



HB 1085 - 2013-14

Concerning the Washington health security trust.

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Section 1 finds a crisis in health care accessibility, affordability and choice in Washington and that sets forth **the intention to create a single health financing entity** called the Washington Health Security Trust (the Trust).

Section 2 is a new section that contains definitions.

Section 3 is a new section that **creates the Trust as a new state agency**, whose purpose is to provide coverage for a set of health services for all residents.

Section 4 provides the Trust shall be **governed by a board of nine trustees**. The Governor shall appoint, from among the listed constituencies, the initial trustees to staggered terms of two, three and six years.

Section 5 provides for the creation of three standing committees: a) **a Financial Advisory Committee**; b) **a Citizens' Advisory Committee**, and c) **a Technical Advisory Committee**. Members shall not be compensated, but may be reimbursed for expenses.

Section 6 provides that the chair is the **presiding office of the Board** and sets forth the chair's powers and duties.

Section 7 enumerates the Board's required duties and powers.

Section 8 requires the Board to adopt an annual Washington Health Security budget.

Section 9 requires the Board **to provide reports** to the Governor and legislature, **to seek audits** from the State Auditor (SAO), **to adopt appropriate governance** documents, and **to submit any internal rules or policies** it adopts to the Secretary of State.

Section 10 provides: 1) **all residents are eligible for coverage** through the Trust, 2) the benefits of this act are secondary to costs paid by a resident's existing health services, 3) **residents covered under federal health programs** shall continue to use that program until federal waivers are accomplished, except if certain conditions exist, 4) the Board shall make provision for determining eligibility for **residents while temporarily out of state**, 5) **residents covered under federally qualified trusts** are not covered through the Trust pending integration of the federally qualified trusts into the Trust, except as otherwise noted, 6) **residents who are retirees under federally qualified trusts** are not covered through the Trust pending integration of the federally qualified trusts into the Trust, except as otherwise noted, 7) **Native American residents** are not covered through the Trust pending integration of the applicable federal programs described in section 21 of this act, except as otherwise noted, and 8) **nothing in this**

act limits a resident's right to seek health care from the provider of his/her choice, or from obtaining coverage for health care benefits in excess of those available under the Trust.

Section 11 sets forth the Board's duty to establish **a single benefits package covering health services**, that outlines the minimum requirements of that benefits package, and that requires advice from the **Citizen's Advisory and Technical Advisory Committees** in establishing the benefits package. This section also **provides for long-term care** as a covered benefit...subject to a financial analysis and requires... possible remedies for residents who have made previous payments for long-term care insurance. This section also directs the Board to **establish copayments**, submit to the legislature **a plan to incorporate dental coverage** in the benefits.

Section 12 applies to the cost and provision of drugs and durable medical equipment, and that authorizes the Board to **enact drug formularies** that do not interfere with treatments for appropriate standards of care.

Section 13 1) requires the Board to adopt rules **permitting providers to collectively negotiate** budgets, payment schedules, and other terms and conditions of Trust participation; 2) requires the Board to **annually negotiate with each hospital and facility a prospective global budget** for costs covered by the Trust, 3) provides that **payment to individual practitioners** shall be on a fee-for-service or on a case rate basis, or combination of bases, 4) allows individual practitioners employed by a group, facility or hospital to **be paid by salary**, 5) requires the Board to adopt rules ensuring **payment schedules and procedures for mental health are comparable** to other health care services....

Section 14 exempts the activities approved under this act **from state antitrust laws** and to provide immunity from federal antitrust laws through the state action doctrine.

Section 15 is a new section that: 1) **limits the Trust's administrative expenses to 11%** of the Trust's annual budget, and that prohibits the Board from shifting administrative costs to providers or to resident beneficiaries; 2) requires the Board to work with providers to develop utilization standards; and 3) authorizes the Board to institute other cost-containment measures to maintain a balanced budget.

Section 16 requires **all Washington employers to pay a health security assessment to the Department of Revenue (DOR) to fund the Trust**. This section also specifies the amount of tax, provides it may be annually adjusted by the Office of Financial Management (OFM) and requires DOR to assess a penalty at for late payments.... **The payroll of employees covered under any federally qualified trusts is exempt from the assessment pending integration of any federally qualified trust.**

Section 17 requires **residents 18 years of age and older**, with listed exceptions, to pay a standard monthly **flat rate health security premium**.

This section provides that Medicare and Medicaid beneficiaries with incomes over one hundred fifty percent of the federal poverty level who elect to participate in the trust shall pay reduced, monthly, flat rate health security premium.

This section provides that the Board shall recommend the amount of this premium and requires the Board to adopt rules and procedures to subsidize the premiums of residents whose **household incomes are less than 250% of the federal poverty level**.

This section also requires employers to collect the premiums through payroll deduction, authorizes an employee to make the premium payment for a **non-working spouse** through

payroll deduction, and **provides that retirees** who receive benefits from a former employer or successor employer, other than in federally qualified trusts or in federal employment, may claim a credit against the premium.

Section 18 **prohibits the revenue derived from the health security assessment or the health security premium from being used** to pay for medical assistance currently provided under chapter 74.09 RCW or other existing federal and state health care programs.

Section 19 **abolishes the Health Care Authority** (HCA) and that transfer's all of its powers, duties, functions, papers, reports, documents, and personnel to the Trust..

Section 20 provides all employers shall pay a **reduced start-up health security assessment**.

Section 21 is a new section that requires the Board, in **consultation with sovereign tribal governments**, to determine the state and federal laws that must be repealed, amended or waived to implement this act.... This section also requires the Governor, in consultation with the Board and sovereign tribal governments, to negotiate with listed federal departments and with Indian health services and sovereign tribal governments for inclusion of specified benefits in the trust created under this act.

Section 22 **creates the Reserve Account in the custody of the OST**. This section specifies which funds must be deposited into the Reserve Account and provides that expenditures may be used only for the purposes of health care services and maintenance of the Trust.

Section 23 creates **the Displaced Worker Training Account** in the custody of OST.

Section 24 **creates the Benefits Account in the custody of OST**. This section specifies which funds must be deposited into this benefits account and provides that expenditures from this account may be used only for health care services and the maintenance of the Trust.

Section 25 amends RCW 41.05.120 adding language that requires contributions from RCW 41.05.050 and reserves, dividends and refunds currently in **the Public Employees' and Retirees' Insurance Account** to be deposited to the Reserve Account and to the Benefits Account.

Section 26 amends RCW 41.05.130, adding language transferring **the state HCA Administrative Account** to the Reserve Account created pursuant to section 22 of this act, and to the Benefits Account created pursuant to section 24 of this act.

Section 27 amends RCW 66.24.290 requires **such tax revenue** to be deposited to the Reserve Account and to the Benefits Account.

Section 28 requires the **cigarette tax revenue** to be deposited to the Reserve Account created pursuant and to the Benefits Account.

Section 29 amends RCW 82.26.020 and requires such **revenue** to be deposited to the Reserve Account and to the Benefits Account.

Section 30 amends RCW 82.08.150 requiring revenues collected from **the additional taxes** imposed under this subsection be deposited to the Reserve Account and to the Benefits Account.

Section 31 requires that moneys in the **Tobacco Settlement Account** may only be transferred to the Reserve Account and to the Benefits Account. This section also strikes language providing for the transfers to **the Life Sciences Fund** of amounts received as strategic contribution payments.

Section 32 transfers state General Funds appropriated for purposes of **funding community health centers** to the Reserve Account and to the Benefits Account... and strikes provisions to work with **community and migrant health clinics** to help ensure managed care is expanded in proportion to need.

Section 33 requires all revenues currently deposited in the Health Services account for personal health care to be deposited to **the Reserve Account** and to **the Benefits Account** following the repeal, amendment or waiver of existing state and federal laws.

Section 34 is a new section that provides this act **does not limit an employer's right to maintain employee benefit plans under the federal employee retirement income security act.**

Section 35 requires the Board to submit to the legislature **a proposal to integrate current and future federally qualified trusts** that choose to participate in the Trust.

Section 36 requires the Board, in coordination **with the Department of Labor and Industries**, to study the provision of medical benefits for injured workers under the Trust.

Section 37 is a new section that provides that **a legislative appropriation for start-up moneys.**

Section 38 is a new section that repeals the following statutes of parts of acts: RCW 82.04.260 and RCW 48.14.0201.

Section 39 constitutes **a new chapter in Title 43 RCW.**

Section 40 **requires HCA, no later than January 1, 2017, to apply for a waiver from the provisions of the Federal Patient Protection and Affordable Care Act** to: a) suspend operation of the health benefit exchange; b) enable the state to receive appropriate federal funding, subsidies and payments; and c) ensure the operation of the Trust consistent with this act. HCA must, **beginning November 15, 2013**, submit to the legislature progress reports regarding the development of the waiver application, and shall promptly notify the Office of the Code Reviser and appropriate legislative committees upon receipt of the waiver.

Section 41 sets forth **effective dates.**

Section 42 is a new section and is **a severability clause.**

Section 43 is a new section and is **a severability clause.**

Sections 1 and 39 through 43 are **assumed to be effective July 1, 2013.**

[Complete eight page listing is found at
<https://fortress.wa.gov/binaryDisplay.aspx?package=34944.>]