

CERTIFICATION OF ENROLLMENT

**SENATE BILL 5497**

68th Legislature  
2023 Regular Session

Passed by the Senate April 18, 2023  
Yeas 49 Nays 0

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**President of the Senate**

Passed by the House April 7, 2023  
Yeas 97 Nays 0

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**Speaker of the House of  
Representatives**

Approved

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**Governor of the State of Washington**

CERTIFICATE

I, Sarah Bannister, Secretary of the Senate of the State of Washington, do hereby certify that the attached is **SENATE BILL 5497** as passed by the Senate and the House of Representatives on the dates hereon set forth.

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**Secretary**

FILED

**Secretary of State  
State of Washington**

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**SENATE BILL 5497**

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AS AMENDED BY THE HOUSE

Passed Legislature - 2023 Regular Session

**State of Washington**

**68th Legislature**

**2023 Regular Session**

**By** Senators L. Wilson and Rolfes

1 AN ACT Relating to medicaid expenditures; amending RCW 74.04.050;  
2 adding new sections to chapter 74.09 RCW; and creating a new section.

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

4 NEW SECTION. **Sec. 1.** (1) The legislature intends to ensure that  
5 the medicaid program is operating under sound fiscal stewardship.  
6 This requires dedicated program integrity efforts focused on paying  
7 the right dollar amount to the right provider for the right reason.  
8 Strengthening program integrity efforts helps to ensure that every  
9 medicaid dollar stretches as far as possible for those insured  
10 through medicaid.

11 (2) The legislature finds that the health care authority is  
12 responsible for overseeing all of Washington's medicaid programs,  
13 including those administered by other state agencies. Effective  
14 oversight by the health care authority will advance the legislature's  
15 objective of ensuring that the right services are delivered to the  
16 right person at the right time with measurable outcomes.

17 **Sec. 2.** RCW 74.04.050 and 2011 1st sp.s. c 15 s 64 are each  
18 amended to read as follows:

19 (1) The department is designated as the single state agency to  
20 administer the following public assistance programs:

- 1 (a) Temporary assistance (~~(to [for])~~) for needy families;  
2 (b) Child welfare services; and  
3 (c) Any other programs of public assistance for which provision  
4 for federal grants or funds may from time to time be made, except as  
5 otherwise provided by law.

6 (2) The authority is hereby designated as the single state agency  
7 to administer the medical services programs established under chapter  
8 74.09 RCW, including the state children's health insurance program,  
9 Titles XIX and XXI of the federal social security act of 1935, as  
10 amended. As the state's medicaid agency, the authority is responsible  
11 for providing reasonable oversight of all medicaid program integrity  
12 activities required by federal regulation. The authority shall  
13 establish and maintain effective internal control over any state  
14 agency that receives medicaid funding in compliance with federal  
15 regulation.

16 (3) The department and the authority are hereby empowered and  
17 authorized to cooperate in the administration of such federal laws,  
18 consistent with the public assistance laws of this state, as may be  
19 necessary to qualify for federal funds.

20 (4) The state hereby accepts and assents to all the present  
21 provisions of the federal law under which federal grants or funds,  
22 goods, commodities, and services are extended to the state for the  
23 support of programs referenced in this section, and to such  
24 additional legislation as may subsequently be enacted as is not  
25 inconsistent with the purposes of this title, authorizing public  
26 welfare and assistance activities. The provisions of this title shall  
27 be so administered as to conform with federal requirements with  
28 respect to eligibility for the receipt of federal grants or funds.

29 (5) The department and the authority shall periodically make  
30 application for federal grants or funds and submit such plans,  
31 reports and data, as are required by any act of congress as a  
32 condition precedent to the receipt of federal funds for such  
33 assistance. The department and the authority shall make and enforce  
34 such rules and regulations as shall be necessary to insure compliance  
35 with the terms and conditions of such federal grants or funds.

36 NEW SECTION. Sec. 3. A new section is added to chapter 74.09  
37 RCW to read as follows:

38 (1) The authority shall provide administrative oversight for all  
39 funds received under the medical assistance program, as codified in

1 Title XIX of the federal social security act, the state children's  
2 health insurance program, as codified in Title XXI of the federal  
3 social security act, and any other federal medicaid funding to ensure  
4 that:

5 (a) All funds are spent according to federal and state laws and  
6 regulations;

7 (b) Delivery of services aligns with federal statutes and  
8 regulations;

9 (c) Corrective action plans are put in place if expenditures or  
10 services do not align with federal requirements; and

11 (d) Sound fiscal stewardship of medicaid funding in all agencies  
12 where medicaid funding is provided.

13 (2) The authority shall develop a strategic plan and performance  
14 measures for medicaid program integrity. The strategic plan must  
15 include stated strategic goals, agreed-upon objectives, performance  
16 measures, and a system to monitor progress and hold responsible  
17 parties accountable. In developing the strategic plan, the authority  
18 shall create a management information and reporting strategy with  
19 performance measures and management reports.

20 (3) The authority shall oversee the medicaid program resources of  
21 any state agency expending medicaid funding, including but not  
22 limited to:

23 (a) Regularly reviewing delegated work;

24 (b) Jointly reviewing required reports on terminated or  
25 sanctioned providers, compliance data, and application data;

26 (c) Requiring assurances that operational functions have been  
27 implemented;

28 (d) Reviewing audits performed on the sister state agency; and

29 (e) Assisting with risk assessments, setting goals, and  
30 developing policies and procedures.

31 (4) The authority shall develop and maintain a single, statewide  
32 medicaid fraud and abuse prevention plan consistent with the national  
33 medicaid fraud and abuse initiative or current federal best practice  
34 as recognized by the centers for medicare and medicaid services.

35 (5) The authority must follow best practices for identifying  
36 improper medicaid spending when implementing its program integrity  
37 activities, including but not limited to:

38 (a) Conducting risk assessments or evaluating leads with  
39 established risk factors;

40 (b) Relying on data analytics to generate leads;

1 (c) Conducting a preliminary review of incoming leads, which  
2 includes analyzing data about the lead and may include reviewing  
3 records such as billing histories;

4 (d) Determining the credibility of all allegations of potential  
5 fraud prior to referral to the state's medicaid fraud control unit;

6 (e) Analyzing all leads under review by the state's managed care  
7 organizations;

8 (f) Working with federally recognized experts that help state  
9 integrity programs improve their data analytics and identify  
10 potential fraud across medicare and medicaid such as unified program  
11 integrity contractors; and

12 (g) Maintaining a current fraud and abuse detection system.

13 NEW SECTION. **Sec. 4.** A new section is added to chapter 74.09  
14 RCW to read as follows:

15 (1) Beginning January 1, 2024, the authority's contracts with  
16 managed care organizations must clearly detail each party's  
17 requirements for maintaining program integrity and the consequences  
18 the managed care organizations face if they do not meet the  
19 requirements. The contract must ensure the penalties are adequate to  
20 ensure compliance.

21 (2) The authority shall follow leading program integrity  
22 practices as recommended by the centers for medicare and medicaid  
23 services, including but not limited to:

24 (a) Monthly reporting and quarterly meetings with managed care  
25 organizations to discuss program integrity issues and findings as  
26 well as trends in fraud and other improper payments;

27 (b) Financial penalties for failure to fulfill program integrity  
28 requirements, including liquidated damages and sanctions;

29 (c) Directly auditing providers and:

30 (i) Recovering overpayments from the providers; or

31 (ii) Assessing liquidated damages against the managed care  
32 organizations;

33 (d) Ensuring recoveries and liquidated damages resulting from  
34 overpayments are properly accounted for and applied to managed care  
35 encounters to ensure accurate future rate setting; and

36 (e) Ensuring all contracts with managed care organizations are  
37 updated as appropriate to reflect program integrity requirements.

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