
SENATE BILL 5701

State of Washington

65th Legislature

2017 Regular Session

By Senators Frockt, Keiser, Chase, Hasegawa, Darneille, Ranker, McCoy, Kuderer, Saldaña, Conway, and Hunt

Read first time 02/03/17. Referred to Committee on Health Care.

1 AN ACT Relating to creating the Washington apple care trust;
2 adding a new chapter to Title 43 RCW; creating new sections;
3 repealing RCW 82.04.260 and 48.14.0201; providing contingent
4 effective dates; and providing an expiration date.

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

6 NEW SECTION. **Sec. 1.** The people of the state of Washington
7 declare their intention to create a single health financing entity
8 called the Washington apple care trust. Through public hearings,
9 research, and consensus building, the trust will: (1) Provide fair,
10 simple, and accountable health care financing for all Washington
11 residents using a single health care financing entity; (2) cover a
12 comprehensive package of effective and necessary personal health
13 services; (3) make health care coverage independent from employment;
14 (4) eliminate excessive administrative costs resulting from the
15 current fragmented system of multiple insurers; (5) generate savings
16 sufficient to ensure coverage for all Washington residents; (6)
17 integrate current publicly sponsored health programs into the trust;
18 (7) preserve choice of providers for Washington residents; (8)
19 protect patient rights; (9) keep clinical decisions in the hands of
20 health professionals and patients, rather than administrative

1 personnel; (10) promote health care quality; and (11) control
2 excessive health care costs.

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

6 (1) "Board" means the board of trustees of the Washington apple
7 care trust, created in section 3 of this act.

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

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

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

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

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

22 (7) "Group practice" or "group" means a group of practitioners
23 voluntarily joined into an organization for the purpose of sharing
24 administrative costs, negotiating with payers and controlling the
25 circumstances of their medical practice, and, in some cases, sharing
26 revenues. The group may be of a single specialty or include more than
27 one specialty.

28 (8) "Health care facility" or "facility" includes any of the
29 following appropriately accredited entities: Hospices licensed
30 pursuant to chapter 70.127 RCW; hospitals licensed pursuant to
31 chapter 70.41 RCW; rural health care facilities as defined in RCW
32 70.175.020; psychiatric hospitals licensed pursuant to chapter 71.12
33 RCW; nursing homes licensed pursuant to chapter 18.51 RCW; community
34 mental health centers licensed pursuant to chapter 71.05 or 71.24
35 RCW; kidney disease treatment centers licensed pursuant to chapter
36 70.41 RCW; ambulatory diagnostic, treatment, or surgical facilities
37 licensed pursuant to chapter 70.41 RCW; approved drug and alcohol
38 treatment facilities certified by the department of social and health
39 services; home health agencies licensed pursuant to chapter 70.127

1 RCW; and such facilities if owned and operated by a political
2 subdivision or instrumentality of the state and such other facilities
3 as required by federal law and implementing regulations.

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

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

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

15 (12) "Long-term care" means institutional, residential,
16 outpatient, or community-based services that meet the individual
17 needs of persons of all ages who are limited in their functional
18 capacities or have disabilities and require assistance with
19 performing two or more activities of daily living for an extended or
20 indefinite period of time. These services include case management,
21 protective supervision, in-home care, nursing services, convalescent,
22 custodial, chronic, and terminally ill care.

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

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

28 (15) "Resident" means an individual who presents evidence of
29 established, permanent residency in the state of Washington, who did
30 not enter the state for the primary purpose of obtaining health
31 services. "Resident" also includes people and their accompanying
32 family members who are residing in the state for the purpose of
33 engaging in employment for at least one month. The confinement of a
34 person in a nursing home, hospital, or other medical institution in
35 the state may not by itself be sufficient to qualify such person as a
36 resident.

37 (16) "Trust" means the Washington apple care trust created in
38 section 3 of this act.

1 NEW SECTION. **Sec. 3.** An agency of state government known as the
2 Washington apple care trust is created. The purpose of the trust is
3 to provide coverage for a set of health services for all residents.

4 NEW SECTION. **Sec. 4.** (1) The trust must be governed by a board
5 of trustees consisting of nine members with expertise in health care
6 financing and delivery, and representing Washington citizens,
7 business, labor, and health professions. Trustees must include
8 individuals with knowledge of the health care needs of diverse
9 populations, including low-income, Native American, undocumented,
10 non-English speaking, disabled, rural, and other minority
11 populations. Members of the board shall have no pecuniary interest in
12 any business subject to regulation by the board.

13 (2)(a) By October 1st following the effective date of this
14 section, each of the two largest caucuses in both the house of
15 representatives and the senate shall submit to the governor a list of
16 five nominees who are not legislators or employees of the state or
17 its political subdivisions, with no caucus submitting the same
18 nominee.

19 (b) By December 15th following the effective date of this
20 section, the governor shall appoint the initial trustees. The
21 governor shall appoint one trustee from each of the lists submitted
22 by the house of representatives and the senate. If a caucus fails to
23 submit a list as required in (a) of this subsection, or if the
24 nominees on the list do not meet the qualifications specified in
25 subsection (1) of this section, the governor shall appoint a
26 substitute trustee meeting the qualifications specified in subsection
27 (1) of this section at the governor's discretion. The governor shall
28 appoint five additional trustees meeting the qualifications specified
29 in subsection (1) of this section at his or her discretion.

30 (c) Of the initial trustees, three shall be appointed to terms of
31 two years, three shall be appointed to terms of four years, and three
32 shall be appointed to terms of six years. Thereafter, trustees shall
33 be appointed to six-year terms. Trustees may be appointed to multiple
34 terms.

35 (d) The governor shall appoint one of the initial trustees as the
36 chair of the board. The board shall elect its own chair from its
37 members upon the expiration of the term of the initial chair or his
38 or her departure from the board. The term of a chair elected by the
39 board expires upon the expiration of his or her term on the board.

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

5 (4) A trustee whose term has expired or who otherwise leaves the
6 board must be replaced by gubernatorial appointment. When the person
7 leaving was nominated by one of the caucuses of the house of
8 representatives or the senate, his or her replacement must be
9 appointed from a list of five nominees submitted by that caucus
10 within thirty days after the vacancy occurs. If the caucus fails to
11 submit the list of nominees, or if the nominees do not meet the
12 qualifications specified in subsection (1) of this section, the
13 governor shall appoint a trustee meeting the qualifications specified
14 in subsection (1) of this section at the governor's discretion. A
15 person appointed to replace a trustee who leaves the board prior to
16 the expiration of his or her term shall serve only the duration of
17 the unexpired term.

18 (5) The initial board shall convene no later than three months
19 following the initial appointment.

20 (6) Members of the board are subject to chapter 42.52 RCW.

21 (7) The health care authority shall provide staff support to the
22 board.

23 (8) The trustees occupy their positions according to the bylaws,
24 rules, and relevant governing documents of the board and are exempt
25 from chapter 41.06 RCW. The board and its professional staff are
26 subject to the public disclosure provisions of chapter 42.17A RCW.
27 Trustees shall be paid a salary to be fixed by the governor in
28 accordance with RCW 43.03.040. Six trustees constitute a quorum for
29 the conduct of business.

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

32 (a) A financial advisory committee consisting of financial
33 experts from the office of financial management, the office of the
34 state treasurer, and the office of the insurance commissioner. The
35 financial advisory committee shall recommend specific details for
36 major budget decisions and for appropriations, taxes, and other
37 funding legislation necessary to conduct the operations of the
38 Washington apple care trust;

1 (b) A citizens' advisory committee consisting of balanced
2 representation from health experts, business, labor, and consumers.
3 The citizens' advisory committee shall hold public hearings on
4 priorities for inclusion in the set of health services, survey public
5 satisfaction, investigate complaints, and identify and report on
6 health care access and other priority issues for residents; and

7 (c) A technical advisory committee consisting of members with
8 broad experience in and knowledge of health care delivery, research,
9 and policy, as well as public and private funding of health care
10 services. The technical advisory committee shall make recommendations
11 to the board on technical issues related to covered benefits, quality
12 assurance, utilization, and other issues as requested by the board.

13 (2) The board shall consult with the citizens' advisory committee
14 at least quarterly, receive its reports and recommendations, and then
15 report to the governor and legislature at least annually on board
16 actions in response to citizens' advisory committee input. The board
17 shall also seek financially sound recommendations from the financial
18 advisory committee whenever the board requests funding legislation
19 necessary to operate the Washington apple care trust and whenever the
20 board considers major budget decisions.

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

23 (4) Members of committees shall serve without compensation for
24 their services but shall be reimbursed for their expenses while
25 attending meetings on behalf of the board in accordance with RCW
26 43.03.050 and 43.03.060.

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

29 (1) Appoint an executive director with the approval of the board;

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

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

37 (4) Delegate administrative functions of the board to the
38 executive director and staff of the trust as necessary to ensure
39 efficient administration.

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

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

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

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

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

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

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

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

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

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

31 (3) Until federal waivers are accomplished, residents covered
32 under federal health programs shall continue to use that coverage,
33 and benefits provided by the trust shall extend only to costs not
34 covered by the federal health programs unless: (a) The resident
35 voluntarily elects to participate in the trust; (b) the resident's
36 pay is considered in calculating the employer's assessment
37 established pursuant to the recommendations made under section 16 of
38 this act; and (c) either the employer or the employee pays the

1 premium established pursuant to the recommendations made under
2 section 16 of this act.

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

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

14 (6) Pending integration of federally qualified trusts into the
15 apple care trust, residents who are retirees covered under the trusts
16 are not eligible for coverage through the apple care trust unless
17 they pay the premium established pursuant to the recommendations made
18 under section 16 of this act.

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

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

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

1 (2) The benefits package shall include, but is not limited to:
2 (a) Inpatient and outpatient hospital care, including twenty-four
3 hour a day emergency services and emergency ambulance services; (b)
4 outpatient, home-based, and office-based care; (c) rehabilitation
5 services, including speech, occupational, and physical therapy; (d)
6 inpatient and outpatient mental health services and substance abuse
7 treatment; (e) hospice care; (f) prescription drugs and prescribed
8 medical nutrition; (g) vision and hearing care; (h) diagnostic tests;
9 (i) durable medical equipment; (j) preventive care; and (k) any other
10 benefits defined as "essential health benefits" under the federal
11 patient protection and affordable care act.

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

21 (4) The board, in coordination with the office of the insurance
22 commissioner, shall examine by the third May 15th following the
23 effective date of this section, possible remedies for residents who
24 have made previous payments for long-term care insurance.

25 (5) The board shall submit to the legislature by the third July
26 1st following the effective date of this section, a plan to
27 incorporate dental care coverage in the benefits package, to be
28 effective the following year.

29 (6) The board shall submit to the governor and legislature by the
30 first December 1st following the effective date of this section, and
31 by December 1st of the following years: (a) The benefits package, and
32 (b) an actuarial analysis of the cost of the package.

33 (7) The board shall consider the extent to which medical research
34 and health professions training activities should be included in the
35 scope of covered activities set forth in this act. The board shall
36 make a report to the governor and the legislature by the third July
37 1st following the effective date of this section.

38 NEW SECTION. **Sec. 12.** (1) When consistent with existing federal
39 law, the board shall require pharmaceutical and durable medical

1 equipment manufacturers to provide their products in Washington state
2 at the lowest rate offered to federal and other government entities.

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

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

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

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

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

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

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

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

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

37 NEW SECTION. **Sec. 14.** (1) The intent of this section is to
38 exempt activities approved under this act from state antitrust laws

1 and to provide immunity from federal antitrust laws through the state
2 action doctrine.

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

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

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

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

25 NEW SECTION. **Sec. 16.** (1) The joint select committee on health
26 care oversight shall contract for an actuarial analysis of the
27 funding needs of the Washington apple care trust created in section 3
28 of this act and recommend a funding mechanism to the appropriate
29 standing committees of the house of representatives, the senate, and
30 the governor by October 1, 2018.

31 (2) The recommended funding mechanism may contain the following
32 elements:

33 (a) An assessment to be paid by all employers in Washington
34 state; and

35 (b) A monthly premium to be paid by Washington residents with
36 incomes over two hundred percent of the federal poverty level,
37 subject to exemptions such as for medicare and medicaid beneficiaries
38 or for persons under the age of eighteen.

1 (3) The recommendations must also include recommended additional
2 funding sources including, but not limited to, revenues collected
3 under RCW 41.05.120, 41.05.130, 66.24.290, 82.24.020, 82.26.020,
4 82.08.150, 43.79.480, and 41.05.220.

5 (4) The recommendations shall specify the amounts that must be
6 deposited in the reserve account created in section 19 of this act,
7 the displaced worker training account created in section 20 of this
8 act, and the benefits account created in section 21 of this act.

9 (5) Prior to making its recommendations, the joint select
10 committee on health care oversight shall conduct at least six public
11 hearings in different geographic regions of the state seeking public
12 input or comment on the recommended funding mechanism.

13 (6) The legislature shall enact legislation implementing the
14 recommendations of the joint select committee during the 2019 regular
15 legislative session.

16 NEW SECTION. **Sec. 17.** Revenue derived from the assessment and
17 the premium established pursuant to the recommendations made under
18 section 16 of this act may not be used to pay for medical assistance
19 currently provided under chapter 74.09 RCW or other existing federal
20 and state health care programs. If existing federal and state sources
21 of payment for health services are reduced or terminated after the
22 effective date of this section, the legislature shall replace these
23 appropriations from the general fund.

24 NEW SECTION. **Sec. 18.** (1) The board, in consultation with
25 sovereign tribal governments as called for by the centennial accord,
26 shall determine the state and federal laws that need to be repealed,
27 amended, or waived to implement this act, and report its
28 recommendations, with proposed revisions to the Revised Code of
29 Washington, to the governor and the appropriate committees of the
30 legislature by the first October 1st following the effective date of
31 this section.

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

36 (a) Negotiate with the federal department of health and human
37 services to obtain a statutory or regulatory waiver of provisions of

1 the medical assistance statute, Title XIX of the federal social
2 security act and the children's health insurance program;

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

8 (c) Negotiate with the federal department of health and human
9 services to obtain any statutory or regulatory waivers of provisions
10 of the United States public health services act necessary to ensure
11 integration of federally funded community and migrant health clinics
12 and other health services funded through the public health services
13 act into the trust system under this act;

14 (d) Negotiate with the federal office of personnel management for
15 the inclusion of federal employee health benefits in the trust under
16 this act;

17 (e) Negotiate with the federal department of veterans' affairs
18 for the inclusion of veterans' medical benefits in the trust under
19 this act;

20 (f) Negotiate with the federal department of defense and other
21 federal agencies for the inclusion of the civilian health and medical
22 program of the uniformed services (CHAMPUS) in the trust under this
23 act;

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

27 (h) Request that the United States congress amend the internal
28 revenue code to treat the employer assessment and the individual
29 premiums established pursuant to the recommendations made under
30 section 16 of this act as fully deductible from adjusted gross
31 income.

32 NEW SECTION. **Sec. 19.** (1) The reserve account is created in the
33 custody of the state treasurer. The reserve account will accumulate
34 moneys until its value equals ten percent of the total annual
35 budgeted expenditures of the trust and then will be considered fully
36 funded, unless the legislature determines that a different level of
37 reserve is necessary and prudent. Whenever the reserve account is
38 fully funded, additional moneys shall be transferred to the benefits
39 account created in section 21 of this act.

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

7 NEW SECTION. **Sec. 20.** (1) The displaced worker training account
8 is created in the custody of the state treasurer. Expenditures from
9 the account may be used only for retraining and job placement of
10 workers displaced by the transition to the trust. Only the board or
11 the board's designee may authorize expenditures from the account. The
12 account is subject to allotment procedures under chapter 43.88 RCW,
13 but an appropriation is not required for expenditures.

14 (2) Any funds remaining in the account on the second December
15 31st following the effective date of this section must be deposited
16 into the benefits account created in section 21 of this act.

17 (3) This section expires the third January 1st following the
18 effective date of this section.

19 NEW SECTION. **Sec. 21.** The benefits account is created in the
20 custody of the state treasurer. Expenditures from the account may be
21 used only for health care services and maintenance of the trust. Only
22 the board or the board's designee may authorize expenditures from the
23 account. The account is subject to allotment procedures under chapter
24 43.88 RCW, but an appropriation is not required for expenditures.

25 NEW SECTION. **Sec. 22.** Following the repeal, amendment, or
26 waiver of existing state and federal laws delineated in section 18 of
27 this act, all other revenues currently deposited in the health
28 services account for personal health care services shall be deposited
29 to the reserve account created in section 19 of this act and the
30 benefits account created in section 21 of this act.

31 NEW SECTION. **Sec. 23.** Nothing in this act shall be construed to
32 limit an employer's right to maintain employee benefit plans under
33 the federal employee retirement income security act of 1974.

34 NEW SECTION. **Sec. 24.** No later than the third January 1st
35 following the effective date of this section, the board shall submit

1 to the legislature a proposal to integrate those current and future
2 federally qualified trusts that choose to participate in the trust.

3 NEW SECTION. **Sec. 25.** On or before the third January 1st
4 following the effective date of this section, the board, in
5 coordination with the department of labor and industries, shall study
6 and make a report to the governor and appropriate committees of the
7 legislature on the provision of medical benefits for injured workers
8 under the trust.

9 NEW SECTION. **Sec. 26.** An appropriation by separate act of the
10 legislature may be necessary for the fiscal year ending June 30th in
11 the second year following the effective date of this section, from
12 the general fund to the benefits account of the Washington apple care
13 trust for start-up moneys for purposes of this act during the period
14 of the first July 1st following the effective date of this section
15 through the second June 30th following the effective date of this
16 section.

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

19 (1) RCW 82.04.260 (Tax on manufacturers and processors of various
20 foods and by-products—Research and development organizations—Travel
21 agents—Certain international activities—Stevedoring and associated
22 activities—Low-level waste disposers—Insurance producers, surplus
23 line brokers, and title insurance agents—Hospitals—Commercial
24 airplane activities—Timber product activities—Canned salmon
25 processors) and 2015 3rd sp.s. c 6 s 602 & 2015 3rd sp.s. c 6 s 205;
26 and

27 (2) RCW 48.14.0201 (Premiums and prepayments tax—Health care
28 services—Exemptions—State preemption) and 2016 c 133 s 2, 2013 2nd
29 sp.s. c 6 s 5, 2013 c 325 s 3, 2011 c 47 s 8, & 2009 c 479 s 41.

30 NEW SECTION. **Sec. 28.** Sections 1 through 15 and 17 through 25
31 of this act constitute a new chapter in Title 43 RCW.

32 NEW SECTION. **Sec. 29.** (1) Sections 2 through 15, 17, 18, and 24
33 through 26 of this act take effect upon receipt of the waiver
34 requested under section 18 of this act.

1 (2) Sections 19 through 21 of this act take effect the second
2 January 1st following receipt of the waiver requested under section
3 18 of this act.

4 (3) Sections 22, 23, and 27 of this act take effect the second
5 May 15th following receipt of the waiver requested under section 18
6 of this act.

7 NEW SECTION. **Sec. 30.** If any provision of this act or its
8 application to any person or circumstance is held invalid, the
9 remainder of the act or the application of the provision to other
10 persons or circumstances is not affected.

11 NEW SECTION. **Sec. 31.** If any part of this act is found to be in
12 conflict with federal requirements that are a prescribed condition to
13 the allocation of federal funds to the state, the conflicting part of
14 this act is inoperative solely to the extent of the conflict and with
15 respect to the agencies directly affected, and this finding does not
16 affect the operation of the remainder of this act in its application
17 to the agencies concerned. Rules adopted under this act must meet
18 federal requirements that are a necessary condition to the receipt of
19 federal funds by the state.

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