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**HOUSE BILL 2944**

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**State of Washington**

**66th Legislature**

**2020 Regular Session**

**By** Representatives Stonier, Tharinger, Davis, and Ortiz-Self

Read first time 02/19/20. Referred to Committee on Appropriations.

1 AN ACT Relating to reviewing state-funded services procured from  
2 certain contracted service providers; reenacting and amending RCW  
3 44.48.150; adding new sections to chapter 43.88 RCW; and creating new  
4 sections.

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

6 NEW SECTION. **Sec. 1.** The legislature recognizes the important  
7 role that contracted service providers perform in delivering services  
8 funded in the omnibus operating appropriations act. To inform the  
9 budget development process in chapter 43.88 RCW, it is the intent of  
10 the legislature to gather and review additional information about the  
11 rates paid to service providers, and to establish a process for  
12 reviewing changes to those rates.

13 The legislature intends to focus this process on providers for  
14 which vendor rate increases are established by the legislature. For  
15 this reason, this process does not include providers for which rates  
16 are set pursuant to collective bargaining, or through statutory  
17 formulae. For state-funded services where the state contracts with a  
18 risk-bearing financial intermediary who then establishes the rates  
19 paid to service providers, the legislature establishes a separate  
20 one-time review process.

1        NEW SECTION.    **Sec. 2.**    A new section is added to chapter 43.88  
2    RCW to read as follows:

3        (1)    By August 1st of each even-numbered year, contracting  
4    agencies must provide to the office of financial management an  
5    inventory of services delivered by contracted service providers. The  
6    office of financial management must prescribe the format and level of  
7    detail required in the submittal.

8        (2)    At a minimum, the submittal must include for each service  
9    delivered by one or more contracted service providers:

10        (a)    A brief description of the service provided;

11        (b)    A summary of the payment methodology, current base rate, any  
12    available rate enhancements, and any additional support funding  
13    provided by the state;

14        (c)    Any planned changes to the rate or support funding effective  
15    before the end of the current biennium;

16        (d)    The number of clients anticipated to be served in the current  
17    and ensuing biennium;

18        (e)    The estimated total cost of serving those clients;

19        (f)    The number of service providers currently contracted to  
20    provide the service;

21        (g)    Any available information about a shortage or excess of  
22    qualified service providers contracting with the state; and

23        (h)    Any available information about the cost incurred by  
24    contracted service providers in delivering the services compared to  
25    the rate paid by the state.

26        (3)    The definitions in this subsection apply to this section and  
27    sections 3 and 4 of this act unless the context clearly requires  
28    otherwise.

29        (a)    "Contracting agencies" means the department of children,  
30    youth, and families; the department of corrections; the department of  
31    social and health services; and the health care authority.

32        (b)    "Services delivered by contracted service providers" means  
33    state-funded services delivered by providers who are not state  
34    employees, and excludes services for which:

35        (i)    The state is an employer solely for the purposes of  
36    collective bargaining under chapter 41.56 RCW, including but not  
37    limited to providers such as adult family homes and family child care  
38    providers;

39        (ii)    The state contracts with a risk-bearing fiscal intermediary,  
40    such as a managed care entity; or

1 (iii) The rate paid to contracted service providers is calculated  
2 pursuant to an explicit statutory formula, including but not limited  
3 to nursing homes under chapter 74.46 RCW and home care agencies under  
4 RCW 74.39A.310.

5 NEW SECTION. **Sec. 3.** (1) The office of financial management  
6 must contract with one or more research or actuarial entities to  
7 examine the delivery of behavioral and physical health care services  
8 for which the health care authority contracts with a risk-bearing  
9 fiscal intermediary. This section does not apply to behavioral and  
10 physical health care services provided through state and school  
11 employee benefit programs.

12 (2) The report must be provided to the legislature no later than  
13 September 1, 2020, and must include:

14 (a) A description of the types of payment methods currently used  
15 by risk-bearing fiscal intermediaries to establish provider payments.  
16 The report must identify, and, to the extent practicable, quantify,  
17 instances of case payment rates, broad encounter rates, value-based  
18 purchasing, subcapitation, or similar methodologies;

19 (b) Options available to the legislature and the governor to  
20 ensure that risk-bearing fiscal intermediaries meet standards for  
21 quality and access to care; and

22 (c) Options available to the legislature and the governor to  
23 modify payment rates to providers that offer services under medicaid  
24 managed care. To the extent practicable, for each option the report  
25 must:

26 (i) Discuss the potential implications to federal funding and  
27 client access to care for both state-funded and private pay patients;  
28 and

29 (ii) Identify whether the option could be restricted to  
30 particular types of service, provider specializations, client  
31 characteristics, care settings, or geographic area.

32 NEW SECTION. **Sec. 4.** A new section is added to chapter 43.88  
33 RCW to read as follows:

34 (1) The office of financial management shall establish and  
35 regularly convene a vendor rate advisory group regarding rates paid  
36 by contracting agencies to contracted service providers. Members of  
37 the group are selected by the director of the office of financial  
38 management and must include, but are not limited to, agency

1 representatives, service providers, clients receiving paid services,  
2 and subject matter experts. In addition to members selected by the  
3 director of the office of financial management, the two largest  
4 caucuses in the senate and the two largest caucuses in the house of  
5 representatives shall each appoint two nonvoting members to serve on  
6 the advisory group.

7 (2) By October 1, 2022, and each even-numbered year thereafter,  
8 the vendor rate advisory group shall recommend changes under this  
9 section to vendor rates paid to contracted service providers.

10 (a) The advisory group may recommend changes to vendor rates paid  
11 to contracted service providers if:

12 (i) There has been demonstrated difficulty finding qualified  
13 service providers willing to contract with the state;

14 (ii) The costs of providing services greatly exceed the rates  
15 paid by the state; or

16 (iii) The rates paid by the state greatly exceed the costs of  
17 providing services.

18 (b) The advisory group may recommend vendor rate changes needed  
19 to address ordinary inflationary adjustments including, but not  
20 limited to, the impact of increases to the state minimum wage.

21 (c) To the maximum extent practicable, the vendor rate advisory  
22 group must submit any recommended rate changes in priority order  
23 based on the criteria in (a) of this subsection.

24 (3) In developing and making recommendations, the vendor rate  
25 advisory committee must also consider:

26 (a) A goal of improving health equity; and

27 (b) Financial feasibility.

28 (4) Staff and administrative support for the vendor rate advisory  
29 group must be provided by the office of financial management. The  
30 office of financial management must make the recommendations of the  
31 vendor rate advisory group available on its web site.

32 (5) Rates subject to review by the vendor rate advisory group are  
33 limited to payments for services delivered by contracted service  
34 providers as defined in section 2 of this act.

35 **Sec. 5.** RCW 44.48.150 and 2013 c 327 s 2 and 2013 c 63 s 2 are  
36 each reenacted and amended to read as follows:

37 (1) By January 1, 2009, in collaboration with the office of  
38 financial management, using existing databases and structures  
39 currently shared, the office of the legislative evaluation and

1 accountability program committee shall establish and make available  
2 to the public a searchable state expenditure information web site.  
3 The state expenditure information web site shall provide access to  
4 current budget data, access to current accounting data for budgeted  
5 expenditures and staff, and access to historical data. At a minimum,  
6 the web site will provide access or links to the following  
7 information as data are available:

8 (a) State expenditures by fund or account;

9 (b) State expenditures by agency, program, and subprogram;

10 (c) State revenues by major source;

11 (d) State expenditures by object and subobject;

12 (e) State agency workloads, caseloads, and performance measures,  
13 and recent performance audits;

14 (f) State agency budget data by activity; and

15 (g) The inventory of state agency fees required by RCW 43.88.585.

16 (2) "State agency," as used in this section, includes every state  
17 agency, office, board, commission, or institution of the executive,  
18 legislative, or judicial branches, including institutions of higher  
19 education.

20 (3) The state expenditure information web site shall be updated  
21 periodically as subsequent fiscal year data become available, and the  
22 prior year expenditure data shall be maintained by the legislative  
23 evaluation and accountability program committee as part of its ten-  
24 year historical budget data.

25 (4) By January 1, 2014, current and future capital project and  
26 transportation project investments must be coded with the geographic  
27 information sufficient to permit the public to search and identify  
28 appropriation and expenditure data at the parent and subproject level  
29 to the extent available by:

30 (a) State legislative district;

31 (b) County; and

32 (c) Agency project identifier.

33 (5) The office of the legislative evaluation and accountability  
34 program committee must, within existing resources, update the state  
35 expenditure information web site to allow the public to search for  
36 capital budget and transportation projects by selecting from an  
37 online geographical map. The map must allow an in-depth examination  
38 of financial and other data associated with such projects. Data  
39 elements must include:

40 (a) Project title;

- 1 (b) Total appropriation;  
2 (c) Project description;  
3 (d) Expenditure data; and  
4 (e) Administering agency.

5 (6) By January 1, 2021, the office of the legislative evaluation  
6 and accountability program committee must begin regularly updating  
7 the state expenditure information web site to include the information  
8 provided under section 2 of this act.

9 (7) The web site must be easy to use, contain current and readily  
10 available data, and allow for review and analysis by the public. The  
11 legislative evaluation and accountability program committee must test  
12 the web site with potential users to ensure that it is easy to  
13 navigate and comprehend.

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