
ENGROSSED SECOND SUBSTITUTE SENATE BILL 5596

State of Washington

62nd Legislature

2011 Regular Session

By Senate Ways & Means (originally sponsored by Senators Parlette, Zarelli, Becker, and Hewitt)

READ FIRST TIME 02/25/11.

1 AN ACT Relating to creating flexibility in the medicaid program;
2 adding a new section 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.** The legislature finds that mounting budget
5 pressures combined with growth in enrollment and constraints in the
6 medicaid program have forced open discussion throughout the country and
7 in our state concerning complete withdrawal from the medicaid program.
8 The legislature recognizes that a better and more sustainable way
9 forward would involve new state flexibility for managing its medicaid
10 program built on the success of the basic health plan and Washington's
11 transitional bridge waiver, where elements of consumer participation
12 and choice, benefit design flexibility, and payment flexibility have
13 helped keep costs low. The legislature further finds that either a
14 centers for medicare and medicaid services' innovation center project
15 or a section 1115 demonstration project, or both, with capped
16 eligibility group per capita payments would allow the state to operate
17 as a laboratory of innovation for bending the cost curve, preserving
18 the safety net, and improving the management of care for low-income
19 populations.

1 NEW SECTION. **Sec. 2.** A new section is added to chapter 74.09 RCW
2 to read as follows:

3 (1) By October 1, 2011, the department shall submit a request to
4 the centers for medicare and medicaid services' innovation center and,
5 if needed to achieve one or all of the objectives outlined in this
6 section, a section 1115 demonstration waiver request to the federal
7 department of health and human services to revise the medical
8 assistance program as codified in Title XIX of the federal social
9 security act. The demonstration shall be known as the "medicaid
10 modernization" demonstration. The demonstration request shall be
11 designed to ensure the broadest federal financial participation under
12 Titles XIX and XXI of the federal social security act. To the extent
13 permitted under federal law, the demonstration shall include the
14 following components:

15 (a) Establishment of base-year, eligibility group per capita
16 payments for the state medicaid program, with maximum flexibility
17 provided to the state for managing the health care trend as well as
18 provisions for shared savings if per capita expenditures are below the
19 negotiated rates. The capped eligibility group per capita payments
20 shall be based on targeted per capita costs for the full duration of
21 the five-year demonstration period and shall include due consideration
22 and flexibility for unforeseen events, changes in the delivery of
23 health care, and changes in federal or state law. The capped
24 eligibility group per capita payments shall take into account any and
25 all provisions of the federal patient protection and affordable care
26 act which will have an impact on federal resources devoted to Titles
27 XIX and XXI of the federal social security act programs. Federal
28 payments for each eligibility group shall be based on the product of
29 the negotiated per capita payments for the eligibility group times the
30 actual caseload for the eligibility group;

31 (b) Flexibility over benefit design for all categories of
32 eligibility under Titles XIX and XXI to include:

33 (i) Alignment with the federal patient protection and affordable
34 care act's Sec. 1302(b) essential health benefits design; and

35 (ii) The ability to provide supplemental benefits beyond the
36 essential health benefits design for certain populations that meet
37 clinical criteria such as children, pregnant women, individuals with
38 disabilities, and elderly adults.

1 (c) The ability to implement limited, reasonable, and enforceable
2 cost sharing and premiums for all categories of eligibility under Title
3 XIX and XXI to encourage informed consumer behavior and lower
4 utilization of health services, while ensuring that access to evidence-
5 based, preventative and primary care is not hindered;

6 (d) The ability to streamline eligibility determination and
7 administration of multiple categories of eligibility and to verify
8 eligibility information more frequently;

9 (e) The flexibility to adopt innovative reimbursement methods such
10 as bundled, global, and risk-bearing payment arrangements, that promote
11 effective purchasing, efficient use of health services, and support
12 health homes, accountable care organizations, and other innovations
13 intended to contain costs, improve health, and incent smart consumer
14 decision making;

15 (f) The ability for all medicaid and children's health insurance
16 program clients to voluntarily enroll in the insurance exchange and
17 broadened authority to enroll clients in employer-sponsored insurance
18 when available and deemed cost-effective for the state, with authority
19 to require clients to remain enrolled in their chosen plan for the
20 calendar year;

21 (g) An expedited process of forty-five days or less in which the
22 centers for medicare and medicaid services must respond to any state
23 request for certain changes to the demonstration once it is implemented
24 to ensure that the state has the necessary flexibility to manage within
25 its eligibility group per capita payment caps; and

26 (h) The development of an alternative payment methodology for
27 federally qualified health centers and rural health clinics that
28 enables capitated or global payment of enhanced payments.

29 (2) The department shall evaluate the merits of moving to an
30 insurance subsidy model for certain medicaid populations and shall
31 explore any federal flexibility if and when it is provided to the
32 states for such purpose.

33 (3) The department shall report to the joint legislative select
34 committee on health reform implementation, if operational, on proposed
35 waiver provisions by August 1, 2011, and by September 15, 2011.

36 (4) The department shall hold ongoing stakeholder discussions as it
37 is developing the waiver request, and provide opportunities for public
38 review and comment as the request is being developed.

1 (5) The department and the health care authority shall identify
2 statutory changes that may be necessary to ensure successful and timely
3 implementation of the demonstration, submitted to the federal
4 department of health and human services as the medicaid modernization
5 demonstration.

6 (6) The legislature must authorize prior to its implementation any
7 demonstration approved by the federal department of health and human
8 services under this section.

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