Washington State

House of Representatives Office of Program Research

BILL ANALYSIS

Health Care & Wellness Committee

HB 1085

Brief Description: Concerning the Washington health security trust.

Sponsors: RepresentativeAppleton.

Hearing Date: 2/1/13
Staff: Jim Morishima (786-7191). Background:
I. Federal Health Care Reform.

Beginning in 2014, under the federal Patient Protection and Affordable Care Act (PPACA), all U.S. citizens and legal residents will be required to have health insurance coverage or pay a tax penalty. The PPACA gives the states the option to expand their Medicaid programs to cover individuals up to 133 percent of the federal poverty level. The law also establishes state-based insurance exchanges in which individuals and small businesses may compare and purchase health insurance. Premium assistance and cost-sharing subsidies will be also be available in the Exchange on a sliding scale for persons between 134 and 400 percent of the federal poverty level.

States may apply for waivers from the PPACA's requirements, but not until January 1, 2017. II. Vermont's Green Mountain Care.

In 2011, the state of Vermont established Green Mountain Care, which is a single payer system that will be available to all Vermont residents. To the maximum extent possible under federal

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Brief Summary of Bill

- Establishes the Washington Health Security Trust, which will provide health care coverage to all Washington residents.

law, coverage in Green Mountain Care will include health coverage offered by Vermont's insurance exchange, the state's Medicaid program, Medicare, employers in the state, and state and local government employees. Green Mountain Care will become effective upon receipt of a waiver from the federal government.

Summary of Bill:

The Washington Health Security Trust (WHST) is created to provide health coverage to all Washington residents (non-residents are covered for emergency services and transportation only). The WHST is governed by a board of trustees (Board) consisting of nine members. The Governor appoints the initial members to the Board to staggered terms. After the initial round of appointments, members of the Board will be elected by congressional district. Members of the Board may have no pecuniary interest in any business subject to Board regulation and may be removed by the Governor for failing to perform or for conflict with the public interest. The Board must appoint a financial advisory

committee, a citizens' advisory committee, and a technical advisory committee.

The Board must:

- ·establish a benefits package that constitutes minimum essential coverage under the
PPACA. The benefits package must include hospital care; outpatient, home-based, and office-based care; rehabilitative services; mental health services and substance abuse treatment; hospice care; prescription drugs and nutrition; vision and hearing care; diagnostic testing; durable medical equipment; preventive care; and any other benefits deemed "essential health benefits" under the PPACA. Subject to funding, the package will be expanded to include long term care;
- ·seek waivers to ensure that all current state and federal payments for health services are paid to the WHST;
- ·request legislation needed for financing the WHST, including legislation authorizing health security assessments and premiums;
- ·develop a statewide, anonymous health care data system for quality assurance and cost containment;
- ·develop health care practice guidelines and quality standards;
- ·develop policies to protect patient confidentiality;
- ·make eligibility rules;
- ·develop a uniform claims processing system;
- ·develop an appeals process;
- ·integrate functions with other state agencies;

- balance benefits and provider payments with revenues and develop cost-control measures;
- address non-financial barriers to access;
- monitor population migration into Washington based on health care access;
- develop an annual budget;
- submit an annual report to the Governor and the Legislature on changes in health care costs and the financial position and status of the WHST;
- submit a report to the Governor and the Legislature on dental benefits;
- require pharmaceutical and durable medical equipment manufacturers to provide their products to Washington at the lowest rate offered to federal and other governmental entities;

- negotiate payment schedules with providers and hospitals (on a fee-for-service basis); and
- have operating expenses of no more than 11 percent of the WHST's annual budget.

All Washington employers must pay a health security assessment to the Department of Revenue to finance the WHST. The assessment is a percentage of an employer's gross payroll to Washington residents. The percentage on the first $125,000 in payroll must be one-tenth the percentage over $125,000. For the first year, employers may pay a reduced start-up rate that is 30 percent lower than the standard rate. For the first six years,

employers may apply for a waiver from the assessment based on financial hardship.

Most Washington residents with incomes over 150 percent of the federal poverty level must pay a standard, flat-rate premium to the WHST. The Legislature must establish the amount of the premium in separate legislation. The Board must develop and implement a premium subsidy system for residents with incomes less than 250 percent of the federal poverty level.

The Health Care Authority (HCA) is abolished and its powers transferred to the WHST. The WHST, in coordination with the Department of Labor and Industries, must submit a report to the Legislature on the provision of medical benefits for injured workers by the WHST.

Three new accounts are created: the Reserve Account, the Displaced Worker Training Account, and the Benefits Account. Moneys in the Public Employees' and Retiree's Insurance Account, the Tobacco Settlement Account, and the Health Care Authority Administrative Account are transferred to the Reserve Account. Revenues from the tax on beer, liquor, cigarettes, and other tobacco products are redirected into the Reserve Account. Appropriations to the Department of Health to fund community health centers are transferred to the Reserve Account. All revenues deposited into the Health Services Account for personal health services are transferred to the Reserve Account and the Benefits Account.

No later than January 17, 2017, the HCA must apply for a waiver from the PPACA to:

1 • ·suspend the operation of the Washington Health Benefit Exchange;

2 • ·enable the state to receive federal funding in lieu of the federal premium tax credits,
federal cost-sharing subsidies, and other federal payments

and tax credits that will no longer be necessary due to the suspension of the Washington Health Benefit Exchange; and

- ensure the operation of the WHST.

The HCA must submit annual progress reports to the Legislature beginning November 15, 2013. The 2015 report must contain a list of statutory changes necessary to implement the waiver. The provisions establishing the WHST become effective following the receipt of the waiver.

Appropriation: None. Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed, except for sections 2 through 18, 20, 21, and 35 through 37, establishing the WHST, which take effect upon receipt of the waiver from the federal government; sections 22 through 24, creating new accounts, which take effect on the second January 1st following the receipt of the waiver from the federal government; and sections 19, 25 through 34, and 38, abolishing the HCA and redirecting state funds to the WHST, which take effect the second May 15th following the receipt of the waiver from the federal government.