 17 of this act.

13 (6) Pending integration of federally qualified trusts into the
14 health security trust, residents who are retirees covered under the
15 trusts are not eligible for coverage through the health security trust
16 unless they pay the health security premium under section 17 of this
17 act.

18 (7) Pending integration into the health security trust of
19 applicable federal programs described in section 21 of this act, Native
20 American residents are not eligible for coverage through the health
21 security trust unless: (a) The resident's pay is considered in
22 calculating the employer's health security assessment under section 16
23 of this act; and (b) either the employer or the resident pays any
24 health security premium due under section 17 of this act.

25 (8) Nothing in this act shall be construed to limit a resident's
26 right to seek health care from any provider he or she chooses, or from
27 obtaining coverage for health care benefits in excess of those
28 available under the trust.

29 NEW SECTION. **Sec. 11.** (1) With advice from the citizens' advisory
30 committee and the technical advisory committee, the board shall
31 establish a single benefits package covering health services that are
32 effective and necessary for the good health of residents and that
33 emphasize preventive and primary health care. The board shall ensure
34 that the benefits package constitutes minimum essential coverage for
35 purposes of the federal patient protection and affordable care act.

36 (2) The benefits package shall include, but is not limited to: (a)
37 Inpatient and outpatient hospital care, including twenty-four hour a

1 day emergency services and emergency ambulance services; (b)
2 outpatient, home-based, and office-based care; (c) rehabilitation
3 services, including speech, occupational, and physical therapy; (d)
4 inpatient and outpatient mental health services and substance abuse
5 treatment; (e) hospice care; (f) prescription drugs and prescribed
6 medical nutrition; (g) vision and hearing care; (h) diagnostic tests;
7 (i) durable medical equipment; (j) preventive care; and (k) any other
8 benefits defined as "essential health benefits" by the United States
9 department of health and human services pursuant to the federal patient
10 protection and affordable care act.

11 (3) Subject to a financial analysis demonstrating ongoing
12 sufficient funds in the trust, long-term care shall be a covered
13 benefit as of May 15, 2014. Long-term care coverage shall include a
14 uniform initial assessment and coordination between home health, adult
15 day care, and nursing home services, and other treatment alternatives.
16 The board shall establish a copayment for long-term nursing home care,
17 to cover some costs of room and board, for residents with incomes above
18 one hundred fifty percent of the federal poverty level.

19 (4) The board, in coordination with the office of the insurance
20 commissioner, shall examine by May 15, 2014, possible remedies for
21 residents who have made previous payments for long-term care insurance.

22 (5) Except where otherwise prohibited by federal law, the board
23 shall establish copayments for outpatient visits, emergency room
24 visits, and prescription drugs for residents with incomes above one
25 hundred fifty percent of the federal poverty level. There shall be an
26 annual cap of five hundred dollars per family.

27 (6) The board shall submit to the legislature by July 1, 2014, a
28 plan to incorporate dental care coverage in the benefits package, to be
29 effective January 1, 2015.

30 (7) The board shall submit to the governor and legislature by
31 December 1, 2012, and by December 1st of the following years: (a) The
32 benefits package, and (b) an actuarial analysis of the cost of the
33 package.

34 (8) The board shall consider the extent to which medical research
35 and health professions training activities should be included in the
36 scope of covered activities set forth in this act. The board shall
37 make a report to the governor and the legislature by July 1, 2014.

1 NEW SECTION. **Sec. 12.** (1) When consistent with existing federal
2 law, the board shall require pharmaceutical and durable medical
3 equipment manufacturers to provide their products in Washington state
4 at the lowest rate offered to federal and other government entities.

5 (2) The board may seek other means of financing drugs and durable
6 medical equipment at the lowest possible cost, including bulk
7 purchasing agreements with Washington state tribes.

8 (3) The board may enact drug formularies that do not interfere with
9 treatments necessary for appropriate standards of care.

10 NEW SECTION. **Sec. 13.** (1) The board shall adopt rules permitting
11 providers to collectively negotiate budgets, payment schedules, and
12 other terms and conditions of trust participation.

13 (2) The board shall annually negotiate with each hospital and each
14 facility a prospective global budget for operational and other costs to
15 be covered by the trust. Group practices may also negotiate on a
16 global budget basis. Hospitals and other facilities shall be paid on
17 a fee-for-service or case rate basis, within the limits of their
18 prospective annual budget.

19 (3) Payment to individual practitioners shall be by fee-for-service
20 or on a case rate basis or on a combination of bases. The board shall
21 study the feasibility of paying by capitation to providers, and how
22 resident enrollment would take place under capitation.

23 (4) Individual practitioners who are employed by a group, facility,
24 clinic, or hospital may be paid by salary.

25 (5) The board shall adopt rules ensuring that payment schedules and
26 procedures for mental health services are comparable to other health
27 care services.

28 (6) The board shall study and seek to develop provider payment
29 methods that: (a) Encourage an integrated multispecialty approach to
30 disease management; (b) reward education time spent with patients; and
31 (c) include a medical risk adjustment formula for providers whose
32 practices serve patients with higher than average health risks.

33 (7) Nothing in this act shall be construed to limit a provider's
34 right to receive payments from sources other than the trust. However,
35 any provider who does accept payment from the trust for a service must
36 accept that payment, along with applicable copayments, as payment in
37 full.

1 NEW SECTION. **Sec. 14.** (1) The intent of this section is to exempt
2 activities approved under this act from state antitrust laws and to
3 provide immunity from federal antitrust laws through the state action
4 doctrine.

5 (2) Activities that might otherwise be constrained by antitrust
6 laws, including: (a) Containing the aggregate cost of health care
7 services; (b) promoting cooperative activities among health care
8 providers to develop cost-effective health care delivery systems; and
9 (c) any other lawful actions taken under this act by any person or
10 entity created or regulated by this act, are declared to be pursuant to
11 state statute and for the public purposes of the state of Washington.

12 NEW SECTION. **Sec. 15.** (1) Administrative expenses to operate and
13 maintain the trust shall not exceed eleven percent of the trust's
14 annual budget. The board shall not shift administrative costs or
15 duties of the trust to providers or to resident beneficiaries.

16 (2) The board shall work with providers to develop and apply
17 scientifically based utilization standards, to use encounter and
18 prescribing data to detect excessive utilization, to develop due
19 processes for enforcing appropriate utilization standards, and to
20 identify and prosecute fraud.

21 (3) The board may institute other cost-containment measures in
22 order to maintain a balanced budget. The board shall pursue due
23 diligence to ensure that cost-containment measures do not limit access
24 to clinically necessary care, nor infringe upon legitimate clinical
25 decision making by practitioners.

26 NEW SECTION. **Sec. 16.** A new section is added to chapter 82.02 RCW
27 to read as follows:

28 In addition to and not in lieu of taxes imposed at the rates
29 established under chapter 82.04 RCW, all Washington state employers
30 shall pay a health security assessment to the department of revenue to
31 fund the Washington health security trust created in section 3 of this
32 act.

33 (1) Effective May 15, 2013, all employers in Washington state shall
34 pay in quarterly installments a health security assessment on aggregate
35 gross payroll paid to Washington state residents. Except as provided
36 in this section, the health security assessment shall be: (a) A first

1 step percentage of aggregate gross quarterly payroll up to, and
2 including, one hundred twenty-five thousand dollars; (b) a second step
3 percentage of the amount of aggregate gross quarterly payroll above one
4 hundred twenty-five thousand dollars; and (c) the first step percentage
5 rate shall be one-tenth of the rate of the second step percentage.

6 (2) The tax rates under subsection (1) of this section may be
7 adjusted annually by the office of financial management to reflect
8 changes in the Washington state consumer price index, or other cost-of-
9 living index deemed appropriate by the office of financial management.

10 (3) The department of revenue shall assess a penalty at the rate of
11 two percent per month, or a fraction thereof, on any employer whose
12 applicable health security payroll assessment is not postmarked by the
13 last day of the month following the quarter in which it is due.

14 (4) The federal government, when an employer of Washington state
15 residents, is exempt from the health security assessment prior to the
16 repeal, amendment, or waiver of existing state and federal laws
17 delineated in section 21 of this act.

18 (5) Beginning May 15, 2013, until May 15, 2019, employers that face
19 financial hardship in paying the health security assessment, may, upon
20 application to the board of trustees created in section 4 of this act,
21 be eligible for waivers or reductions in the health security
22 assessment. The board shall establish rules and procedures governing
23 all aspects of the business assistance program, including application
24 procedures, thresholds regarding firm size, wages, profits, age of
25 firm, and duration of assistance.

26 (6) Pending integration of any federally qualified trusts, the
27 payroll of employees covered under these trusts is exempt from the
28 health security assessment, although the employer may pay it
29 voluntarily.

30 (7) Pending repeal, amendment, or waiver of applicable state and
31 federal laws delineated in section 21 of this act, payroll of Native
32 American residents who do not elect to participate in the health
33 security trust is exempt from the health security assessment.

34 (8) Eighty percent of the revenue collected under this section must
35 be deposited in the benefits account created in section 24 of this act.

36 (9) For the purposes of this section, the terms "employer,"
37 "payroll," and "resident" have the same meaning as defined in section
38 2 of this act.

1 NEW SECTION. **Sec. 17.** A new section is added to chapter 82.02 RCW
2 to read as follows:

3 (1) Effective May 15, 2013, all Washington residents eighteen years
4 and older, except medicare and medicaid beneficiaries, with incomes
5 over one hundred fifty percent of the federal poverty level shall pay
6 a standard monthly flat rate health security premium. The board shall
7 recommend the amount of this premium, and the legislature shall
8 establish the exact amount in separate legislation.

9 (2) Medicare and medicaid beneficiaries with incomes over one
10 hundred fifty percent of the federal poverty level who elect to
11 participate in the trust shall pay reduced, monthly, flat rate health
12 security premium. The board shall recommend the amount of this
13 premium, and the legislature shall establish the exact amount in
14 separate legislation.

15 (3) All premiums may be adjusted annually by the office of
16 financial management to reflect changes in the Washington state
17 consumer price index, or other cost-of-living index deemed appropriate
18 by the office of financial management.

19 (4) By May 15, 2013, the board of trustees of the Washington health
20 security trust, created in section 3 of this act, shall develop and
21 implement specific rules and procedures to subsidize the health
22 security premiums of residents, including medicare and medicaid
23 eligible residents, whose household incomes are less than two hundred
24 fifty percent of the federal poverty level.

25 (5) Federal employees and retirees are exempt from the health
26 security premium prior to the repeal, amendment, or waiver of existing
27 federal laws delineated in section 21 of this act, although they may
28 elect to participate in the trust and pay it voluntarily.

29 (6) Pending integration of any federally qualified trusts,
30 employees and retirees covered under these trusts are exempt from the
31 health security premium, although they may elect to participate in the
32 trust and the employee or the employer may pay it voluntarily.

33 (7) Pending repeal, amendment, or waiver of applicable state and
34 federal laws delineated in section 21 of this act, Native American
35 residents are exempt from paying the health security premium, although
36 they may elect to participate in the trust and they or their employer
37 may pay it voluntarily.

1 (8) Employers shall collect the health security premiums of their
2 employees through payroll deduction. An employee may also make the
3 premium payment for a nonworking spouse through payroll deduction.
4 Self-employed and nonemployed individuals shall pay their health
5 security premiums monthly to the department of revenue. The department
6 shall assess a penalty at the rate of two percent per month, or
7 fraction thereof, on all self-employed and nonemployed individuals
8 whose health security premium is not postmarked by the twentieth day
9 following the month it is due. Employers reserve the right to provide
10 private health care coverage to employees; notwithstanding, employers
11 must pay the health security assessment as provided in section 16 of
12 this act.

13 (9) Retirees who receive retirement benefits from a former employer
14 or a successor to the employer, other than in federally qualified
15 trusts or through federal employment, may claim a credit against the
16 health security premium otherwise due under this section, if all or a
17 portion of the retirement benefits consists of health care benefits
18 arising from a contract of health insurance entered into between the
19 employer, or successor, and a health insurance provider.

20 (10) For the purposes of this section, the terms "employer,"
21 "federal poverty level," "income," and "resident" have the same meaning
22 as defined in section 2 of this act.

23 NEW SECTION. **Sec. 18.** Revenue derived from the health security
24 assessment, created in section 16 of this act, and the health security
25 premium, created in section 17 of this act, shall not be used to pay
26 for medical assistance currently provided under chapter 74.09 RCW or
27 other existing federal and state health care programs. If existing
28 federal and state sources of payment for health services are reduced or
29 terminated after the effective date of this section, the legislature
30 shall replace these appropriations from the general fund.

31 NEW SECTION. **Sec. 19.** (1) The health care authority is hereby
32 abolished and its powers, duties, and functions are hereby transferred
33 to the Washington health security trust. All references to the
34 administrator or the health care authority in the Revised Code of
35 Washington shall be construed to mean the chair or the Washington
36 health security trust.

1 (2)(a) All reports, documents, surveys, books, records, files,
2 papers, or written material in the possession of the health care
3 authority shall be delivered to the custody of the Washington health
4 security trust. All cabinets, furniture, office equipment, motor
5 vehicles, and other tangible property employed by the health care
6 authority shall be made available to the Washington health security
7 trust. All funds, credits, or other assets held by the health care
8 authority shall be assigned to the Washington health security trust.

9 (b) Any appropriations made to the health care authority shall, on
10 the effective date of this section, be transferred and credited to the
11 Washington health security trust.

12 (c) If any question arises as to the transfer of any personnel,
13 funds, books, documents, records, papers, files, equipment, or other
14 tangible property used or held in the exercise of the powers and the
15 performance of the duties and functions transferred, the director of
16 financial management shall make a determination as to the proper
17 allocation and certify the same to the state agencies concerned.

18 (3) All employees of the health care authority are transferred to
19 the jurisdiction of the Washington health security trust. All
20 employees classified under chapter 41.06 RCW, the state civil service
21 law, are assigned to the Washington health security trust to perform
22 their usual duties upon the same terms as formerly, without any loss of
23 rights, subject to any action that may be appropriate thereafter in
24 accordance with the laws and rules governing state civil service.

25 (4) All rules and all pending business before the health care
26 authority shall be continued and acted upon by the Washington health
27 security trust. All existing contracts and obligations shall remain in
28 full force and shall be performed by the Washington health security
29 trust.

30 (5) The transfer of the powers, duties, functions, and personnel of
31 the health care authority shall not affect the validity of any act
32 performed before the effective date of this section.

33 (6) If apportionments of budgeted funds are required because of the
34 transfers directed by this section, the director of financial
35 management shall certify the apportionments to the affected agencies,
36 the state auditor, and the state treasurer. Each of these shall make
37 the appropriate transfer and adjustments in funds and appropriation
38 accounts and equipment records in accordance with the certification.

1 (7) Nothing contained in this section may be construed to alter any
2 existing collective bargaining unit or the provisions of any existing
3 collective bargaining agreement until the agreement has expired or
4 until the bargaining unit has been modified by action of the personnel
5 board as provided by law.

6 NEW SECTION. **Sec. 20.** Effective January 1, 2013, until April 30,
7 2013, all employers in Washington state shall pay reduced start-up
8 health security assessments that are thirty percent of the standard
9 monthly flat rate assessment amount to be established by separate
10 legislation. The department of revenue will collect these moneys.
11 Twenty percent of these revenues must be deposited in the reserve
12 account, created in section 22 of this act. Eighty percent of these
13 revenues must be deposited in the benefits account, created in section
14 24 of this act. Employers who pay this assessment may be eligible for
15 partial or full rebates within two years, if there are sufficient
16 surpluses in the trust.

17 NEW SECTION. **Sec. 21.** (1) The board, in consultation with
18 sovereign tribal governments as called for by the centennial accord,
19 shall determine the state and federal laws that need to be repealed,
20 amended, or waived to implement this act, and report its
21 recommendations, with proposed revisions to the Revised Code of
22 Washington, to the governor and the appropriate committees of the
23 legislature by October 1, 2012.

24 (2) The governor, in consultation with the board and sovereign
25 tribal governments as called for by the centennial accord, shall take
26 the following steps in an effort to receive waivers or exemptions from
27 federal statutes necessary to fully implement this act:

28 (a) Negotiate with the federal department of health and human
29 services, health care financing administration, to obtain a statutory
30 or regulatory waiver of provisions of the medical assistance statute,
31 Title XIX of the federal social security act and the children's health
32 insurance program;

33 (b) Negotiate with the federal department of health and human
34 services to obtain a statutory or regulatory waiver of provisions of
35 the medicare statute, Title XVIII of the federal social security act,
36 that currently constitute barriers to full implementation of this act;

1 (c) Negotiate with the federal department of health and human
2 services to obtain any statutory or regulatory waivers of provisions of
3 the United States public health services act necessary to ensure
4 integration of federally funded community and migrant health clinics
5 and other health services funded through the public health services act
6 into the trust system under this act;

7 (d) Negotiate with the federal office of personnel management for
8 the inclusion of federal employee health benefits in the trust under
9 this act;

10 (e) Negotiate with the federal department of veterans' affairs for
11 the inclusion of veterans' medical benefits in the trust under this
12 act;

13 (f) Negotiate with the federal department of defense and other
14 federal agencies for the inclusion of the civilian health and medical
15 program of the uniformed services (CHAMPUS) in the trust under this
16 act;

17 (g) Negotiate with the Indian health services and sovereign tribal
18 governments for inclusion and adequate reimbursement of Indian health
19 benefits under the trust created by this act; and

20 (h) Request that the United States congress amend the internal
21 revenue code to treat the employer health security assessment, created
22 in section 16 of this act, and the individual health security premiums,
23 created in section 17 of this act, as fully deductible from adjusted
24 gross income.

25 NEW SECTION. **Sec. 22.** (1) The reserve account is created in the
26 custody of the state treasurer. The reserve account will accumulate
27 moneys until its value equals ten percent of the total annual budgeted
28 expenditures of the trust and then will be considered fully funded,
29 unless the legislature determines that a different level of reserve is
30 necessary and prudent. Whenever the reserve account is fully funded,
31 additional moneys shall be transferred to the benefits account created
32 in section 24 of this act.

33 (2) Receipts from the following sources must be deposited into the
34 reserve account: (a) Twenty percent of the health security assessments
35 paid by employers under section 20 of this act between January 1, 2013,
36 and April 30, 2013; (b) effective May 15, 2013, seven percent of
37 receipts from the health security assessment created under section 16

1 of this act and seven percent of the receipts from the health security
2 premium created under section 17 of this act; and (c) ten percent of
3 all moneys received pursuant to RCW 41.05.120, 41.05.130, 66.24.290,
4 82.24.020, 82.26.020, 82.08.150, 43.79.480, 41.05.220, and section 33
5 of this act.

6 (3) Expenditures from the reserve account may be used only for the
7 purposes of health care services and maintenance of the trust. Only
8 the board or the board's designee may authorize expenditures from the
9 account. The account is subject to allotment procedures under chapter
10 43.88 RCW, but an appropriation is not required for expenditures.

11 NEW SECTION. **Sec. 23.** (1) The displaced worker training account
12 is created in the custody of the state treasurer. Between May 15,
13 2013, and January 1, 2015, three percent of the receipts from the
14 health security assessment created in section 16 of this act and three
15 percent of the health security premium created in section 17 of this
16 act must be deposited into the account. Expenditures from the account
17 may be used only for retraining and job placement of workers displaced
18 by the transition to the trust. Only the board or the board's designee
19 may authorize expenditures from the account. The account is subject to
20 allotment procedures under chapter 43.88 RCW, but an appropriation is
21 not required for expenditures.

22 (2) Any funds remaining in the account on December 31, 2015, must
23 be deposited into the benefits account created in section 24 of this
24 act.

25 (3) This section expires January 1, 2016.

26 NEW SECTION. **Sec. 24.** The benefits account is created in the
27 custody of the state treasurer. All receipts from the health security
28 assessment created under section 16 of this act and the health security
29 premium created under section 17 of this act that are not dedicated to
30 the reserve account created in section 22 of this act or the displaced
31 worker training account created in section 23 of this act, as well as
32 receipts from other sources, must be deposited into the account.
33 Expenditures from the account may be used only for health care services
34 and maintenance of the trust. Only the board or the board's designee
35 may authorize expenditures from the account. The account is subject to

1 allotment procedures under chapter 43.88 RCW, but an appropriation is
2 not required for expenditures.

3 **Sec. 25.** RCW 41.05.120 and 2005 c 518 s 921 and 2005 c 143 s 3 are
4 each reenacted and amended to read as follows:

5 ~~((1))~~ Contributions from RCW 41.05.050, and reserves, dividends,
6 and refunds currently in the public employees' and retirees' insurance
7 account ~~((is hereby established in the custody of the state treasurer,~~
8 ~~to be used by the administrator for the deposit of contributions, the~~
9 ~~remittance paid by school districts and educational service districts~~
10 ~~under RCW 28A.400.410, reserves, dividends, and refunds, for payment of~~
11 ~~premiums for employee and retiree insurance benefit contracts and~~
12 ~~subsidy amounts provided under RCW 41.05.085, and transfers from the~~
13 ~~medical flexible spending account as authorized in RCW 41.05.123.~~
14 ~~Moneys from the account shall be disbursed by the state treasurer by~~
15 ~~warrants on vouchers duly authorized by the administrator. Moneys from~~
16 ~~the account may be transferred to the medical flexible spending account~~
17 ~~to provide reserves and start-up costs for the operation of the medical~~
18 ~~flexible spending account program.~~

19 ~~(2) The state treasurer and the state investment board may invest~~
20 ~~moneys in the public employees' and retirees' insurance account. All~~
21 ~~such investments shall be in accordance with RCW 43.84.080 or~~
22 ~~43.84.150, whichever is applicable. The administrator shall determine~~
23 ~~whether the state treasurer or the state investment board or both shall~~
24 ~~invest moneys in the public employees' insurance account.~~

25 ~~(3) During the 2005-07 fiscal biennium, the legislature may~~
26 ~~transfer from the public employees' and retirees' insurance account~~
27 ~~such amounts as reflect the excess fund balance of the fund))~~ shall be
28 deposited in the reserve account pursuant to section 22 of this act and
29 the benefits account pursuant to section 24 of this act.

30 **Sec. 26.** RCW 41.05.130 and 1988 c 107 s 11 are each amended to
31 read as follows:

32 The state health care authority administrative account is ~~((hereby~~
33 ~~created in the state treasury))~~ transferred to the reserve account
34 created in section 22 of this act and the benefits account created in
35 section 24 of this act. Moneys in the account, including unanticipated
36 revenues under RCW 43.79.270, ~~((may be spent only after appropriation~~

1 ~~by statute, and may be used only for operating expenses of the~~
2 ~~authority)) are transferred to the reserve account created in section~~
3 ~~22 of this act and the benefits account created in section 24 of this~~
4 ~~act.~~

5 **Sec. 27.** RCW 66.24.290 and 2010 1st sp.s. c 23 s 1301 are each
6 amended to read as follows:

7 (1) Any microbrewer or domestic brewery or beer distributor
8 licensed under this title may sell and deliver beer and strong beer to
9 holders of authorized licenses direct, but to no other person, other
10 than the board. Any certificate of approval holder authorized to act
11 as a distributor under RCW 66.24.270 shall pay the taxes imposed by
12 this section.

13 (a) Every such brewery or beer distributor shall report all sales
14 to the board monthly, pursuant to the regulations, and shall pay to the
15 board as an added tax for the privilege of manufacturing and selling
16 the beer and strong beer within the state a tax of one dollar and
17 thirty cents per barrel of thirty-one gallons on sales to licensees
18 within the state and on sales to licensees within the state of bottled
19 and canned beer, including strong beer, shall pay a tax computed in
20 gallons at the rate of one dollar and thirty cents per barrel of
21 thirty-one gallons.

22 (b) Any brewery or beer distributor whose applicable tax payment is
23 not postmarked by the twentieth day following the month of sale will be
24 assessed a penalty at the rate of two percent per month or fraction
25 thereof. Beer and strong beer shall be sold by breweries and
26 distributors in sealed barrels or packages.

27 (c) The moneys collected under this subsection shall be distributed
28 as follows: (i) Three-tenths of a percent shall be distributed to
29 border areas under RCW 66.08.195; and (ii) of the remaining moneys:
30 (A) Twenty percent shall be distributed to counties in the same manner
31 as under RCW 66.08.200; and (B) eighty percent shall be distributed to
32 incorporated cities and towns in the same manner as under RCW
33 66.08.210.

34 (d) Any licensed retailer authorized to purchase beer from a
35 certificate of approval holder with a direct shipment endorsement or a
36 brewery or microbrewery shall make monthly reports to the liquor

1 control board on beer purchased during the preceding calendar month in
2 the manner and upon such forms as may be prescribed by the board.

3 (2) An additional tax is imposed on all beer and strong beer
4 subject to tax under subsection (1) of this section. The additional
5 tax is equal to two dollars per barrel of thirty-one gallons. All
6 revenues collected during any month from this additional tax shall be
7 deposited in the state general fund by the twenty-fifth day of the
8 following month.

9 (3)(a) An additional tax is imposed on all beer and strong beer
10 subject to tax under subsection (1) of this section. The additional
11 tax is equal to ninety-six cents per barrel of thirty-one gallons
12 through June 30, 1995, two dollars and thirty-nine cents per barrel of
13 thirty-one gallons for the period July 1, 1995, through June 30, 1997,
14 and four dollars and seventy-eight cents per barrel of thirty-one
15 gallons thereafter.

16 (b) The additional tax imposed under this subsection does not apply
17 to the sale of the first sixty thousand barrels of beer each year by
18 breweries that are entitled to a reduced rate of tax under 26 U.S.C.
19 Sec. 5051, as existing on July 1, 1993, or such subsequent date as may
20 be provided by the board by rule consistent with the purposes of this
21 exemption.

22 (c) All revenues collected from the additional tax imposed under
23 this subsection (3) shall be deposited in the (~~state general fund~~)
24 reserve account created in section 22 of this act and the benefits
25 account created in section 24 of this act.

26 (4) An additional tax is imposed on all beer and strong beer that
27 is subject to tax under subsection (1) of this section that is in the
28 first sixty thousand barrels of beer and strong beer by breweries that
29 are entitled to a reduced rate of tax under 26 U.S.C. Sec. 5051, as
30 existing on July 1, 1993, or such subsequent date as may be provided by
31 the board by rule consistent with the purposes of the exemption under
32 subsection (3)(b) of this section. The additional tax is equal to one
33 dollar and forty-eight and two-tenths cents per barrel of thirty-one
34 gallons. By the twenty-fifth day of the following month, three percent
35 of the revenues collected from this additional tax shall be distributed
36 to border areas under RCW 66.08.195 and the remaining moneys shall be
37 transferred to the state general fund.

1 (5)(a) From June 1, 2010, through June 30, 2013, an additional tax
2 is imposed on all beer and strong beer subject to tax under subsection
3 (1) of this section. The additional tax is equal to fifteen dollars
4 and fifty cents per barrel of thirty-one gallons.

5 (b) The additional tax imposed under this subsection does not apply
6 to the sale of the first sixty thousand barrels of beer each year by
7 breweries that are entitled to a reduced rate of tax under 26 U.S.C.
8 Sec. 5051 of the federal internal revenue code, as existing on July 1,
9 1993, or such subsequent date as may be provided by the board by rule
10 consistent with the purposes of this exemption.

11 (c) All revenues collected from the additional tax imposed under
12 this subsection shall be deposited in the state general fund.

13 (6) The board may make refunds for all taxes paid on beer and
14 strong beer exported from the state for use outside the state.

15 (7) The board may require filing with the board of a bond to be
16 approved by it, in such amount as the board may fix, securing the
17 payment of the tax. If any licensee fails to pay the tax when due, the
18 board may forthwith suspend or cancel his or her license until all
19 taxes are paid.

20 **Sec. 28.** RCW 82.24.020 and 2010 1st sp.s. c 22 s 2 are each
21 amended to read as follows:

22 (1) There is levied and collected as provided in this chapter((7))
23 a tax upon the sale, use, consumption, handling, possession, or
24 distribution of all cigarettes, in an amount equal to 12.125 cents per
25 cigarette.

26 (2) Wholesalers subject to the payment of this tax may, if they
27 wish, absorb five one-hundredths cents per cigarette of the tax and not
28 pass it on to purchasers without being in violation of this section or
29 any other act relating to the sale or taxation of cigarettes.

30 (3) For purposes of this chapter, "possession" means both (a)
31 physical possession by the purchaser, and((7)) (b) when cigarettes are
32 being transported to or held for the purchaser or his or her designee
33 by a person other than the purchaser, constructive possession by the
34 purchaser or his or her designee, which constructive possession is
35 deemed to occur at the location of the cigarettes being so transported
36 or held.

1 (4) In accordance with federal law and rules prescribed by the
2 department, an enrolled member of a federally recognized Indian tribe
3 may purchase cigarettes from an Indian tribal organization under the
4 jurisdiction of the member's tribe for the member's own use exempt from
5 the applicable taxes imposed by this chapter. Except as provided in
6 subsection (5) of this section, any person, who purchases cigarettes
7 from an Indian tribal organization and who is not an enrolled member of
8 the federally recognized Indian tribe within whose jurisdiction the
9 sale takes place, is not exempt from the applicable taxes imposed by
10 this chapter.

11 (5) If the state enters into a cigarette tax contract or agreement
12 with a federally recognized Indian tribe under chapter 43.06 RCW, the
13 terms of the contract or agreement take precedence over any conflicting
14 provisions of this chapter while the contract or agreement is in
15 effect. The revenue collected under this section must be deposited in
16 the reserve account created in section 22 of this act and the benefits
17 account created in section 24 of this act.

18 **Sec. 29.** RCW 82.26.020 and 2010 1st sp.s. c 22 s 5 are each
19 amended to read as follows:

20 (1) There is levied and collected a tax upon the sale, handling, or
21 distribution of all tobacco products in this state at the following
22 rate:

23 (a) For cigars except little cigars, ninety-five percent of the
24 taxable sales price of cigars, not to exceed sixty-five cents per
25 cigar;

26 (b) For all tobacco products except those covered under separate
27 provisions of this subsection, ninety-five percent of the taxable sales
28 price;

29 (c) For moist snuff, as established in this subsection (1)(c) and
30 computed on the net weight listed by the manufacturer:

31 (i) On each single unit consumer-sized can or package whose net
32 weight is one and two-tenths ounces or less, a rate per single unit
33 that is equal to the greater of 2.526 dollars or eighty-three and one-
34 half percent of the cigarette tax under chapter 82.24 RCW multiplied by
35 twenty; or

36 (ii) On each single unit consumer-sized can or package whose net

1 weight is more than one and two-tenths ounces, a proportionate tax at
2 the rate established in (c)(i) of this subsection (1) on each ounce or
3 fractional part of an ounce; and

4 (d) For little cigars, an amount per cigar equal to the cigarette
5 tax under chapter 82.24 RCW.

6 (2) Taxes under this section must be imposed at the time the
7 distributor (a) brings, or causes to be brought, into this state from
8 without the state tobacco products for sale, (b) makes, manufactures,
9 fabricates, or stores tobacco products in this state for sale in this
10 state, (c) ships or transports tobacco products to retailers in this
11 state, to be sold by those retailers, or (d) handles for sale any
12 tobacco products that are within this state but upon which tax has not
13 been imposed.

14 (3) The moneys collected under this section must be deposited into
15 the (~~state general fund~~) reserve account created in section 22 of
16 this act and the benefits account created in section 24 of this act.

17 **Sec. 30.** RCW 82.08.150 and 2009 c 479 s 65 are each amended to
18 read as follows:

19 (1) There is levied and shall be collected a tax upon each retail
20 sale of spirits in the original package at the rate of fifteen percent
21 of the selling price. The tax imposed in this subsection shall apply
22 to all such sales including sales by the Washington state liquor stores
23 and agencies, but excluding sales to spirits, beer, and wine restaurant
24 licensees.

25 (2) There is levied and shall be collected a tax upon each sale of
26 spirits in the original package at the rate of ten percent of the
27 selling price on sales by Washington state liquor stores and agencies
28 to spirits, beer, and wine restaurant licensees.

29 (3) There is levied and shall be collected an additional tax upon
30 each retail sale of spirits in the original package at the rate of one
31 dollar and seventy-two cents per liter. The additional tax imposed in
32 this subsection shall apply to all such sales including sales by
33 Washington state liquor stores and agencies, and including sales to
34 spirits, beer, and wine restaurant licensees.

35 (4) An additional tax is imposed equal to fourteen percent
36 multiplied by the taxes payable under subsections (1), (2), and (3) of
37 this section.

1 (5) An additional tax is imposed upon each retail sale of spirits
2 in the original package at the rate of seven cents per liter. The
3 additional tax imposed in this subsection shall apply to all such sales
4 including sales by Washington state liquor stores and agencies, and
5 including sales to spirits, beer, and wine restaurant licensees. All
6 revenues collected during any month from this additional tax shall be
7 deposited in the state general fund by the twenty-fifth day of the
8 following month.

9 (6)(a) An additional tax is imposed upon retail sale of spirits in
10 the original package at the rate of one and seven-tenths percent of the
11 selling price through June 30, 1995, two and six-tenths percent of the
12 selling price for the period July 1, 1995, through June 30, 1997, and
13 three and four-tenths of the selling price thereafter. This additional
14 tax applies to all such sales including sales by Washington state
15 liquor stores and agencies, but excluding sales to spirits, beer, and
16 wine restaurant licensees.

17 (b) An additional tax is imposed upon retail sale of spirits in the
18 original package at the rate of one and one-tenth percent of the
19 selling price through June 30, 1995, one and seven-tenths percent of
20 the selling price for the period July 1, 1995, through June 30, 1997,
21 and two and three-tenths of the selling price thereafter. This
22 additional tax applies to all such sales to spirits, beer, and wine
23 restaurant licensees.

24 (c) An additional tax is imposed upon each retail sale of spirits
25 in the original package at the rate of twenty cents per liter through
26 June 30, 1995, thirty cents per liter for the period July 1, 1995,
27 through June 30, 1997, and forty-one cents per liter thereafter. This
28 additional tax applies to all such sales including sales by Washington
29 state liquor stores and agencies, and including sales to spirits, beer,
30 and wine restaurant licensees.

31 (d) All revenues collected during any month from additional taxes
32 under this subsection shall be deposited in the ((~~state general fund~~))
33 reserve account created in section 22 of this act and the benefits
34 account created in section 24 of this act by the twenty-fifth day of
35 the following month.

36 (7)(a) An additional tax is imposed upon each retail sale of
37 spirits in the original package at the rate of one dollar and thirty-

1 three cents per liter. This additional tax applies to all such sales
2 including sales by Washington state liquor stores and agencies, but
3 excluding sales to spirits, beer, and wine restaurant licensees.

4 (b) All revenues collected during any month from additional taxes
5 under this subsection shall be deposited by the twenty-fifth day of the
6 following month into the ~~((general fund))~~ reserve account created in
7 section 22 of this act and the benefits account created in section 24
8 of this act.

9 (8) The tax imposed in RCW 82.08.020 shall not apply to sales of
10 spirits in the original package.

11 (9) The taxes imposed in this section shall be paid by the buyer to
12 the seller, and each seller shall collect from the buyer the full
13 amount of the tax payable in respect to each taxable sale under this
14 section. The taxes required by this section to be collected by the
15 seller shall be stated separately from the selling price and for
16 purposes of determining the tax due from the buyer to the seller, it
17 shall be conclusively presumed that the selling price quoted in any
18 price list does not include the taxes imposed by this section.

19 (10) As used in this section, the terms, "spirits" and "package"
20 shall have the meaning ascribed to them in chapter 66.04 RCW.

21 **Sec. 31.** RCW 43.79.480 and 2009 c 564 s 937 and 2009 c 479 s 30
22 are each reenacted and amended to read as follows:

23 (1) Moneys received by the state of Washington in accordance with
24 the settlement of the state's legal action against tobacco product
25 manufacturers, exclusive of costs and attorneys' fees, shall be
26 deposited in the tobacco settlement account created in this section
27 except as these moneys are sold or assigned under chapter 43.340 RCW.

28 (2) The tobacco settlement account is created in the state
29 treasury. Moneys in the tobacco settlement account may only be
30 transferred to the ~~((state general fund))~~ reserve account created in
31 section 22 of this act and the benefits account created in section 24
32 of this act, and to the tobacco prevention and control account for
33 purposes set forth in this section. ~~((The legislature shall transfer~~
34 ~~amounts received as strategic contribution payments as defined in RCW~~
35 ~~43.350.010 to the life sciences discovery fund created in RCW~~
36 ~~43.350.070. During the 2009-2011 fiscal biennium, the legislature may~~
37 ~~transfer less than the entire strategic contribution payments.))~~

1 (3) The tobacco prevention and control account is created in the
2 state treasury. The source of revenue for this account is moneys
3 transferred to the account from the tobacco settlement account,
4 investment earnings, donations to the account, and other revenues as
5 directed by law. Expenditures from the account are subject to
6 appropriation. During the 2009-2011 fiscal biennium, the legislature
7 may transfer from the tobacco prevention and control account to the
8 state general fund such amounts as represent the excess fund balance of
9 the account.

10 **Sec. 32.** RCW 41.05.220 and 1998 c 245 s 38 are each amended to
11 read as follows:

12 ~~((1))~~ State general funds appropriated to the department of
13 health for the purposes of funding community health centers to provide
14 primary health and dental care services, migrant health services, and
15 maternity health care services shall be transferred to the ~~((state~~
16 ~~health care authority))~~ reserve account created in section 22 of this
17 act and the benefits account created in section 24 of this act. Any
18 related administrative funds expended by the department of health for
19 this purpose shall also be transferred to the ~~((health care authority))~~
20 reserve account created in section 22 of this act and the benefits
21 account created in section 24 of this act. The Washington health
22 ~~((care authority))~~ security trust shall exclusively expend these funds
23 through contracts with community health centers to provide primary
24 health and dental care services, migrant health services, and maternity
25 health care services. The ~~((administrator))~~ chair of the Washington
26 health ~~((care authority))~~ security trust shall establish requirements
27 necessary to assure community health centers provide quality health
28 care services that are appropriate and effective and are delivered in
29 a cost-efficient manner. The ~~((administrator))~~ chair of the Washington
30 health security trust shall further assure that community health
31 centers have appropriate referral arrangements for acute care and
32 medical specialty services not provided by the community health
33 centers.

34 ~~((2) The authority, in consultation with the department of health,~~
35 ~~shall work with community and migrant health clinics and other~~
36 ~~providers of care to underserved populations, to ensure that the number~~

1 ~~of people of color and underserved people receiving access to managed~~
2 ~~care is expanded in proportion to need, based upon demographic data.)~~)

3 NEW SECTION. **Sec. 33.** Following the repeal, amendment, or waiver
4 of existing state and federal laws delineated in section 21 of this
5 act, all other revenues currently deposited in the health services
6 account for personal health care services shall be deposited to the
7 reserve account created in section 22 of this act and the benefits
8 account created in section 24 of this act.

9 NEW SECTION. **Sec. 34.** Nothing in this act shall be construed to
10 limit an employer's right to maintain employee benefit plans under the
11 federal employee retirement income security act of 1974.

12 NEW SECTION. **Sec. 35.** No later than January 1, 2014, the board
13 shall submit to the legislature a proposal to integrate those current
14 and future federally qualified trusts that choose to participate in the
15 trust.

16 NEW SECTION. **Sec. 36.** On or before January 1, 2014, the board, in
17 coordination with the department of labor and industries, shall study
18 and make a report to the governor and appropriate committees of the
19 legislature on the provision of medical benefits for injured workers
20 under the trust.

21 NEW SECTION. **Sec. 37.** An appropriation by separate act of the
22 legislature may be necessary for the fiscal year ending June 30, 2013,
23 from the general fund to the benefits account of the Washington health
24 security trust for start-up moneys for purposes of this act during the
25 period of July 1, 2012, through June 30, 2013.

26 NEW SECTION. **Sec. 38.** The following acts or parts of acts are
27 each repealed:

28 (1) RCW 82.04.260 (Tax on manufacturers and processors of various
29 foods and by-products--Research and development organizations--Travel
30 agents--Certain international activities--Stevedoring and associated
31 activities--Low-level waste disposers--Insurance producers, surplus
32 line brokers, and title insurance agents--Hospitals--Commercial

1 airplane activities--Timber product activities--Canned salmon
2 processors) and 2011 c 2 s 203 (Initiative Measure No. 1107), 2010 1st
3 sp.s. c 23 s 506, & 2010 c 114 s 107; and
4 (2) RCW 48.14.0201 (Premiums and prepayments tax--Health care
5 services--Exemptions--State preemption) and 2009 c 479 s 41.

6 NEW SECTION. **Sec. 39.** Sections 1 through 15, 18, 19, 21 through
7 24, and 33 through 35 of this act constitute a new chapter in Title 43
8 RCW.

9 NEW SECTION. **Sec. 40.** (1) Sections 22 through 24 of this act take
10 effect January 1, 2013.

11 (2) Sections 19, 25 through 34, and 38 of this act take effect May
12 15, 2013.

13 NEW SECTION. **Sec. 41.** If any provision of this act or its
14 application to any person or circumstance is held invalid, the
15 remainder of the act or the application of the provision to other
16 persons or circumstances is not affected.

17 NEW SECTION. **Sec. 42.** If any part of this act is found to be in
18 conflict with federal requirements that are a prescribed condition to
19 the allocation of federal funds to the state, the conflicting part of
20 this act is inoperative solely to the extent of the conflict and with
21 respect to the agencies directly affected, and this finding does not
22 affect the operation of the remainder of this act in its application to
23 the agencies concerned. Rules adopted under this act must meet federal
24 requirements that are a necessary condition to the receipt of federal
25 funds by the state.

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