
SENATE BILL 5224

State of Washington 63rd Legislature 2013 Regular Session

By Senators Kohl-Welles, Murray, Keiser, Chase, Darneille, Nelson, Hasegawa, Kline, Frockt, and Conway

Read first time 01/23/13. Referred to Committee on Health Care .

1 AN ACT Relating to the Washington health security trust; amending
2 RCW 41.05.130, 66.24.290, 82.24.020, 82.26.020, 82.08.150, 43.79.480,
3 and 41.05.220; reenacting and amending RCW 41.05.120; adding new
4 sections to chapter 82.02 RCW; adding a new chapter to Title 43 RCW;
5 creating new sections; repealing RCW 82.04.260, 82.04.260, and
6 48.14.0201; providing contingent effective dates; and providing an
7 expiration date.

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

9 NEW SECTION. **Sec. 1.** (1) There is a crisis in health care
10 accessibility, affordability, and choice in Washington state. Health
11 care through insurance companies has failed to control costs, increase
12 access, or preserve choice. More than six hundred thousand Washington
13 residents have no health care coverage. Individual plans are
14 unavailable or unaffordable in most counties. Many clinics, physician
15 practices, and emergency departments, especially in rural areas, are
16 failing. Employers, faced with fewer choices and more expensive
17 premiums, are reducing employment-based health care coverage.
18 Simplifying health care financing and eliminating administrative waste

1 inherent in multiple insurance plans can create sufficient savings to
2 extend health care coverage to all residents and enhance fairness in
3 the system.

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

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

22 (1) "Board" means the board of trustees of the Washington health
23 security trust, created in section 3 of this act.

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

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

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

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

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

1 (7) "Group practice" or "group" means a group of practitioners
2 voluntarily joined into an organization for the purpose of sharing
3 administrative costs, negotiating with payers and controlling the
4 circumstances of their medical practice, and, in some cases, sharing
5 revenues. The group may be of a single specialty or include more than
6 one specialty.

7 (8) "Health care facility" or "facility" includes any of the
8 following appropriately accredited entities: Hospices licensed
9 pursuant to chapter 70.127 RCW; hospitals licensed pursuant to chapter
10 70.41 RCW; rural health care facilities as defined in RCW 70.175.020;
11 psychiatric hospitals licensed pursuant to chapter 71.12 RCW; nursing
12 homes licensed pursuant to chapter 18.51 RCW; community mental health
13 centers licensed pursuant to chapter 71.05 or 71.24 RCW; kidney disease
14 treatment centers licensed pursuant to chapter 70.41 RCW; ambulatory
15 diagnostic, treatment, or surgical facilities licensed pursuant to
16 chapter 70.41 RCW; approved drug and alcohol treatment facilities
17 certified by the department of social and health services; home health
18 agencies licensed pursuant to chapter 70.127 RCW; and such facilities
19 if owned and operated by a political subdivision or instrumentality of
20 the state and such other facilities as required by federal law and
21 implementing regulations.

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

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

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

33 (12) "Long-term care" means institutional, residential, outpatient,
34 or community-based services that meet the individual needs of persons
35 of all ages who are limited in their functional capacities or have
36 disabilities and require assistance with performing two or more
37 activities of daily living for an extended or indefinite period of

1 time. These services include case management, protective supervision,
2 in-home care, nursing services, convalescent, custodial, chronic, and
3 terminally ill care.

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

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

8 (15) "Resident" means an individual who presents evidence of
9 established, permanent residency in the state of Washington, who did
10 not enter the state for the primary purpose of obtaining health
11 services. "Resident" also includes people and their accompanying
12 family members who are residing in the state for the purpose of
13 engaging in employment for at least one month. The confinement of a
14 person in a nursing home, hospital, or other medical institution in the
15 state may not by itself be sufficient to qualify such person as a
16 resident.

17 (16) "Trust" means the Washington health security trust created in
18 section 3 of this act.

19 NEW SECTION. **Sec. 3.** An agency of state government known as the
20 Washington health security trust is created. The purpose of the trust
21 is to provide coverage for a set of health services for all residents.

22 NEW SECTION. **Sec. 4.** (1) The trust shall be governed by a board
23 of trustees. The board consists of nine trustees selected for
24 expertise in health care financing and delivery, and representing
25 Washington citizens, business, labor, and health professions. The
26 initial trustees shall be appointed by the governor, subject to
27 confirmation by the senate. The governor shall appoint the initial
28 board within ninety days of the effective date of this section. Of the
29 initial trustees, three shall be appointed to terms of two years, three
30 shall be appointed to terms of four years, and three shall be appointed
31 to terms of six years. Thereafter, trustees shall be elected to six-
32 year terms, one trustee from each congressional district; the first
33 class of trustees shall be elected from the first, second, and ninth
34 congressional districts; the second class from the third, seventh, and
35 eighth congressional districts; and the third class from the fourth,
36 fifth, and sixth congressional districts. The governor shall appoint

1 a trustee to serve the remaining term for a vacancy from any cause.
2 The initial board shall convene no later than three months following
3 the initial appointment.

4 (2) Members of the board shall have no pecuniary interest in any
5 business subject to regulation by the board. Members of the board are
6 subject to chapter 42.52 RCW.

7 (3) The initial, appointed members of the board shall occupy their
8 positions on a full-time basis and are exempt from the provisions of
9 chapter 41.06 RCW. The elected trustees shall occupy their positions
10 according to the bylaws, rules, and relevant governing documents of the
11 board. The board and its professional staff are subject to the public
12 disclosure provisions of chapter 42.17 RCW. Trustees shall be paid a
13 salary to be fixed by the governor in accordance with RCW 43.03.040.
14 Five trustees constitute a quorum for the conduct of business.

15 (4) One member of the board shall be designated by the governor as
16 chair, subject to confirmation by a majority of the other trustees.
17 The chair shall serve in this capacity, subject to continuing
18 confidence of a majority of the board.

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

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

25 (a) A financial advisory committee consisting of financial experts
26 from the office of financial management, the office of the state
27 treasurer, and the office of the insurance commissioner. The financial
28 advisory committee shall recommend specific details for major budget
29 decisions and for appropriations, taxes, and other funding legislation
30 necessary to conduct the operations of the Washington health security
31 trust;

32 (b) A citizens' advisory committee consisting of balanced
33 representation from health experts, business, labor, and consumers.
34 The citizens' advisory committee shall hold public hearings on
35 priorities for inclusion in the set of health services, survey public
36 satisfaction, investigate complaints, and identify and report on health
37 care access and other priority issues for residents; and

1 (c) A technical advisory committee consisting of members with broad
2 experience in and knowledge of health care delivery, research, and
3 policy, as well as public and private funding of health care services.
4 The technical advisory committee shall make recommendations to the
5 board on technical issues related to covered benefits, quality
6 assurance, utilization, and other issues as requested by the board.

7 (2) The board shall consult with the citizens' advisory committee
8 at least quarterly, receive its reports and recommendations, and then
9 report to the governor and legislature at least annually on board
10 actions in response to citizens' advisory committee input. The board
11 shall also seek financially sound recommendations from the financial
12 advisory committee whenever the board requests funding legislation
13 necessary to operate the Washington health security trust and whenever
14 the board considers major budget decisions.

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

17 (4) Members of committees shall serve without compensation for
18 their services but shall be reimbursed for their expenses while
19 attending meetings on behalf of the board in accordance with RCW
20 43.03.050 and 43.03.060.

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

23 (1) Appoint an executive director with the approval of the board.
24 The executive director, with approval of the board, shall employ staff
25 in accordance with chapter 41.06 RCW necessary to execute the policies
26 and decisions of the board;

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

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

34 (4) Delegate administrative functions of the board to the executive
35 director and staff of the trust as necessary to ensure efficient
36 administration.

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

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

35 NEW SECTION. **Sec. 8.** Beginning the third May 15th following the
36 effective date of this section, the board shall adopt, in consultation
37 with the office of financial management, an annual Washington health

1 security trust budget. Except by legislative approval, each annual
2 budget shall not exceed the budget for the preceding year by more than
3 the Washington state consumer price index. If operations expenses
4 exceed revenues generated in two consecutive years, the board shall
5 recommend adjustments in either benefits or revenues, or both, to the
6 legislature.

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

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

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

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

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

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

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

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

1 the employee pays the health security premium under section 17 of this
2 act.

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

5 (5) Pending integration of federally qualified trusts into the
6 health security trust, employees covered under the trusts are not
7 eligible for coverage through the health security trust unless: (a)
8 The employee's pay is considered in calculating the employer's health
9 security assessment defined under section 16 of this act; and (b)
10 either the employer or the employee pays the health security premium
11 under section 17 of this act.

12 (6) Pending integration of federally qualified trusts into the
13 health security trust, residents who are retirees covered under the
14 trusts are not eligible for coverage through the health security trust
15 unless they pay the health security premium under section 17 of this
16 act.

17 (7) Pending integration into the health security trust of
18 applicable federal programs described in section 21 of this act, Native
19 American residents are not eligible for coverage through the health
20 security trust unless: (a) The resident's pay is considered in
21 calculating the employer's health security assessment under section 16
22 of this act; and (b) either the employer or the resident pays any
23 health security premium due under section 17 of this act.

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

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

35 (2) The benefits package shall include, but is not limited to: (a)
36 Inpatient and outpatient hospital care, including twenty-four hour a
37 day emergency services and emergency ambulance services; (b)

1 outpatient, home-based, and office-based care; (c) rehabilitation
2 services, including speech, occupational, and physical therapy; (d)
3 inpatient and outpatient mental health services and substance abuse
4 treatment; (e) hospice care; (f) prescription drugs and prescribed
5 medical nutrition; (g) vision and hearing care; (h) diagnostic tests;
6 (i) durable medical equipment; (j) preventive care; and (k) any other
7 benefits defined as "essential health benefits" under the federal
8 patient protection and affordable care act.

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

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

22 (5) Except where otherwise prohibited by federal law, the board
23 shall establish copayments for outpatient visits, emergency room
24 visits, and prescription drugs for residents with incomes above one
25 hundred fifty percent of the federal poverty level. There shall be an
26 annual cap of five hundred dollars per family.

27 (6) The board shall submit to the legislature by the third July 1st
28 following the effective date of this section, a plan to incorporate
29 dental care coverage in the benefits package, to be effective January
30 1, 2015.

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

35 (8) The board shall consider the extent to which medical research
36 and health professions training activities should be included in the
37 scope of covered activities set forth in this act. The board shall

1 make a report to the governor and the legislature by the third July 1st
2 following the effective date of this section.

3 NEW SECTION. **Sec. 12.** (1) When consistent with existing federal
4 law, the board shall require pharmaceutical and durable medical
5 equipment manufacturers to provide their products in Washington state
6 at the lowest rate offered to federal and other government entities.

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

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

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

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

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

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

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

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

35 (7) Nothing in this act shall be construed to limit a provider's
36 right to receive payments from sources other than the trust. However,

1 any provider who does accept payment from the trust for a service must
2 accept that payment, along with applicable copayments, as payment in
3 full.

4 NEW SECTION. **Sec. 14.** (1) The intent of this section is to exempt
5 activities approved under this act from state antitrust laws and to
6 provide immunity from federal antitrust laws through the state action
7 doctrine.

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

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

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

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

29 NEW SECTION. **Sec. 16.** A new section is added to chapter 82.02 RCW
30 to read as follows:

31 In addition to and not in lieu of taxes imposed at the rates
32 established under chapter 82.04 RCW, all Washington state employers
33 shall pay a health security assessment to the department of revenue to
34 fund the Washington health security trust created in section 3 of this
35 act.

1 (1) Effective the second May 15th following the effective date of
2 this section, all employers in Washington state shall pay in quarterly
3 installments a health security assessment on aggregate gross payroll
4 paid to Washington state residents. Except as provided in this
5 section, the health security assessment shall be: (a) A first step
6 percentage of aggregate gross quarterly payroll up to, and including,
7 one hundred twenty-five thousand dollars; (b) a second step percentage
8 of the amount of aggregate gross quarterly payroll above one hundred
9 twenty-five thousand dollars; and (c) the first step percentage rate
10 shall be one-tenth of the rate of the second step percentage.

11 (2) The tax rates under subsection (1) of this section may be
12 adjusted annually by the office of financial management to reflect
13 changes in the Washington state consumer price index, or other cost-of-
14 living index deemed appropriate by the office of financial management.

15 (3) The department of revenue shall assess a penalty at the rate of
16 two percent per month, or a fraction thereof, on any employer whose
17 applicable health security payroll assessment is not postmarked by the
18 last day of the month following the quarter in which it is due.

19 (4) The federal government, when an employer of Washington state
20 residents, is exempt from the health security assessment prior to the
21 repeal, amendment, or waiver of existing state and federal laws
22 delineated in section 21 of this act.

23 (5) Beginning the second May 15th following the effective date of
24 this section until the eighth May 15th following the effective date of
25 this section, employers that face financial hardship in paying the
26 health security assessment, may, upon application to the board of
27 trustees created in section 4 of this act, be eligible for waivers or
28 reductions in the health security assessment. The board shall
29 establish rules and procedures governing all aspects of the business
30 assistance program, including application procedures, thresholds
31 regarding firm size, wages, profits, age of firm, and duration of
32 assistance.

33 (6) Pending integration of any federally qualified trusts, the
34 payroll of employees covered under these trusts is exempt from the
35 health security assessment, although the employer may pay it
36 voluntarily.

37 (7) Pending repeal, amendment, or waiver of applicable state and

1 federal laws delineated in section 21 of this act, payroll of Native
2 American residents who do not elect to participate in the health
3 security trust is exempt from the health security assessment.

4 (8) Eighty percent of the revenue collected under this section must
5 be deposited in the benefits account created in section 24 of this act.

6 (9) For the purposes of this section, the terms "employer,"
7 "payroll," and "resident" have the same meaning as defined in section
8 2 of this act.

9 NEW SECTION. **Sec. 17.** A new section is added to chapter 82.02 RCW
10 to read as follows:

11 (1) Effective the second May 15th following the effective date of
12 this section, all Washington residents eighteen years and older, except
13 medicare and medicaid beneficiaries, with incomes over one hundred
14 fifty percent of the federal poverty level shall pay a standard monthly
15 flat rate health security premium. The board shall recommend the
16 amount of this premium, and the legislature shall establish the exact
17 amount in separate legislation.

18 (2) Medicare and medicaid beneficiaries with incomes over one
19 hundred fifty percent of the federal poverty level who elect to
20 participate in the trust shall pay reduced, monthly, flat rate health
21 security premium. The board shall recommend the amount of this
22 premium, and the legislature shall establish the exact amount in
23 separate legislation.

24 (3) All premiums may be adjusted annually by the office of
25 financial management to reflect changes in the Washington state
26 consumer price index, or other cost-of-living index deemed appropriate
27 by the office of financial management.

28 (4) By the second May 15th following the effective date of this
29 section, the board of trustees of the Washington health security trust,
30 created in section 3 of this act, shall develop and implement specific
31 rules and procedures to subsidize the health security premiums of
32 residents, including medicare and medicaid eligible residents, whose
33 household incomes are less than two hundred fifty percent of the
34 federal poverty level.

35 (5) Federal employees and retirees are exempt from the health
36 security premium prior to the repeal, amendment, or waiver of existing

1 federal laws delineated in section 21 of this act, although they may
2 elect to participate in the trust and pay it voluntarily.

3 (6) Pending integration of any federally qualified trusts,
4 employees and retirees covered under these trusts are exempt from the
5 health security premium, although they may elect to participate in the
6 trust and the employee or the employer may pay it voluntarily.

7 (7) Pending repeal, amendment, or waiver of applicable state and
8 federal laws delineated in section 21 of this act, Native American
9 residents are exempt from paying the health security premium, although
10 they may elect to participate in the trust and they or their employer
11 may pay it voluntarily.

12 (8) Employers shall collect the health security premiums of their
13 employees through payroll deduction. An employee may also make the
14 premium payment for a nonworking spouse through payroll deduction.
15 Self-employed and nonemployed individuals shall pay their health
16 security premiums monthly to the department of revenue. The department
17 shall assess a penalty at the rate of two percent per month, or
18 fraction thereof, on all self-employed and nonemployed individuals
19 whose health security premium is not postmarked by the twentieth day
20 following the month it is due. Employers reserve the right to provide
21 private health care coverage to employees; notwithstanding, employers
22 must pay the health security assessment as provided in section 16 of
23 this act.

24 (9) Retirees who receive retirement benefits from a former employer
25 or a successor to the employer, other than in federally qualified
26 trusts or through federal employment, may claim a credit against the
27 health security premium otherwise due under this section, if all or a
28 portion of the retirement benefits consists of health care benefits
29 arising from a contract of health insurance entered into between the
30 employer, or successor, and a health insurance provider.

31 (10) For the purposes of this section, the terms "employer,"
32 "federal poverty level," "income," and "resident" have the same meaning
33 as defined in section 2 of this act.

34 NEW SECTION. **Sec. 18.** Revenue derived from the health security
35 assessment, created in section 16 of this act, and the health security
36 premium, created in section 17 of this act, shall not be used to pay
37 for medical assistance currently provided under chapter 74.09 RCW or

1 other existing federal and state health care programs. If existing
2 federal and state sources of payment for health services are reduced or
3 terminated after the effective date of this section, the legislature
4 shall replace these appropriations from the general fund.

5 NEW SECTION. **Sec. 19.** (1) The health care authority is hereby
6 abolished and its powers, duties, and functions are hereby transferred
7 to the Washington health security trust. All references to the
8 administrator or the health care authority in the Revised Code of
9 Washington shall be construed to mean the chair or the Washington
10 health security trust.

11 (2)(a) All reports, documents, surveys, books, records, files,
12 papers, or written material in the possession of the health care
13 authority shall be delivered to the custody of the Washington health
14 security trust. All cabinets, furniture, office equipment, motor
15 vehicles, and other tangible property employed by the health care
16 authority shall be made available to the Washington health security
17 trust. All funds, credits, or other assets held by the health care
18 authority shall be assigned to the Washington health security trust.

19 (b) Any appropriations made to the health care authority shall, on
20 the effective date of this section, be transferred and credited to the
21 Washington health security trust.

22 (c) If any question arises as to the transfer of any personnel,
23 funds, books, documents, records, papers, files, equipment, or other
24 tangible property used or held in the exercise of the powers and the
25 performance of the duties and functions transferred, the director of
26 financial management shall make a determination as to the proper
27 allocation and certify the same to the state agencies concerned.

28 (3) All employees of the health care authority are transferred to
29 the jurisdiction of the Washington health security trust. All
30 employees classified under chapter 41.06 RCW, the state civil service
31 law, are assigned to the Washington health security trust to perform
32 their usual duties upon the same terms as formerly, without any loss of
33 rights, subject to any action that may be appropriate thereafter in
34 accordance with the laws and rules governing state civil service.

35 (4) All rules and all pending business before the health care
36 authority shall be continued and acted upon by the Washington health

1 security trust. All existing contracts and obligations shall remain in
2 full force and shall be performed by the Washington health security
3 trust.

4 (5) The transfer of the powers, duties, functions, and personnel of
5 the health care authority shall not affect the validity of any act
6 performed before the effective date of this section.

7 (6) If apportionments of budgeted funds are required because of the
8 transfers directed by this section, the director of financial
9 management shall certify the apportionments to the affected agencies,
10 the state auditor, and the state treasurer. Each of these shall make
11 the appropriate transfer and adjustments in funds and appropriation
12 accounts and equipment records in accordance with the certification.

13 (7) Nothing contained in this section may be construed to alter any
14 existing collective bargaining unit or the provisions of any existing
15 collective bargaining agreement until the agreement has expired or
16 until the bargaining unit has been modified by action of the personnel
17 board as provided by law.

18 NEW SECTION. **Sec. 20.** Effective the second January 1st following
19 the effective date of this section until the second April 30th
20 following the effective date of this section, all employers in
21 Washington state shall pay reduced start-up health security assessments
22 that are thirty percent of the standard monthly flat rate assessment
23 amount to be established by separate legislation. The department of
24 revenue will collect these moneys. Twenty percent of these revenues
25 must be deposited in the reserve account, created in section 22 of this
26 act. Eighty percent of these revenues must be deposited in the
27 benefits account, created in section 24 of this act. Employers who pay
28 this assessment may be eligible for partial or full rebates within two
29 years, if there are sufficient surpluses in the trust.

30 NEW SECTION. **Sec. 21.** (1) The board, in consultation with
31 sovereign tribal governments as called for by the centennial accord,
32 shall determine the state and federal laws that need to be repealed,
33 amended, or waived to implement this act, and report its
34 recommendations, with proposed revisions to the Revised Code of
35 Washington, to the governor and the appropriate committees of the

1 legislature by the first October 1st following the effective date of
2 this section.

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

7 (a) Negotiate with the federal department of health and human
8 services, health care financing administration, to obtain a statutory
9 or regulatory waiver of provisions of the medical assistance statute,
10 Title XIX of the federal social security act and the children's health
11 insurance program;

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

16 (c) Negotiate with the federal department of health and human
17 services to obtain any statutory or regulatory waivers of provisions of
18 the United States public health services act necessary to ensure
19 integration of federally funded community and migrant health clinics
20 and other health services funded through the public health services act
21 into the trust system under this act;

22 (d) Negotiate with the federal office of personnel management for
23 the inclusion of federal employee health benefits in the trust under
24 this act;

25 (e) Negotiate with the federal department of veterans' affairs for
26 the inclusion of veterans' medical benefits in the trust under this
27 act;

28 (f) Negotiate with the federal department of defense and other
29 federal agencies for the inclusion of the civilian health and medical
30 program of the uniformed services (CHAMPUS) in the trust under this
31 act;

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

35 (h) Request that the United States congress amend the internal
36 revenue code to treat the employer health security assessment, created
37 in section 16 of this act, and the individual health security premiums,

1 created in section 17 of this act, as fully deductible from adjusted
2 gross income.

3 NEW SECTION. **Sec. 22.** (1) The reserve account is created in the
4 custody of the state treasurer. The reserve account will accumulate
5 moneys until its value equals ten percent of the total annual budgeted
6 expenditures of the trust and then will be considered fully funded,
7 unless the legislature determines that a different level of reserve is
8 necessary and prudent. Whenever the reserve account is fully funded,
9 additional moneys shall be transferred to the benefits account created
10 in section 24 of this act.

11 (2) Receipts from the following sources must be deposited into the
12 reserve account: (a) Twenty percent of the health security assessments
13 paid by employers under section 20 of this act between the effective
14 date of this section and the first April 30th following the effective
15 date of this section; (b) effective the first May 15th following the
16 effective date of this section, seven percent of receipts from the
17 health security assessment created under section 16 of this act and
18 seven percent of the receipts from the health security premium created
19 under section 17 of this act; and (c) ten percent of all moneys
20 received pursuant to RCW 41.05.120, 41.05.130, 66.24.290, 82.24.020,
21 82.26.020, 82.08.150, 43.79.480, 41.05.220, and section 33 of this act.

22 (3) Expenditures from the reserve account may be used only for the
23 purposes of health care services and maintenance of the trust. Only
24 the board or the board's designee may authorize expenditures from the
25 account. The account is subject to allotment procedures under chapter
26 43.88 RCW, but an appropriation is not required for expenditures.

27 NEW SECTION. **Sec. 23.** (1) The displaced worker training account
28 is created in the custody of the state treasurer. Between the first
29 May 15th following the effective date of this section and the second
30 January 1st following the effective date of this section, three percent
31 of the receipts from the health security assessment created in section
32 16 of this act and three percent of the health security premium created
33 in section 17 of this act must be deposited into the account.
34 Expenditures from the account may be used only for retraining and job
35 placement of workers displaced by the transition to the trust. Only

1 the board or the board's designee may authorize expenditures from the
2 account. The account is subject to allotment procedures under chapter
3 43.88 RCW, but an appropriation is not required for expenditures.

4 (2) Any funds remaining in the account on the second December 31st
5 following the effective date of this section must be deposited into the
6 benefits account created in section 24 of this act.

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

9 NEW SECTION. **Sec. 24.** The benefits account is created in the
10 custody of the state treasurer. All receipts from the health security
11 assessment created under section 16 of this act and the health security
12 premium created under section 17 of this act that are not dedicated to
13 the reserve account created in section 22 of this act or the displaced
14 worker training account created in section 23 of this act, as well as
15 receipts from other sources, must be deposited into the account.
16 Expenditures from the account may be used only for health care services
17 and maintenance of the trust. Only the board or the board's designee
18 may authorize expenditures from the account. The account is subject to
19 allotment procedures under chapter 43.88 RCW, but an appropriation is
20 not required for expenditures.

21 **Sec. 25.** RCW 41.05.120 and 2005 c 518 s 921 and 2005 c 143 s 3 are
22 each reenacted and amended to read as follows:

23 ~~((+1)) Contributions from RCW 41.05.050, and reserves, dividends,~~
24 ~~and refunds currently in the public employees' and retirees' insurance~~
25 ~~account ~~((is hereby established in the custody of the state treasurer,~~~~
26 ~~to be used by the administrator for the deposit of contributions, the~~
27 ~~remittance paid by school districts and educational service districts~~
28 ~~under RCW 28A.400.410, reserves, dividends, and refunds, for payment of~~
29 ~~premiums for employee and retiree insurance benefit contracts and~~
30 ~~subsidy amounts provided under RCW 41.05.085, and transfers from the~~
31 ~~medical flexible spending account as authorized in RCW 41.05.123.~~
32 ~~Moneys from the account shall be disbursed by the state treasurer by~~
33 ~~warrants on vouchers duly authorized by the administrator. Moneys from~~
34 ~~the account may be transferred to the medical flexible spending account~~
35 ~~to provide reserves and start-up costs for the operation of the medical~~
36 ~~flexible spending account program.~~

1 ~~(2) The state treasurer and the state investment board may invest~~
2 ~~moneys in the public employees' and retirees' insurance account. All~~
3 ~~such investments shall be in accordance with RCW 43.84.080 or~~
4 ~~43.84.150, whichever is applicable. The administrator shall determine~~
5 ~~whether the state treasurer or the state investment board or both shall~~
6 ~~invest moneys in the public employees' insurance account.~~

7 ~~(3) During the 2005-07 fiscal biennium, the legislature may~~
8 ~~transfer from the public employees' and retirees' insurance account~~
9 ~~such amounts as reflect the excess fund balance of the fund)) shall be~~
10 ~~deposited in the reserve account pursuant to section 22 of this act and~~
11 ~~the benefits account pursuant to section 24 of this act.~~

12 **Sec. 26.** RCW 41.05.130 and 1988 c 107 s 11 are each amended to
13 read as follows:

14 The state health care authority administrative account is (~~hereby~~
15 ~~created in the state treasury)) transferred to the reserve account~~
16 ~~created in section 22 of this act and the benefits account created in~~
17 ~~section 24 of this act. Moneys in the account, including unanticipated~~
18 ~~revenues under RCW 43.79.270, (~~may be spent only after appropriation~~~~
19 ~~by statute, and may be used only for operating expenses of the~~
20 ~~authority)) are transferred to the reserve account created in section~~
21 ~~22 of this act and the benefits account created in section 24 of this~~
22 ~~act.~~

23 **Sec. 27.** RCW 66.24.290 and 2010 1st sp.s. c 23 s 1301 are each
24 amended to read as follows:

25 (1) Any microbrewer or domestic brewery or beer distributor
26 licensed under this title may sell and deliver beer and strong beer to
27 holders of authorized licenses direct, but to no other person, other
28 than the board. Any certificate of approval holder authorized to act
29 as a distributor under RCW 66.24.270 shall pay the taxes imposed by
30 this section.

31 (a) Every such brewery or beer distributor shall report all sales
32 to the board monthly, pursuant to the regulations, and shall pay to the
33 board as an added tax for the privilege of manufacturing and selling
34 the beer and strong beer within the state a tax of one dollar and
35 thirty cents per barrel of thirty-one gallons on sales to licensees
36 within the state and on sales to licensees within the state of bottled

1 and canned beer, including strong beer, shall pay a tax computed in
2 gallons at the rate of one dollar and thirty cents per barrel of
3 thirty-one gallons.

4 (b) Any brewery or beer distributor whose applicable tax payment is
5 not postmarked by the twentieth day following the month of sale will be
6 assessed a penalty at the rate of two percent per month or fraction
7 thereof. Beer and strong beer shall be sold by breweries and
8 distributors in sealed barrels or packages.

9 (c) The moneys collected under this subsection shall be distributed
10 as follows: (i) Three-tenths of a percent shall be distributed to
11 border areas under RCW 66.08.195; and (ii) of the remaining moneys:
12 (A) Twenty percent shall be distributed to counties in the same manner
13 as under RCW 66.08.200; and (B) eighty percent shall be distributed to
14 incorporated cities and towns in the same manner as under RCW
15 66.08.210.

16 (d) Any licensed retailer authorized to purchase beer from a
17 certificate of approval holder with a direct shipment endorsement or a
18 brewery or microbrewery shall make monthly reports to the liquor
19 control board on beer purchased during the preceding calendar month in
20 the manner and upon such forms as may be prescribed by the board.

21 (2) An additional tax is imposed on all beer and strong beer
22 subject to tax under subsection (1) of this section. The additional
23 tax is equal to two dollars per barrel of thirty-one gallons. All
24 revenues collected during any month from this additional tax shall be
25 deposited in the state general fund by the twenty-fifth day of the
26 following month.

27 (3)(a) An additional tax is imposed on all beer and strong beer
28 subject to tax under subsection (1) of this section. The additional
29 tax is equal to ninety-six cents per barrel of thirty-one gallons
30 through June 30, 1995, two dollars and thirty-nine cents per barrel of
31 thirty-one gallons for the period July 1, 1995, through June 30, 1997,
32 and four dollars and seventy-eight cents per barrel of thirty-one
33 gallons thereafter.

34 (b) The additional tax imposed under this subsection does not apply
35 to the sale of the first sixty thousand barrels of beer each year by
36 breweries that are entitled to a reduced rate of tax under 26 U.S.C.
37 Sec. 5051, as existing on July 1, 1993, or such subsequent date as may

1 be provided by the board by rule consistent with the purposes of this
2 exemption.

3 (c) All revenues collected from the additional tax imposed under
4 this subsection (3) shall be deposited in the (~~state general fund~~)
5 reserve account created in section 22 of this act and the benefits
6 account created in section 24 of this act.

7 (4) An additional tax is imposed on all beer and strong beer that
8 is subject to tax under subsection (1) of this section that is in the
9 first sixty thousand barrels of beer and strong beer by breweries that
10 are entitled to a reduced rate of tax under 26 U.S.C. Sec. 5051, as
11 existing on July 1, 1993, or such subsequent date as may be provided by
12 the board by rule consistent with the purposes of the exemption under
13 subsection (3)(b) of this section. The additional tax is equal to one
14 dollar and forty-eight and two-tenths cents per barrel of thirty-one
15 gallons. By the twenty-fifth day of the following month, three percent
16 of the revenues collected from this additional tax shall be distributed
17 to border areas under RCW 66.08.195 and the remaining moneys shall be
18 transferred to the state general fund.

19 (5)(a) From June 1, 2010, through June 30, 2013, an additional tax
20 is imposed on all beer and strong beer subject to tax under subsection
21 (1) of this section. The additional tax is equal to fifteen dollars
22 and fifty cents per barrel of thirty-one gallons.

23 (b) The additional tax imposed under this subsection does not apply
24 to the sale of the first sixty thousand barrels of beer each year by
25 breweries that are entitled to a reduced rate of tax under 26 U.S.C.
26 Sec. 5051 of the federal internal revenue code, as existing on July 1,
27 1993, or such subsequent date as may be provided by the board by rule
28 consistent with the purposes of this exemption.

29 (c) All revenues collected from the additional tax imposed under
30 this subsection shall be deposited in the state general fund.

31 (6) The board may make refunds for all taxes paid on beer and
32 strong beer exported from the state for use outside the state.

33 (7) The board may require filing with the board of a bond to be
34 approved by it, in such amount as the board may fix, securing the
35 payment of the tax. If any licensee fails to pay the tax when due, the
36 board may forthwith suspend or cancel his or her license until all
37 taxes are paid.

1 **Sec. 28.** RCW 82.24.020 and 2010 1st sp.s. c 22 s 2 are each
2 amended to read as follows:

3 (1) There is levied and collected as provided in this chapter(~~(7)~~)
4 a tax upon the sale, use, consumption, handling, possession, or
5 distribution of all cigarettes, in an amount equal to 12.125 cents per
6 cigarette.

7 (2) Wholesalers subject to the payment of this tax may, if they
8 wish, absorb five one-hundredths cents per cigarette of the tax and not
9 pass it on to purchasers without being in violation of this section or
10 any other act relating to the sale or taxation of cigarettes.

11 (3) For purposes of this chapter, "possession" means both (a)
12 physical possession by the purchaser, and(~~(7)~~) (b) when cigarettes are
13 being transported to or held for the purchaser or his or her designee
14 by a person other than the purchaser, constructive possession by the
15 purchaser or his or her designee, which constructive possession is
16 deemed to occur at the location of the cigarettes being so transported
17 or held.

18 (4) In accordance with federal law and rules prescribed by the
19 department, an enrolled member of a federally recognized Indian tribe
20 may purchase cigarettes from an Indian tribal organization under the
21 jurisdiction of the member's tribe for the member's own use exempt from
22 the applicable taxes imposed by this chapter. Except as provided in
23 subsection (5) of this section, any person, who purchases cigarettes
24 from an Indian tribal organization and who is not an enrolled member of
25 the federally recognized Indian tribe within whose jurisdiction the
26 sale takes place, is not exempt from the applicable taxes imposed by
27 this chapter.

28 (5) If the state enters into a cigarette tax contract or agreement
29 with a federally recognized Indian tribe under chapter 43.06 RCW, the
30 terms of the contract or agreement take precedence over any conflicting
31 provisions of this chapter while the contract or agreement is in
32 effect. The revenue collected under this section must be deposited in
33 the reserve account created in section 22 of this act and the benefits
34 account created in section 24 of this act.

35 **Sec. 29.** RCW 82.26.020 and 2010 1st sp.s. c 22 s 5 are each
36 amended to read as follows:

1 (1) There is levied and collected a tax upon the sale, handling, or
2 distribution of all tobacco products in this state at the following
3 rate:

4 (a) For cigars except little cigars, ninety-five percent of the
5 taxable sales price of cigars, not to exceed sixty-five cents per
6 cigar;

7 (b) For all tobacco products except those covered under separate
8 provisions of this subsection, ninety-five percent of the taxable sales
9 price;

10 (c) For moist snuff, as established in this subsection (1)(c) and
11 computed on the net weight listed by the manufacturer:

12 (i) On each single unit consumer-sized can or package whose net
13 weight is one and two-tenths ounces or less, a rate per single unit
14 that is equal to the greater of 2.526 dollars or eighty-three and one-
15 half percent of the cigarette tax under chapter 82.24 RCW multiplied by
16 twenty; or

17 (ii) On each single unit consumer-sized can or package whose net
18 weight is more than one and two-tenths ounces, a proportionate tax at
19 the rate established in (c)(i) of this subsection (1) on each ounce or
20 fractional part of an ounce; and

21 (d) For little cigars, an amount per cigar equal to the cigarette
22 tax under chapter 82.24 RCW.

23 (2) Taxes under this section must be imposed at the time the
24 distributor (a) brings, or causes to be brought, into this state from
25 without the state tobacco products for sale, (b) makes, manufactures,
26 fabricates, or stores tobacco products in this state for sale in this
27 state, (c) ships or transports tobacco products to retailers in this
28 state, to be sold by those retailers, or (d) handles for sale any
29 tobacco products that are within this state but upon which tax has not
30 been imposed.

31 (3) The moneys collected under this section must be deposited into
32 the (~~state general fund~~) reserve account created in section 22 of
33 this act and the benefits account created in section 24 of this act.

34 **Sec. 30.** RCW 82.08.150 and 2012 c 2 s 106 (Initiative Measure No.
35 1183) are each amended to read as follows:

36 (1) There is levied and collected a tax upon each retail sale of

1 spirits in the original package at the rate of fifteen percent of the
2 selling price.

3 (2) There is levied and collected a tax upon each sale of spirits
4 in the original package at the rate of ten percent of the selling price
5 on sales by a spirits distributor licensee or other licensee acting as
6 a spirits distributor pursuant to Title 66 RCW to restaurant spirits
7 retailers.

8 (3) There is levied and collected an additional tax upon each sale
9 of spirits in the original package by a spirits distributor licensee or
10 other licensee acting as a spirits distributor pursuant to Title 66 RCW
11 to a restaurant spirits retailer and upon each retail sale of spirits
12 in the original package by a licensee of the board at the rate of one
13 dollar and seventy-two cents per liter.

14 (4) An additional tax is imposed equal to fourteen percent
15 multiplied by the taxes payable under subsections (1), (2), and (3) of
16 this section.

17 (5) An additional tax is imposed upon each sale of spirits in the
18 original package by a spirits distributor licensee or other licensee
19 acting as a spirits distributor pursuant to Title 66 RCW to a
20 restaurant spirits retailer and upon each retail sale of spirits in the
21 original package by a licensee of the board at the rate of seven cents
22 per liter. All revenues collected during any month from this
23 additional tax must be deposited in the state general fund by the
24 twenty-fifth day of the following month.

25 (6)(a) An additional tax is imposed upon retail sale of spirits in
26 the original package at the rate of three and four-tenths percent of
27 the selling price.

28 (b) An additional tax is imposed upon retail sale of spirits in the
29 original package to a restaurant spirits retailer at the rate of two
30 and three-tenths percent of the selling price.

31 (c) An additional tax is imposed upon each sale of spirits in the
32 original package by a spirits distributor licensee or other licensee
33 acting as a spirits distributor pursuant to Title 66 RCW to a
34 restaurant spirits retailer and upon each retail sale of spirits in the
35 original package by a licensee of the board at the rate of forty-one
36 cents per liter.

37 (d) All revenues collected during any month from additional taxes
38 under this subsection must be deposited in the (~~state general fund~~)

1 reserve account created in section 22 of this act and the benefits
2 account created in section 24 of this act by the twenty-fifth day of
3 the following month.

4 (7)(a) An additional tax is imposed upon each retail sale of
5 spirits in the original package at the rate of one dollar and thirty-
6 three cents per liter.

7 (b) All revenues collected during any month from additional taxes
8 under this subsection must be deposited by the twenty-fifth day of the
9 following month into the (~~general fund~~) reserve account created in
10 section 22 of this act and the benefits account created in section 24
11 of this act.

12 (8) The tax imposed in RCW 82.08.020 does not apply to sales of
13 spirits in the original package.

14 (9) The taxes imposed in this section must be paid by the buyer to
15 the seller, and each seller must collect from the buyer the full amount
16 of the tax payable in respect to each taxable sale under this section.
17 The taxes required by this section to be collected by the seller must
18 be stated separately from the selling price, and for purposes of
19 determining the tax due from the buyer to the seller, it is
20 conclusively presumed that the selling price quoted in any price list
21 does not include the taxes imposed by this section. Sellers must
22 report and return all taxes imposed in this section in accordance with
23 rules adopted by the department.

24 (10) As used in this section, the terms, "spirits" and "package"
25 have the same meaning as provided in chapter 66.04 RCW.

26 **Sec. 31.** RCW 43.79.480 and 2011 1st sp.s. c 50 s 947 are each
27 amended to read as follows:

28 (1) Moneys received by the state of Washington in accordance with
29 the settlement of the state's legal action against tobacco product
30 manufacturers, exclusive of costs and attorneys' fees, shall be
31 deposited in the tobacco settlement account created in this section
32 except as these moneys are sold or assigned under chapter 43.340 RCW.

33 (2) The tobacco settlement account is created in the state
34 treasury. Moneys in the tobacco settlement account may only be
35 transferred to the (~~state general fund~~) reserve account created in
36 section 22 of this act and the benefits account created in section 24
37 of this act, and to the tobacco prevention and control account for

1 purposes set forth in this section. (~~The legislature shall transfer~~
2 ~~amounts received as strategic contribution payments as defined in RCW~~
3 ~~43.350.010 to the life sciences discovery fund created in RCW~~
4 ~~43.350.070. During the 2009-2011 and 2011-2013 fiscal biennia, the~~
5 ~~legislature may transfer less than the entire strategic contribution~~
6 ~~payments, and may transfer amounts attributable to strategic~~
7 ~~contribution payments into the basic health plan stabilization~~
8 ~~account.))~~

9 (3) The tobacco prevention and control account is created in the
10 state treasury. The source of revenue for this account is moneys
11 transferred to the account from the tobacco settlement account,
12 investment earnings, donations to the account, and other revenues as
13 directed by law. Expenditures from the account are subject to
14 appropriation. During the 2009-2011 fiscal biennium, the legislature
15 may transfer from the tobacco prevention and control account to the
16 state general fund such amounts as represent the excess fund balance of
17 the account.

18 **Sec. 32.** RCW 41.05.220 and 1998 c 245 s 38 are each amended to
19 read as follows:

20 (~~(1)~~) State general funds appropriated to the department of
21 health for the purposes of funding community health centers to provide
22 primary health and dental care services, migrant health services, and
23 maternity health care services shall be transferred to the (~~state~~
24 ~~health care authority~~) reserve account created in section 22 of this
25 act and the benefits account created in section 24 of this act. Any
26 related administrative funds expended by the department of health for
27 this purpose shall also be transferred to the (~~health care authority~~)
28 reserve account created in section 22 of this act and the benefits
29 account created in section 24 of this act. The Washington health
30 (~~care authority~~) security trust shall exclusively expend these funds
31 through contracts with community health centers to provide primary
32 health and dental care services, migrant health services, and maternity
33 health care services. The (~~administrator~~) chair of the Washington
34 health (~~care authority~~) security trust shall establish requirements
35 necessary to assure community health centers provide quality health
36 care services that are appropriate and effective and are delivered in
37 a cost-efficient manner. The (~~administrator~~) chair of the Washington

1 health security trust shall further assure that community health
2 centers have appropriate referral arrangements for acute care and
3 medical specialty services not provided by the community health
4 centers.

5 ~~((2) The authority, in consultation with the department of health,
6 shall work with community and migrant health clinics and other
7 providers of care to underserved populations, to ensure that the number
8 of people of color and underserved people receiving access to managed
9 care is expanded in proportion to need, based upon demographic data.))~~

10 NEW SECTION. Sec. 33. Following the repeal, amendment, or waiver
11 of existing state and federal laws delineated in section 21 of this
12 act, all other revenues currently deposited in the health services
13 account for personal health care services shall be deposited to the
14 reserve account created in section 22 of this act and the benefits
15 account created in section 24 of this act.

16 NEW SECTION. Sec. 34. Nothing in this act shall be construed to
17 limit an employer's right to maintain employee benefit plans under the
18 federal employee retirement income security act of 1974.

19 NEW SECTION. Sec. 35. No later than the third January 1st
20 following the effective date of this section, the board shall submit to
21 the legislature a proposal to integrate those current and future
22 federally qualified trusts that choose to participate in the trust.

23 NEW SECTION. Sec. 36. On or before the third January 1st
24 following the effective date of this section, the board, in
25 coordination with the department of labor and industries, shall study
26 and make a report to the governor and appropriate committees of the
27 legislature on the provision of medical benefits for injured workers
28 under the trust.

29 NEW SECTION. Sec. 37. An appropriation by separate act of the
30 legislature may be necessary for the fiscal year ending June 30th in
31 the second year following the effective date of this section, from the
32 general fund to the benefits account of the Washington health security

1 trust for start-up moneys for purposes of this act during the period of
2 the first July 1st following the effective date of this section through
3 the second June 30th following the effective date of this section.

4 NEW SECTION. **Sec. 38.** The following acts or parts of acts are
5 each repealed:

6 (1) RCW 82.04.260 (Tax on manufacturers and processors of various
7 foods and by-products--Research and development organizations--Travel
8 agents--Certain international activities--Stevedoring and associated
9 activities--Low-level waste disposers--Insurance producers, surplus
10 line brokers, and title insurance agents--Hospitals--Commercial
11 airplane activities--Timber product activities--Canned salmon
12 processors) and 2012 2nd sp.s. c 6 s 602, 2012 2nd sp.s. c 6 s 204,
13 2011 c 2 s 203 (Initiative Measure No. 1107), 2010 1st sp.s. c 23 s
14 506, & 2010 c 114 s 107;

15 (2) RCW 82.04.260 (Tax on manufacturers and processors of various
16 foods and by-products--Research and development organizations--Travel
17 agents--Certain international activities--Stevedoring and associated
18 activities--Low-level waste disposers--Insurance producers, surplus
19 line brokers, and title insurance agents--Hospitals--Commercial
20 airplane activities--Timber product activities--Canned salmon
21 processors) and 2012 2nd sp.s. c 6 s 204, 2011 c 2 s 203 (Initiative
22 Measure No. 1107), 2010 1st sp.s. c 23 s 506, & 2010 c 114 s 107; and

23 (3) RCW 48.14.0201 (Premiums and prepayments tax--Health care
24 services--Exemptions--State preemption) and 2011 c 47 s 8 & 2009 c 479
25 s 41.

26 NEW SECTION. **Sec. 39.** Sections 1 through 15, 18, 19, 21 through
27 24, and 33 through 35 of this act constitute a new chapter in Title 43
28 RCW.

29 NEW SECTION. **Sec. 40.** (1) No later than January 1, 2017, the
30 Washington state health care authority shall apply for a waiver from
31 the provisions of the federal patient protection and affordable care
32 act, P.L. 111-148, as amended by the federal health care and education
33 reconciliation act, P.L. 111-152, to:

34 (a) Suspend the operation of the Washington health benefit exchange
35 established in chapter 43.71 RCW;

1 (b) Enable the state to receive appropriate federal funding in lieu
2 of the federal premium tax credits, federal cost-sharing subsidies, and
3 other federal payments and tax credits that will no longer be necessary
4 due the suspension of the operations of the Washington health benefits
5 exchange; and

6 (c) Ensure the operation of the Washington health security trust
7 consistent with this act.

8 (2) The waiver application must be consistent with 42 U.S.C. §
9 18052.

10 (3) Beginning November 15, 2013, the health care authority shall
11 submit annual progress reports to the appropriate legislative
12 committees regarding the development of the waiver application. The
13 report submitted on November 15, 2015, must include a list of any
14 statutory changes necessary to implement the waiver.

15 (4) Upon receipt of the waiver, the health care authority shall
16 promptly notify in writing the office of the code reviser and the
17 appropriate committees of the legislature.

18 NEW SECTION. **Sec. 41.** (1) Sections 2 through 18, 20, 21, and 35
19 through 37 of this act take effect upon receipt of the waiver requested
20 under section 40 of this act.

21 (2) Sections 22 through 24 of this act take effect the second
22 January 1st following receipt of the waiver requested under section 40
23 of this act.

24 (3) Sections 19, 25 through 34, and 38 of this act take effect the
25 second May 15th following receipt of the waiver requested under section
26 40 of this act.

27 NEW SECTION. **Sec. 42.** If any provision of this act or its
28 application to any person or circumstance is held invalid, the
29 remainder of the act or the application of the provision to other
30 persons or circumstances is not affected.

31 NEW SECTION. **Sec. 43.** If any part of this act is found to be in
32 conflict with federal requirements that are a prescribed condition to
33 the allocation of federal funds to the state, the conflicting part of
34 this act is inoperative solely to the extent of the conflict and with
35 respect to the agencies directly affected, and this finding does not

1 affect the operation of the remainder of this act in its application to
2 the agencies concerned. Rules adopted under this act must meet federal
3 requirements that are a necessary condition to the receipt of federal
4 funds by the state.

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