
SUBSTITUTE HOUSE BILL 1028

State of Washington

54th Legislature

1995 Regular Session

By House Committee on Health Care (originally sponsored by Representatives Dyer, Carlson, Benton, Kremen, Cooke, Horn, Schoesler, Thompson, Beeksma, B. Thomas, Goldsmith, Radcliff, Hickel, Chandler, Mastin, Mitchell, Grant, Robertson, Foreman, Sehlin, Blanton, Koster, Clements, Sheldon, Huff, Mielke, Talcott and Lisk)

Read first time 01/31/95.

1 AN ACT Relating to extending the implementation phase of the health
2 services act of 1993; amending RCW 18.130.330, 41.05.011, 41.05.021,
3 41.05.022, 41.05.065, 41.05.200, 70.47.020, 70.47.060, 43.72.040,
4 43.72.070, 43.72.090, 43.72.220, 43.72.230, 43.72.240, 43.72.850,
5 43.72.860, 82.24.020, 82.08.150, and 66.24.290; creating a new section;
6 providing an effective date; providing an expiration date; and
7 declaring an emergency.

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

9 NEW SECTION. **Sec. 1.** The legislature finds that the health
10 services act of 1993, if implemented in its current form, could
11 jeopardize the stability and integrity of our health care system. The
12 legislature further finds that additional time is needed to thoroughly
13 evaluate the nature and extent of proposed changes and develop and
14 implement reforms that contain genuine market-based, consumer-oriented
15 changes that simultaneously control costs, improve quality, and expand
16 access to health care. It is the intent of this legislation to allow
17 additional time to develop a system of health care that is fully
18 consumer-oriented, allows personal choice, is economically efficient,
19 and effectively expands access.

1 **Sec. 2.** RCW 18.130.330 and 1994 c 102 s 1 are each amended to read
2 as follows:

3 (1) Except to the extent that liability insurance is not available,
4 every licensed, certified, or registered health care practitioner whose
5 services are included in the uniform benefits package, as determined by
6 RCW 43.72.130, and whose scope of practice includes independent
7 practice, shall, as a condition of licensure and relicensure, be
8 required to provide evidence of a minimum level of malpractice
9 insurance coverage of a type satisfactory to the department before July
10 1, (~~(1995)~~) 1996.

11 The department shall designate by rule:

12 (a) Those health professions whose scope of practice includes
13 independent practice;

14 (b) For each health profession whose scope of practice includes
15 independent practice, whether malpractice insurance is available;

16 (c) If such insurance is available, the appropriate minimum level
17 of mandated coverage; and

18 (d) The types of malpractice insurance coverage that will satisfy
19 the requirements of this section.

20 (2) By December 1, 1994, the department of health shall submit
21 recommendations to appropriate committees of the legislature regarding
22 implementation of this section. The report shall address at least the
23 following issues:

24 (a) Whether exemption of a health care practitioner from the
25 requirements of this section, including but not limited to health care
26 practitioners employed by the federal government and retired health
27 care practitioners, is appropriate; and

28 (b) Whether malpractice coverage provided by an employer should be
29 recognized as satisfying the requirements of this section.

30 **Sec. 3.** RCW 41.05.011 and 1994 c 153 s 2 are each amended to read
31 as follows:

32 Unless the context clearly requires otherwise, the definitions in
33 this section shall apply throughout this chapter.

34 (1) "Administrator" means the administrator of the authority.

35 (2) "State purchased health care" or "health care" means medical
36 and health care, pharmaceuticals, and medical equipment purchased with
37 state and federal funds by the department of social and health
38 services, the department of health, the basic health plan, the state

1 health care authority, the department of labor and industries, the
2 department of corrections, the department of veterans affairs, and
3 local school districts.

4 (3) "Authority" means the Washington state health care authority.

5 (4) "Insuring entity" means an insurer as defined in chapter 48.01
6 RCW, a health care service contractor as defined in chapter 48.44 RCW,
7 or a health maintenance organization as defined in chapter 48.46 RCW.
8 On and after July 1, (~~1995~~) 1996, "insuring entity" means a certified
9 health plan, as defined in RCW 43.72.010.

10 (5) "Flexible benefit plan" means a benefit plan that allows
11 employees to choose the level of health care coverage provided and the
12 amount of employee contributions from among a range of choices offered
13 by the authority.

14 (6) "Employee" includes all full-time and career seasonal employees
15 of the state, whether or not covered by civil service; elected and
16 appointed officials of the executive branch of government, including
17 full-time members of boards, commissions, or committees; and includes
18 any or all part-time and temporary employees under the terms and
19 conditions established under this chapter by the authority; justices of
20 the supreme court and judges of the court of appeals and the superior
21 courts; and members of the state legislature or of the legislative
22 authority of any county, city, or town who are elected to office after
23 February 20, 1970. "Employee" also includes: (a) By (~~October 1,~~
24 ~~1995~~) January 1, 1997, all employees of school districts and
25 educational service districts. Between October 1, 1994, and
26 (~~September 30, 1995~~) December 31, 1996, "employee" includes employees
27 of those school districts and educational service districts for whom
28 the authority has undertaken the purchase of insurance benefits. The
29 transition to insurance benefits purchasing by the authority may not
30 disrupt existing insurance contracts between school district or
31 educational service district employees and insurers. However, except
32 to the extent provided in RCW 28A.400.200, any such contract that
33 provides for health insurance benefits coverage after (~~October 1,~~
34 ~~1995~~) January 1, 1997, shall be void as of that date if the contract
35 was entered into, renewed, or extended after July 1, 1993. Prior to
36 October 1, 1994, "employee" includes employees of a school district if
37 the board of directors of the school district seeks and receives the
38 approval of the authority to provide any of its insurance programs by
39 contract with the authority; (b) employees of a county, municipality,

1 or other political subdivision of the state if the legislative
2 authority of the county, municipality, or other political subdivision
3 of the state seeks and receives the approval of the authority to
4 provide any of its insurance programs by contract with the authority,
5 as provided in RCW 41.04.205; (c) employees of employee organizations
6 representing state civil service employees, at the option of each such
7 employee organization, and, effective (~~October 1, 1995~~) January 1,
8 1997, employees of employee organizations currently pooled with
9 employees of school districts for the purpose of purchasing insurance
10 benefits, at the option of each such employee organization.

11 (7) "Board" means the public employees' benefits board established
12 under RCW 41.05.055.

13 (8) "Retired or disabled school employee" means:

14 (a) Persons who separated from employment with a school district or
15 educational service district and are receiving a retirement allowance
16 under chapter 41.32 or 41.40 RCW as of September 30, 1993;

17 (b) Persons who separate from employment with a school district or
18 educational service district on or after October 1, 1993, and
19 immediately upon separation receive a retirement allowance under
20 chapter 41.32 or 41.40 RCW;

21 (c) Persons who separate from employment with a school district or
22 educational service district due to a total and permanent disability,
23 and are eligible to receive a deferred retirement allowance under
24 chapter 41.32 or 41.40 RCW.

25 **Sec. 4.** RCW 41.05.021 and 1994 c 309 s 1 are each amended to read
26 as follows:

27 (1) The Washington state health care authority is created within
28 the executive branch. The authority shall have an administrator
29 appointed by the governor, with the consent of the senate. The
30 administrator shall serve at the pleasure of the governor. The
31 administrator may employ up to seven staff members, who shall be exempt
32 from chapter 41.06 RCW, and any additional staff members as are
33 necessary to administer this chapter. The administrator may delegate
34 any power or duty vested in him or her by this chapter, including
35 authority to make final decisions and enter final orders in hearings
36 conducted under chapter 34.05 RCW. The primary duties of the authority
37 shall be to administer state employees' insurance benefits and retired
38 or disabled school employees' insurance benefits, study state-purchased

1 health care programs in order to maximize cost containment in these
2 programs while ensuring access to quality health care, and implement
3 state initiatives, joint purchasing strategies, and techniques for
4 efficient administration that have potential application to all state-
5 purchased health services. The authority's duties include, but are not
6 limited to, the following:

7 (a) To administer health care benefit programs for employees and
8 retired or disabled school employees as specifically authorized in RCW
9 41.05.065 and in accordance with the methods described in RCW
10 41.05.075, 41.05.140, and other provisions of this chapter;

11 (b) To analyze state-purchased health care programs and to explore
12 options for cost containment and delivery alternatives for those
13 programs that are consistent with the purposes of those programs,
14 including, but not limited to:

15 (i) Creation of economic incentives for the persons for whom the
16 state purchases health care to appropriately utilize and purchase
17 health care services, including the development of flexible benefit
18 plans to offset increases in individual financial responsibility;

19 (ii) Utilization of provider arrangements that encourage cost
20 containment, including but not limited to prepaid delivery systems,
21 utilization review, and prospective payment methods, and that ensure
22 access to quality care, including assuring reasonable access to local
23 providers, especially for employees residing in rural areas;

24 (iii) Coordination of state agency efforts to purchase drugs
25 effectively as provided in RCW 70.14.050;

26 (iv) Development of recommendations and methods for purchasing
27 medical equipment and supporting services on a volume discount basis;
28 and

29 (v) Development of data systems to obtain utilization data from
30 state-purchased health care programs in order to identify cost centers,
31 utilization patterns, provider and hospital practice patterns, and
32 procedure costs, utilizing the information obtained pursuant to RCW
33 41.05.031;

34 (c) To analyze areas of public and private health care interaction;

35 (d) To provide information and technical and administrative
36 assistance to the board;

37 (e) To review and approve or deny applications from counties,
38 municipalities, and other political subdivisions of the state to
39 provide state-sponsored insurance or self-insurance programs to their

1 employees in accordance with the provisions of RCW 41.04.205, setting
2 the premium contribution for approved groups as outlined in RCW
3 41.05.050;

4 (f) To appoint a health care policy technical advisory committee as
5 required by RCW 41.05.150;

6 (g) To establish billing procedures and collect funds from school
7 districts and educational service districts under RCW 28A.400.400 in a
8 way that minimizes the administrative burden on districts; and

9 (h) To promulgate and adopt rules consistent with this chapter as
10 described in RCW 41.05.160.

11 (2) After July 1, (~~(1995)~~) 1996, the public employees' benefits
12 board shall implement strategies to promote managed competition among
13 employee health benefit plans in accordance with the Washington health
14 services commission schedule of employer requirements. Strategies may
15 include but are not limited to:

16 (a) Standardizing the benefit package;

17 (b) Soliciting competitive bids for the benefit package;

18 (c) Limiting the state's contribution to a percent of the lowest
19 priced qualified plan within a geographical area. If the state's
20 contribution is less than one hundred percent of the lowest priced
21 qualified bid, employee financial contributions shall be structured on
22 a sliding-scale basis related to household income;

23 (d) Monitoring the impact of the approach under this subsection
24 with regards to: Efficiencies in health service delivery, cost shifts
25 to subscribers, access to and choice of managed care plans state-wide,
26 and quality of health services. The health care authority shall also
27 advise on the value of administering a benchmark employer-managed plan
28 to promote competition among managed care plans. The health care
29 authority shall report its findings and recommendations to the
30 legislature by January 1, 1997.

31 **Sec. 5.** RCW 41.05.022 and 1994 c 153 s 3 are each amended to read
32 as follows:

33 (1) The health care authority is hereby designated as the single
34 state agent for purchasing health services.

35 (2) On and after January 1, 1995, at least the following state-
36 purchased health services programs shall be merged into a single,
37 community-rated risk pool: Health benefits for employees of school
38 districts and educational service districts; health benefits for state

1 employees; health benefits for eligible retired or disabled school
2 employees not eligible for parts A and B of medicare; and health
3 benefits for eligible state retirees not eligible for parts A and B of
4 medicare. Beginning July 1, (~~1995~~) 1996, the basic health plan shall
5 be included in the risk pool. The administrator may develop mechanisms
6 to ensure that the cost of comparable benefits packages does not vary
7 widely across the risk pools before they are merged. At the earliest
8 opportunity the governor shall seek necessary federal waivers and state
9 legislation to place the medical and acute care components of the
10 medical assistance program, the limited casualty program, and the
11 medical care services program of the department of social and health
12 services in this single risk pool. Long-term care services that are
13 provided under the medical assistance program shall not be placed in
14 the single risk pool until such services have been added to the uniform
15 benefits package. On or before January 1, 1997, the governor shall
16 submit necessary legislation to place the purchasing of health benefits
17 for persons incarcerated in institutions administered by the department
18 of corrections into the single community-rated risk pool effective on
19 and after July 1, 1997.

20 (3) At a minimum, and regardless of other legislative enactments,
21 the state health services purchasing agent shall:

22 (a) Require that a public agency that provides subsidies for a
23 substantial portion of services now covered under the basic health plan
24 or a uniform benefits package as adopted by the Washington health
25 services commission as provided in RCW 43.72.130, use uniform
26 eligibility processes, insofar as may be possible, and ensure that
27 multiple eligibility determinations are not required;

28 (b) Require that a health care provider or a health care facility
29 that receives funds from a public program provide care to state
30 residents receiving a state subsidy who may wish to receive care from
31 them consistent with the provisions of chapter 492, Laws of 1993, and
32 that a health maintenance organization, health care service contractor,
33 insurer, or certified health plan that receives funds from a public
34 program accept enrollment from state residents receiving a state
35 subsidy who may wish to enroll with them under the provisions of
36 chapter 492, Laws of 1993;

37 (c) Strive to integrate purchasing for all publicly sponsored
38 health services in order to maximize the cost control potential and

1 promote the most efficient methods of financing and coordinating
2 services;

3 (d) Annually suggest changes in state and federal law and rules to
4 bring all publicly funded health programs in compliance with the goals
5 and intent of chapter 492, Laws of 1993;

6 (e) Consult regularly with the governor, the legislature, and state
7 agency directors whose operations are affected by the implementation of
8 this section.

9 **Sec. 6.** RCW 41.05.065 and 1994 c 153 s 5 are each amended to read
10 as follows:

11 (1) The board shall study all matters connected with the provision
12 of health care coverage, life insurance, liability insurance,
13 accidental death and dismemberment insurance, and disability income
14 insurance or any of, or a combination of, the enumerated types of
15 insurance for employees and their dependents on the best basis possible
16 with relation both to the welfare of the employees and to the state,
17 however liability insurance shall not be made available to dependents.

18 (2) The public employees' benefits board shall develop employee
19 benefit plans that include comprehensive health care benefits for all
20 employees. In developing these plans, the board shall consider the
21 following elements:

22 (a) Methods of maximizing cost containment while ensuring access to
23 quality health care;

24 (b) Development of provider arrangements that encourage cost
25 containment and ensure access to quality care, including but not
26 limited to prepaid delivery systems and prospective payment methods;

27 (c) Wellness incentives that focus on proven strategies, such as
28 smoking cessation, exercise, automobile and motorcycle safety, blood
29 cholesterol reduction, and nutrition education;

30 (d) Utilization review procedures including, but not limited to
31 prior authorization of services, hospital inpatient length of stay
32 review, requirements for use of outpatient surgeries and second
33 opinions for surgeries, review of invoices or claims submitted by
34 service providers, and performance audit of providers;

35 (e) Effective coordination of benefits;

36 (f) Minimum standards for insuring entities; and

37 (g) Minimum scope and content of standard benefit plans to be
38 offered to enrollees participating in the employee health benefit

1 plans. On and after July 1, (~~(1995)~~) 1996, the uniform benefits
2 package shall constitute the minimum level of health benefits offered
3 to employees. To maintain the comprehensive nature of employee health
4 care benefits, employee eligibility criteria related to the number of
5 hours worked and the benefits provided to employees shall be
6 substantially equivalent to the state employees' health benefits plan
7 and eligibility criteria in effect on January 1, 1993.

8 (3) The board shall design benefits and determine the terms and
9 conditions of employee participation and coverage, including
10 establishment of eligibility criteria.

11 (4) The board shall attempt to achieve enrollment of all employees
12 and retirees in managed health care systems by July 1994.

13 The board may authorize premium contributions for an employee and
14 the employee's dependents in a manner that encourages the use of cost-
15 efficient managed health care systems.

16 (5) Employees shall choose participation in one of the health care
17 benefit plans developed by the board.

18 (6) The board shall review plans proposed by insurance carriers
19 that desire to offer property insurance and/or accident and casualty
20 insurance to state employees through payroll deduction. The board may
21 approve any such plan for payroll deduction by carriers holding a valid
22 certificate of authority in the state of Washington and which the board
23 determines to be in the best interests of employees and the state. The
24 board shall promulgate rules setting forth criteria by which it shall
25 evaluate the plans.

26 **Sec. 7.** RCW 41.05.200 and 1993 c 492 s 228 are each amended to
27 read as follows:

28 (1) The Washington state group purchasing association is
29 established for the purpose of coordinating and enhancing the health
30 care purchasing power of the groups identified in subsection (2) of
31 this section. The purchasing association shall be administered by the
32 administrator.

33 (2) The following organizations or entities may seek the approval
34 of the administrator for membership in the purchasing association:

35 (a) Private nonprofit human services provider organizations under
36 contract with state agencies, on behalf of their employees and their
37 employees' spouses and dependent children;

1 (b) Individuals providing in-home long-term care services to
2 persons whose care is financed in whole or in part through the medical
3 assistance personal care or community options program entry system
4 program as provided in chapter 74.09 RCW, or the chore services
5 program, as provided in chapter 74.08 RCW, on behalf of themselves and
6 their spouses and dependent children;

7 (c) Owners and operators of child day care centers and family child
8 care homes licensed under chapter 74.15 RCW and of preschool or other
9 child care programs exempted from licensing under chapter 74.15 RCW on
10 behalf of themselves and their employees and employees' spouses and
11 dependent children; and

12 (d) Foster parents contracting with the department of social and
13 health services under chapter 74.13 RCW and licensed under chapter
14 74.15 RCW on behalf of themselves and their spouses and dependent
15 children.

16 (3) In administering the purchasing association, the administrator
17 shall:

18 (a) Negotiate and enter into contracts on behalf of the purchasing
19 association's members in conjunction with its contracting and
20 purchasing activities for employee benefits plans under RCW 41.05.075.
21 In negotiating and contracting with insuring entities on behalf of
22 employees and purchasing association members, two distinct pools shall
23 be maintained.

24 (b) Review and approve or deny applications from entities seeking
25 membership in the purchasing association:

26 (i) The administrator may require all or the substantial majority
27 of the employees of the organizations or entities listed in subsection
28 (2) of this section to enroll in the purchasing association.

29 (ii) The administrator shall require, that as a condition of
30 membership in the purchasing association, an entity or organization
31 listed in subsection (2) of this section that employs individuals pay
32 at least fifty percent of the cost of the health insurance coverage for
33 each employee enrolled in the purchasing association.

34 (iii) In offering and administering the purchasing association, the
35 administrator may not discriminate against individuals or groups based
36 on age, gender, geographic area, industry, or medical history.

37 (4) On and after July 1, (~~(1995)~~) 1996, the uniform benefits
38 package and schedule of premiums and point of service cost-sharing
39 adopted and from time to time revised by the health services commission

1 pursuant to chapter 492, Laws of 1993 shall be applicable to the
2 association.

3 (5) The administrator shall adopt preexisting condition coverage
4 provisions for the association as provided in RCW 48.20.540, 48.21.340,
5 48.44.480, and 48.46.550.

6 (6) Premiums charged to purchasing association members shall
7 include the authority's reasonable administrative and marketing costs.
8 Purchasing association members may not receive any subsidy from the
9 state for the purchase of health insurance coverage through the
10 association.

11 (7)(a) The Washington state group purchasing association account is
12 established in the custody of the state treasurer, to be used by the
13 administrator for the deposit of premium payments from individuals and
14 entities described in subsection (2) of this section, and for payment
15 of premiums for benefit contracts entered into on behalf of the
16 purchasing association's participants and operating expenses incurred
17 by the authority in the administration of benefit contracts under this
18 section. Moneys from the account shall be disbursed by the state
19 treasurer by warrants on vouchers duly authorized by the administrator.

20 (b) Disbursements from the account are not subject to
21 appropriations, but shall be subject to the allotment procedure
22 provided under chapter 43.88 RCW.

23 **Sec. 8.** RCW 70.47.020 and 1994 c 309 s 4 are each amended to read
24 as follows:

25 As used in this chapter:

26 (1) "Washington basic health plan" or "plan" means the system of
27 enrollment and payment on a prepaid capitated basis for basic health
28 care services, administered by the plan administrator through
29 participating managed health care systems, created by this chapter.

30 (2) "Administrator" means the Washington basic health plan
31 administrator, who also holds the position of administrator of the
32 Washington state health care authority.

33 (3) "Managed health care system" means any health care
34 organization, including health care providers, insurers, health care
35 service contractors, health maintenance organizations, or any
36 combination thereof, that provides directly or by contract basic health
37 care services, as defined by the administrator and rendered by duly
38 licensed providers, on a prepaid capitated basis to a defined patient

1 population enrolled in the plan and in the managed health care system.
2 On and after July 1, (~~1995~~) 1996, "managed health care system" means
3 a certified health plan, as defined in RCW 43.72.010.

4 (4) "Subsidized enrollee" means an individual, or an individual
5 plus the individual's spouse or dependent children, not eligible for
6 medicare, who resides in an area of the state served by a managed
7 health care system participating in the plan, whose gross family income
8 at the time of enrollment does not exceed twice the federal poverty
9 level as adjusted for family size and determined annually by the
10 federal department of health and human services, who the administrator
11 determines shall not have, or shall not have voluntarily relinquished
12 health insurance more comprehensive than that offered by the plan as of
13 the effective date of enrollment, and who chooses to obtain basic
14 health care coverage from a particular managed health care system in
15 return for periodic payments to the plan.

16 (5) "Nonsubsidized enrollee" means an individual, or an individual
17 plus the individual's spouse or dependent children, not eligible for
18 medicare, who resides in an area of the state served by a managed
19 health care system participating in the plan, who the administrator
20 determines shall not have, or shall not have voluntarily relinquished
21 health insurance more comprehensive than that offered by the plan as of
22 the effective date of enrollment, and who chooses to obtain basic
23 health care coverage from a particular managed health care system, and
24 who pays or on whose behalf is paid the full costs for participation in
25 the plan, without any subsidy from the plan.

26 (6) "Subsidy" means the difference between the amount of periodic
27 payment the administrator makes to a managed health care system on
28 behalf of a subsidized enrollee plus the administrative cost to the
29 plan of providing the plan to that subsidized enrollee, and the amount
30 determined to be the subsidized enrollee's responsibility under RCW
31 70.47.060(2).

32 (7) "Premium" means a periodic payment, based upon gross family
33 income which an individual, their employer or another financial sponsor
34 makes to the plan as consideration for enrollment in the plan as a
35 subsidized enrollee or a nonsubsidized enrollee.

36 (8) "Rate" means the per capita amount, negotiated by the
37 administrator with and paid to a participating managed health care
38 system, that is based upon the enrollment of subsidized and
39 nonsubsidized enrollees in the plan and in that system.

1 **Sec. 9.** RCW 70.47.060 and 1994 c 309 s 5 are each amended to read
2 as follows:

3 The administrator has the following powers and duties:

4 (1) To design and from time to time revise a schedule of covered
5 basic health care services, including physician services, inpatient and
6 outpatient hospital services, prescription drugs and medications, and
7 other services that may be necessary for basic health care, which
8 subsidized and nonsubsidized enrollees in any participating managed
9 health care system under the Washington basic health plan shall be
10 entitled to receive in return for premium payments to the plan. The
11 schedule of services shall emphasize proven preventive and primary
12 health care and shall include all services necessary for prenatal,
13 postnatal, and well-child care. However, with respect to coverage for
14 groups of subsidized enrollees who are eligible to receive prenatal and
15 postnatal services through the medical assistance program under chapter
16 74.09 RCW, the administrator shall not contract for such services
17 except to the extent that such services are necessary over not more
18 than a one-month period in order to maintain continuity of care after
19 diagnosis of pregnancy by the managed care provider. The schedule of
20 services shall also include a separate schedule of basic health care
21 services for children, eighteen years of age and younger, for those
22 subsidized or nonsubsidized enrollees who choose to secure basic
23 coverage through the plan only for their dependent children. In
24 designing and revising the schedule of services, the administrator
25 shall consider the guidelines for assessing health services under the
26 mandated benefits act of 1984, RCW 48.42.080, and such other factors as
27 the administrator deems appropriate. On and after July 1, ((1995))
28 1996, the uniform benefits package adopted and from time to time
29 revised by the Washington health services commission pursuant to RCW
30 43.72.130 shall be implemented by the administrator as the schedule of
31 covered basic health care services. However, with respect to coverage
32 for subsidized enrollees who are eligible to receive prenatal and
33 postnatal services through the medical assistance program under chapter
34 74.09 RCW, the administrator shall not contract for such services
35 except to the extent that the services are necessary over not more than
36 a one-month period in order to maintain continuity of care after
37 diagnosis of pregnancy by the managed care provider.

38 (2)(a) To design and implement a structure of periodic premiums due
39 the administrator from subsidized enrollees that is based upon gross

1 family income, giving appropriate consideration to family size and the
2 ages of all family members. The enrollment of children shall not
3 require the enrollment of their parent or parents who are eligible for
4 the plan. The structure of periodic premiums shall be applied to
5 subsidized enrollees entering the plan as individuals pursuant to
6 subsection (9) of this section and to the share of the cost of the plan
7 due from subsidized enrollees entering the plan as employees pursuant
8 to subsection (10) of this section.

9 (b) To determine the periodic premiums due the administrator from
10 nonsubsidized enrollees. Premiums due from nonsubsidized enrollees
11 shall be in an amount equal to the cost charged by the managed health
12 care system provider to the state for the plan plus the administrative
13 cost of providing the plan to those enrollees and the premium tax under
14 RCW 48.14.0201.

15 (c) An employer or other financial sponsor may, with the prior
16 approval of the administrator, pay the premium, rate, or any other
17 amount on behalf of a subsidized or nonsubsidized enrollee, by
18 arrangement with the enrollee and through a mechanism acceptable to the
19 administrator, but in no case shall the payment made on behalf of the
20 enrollee exceed the total premiums due from the enrollee.

21 (3) To design and implement a structure of copayments due a managed
22 health care system from subsidized and nonsubsidized enrollees. The
23 structure shall discourage inappropriate enrollee utilization of health
24 care services, but shall not be so costly to enrollees as to constitute
25 a barrier to appropriate utilization of necessary health care services.
26 On and after July 1, (~~1995~~) 1996, the administrator shall endeavor to
27 make the copayments structure of the plan consistent with enrollee
28 point of service cost-sharing levels adopted by the Washington health
29 services commission, giving consideration to funding available to the
30 plan.

31 (4) To limit enrollment of persons who qualify for subsidies so as
32 to prevent an overexpenditure of appropriations for such purposes.
33 Whenever the administrator finds that there is danger of such an
34 overexpenditure, the administrator shall close enrollment until the
35 administrator finds the danger no longer exists.

36 (5) To limit the payment of subsidies to subsidized enrollees, as
37 defined in RCW 70.47.020.

38 (6) To adopt a schedule for the orderly development of the delivery
39 of services and availability of the plan to residents of the state,

1 subject to the limitations contained in RCW 70.47.080 or any act
2 appropriating funds for the plan.

3 (7) To solicit and accept applications from managed health care
4 systems, as defined in this chapter, for inclusion as eligible basic
5 health care providers under the plan. The administrator shall endeavor
6 to assure that covered basic health care services are available to any
7 enrollee of the plan from among a selection of two or more
8 participating managed health care systems. In adopting any rules or
9 procedures applicable to managed health care systems and in its
10 dealings with such systems, the administrator shall consider and make
11 suitable allowance for the need for health care services and the
12 differences in local availability of health care resources, along with
13 other resources, within and among the several areas of the state.
14 Contracts with participating managed health care systems shall ensure
15 that basic health plan enrollees who become eligible for medical
16 assistance may, at their option, continue to receive services from
17 their existing providers within the managed health care system if such
18 providers have entered into provider agreements with the department of
19 social and health services.

20 (8) To receive periodic premiums from or on behalf of subsidized
21 and nonsubsidized enrollees, deposit them in the basic health plan
22 operating account, keep records of enrollee status, and authorize
23 periodic payments to managed health care systems on the basis of the
24 number of enrollees participating in the respective managed health care
25 systems.

26 (9) To accept applications from individuals residing in areas
27 served by the plan, on behalf of themselves and their spouses and
28 dependent children, for enrollment in the Washington basic health plan
29 as subsidized or nonsubsidized enrollees, to establish appropriate
30 minimum-enrollment periods for enrollees as may be necessary, and to
31 determine, upon application and at least semiannually thereafter, or at
32 the request of any enrollee, eligibility due to current gross family
33 income for sliding scale premiums. No subsidy may be paid with
34 respect to any enrollee whose current gross family income exceeds twice
35 the federal poverty level or, subject to RCW 70.47.110, who is a
36 recipient of medical assistance or medical care services under chapter
37 74.09 RCW. If, as a result of an eligibility review, the administrator
38 determines that a subsidized enrollee's income exceeds twice the
39 federal poverty level and that the enrollee knowingly failed to inform

1 the plan of such increase in income, the administrator may bill the
2 enrollee for the subsidy paid on the enrollee's behalf during the
3 period of time that the enrollee's income exceeded twice the federal
4 poverty level. If a number of enrollees drop their enrollment for no
5 apparent good cause, the administrator may establish appropriate rules
6 or requirements that are applicable to such individuals before they
7 will be allowed to re-enroll in the plan.

8 (10) To accept applications from business owners on behalf of
9 themselves and their employees, spouses, and dependent children, as
10 subsidized or nonsubsidized enrollees, who reside in an area served by
11 the plan. The administrator may require all or the substantial
12 majority of the eligible employees of such businesses to enroll in the
13 plan and establish those procedures necessary to facilitate the orderly
14 enrollment of groups in the plan and into a managed health care system.
15 The administrator shall require that a business owner pay at least
16 fifty percent of the nonsubsidized premium cost of the plan on behalf
17 of each employee enrolled in the plan. Enrollment is limited to those
18 not eligible for medicare who wish to enroll in the plan and choose to
19 obtain the basic health care coverage and services from a managed care
20 system participating in the plan. The administrator shall adjust the
21 amount determined to be due on behalf of or from all such enrollees
22 whenever the amount negotiated by the administrator with the
23 participating managed health care system or systems is modified or the
24 administrative cost of providing the plan to such enrollees changes.

25 (11) To determine the rate to be paid to each participating managed
26 health care system in return for the provision of covered basic health
27 care services to enrollees in the system. Although the schedule of
28 covered basic health care services will be the same for similar
29 enrollees, the rates negotiated with participating managed health care
30 systems may vary among the systems. In negotiating rates with
31 participating systems, the administrator shall consider the
32 characteristics of the populations served by the respective systems,
33 economic circumstances of the local area, the need to conserve the
34 resources of the basic health plan trust account, and other factors the
35 administrator finds relevant.

36 (12) To monitor the provision of covered services to enrollees by
37 participating managed health care systems in order to assure enrollee
38 access to good quality basic health care, to require periodic data
39 reports concerning the utilization of health care services rendered to

1 enrollees in order to provide adequate information for evaluation, and
2 to inspect the books and records of participating managed health care
3 systems to assure compliance with the purposes of this chapter. In
4 requiring reports from participating managed health care systems,
5 including data on services rendered enrollees, the administrator shall
6 endeavor to minimize costs, both to the managed health care systems and
7 to the plan. The administrator shall coordinate any such reporting
8 requirements with other state agencies, such as the insurance
9 commissioner and the department of health, to minimize duplication of
10 effort.

11 (13) To evaluate the effects this chapter has on private employer-
12 based health care coverage and to take appropriate measures consistent
13 with state and federal statutes that will discourage the reduction of
14 such coverage in the state.

15 (14) To develop a program of proven preventive health measures and
16 to integrate it into the plan wherever possible and consistent with
17 this chapter.

18 (15) To provide, consistent with available funding, assistance for
19 rural residents, underserved populations, and persons of color.

20 **Sec. 10.** RCW 43.72.040 and 1994 c 4 s 3 are each amended to read
21 as follows:

22 The commission has the following powers and duties:

23 (1) Ensure that all residents of Washington state are enrolled in
24 a certified health plan to receive the uniform benefits package,
25 regardless of age, sex, family structure, ethnicity, race, health
26 condition, geographic location, employment, or economic status.

27 (2) Endeavor to ensure that all residents of Washington state have
28 access to appropriate, timely, confidential, and effective health
29 services, and monitor the degree of access to such services. If the
30 commission finds that individuals or populations lack access to
31 certified health plan services, the commission shall:

32 (a) Authorize appropriate state agencies, local health departments,
33 community or migrant health clinics, public hospital districts, or
34 other nonprofit health service entities to take actions necessary to
35 assure such access. This includes authority to contract for or
36 directly deliver services described within the uniform benefits package
37 to special populations; or

1 (b) Notify appropriate certified health plans and the insurance
2 commissioner of such findings. The commission shall adopt by rule
3 standards by which the insurance commissioner may, in such event,
4 require certified health plans in closest proximity to such individuals
5 and populations to extend their catchment areas to those individuals
6 and populations and offer them enrollment.

7 (3) Adopt necessary rules in accordance with chapter 34.05 RCW to
8 carry out the purposes of chapter 492, Laws of 1993. An initial set of
9 draft rules establishing at least the commission's organization
10 structure, the uniform benefits package, and standards for certified
11 health plan certification, must be submitted in draft form to
12 appropriate committees of the legislature by December 1, 1994.

13 (4) Establish and modify as necessary, in consultation with the
14 state board of health and the department of health, and coordination
15 with the planning process set forth in RCW 43.70.520 a uniform set of
16 health services based on the recommendations of the health care cost
17 control and access commission established under House Concurrent
18 Resolution No. 4443 adopted by the legislature in 1990.

19 (5) Establish and modify as necessary the uniform benefits package
20 as provided in RCW 43.72.130, which shall be offered to enrollees of a
21 certified health plan. The benefit package shall be provided at no
22 more than the maximum premium specified in subsection (6) of this
23 section.

24 (6)(a) Establish for each year a community-rated maximum premium
25 for the uniform benefits package that shall operate to control overall
26 health care costs. The maximum premium cost of the uniform benefits
27 package in the base year (~~(1995)~~) 1996 shall be established upon an
28 actuarial determination of the costs of providing the uniform benefits
29 package and such other cost impacts as may be deemed relevant by the
30 commission. Beginning in (~~(1996)~~) 1997, the growth rate of the premium
31 cost of the uniform benefits package for each certified health plan
32 shall be allowed to increase by a rate no greater than the average
33 growth rate in the cost of the package between (~~(1990)~~) 1991 and
34 (~~(1993)~~) 1994 as actuarially determined, reduced by two percentage
35 points per year until the growth rate is no greater than the five-year
36 rolling average of growth in Washington per capita personal income, as
37 determined by the office of financial management.

38 (b) In establishing the community-rated maximum premium under this
39 subsection, the commission shall review various methods for

1 establishing the community-rated maximum premium and shall recommend
2 such methods to the legislature by December 1, 1994.

3 The commission may develop and recommend a rate for employees that
4 provides nominal, if any, variance between the rate for individual
5 employees and employees with dependents to minimize any economic
6 incentive to an employer to discriminate between prospective employees
7 based upon whether or not they have dependents for whom coverage would
8 be required.

9 (c) If the commission adds or deletes services or benefits to the
10 uniform benefits package in subsequent years, it may increase or
11 decrease the maximum premium to reflect the actual cost experience of
12 a broad sample of providers of that service in the state, considering
13 the factors enumerated in (a) of this subsection and adjusted
14 actuarially. The addition of services or benefits shall not result in
15 a redetermination of the entire cost of the uniform benefits package.

16 (d) The level of state expenditures for the uniform benefits
17 package shall be limited to the appropriation of funds specifically for
18 this purpose.

19 (7) Determine the need for medical risk adjustment mechanisms to
20 minimize financial incentives for certified health plans to enroll
21 individuals who present lower health risks and avoid enrolling
22 individuals who present higher health risks, and to minimize financial
23 incentives for employer hiring practices that discriminate against
24 individuals who present higher health risks. In the design of medical
25 risk distribution mechanisms under this subsection, the commission
26 shall (a) balance the benefits of price competition with the need to
27 protect certified health plans from any unsustainable negative effects
28 of adverse selection; (b) consider the development of a system that
29 creates a risk profile of each certified health plan's enrollee
30 population that does not create disincentives for a plan to control
31 benefit utilization, that requires contributions from plans that enjoy
32 a low-risk enrollee population to plans that have a high-risk enrollee
33 population, and that does not permit an adjustment of the premium
34 charged for the uniform benefits package or supplemental coverage based
35 upon either receipt or contribution of assessments; and (c) consider
36 whether registered employer health plans should be included in any
37 medical risk adjustment mechanism. Proposed medical risk adjustment
38 mechanisms shall be submitted to the legislature as provided in RCW
39 43.72.180.

1 (8) Design a mechanism to assure minors have access to confidential
2 health care services as currently provided in RCW 70.24.110 and
3 71.34.030.

4 (9) Monitor the actual growth in total annual health services
5 costs.

6 (10) Monitor the increased application of technology as required by
7 chapter 492, Laws of 1993 and take necessary action to ensure that such
8 application is made in a cost-effective and efficient manner and
9 consistent with existing laws that protect individual privacy.

10 (11) Establish reporting requirements for certified health plans
11 that own or manage health care facilities, health care facilities, and
12 health care providers to periodically report to the commission
13 regarding major capital expenditures of the plans. The commission
14 shall review and monitor such reports and shall report to the
15 legislature regarding major capital expenditures on at least an annual
16 basis. The Washington health care facilities authority and the
17 commission shall develop standards jointly for evaluating and approving
18 major capital expenditure financing through the Washington health care
19 facilities authority, as authorized pursuant to chapter 70.37 RCW. By
20 December 1, 1994, the commission and the authority shall submit jointly
21 to the legislature such proposed standards. The commission and the
22 authority shall, after legislative review, but no later than June 1,
23 1995, publish such standards. Upon publication, the authority may not
24 approve financing for major capital expenditures unless approved by the
25 commission.

26 (12) Establish maximum enrollee financial participation levels.
27 The levels shall be related to enrollee household income.

28 (13) Establish rules requiring employee enrollee premium sharing,
29 as defined in RCW 43.72.010(9), be paid through deductions from wages
30 or earnings.

31 (14) For health services provided under the uniform benefits
32 package and supplemental benefits, adopt standards for enrollment, and
33 standardized billing and claims processing forms. The standards shall
34 ensure that these procedures minimize administrative burdens on health
35 care providers, health care facilities, certified health plans, and
36 consumers. Subject to federal approval or phase-in schedules whenever
37 necessary or appropriate, the standards also shall apply to state-
38 purchased health services, as defined in RCW 41.05.011.

1 (15) Propose that certified health plans adopt certain practice
2 indicators or risk management protocols for quality assurance,
3 utilization review, or provider payment. The commission may consider
4 indicators or protocols recommended according to RCW 43.70.500 for
5 these purposes.

6 (16) Propose other guidelines to certified health plans for
7 utilization management, use of technology and methods of payment, such
8 as diagnosis-related groups and a resource-based relative value scale.
9 Such guidelines shall be voluntary and shall be designed to promote
10 improved management of care, and provide incentives for improved
11 efficiency and effectiveness within the delivery system.

12 (17) Adopt standards and oversee and develop policy for personal
13 health data and information system as provided in chapter 70.170 RCW.

14 (18) Adopt standards that prevent conflict of interest by health
15 care providers as provided in RCW 18.130.320.

16 (19) At the appropriate juncture and in the fullness of time,
17 consider the extent to which medical research and health professions
18 training activities should be included within the health service system
19 set forth in chapter 492, Laws of 1993.

20 (20) Evaluate and monitor the extent to which racial and ethnic
21 minorities have access to and receive health services within the state,
22 and develop strategies to address barriers to access.

23 (21) Develop standards for the certification process to certify
24 health plans and employer health plans to provide the uniform benefits
25 package, according to the provisions for certified health plans and
26 registered employer health plans under chapter 492, Laws of 1993.

27 (22) Develop rules for implementation of individual and employer
28 participation under RCW 43.72.210 and 43.72.220 specifically applicable
29 to persons who work in this state but do not live in the state or
30 persons who live in this state but work outside of the state. The
31 rules shall be designed so that these persons receive coverage and
32 financial requirements that are comparable to that received by persons
33 who both live and work in the state.

34 (23) After receiving advice from the health services effectiveness
35 committee, adopt rules that must be used by certified health plans,
36 disability insurers, health care service contractors, and health
37 maintenance organizations to determine whether a procedure, treatment,
38 drug, or other health service is no longer experimental or
39 investigative.

1 (24) Establish a process for purchase of uniform benefits package
2 services by enrollees when they are out-of-state.

3 (25) Develop recommendations to the legislature as to whether state
4 and school district employees, on whose behalf health benefits are or
5 will be purchased by the health care authority pursuant to chapter
6 41.05 RCW, should have the option to purchase health benefits through
7 health insurance purchasing cooperatives on and after July 1, 1997. In
8 developing its recommendations, the commission shall consider:

9 (a) The impact of state or school district employees purchasing
10 through health insurance purchasing cooperatives on the ability of the
11 state to control its health care costs; and

12 (b) Whether state or school district employees purchasing through
13 health insurance purchasing cooperatives will result in inequities in
14 health benefits between or within groups of state and school district
15 employees.

16 (26) Establish guidelines for providers dealing with terminal or
17 static conditions, taking into consideration the ethics of providers,
18 patient and family wishes, costs, and survival possibilities.

19 (27) Evaluate the extent to which Taft-Hartley health care trusts
20 provide benefits to certain individuals in the state; review the
21 federal laws under which these trusts are organized; and make
22 appropriate recommendations to the governor and the legislature on or
23 before December 1, 1994, as to whether these trusts should be brought
24 under the provisions of chapter 492, Laws of 1993 when it is fully
25 implemented, and if the commission recommends inclusion of the trusts,
26 how to implement such inclusion.

27 (28) Evaluate whether Washington is experiencing a higher
28 percentage in in-migration of residents from other states and
29 territories than would be expected by normal trends as a result of the
30 availability of unsubsidized and subsidized health care benefits for
31 all residents and report to the governor and the legislature their
32 findings.

33 (29) In developing the uniform benefits package and other standards
34 pursuant to this section, consider the likelihood of the establishment
35 of a national health services plan adopted by the federal government
36 and its implications.

37 (30) Evaluate the effect of reforms under chapter 492, Laws of 1993
38 on access to care and economic development in rural areas.

1 To the extent that the exercise of any of the powers and duties
2 specified in this section may be inconsistent with the powers and
3 duties of other state agencies, offices, or commissions, the authority
4 of the commission shall supersede that of such other state agency,
5 office, or commission, except in matters of personal health data, where
6 the commission shall have primary data system policy-making authority
7 and the department of health shall have primary responsibility for the
8 maintenance and routine operation of personal health data systems.

9 **Sec. 11.** RCW 43.72.070 and 1993 c 492 s 409 are each amended to
10 read as follows:

11 To ensure the highest quality health services at the lowest total
12 cost, the commission shall establish a total quality management system
13 of continuous quality improvement. Such endeavor shall be based upon
14 the recognized quality science for continuous quality improvement. The
15 commission shall impanel a committee composed of persons from the
16 private sector and related sciences who have broad knowledge and
17 successful experiences in continuous quality improvement and total
18 quality management applications. It shall be the responsibility of the
19 committee to develop standards for a Washington state health services
20 supplier certification process and recommend such standards to the
21 commission for review and adoption. Once adopted, the commission shall
22 establish a schedule, with full compliance no later than July 1,
23 ((1996)) 1997, whereby all health service providers and health service
24 facilities shall be certified prior to providing uniform benefits
25 package services.

26 **Sec. 12.** RCW 43.72.090 and 1993 c 492 s 427 are each amended to
27 read as follows:

28 (1) On and after July 1, ((1995)) 1996, no person or entity in this
29 state shall provide the uniform benefits package and supplemental
30 benefits as defined in RCW 43.72.010 without being certified as a
31 certified health plan by the insurance commissioner.

32 (2) On and after July 1, ((1995)) 1996, no certified health plan
33 may offer less than the uniform benefits package to residents of this
34 state and no registered employer health plan may provide less than the
35 uniform benefits package to its employees and their dependents.

1 **Sec. 13.** RCW 43.72.220 and 1993 c 494 s 3 are each amended to read
2 as follows:

3 (1) The legislature recognizes that small businesses play an
4 essential and increasingly important role in the state's economy. The
5 legislature further recognizes that many of the state's small business
6 owners provide health insurance to their employees through small group
7 policies at a cost that directly affects their profitability. Other
8 small business owners are prevented from providing health benefits to
9 their employees by the lack of access to affordable health insurance
10 coverage. The legislature intends that the provisions of chapter 492,
11 Laws of 1993 make health insurance more available and affordable to
12 small businesses in Washington state through strong cost control
13 mechanisms and the option to purchase health benefits through the basic
14 health plan, the Washington state group purchasing association, and
15 health insurance purchasing cooperatives.

16 (2) On July 1, (~~(1995)~~) 1996, every employer employing more than
17 five hundred qualified employees shall:

18 (a) Offer a choice of the uniform benefits package as provided by
19 at least three available certified health plans, one of which shall be
20 the lowest cost available package within their geographic region, and
21 for employers who have established a registered employer health plan,
22 one of which may be its own registered employer health plan, to all
23 qualified employees. The employer shall be required to pay no less
24 than fifty percent of the premium cost of the lowest cost available
25 package within their geographic region. On July 1, (~~(1996)~~) 1997, all
26 dependents of qualified employees of these firms shall be offered a
27 choice of packages as provided in this section with the employer paying
28 no less than fifty percent of the premium of the lowest cost package
29 within their geographic region.

30 (b) For employees who work fewer than thirty hours during a week or
31 one hundred twenty hours during a calendar month, three hundred sixty
32 hours during a calendar quarter or one thousand four hundred forty
33 hours during a calendar year, and their dependents, pay, for the period
34 of time adopted by the employer under this subsection, the amount
35 resulting from application of the following formula: The number of
36 hours worked by the employee in a month is multiplied by the amount of
37 a qualified employee's premium, and that amount is then divided by one
38 hundred twenty.

1 (c) If an employee under (b) of this subsection is the dependent of
2 a qualified employee, and is therefore covered as a dependent by the
3 qualified employee's employer, then the employer of the employee under
4 (b) of this subsection shall not be required to participate in the cost
5 of the uniform benefits package for that employee.

6 (d) If an employee working on a seasonal basis is a qualified
7 employee of another employer, and therefore has uniform benefits
8 package coverage through that primary employer, then the seasonal
9 employer of the employee shall not be required to participate in the
10 cost of the uniform benefits package for that employee.

11 (3) By July 1, (~~1996~~) 1997, every employer employing more than
12 one hundred qualified employees shall:

13 (a) Offer a choice of the uniform benefits package as provided by
14 at least three available certified health plans, one of which shall be
15 the lowest cost available package within their geographic region, to
16 all qualified employees. The employer shall be required to pay no less
17 than fifty percent of the premium cost of the lowest cost available
18 package within their geographic region. On July 1, (~~1997~~) 1998, all
19 dependents of qualified employees in these firms shall be offered a
20 choice of packages as provided in this section with the employer paying
21 no less than fifty percent of the premium of the lowest cost package
22 within their geographic region.

23 (b) For employees who work fewer than thirty hours during a week or
24 one hundred twenty hours during a calendar month, three hundred sixty
25 hours during a calendar quarter or one thousand four hundred forty
26 hours during a calendar year, and their dependents, pay, for the period
27 of time adopted by the employer under this subsection, the amount
28 resulting from application of the following formula: The number of
29 hours worked by the employee in a month is multiplied by the amount of
30 a qualified employee's premium, and that amount is then divided by one
31 hundred twenty.

32 (c) If an employee under (b) of this subsection is the dependent of
33 a qualified employee, and is therefore covered as a dependent by the
34 qualified employee's employer, then the employer of the employee under
35 (b) of this subsection shall not be required to participate in the cost
36 of the uniform benefits package for that employee.

37 (d) If an employee working on a seasonal basis is a qualified
38 employee of another employer, and therefore has uniform benefits
39 package coverage through that primary employer, then the seasonal

1 employer of the employee shall not be required to participate in the
2 cost of the uniform benefits package for that employee.

3 (4) By July 1, (~~1997~~) 1998, every employer shall:

4 (a) Offer a choice of the uniform benefits package as provided by
5 at least three available certified health plans, one of which shall be
6 the lowest cost available package within their geographic region, to
7 all qualified employees. The employer shall be required to pay no less
8 than fifty percent of the premium cost of the lowest cost available
9 package within their geographic region. On July 1, 1999, all
10 dependents of qualified employees in all firms shall be offered a
11 choice of packages as provided in this section with the employer paying
12 no less than fifty percent of the premium of the lowest cost package
13 within their geographic region.

14 (b) For employees who work fewer than thirty hours during a week or
15 one hundred twenty hours during a calendar month, three hundred sixty
16 hours during a calendar quarter or one thousand four hundred forty
17 hours during a calendar year, and their dependents, pay, for the period
18 of time adopted by the employer under this subsection, the amount
19 resulting from application of the following formula: The number of
20 hours worked by the employee in a month is multiplied by the amount of
21 a qualified employee's premium, and that amount is then divided by one
22 hundred twenty.

23 (c) If an employee under (b) of this subsection is the dependent of
24 a qualified employee, and is therefore covered as a dependent by the
25 qualified employee's employer, then the employer of the employee under
26 (b) of this subsection shall not be required to participate in the cost
27 of the uniform benefits package for that employee.

28 (d) If an employee working on a seasonal basis is a qualified
29 employee of another employer, and therefore has uniform benefits
30 package coverage through that primary employer, then the seasonal
31 employer of the employee shall not be required to participate in the
32 cost of the uniform benefits package for that employee.

33 (5) This employer participation requirement shall be waived if
34 imposition of the requirement would constitute a violation of the
35 freedom of religion provisions of the First Amendment of the United
36 States Constitution or Article I, section 11, of the state
37 Constitution. In such case the employer shall, pursuant to commission
38 rules, set aside an amount equal to the applicable employer

1 contribution level in a manner that would permit his or her employee to
2 fully comply with the requirements of this chapter.

3 (6) In lieu of offering the uniform benefits package to employees
4 and their dependents through direct contracts with certified health
5 plans, an employer may combine the employer contribution with that of
6 the employee's contribution and enroll in the basic health plan as
7 provided in chapter 70.47 RCW or a health insurance purchasing
8 cooperative established under RCW 43.72.080 and 48.43.160. Any subsidy
9 that may be provided according to the provisions of chapter 70.47 RCW
10 shall not lessen the employer's obligation to pay a minimum of fifty
11 percent of the premium and the full amount of the direct subsidy shall
12 be for the benefit of the employee or the dependent.

13 (7) For purposes of determining the financial obligation of an
14 employer who enrolls employees or employees and their adult dependents
15 in the basic health plan, the premium shall be the per adult, per
16 month, cost of coverage in the plan, including administration.

17 **Sec. 14.** RCW 43.72.230 and 1993 c 492 s 465 are each amended to
18 read as follows:

19 (1) The health care authority shall establish a depository where
20 payments under RCW 43.72.220 can be made and held in safekeeping for
21 the benefit of employees working less than the number of hours worked
22 by a qualified employee.

23 (2) The authority shall adopt appropriate rules for operation of
24 the depository, in consultation with representatives of employees and
25 employers, especially those that are seasonal or employ large numbers
26 of part-time workers. The rules shall address the means through which
27 payments will be properly deposited to the credit of employees and the
28 means through which employees can access payments made on their behalf.
29 On and after July 1, (~~(1995)~~) 1996, payments deposited by employers on
30 behalf of employees may be used by employees only for purchase of the
31 uniform benefits package. Prior to July 1, (~~(1995)~~) 1996, payments may
32 be used for purchase of any health insurance coverage.

33 **Sec. 15.** RCW 43.72.240 and 1993 c 494 s 4 are each amended to read
34 as follows:

35 (1) Beginning July 1, (~~(1997)~~) 1998, firms with fewer than twenty-
36 five workers that face barriers to providing health insurance for their
37 employees may, upon application, be eligible to receive financial

1 assistance with funds set aside from the health services account.
2 Firms with the following characteristics shall be given preference in
3 the distribution of funds: (a) New firms, (b) employers with low
4 average wages, (c) employers with low profits, and (d) firms in
5 economically distressed areas.

6 (2) All employers in existence on or before July 1, (~~1997~~) 1998,
7 who meet the criteria set forth in this section, and rules adopted
8 under this section, may apply to the health services commission for
9 assistance. Such employers may not receive premium assistance beyond
10 July 1, 2001. New employers, who come into existence after July 1,
11 (~~1997~~) 1998, may apply for and receive premium assistance for a
12 limited period of time, as determined by the commission.

13 (3) The total funds available for small business assistance shall
14 be the lesser of (a) one hundred fifty million dollars or (b) twenty-
15 five percent of the cost of the uniform benefits package per the
16 eligible applicants' insured employee or dependents as the case may be,
17 for the (~~biennium~~) fiscal year beginning July 1, (~~1997~~) 1998.
18 Thereafter, the amount of total funds available for premium assistance
19 shall be determined by the office of financial management, based on a
20 forecast of inflation, employment, and the number of eligible firms.

21 (4) By July 1, (~~1997~~) 1998, the health services commission, with
22 assistance from the small business advisory committee established in
23 RCW 43.72.060, shall develop specific definitions, rules, and
24 procedures governing all aspects of the small business assistance
25 program, including application procedures, thresholds regarding firm
26 size, wages, profits, and age of firm, and rules governing duration of
27 assistance. The health services commission will endeavor to design a
28 system for the distribution of assistance that will create minimal
29 burdens on businesses seeking financial assistance.

30 (5) Final determination of the amount of the premium assistance to
31 be dispensed to an employer shall be made by the commission based on
32 rules, definitions, and procedures developed under this section. If
33 total claims for assistance are above the amount of total funds
34 available for such purposes, the commission shall have the authority to
35 prorate employer claims so that the amount of available funds is not
36 exceeded.

37 (6) The office of financial management, in consultation with the
38 commission, shall establish appropriate criteria for monitoring and
39 evaluating the economic and labor market impacts of the premium

1 assistance program and report its findings to the commission annually
2 through July 1, 2001.

3 **Sec. 16.** RCW 43.72.850 and 1993 c 492 s 485 are each amended to
4 read as follows:

5 On or before January 1, 1995, and January 1, 1996, the health
6 services commission, in coordination with the department of labor and
7 industries and the workers' compensation advisory committee, shall
8 study and make an interim report, and on or before January 1, (~~1996~~)
9 1997, a final report, to the governor and appropriate committees of the
10 legislature on the provision of medical benefits for injured workers
11 under a consolidated health care system. The study shall include a
12 review of options and recommendations for modifying the industrial
13 insurance system to provide medical services for injured workers in a
14 more cost-effective manner under a consolidated system, and may include
15 consideration of the purchase of industrial insurance medical benefits
16 through the health care authority or the inclusion of industrial
17 insurance medical benefits in the services offered by certified health
18 plans or other appropriate options. The commission should also give
19 consideration to at least the following issues: The use of managed
20 care and the effect of managed care options on the injured workers'
21 choice of health services provider; the potential cost savings or other
22 impacts of various consolidation options; the benefit structure
23 required under industrial insurance; the potential for consolidation to
24 meet or exceed existing medical cost management of the medical aid
25 fund; the impact of separating the medical management of claims from
26 the disability management of claims; the relationship between return-
27 to-work efforts, medical services, and disability prevention; the
28 relationship between medical services and rehabilitation services; and
29 the effects of the quasi-judicial system that determines industrial
30 insurance rights and obligations. In addition, the final report shall
31 include a proposed plan and timeline for including the medical benefits
32 of the industrial insurance system in the services offered by certified
33 health plans. The proposed plan shall assure that:

34 (1) The plan shall not take effect until at least ninety-seven
35 percent of state residents have access to the uniform benefits package
36 as required in chapter 492, Laws of 1993;

37 (2) The uniform benefits package of the certified health plan will
38 provide benefits for injured workers that are at least equivalent to

1 the medical benefits provided to injured workers under Title 51 RCW as
2 determined by the department of labor and industries as of the
3 effective date of the plan, including payments for services that are
4 ancillary to industrial insurance medical benefits, such as but not
5 limited to medical examinations for permanent disabilities;

6 (3) Other nonmedical benefits required to be provided under Title
7 51 RCW, such as but not limited to total or partial disability benefits
8 or vocational rehabilitation benefits, are not affected;

9 (4) Employers who do not choose to become certified health plans
10 under chapter 492, Laws of 1993, will continue to be required to
11 provide industrial insurance medical benefits under Title 51 RCW;

12 (5) Employees participating in the plan shall not be required to
13 pay deductibles, copayments, or other point of service charges for
14 services related to industrial insurance injuries or diseases, such
15 costs to be paid by the department of labor and industries or self-
16 insured employer, as applicable;

17 (6) The plan includes a mechanism to return to workers and
18 employers, in equal shares, any savings that are realized in the costs
19 of medical services for injured workers, as identified by the
20 department of labor and industries;

21 (7) The majority of the employer's employees or, if the employees
22 are represented for collective bargaining purposes, the exclusive
23 bargaining representative voluntarily agree to the employer's
24 participation in the plan;

25 (8) The option of an employer who elects to provide medical aid
26 benefits under Title 51 RCW through the employer-sponsored general
27 health plan if the employer pays one hundred percent of the premium
28 cost of the general employee health care benefit plan is considered.

29 **Sec. 17.** RCW 43.72.860 and 1993 c 492 s 486 are each amended to
30 read as follows:

31 (1) The department of labor and industries, in consultation with
32 the workers' compensation advisory committee, may conduct pilot
33 projects to purchase medical services for injured workers through
34 managed care arrangements. The projects shall assess the effects of
35 managed care on the cost and quality of, and employer and employee
36 satisfaction with, medical services provided to injured workers.

37 (2) The pilot projects may be limited to specific employers. The
38 implementation of a pilot project shall be conditioned upon a

1 participating employer and a majority of its employees, or, if the
2 employees are represented for collective bargaining purposes, the
3 exclusive bargaining representative, voluntarily agreeing to the terms
4 of the pilot. Unless the project is terminated by the department, both
5 the employer and employees are bound by the project agreements for the
6 duration of the project.

7 (3) Solely for the purpose and duration of a pilot project, the
8 specific requirements of Title 51 RCW that are identified by the
9 department as otherwise prohibiting implementation of the pilot project
10 shall not apply to the participating employers and employees to the
11 extent necessary for conducting the project. Managed care arrangements
12 for the pilot projects may include the designation of doctors
13 responsible for the care delivered to injured workers participating in
14 the projects.

15 (4) The projects shall conclude no later than January 1, 1997. The
16 department shall make an interim report on the projects to the governor
17 and appropriate committees of the legislature on or before October 1,
18 1996. The department shall present the final results of the pilot
19 projects and any final recommendations related to the projects to the
20 governor and appropriate committees of the legislature on or before
21 ~~((October 1, 1996))~~ April 1, 1997.

22 **Sec. 18.** RCW 82.24.020 and 1994 sp.s. c 7 s 904 are each amended
23 to read as follows:

24 (1) There is levied and there shall be collected as provided in
25 this chapter, a tax upon the sale, use, consumption, handling,
26 possession or distribution of all cigarettes, in an amount equal to the
27 rate of eleven and one-half mills per cigarette.

28 (2) An additional tax is imposed upon the sale, use, consumption,
29 handling, possession, or distribution of all cigarettes, in an amount
30 equal to the rate of five and one-fourth mills per cigarette. All
31 revenues collected during any month from this additional tax shall be
32 deposited in the violence reduction and drug enforcement account under
33 RCW 69.50.520 by the twenty-fifth day of the following month.

34 (3) An additional tax is imposed upon the sale, use, consumption,
35 handling, possession, or distribution of all cigarettes, in an amount
36 equal to the rate of ten mills per cigarette through June 30, 1994,
37 eleven and one-fourth mills per cigarette for the period July 1, 1994,
38 through June 30, ~~((1995))~~ 1996, twenty mills per cigarette for the

1 period July 1, (~~(1995)~~) 1996, through June 30, (~~(1996)~~) 1997, and
2 twenty and one-half mills per cigarette thereafter. All revenues
3 collected during any month from this additional tax shall be deposited
4 in the health services account created under RCW 43.72.900 by the
5 twenty-fifth day of the following month.

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

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

17 **Sec. 19.** RCW 82.08.150 and 1994 sp.s. c 7 s 903 are each amended
18 to read as follows:

19 (1) There is levied and shall be collected a tax upon each retail
20 sale of spirits, or strong beer in the original package at the rate of
21 fifteen percent of the selling price. The tax imposed in this
22 subsection shall apply to all such sales including sales by the
23 Washington state liquor stores and agencies, but excluding sales to
24 class H licensees.

25 (2) There is levied and shall be collected a tax upon each sale of
26 spirits, or strong beer in the original package at the rate of ten
27 percent of the selling price on sales by Washington state liquor stores
28 and agencies to class H licensees.

29 (3) There is levied and shall be collected an additional tax upon
30 each retail sale of spirits in the original package at the rate of one
31 dollar and seventy-two cents per liter. The additional tax imposed in
32 this subsection shall apply to all such sales including sales by
33 Washington state liquor stores and agencies, and including sales to
34 class H licensees.

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

1 (5) An additional tax is imposed upon each retail sale of spirits
2 in the original package at the rate of seven cents per liter. The
3 additional tax imposed in this subsection shall apply to all such sales
4 including sales by Washington state liquor stores and agencies, and
5 including sales to class H licensees. All revenues collected during
6 any month from this additional tax shall be deposited in the violence
7 reduction and drug enforcement account under RCW 69.50.520 by the
8 twenty-fifth day of the following month.

9 (6)(a) An additional tax is imposed upon retail sale of spirits in
10 the original package at the rate of one and seven-tenths percent of the
11 selling price through June 30, (~~(1995)~~) 1996, two and six-tenths
12 percent of the selling price for the period July 1, (~~(1995)~~) 1996,
13 through June 30, (~~(1997)~~) 1998, and three and four-tenths of the
14 selling price thereafter. This additional tax applies to all such
15 sales including sales by Washington state liquor stores and agencies,
16 but excluding sales to class H licensees.

17 (b) An additional tax is imposed upon retail sale of spirits in the
18 original package at the rate of one and one-tenth percent of the
19 selling price through June 30, (~~(1995)~~) 1996, one and seven-tenths
20 percent of the selling price for the period July 1, (~~(1995)~~) 1996,
21 through June 30, (~~(1997)~~) 1998, and two and three-tenths of the selling
22 price thereafter. This additional tax applies to all such sales to
23 class H licensees.

24 (c) An additional tax is imposed upon each retail sale of spirits
25 in the original package at the rate of twenty cents per liter through
26 June 30, (~~(1995)~~) 1996, thirty cents per liter for the period July 1,
27 (~~(1995)~~) 1996, through June 30, (~~(1997)~~) 1998, and forty-one cents per
28 liter thereafter. This additional tax applies to all such sales
29 including sales by Washington state liquor stores and agencies, and
30 including sales to class H licensees.

31 (d) All revenues collected during any month from additional taxes
32 under this subsection shall be deposited in the health services account
33 created under RCW 43.72.900 by the twenty-fifth day of the following
34 month.

35 (7) The tax imposed in RCW 82.08.020 shall not apply to sales of
36 spirits or strong beer in the original package.

37 (8) The taxes imposed in this section shall be paid by the buyer to
38 the seller, and each seller shall collect from the buyer the full
39 amount of the tax payable in respect to each taxable sale under this

1 section. The taxes required by this section to be collected by the
2 seller shall be stated separately from the selling price and for
3 purposes of determining the tax due from the buyer to the seller, it
4 shall be conclusively presumed that the selling price quoted in any
5 price list does not include the taxes imposed by this section.

6 (9) As used in this section, the terms, "spirits," "strong beer,"
7 and "package" shall have the meaning ascribed to them in chapter 66.04
8 RCW.

9 **Sec. 20.** RCW 66.24.290 and 1994 sp.s. c 7 s 902 are each amended
10 to read as follows:

11 (1) Any brewer or beer wholesaler licensed under this title may
12 sell and deliver beer to holders of authorized licenses direct, but to
13 no other person, other than the board; and every such brewer or beer
14 wholesaler shall report all sales to the board monthly, pursuant to the
15 regulations, and shall pay to the board as an added tax for the
16 privilege of manufacturing and selling the beer within the state a tax
17 of two dollars and sixty cents per barrel of thirty-one gallons on
18 sales to licensees within the state and on sales to licensees within
19 the state of bottled and canned beer shall pay a tax computed in
20 gallons at the rate of two dollars and sixty cents per barrel of
21 thirty-one gallons. Any brewer or beer wholesaler whose applicable tax
22 payment is not postmarked by the twentieth day following the month of
23 sale will be assessed a penalty at the rate of two percent per month or
24 fraction thereof. Each such brewer or wholesaler shall procure from
25 the board revenue stamps representing such tax in form prescribed by
26 the board and shall affix the same to the barrel or package in such
27 manner and in such denominations as required by the board, and shall
28 cancel the same prior to commencing delivery from his or her place of
29 business or warehouse of such barrels or packages. Beer shall be sold
30 by brewers and wholesalers in sealed barrels or packages. The revenue
31 stamps provided under this section need not be affixed and canceled in
32 the making of resales of barrels or packages already taxed by the
33 affixation and cancellation of stamps as provided in this section.

34 (2) An additional tax is imposed equal to seven percent multiplied
35 by the tax payable under subsection (1) of this section. All revenues
36 collected during any month from this additional tax shall be
37 transferred to the state general fund by the twenty-fifth day of the
38 following month.

1 (3) An additional tax is imposed on all beer subject to tax under
2 subsection (1) of this section. The additional tax is equal to two
3 dollars per barrel of thirty-one gallons. All revenues collected
4 during any month from this additional tax shall be deposited in the
5 violence reduction and drug enforcement account under RCW 69.50.520 by
6 the twenty-fifth day of the following month.

7 (4)(a) An additional tax is imposed on all beer subject to tax
8 under subsection (1) of this section. The additional tax is equal to
9 ninety-six cents per barrel of thirty-one gallons through June 30,
10 ~~((1995))~~ 1996, two dollars and thirty-nine cents per barrel of thirty-
11 one gallons for the period July 1, ~~((1995))~~ 1996, through June 30,
12 ~~((1997))~~ 1998, and four dollars and seventy-eight cents per barrel of
13 thirty-one gallons thereafter.

14 (b) The additional tax imposed under this subsection does not apply
15 to the sale of the first sixty thousand barrels of beer each year by
16 breweries that are entitled to a reduced rate of tax under 26 U.S.C.
17 Sec. 5051, as existing on July 1, 1993, or such subsequent date as may
18 be provided by the board by rule consistent with the purposes of this
19 exemption.

20 (c) All revenues collected from the additional tax imposed under
21 this subsection (4) shall be deposited in the health services account
22 under RCW 43.72.900.

23 (5) The tax imposed under this section shall not apply to "strong
24 beer" as defined in this title.

25 NEW SECTION. **Sec. 21.** Section 7 of this act shall expire June 30,
26 1998.

27 NEW SECTION. **Sec. 22.** This act is necessary for the immediate
28 preservation of the public peace, health, or safety, or support of the
29 state government and its existing public institutions, and shall take
30 effect immediately, except for section 18 of this act, which shall take
31 effect July 1, 1995.

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