
ENGROSSED SUBSTITUTE HOUSE BILL 1046

State of Washington

54th Legislature

1995 Regular Session

By House Committee on Health Care (originally sponsored by Representatives Dyer, Carlson, Kremen, Cooke, Horn, Schoesler, Buck, Johnson, Thompson, Beeksma, B. Thomas, Radcliff, Hickel, Chandler, Backlund, Mastin, Mitchell, Foreman, Sehlin, Ballasiotes, Clements, Campbell, Sheldon, L. Thomas, Huff, Mielke, Talcott, McMahan, Stevens and Lisk)

Read first time 02/08/95.

1 AN ACT Relating to health care reform improvement; adding a new
2 section to chapter 70.47 RCW; adding new sections to chapter 48.43 RCW;
3 adding a new chapter to Title 48 RCW; creating new sections; repealing
4 RCW 18.130.320, 18.130.330, 43.72.005, 43.72.010, 43.72.020, 43.72.030,
5 43.72.040, 43.72.050, 43.72.060, 43.72.070, 43.72.080, 43.72.090,
6 43.72.100, 43.72.110, 43.72.120, 43.72.130, 43.72.140, 43.72.150,
7 43.72.160, 43.72.170, 43.72.180, 43.72.190, 43.72.210, 43.72.220,
8 43.72.225, 43.72.230, 43.72.240, 43.72.300, 43.72.310, 43.72.800,
9 43.72.810, 43.72.820, 43.72.830, 43.72.840, 43.72.850, 43.72.860,
10 43.72.870, 48.01.200, 48.43.010, 48.43.020, 48.43.030, 48.43.040,
11 48.43.050, 48.43.060, 48.43.070, 48.43.080, 48.43.090, 48.43.100,
12 48.43.110, 48.43.120, 48.43.130, 48.43.140, 48.43.150, 48.43.160,
13 48.43.170, 48.01.210, 48.20.540, 48.21.340, 48.44.480, 48.46.550,
14 48.42.060, 48.42.070, 48.42.080, 70.170.100, 70.170.110, 70.170.120,
15 70.170.130, 70.170.140, 48.44.490, and 48.46.560; providing an
16 effective date; and providing for submission of this act to a vote of
17 the people.

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

1 NEW SECTION. **Sec. 1.** A new section is added to chapter 70.47 RCW
2 to read as follows:

3 BASIC HEALTH PLAN--EXPANDED ENROLLMENT. (1) The legislature finds
4 that the basic health plan has been an effective program in providing
5 health coverage for uninsured residents. Further, since 1993,
6 substantial amounts of public funds have been allocated for subsidized
7 basic health plan enrollment.

8 (2) It is the intent of the legislature that the basic health plan
9 enrollment be expanded expeditiously, consistent with funds available
10 in the health services account, with the goal of one hundred thirty
11 thousand adult subsidized basic health plan enrollees and one hundred
12 thirty thousand children covered through expanded medical assistance
13 services by June 30, 1997, with the priority of providing needed health
14 services to children in conjunction with other public programs.

15 (3) Effective January 1, 1996, basic health plan enrollees whose
16 income is less than one hundred twenty-five percent of the federal
17 poverty level shall pay no premium share.

18 (4) No later than July 1, 1996, the administrator shall implement
19 procedures whereby hospitals licensed under chapters 70.41 and 71.12
20 RCW, rural health care facilities regulated under chapter 70.175 RCW,
21 and community and migrant health centers funded under RCW 41.05.220,
22 may, at no remuneration, expeditiously assist patients and their
23 families in applying for basic health plan or medical assistance
24 coverage, and in submitting such applications directly to the health
25 care authority or the department of social and health services. The
26 health care authority and the department of social and health services
27 shall make every effort to simplify and expedite the application and
28 enrollment process.

29 (5) No later than July 1, 1996, the administrator shall implement
30 procedures whereby health insurance agents and brokers, licensed under
31 chapter 48.17 RCW, may, at no remuneration, expeditiously assist
32 patients and their families in applying for basic health plan or
33 medical assistance coverage, and in submitting such applications
34 directly to the health care authority or the department of social and
35 health services. The health care authority and the department of
36 social and health services shall make every effort to simplify and
37 expedite the application and enrollment process.

1 NEW SECTION. **Sec. 2.** HEALTH CARE SAVINGS ACCOUNTS. (1) This
2 chapter shall be known as the health care savings account act.

3 (2) The legislature recognizes that the costs of health care are
4 increasing rapidly and most individuals are removed from participating
5 in the purchase of their health care.

6 As a result, it becomes critical to encourage and support solutions
7 to alleviate the demand for diminishing state resources. In response
8 to these increasing costs in health care spending, the legislature
9 intends to clarify that health care savings accounts may be offered as
10 health benefit options to all residents as incentives to reduce
11 unnecessary health services utilization, administration, and paperwork,
12 and to encourage individuals to be in charge of and participate
13 directly in their use of service and health care spending. To
14 alleviate the possible impoverishment of residents requiring long-term
15 care, health care savings accounts may promote savings for long-term
16 care and provide incentives for individuals to protect themselves from
17 financial hardship due to a long-term health care need.

18 (3) Health care savings accounts are authorized in Washington state
19 as options to employers and residents.

20 NEW SECTION. **Sec. 3.** HEALTH CARE SAVINGS ACCOUNTS--REQUEST FOR
21 TAX EXEMPTION. The governor and responsible agencies shall:

22 (1) Request that the United States congress amend the internal
23 revenue code to treat premiums and contributions to health benefits
24 plans, such as health care savings account programs, basic health
25 plans, conventional and standard health plans offered through a health
26 carrier, by employers, self-employed persons, and individuals, as fully
27 excluded employer expenses and deductible from individual adjusted
28 gross income for federal tax purposes.

29 (2) Request that the United States congress amend the internal
30 revenue code to exempt from federal income tax interest that accrues in
31 health care savings accounts until such money is withdrawn for
32 expenditures other than eligible health expenses as defined in law.

33 (3) If all federal statute or regulatory waivers necessary to fully
34 implement this chapter have not been obtained by the effective date of
35 this section, this act shall remain in effect.

1 NEW SECTION. **Sec. 4.** INSURANCE REFORM--DEFINITIONS. Unless
2 otherwise specifically provided, the definitions in this section apply
3 throughout this chapter.

4 (1) "Health carrier" or "carrier" means a disability insurer
5 regulated under chapter 48.20 or 48.21 RCW, fraternal benefit societies
6 regulated under chapter 48.36A RCW, a health care service contractor as
7 defined in RCW 48.44.010 or a health maintenance organization as
8 defined in RCW 48.46.020.

9 (2) "Health care service" means that service offered or provided by
10 health care facilities and health care providers relating to the
11 prevention, cure, or treatment of illness, injury, or disease.

12 (3) "Health plan" means any policy, contract, or agreement offered
13 by a health carrier to provide, arrange, reimburse, or pay for health
14 care service except the following:

15 (a) Long-term care insurance governed by chapter 48.84 RCW;

16 (b) Medicare supplemental health insurance governed by chapter
17 48.66 RCW;

18 (c) Limited health care service offered by limited health care
19 service contractors in accordance with RCW 48.44.035;

20 (d) Disability income;

21 (e) Coverage incidental to a property/casualty liability insurance
22 policy such as automobile personal injury protection coverage and
23 homeowner guest medical;

24 (f) Workers' compensation coverage; and

25 (g) Accident only coverage.

26 (4) "Covered person" means a person covered by a health plan
27 including an enrollee, subscriber, policyholder, beneficiary of a group
28 plan, or individual covered by any other health plan.

29 (5) "Preexisting condition" means any medical condition, illness,
30 or injury that existed any time prior to the effective date of
31 coverage.

32 NEW SECTION. **Sec. 5.** INSURANCE REFORM--PORTABILITY. (1) Every
33 health carrier shall waive any preexisting condition exclusion or
34 limitation for persons or groups who had similar health coverage under
35 a different health plan at any time during the three-month period
36 immediately preceding the date of application for the new health plan
37 if such person was continuously covered under the immediately preceding
38 health plan. If the person was continuously covered for at least three

1 months under the immediately preceding health plan, the carrier may not
2 impose a waiting period for coverage of preexisting conditions. If the
3 person was continuously covered for less than three months under the
4 immediately preceding health plan, the carrier must credit any waiting
5 period under the immediately preceding health plan toward the new
6 health plan. For the purposes of this subsection, a health plan
7 includes an employer provided self-funded health plan.

8 (2) Nothing contained in this section requires a health carrier to
9 amend a health plan to provide new benefits in its existing health
10 plans. In addition, nothing in this section requires a carrier to
11 waive benefit limitations not related to an individual or group's
12 preexisting conditions or health history. A waiting period may be
13 applied for use of a particular benefit imposed equally upon all
14 covered persons without regard to health condition.

15 NEW SECTION. **Sec. 6.** INSURANCE REFORM--PREEXISTING CONDITIONS.

16 (1) No carrier may reject an individual for health plan coverage based
17 upon preexisting conditions of the individual and no carrier may deny,
18 exclude, or otherwise limit coverage for an individual's preexisting
19 health conditions; except that a carrier may impose a three-month
20 benefit waiting period for preexisting conditions for which medical
21 advice was given, or for which a health care provider recommended or
22 provided treatment within three months before the effective date of
23 coverage.

24 (2) No carrier may avoid the requirements of this section through
25 the creation of a new rate classification or the modification of an
26 existing rate classification. A new or changed rate classification
27 will be deemed an attempt to avoid the provisions of this section if
28 the new or changed classification would substantially discourage
29 applications for coverage from individuals or groups who are higher
30 than average health risks. These provisions apply only to individuals
31 who are Washington residents as defined in law.

32 NEW SECTION. **Sec. 7.** INSURANCE REFORM--GUARANTEED ISSUE. (1)

33 Except as provided in subsection (4) of this section, all health plans
34 shall contain or incorporate by endorsement, a guarantee of the
35 continuity of coverage of the plan.

36 (2) For the purposes of this section, a plan is "renewed" when it
37 is continued beyond the earliest date upon which, at the carrier's sole

1 option, the plan could have been terminated for other than nonpayment
2 of premium. In the case of group plans, the carrier may consider the
3 group's anniversary date as the renewal date for purposes of complying
4 with the provisions of this section.

5 (3) The guarantee of continuity of coverage required in health
6 plans shall not prevent a carrier from canceling or nonrenewing a
7 health plan for:

8 (a) Nonpayment of premium;

9 (b) Violation of published policies of the carrier approved by the
10 insurance commissioner;

11 (c) Covered persons entitled to become eligible for medicare
12 benefits by reason of age who fail to apply for a medicare supplement
13 plan or medicare cost, risk, or other plan offered by the carrier
14 pursuant to federal laws and regulations;

15 (d) Covered persons who fail to pay any deductible or copayment
16 amount owed to the carrier and not the provider of health care
17 services;

18 (e) Covered persons committing fraudulent acts as to the carrier;

19 (f) Covered persons who materially breach the health plan; or

20 (g) Change or implementation of federal or state laws that no
21 longer permit the continued offering of such coverage.

22 (4) The provisions of this section do not apply to health plans
23 deemed by the insurance commissioner to be unique or limited or have a
24 short-term purpose, after a written request for such classification by
25 the carrier and subsequent written approval by the insurance
26 commissioner.

27 NEW SECTION. **Sec. 8.** REPEALERS. The following acts or parts of
28 acts are each repealed:

29 (1) RCW 18.130.320 and 1993 c 492 s 408;

30 (2) RCW 18.130.330 and 1994 c 102 s 1 & 1993 c 492 s 412;

31 (3) RCW 43.72.005 and 1993 c 492 s 401;

32 (4) RCW 43.72.010 and 1994 c 4 s 1, 1993 c 494 s 1, & 1993 c 492 s
33 402;

34 (5) RCW 43.72.020 and 1994 c 154 s 311 & 1993 c 492 s 403;

35 (6) RCW 43.72.030 and 1993 c 492 s 405;

36 (7) RCW 43.72.040 and 1994 c 4 s 3, 1993 c 494 s 2, & 1993 c 492 s
37 406;

38 (8) RCW 43.72.050 and 1993 c 492 s 407;

- 1 (9) RCW 43.72.060 and 1994 c 4 s 2 & 1993 c 492 s 404;
- 2 (10) RCW 43.72.070 and 1993 c 492 s 409;
- 3 (11) RCW 43.72.080 and 1993 c 492 s 425;
- 4 (12) RCW 43.72.090 and 1993 c 492 s 427;
- 5 (13) RCW 43.72.100 and 1993 c 492 s 428;
- 6 (14) RCW 43.72.110 and 1993 c 492 s 429;
- 7 (15) RCW 43.72.120 and 1993 c 492 s 430;
- 8 (16) RCW 43.72.130 and 1993 c 492 s 449;
- 9 (17) RCW 43.72.140 and 1993 c 492 s 450;
- 10 (18) RCW 43.72.150 and 1993 c 492 s 451;
- 11 (19) RCW 43.72.160 and 1993 c 492 s 452;
- 12 (20) RCW 43.72.170 and 1993 c 492 s 453;
- 13 (21) RCW 43.72.180 and 1993 c 492 s 454;
- 14 (22) RCW 43.72.190 and 1993 c 492 s 455;
- 15 (23) RCW 43.72.210 and 1993 c 492 s 463;
- 16 (24) RCW 43.72.220 and 1993 c 494 s 3 & 1993 c 492 s 464;
- 17 (25) RCW 43.72.225 and 1994 c 4 s 4;
- 18 (26) RCW 43.72.230 and 1993 c 492 s 465;
- 19 (27) RCW 43.72.240 and 1993 c 494 s 4 & 1993 c 492 s 466;
- 20 (28) RCW 43.72.300 and 1993 c 492 s 447;
- 21 (29) RCW 43.72.310 and 1993 c 492 s 448;
- 22 (30) RCW 43.72.800 and 1993 c 492 s 457;
- 23 (31) RCW 43.72.810 and 1993 c 492 s 474;
- 24 (32) RCW 43.72.820 and 1993 c 492 s 475;
- 25 (33) RCW 43.72.830 and 1993 c 492 s 476;
- 26 (34) RCW 43.72.840 and 1993 c 492 s 478;
- 27 (35) RCW 43.72.850 and 1993 c 492 s 485;
- 28 (36) RCW 43.72.860 and 1993 c 492 s 486;
- 29 (37) RCW 43.72.870 and 1993 c 494 s 5;
- 30 (38) RCW 48.01.200 and 1993 c 492 s 294;
- 31 (39) RCW 48.43.010 and 1993 c 492 s 432;
- 32 (40) RCW 48.43.020 and 1993 c 492 s 433;
- 33 (41) RCW 48.43.030 and 1993 c 492 s 434;
- 34 (42) RCW 48.43.040 and 1993 c 492 s 435;
- 35 (43) RCW 48.43.050 and 1993 c 492 s 436;
- 36 (44) RCW 48.43.060 and 1993 c 492 s 437;
- 37 (45) RCW 48.43.070 and 1993 c 492 s 438;
- 38 (46) RCW 48.43.080 and 1993 c 492 s 439;
- 39 (47) RCW 48.43.090 and 1993 c 492 s 440;

- 1 (48) RCW 48.43.100 and 1993 c 492 s 441;
2 (49) RCW 48.43.110 and 1993 c 492 s 442;
3 (50) RCW 48.43.120 and 1993 c 492 s 443;
4 (51) RCW 48.43.130 and 1993 c 492 s 444;
5 (52) RCW 48.43.140 and 1993 c 492 s 445;
6 (53) RCW 48.43.150 and 1993 c 492 s 446;
7 (54) RCW 48.43.160 and 1993 c 492 s 426;
8 (55) RCW 48.43.170 and 1993 c 492 s 431;
9 (56) RCW 48.01.210 and 1993 c 462 s 51;
10 (57) RCW 48.20.540 and 1993 c 492 s 283;
11 (58) RCW 48.21.340 and 1993 c 492 s 284;
12 (59) RCW 48.44.480 and 1993 c 492 s 285;
13 (60) RCW 48.46.550 and 1993 c 492 s 286;
14 (61) RCW 48.42.060 and 1984 c 56 s 1;
15 (62) RCW 48.42.070 and 1989 1st ex.s. c 9 s 221, 1987 c 150 s 79,
16 & 1984 c 56 s 2;
17 (63) RCW 48.42.080 and 1984 c 56 s 3;
18 (64) RCW 70.170.100 and 1993 c 492 s 259, 1990 c 269 s 12, & 1989
19 1st ex.s. c 9 s 510;
20 (65) RCW 70.170.110 and 1993 c 492 s 260 & 1989 1st ex.s. c 9 s
21 511;
22 (66) RCW 70.170.120 and 1993 c 492 s 261;
23 (67) RCW 70.170.130 and 1993 c 492 s 262;
24 (68) RCW 70.170.140 and 1993 c 492 s 263;
25 (69) RCW 48.44.490 and 1993 c 492 s 288; and
26 (70) RCW 48.46.560 and 1993 c 492 s 289.

27 NEW SECTION. **Sec. 9.** CODIFICATION DIRECTION. Sections 2 and 3 of
28 this act shall constitute a new chapter in Title 48 RCW.

29 NEW SECTION. **Sec. 10.** CODIFICATION DIRECTION. Sections 4 through
30 7 of this act are each added to chapter 48.43 RCW.

31 NEW SECTION. **Sec. 11.** CAPTIONS NOT LAW. Captions as used in this
32 act constitute no part of the law.

33 NEW SECTION. **Sec. 12.** EFFECTIVE DATE. This act shall take effect
34 January 1, 1996.

1 NEW SECTION. **Sec. 13.** SAVINGS CLAUSE. This act shall not be
2 construed as affecting any existing right acquired or liability or
3 obligation incurred under the sections amended or repealed in this act
4 or under any rule or order adopted under those sections, nor as
5 affecting any proceeding instituted under those sections.

6 NEW SECTION. **Sec. 14.** SEVERABILITY CLAUSE. If any provision of
7 this act or its application to any person or circumstance is held
8 invalid, the remainder of the act or the application of the provision
9 to other persons or circumstances is not affected.

10 NEW SECTION. **Sec. 15.** ACT TITLE. This act shall be known as the
11 health reform simplification act.

12 NEW SECTION. **Sec. 16.** REFERENDUM. This act shall be submitted to
13 the people for their adoption and ratification, or rejection, at the
14 next succeeding general election to be held in this state, in
15 accordance with Article II, section 1 of the state Constitution, as
16 amended, and the laws adopted to facilitate the operation thereof.

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