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SENATE BILL 5653

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State of Washington                      65th Legislature                      2017 Regular Session

By Senators Becker, Braun, Brown, Bailey, Padden, Zeiger, King, Wilson, O'Ban, Rossi, Walsh, Hawkins, and Fain

Read first time 02/01/17. Referred to Committee on Ways & Means.

1            AN ACT Relating to administration of the public employees'  
2 benefits program; amending RCW 41.50.030, 41.05.013, 41.05.014,  
3 41.05.015, 41.05.017, 41.05.019, 41.05.021, 41.05.022, 41.05.023,  
4 41.05.026, 41.05.033, 41.05.035, 41.05.036, 41.05.039, 41.05.046,  
5 41.05.055, 41.05.065, 41.05.074, 41.05.075, 41.05.085, 41.05.123,  
6 41.05.130, 41.05.143, 41.05.160, 41.05.175, 41.05.177, 41.05.180,  
7 41.05.183, 41.05.220, 41.05.310, 41.05.400, 41.05.520, 41.05.540,  
8 41.05.550, 41.05.600, 41.05.601, 41.05.630, 41.05.655, and 41.05.660;  
9 reenacting and amending RCW 41.05.011 and 41.05.120; adding a new  
10 section to chapter 41.50 RCW; adding a new chapter to Title 43 RCW;  
11 creating a new section; recodifying RCW 41.05.014, 41.05.015,  
12 41.05.036, 41.05.037, 41.05.220, 41.05.230, 41.05.400, 41.05.520,  
13 41.05.530, 41.05.550, 41.05.600, 41.05.601, 41.05.650, 41.05.651,  
14 41.05.660, 41.05.670, 41.05.680, 41.05.690, 41.05.730, 41.05.735, and  
15 41.05.800; repealing RCW 41.05.006 and 41.05.295; and providing an  
16 effective date.

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

18            NEW SECTION.    **Sec. 1.** The legislature finds that the nature of  
19 the work outside the public employees' benefits program at the health  
20 care authority is very different than providing benefits to public  
21 employees and this difference has caused inefficiencies in the way

1 services are provided. The legislature further finds that customers  
2 and services of the public employees' benefits board and the  
3 department of retirement systems are similar in that both provide  
4 benefits to public employees and retirees.

5 Therefore, it is the intent of the legislature that  
6 administration of the public employees' benefits board is moved to be  
7 managed by the department of retirement systems.

8 NEW SECTION. **Sec. 2.** A new section is added to chapter 41.50  
9 RCW to read as follows:

10 (1) All powers, duties, and functions of the health care  
11 authority pertaining to the public employees' benefits board are  
12 transferred to the department of retirement systems.

13 (2)(a) All reports, documents, surveys, books, records, files,  
14 papers, or written material in the possession of the health care  
15 authority pertaining to the powers, functions, and duties transferred  
16 shall be delivered to the custody of the department of retirement  
17 systems. All funds, credits, or other assets held in connection with  
18 the powers, functions, and duties transferred shall be assigned to  
19 the department of retirement systems.

20 (b) Whenever any question arises as to the transfer of any funds,  
21 books, documents, records, papers, files, or other tangible property  
22 used or held in the exercise of the powers and the performance of the  
23 duties and functions transferred, the director of financial  
24 management shall make a determination as to the proper allocation and  
25 certify the same to the state agencies concerned.

26 (3) All rules and all pending business before the health care  
27 authority pertaining to the powers, functions, and duties transferred  
28 shall be continued and acted upon by the department of retirement  
29 systems. All existing contracts and obligations shall remain in full  
30 force and shall be performed by the department of retirement systems.

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

34 (5) Nothing contained in this section may be construed to alter  
35 any existing collective bargaining unit or the provisions of any  
36 existing collective bargaining agreement until the agreement has  
37 expired or until the bargaining unit has been modified by action of  
38 the public employment relations commission as provided by law.

1       **Sec. 3.** RCW 41.50.030 and 2011 1st sp.s. c 47 s 20 are each  
2 amended to read as follows:

3       (1) As soon as possible but not more than one hundred and eighty  
4 days after March 19, 1976, there is transferred to the department of  
5 retirement systems, except as otherwise provided in this chapter, all  
6 powers, duties, and functions of:

7       (a) The Washington public employees' retirement system;

8       (b) The Washington state teachers' retirement system;

9       (c) The Washington law enforcement officers' and firefighters'  
10 retirement system;

11       (d) The Washington state patrol retirement system;

12       (e) The Washington judicial retirement system; and

13       (f) The state treasurer with respect to the administration of the  
14 judges' retirement fund imposed pursuant to chapter 2.12 RCW.

15       (2) On July 1, 1996, there is transferred to the department all  
16 powers, duties, and functions of the deferred compensation committee.

17       (3) The department shall administer chapter 41.34 RCW.

18       (4) The department shall administer the Washington school  
19 employees' retirement system created under chapter 41.35 RCW.

20       (5) The department shall administer the Washington public safety  
21 employees' retirement system created under chapter 41.37 RCW.

22       (6) The department shall administer the collection of employer  
23 contributions and initial prefunding of the higher education  
24 retirement plan supplemental benefits, also referred to as the  
25 annuity or retirement income plans created under chapter 28B.10 RCW.

26       (7) The department shall administer the public employees'  
27 benefits board under chapter 41.05 RCW.

28       **Sec. 4.** RCW 41.05.011 and 2016 c 241 s 136 and 2016 c 67 s 2 are  
29 each reenacted and amended to read as follows:

30       The definitions in this section apply throughout this chapter  
31 unless the context clearly requires otherwise.

32       (1) "Authority" or "department" means the (~~Washington state~~  
33 ~~health care authority~~) department of retirement systems.

34       (2) "Board" means the public employees' benefits board  
35 established under RCW 41.05.055.

36       (3) "Dependent care assistance program" means a benefit plan  
37 whereby state and public employees may pay for certain employment  
38 related dependent care with pretax dollars as provided in the salary

1 reduction plan under this chapter pursuant to 26 U.S.C. Sec. 129 or  
2 other sections of the internal revenue code.

3 (4) "Director" means the director of (~~the authority~~) retirement  
4 systems.

5 (5) "Emergency service personnel killed in the line of duty"  
6 means law enforcement officers and firefighters as defined in RCW  
7 41.26.030, members of the Washington state patrol retirement fund as  
8 defined in RCW 43.43.120, and reserve officers and firefighters as  
9 defined in RCW 41.24.010 who die as a result of injuries sustained in  
10 the course of employment as determined consistent with Title 51 RCW  
11 by the department of labor and industries.

12 (6) "Employee" includes all employees of the state, whether or  
13 not covered by civil service; elected and appointed officials of the  
14 executive branch of government, including full-time members of  
15 boards, commissions, or committees; justices of the supreme court and  
16 judges of the court of appeals and the superior courts; and members  
17 of the state legislature. Pursuant to contractual agreement with the  
18 authority, "employee" may also include: (a) Employees of a county,  
19 municipality, or other political subdivision of the state and members  
20 of the legislative authority of any county, city, or town who are  
21 elected to office after February 20, 1970, if the legislative  
22 authority of the county, municipality, or other political subdivision  
23 of the state submits application materials to the authority to  
24 provide any of its insurance programs by contract with the authority,  
25 as provided in RCW 41.04.205 and 41.05.021(1)(g); (b) employees of  
26 employee organizations representing state civil service employees, at  
27 the option of each such employee organization, and, effective October  
28 1, 1995, employees of employee organizations currently pooled with  
29 employees of school districts for the purpose of purchasing insurance  
30 benefits, at the option of each such employee organization; (c)  
31 employees of a school district if the authority agrees to provide any  
32 of the school districts' insurance programs by contract with the  
33 authority as provided in RCW 28A.400.350; (d) employees of a tribal  
34 government, if the governing body of the tribal government seeks and  
35 receives the approval of the authority to provide any of its  
36 insurance programs by contract with the authority, as provided in RCW  
37 41.05.021(1) (f) and (g); (e) employees of the Washington health  
38 benefit exchange if the governing board of the exchange established  
39 in RCW 43.71.020 seeks and receives approval of the authority to  
40 provide any of its insurance programs by contract with the authority,

1 as provided in RCW 41.05.021(1)(g) (~~and (n)~~); and (f) employees of  
2 a charter school established under chapter 28A.710 RCW. "Employee"  
3 does not include: Adult family home providers; unpaid volunteers;  
4 patients of state hospitals; inmates; employees of the Washington  
5 state convention and trade center as provided in RCW 41.05.110;  
6 students of institutions of higher education as determined by their  
7 institution; and any others not expressly defined as employees under  
8 this chapter or by the authority under this chapter.

9 (7) "Employer" means the state of Washington.

10 (8) "Employer group" means those counties, municipalities,  
11 political subdivisions, the Washington health benefit exchange,  
12 tribal governments, school districts, and educational service  
13 districts, and employee organizations representing state civil  
14 service employees, obtaining employee benefits through a contractual  
15 agreement with the authority.

16 (9) "Employing agency" means a division, department, or separate  
17 agency of state government, including an institution of higher  
18 education; a county, municipality, school district, educational  
19 service district, or other political subdivision; charter school; and  
20 a tribal government covered by this chapter.

21 (10) "Faculty" means an academic employee of an institution of  
22 higher education whose workload is not defined by work hours but  
23 whose appointment, workload, and duties directly serve the  
24 institution's academic mission, as determined under the authority of  
25 its enabling statutes, its governing body, and any applicable  
26 collective bargaining agreement.

27 (11) "Flexible benefit plan" means a benefit plan that allows  
28 employees to choose the level of health care coverage provided and  
29 the amount of employee contributions from among a range of choices  
30 offered by the authority.

31 (12) "Insuring entity" means an insurer as defined in chapter  
32 48.01 RCW, a health care service contractor as defined in chapter  
33 48.44 RCW, or a health maintenance organization as defined in chapter  
34 48.46 RCW.

35 (13) "Medical flexible spending arrangement" means a benefit plan  
36 whereby state and public employees may reduce their salary before  
37 taxes to pay for medical expenses not reimbursed by insurance as  
38 provided in the salary reduction plan under this chapter pursuant to  
39 26 U.S.C. Sec. 125 or other sections of the internal revenue code.

1 (14) "Participant" means an individual who fulfills the  
2 eligibility and enrollment requirements under the salary reduction  
3 plan.

4 (15) "Plan year" means the time period established by the  
5 authority.

6 (16) "Premium payment plan" means a benefit plan whereby state  
7 and public employees may pay their share of group health plan  
8 premiums with pretax dollars as provided in the salary reduction plan  
9 under this chapter pursuant to 26 U.S.C. Sec. 125 or other sections  
10 of the internal revenue code.

11 (17) "Retired or disabled school employee" means:

12 (a) Persons who separated from employment with a school district  
13 or educational service district and are receiving a retirement  
14 allowance under chapter 41.32 or 41.40 RCW as of September 30, 1993;

15 (b) Persons who separate from employment with a school district,  
16 educational service district, or charter school on or after October  
17 1, 1993, and immediately upon separation receive a retirement  
18 allowance under chapter 41.32, 41.35, or 41.40 RCW;

19 (c) Persons who separate from employment with a school district,  
20 educational service district, or charter school due to a total and  
21 permanent disability, and are eligible to receive a deferred  
22 retirement allowance under chapter 41.32, 41.35, or 41.40 RCW.

23 (18) "Salary" means a state employee's monthly salary or wages.

24 (19) "Salary reduction plan" means a benefit plan whereby state  
25 and public employees may agree to a reduction of salary on a pretax  
26 basis to participate in the dependent care assistance program,  
27 medical flexible spending arrangement, or premium payment plan  
28 offered pursuant to 26 U.S.C. Sec. 125 or other sections of the  
29 internal revenue code.

30 (20) "Seasonal employee" means an employee hired to work during a  
31 recurring, annual season with a duration of three months or more, and  
32 anticipated to return each season to perform similar work.

33 (21) "Separated employees" means persons who separate from  
34 employment with an employer as defined in:

35 (a) RCW 41.32.010(17) on or after July 1, 1996; or

36 (b) RCW 41.35.010 on or after September 1, 2000; or

37 (c) RCW 41.40.010 on or after March 1, 2002;

38 and who are at least age fifty-five and have at least ten years of  
39 service under the teachers' retirement system plan 3 as defined in  
40 RCW 41.32.010(33), the Washington school employees' retirement system

1 plan 3 as defined in RCW 41.35.010, or the public employees'  
2 retirement system plan 3 as defined in RCW 41.40.010.

3 ~~(22) ("State purchased health care" or "health care" means~~  
4 ~~medical and health care, pharmaceuticals, and medical equipment~~  
5 ~~purchased with state and federal funds by the department of social~~  
6 ~~and health services, the department of health, the basic health plan,~~  
7 ~~the state health care authority, the department of labor and~~  
8 ~~industries, the department of corrections, the department of veterans~~  
9 ~~affairs, and local school districts.~~

10 ~~(23))~~ "Tribal government" means an Indian tribal government as  
11 defined in section 3(32) of the employee retirement income security  
12 act of 1974, as amended, or an agency or instrumentality of the  
13 tribal government, that has government offices principally located in  
14 this state.

15 **Sec. 5.** RCW 41.05.013 and 2006 c 307 s 8 are each amended to  
16 read as follows:

17 (1) The authority shall coordinate state agency efforts to  
18 develop and implement uniform policies across state purchased health  
19 care programs that will ensure prudent, cost-effective health  
20 services purchasing, maximize efficiencies in administration of state  
21 purchased health care programs, improve the quality of care provided  
22 through state purchased health care programs, and reduce  
23 administrative burdens on health care providers participating in  
24 state purchased health care programs. The policies adopted should be  
25 based, to the extent possible, upon the best available scientific and  
26 medical evidence and shall endeavor to address:

27 (a) Methods of formal assessment, such as a health technology  
28 assessment under RCW 70.14.080 through 70.14.130. Consideration of  
29 the best available scientific evidence does not preclude  
30 consideration of experimental or investigational treatment or  
31 services under a clinical investigation approved by an institutional  
32 review board;

33 (b) Monitoring of health outcomes, adverse events, quality, and  
34 cost-effectiveness of health services;

35 (c) Development of a common definition of medical necessity; and

36 (d) Exploration of common strategies for disease management and  
37 demand management programs, including asthma, diabetes, heart  
38 disease, and similar common chronic diseases. Strategies to be  
39 explored include individual asthma management plans. On January 1,

1 2007, and January 1, 2009, the authority shall issue a status report  
2 to the legislature summarizing any results it attains in exploring  
3 and coordinating strategies for asthma, diabetes, heart disease, and  
4 other chronic diseases.

5 (2) The (~~administrator~~) director may invite health care  
6 provider organizations, carriers, other health care purchasers, and  
7 consumers to participate in efforts undertaken under this section.

8 (3) For the purposes of this section "best available scientific  
9 and medical evidence" means the best available clinical evidence  
10 derived from systematic research.

11 **Sec. 6.** RCW 41.05.014 and 2009 c 201 s 2 are each amended to  
12 read as follows:

13 (1) The (~~administrator~~) director may require applications,  
14 enrollment forms, and eligibility certification documents for  
15 benefits that are administered by the authority under this chapter  
16 and chapters 70.47 and 70.47A RCW to be signed by the person  
17 submitting them. The (~~administrator~~) director may accept electronic  
18 signatures.

19 (2) For the purpose of this section, "electronic signature" means  
20 a signature in electronic form attached to or logically associated  
21 with an electronic record including, but not limited to, a digital  
22 signature.

23 **Sec. 7.** RCW 41.05.015 and 2011 1st sp.s. c 15 s 55 are each  
24 amended to read as follows:

25 The director shall designate a medical director who is licensed  
26 under chapter 18.57 or 18.71 RCW. (~~The director shall also appoint  
27 such professional personnel and other assistants and employees,  
28 including professional medical screeners, as may be reasonably  
29 necessary to carry out the provisions of this chapter and chapter  
30 74.09 RCW. The medical screeners must be supervised by one or more  
31 physicians whom the director or the director's designee shall  
32 appoint.~~)

33 **Sec. 8.** RCW 41.05.017 and 2016 c 139 s 4 are each amended to  
34 read as follows:

35 Each health plan that provides medical insurance offered under  
36 this chapter or chapter 43.--- RCW (the new chapter created in  
37 section 50 of this act), including plans created by insuring

1 entities, plans not subject to the provisions of Title 48 RCW, and  
2 plans created under RCW 41.05.140, are subject to the provisions of  
3 RCW 48.43.500, 70.02.045, 48.43.505 through 48.43.535, 48.43.537,  
4 48.43.545, 48.43.550, 70.02.110, 70.02.900, 48.43.190, and 48.43.083.

5 **Sec. 9.** RCW 41.05.019 and 2011 1st sp.s. c 8 s 2 are each  
6 amended to read as follows:

7 (1) The (~~Washington state health care~~) authority shall develop  
8 a plan to incorporate direct patient-provider primary care practices  
9 as provided in chapter 48.150 RCW into one or more of the choices of  
10 health benefit programs made available to participants in the public  
11 employees' benefits board system beginning no later than the open  
12 enrollment period beginning November 1, 2012.

13 (2) The plan will be developed in consultation with the board and  
14 interested parties, will identify statutory barriers to  
15 implementation, and will include proposed legislation to address  
16 those barriers and implement the plan. The plan will be submitted to  
17 the board and to the house of representatives and senate health care  
18 committees by December 1, 2011.

19 **Sec. 10.** RCW 41.05.021 and 2012 c 87 s 23 are each amended to  
20 read as follows:

21 (1) The (~~Washington state health care authority~~) public  
22 employees' benefits board is created within the (~~executive branch.~~  
23 ~~The authority shall have a director appointed by the governor, with~~  
24 ~~the consent of the senate. The director shall serve at the pleasure~~  
25 ~~of the governor~~) department of retirement systems. The director may  
26 employ a deputy director, and such assistant directors and special  
27 assistants as may be needed to administer the (~~authority~~) board,  
28 who shall be exempt from chapter 41.06 RCW, and any additional staff  
29 members as are necessary to administer this chapter. The director may  
30 delegate any power or duty vested in him or her by law, including  
31 authority to make final decisions and enter final orders in hearings  
32 conducted under chapter 34.05 RCW. The primary duties of the  
33 (~~authority~~) board shall be to: Administer state employees'  
34 insurance benefits and retired or disabled school employees'  
35 insurance benefits; (~~administer the basic health plan pursuant to~~  
36 ~~chapter 70.47 RCW;~~) administer the children's health program  
37 pursuant to chapter 74.09 RCW; study state purchased health care  
38 programs in order to maximize cost containment in these programs

1 while ensuring access to quality health care; implement state  
2 initiatives, joint purchasing strategies, and techniques for  
3 efficient administration that have potential application to all  
4 state-purchased health services; and administer grants that further  
5 the mission and goals of the ~~((authority))~~ board. The ~~((authority's))~~  
6 board's duties include, but are not limited to, the following:

7 (a) To administer health care benefit programs for employees and  
8 retired or disabled school employees as specifically authorized in  
9 RCW 41.05.065 and in accordance with the methods described in RCW  
10 41.05.075, 41.05.140, and other provisions of this chapter;

11 (b) To analyze state purchased health care programs and to  
12 explore options for cost containment and delivery alternatives for  
13 those programs that are consistent with the purposes of those  
14 programs, including, but not limited to:

15 (i) Creation of economic incentives for the persons for whom the  
16 state purchases health care to appropriately utilize and purchase  
17 health care services, including the development of flexible benefit  
18 plans to offset increases in individual financial responsibility;

19 (ii) Utilization of provider arrangements that encourage cost  
20 containment, including but not limited to prepaid delivery systems,  
21 utilization review, and prospective payment methods, and that ensure  
22 access to quality care, including assuring reasonable access to local  
23 providers, especially for employees residing in rural areas;

24 (iii) Coordination of state agency efforts to purchase drugs  
25 effectively as provided in RCW 70.14.050;

26 ~~((Development of recommendations and methods for purchasing  
27 medical equipment and supporting services on a volume discount basis;~~

28 ~~(+v))~~ Development of data systems to obtain utilization data from  
29 state purchased health care programs in order to identify cost  
30 centers, utilization patterns, provider and hospital practice  
31 patterns, and procedure costs, utilizing the information obtained  
32 pursuant to RCW 41.05.031; and

33 ~~((+vi))~~ (v) In collaboration with other state agencies that  
34 administer state purchased health care programs, private health care  
35 purchasers, health care facilities, providers, and carriers:

36 (A) Use evidence-based medicine principles to develop common  
37 performance measures and implement financial incentives in contracts  
38 with insuring entities, health care facilities, and providers that:

1 (I) Reward improvements in health outcomes for individuals with  
2 chronic diseases, increased utilization of appropriate preventive  
3 health services, and reductions in medical errors; and

4 (II) Increase, through appropriate incentives to insuring  
5 entities, health care facilities, and providers, the adoption and use  
6 of information technology that contributes to improved health  
7 outcomes, better coordination of care, and decreased medical errors;

8 (B) Through state health purchasing, reimbursement, or pilot  
9 strategies, promote and increase the adoption of health information  
10 technology systems, including electronic medical records, by  
11 hospitals as defined in RCW 70.41.020(~~(+4)~~) (7), integrated delivery  
12 systems, and providers that:

13 (I) Facilitate diagnosis or treatment;

14 (II) Reduce unnecessary duplication of medical tests;

15 (III) Promote efficient electronic physician order entry;

16 (IV) Increase access to health information for consumers and  
17 their providers; and

18 (V) Improve health outcomes;

19 (C) Coordinate a strategy for the adoption of health information  
20 technology systems using the final health information technology  
21 report and recommendations developed under chapter 261, Laws of 2005;

22 (c) To analyze areas of public and private health care  
23 interaction;

24 (d) To provide information and technical and administrative  
25 assistance to the board;

26 (e) To review and approve or deny applications from counties,  
27 municipalities, and other political subdivisions of the state to  
28 provide state-sponsored insurance or self-insurance programs to their  
29 employees in accordance with the provisions of RCW 41.04.205 and (g)  
30 of this subsection, setting the premium contribution for approved  
31 groups as outlined in RCW 41.05.050;

32 (f) To review and approve or deny the application when the  
33 governing body of a tribal government applies to transfer their  
34 employees to an insurance or self-insurance program administered  
35 under this chapter. In the event of an employee transfer pursuant to  
36 this subsection (1)(f), members of the governing body are eligible to  
37 be included in such a transfer if the members are authorized by the  
38 tribal government to participate in the insurance program being  
39 transferred from and subject to payment by the members of all costs  
40 of insurance for the members. The authority shall: (i) Establish the

1 conditions for participation; (ii) have the sole right to reject the  
2 application; and (iii) set the premium contribution for approved  
3 groups as outlined in RCW 41.05.050. Approval of the application by  
4 the authority transfers the employees and dependents involved to the  
5 insurance, self-insurance, or health care program approved by the  
6 authority;

7 (g) To ensure the continued status of the employee insurance or  
8 self-insurance programs administered under this chapter as a  
9 governmental plan under section 3(32) of the employee retirement  
10 income security act of 1974, as amended, the authority shall limit  
11 the participation of employees of a county, municipal, school  
12 district, educational service district, or other political  
13 subdivision, the Washington health benefit exchange, or a tribal  
14 government, including providing for the participation of those  
15 employees whose services are substantially all in the performance of  
16 essential governmental functions, but not in the performance of  
17 commercial activities;

18 (h) To establish billing procedures and collect funds from school  
19 districts in a way that minimizes the administrative burden on  
20 districts;

21 (i) To publish and distribute to nonparticipating school  
22 districts and educational service districts by October 1st of each  
23 year a description of health care benefit plans available through the  
24 authority and the estimated cost if school districts and educational  
25 service district employees were enrolled;

26 (j) To apply for, receive, and accept grants, gifts, and other  
27 payments, including property and service, from any governmental or  
28 other public or private entity or person, and make arrangements as to  
29 the use of these receipts to implement initiatives and strategies  
30 developed under this section;

31 (k) To issue, distribute, and administer grants that further the  
32 mission and goals of the authority;

33 (l) To adopt rules consistent with this chapter as described in  
34 RCW 41.05.160 including, but not limited to:

35 (i) Setting forth the criteria established by the board under RCW  
36 41.05.065 for determining whether an employee is eligible for  
37 benefits;

38 (ii) Establishing an appeal process in accordance with chapter  
39 34.05 RCW by which an employee may appeal an eligibility  
40 determination;

1 (iii) Establishing a process to assure that the eligibility  
2 determinations of an employing agency comply with the criteria under  
3 this chapter, including the imposition of penalties as may be  
4 authorized by the board(†

5 ~~(m)(i) To administer the medical services programs established~~  
6 ~~under chapter 74.09 RCW as the designated single state agency for~~  
7 ~~purposes of Title XIX of the federal social security act;~~

8 ~~(ii) To administer the state children's health insurance program~~  
9 ~~under chapter 74.09 RCW for purposes of Title XXI of the federal~~  
10 ~~social security act;~~

11 ~~(iii) To enter into agreements with the department of social and~~  
12 ~~health services for administration of medical care services programs~~  
13 ~~under Titles XIX and XXI of the social security act. The agreements~~  
14 ~~shall establish the division of responsibilities between the~~  
15 ~~authority and the department with respect to mental health, chemical~~  
16 ~~dependency, and long term care services, including services for~~  
17 ~~persons with developmental disabilities. The agreements shall be~~  
18 ~~revised as necessary, to comply with the final implementation plan~~  
19 ~~adopted under section 116, chapter 15, Laws of 2011 1st sp. sess.;~~

20 ~~(iv) To adopt rules to carry out the purposes of chapter 74.09~~  
21 ~~RCW;~~

22 ~~(v) To appoint such advisory committees or councils as may be~~  
23 ~~required by any federal statute or regulation as a condition to the~~  
24 ~~receipt of federal funds by the authority. The director may appoint~~  
25 ~~statewide committees or councils in the following subject areas: (A)~~  
26 ~~Health facilities; (B) children and youth services; (C) blind~~  
27 ~~services; (D) medical and health care; (E) drug abuse and alcoholism;~~  
28 ~~(F) rehabilitative services; and (G) such other subject matters as~~  
29 ~~are or come within the authority's responsibilities. The statewide~~  
30 ~~councils shall have representation from both major political parties~~  
31 ~~and shall have substantial consumer representation. Such committees~~  
32 ~~or councils shall be constituted as required by federal law or as the~~  
33 ~~director in his or her discretion may determine. The members of the~~  
34 ~~committees or councils shall hold office for three years except in~~  
35 ~~the case of a vacancy, in which event appointment shall be only for~~  
36 ~~the remainder of the unexpired term for which the vacancy occurs. No~~  
37 ~~member shall serve more than two consecutive terms. Members of such~~  
38 ~~state advisory committees or councils may be paid their travel~~  
39 ~~expenses in accordance with RCW 43.03.050 and 43.03.060 as now~~  
40 ~~existing or hereafter amended;~~

1       ~~(n) To review and approve or deny the application from the~~  
2 ~~governing board of the Washington health benefit exchange to provide~~  
3 ~~state sponsored insurance or self insurance programs to employees of~~  
4 ~~the exchange. The authority shall (i) establish the conditions for~~  
5 ~~participation; (ii) have the sole right to reject an application; and~~  
6 ~~(iii) set the premium contribution for approved groups as outlined in~~  
7 ~~RCW 41.05.050)).~~

8       (2) On and after January 1, 1996, the public employees' benefits  
9 board may implement strategies to promote managed competition among  
10 employee health benefit plans. Strategies may include but are not  
11 limited to:

12       (a) Standardizing the benefit package;

13       (b) Soliciting competitive bids for the benefit package;

14       (c) Limiting the state's contribution to a percent of the lowest  
15 priced qualified plan within a geographical area;

16       (d) Monitoring the impact of the approach under this subsection  
17 with regards to: Efficiencies in health service delivery, cost shifts  
18 to subscribers, access to and choice of managed care plans statewide,  
19 and quality of health services. The ~~((health care))~~ authority shall  
20 also advise on the value of administering a benchmark employer-  
21 managed plan to promote competition among managed care plans.

22       **Sec. 11.** RCW 41.05.022 and 1995 1st sp.s. c 6 s 3 are each  
23 amended to read as follows:

24       (1) The ~~((health care authority))~~ board is hereby designated as  
25 the single state agent for purchasing health services for public  
26 employees.

27       (2) On and after January 1, 1995, at least the following state-  
28 purchased health services programs shall be merged into a single,  
29 community-rated risk pool: Health benefits for groups of employees of  
30 school districts and educational service districts that voluntarily  
31 purchase health benefits as provided in RCW 41.05.011; health  
32 benefits for state employees; health benefits for eligible retired or  
33 disabled school employees not eligible for parts A and B of medicare;  
34 and health benefits for eligible state retirees not eligible for  
35 parts A and B of medicare.

36       (3) When purchasing health services, at a minimum, and regardless  
37 of other legislative enactments, the ~~((state health services~~  
38 ~~purchasing agent))~~ board shall:

1 (a) Require that a public agency that provides subsidies for a  
2 substantial portion of services now covered under the basic health  
3 plan use uniform eligibility processes, insofar as may be possible,  
4 and ensure that multiple eligibility determinations are not required;

5 (b) Require that a health care provider or a health care facility  
6 that receives funds from a public program provide care to state  
7 residents receiving a state subsidy who may wish to receive care from  
8 them, and that an insuring entity that receives funds from a public  
9 program accept enrollment from state residents receiving a state  
10 subsidy who may wish to enroll with them;

11 (c) (~~Strive~~) Work with the authority to integrate purchasing  
12 for all publicly sponsored health services in order to maximize the  
13 cost control potential and promote the most efficient methods of  
14 financing and coordinating services;

15 (d) Consult regularly with the governor, the legislature, and  
16 state agency directors whose operations are affected by the  
17 implementation of this section; and

18 (e) Ensure the control of benefit costs under managed competition  
19 by adopting rules to prevent employers from entering into an  
20 agreement with employees or employee organizations when the agreement  
21 would result in increased utilization in public employees' benefits  
22 board plans or reduce the expected savings of managed competition.

23 NEW SECTION. **Sec. 12.** The definitions in this section apply  
24 throughout this chapter unless the context clearly requires  
25 otherwise.

26 (1) "Authority" means the Washington state health care authority.

27 (2) "Director" means the director of the authority.

28 (3) "Insuring entity" means an insurer as defined in chapter  
29 48.01 RCW, a health care service contractor as defined in chapter  
30 48.44 RCW, or a health maintenance organization as defined in chapter  
31 48.46 RCW.

32 (4) "State purchased health care" or "health care" means medical  
33 and health care, pharmaceuticals, and medical equipment purchased  
34 with state and federal funds by the department of social and health  
35 services, the department of health, the basic health plan, the state  
36 health care authority, the department of labor and industries, the  
37 department of corrections, the department of veterans affairs, and  
38 local school districts.

1 (5) "Tribal government" means an Indian tribal government as  
2 defined in section 3(32) of the employee retirement income security  
3 act of 1974, as amended, or an agency or instrumentality of the  
4 tribal government, that has government offices principally located in  
5 this state.

6 NEW SECTION. **Sec. 13.** The director shall appoint such  
7 professional personnel and other assistants and employees, including  
8 professional medical screeners, as may be reasonably necessary to  
9 carry out the provisions of this chapter and chapter 74.09 RCW. The  
10 medical screeners must be supervised by one or more physicians whom  
11 the director or the director's designee shall appoint.

12 NEW SECTION. **Sec. 14.** (1) The Washington state health care  
13 authority is created within the executive branch. The authority shall  
14 have a director appointed by the governor, with the consent of the  
15 senate. The director shall serve at the pleasure of the governor. The  
16 director may employ a deputy director, and such assistant directors  
17 and special assistants as may be needed to administer the authority,  
18 who shall be exempt from chapter 41.06 RCW, and any additional staff  
19 members as are necessary to administer this chapter. The director may  
20 delegate any power or duty vested in him or her by law, including  
21 authority to make final decisions and enter final orders in hearings  
22 conducted under chapter 34.05 RCW.

23 (2) The primary duties of the authority shall be to: Administer  
24 the basic health plan pursuant to chapter 70.47 RCW; administer the  
25 children's health program pursuant to chapter 74.09 RCW; consult with  
26 the public employees' benefits board on studies and joint purchasing  
27 strategies in order to maximize cost containment in these programs  
28 while ensuring access to quality health care; implement state  
29 initiatives and techniques for efficient administration; and  
30 administer grants that further the mission and goals of the  
31 authority.

32 (3) The authority's duties include, but are not limited to, the  
33 following:

34 (a) To coordinate with the public employees' benefits board on  
35 analysis, pilots, strategies, and measures as described under RCW  
36 41.05.021;

37 (b) To apply for, receive, and accept grants, gifts, and other  
38 payments, including property and service, from any governmental or

1 other public or private entity or person, and make arrangements as to  
2 the use of these receipts to implement initiatives and strategies  
3 developed under this section;

4 (c) To issue, distribute, and administer grants that further the  
5 mission and goals of the authority;

6 (d) To adopt rules consistent with this chapter including, but  
7 not limited to:

8 (i) Administering the medical services programs established under  
9 chapter 74.09 RCW as the designated single state agency for purposes  
10 of Title XIX of the federal social security act;

11 (ii) Administering the state children's health insurance program  
12 under chapter 74.09 RCW for purposes of Title XXI of the federal  
13 social security act;

14 (iii) Entering into agreements with the department of social and  
15 health services for administration of medical care services programs  
16 under Titles XIX and XXI of the social security act. The agreements  
17 must establish the division of responsibilities between the authority  
18 and the department with respect to mental health, chemical  
19 dependency, and long-term care services, including services for  
20 persons with developmental disabilities. The agreements must be  
21 revised as necessary to comply with the final implementation plan  
22 adopted under section 116, chapter 15, Laws of 2011 1st sp. sess.;

23 (iv) Adopting rules to carry out the purposes of chapter 74.09  
24 RCW;

25 (v) Appointing such advisory committees or councils as may be  
26 required by any federal statute or regulation as a condition to the  
27 receipt of federal funds by the authority. The director may appoint  
28 statewide committees or councils in the following subject areas: (A)  
29 Health facilities; (B) children and youth services; (C) blind  
30 services; (D) medical and health care; (E) drug abuse and alcoholism;  
31 (F) rehabilitative services; and (G) such other subject matters as  
32 are or come within the authority's responsibilities. The statewide  
33 councils shall have representation from both major political parties  
34 and shall have substantial consumer representation. Such committees  
35 or councils shall be constituted as required by federal law or as the  
36 director in his or her discretion may determine. The members of the  
37 committees or councils shall hold office for three years except in  
38 the case of a vacancy, in which event appointment shall be only for  
39 the remainder of the unexpired term for which the vacancy occurs. No  
40 member may serve more than two consecutive terms. Members of such

1 state advisory committees or councils may be reimbursed for their  
2 travel expenses in accordance with RCW 43.03.050 and 43.03.060; and

3 (vi) Reviewing and approving or denying the application from the  
4 governing board of the Washington health benefit exchange to provide  
5 state-sponsored insurance or self-insurance programs to employees of  
6 the exchange. The authority shall (A) establish the conditions for  
7 participation; (B) have the sole right to reject an application; and  
8 (C) set the premium contribution for approved groups as outlined in  
9 RCW 41.05.050.

10 NEW SECTION. **Sec. 15.** When purchasing health services, at a  
11 minimum, and regardless of other legislative enactments, the  
12 authority shall:

13 (1) Require that a health care provider or a health care facility  
14 that receives funds from a public program provide care to state  
15 residents receiving a state subsidy who may wish to receive care from  
16 them, and that an insuring entity that receives funds from a public  
17 program accept enrollment from state residents receiving a state  
18 subsidy who may wish to enroll with them; and

19 (2) Work with the public employees' benefits board to integrate  
20 purchasing for all publicly sponsored health services in order to  
21 maximize the cost control potential and promote the most efficient  
22 methods of financing and coordinating services.

23 **Sec. 16.** RCW 41.05.023 and 2007 c 259 s 6 are each amended to  
24 read as follows:

25 (1) The ((health—care)) authority, in collaboration with the  
26 department of health, shall design and implement a chronic care  
27 management program for state employees enrolled in the state's self-  
28 insured uniform medical plan. Programs must be evidence based,  
29 facilitating the use of information technology to improve quality of  
30 care and must improve coordination of primary, acute, and long-term  
31 care for those enrollees with multiple chronic conditions. The  
32 authority shall consider expansion of existing medical home and  
33 chronic care management programs. The authority shall use best  
34 practices in identifying those employees best served under a chronic  
35 care management model using predictive modeling through claims or  
36 other health risk information.

37 (2) For purposes of this section:

1 (a) "Medical home" means a site of care that provides  
2 comprehensive preventive and coordinated care centered on the patient  
3 needs and assures high-quality, accessible, and efficient care.

4 (b) "Chronic care management" means the authority's program that  
5 provides care management and coordination activities for health plan  
6 enrollees determined to be at risk for high medical costs. "Chronic  
7 care management" provides education and training and/or coordination  
8 that assist program participants in improving self-management skills  
9 to improve health outcomes and reduce medical costs by educating  
10 clients to better utilize services.

11 **Sec. 17.** RCW 41.05.026 and 2005 c 274 s 277 are each amended to  
12 read as follows:

13 (1) When soliciting proposals for the purpose of awarding  
14 contracts for goods or services, the ((~~administrator~~)) director  
15 shall, upon written request by the bidder, exempt from public  
16 inspection and copying such proprietary data, trade secrets, or other  
17 information contained in the bidder's proposal that relate to the  
18 bidder's unique methods of conducting business or of determining  
19 prices or premium rates to be charged for services under terms of the  
20 proposal.

21 (2) When soliciting information for the development, acquisition,  
22 or implementation of state purchased health care services, the  
23 ((~~administrator~~)) director shall, upon written request by the  
24 respondent, exempt from public inspection and copying such  
25 proprietary data, trade secrets, or other information submitted by  
26 the respondent that relate to the respondent's unique methods of  
27 conducting business, data unique to the product or services of the  
28 respondent, or to determining prices or rates to be charged for  
29 services.

30 (3) Actuarial formulas, statistics, cost and utilization data, or  
31 other proprietary information submitted upon request of the  
32 ((~~administrator~~)) director, board, or a technical review committee  
33 created to facilitate the development, acquisition, or implementation  
34 of state purchased health care under this chapter by a contracting  
35 insurer, health care service contractor, health maintenance  
36 organization, vendor, or other health services organization may be  
37 withheld at any time from public inspection when necessary to  
38 preserve trade secrets or prevent unfair competition.

1 (4) The board, or a technical review committee created to  
2 facilitate the development, acquisition, or implementation of state  
3 purchased health care under this chapter, may hold an executive  
4 session in accordance with chapter 42.30 RCW during any regular or  
5 special meeting to discuss information submitted in accordance with  
6 subsections (1) through (3) of this section.

7 (5) A person who challenges a request for or designation of  
8 information as exempt under this section is entitled to seek judicial  
9 review pursuant to chapter 42.56 RCW.

10 **Sec. 18.** RCW 41.05.033 and 2007 c 259 s 2 are each amended to  
11 read as follows:

12 (1) The legislature finds that there is growing evidence that,  
13 for preference-sensitive care involving elective surgery, patient-  
14 practitioner communication is improved through the use of  
15 high-quality decision aids that detail the benefits, harms, and  
16 uncertainty of available treatment options. Improved communication  
17 leads to more fully informed patient decisions. The legislature  
18 intends to increase the extent to which patients make genuinely  
19 informed, preference-based treatment decisions, by promoting public/  
20 private collaborative efforts to broaden the development,  
21 certification, use, and evaluation of effective decision aids and by  
22 recognition of shared decision making and patient decision aids in  
23 the state's laws on informed consent.

24 (2) The ((health—care)) authority shall implement a shared  
25 decision-making demonstration project. The demonstration project  
26 shall be conducted at one or more multispecialty group practice sites  
27 providing state purchased health care in the state of Washington, and  
28 may include other practice sites providing state purchased health  
29 care. The demonstration project shall include the following elements:

30 (a) Incorporation into clinical practice of one or more decision  
31 aids for one or more identified preference-sensitive care areas  
32 combined with ongoing training and support of involved practitioners  
33 and practice teams, preferably at sites with necessary supportive  
34 health information technology;

35 (b) An evaluation of the impact of the use of shared decision  
36 making with decision aids, including the use of preference-sensitive  
37 health care services selected for the demonstration project and  
38 expenditures for those services, the impact on patients, including  
39 patient understanding of the treatment options presented and

1 concordance between patient values and the care received, and patient  
2 and practitioner satisfaction with the shared decision-making  
3 process; and

4 (c) As a condition of participating in the demonstration project,  
5 a participating practice site must bear the cost of selecting,  
6 purchasing, and incorporating the chosen decision aids into clinical  
7 practice.

8 (3) The (~~health-care~~) authority may solicit and accept funding  
9 and in-kind contributions to support the demonstration and  
10 evaluation, and may scale the evaluation to fall within resulting  
11 resource parameters.

12 **Sec. 19.** RCW 41.05.035 and 2007 c 259 s 10 are each amended to  
13 read as follows:

14 (1) The (~~administrator~~) director shall design and pilot a  
15 consumer-centric health information infrastructure and the first  
16 health record banks that will facilitate the secure exchange of  
17 health information when and where needed and shall:

18 (a) Complete the plan of initial implementation, including but  
19 not limited to determining the technical infrastructure for health  
20 record banks and the account locator service, setting criteria and  
21 standards for health record banks, and determining oversight of  
22 health record banks;

23 (b) Implement the first health record banks in pilot sites as  
24 funding allows;

25 (c) Involve health care consumers in meaningful ways in the  
26 design, implementation, oversight, and dissemination of information  
27 on the health record bank system; and

28 (d) Promote adoption of electronic medical records and health  
29 information exchange through continuation of the Washington health  
30 information collaborative, and by working with private payors and  
31 other organizations in restructuring reimbursement to provide  
32 incentives for providers to adopt electronic medical records in their  
33 practices.

34 (2) The (~~administrator~~) director may establish an advisory  
35 board, a stakeholder committee, and subcommittees to assist in  
36 carrying out the duties under this section. The (~~administrator~~)  
37 director may reappoint health information infrastructure advisory  
38 board members to assure continuity and shall appoint any additional

1 representatives that may be required for their expertise and  
2 experience.

3 (a) The ((~~administrator~~)) director shall appoint the chair of the  
4 advisory board, chairs, and cochairs of the stakeholder committee, if  
5 formed;

6 (b) Meetings of the board, stakeholder committee, and any  
7 advisory group are subject to chapter 42.30 RCW, the open public  
8 meetings act, including RCW 42.30.110(1)(1), which authorizes an  
9 executive session during a regular or special meeting to consider  
10 proprietary or confidential nonpublished information; and

11 (c) The members of the board, stakeholder committee, and any  
12 advisory group:

13 (i) Shall agree to the terms and conditions imposed by the  
14 ((~~administrator~~)) director regarding conflicts of interest as a  
15 condition of appointment;

16 (ii) Are immune from civil liability for any official acts  
17 performed in good faith as members of the board, stakeholder  
18 committee, or any advisory group.

19 (3) Members of the board may be compensated for participation in  
20 accordance with a personal services contract to be executed after  
21 appointment and before commencement of activities related to the work  
22 of the board. Members of the stakeholder committee shall not receive  
23 compensation but shall be reimbursed under RCW 43.03.050 and  
24 43.03.060.

25 (4) The ((~~administrator~~)) director may work with public and  
26 private entities to develop and encourage the use of personal health  
27 records which are portable, interoperable, secure, and respectful of  
28 patients' privacy.

29 (5) The ((~~administrator~~)) director may enter into contracts to  
30 issue, distribute, and administer grants that are necessary or proper  
31 to carry out this section.

32 **Sec. 20.** RCW 41.05.036 and 2011 1st sp.s. c 15 s 57 are each  
33 amended to read as follows:

34 The definitions in this section apply throughout ((~~RCW 41.05.039~~  
35 ~~through 41.05.046~~)) this chapter unless the context clearly requires  
36 otherwise.

37 (1) "Director" means the director of the state health care  
38 authority under this chapter.

1 (2) "Exchange" means the methods or medium by which health care  
2 information may be electronically and securely exchanged among  
3 authorized providers, payors, and patients within Washington state.

4 (3) "Health care provider" or "provider" has the same meaning as  
5 in RCW 48.43.005.

6 (4) "Health data provider" means an organization that is a  
7 primary source for health-related data for Washington residents,  
8 including but not limited to:

9 (a) The children's health immunizations linkages and development  
10 profile immunization registry provided by the department of health  
11 pursuant to chapter 43.70 RCW;

12 (b) Commercial laboratories providing medical laboratory testing  
13 results;

14 (c) Prescription drugs clearinghouses, such as the national  
15 patient health information network; and

16 (d) Diagnostic imaging centers.

17 (5) "Lead organization" means a private sector organization or  
18 organizations designated by the director to lead development of  
19 processes, guidelines, and standards under chapter 300, Laws of 2009.

20 (6) "Payor" means public purchasers, as defined in this section,  
21 carriers licensed under chapters 48.20, 48.21, 48.44, 48.46, and  
22 48.62 RCW, and the Washington state health insurance pool established  
23 in chapter 48.41 RCW.

24 (7) "Public purchaser" means the department of social and health  
25 services, the department of labor and industries, and the health care  
26 authority.

27 (8) "Secretary" means the secretary of the department of health.

28 **Sec. 21.** RCW 41.05.039 and 2009 c 300 s 3 are each amended to  
29 read as follows:

30 (1) By August 1, 2009, the (~~administrator~~) director shall  
31 designate one or more lead organizations to coordinate development of  
32 processes, guidelines, and standards to:

33 (a) Improve patient access to and control of their own health  
34 care information and thereby enable their active participation in  
35 their own care; and

36 (b) Implement methods for the secure exchange of clinical data as  
37 a means to promote:

38 (i) Continuity of care;

39 (ii) Quality of care;

1 (iii) Patient safety; and  
2 (iv) Efficiency in medical practices.  
3 (2) The lead organization designated by the (~~administrator~~)  
4 director under this section shall:  
5 (a) Be representative of health care privacy advocates,  
6 providers, and payors across the state;  
7 (b) Have expertise and knowledge in the major disciplines related  
8 to the secure exchange of health data;  
9 (c) Be able to support the costs of its work without recourse to  
10 state funding. The (~~administrator~~) director and the lead  
11 organization are authorized and encouraged to seek federal funds,  
12 including funds from the federal American recovery and reinvestment  
13 act, as well as solicit, receive, contract for, collect, and hold  
14 grants, donations, and gifts to support the implementation of this  
15 section and RCW 41.05.042;  
16 (d) In collaboration with the (~~administrator~~) director,  
17 identify and convene work groups, as needed, to accomplish the goals  
18 of this section and RCW 41.05.042;  
19 (e) Conduct outreach and communication efforts to maximize the  
20 adoption of the guidelines, standards, and processes developed by the  
21 lead organization;  
22 (f) Submit regular updates to the (~~administrator~~) director on  
23 the progress implementing the requirements of this section and RCW  
24 41.05.042; and  
25 (g) With the (~~administrator~~) director, report to the  
26 legislature December 1, 2009, and on December 1st of each year  
27 through December 1, 2012, on progress made, the time necessary for  
28 completing tasks, and identification of future tasks that should be  
29 prioritized for the next improvement cycle.  
30 (3) Within available funds as specified in subsection (2)(c) of  
31 this section, the (~~administrator~~) director shall:  
32 (a) Participate in and review the work and progress of the lead  
33 organization, including the establishment and operation of work  
34 groups for this section and RCW 41.05.042; and  
35 (b) Consult with the office of the attorney general to determine  
36 whether:  
37 (i) An antitrust safe harbor is necessary to enable licensed  
38 carriers and providers to develop common rules and standards; and, if  
39 necessary, take steps, such as implementing rules or requesting  
40 legislation, to establish a safe harbor; and

1 (ii) Legislation is needed to limit provider liability if their  
2 health records are missing health information despite their  
3 participation in the exchange of health information.

4 (4) The lead organization or organizations shall take steps to  
5 minimize the costs that implementation of the processes, guidelines,  
6 and standards may have on participating entities, including  
7 providers.

8 **Sec. 22.** RCW 41.05.046 and 2009 c 300 s 5 are each amended to  
9 read as follows:

10 If any provision in RCW 41.05.036 (as recodified by this act),  
11 41.05.039, and 41.05.042 conflicts with existing or new federal  
12 requirements, the (~~administrator~~) director shall recommend  
13 modifications, as needed, to assure compliance with the aims of RCW  
14 41.05.036 (as recodified by this act), 41.05.039, and 41.05.042 and  
15 federal requirements.

16 **Sec. 23.** RCW 41.05.055 and 2009 c 537 s 6 are each amended to  
17 read as follows:

18 (1) The public employees' benefits board is created within the  
19 authority. The function of the board is to design and approve  
20 insurance benefit plans for employees and to establish eligibility  
21 criteria for participation in insurance benefit plans.

22 (2) The board shall be composed of nine members appointed by the  
23 governor as follows:

24 (a) Two representatives of state employees, one of whom shall  
25 represent an employee union certified as exclusive representative of  
26 at least one bargaining unit of classified employees, and one of whom  
27 is retired, is covered by a program under the jurisdiction of the  
28 board, and represents an organized group of retired public employees;

29 (b) Two representatives of school district employees, one of whom  
30 shall represent an association of school employees and one of whom is  
31 retired, and represents an organized group of retired school  
32 employees;

33 (c) Four members with experience in health benefit management and  
34 cost containment; and

35 (d) The (~~administrator~~) director.

36 (3) The member who represents an association of school employees  
37 and one member appointed pursuant to subsection (2)(c) of this  
38 section shall be nonvoting members until such time that there are no

1 less than twelve thousand school district employee subscribers  
2 enrolled with the authority for health care coverage.

3 (4) The governor shall appoint the initial members of the board  
4 to staggered terms not to exceed four years. Members appointed  
5 thereafter shall serve two-year terms. Members of the board shall be  
6 compensated in accordance with RCW 43.03.250 and shall be reimbursed  
7 for their travel expenses while on official business in accordance  
8 with RCW 43.03.050 and 43.03.060. The board shall prescribe rules for  
9 the conduct of its business. The (~~administrator~~) director shall  
10 serve as chair of the board. Meetings of the board shall be at the  
11 call of the chair.

12 **Sec. 24.** RCW 41.05.065 and 2015 c 116 s 3 are each amended to  
13 read as follows:

14 (1) The board shall study all matters connected with the  
15 provision of health care coverage, life insurance, liability  
16 insurance, accidental death and dismemberment insurance, and  
17 disability income insurance or any of, or a combination of, the  
18 enumerated types of insurance for employees and their dependents on  
19 the best basis possible with relation both to the welfare of the  
20 employees and to the state. However, liability insurance shall not be  
21 made available to dependents.

22 (2) The board shall develop employee benefit plans that include  
23 comprehensive health care benefits for employees. In developing these  
24 plans, the board shall consider the following elements:

25 (a) Methods of maximizing cost containment while ensuring access  
26 to quality health care;

27 (b) Development of provider arrangements that encourage cost  
28 containment and ensure access to quality care, including but not  
29 limited to prepaid delivery systems and prospective payment methods;

30 (c) Wellness incentives that focus on proven strategies, such as  
31 smoking cessation, injury and accident prevention, reduction of  
32 alcohol misuse, appropriate weight reduction, exercise, automobile  
33 and motorcycle safety, blood cholesterol reduction, and nutrition  
34 education;

35 (d) Utilization review procedures including, but not limited to a  
36 cost-efficient method for prior authorization of services, hospital  
37 inpatient length of stay review, requirements for use of outpatient  
38 surgeries and second opinions for surgeries, review of invoices or

1 claims submitted by service providers, and performance audit of  
2 providers;

3 (e) Effective coordination of benefits; and

4 (f) Minimum standards for insuring entities.

5 (3) To maintain the comprehensive nature of employee health care  
6 benefits, benefits provided to employees shall be substantially  
7 equivalent to the state employees' health benefit((s)) plan in effect  
8 on January 1, 1993. Nothing in this subsection shall prohibit changes  
9 or increases in employee point-of-service payments or employee  
10 premium payments for benefits or the administration of a high  
11 deductible health plan in conjunction with a health savings account.  
12 The board may establish employee eligibility criteria which are not  
13 substantially equivalent to employee eligibility criteria in effect  
14 on January 1, 1993.

15 (4) Except if bargained for under chapter 41.80 RCW, the board  
16 shall design benefits and determine the terms and conditions of  
17 employee and retired employee participation and coverage, including  
18 establishment of eligibility criteria subject to the requirements of  
19 this chapter. Employer groups obtaining benefits through contractual  
20 agreement with the authority for employees defined in RCW  
21 41.05.011(6) (a) through (d) may contractually agree with the  
22 authority to benefits eligibility criteria which differs from that  
23 determined by the board. The eligibility criteria established by the  
24 board shall be no more restrictive than the following:

25 (a) Except as provided in (b) through (e) of this subsection, an  
26 employee is eligible for benefits from the date of employment if the  
27 employing agency anticipates he or she will work an average of at  
28 least eighty hours per month and for at least eight hours in each  
29 month for more than six consecutive months. An employee determined  
30 ineligible for benefits at the beginning of his or her employment  
31 shall become eligible in the following circumstances:

32 (i) An employee who works an average of at least eighty hours per  
33 month and for at least eight hours in each month and whose  
34 anticipated duration of employment is revised from less than or equal  
35 to six consecutive months to more than six consecutive months becomes  
36 eligible when the revision is made.

37 (ii) An employee who works an average of at least eighty hours  
38 per month over a period of six consecutive months and for at least  
39 eight hours in each of those six consecutive months becomes eligible  
40 at the first of the month following the six-month averaging period.

1 (b) A seasonal employee is eligible for benefits from the date of  
2 employment if the employing agency anticipates that he or she will  
3 work an average of at least eighty hours per month and for at least  
4 eight hours in each month of the season. A seasonal employee  
5 determined ineligible at the beginning of his or her employment who  
6 works an average of at least eighty hours per month over a period of  
7 six consecutive months and at least eight hours in each of those six  
8 consecutive months becomes eligible at the first of the month  
9 following the six-month averaging period. A benefits-eligible  
10 seasonal employee who works a season of less than nine months shall  
11 not be eligible for the employer contribution during the off season,  
12 but may continue enrollment in benefits during the off season by  
13 self-paying for the benefits. A benefits-eligible seasonal employee  
14 who works a season of nine months or more is eligible for the  
15 employer contribution through the off season following each season  
16 worked.

17 (c) Faculty are eligible as follows:

18 (i) Faculty who the employing agency anticipates will work half-  
19 time or more for the entire instructional year or equivalent nine-  
20 month period are eligible for benefits from the date of employment.  
21 Eligibility shall continue until the beginning of the first full  
22 month of the next instructional year, unless the employment  
23 relationship is terminated, in which case eligibility shall cease the  
24 first month following the notice of termination or the effective date  
25 of the termination, whichever is later.

26 (ii) Faculty who the employing agency anticipates will not work  
27 for the entire instructional year or equivalent nine-month period are  
28 eligible for benefits at the beginning of the second consecutive  
29 quarter or semester of employment in which he or she is anticipated  
30 to work, or has actually worked, half-time or more. Such an employee  
31 shall continue to receive uninterrupted employer contributions for  
32 benefits if the employee works at least half-time in a quarter or  
33 semester. Faculty who the employing agency anticipates will not work  
34 for the entire instructional year or equivalent nine-month period,  
35 but who actually work half-time or more throughout the entire  
36 instructional year, are eligible for summer or off-quarter or off-  
37 semester coverage. Faculty who have met the criteria of this  
38 subsection (4)(c)(ii), who work at least two quarters or two  
39 semesters of the academic year with an average academic year workload  
40 of half-time or more for three quarters or two semesters of the

1 academic year, and who have worked an average of half-time or more in  
2 each of the two preceding academic years shall continue to receive  
3 uninterrupted employer contributions for benefits if he or she works  
4 at least half-time in a quarter or semester or works two quarters or  
5 two semesters of the academic year with an average academic workload  
6 each academic year of half-time or more for three quarters or two  
7 semesters. Eligibility under this section ceases immediately if this  
8 criteria is not met.

9 (iii) Faculty may establish or maintain eligibility for benefits  
10 by working for more than one institution of higher education. When  
11 faculty work for more than one institution of higher education, those  
12 institutions shall prorate the employer contribution costs, or if  
13 eligibility is reached through one institution, that institution will  
14 pay the full employer contribution. Faculty working for more than one  
15 institution must alert his or her employers to his or her potential  
16 eligibility in order to establish eligibility.

17 (iv) The employing agency must provide written notice to faculty  
18 who are potentially eligible for benefits under this subsection  
19 (4)(c) of their potential eligibility.

20 (v) To be eligible for maintenance of benefits through averaging  
21 under (c)(ii) of this subsection, faculty must provide written  
22 notification to his or her employing agency or agencies of his or her  
23 potential eligibility.

24 (vi) For the purposes of this subsection (4)(c):

25 (A) "Academic year" means summer, fall, winter, and spring  
26 quarters or summer, fall, and spring semesters;

27 (B) "Half-time" means one-half of the full-time academic workload  
28 as determined by each institution; except that for community and  
29 technical college faculty, half-time academic workload is calculated  
30 according to RCW 28B.50.489.

31 (d) A legislator is eligible for benefits on the date his or her  
32 term begins. All other elected and full-time appointed officials of  
33 the legislative and executive branches of state government are  
34 eligible for benefits on the date his or her term begins or they take  
35 the oath of office, whichever occurs first.

36 (e) A justice of the supreme court and judges of the court of  
37 appeals and the superior courts become eligible for benefits on the  
38 date he or she takes the oath of office.

1 (f) Except as provided in (c)(i) and (ii) of this subsection,  
2 eligibility ceases for any employee the first of the month following  
3 termination of the employment relationship.

4 (g) In determining eligibility under this section, the employing  
5 agency may disregard training hours, standby hours, or temporary  
6 changes in work hours as determined by the authority under this  
7 section.

8 (h) Insurance coverage for all eligible employees begins on the  
9 first day of the month following the date when eligibility for  
10 benefits is established. If the date eligibility is established is  
11 the first working day of a month, insurance coverage begins on that  
12 date.

13 (i) Eligibility for an employee whose work circumstances are  
14 described by more than one of the eligibility categories in (a)  
15 through (e) of this subsection shall be determined solely by the  
16 criteria of the category that most closely describes the employee's  
17 work circumstances.

18 (j) Except for an employee eligible for benefits under (b) or  
19 (c)(ii) of this subsection, an employee who has established  
20 eligibility for benefits under this section shall remain eligible for  
21 benefits each month in which he or she is in pay status for eight or  
22 more hours, if (i) he or she remains in a benefits-eligible position  
23 and (ii) leave from the benefits-eligible position is approved by the  
24 employing agency. A benefits-eligible seasonal employee is eligible  
25 for the employer contribution in any month of his or her season in  
26 which he or she is in pay status eight or more hours during that  
27 month. Eligibility ends if these conditions are not met, the  
28 employment relationship is terminated, or the employee voluntarily  
29 transfers to a noneligible position.

30 (k) For the purposes of this subsection, the board shall define  
31 "benefits-eligible position."

32 (5) The board may authorize premium contributions for an employee  
33 and the employee's dependents in a manner that encourages the use of  
34 cost-efficient managed health care systems.

35 (6)(a) For any open enrollment period following August 24, 2011,  
36 the board shall offer a health savings account option for employees  
37 that conforms to section 223, Part VII of subchapter B of chapter 1  
38 of the internal revenue code of 1986. The board shall comply with all  
39 applicable federal standards related to the establishment of health  
40 savings accounts.

1 (b) By November 30, 2015, and each year thereafter, the authority  
2 shall submit a report to the relevant legislative policy and fiscal  
3 committees that includes the following:

4 (i) Public employees' benefits board health plan cost and service  
5 utilization trends for the previous three years, in total and for  
6 each health plan offered to employees;

7 (ii) For each health plan offered to employees, the number and  
8 percentage of employees and dependents enrolled in the plan, and the  
9 age and gender demographics of enrollees in each plan;

10 (iii) Any impact of enrollment in alternatives to the most  
11 comprehensive plan, including the high deductible health plan with a  
12 health savings account, upon the cost of health benefits for those  
13 employees who have chosen to remain enrolled in the most  
14 comprehensive plan.

15 (7) Notwithstanding any other provision of this chapter, for any  
16 open enrollment period following August 24, 2011, the board shall  
17 offer a high deductible health plan in conjunction with a health  
18 savings account developed under subsection (6) of this section.

19 (8) Employees shall choose participation in one of the health  
20 care benefit plans developed by the board and may be permitted to  
21 waive coverage under terms and conditions established by the board.

22 (9) The board shall review plans proposed by insuring entities  
23 that desire to offer property insurance and/or accident and casualty  
24 insurance to state employees through payroll deduction. The board may  
25 approve any such plan for payroll deduction by insuring entities  
26 holding a valid certificate of authority in the state of Washington  
27 and which the board determines to be in the best interests of  
28 employees and the state. The board shall adopt rules setting forth  
29 criteria by which it shall evaluate the plans.

30 (10) Before January 1, 1998, the public employees' benefits board  
31 shall make available one or more fully insured long-term care  
32 insurance plans that comply with the requirements of chapter 48.84  
33 RCW. Such programs shall be made available to eligible employees,  
34 retired employees, and retired school employees as well as eligible  
35 dependents which, for the purpose of this section, includes the  
36 parents of the employee or retiree and the parents of the spouse of  
37 the employee or retiree. Employees of local governments, political  
38 subdivisions, and tribal governments not otherwise enrolled in the  
39 public employees' benefits board sponsored medical programs may  
40 enroll under terms and conditions established by the

1 ((~~administrator~~)) director, if it does not jeopardize the financial  
2 viability of the public employees' benefits board's long-term care  
3 offering.

4 (a) Participation of eligible employees or retired employees and  
5 retired school employees in any long-term care insurance plan made  
6 available by the public employees' benefits board is voluntary and  
7 shall not be subject to binding arbitration under chapter 41.56 RCW.  
8 Participation is subject to reasonable underwriting guidelines and  
9 eligibility rules established by the public employees' benefits board  
10 and the ((~~health-care~~)) authority.

11 (b) The employee, retired employee, and retired school employee  
12 are solely responsible for the payment of the premium rates developed  
13 by the ((~~health-care~~)) authority. The ((~~health-care~~)) authority is  
14 authorized to charge a reasonable administrative fee in addition to  
15 the premium charged by the long-term care insurer, which shall  
16 include the ((~~health-care~~)) authority's cost of administration,  
17 marketing, and consumer education materials prepared by the ((~~health~~  
18 ~~care~~)) authority and the office of the insurance commissioner.

19 (c) To the extent administratively possible, the state shall  
20 establish an automatic payroll or pension deduction system for the  
21 payment of the long-term care insurance premiums.

22 (d) The public employees' benefits board and the ((~~health-care~~))  
23 authority shall establish a technical advisory committee to provide  
24 advice in the development of the benefit design and establishment of  
25 underwriting guidelines and eligibility rules. The committee shall  
26 also advise the board and authority on effective and cost-effective  
27 ways to market and distribute the long-term care product. The  
28 technical advisory committee shall be comprised, at a minimum, of  
29 representatives of the office of the insurance commissioner,  
30 providers of long-term care services, licensed insurance agents with  
31 expertise in long-term care insurance, employees, retired employees,  
32 retired school employees, and other interested parties determined to  
33 be appropriate by the board.

34 (e) The ((~~health-care~~)) authority shall offer employees, retired  
35 employees, and retired school employees the option of purchasing  
36 long-term care insurance through licensed agents or brokers appointed  
37 by the long-term care insurer. The authority, in consultation with  
38 the public employees' benefits board, shall establish marketing  
39 procedures and may consider all premium components as a part of the  
40 contract negotiations with the long-term care insurer.

1 (f) In developing the long-term care insurance benefit designs,  
2 the public employees' benefits board shall include an alternative  
3 plan of care benefit, including adult day services, as approved by  
4 the office of the insurance commissioner.

5 (g) The ((~~health-care~~)) authority, with the cooperation of the  
6 office of the insurance commissioner, shall develop a consumer  
7 education program for the eligible employees, retired employees, and  
8 retired school employees designed to provide education on the  
9 potential need for long-term care, methods of financing long-term  
10 care, and the availability of long-term care insurance products  
11 including the products offered by the board.

12 (11) The board may establish penalties to be imposed by the  
13 authority when the eligibility determinations of an employing agency  
14 fail to comply with the criteria under this chapter.

15 **Sec. 25.** RCW 41.05.074 and 2015 c 251 s 1 are each amended to  
16 read as follows:

17 (1) A health plan offered to public employees and their covered  
18 dependents under this chapter that imposes different prior  
19 authorization standards and criteria for a covered service among  
20 tiers of contracting providers of the same licensed profession in the  
21 same health plan shall inform an enrollee which tier an individual  
22 provider or group of providers is in by posting the information on  
23 its web site in a manner accessible to both enrollees and providers.

24 (2) The health plan may not require prior authorization for an  
25 evaluation and management visit or an initial treatment visit with a  
26 contracting provider in a new episode of chiropractic, physical  
27 therapy, occupational therapy, East Asian medicine, massage therapy,  
28 or speech and hearing therapies. Notwithstanding RCW 48.43.515(5)  
29 this section may not be interpreted to limit the ability of a health  
30 plan to require a referral or prescription for the therapies listed  
31 in this section.

32 (3) The ((~~health-care~~)) authority shall post on its web site and  
33 provide upon the request of a covered person or contracting provider  
34 any prior authorization standards, criteria, or information the  
35 health plan uses for medical necessity decisions.

36 (4) A health care provider with whom the administrator of the  
37 health plan consults regarding a decision to deny, limit, or  
38 terminate a person's covered health care services must hold a  
39 license, certification, or registration, in good standing and must be

1 in the same or related health field as the health care provider being  
2 reviewed or of a specialty whose practice entails the same or similar  
3 covered health care service.

4 (5) The health plan may not require a provider to provide a  
5 discount from usual and customary rates for health care services not  
6 covered under the health plan, policy, or other agreement, to which  
7 the provider is a party.

8 (6) For purposes of this section:

9 (a) "New episode of care" means treatment for a new or recurrent  
10 condition for which the enrollee has not been treated by the provider  
11 within the previous ninety days and is not currently undergoing any  
12 active treatment.

13 (b) "Contracting provider" does not include providers employed  
14 within an integrated delivery system operated by a carrier licensed  
15 under chapter 48.44 or 48.46 RCW.

16 **Sec. 26.** RCW 41.05.075 and 2007 c 259 s 34 are each amended to  
17 read as follows:

18 (1) The ((~~administrator~~)) director shall provide benefit plans  
19 designed by the board through a contract or contracts with insuring  
20 entities, through self-funding, self-insurance, or other methods of  
21 providing insurance coverage authorized by RCW 41.05.140.

22 (2) The ((~~administrator~~)) director shall establish a contract  
23 bidding process that:

24 (a) Encourages competition among insuring entities;

25 (b) Maintains an equitable relationship between premiums charged  
26 for similar benefits and between risk pools including premiums  
27 charged for retired state and school district employees under the  
28 separate risk pools established by RCW 41.05.022 and 41.05.080 such  
29 that insuring entities may not avoid risk when establishing the  
30 premium rates for retirees eligible for medicare;

31 (c) Is timely to the state budgetary process; and

32 (d) Sets conditions for awarding contracts to any insuring  
33 entity.

34 (3) The ((~~administrator~~)) director shall establish a requirement  
35 for review of utilization and financial data from participating  
36 insuring entities on a quarterly basis.

37 (4) The ((~~administrator~~)) director shall centralize the  
38 enrollment files for all employee and retired or disabled school

1 employee health plans offered under chapter 41.05 RCW and develop  
2 enrollment demographics on a plan-specific basis.

3 (5) All claims data shall be the property of the state. The  
4 (~~administrator~~) director may require of any insuring entity that  
5 submits a bid to contract for coverage all information deemed  
6 necessary including:

7 (a) Subscriber or member demographic and claims data necessary  
8 for risk assessment and adjustment calculations in order to fulfill  
9 the (~~administrator's~~) director's duties as set forth in this  
10 chapter; and

11 (b) Subscriber or member demographic and claims data necessary to  
12 implement performance measures or financial incentives related to  
13 performance under subsection (7) of this section.

14 (6) All contracts with insuring entities for the provision of  
15 health care benefits shall provide that the beneficiaries of such  
16 benefit plans may use on an equal participation basis the services of  
17 practitioners licensed pursuant to chapters 18.22, 18.25, 18.32,  
18 18.53, 18.57, 18.71, 18.74, 18.83, and 18.79 RCW, as it applies to  
19 registered nurses and advanced registered nurse practitioners.  
20 However, nothing in this subsection may preclude the  
21 (~~administrator~~) director from establishing appropriate utilization  
22 controls approved pursuant to RCW 41.05.065(2) (a), (b), and (d).

23 (7) The (~~administrator~~) director shall, in collaboration with  
24 other state agencies that administer state purchased health care  
25 programs, private health care purchasers, health care facilities,  
26 providers, and carriers:

27 (a) Use evidence-based medicine principles to develop common  
28 performance measures and implement financial incentives in contracts  
29 with insuring entities, health care facilities, and providers that:

30 (i) Reward improvements in health outcomes for individuals with  
31 chronic diseases, increased utilization of appropriate preventive  
32 health services, and reductions in medical errors; and

33 (ii) Increase, through appropriate incentives to insuring  
34 entities, health care facilities, and providers, the adoption and use  
35 of information technology that contributes to improved health  
36 outcomes, better coordination of care, and decreased medical errors;

37 (b) Through state health purchasing, reimbursement, or pilot  
38 strategies, promote and increase the adoption of health information  
39 technology systems, including electronic medical records, by

1 hospitals as defined in RCW 70.41.020(~~((+4))~~) (7), integrated delivery  
2 systems, and providers that:

- 3 (i) Facilitate diagnosis or treatment;
- 4 (ii) Reduce unnecessary duplication of medical tests;
- 5 (iii) Promote efficient electronic physician order entry;
- 6 (iv) Increase access to health information for consumers and  
7 their providers; and
- 8 (v) Improve health outcomes;

9 (c) Coordinate a strategy for the adoption of health information  
10 technology systems using the final health information technology  
11 report and recommendations developed under chapter 261, Laws of 2005.

12 (8) The (~~administrator~~) director may permit the Washington  
13 state health insurance pool to contract to utilize any network  
14 maintained by the authority or any network under contract with the  
15 authority.

16 **Sec. 27.** RCW 41.05.085 and 2005 c 195 s 3 are each amended to  
17 read as follows:

18 (1) Beginning with the appropriations act for the 2005-2007  
19 biennium, the legislature shall establish as part of both the state  
20 employees' and the school and educational service district employees'  
21 insurance benefit allocation the portion of the allocation to be used  
22 to provide a prescription drug subsidy to reduce the health care  
23 insurance premiums charged to retired or disabled school district and  
24 educational service district employees, or retired state employees,  
25 who are eligible for parts A and B of medicare. The legislature may  
26 also establish a separate health care subsidy to reduce insurance  
27 premiums charged to individuals who select a medicare supplemental  
28 insurance policy option established in RCW 41.05.195.

29 (2) The amount of any premium reduction shall be established by  
30 the board. The amount established shall not result in a premium  
31 reduction of more than fifty percent, except as provided in  
32 subsection (3) of this section. The board may also determine the  
33 amount of any subsidy to be available to spouses and dependents.

34 (3) The amount of the premium reduction in subsection (2) of this  
35 section may exceed fifty percent, if the (~~administrator~~) director,  
36 in consultation with the office of financial management, determines  
37 that it is necessary in order to meet eligibility requirements to  
38 participate in the federal employer incentive program as provided in  
39 RCW 41.05.068.

1       **Sec. 28.** RCW 41.05.120 and 2005 c 518 s 921 and 2005 c 143 s 3  
2 are each reenacted and amended to read as follows:

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

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

28       **Sec. 29.** RCW 41.05.123 and 2008 c 229 s 6 are each amended to  
29 read as follows:

30       (1) The flexible spending administrative account is created in  
31 the custody of the state treasurer. All receipts from the following  
32 must be deposited in the account: (a) Revenues from employing  
33 agencies for costs associated with operating the medical flexible  
34 spending arrangement program and the dependent care assistance  
35 program provided through the salary reduction plan authorized under  
36 this chapter; (b) funds transferred from the dependent care  
37 administrative account; and (c) unclaimed moneys at the end of the  
38 plan year after all timely submitted claims for that plan year have  
39 been processed. Expenditures from the account may be used only for

1 administrative and other expenses related to operating the medical  
2 flexible spending arrangement program and the dependent care  
3 assistance program provided through the salary reduction plan  
4 authorized under this chapter. Only the ((~~administrator~~)) director or  
5 the ((~~administrator's~~)) director's designee may authorize  
6 expenditures from the account. The account is subject to allotment  
7 procedures under chapter 43.88 RCW, but an appropriation is not  
8 required for expenditures.

9 (2) The salary reduction account is established in the state  
10 treasury. Employee salary reductions paid to reimburse participants  
11 or service providers for benefits provided by the medical flexible  
12 spending arrangement program and the dependent care assistance  
13 program provided through the salary reduction plan authorized under  
14 this chapter shall be paid from the salary reduction account. The  
15 funds held by the state to pay for benefits provided by the medical  
16 flexible spending arrangement program and the dependent care  
17 assistance program provided through the salary reduction plan  
18 authorized under this chapter shall be deposited in the salary  
19 reduction account. Unclaimed moneys remaining in the salary reduction  
20 account at the end of a plan year after all timely submitted claims  
21 for that plan year have been processed shall become a part of the  
22 flexible spending administrative account. Only the ((~~administrator~~))  
23 director or the ((~~administrator's~~)) director's designee may authorize  
24 expenditures from the account. The account is not subject to  
25 allotment procedures under chapter 43.88 RCW and an appropriation is  
26 not required for expenditures.

27 (3) Program claims reserves and money necessary for start-up  
28 costs transferred from the public employees' and retirees' insurance  
29 account established in RCW 41.05.120 may be deposited in the flexible  
30 spending administrative account. Moneys in excess of the amount  
31 necessary for administrative and operating expenses of the medical  
32 flexible spending arrangement program may be transferred to the  
33 public employees' and retirees' insurance account.

34 (4) The authority may periodically bill employing agencies for  
35 costs associated with operating the medical flexible spending  
36 arrangement program and the dependent care assistance program  
37 provided through the salary reduction plan authorized under this  
38 chapter.

1       **Sec. 30.** RCW 41.05.130 and 2014 c 221 s 914 are each amended to  
2 read as follows:

3       The (~~state health care~~) authority administrative account is  
4 hereby created in the state treasury. Moneys in the account,  
5 including unanticipated revenues under RCW 43.79.270, may be spent  
6 only after appropriation by statute, and may be used only for  
7 operating expenses of the authority, and during the 2013-2015 fiscal  
8 biennium, for health care related analysis provided to the  
9 legislature by the office of the state actuary.

10       **Sec. 31.** RCW 41.05.143 and 2007 c 507 s 1 are each amended to  
11 read as follows:

12       (1) The uniform medical plan benefits administration account is  
13 created in the custody of the state treasurer. Only the  
14 (~~administrator~~) director or the (~~administrator's~~) director's  
15 designee may authorize expenditures from the account. Moneys in the  
16 account shall be used exclusively for contracted expenditures for  
17 uniform medical plan claims administration, data analysis,  
18 utilization management, preferred provider administration, and  
19 activities related to benefits administration where the level of  
20 services provided pursuant to a contract fluctuate as a direct result  
21 of changes in uniform medical plan enrollment. Moneys in the account  
22 may also be used for administrative activities required to respond to  
23 new and unforeseen conditions that impact the uniform medical plan,  
24 but only when the authority and the office of financial management  
25 jointly agree that such activities must be initiated prior to the  
26 next legislative session.

27       (2) Receipts from amounts due from or on behalf of uniform  
28 medical plan enrollees for expenditures related to benefits  
29 administration, including moneys disbursed from the public employees'  
30 and retirees' insurance account, shall be deposited into the account.  
31 The account is subject to allotment procedures under chapter 43.88  
32 RCW, but no appropriation is required for expenditures. All proposals  
33 for allotment increases shall be provided to the house of  
34 representatives appropriations committee and to the senate ways and  
35 means committee at the same time as they are provided to the office  
36 of financial management.

37       (3) The uniform dental plan benefits administration account is  
38 created in the custody of the state treasurer. Only the  
39 (~~administrator~~) director or the (~~administrator's~~) director's

1 designee may authorize expenditures from the account. Moneys in the  
2 account shall be used exclusively for contracted expenditures related  
3 to benefits administration for the uniform dental plan as established  
4 under RCW 41.05.140. Receipts from amounts due from or on behalf of  
5 uniform dental plan enrollees for expenditures related to benefits  
6 administration, including moneys disbursed from the public employees'  
7 and retirees' insurance account, shall be deposited into the account.  
8 The account is subject to allotment procedures under chapter 43.88  
9 RCW, but no appropriation is required for expenditures.

10 (4) The public employees' benefits board medical benefits  
11 administration account is created in the custody of the state  
12 treasurer. Only the (~~administrator~~) director or the  
13 (~~administrator's~~) director's designee may authorize expenditures  
14 from the account. Moneys in the account shall be used exclusively for  
15 contracted expenditures related to claims administration, data  
16 analysis, utilization management, preferred provider administration,  
17 and other activities related to benefits administration for self-  
18 insured medical plans other than the uniform medical plan. Receipts  
19 from amounts due from or on behalf of enrollees for expenditures  
20 related to benefits administration, including moneys disbursed from  
21 the public employees' and retirees' insurance account, shall be  
22 deposited into the account. The account is subject to allotment  
23 procedures under chapter 43.88 RCW, but an appropriation is not  
24 required for expenditures.

25 **Sec. 32.** RCW 41.05.160 and 1988 c 107 s 15 are each amended to  
26 read as follows:

27 The (~~administrator~~) director may promulgate and adopt rules  
28 consistent with this chapter to carry out the purposes of this  
29 chapter. All rules shall be adopted in accordance with chapter 34.05  
30 RCW.

31 **Sec. 33.** RCW 41.05.175 and 2011 c 159 s 2 are each amended to  
32 read as follows:

33 (1) Each health plan offered to public employees and their  
34 covered dependents under this chapter, including those subject to the  
35 provision of Title 48 RCW, and is issued or renewed beginning January  
36 1, 2012, and provides coverage for cancer chemotherapy treatment must  
37 provide coverage for prescribed, self-administered anticancer  
38 medication that is used to kill or slow the growth of cancerous cells

1 on a basis at least comparable to cancer chemotherapy medications  
2 administered by a health care provider or facility as defined in RCW  
3 48.43.005 (~~((15) and (16))~~) (22) and (23).

4 (2) Nothing in this section may be interpreted to prohibit a  
5 health plan from administering a formulary or preferred drug list,  
6 requiring prior authorization, or imposing other appropriate  
7 utilization controls in approving coverage for any chemotherapy.

8 **Sec. 34.** RCW 41.05.177 and 2006 c 367 s 1 are each amended to  
9 read as follows:

10 (1) Each plan offered to public employees and their covered  
11 dependents under this chapter that is not subject to the provisions  
12 of Title 48 RCW and is issued or renewed after December 31, 2006,  
13 shall provide coverage for prostate cancer screening, provided that  
14 the screening is delivered upon the recommendation of the patient's  
15 physician, advanced registered nurse practitioner, or physician  
16 assistant.

17 (2) This section shall not be construed to prevent the  
18 application of standard policy provisions applicable to other  
19 benefits, such as deductible or copayment provisions. This section  
20 does not limit the authority of the (~~health-care~~) authority to  
21 negotiate rates and contract with specific providers for the delivery  
22 of prostate cancer screening services. This section shall not apply  
23 to medicare supplemental policies or supplemental contracts covering  
24 a specified disease or other limited benefits.

25 **Sec. 35.** RCW 41.05.180 and 1994 sp.s. c 9 s 725 are each amended  
26 to read as follows:

27 Each health plan offered to public employees and their covered  
28 dependents under this chapter that is not subject to the provisions  
29 of Title 48 RCW and is established or renewed after January 1, 1990,  
30 and that provides benefits for hospital or medical care shall provide  
31 benefits for screening or diagnostic mammography services, provided  
32 that such services are delivered upon the recommendation of the  
33 patient's physician or advanced registered nurse practitioner as  
34 authorized by the nursing care quality assurance commission pursuant  
35 to chapter 18.79 RCW or physician assistant pursuant to chapter  
36 18.71A RCW.

37 This section shall not be construed to prevent the application of  
38 standard health plan provisions applicable to other benefits such as

1 deductible or copayment provisions. This section does not limit the  
2 authority of the ((state health care)) authority to negotiate rates  
3 and contract with specific providers for the delivery of mammography  
4 services. This section shall not apply to medicare supplement  
5 policies or supplemental contracts covering a specified disease or  
6 other limited benefits.

7 **Sec. 36.** RCW 41.05.183 and 2001 c 321 s 1 are each amended to  
8 read as follows:

9 (1) Each employee benefit plan offered to public employees that  
10 provides coverage for hospital, medical, or ambulatory surgery center  
11 services must cover general anesthesia services and related facility  
12 charges in conjunction with any dental procedure performed in a  
13 hospital or ambulatory surgical center if such anesthesia services  
14 and related facility charges are medically necessary because the  
15 covered person:

16 (a) Is under the age of seven, or is a person who is physically  
17 or developmentally disabled, with a dental condition that cannot be  
18 safely and effectively treated in a dental office; or

19 (b) Has a medical condition that the person's physician  
20 determines would place the person at undue risk if the dental  
21 procedure were performed in a dental office. The procedure must be  
22 approved by the person's physician.

23 (2) Each employee benefit plan offered to public employees that  
24 provides coverage for dental services must cover general anesthesia  
25 services in conjunction with any covered dental procedure performed  
26 in a dental office if the general anesthesia services are medically  
27 necessary because the covered person is under the age of seven or is  
28 a person who is physically or developmentally disabled.

29 (3) This section does not prohibit an employee benefit plan from:

30 (a) Applying cost-sharing requirements, maximum annual benefit  
31 limitations, and prior authorization requirements to the services  
32 required under this section; or

33 (b) Covering only those services performed by a health care  
34 provider, or in a health care facility, that is part of its provider  
35 network; nor does it limit the authority in negotiating rates and  
36 contracts with specific providers.

37 (4) This section does not apply to medicare supplement policies,  
38 or supplemental contracts covering a specified disease or other  
39 limited benefits.

1 (5) For the purpose of this section, "general anesthesia  
2 services" means services to induce a state of unconsciousness  
3 accompanied by a loss of protective reflexes, including the ability  
4 to maintain an airway independently and respond purposefully to  
5 physical stimulation or verbal command.

6 (6) This section applies to employee benefit plans issued or  
7 renewed on or after January 1, 2002.

8 **Sec. 37.** RCW 41.05.220 and 1998 c 245 s 38 are each amended to  
9 read as follows:

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

28 (2) The authority, in consultation with the department of health,  
29 shall work with community and migrant health clinics and other  
30 providers of care to underserved populations, to ensure that the  
31 number of people of color and underserved people receiving access to  
32 managed care is expanded in proportion to need, based upon  
33 demographic data.

34 **Sec. 38.** RCW 41.05.310 and 2008 c 229 s 4 are each amended to  
35 read as follows:

36 The authority shall have responsibility for the formulation and  
37 adoption of a plan, policies, and procedures designed to guide,  
38 direct, and administer the salary reduction plan. For the plan year

1 beginning January 1, 1996, the ((~~administrator~~)) director may  
2 establish a premium only plan. Expansion of the salary reduction plan  
3 or cafeteria plan during subsequent plan years shall be subject to  
4 approval by the director of the office of financial management.

5 (1) A plan document describing the benefits offered under the  
6 salary reduction plan shall be adopted and administered by the  
7 authority. The authority shall represent the state in all matters  
8 concerning the administration of the plan. The state, through the  
9 authority, may engage the services of a professional consultant or  
10 administrator on a contractual basis to serve as an agent to assist  
11 the authority or perform the administrative functions necessary in  
12 carrying out the purposes of RCW 41.05.123((~~7~~)) and 41.05.300 through  
13 41.05.350((~~7~~ and ~~41.05.295~~)).

14 (2) The authority shall formulate and establish policies and  
15 procedures for the administration of the salary reduction plan that  
16 are consistent with existing state law, the internal revenue code,  
17 and the regulations adopted by the internal revenue service as they  
18 may apply to the benefits offered to participants under the plan.

19 (3) Every action taken by the authority in administering RCW  
20 41.05.123((~~7~~)) and 41.05.300 through 41.05.350((~~7~~ and ~~41.05.295~~))  
21 shall be presumed to be a fair and reasonable exercise of the  
22 authority vested in or the duties imposed upon it. The authority  
23 shall be presumed to have exercised reasonable care, diligence, and  
24 prudence and to have acted impartially as to all persons interested  
25 unless the contrary be proved by clear and convincing affirmative  
26 evidence.

27 **Sec. 39.** RCW 41.05.400 and 2000 c 80 s 7 are each amended to  
28 read as follows:

29 (1) The ((~~administrator~~)) director shall design and offer a plan  
30 of health care coverage as described in subsection (2) of this  
31 section, for any person eligible under subsection (3) of this  
32 section. The health care coverage shall be designed and offered only  
33 to the extent that state funds are specifically appropriated for this  
34 purpose.

35 (2) The plan of health care coverage shall have the following  
36 components:

37 (a) Services covered more limited in scope than those contained  
38 in RCW 48.41.110(3);

1 (b) Enrollee cost-sharing that may include but not be limited to  
2 point-of-service cost-sharing for covered services;

3 (c) Deductibles of three thousand dollars on a per person per  
4 calendar year basis, and four thousand dollars on a per family per  
5 calendar year basis. The deductible shall be applied to the first  
6 three thousand dollars, or four thousand dollars, of eligible  
7 expenses incurred by the covered person or family, respectively,  
8 except that the deductible shall not be applied to clinical  
9 preventive services as recommended by the United States public health  
10 service. Enrollee out-of-pocket expenses required to be paid under  
11 the plan for cost-sharing and deductibles shall not exceed five  
12 thousand dollars per person, or six thousand dollars per family;

13 (d) Payment methodologies for network providers may include but  
14 are not limited to resource-based relative value fee schedules,  
15 capitation payments, diagnostic related group fee schedules, and  
16 other similar strategies including risk-sharing arrangements; and

17 (e) Other appropriate care management and cost-containment  
18 measures determined appropriate by the (~~administrator~~) director,  
19 including but not limited to care coordination, provider network  
20 limitations, preadmission certification, and utilization review.

21 (3) Any person is eligible for coverage in the plan who resides  
22 in a county of the state where no carrier, as defined in RCW  
23 48.43.005, or insurer regulated under chapter 48.15 RCW offers to the  
24 public an individual health benefit plan as defined in RCW 48.43.005  
25 other than a catastrophic health plan as defined in RCW 48.43.005 at  
26 the time of application to the (~~administrator~~) director. Such  
27 eligibility may terminate pursuant to subsection (8) of this section.

28 (4) The (~~administrator~~) director may not reject an individual  
29 for coverage based upon preexisting conditions of the individual or  
30 deny, exclude, or otherwise limit coverage for an individual's  
31 preexisting health conditions; except that it shall impose a nine-  
32 month benefit waiting period for preexisting conditions for which  
33 medical advice was given, or for which a health care provider  
34 recommended or provided treatment, or for which a prudent layperson  
35 would have sought advice or treatment, within six months before the  
36 effective date of coverage. The preexisting condition waiting period  
37 shall not apply to prenatal care services. Credit against the waiting  
38 period shall be provided pursuant to subsections (5) and (6) of this  
39 section.

1 (5) Except for persons to whom subsection (6) of this section  
2 applies, the ((~~administrator~~)) director shall credit any preexisting  
3 condition waiting period in the plan for a person who was enrolled at  
4 any time during the sixty-three day period immediately preceding the  
5 date of application for the plan in a group health benefit plan or an  
6 individual health benefit plan other than a catastrophic health plan.  
7 The ((~~administrator~~)) director must credit the period of coverage the  
8 person was continuously covered under the immediately preceding  
9 health plan toward the waiting period of the new health plan. For the  
10 purposes of this subsection, a preceding health plan includes an  
11 employer-provided self-funded health plan.

12 (6) The ((~~administrator~~)) director shall waive any preexisting  
13 condition waiting period in the plan for a person who is an eligible  
14 individual as defined in section 2741(b) of the federal health  
15 insurance portability and accountability act of 1996 (42 U.S.C.  
16 300gg-41(b)).

17 (7) The ((~~administrator~~)) director shall set the rates to be  
18 charged plan enrollees.

19 (8) When a carrier, as defined in RCW 48.43.005, or an insurer  
20 regulated under chapter 48.15 RCW, begins to offer an individual  
21 health benefit plan as defined in RCW 48.43.005 in a county where no  
22 carrier or insurer had been offering an individual health benefit  
23 plan:

24 (a) If the health benefit plan offered is other than a  
25 catastrophic health plan as defined in RCW 48.43.005, any person  
26 enrolled in the plan under subsection (3) of this section in that  
27 county shall no longer be eligible;

28 (b) The ((~~administrator~~)) director shall provide written notice  
29 to any person who is no longer eligible for coverage under the plan  
30 within thirty days of the ((~~administrator's~~)) director's  
31 determination that the person is no longer eligible. The notice  
32 shall: (i) Indicate that coverage under the plan will cease ninety  
33 days from the date that the notice is dated; (ii) describe any other  
34 coverage options available to the person; and (iii) describe the  
35 enrollment process for the available options.

36 **Sec. 40.** RCW 41.05.520 and 2003 1st sp.s. c 29 s 7 are each  
37 amended to read as follows:

38 (1) The ((~~administrator~~)) director shall establish and advertise  
39 a pharmacy connection program through which health care providers and

1 members of the public can obtain information about manufacturer-  
2 sponsored prescription drug assistance programs. The  
3 (~~administrator~~) director shall ensure that the program has staff  
4 available who can assist persons in procuring free or discounted  
5 medications from manufacturer-sponsored prescription drug assistance  
6 programs by:

7 (a) Determining whether an assistance program is offered for the  
8 needed drug or drugs;

9 (b) Evaluating the likelihood of a person obtaining drugs from an  
10 assistance program under the guidelines formulated;

11 (c) Assisting persons with the application and enrollment in an  
12 assistance program;

13 (d) Coordinating and assisting physicians and others authorized  
14 to prescribe medications with communications, including applications,  
15 made on behalf of a person to a participating manufacturer to obtain  
16 approval of the person in an assistance program; and

17 (e) Working with participating manufacturers to simplify the  
18 system whereby eligible persons access drug assistance programs,  
19 including development of a single application form and uniform  
20 enrollment process.

21 (2) Notice regarding the pharmacy connection program shall  
22 initially target senior citizens, but the program shall be available  
23 to anyone, and shall include a toll-free telephone number, available  
24 during regular business hours, that may be used to obtain  
25 information.

26 (3) The (~~administrator~~) director may apply for and accept  
27 grants or gifts and may enter into interagency agreements or  
28 contracts with other state agencies or private organizations to  
29 assist with the implementation of this program including, but not  
30 limited to, contracts, gifts, or grants from pharmaceutical  
31 manufacturers to assist with the direct costs of the program.

32 (4) The (~~administrator~~) director shall notify pharmaceutical  
33 companies doing business in Washington of the pharmacy connection  
34 program. Any pharmaceutical company that does business in this state  
35 and that offers a pharmaceutical assistance program shall notify the  
36 (~~administrator~~) director of the existence of the program, the drugs  
37 covered by the program, and all information necessary to apply for  
38 assistance under the program.

39 (5) For purposes of this section, "manufacturer-sponsored  
40 prescription drug assistance program" means a program offered by a

1 pharmaceutical company through which the company provides a drug or  
2 drugs to eligible persons at no charge or at a reduced cost. The term  
3 does not include the provision of a drug as part of a clinical trial.

4 **Sec. 41.** RCW 41.05.540 and 2007 c 259 s 40 are each amended to  
5 read as follows:

6 (1) The ((health—care)) authority, in coordination with the  
7 department of health, health plans participating in public employees'  
8 benefits board programs, and the University of Washington's center  
9 for health promotion, shall establish and maintain a state employee  
10 health program focused on reducing the health risks and improving the  
11 health status of state employees, dependents, and retirees enrolled  
12 in the public employees' benefits board. The program shall use public  
13 and private sector best practices to achieve goals of measurable  
14 health outcomes, measurable productivity improvements, positive  
15 impact on the cost of medical care, and positive return on  
16 investment. The program shall establish standards for health  
17 promotion and disease prevention activities, and develop a mechanism  
18 to update standards as evidence-based research brings new information  
19 and best practices forward.

20 (2) The state employee health program shall:

21 (a) Provide technical assistance and other services as needed to  
22 wellness staff in all state agencies and institutions of higher  
23 education;

24 (b) Develop effective communication tools and ongoing training  
25 for wellness staff;

26 (c) Contract with outside vendors for evaluation of program  
27 goals;

28 (d) Strongly encourage the widespread completion of online health  
29 assessment tools for all state employees, dependents, and retirees.  
30 The health assessment tool must be voluntary and confidential. Health  
31 assessment data and claims data shall be used to:

32 (i) Engage state agencies and institutions of higher education in  
33 providing evidence-based programs targeted at reducing identified  
34 health risks;

35 (ii) Guide contracting with third-party vendors to implement  
36 behavior change tools for targeted high-risk populations; and

37 (iii) Guide the benefit structure for state employees,  
38 dependents, and retirees to include covered services and medications  
39 known to manage and reduce health risks.

1 (3) The ((health-care)) authority shall report to the legislature  
2 in December 2008 and December 2010 on outcome goals for the employee  
3 health program.

4 **Sec. 42.** RCW 41.05.550 and 2015 c 161 s 1 are each amended to  
5 read as follows:

6 (1) The definitions in this subsection apply throughout this  
7 section unless the context clearly requires otherwise.

8 (a) "Federal poverty level" means the official poverty level  
9 based on family size established and adjusted under section 673(2) of  
10 the omnibus budget reconciliation act of 1981 (P.L. 97-35; 42 U.S.C.  
11 Sec. 9902(2), as amended).

12 (b) "Foundation" means the prescription drug assistance  
13 foundation established in this section, a nonprofit corporation  
14 organized under the laws of this state to provide assistance in  
15 accessing prescription drugs to qualified uninsured individuals.

16 (c) "Health insurance coverage including prescription drugs"  
17 means prescription drug coverage under a private insurance plan,  
18 including a plan offered through the health benefit exchange under  
19 chapter 43.71 RCW, the medicaid program, the state children's health  
20 insurance program ("SCHIP"), the medicare program, the basic health  
21 plan, or any employer-sponsored health plan that includes a  
22 prescription drug benefit.

23 (d) "Qualified uninsured individual" means an uninsured person or  
24 an underinsured person who is a resident of this state and whose  
25 income meets financial criteria established by the foundation.

26 (e) "Underinsured" means an individual who has health insurance  
27 coverage including prescription drugs, but for whom the prescription  
28 drug coverage is inadequate for their needs.

29 (f) "Uninsured" means an individual who lacks health insurance  
30 coverage including prescription drugs.

31 (2)(a) The ((~~administrator~~)) director shall establish the  
32 foundation as a nonprofit corporation, organized under the laws of  
33 this state. The foundation shall assist qualified uninsured  
34 individuals in obtaining prescription drugs at little or no cost.

35 (b) The foundation shall be administered in a manner that:

36 (i) Begins providing assistance to qualified uninsured  
37 individuals by January 1, 2006;

38 (ii) Defines the population that may receive assistance in  
39 accordance with this section; and

1 (iii) Complies with the eligibility requirements necessary to  
2 obtain and maintain tax-exempt status under federal law.

3 (c) The board of directors of the foundation consists of up to  
4 eleven with a minimum of five members appointed by the governor to  
5 staggered terms of three years. The governor shall select as members  
6 of the board individuals who (i) will represent the interests of  
7 persons who lack prescription drug coverage; and (ii) have  
8 demonstrated expertise in business management and in the  
9 administration of a not-for-profit organization.

10 (d) The foundation shall apply for and comply with all federal  
11 requirements necessary to obtain and maintain tax-exempt status with  
12 respect to the federal tax obligations of the foundation's donors.

13 (e) The foundation is authorized, subject to the direction and  
14 ratification of the board, to receive, solicit, contract for,  
15 collect, and hold in trust for the purposes of this section,  
16 donations, gifts, grants, and bequests in the form of money paid or  
17 promised, services, materials, equipment, or other things tangible or  
18 intangible that may be useful for helping the foundation to achieve  
19 its purpose. The foundation may use all sources of public and private  
20 financing to support foundation activities. No general fund-state  
21 funds shall be used for the ongoing operation of the foundation.

22 (f) No liability on the part of, and no cause of action of any  
23 nature, shall arise against any member of the board of directors of  
24 the foundation or against an employee or agent of the foundation for  
25 any lawful action taken by them in the performance of their  
26 administrative powers and duties under this section.

27 **Sec. 43.** RCW 41.05.600 and 2005 c 6 s 2 are each amended to read  
28 as follows:

29 (1) For the purposes of this section, "mental health services"  
30 means medically necessary outpatient and inpatient services provided  
31 to treat mental disorders covered by the diagnostic categories listed  
32 in the most current version of the diagnostic and statistical manual  
33 of mental disorders, published by the American psychiatric  
34 association, on July 24, 2005, or such subsequent date as may be  
35 provided by the (~~administrator~~) director by rule, consistent with  
36 the purposes of chapter 6, Laws of 2005, with the exception of the  
37 following categories, codes, and services: (a) Substance related  
38 disorders; (b) life transition problems, currently referred to as "V"  
39 codes, and diagnostic codes 302 through 302.9 as found in the

1 diagnostic and statistical manual of mental disorders, 4th edition,  
2 published by the American psychiatric association; (c) skilled  
3 nursing facility services, home health care, residential treatment,  
4 and custodial care; and (d) court ordered treatment unless the  
5 authority's or contracted insuring entity's medical director  
6 determines the treatment to be medically necessary.

7 (2) All health benefit plans offered to public employees and  
8 their covered dependents under this chapter that provide coverage for  
9 medical and surgical services shall provide:

10 (a) For all health benefit plans established or renewed on or  
11 after January 1, 2006, coverage for:

12 (i) Mental health services. The copayment or coinsurance for  
13 mental health services may be no more than the copayment or  
14 coinsurance for medical and surgical services otherwise provided  
15 under the health benefit plan. Wellness and preventive services that  
16 are provided or reimbursed at a lesser copayment, coinsurance, or  
17 other cost sharing than other medical and surgical services are  
18 excluded from this comparison; and

19 (ii) Prescription drugs intended to treat any of the disorders  
20 covered in subsection (1) of this section to the same extent, and  
21 under the same terms and conditions, as other prescription drugs  
22 covered by the health benefit plan.

23 (b) For all health benefit plans established or renewed on or  
24 after January 1, 2008, coverage for:

25 (i) Mental health services. The copayment or coinsurance for  
26 mental health services may be no more than the copayment or  
27 coinsurance for medical and surgical services otherwise provided  
28 under the health benefit plan. Wellness and preventive services that  
29 are provided or reimbursed at a lesser copayment, coinsurance, or  
30 other cost sharing than other medical and surgical services are  
31 excluded from this comparison. If the health benefit plan imposes a  
32 maximum out-of-pocket limit or stop loss, it shall be a single limit  
33 or stop loss for medical, surgical, and mental health services; and

34 (ii) Prescription drugs intended to treat any of the disorders  
35 covered in subsection (1) of this section to the same extent, and  
36 under the same terms and conditions, as other prescription drugs  
37 covered by the health benefit plan.

38 (c) For all health benefit plans established or renewed on or  
39 after July 1, 2010, coverage for:

1 (i) Mental health services. The copayment or coinsurance for  
2 mental health services may be no more than the copayment or  
3 coinsurance for medical and surgical services otherwise provided  
4 under the health benefit plan. Wellness and preventive services that  
5 are provided or reimbursed at a lesser copayment, coinsurance, or  
6 other cost sharing than other medical and surgical services are  
7 excluded from this comparison. If the health benefit plan imposes a  
8 maximum out-of-pocket limit or stop loss, it shall be a single limit  
9 or stop loss for medical, surgical, and mental health services. If  
10 the health benefit plan imposes any deductible, mental health  
11 services shall be included with medical and surgical services for the  
12 purpose of meeting the deductible requirement. Treatment limitations  
13 or any other financial requirements on coverage for mental health  
14 services are only allowed if the same limitations or requirements are  
15 imposed on coverage for medical and surgical services; and

16 (ii) Prescription drugs intended to treat any of the disorders  
17 covered in subsection (1) of this section to the same extent, and  
18 under the same terms and conditions, as other prescription drugs  
19 covered by the health benefit plan.

20 (3) In meeting the requirements of subsection (2)(a) and (b) of  
21 this section, health benefit plans may not reduce the number of  
22 mental health outpatient visits or mental health inpatient days below  
23 the level in effect on July 1, 2002.

24 (4) This section does not prohibit a requirement that mental  
25 health services be medically necessary as determined by the medical  
26 director or designee, if a comparable requirement is applicable to  
27 medical and surgical services.

28 (5) (~~Nothing in~~) This section (~~shall be construed to~~) does  
29 not prevent the management of mental health services.

30 (6) The (~~administrator~~) director will consider care management  
31 techniques for mental health services, including but not limited to:  
32 (a) Authorized treatment plans; (b) preauthorization requirements  
33 based on the type of service; (c) concurrent and retrospective  
34 utilization review; (d) utilization management practices; (e)  
35 discharge coordination and planning; and (f) contracting with and  
36 using a network of participating providers.

37 **Sec. 44.** RCW 41.05.601 and 2005 c 6 s 12 are each amended to  
38 read as follows:

1 The (~~administrator~~) director may adopt rules to implement RCW  
2 41.05.600 (as recodified by this act).

3 **Sec. 45.** RCW 41.05.630 and 2010 c 293 s 1 are each amended to  
4 read as follows:

5 Beginning in 2011, the (~~state health care~~) authority must  
6 process as a complaint an enrollee's expression of dissatisfaction  
7 about customer service or the quality or availability of a health  
8 service. The agency must require that each health plan that provides  
9 medical insurance offered under this chapter, including plans created  
10 by insuring entities, plans not subject to the provisions of Title 48  
11 RCW, and plans created under RCW 41.05.140 must submit a summary of  
12 customer service complaints and appeals to the agency to be included  
13 in an annual report to the legislature. Each annual report must  
14 summarize the complaints and appeals processed by the (~~state health~~  
15 ~~care~~) authority and contracted carriers in the preceding twelve  
16 months, and include an analysis of any trends identified. The report  
17 must be complete by September 30th of each year.

18 **Sec. 46.** RCW 41.05.655 and 2012 2nd sp.s. c 3 s 6 are each  
19 amended to read as follows:

20 By June 1, 2015, the (~~health care~~) authority must report to the  
21 governor, legislature, and joint legislative audit and review  
22 committee the following duties and analyses, based on two years of  
23 reports on school district health benefits submitted to it by the  
24 office of the insurance commissioner:

25 (1) The director shall establish a specific target to realize the  
26 goal of greater equity between premium costs for full family coverage  
27 and employee only coverage for the same health benefit plan. In  
28 developing this target, the director shall consider the  
29 appropriateness of the three-to-one ratio of employee premium costs  
30 between full family coverage and employee only coverage, and consider  
31 alternatives based on the data and information received from the  
32 office of the insurance commissioner.

33 (2) The director shall also study and report the advantages and  
34 disadvantages to the state, local school districts, and district  
35 employees:

36 (a) Whether better progress on the legislative goals could be  
37 achieved through consolidation of school district health insurance

1 purchasing through a single consolidated school employee health  
2 benefits purchasing plan;

3 (b) Whether better progress on the legislative goals could be  
4 achieved by consolidating K-12 health insurance purchasing through  
5 the public employees' benefits board program, and whether  
6 consolidation into the public employees' benefits board program would  
7 be preferable to the creation of a consolidated school employee  
8 health benefits purchasing plan; and

9 (c) Whether certificated or classified employees, as separate  
10 groups, would be better served by purchasing health insurance through  
11 a single consolidated school employee health benefits purchasing plan  
12 or through participation in the public employees' benefits board  
13 program(~~(+and)~~).

14 (~~(+d)~~) (3) Analyses shall include implications of taking any of  
15 the actions described in subsection (a) through (c) of this  
16 (~~(subsection)~~) section to include, at a minimum, the following: The  
17 costs for the state and school employees, impacts for existing  
18 purchasing programs, a proposed timeline for the implementation of  
19 any recommended actions.

20 **Sec. 47.** RCW 41.05.660 and 2009 c 299 s 2 are each amended to  
21 read as follows:

22 (1) The community health care collaborative grants shall be  
23 awarded on a competitive basis based on a determination of which  
24 applicant organization will best serve the purposes of the grant  
25 program established in RCW 41.05.650 (as recodified by this act). In  
26 making this determination, priority for funding shall be given to the  
27 applicants that demonstrate:

28 (a) The initiatives to be supported by the community health care  
29 collaborative grant are likely to address, in a measurable fashion,  
30 documented health care access and quality improvement goals aligned  
31 with state health policy priorities and needs within the region to be  
32 served;

33 (b) The applicant organization must document formal, active  
34 collaboration among key community partners that includes local  
35 governments, school districts, large and small businesses, nonprofit  
36 organizations, tribal governments, carriers, private health care  
37 providers, public health agencies, and community public health and  
38 safety networks, as defined in RCW 70.190.010;

1 (c) The applicant organization will match the community health  
2 care collaborative grant with funds from other sources. The health  
3 care authority may award grants solely to organizations providing at  
4 least two dollars in matching funds for each community health care  
5 collaborative grant dollar awarded;

6 (d) The community health care collaborative grant will enhance  
7 the long-term capacity of the applicant organization and its members  
8 to serve the region's documented health care access needs, including  
9 the sustainability of the programs to be supported by the community  
10 health care collaborative grant;

11 (e) The initiatives to be supported by the community health care  
12 collaborative grant reflect creative, innovative approaches which  
13 complement and enhance existing efforts to address the needs of the  
14 uninsured and underinsured and, if successful, could be replicated in  
15 other areas of the state; and

16 (f) The programs to be supported by the community health care  
17 collaborative grant make efficient and cost-effective use of  
18 available funds through administrative simplification and  
19 improvements in the structure and operation of the health care  
20 delivery system.

21 (2) The (~~administrator~~) director of the health care authority  
22 shall endeavor to disburse community health care collaborative grant  
23 funds throughout the state, supporting collaborative initiatives of  
24 differing sizes and scales, serving at-risk populations.

25 (3) Grants shall be disbursed over a two-year cycle, provided the  
26 grant recipient consistently provides timely reports that demonstrate  
27 the program is satisfactorily meeting the purposes of the grant and  
28 the objectives identified in the organization's application. The  
29 requirements for the performance reports shall be determined by the  
30 health care authority (~~administrator~~) director. The performance  
31 measures shall be aligned with the community health care  
32 collaborative grant program goals and, where possible, shall be  
33 consistent with statewide policy trends and outcome measures required  
34 by other public and private grant funders.

35 NEW SECTION. **Sec. 48.** RCW 41.05.014, 41.05.015, 41.05.036,  
36 41.05.037, 41.05.220, 41.05.230, 41.05.400, 41.05.520, 41.05.530,  
37 41.05.550, 41.05.600, 41.05.601, 41.05.650, 41.05.651, 41.05.660,  
38 41.05.670, 41.05.680, 41.05.690, 41.05.730, 41.05.735, and 41.05.800

1 are each recodified as sections in chapter 43.--- RCW (the new  
2 chapter created in section 50 of this act).

3 NEW SECTION. **Sec. 49.** The following acts or parts of acts are  
4 each repealed:

5 (1) RCW 41.05.006 (Purpose) and 2006 c 299 s 1 & 1988 c 107 s 2;  
6 and

7 (2) RCW 41.05.295 (Dependent care assistance program—Health care  
8 authority—Powers, duties, and functions) and 2008 c 229 s 1.

9 NEW SECTION. **Sec. 50.** Sections 12 through 15 of this act  
10 constitute a new chapter in Title 43 RCW.

11 NEW SECTION. **Sec. 51.** This act takes effect January 1, 2018.

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