A LEGISLATIVE PROPOSAL TO COVER HEALTH CARE FOR ALL WASHINGTON RESIDENTS:

THE WASHINGTON HEALTH SECURITY TRUST

NARRATIVE INTRODUCTION

The Washington Health Security Trust proposal moves toward **national universal health care coverage** with a **state-by-state approach.** An incremental state-by-state approach has advantages over proposals that incrementally add at-risk populations to existing costly and complex health care financing mechanisms.

A state-by-state approach allows willing and able states to move forward toward the goal of universal coverage while national consensus builds and political will for such coverage develops.

A state-by-state approach, using **a unified financing system** at the state level, can eliminate the **fragmentation** of the current system and can avoid **excessive costs and confusion** from adding still more programs to our current overburdened, inefficient health care financing mechanisms.

A state-by-state approach can accommodate actual differences among states or groups of states in

- readiness and willingness to provide universal health care coverage
- political and economic feasibility for such coverage
- state and local tax systems
- actuarial soundness and predictability of risk pools

A state-by-state approach also permits comparisons of strengths and weaknesses of different programs **in actual operation** (eg. In pilot programs envisioned by several bills now pending in congress). Such comparisons would be useful in developing best-practices for other states.

This proposal was designed for the state of Washington, to be adopted either by legislation or initiative. It deals with specific Washington tax and state agency laws and a pro forma timeline. Other states could modify those specifics to accommodate their own laws and circumstances.

The proposal demonstrates that

- a tightly drafted state law **can** cover the complex issue of universal health care coverage.
- state action, negotiation, and waivers **can** resolve complicating relationships with federal laws and regulations, such as ERISA and federally qualified trusts **without** federal legislation; however, enabling federal legislation such as the Health Partnership Act (S2772) **would** be helpful.
- **existing health care dollars can** be managed within a dedicated health security trust fund to cover medically necessary, high quality health care for **all** residents **without additional revenues**.

The Washington Health Security Trust provides affordable, comprehensive coverage of high quality health care **for all residents of the state** using a unified, cohesive financing system. It uses **fewer health care dollars than we spend now (ie., IT COSTS LESS)**.

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NARRATIVE CONCLUSIONS OF PROPONENTS

1. Principles Used in the Proposal

- Health care is a basic human right, and the state has a responsibility to assure all its residents have affordable health care coverage.
- Access to quality health care should be universal and equitable. The principle of "everybody in, nobody out" applies both to benefits and payments.
- Spreading the cost of health care over the entire population makes a good benefits package affordable.
- A unified system minimizes administrative costs and increases funds available for actual health services.
- Such a large public program must be accountable to the citizens of the state.
- A unified system permits much better management of population-based health services, especially preventive medicine, education regarding lifestyle choices, and chronic disease management.

2. Effects on Stakeholders

- Business – The proposal substitutes a predictable payroll-based assessment for the unpredictable market costs of employee health insurance. It could allow businesses to reduce the size of their Human Resources departments. It could make businesses more competitive with businesses in most other industrial countries, which provide publicly funded health coverage for their workers.
- Labor--The proposal could permit unions to focus more on improving wages and working conditions and less on difficult negotiations for dwindling, costly health care benefits.
- Individuals – The proposal would provide predictable premiums and coverage for everyone. **It would remove the fear** of losing health insurance due to job loss, pre-existing health conditions, or an employer's decision not to offer an affordable plan.
- Government – The proposal would give government agencies greater stability in funding their own health care coverage obligations. Simplified administrative processes and bargaining for price with providers (including the pharmaceutical industry) should lower program costs.
- Providers – Negotiated payment terms and lower administrative costs would allow more predictable and stable income for providers. Uncompensated care, either provided as a safety net to indigent patients, or due to denied claims, would be dramatically reduced.
- Insurers– While insurers appear to be losers in this proposal, the proposal **does** provide funds to retrain health plan workers. There would be many administrative job opportunities for insurance industry employees, either as employees of the trust or as independent contractors. In addition, the trust is authorized to subcontract some of its operations and could purchase some administrative services from insurance companies. The trust would be likely to purchase re-insurance coverage for catastrophic risks.

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3. Sustainable Financing Mechanism

A broad financing base provides stable, predictable funding, with everyone (except those too poor to contribute) participating equitably in the cost-sharing. The publicly accountable trust is a dedicated fund to cover a defined set of beneficial health services for all state residents.

4. Universal Coverage, Universal Financial Contribution

Every resident is covered by this proposal. Everyone would pay their fair share into the system, except those too poor to be able to pay.

5. Accountability

The trust is accountable for its performance initially to the governor and to the legislature, and ultimately to the public by direct elections. Everyone who uses health care would have a health care card, and those who failed to pay their premiums would have to make up missed payments. Providers would be accountable for their performance through contracts negotiated with the trust. The trust would use evidence-based systems to monitor quality and utilization patterns and correct identified shortcomings.

6. A Unified Cohesive Financing System

The proposal recognizes the current fragmented, multiple payer "system" as an impediment to affordable health care for all. It sees no inherent value in making employers responsible for their employees' health care costs. However, the proposal does not force anyone to abandon employer-sponsored health insurance. Employers would be required to pay their equitable share into the system, but they would also be free to purchase any additional insurance they wished. Providers would function independently in the private sector as before. All providers would have contracts with the trust, so residents would no longer have to choose from restricted lists of doctors.

NARRATIVE ACCOUNT OF THE WASHINGTON HEALTH SECURITY TRUST

NARRATIVE DESCRIPTION OF THE PROBLEM

There is a crisis in health care accessibility, affordability, and choice in Washington state. Health care through insurance companies has failed to control costs, increase access, or preserve choice. More than six hundred thousand Washington residents have no health care coverage. Individual plans are unavailable or unaffordable in most counties. Many clinics, physician practices and emergency departments, especially in rural areas, are failing. Employers, faced with fewer choices and more expensive premiums, are reducing employment-based health care coverage. Simplifying health care financing and eliminating administrative waste inherent in multiple insurance plans can create sufficient savings to extend health care coverage to all residents and enhance fairness in the system. (These problems are stated in *APPENDIX: Statutory Language… Sec. 1*)

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NARRATIVE ACCOUNT OF THE PROPOSED SOLUTION

The proposed legislation creates the Washington Health Security Trust, a single financing entity dedicated to cover **a defined set of health services** for **all** residents of the state of Washington. The trust is directed to accomplish the following goals through public hearings, research, and consensus building:

(a) provide fair, simple, and accountable health care financing for all Washington residents using a single health care financing entity;
(b) cover a comprehensive package of effective and necessary personal health services;
(c) make health care coverage independent from employment;
(d) eliminate excessive administrative costs resulting from the current fragmented system of multiple insurers;
(e) generate savings sufficient to ensure coverage for all Washington residents;
(f) integrate current publicly sponsored health programs into the health security trust;
(g) preserve choice of providers for Washington residents;
(h) protect patient rights;
(i) keep clinical decisions in the hands of health professionals and patients, rather than administrative personnel;
(j) promote health care quality;
(k) control excessive health care costs. (See *APPENDIX: Statutory Language… Sec. 1(2) and Sec. 3.*)

NARRATIVE DESCRIPTION OF TRUST GOVERNANCE

Board of Trustees: The trust would be governed by a board of trustees. The board would consist of nine trustees initially selected for their expertise in health care financing and delivery, and representing Washington citizens, business, labor, and health professions. The initial trustees would be appointed by the governor (subject to confirmation by the senate) to staggered terms of two, four, and six years. After the trust is established and operating, trustees would be elected to six-year terms, one trustee from each congressional district, following an orderly process to replace the appointed trustees. The governor would appoint trustees to fill vacancies.

The initial, appointed trustees, in order to establish the health care financing system, would occupy their positions on a full-time basis.

The elected trustees would occupy their positions according to the bylaws, rules, and relevant governing documents of the board.

One member of the board would be designated by the governor as chair, subject to confirmation by a majority of the other trustees. The chair would serve in that capacity, subject to continuing confidence of a majority of the board. The governor could, by due process, remove a trustee or the chair for cause.

Five trustees would constitute a quorum for the board to conduct business.

Trustees would be paid a salary to be fixed by the governor in accordance with an existing state law.

Members of the board could have no pecuniary interest in any business subject to regulation by the board. (See *APPENDIX: Statutory Language… Sec. 4.*)

Committees: With approval of the board, the chair would appoint two standing committees.

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1. A **citizens' advisory committee** would have balanced representation from health experts, business, labor, and consumers. The citizens' advisory committee would hold public hearings on priorities for inclusion in the set of health services, survey public satisfaction, investigate complaints, and identify and report on health care access and other priority issues for residents.
2. A **technical advisory committee** would have members with broad experience in health care delivery, research, and policy, as well as public and private funding of health care services. The technical advisory committee would make recommendations to the board on technical issues related to covered benefits, quality assurance, utilization, and other issues as requested by the board.

The board is directed to consult with the citizens' advisory committee at least quarterly, receive its reports and recommendations, and then report to the governor and legislature at least annually on board actions in response to citizens' advisory committee input. With approval of the board, the chair could appoint other committees and task forces as needed. Members of committees would serve without compensation but could be reimbursed for their expenses according to existing state laws. (See *APPENDIX: Statutory Language… Sec. 5.*)

Board Duties: (a) With advice from the citizens' advisory committee and the technical advisory committee, establish and keep current a set of health services to be financed by the trust; (b) seek all necessary waivers to get federal and state payments for health services to be paid directly to the trust; (c) make rules, policies, guidelines, and timetables needed for the trust to finance the set of health services for all residents by a certain time; (d) develop a state-wide, anonymous health care data system for quality assurance and cost containment; (e) with advice from the technical advisory committee, develop health care practice guidelines and quality standards; (f) develop policies to protect confidentiality of patient records; (g) make eligibility rules; (h) develop a streamlined uniform claims processing system that must pay in a timely manner for covered health services; (i) develop appeals procedures for residents and providers; (j) integrate functions with other state agencies; (k) work with the citizens' advisory committee and the technical advisory committee to balance benefits and provider payments with revenues, and develop effective measures to control health care costs; (l) address nonfinancial barriers to health care access; (m) monitor population migration into Washington state to detect any trends related to availability of universal health care coverage; and (n) develop an annual budget for the trust.

If these powers and duties were inconsistent with powers and duties of other state entities, the statute declares that the board authority would supersede authority of those other entities. (See *APPENDIX: Statutory Language… Sec. 7.*)

The board, in consultation with the office of financial management, must adopt a budget every year. Budgets could not increase more than the state consumer price index. If expenses exceeded revenues for 2 consecutive years, the board would have to recommend adjustments to the legislature. (See *APPENDIX: Statutory Language… Sec. 8.*)

Other board duties: The board is also directed to:

1. report annual changes in total Washington health care costs, along with the financial position and the status of the trust, to the governor and legislature at least once a year;
2. seek audits annually from the state auditor;
3. contract for a performance audit every two years;

4. adopt bylaws, rules, and other appropriate governance documents to assure accountable, open, fair, effective operations of the trust, including methods for electing trustees and rules under which reserve funds may be prudently invested (with advice of the state treasurer and the director of the department of financial management). The board must file its internal rules and policies with the secretary of state to be available for public inspection; (See *APPENDIX: Model Statutory Language… Sec. 9.*)

5. by a certain date, submit to the legislature a proposal for integrating federally qualified trusts that choose to participate in the trust. (See *APPENDIX: Model Statutory Language… Sec. 35.*)

6. by a certain date and in coordination with the department of labor and industries, study and recommend a plan to the governor and appropriate legislative committees to provide medical benefits for injured workers under the trust; and (See *APPENDIX: Model Statutory Language… Sec. 36.*)

7. negotiate with multiple entities as described below under **NEGOTIATIONS.**

Chair: The chair would be the presiding officer of the board and would:

(1) appoint an executive director approved by the board;
(2) enter into contracts on behalf of the board subject to review and binding legal opinions by the attorney general's office;
(3) manage gifts, donations, grants, and other funds received by the board;
(4) delegate administrative functions to the executive director and staff of the trust as necessary to achieve efficient administration.

(See *APPENDIX: l Statutory Language… Sec. 6.*)

NARRATIVE ACCOUNT OF ADMINISTRATION AND OPERATIONS

Executive Director: The executive director, with board approval, would employ staff necessary to execute policies and decisions of the board. The board would delegate administrative functions to the executive director, who would be accountable to the board for administrative and operational performance. (See *APPENDIX: Statutory Language… Sec. 6.*)

NARRATIVE DESCRIPTION OF THE DEFINED SET OF COVERED SERVICES

With advice from the citizens' advisory committee and the technical advisory committee, the board is directed to define a single benefits package covering health services that are effective and necessary for the good health of residents and that emphasize preventive and primary health care.

The benefits package must include:

(a) inpatient and outpatient hospital care, including twenty-four hour a day emergency services and emergency ambulance services;
(b) outpatient, home-based, and office-based care;
(c) rehabilitation services, including speech, occupational, and physical therapy;
(d) inpatient and outpatient mental health services and substance abuse treatment;
(e) hospice care;
(f) prescription drugs and prescribed medical nutrition;
(g) vision and hearing care;

(h) diagnostic tests;
(i) durable medical equipment;
(j) preventive care;
(k) after a financial feasibility analysis, long-term care benefits would be added;
(l) by a specified date, the board would present a plan for dental coverage to the legislature;

The board is also directed to determine copayments for outpatient visits, prescriptions, and the board-and-room part of long-term care; study how to cover research and training under the trust; and report the study to the governor and the legislature by a specified date. Residents below 150% of the federal poverty level would be exempt from copayments and there would be an annual family cap on copayments.

The board would seek methods to finance drugs and durable medical equipment at low cost without interfering with appropriate standards of care. (See *APPENDIX: Statutory Language… Sec. 12.*)

Cooperative, cost-saving measures in trust operations would be protected from federal anti-trust action. (See *APPENDIX: Statutory Language… Sec. 14.*)

NARRATIVE EXPLANATION OF FUNDING

Revenue: The trust would be funded by three primary revenue streams:

1. Employers in the state of Washington would pay a health security assessment.

Employers would pay 1% of total quarterly payroll up to $125,000.00 per quarter and 10% of total quarterly payroll above $125,000.00. [The rates could be changed by the legislature.] The rates could also be adjusted to the state consumer price index by the office of financial management. The department of revenue would manage collection of the assessment and deposit at least 80% of the revenue in the benefits account to be described below. Federal government, certain qualified trusts protected by federal law, and native American payrolls would be exempt from the health security assessment until the federal programs come under the trust unless the individual employees involved voluntarily elect to participate in the trust. Employers could apply for hardship allowances under certain circumstances. (See *APPENDIX: Statutory Language… Sec. 16.*)

Employers would pay a temporary, reduced health security assessment for 4 months prior to the starting date of coverage to fund start-up reserves. They may be eligible for refunds in 2 years. 20% of these revenues would be deposited in the reserve account and 80% would be deposited in the benefits account, as described below. (See *APPENDIX: Statutory Language… Sec. 20.*)

2. All Washington residents 18 and over would pay a health security premium.

Those with incomes over 150% of the federal poverty level (except Medicare and Medicaid beneficiaries) would pay $120.00 per month.

Medicare and Medicaid beneficiaries over 150% of the federal poverty level who voluntarily elect to participate in the trust would pay a premium of $60.00 per month.

Premiums would be adjusted to the state consumer price index. Residents covered by certain federal programs and trusts would be exempt until those programs and trusts join the health security trust. Premiums of employees and spouses would be collected by payroll deduction. Self-employed and non-employed residents would pay their premiums directly to the department

of revenue. Employers would be permitted to provide other health coverage for their employees and pay health security premiums for employees. The board would consider subsidizing premiums for residents under 250% of the poverty level. (See *APPENDIX: Statutory Language… Sec. 17.*)

3. Revenue flowing to state health coverage programs would be transferred to the trust:

(a) the state health care authority would be abolished; its revenues, assets, functions, and duties would be transferred to the health security trust; existing contracts, obligations and collective bargaining agreements would continue under the trust; (See *APPENDIX: Statutory Language…Sec. 19 and Sec. 26.*)

(b) the state health services account would be transferred to the health security trust; (See *APPENDIX: Statutory Language…Sec. 26 and Sec. 33.*)

(c) certain funds would be transferred from the public employees' and retirees' account to the health security trust; (See *APPENDIX: Statutory Language…Sec. 25.*)

(d) four existing taxes now going to the health services account would be transferred to the health security trust; (See *APPENDIX: Statutory Language…Sec. 27-30.*)

(e) tobacco settlement funds now going to the health services account would be transferred to the health security trust; (See *APPENDIX: Statutory Language…Sec.31.*)

(f) community health center funding would be transferred to the health security trust; (See *APPENDIX: Statutory Language…Sec.32.*)

(g) two existing taxes not appropriate for health care financing under the health security trust would be repealed; (See *APPENDIX: Statutory Language…Sec.38.*)

(h) a start-up appropriation might be required, depending on when the proposal is adopted. (See *APPENDIX: Statutory Language…Sec. 37.*)

State government would not be permitted to cut off funding obligations to medicaid and other state-funded health programs. (See *APPENDIX: Statutory Language…Sec 18.*)

Accounts: The Washington Health Security Trust would establish 3 named accounts:

1. A benefits account would be established in custody of the state treasurer. All receipts from health security assessments and health security premiums that are not dedicated to the reserve or to the displaced worker training account, as well as receipts from other sources, would be deposited into the benefits account. Expenditures from the account would be authorized by the board and used only for health care services and maintenance of the trust. (See *APPENDIX: Statutory Language…Sec 24.*)

2. A reserve account would be established in custody of the state treasurer. It would be fully funded when it totaled 10% of annual budgeted expenditures of the trust. Until it became fully funded, 20% of regular employer assessments, 7% of temporary assessments, 7% of premiums, and 10% of other revenues would flow into the reserve account. After it was fully funded, additional revenues would flow to the benefits account. (See *APPENDIX: Statutory Language…Sec 22.*)

3. A displaced worker account would be established in custody of the state treasurer. 3% of health security assessments and 3% of health security premiums would flow into the account. The account would be used only for retraining and job placement of workers displaced by transition to the trust and would expire at a specified time after about 2 years. Any funds

remaining in the account at expiration would be deposited into the benefits account. (See *APPENDIX: Statutory Language…Sec 23.*)

Expenses:

1. Administrative expenses to operate and maintain the trust could not exceed eleven percent of the trust's annual budget. The board could not shift administrative costs or duties of the trust to providers or to resident beneficiaries.
2. The board would work with providers to develop and apply scientifically based utilization standards, use encounter and prescribing data to detect excessive utilization, develop due processes for enforcing appropriate utilization standards, and identify and prosecute fraud.
3. The board would have authority to use other cost-containment measures to maintain a balanced budget, but would not be permitted to use measures that limit access to clinically appropriate care or infringe upon legitimate clinical decision-making by practitioners. (See *APPENDIX: Statutory Language…Sec. 15.)*

NARRATIVE DESCRIPTION OF NEGOTIATIONS

Providers: The board would adopt rules permitting providers collectively to negotiate budgets, payment schedules, and other terms and conditions of trust participation.

1. Annually, the board would negotiate with each hospital and each facility for a prospective global budget covering costs to be paid by the trust. Group practices could also negotiate on a global budget basis. Hospitals and other facilities would be paid on a fee-for-service or case rate basis, within the limits of their prospective annual budget.
2. Payment to individual practitioners would be on a fee-for-service basis, a case rate basis, or a combination of bases. The board would also consider paying providers by capitation, if feasible.
3. Individual practitioners employed by a group, facility, clinic, or hospital could continue to be paid by salary.
4. The board would adopt rules to ensure that payments for mental health services would be comparable to those for other health care services.
5. The board would develop and propose provider payment methods that: (a) encourage an integrated multispecialty approach to disease management; (b) reward education time spent with patients; and (c) include a medical risk adjustment formula for providers serving patients with high health risks See *APPENDIX: Statutory Language…Sec. 13.*)

Government entities: The board, along with state government officials, would negotiate with:

1. sovereign tribal governments under the Centennial Accord to determine which state and federal laws would need to be repealed, amended, or waived to implement this proposal, and

   recommend those changes to the governor and appropriate committees of the legislature and congress by a certain date;
2. the federal department of health and human services to obtain a statutory or regulatory waiver of provisions of the medical assistance statute, Title XIX of the federal social security act and the children's health insurance program;

3. the federal department of health and human services to obtain a statutory or regulatory waiver of provisions of the medicare statute, Title XVIII of the federal social security act, that constitute barriers to full implementation of this proposal;

4. the federal department of health and human services to obtain any statutory or regulatory waivers of provisions of the United States public health services act necessary to ensure integration of federally funded community and migrant health clinics and other health services funded through the public health services act into the Washington health security trust system under this proposal;

5. the federal office of personnel management for the inclusion of federal employee health benefits in the trust under this proposal;

6. the federal department of veterans' affairs for the inclusion of veterans' medical benefits in the trust under this proposal;

7. the federal department of defense and other federal agencies for the inclusion of the civilian health and medical program of the uniformed services (CHAMPUS) in the trust under this proposal;

8. the Indian health services and sovereign tribal governments for inclusion and adequate reimbursement of Indian health benefits under the trust created by this proposal; and

9. the United States congress to lobby for an amendment to the internal revenue code making employer health security assessments and individual health security premiums fully deductible for federal tax purposes. (See *APPENDIX: Model Statutory Language…Sec. 21.*)

MISCELLANEOUS STATUTORY PROVISIONS

1. definitions used throughout the proposal; (See *APPENDIX: Statutory Language…Sec. 2.*)

2. a disclaimer that nothing in the proposal would limit an employer's right to maintain employee benefit plans under the federal employee retirement income security act of 1974 (ERISA); (See *APPENDIX: Statutory Language…Sec. 34* .)

3. a disclaimer that nothing would limit a provider's right to receive payments from sources other than the trust, but any provider who does accept payment from the trust for a service must accept that payment, along with applicable copayments, as payment in full. (See *APPENDIX: Statutory Language…Sec. 13* .)

4. effective dates; and (See *APPENDIX: Statutory Language…Sec. 40* .)

5. two non-severability provisions. (See *APPENDIX: Statutory Language…Secs. 41- 42.*)

APPENDIX: STATUTORY LANGUAGE FOR THE PROPOSAL

AN ACT Relating to health care financing; amending RCW 41.05.120, 41.05.130, 66.24.290, 82.24.020, 82.26.020, 82.08.150, 43.79.480, and 41.05.220; adding new sections to chapter 82.02 RCW; adding a new chapter to Title 43 RCW; creating new sections; repealing RCW 82.04.260 and 48.14.0201; making an appropriation; providing effective dates; and providing an expiration date.

BE IT ENACTED BY THE PEOPLE OF THE STATE OF WASHINGTON:

A LEGISLATIVE PROPOSAL TO COVER HEALTH CARE FOR ALL WASHINGTON RESIDENTS:

THE WASHINGTON HEALTH SECURITY TRUST

NEW SECTION. **Sec. 1** (1) There is a crisis in health care accessibility, affordability, and choice in Washington state. Health care through insurance companies has failed to control costs, increase access, or preserve choice. More than six hundred thousand Washington residents have no health care coverage. Individual plans are unavailable or unaffordable in most counties. Many clinics, physician practices and emergency departments, especially in rural areas, are failing. Employers, faced with fewer choices and more expensive premiums, are reducing employment-based health care coverage. Simplifying health care financing and eliminating administrative waste inherent in multiple insurance plans can create sufficient savings to extend health care coverage to all residents and enhance fairness in the system.
(2) The people of the state of Washington declare their intention to create a single health financing entity called the Washington health security trust. Through public hearings, research, and consensus building, the trust will: (a) Provide fair, simple, and accountable health care financing for all Washington residents using a single health care financing entity; (b) cover a comprehensive package of effective and necessary personal health services; (c) make health care coverage independent from employment; (d) eliminate excessive administrative costs resulting from the current fragmented system of multiple insurers; (e) generate savings sufficient to ensure coverage for all Washington residents; (f) integrate current publicly sponsored health programs into the health security trust; (g) preserve choice of providers for Washington residents; (h) protect patient rights; (i) keep clinical decisions in the hands of health professionals and patients, rather than administrative personnel; (j) promote health care quality; and (k) control excessive health care costs.

NEW SECTION. **Sec. 2** The definitions in this section apply throughout this chapter unless the context clearly requires otherwise.
(1) "Board" means the board of trustees of the Washington health security trust, created in section 3 of this act.
(2) "Capitation" means a mechanism of payment in which a provider is paid a negotiated monthly sum and is obliged to provide all covered services for specific patients who enroll with that provider.
(3) "Case rate" means a method of payment based on diagnosis. Case rate assumes that a given set of services shall be provided and the rate is based on the total compensation for those services.
(4) "Chair" means the presiding officer of the board.
(5) "Employer" means any person, partnership, corporation, association, joint venture, or public or private entity operating in Washington state and employing for wages, salary, or other compensation, one or more residents.
(6) "Federal poverty level" means the federal poverty guidelines determined annually by the United States department of health and human services or its successor agency.
(7) "Group practice" or "group" means a group of practitioners voluntarily joined into an organization for the purpose of sharing administrative costs, negotiating with payers and
controlling the circumstances of their medical practice, and, in some cases, sharing revenues. The group may be of a single specialty or include more than one specialty.
(8) "Health care facility" or "facility" includes any of the following appropriately accredited entities: Hospices licensed pursuant to chapter 70.127 RCW; hospitals licensed pursuant to chapter 70.41 RCW; rural health care facilities as defined in RCW 70.175.020; psychiatric hospitals licensed pursuant to chapter 71.12 RCW; nursing homes licensed pursuant to chapter

18.51 RCW; community mental health centers licensed pursuant to chapter 71.05 or 71.24 RCW; kidney disease treatment centers licensed pursuant to chapter 70.41 RCW; ambulatory diagnostic, treatment, or surgical facilities licensed pursuant to chapter 70.41 RCW; approved drug and alcohol treatment facilities certified by the department of social and health services; home health agencies licensed pursuant to chapter 70.127 RCW; and such facilities if owned and operated by a political subdivision or instrumentality of the state and such other facilities as required by federal law and implementing regulations.

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

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

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

(12) "Long-term care" means institutional, residential, outpatient, or community-based services that meet the individual needs of persons of all ages who are limited in their functional capacities or have disabilities and require assistance with performing two or more activities of daily living for an extended or indefinite period of time. These services include case management, protective supervision, in-home care, nursing services, convalescent, custodial, chronic, and terminally ill care.

(13) “Native American” means an American Indian or Alaska Native as defined under 25 U.S.C. 1603.

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

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

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

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

NEW SECTION. **Sec. 4** (1) The trust shall be governed by a board of trustees. The board consists of nine trustees selected for expertise in health care financing and delivery, and representing Washington citizens, business, labor, and health professions. The initial trustees shall be appointed by the governor, subject to confirmation by the senate. The governor shall appoint the initial board by [Change (~~December 31, 2007~~) to feasible date]. Of the initial trustees, three shall be appointed to terms of two years, three shall be appointed to terms of four years, and three shall be appointed to terms of six years. Thereafter, trustees shall be elected to six-year terms, one trustee from each congressional district; the first class of trustees shall be elected from the first, second, and ninth congressional districts; the second class from the third,

seventh, and eighth congressional districts; and the third class from the fourth, fifth, and sixth congressional districts. The governor shall appoint a trustee to serve the remaining term for a vacancy from any cause. The initial board shall convene no later than [Change (~~March 15, 2008~~) to feasible date].
(2) Members of the board shall have no pecuniary interest in any business subject to regulation by the board. Members of the board are subject to chapter 42.52 RCW.
(3) The initial, appointed members of the board shall occupy their positions on a full-time basis and are exempt from the provisions of chapter 41.06 RCW. The elected trustees shall occupy their positions according to the bylaws, rules, and relevant governing documents of the Board. The board and its professional staff are subject to the public disclosure provisions of chapter 42.17 RCW. Trustees shall be paid a salary to be fixed by the governor in accordance with RCW 43.03.040. Five trustees constitute a quorum for the conduct of business.
(4) One member of the board shall be designated by the governor as chair, subject to confirmation by a majority of the other trustees. The chair shall serve in this capacity, subject to continuing confidence of a majority of the board.
(5) If convinced by a preponderance of the evidence in a due process hearing that a trustee has failed to perform required duties or has a conflict with the public interest, the governor may remove that trustee and appoint another to serve the unexpired term.

NEW SECTION. **Sec. 5** (1) Subject to the approval of the board, the chair shall appoint two standing committees.
(a) A citizens' advisory committee shall have balanced representation from health experts, business, labor, and consumers. The citizens' advisory committee shall hold public hearings on priorities for inclusion in the set of health services, survey public satisfaction, investigate complaints, and identify and report on health care access and other priority issues for residents.
(b) A technical advisory committee shall have members with broad experience in and knowledge of health care delivery, research, and policy, as well as public and private funding of health care services. The technical advisory committee shall make recommendations to the board on technical issues related to covered benefits, quality assurance, utilization, and other issues as requested by the board.
(2) The board shall consult with the citizens' advisory committee at least quarterly, receive its reports and recommendations, and then report to the governor and legislature at least annually on board actions in response to citizens' advisory committee input.
(3) Subject to approval of the board, the chair may appoint other committees and task forces as needed.
(4) Members of committees shall serve without compensation for their services but shall be reimbursed for their expenses while attending meetings on behalf of the board in accordance with RCW 43.03.050 and 43.03.060.

NEW SECTION. **Sec. 6** The chair is the presiding officer of the board and has the following powers and duties:
(1) Appoint an executive director with the approval of the board. The executive director, with approval of the board, shall employ staff in accordance with chapter 41.06 RCW necessary to execute the policies and decisions of the board;

(2) Enter into contracts on behalf of the board. All contracts are subject to review and binding legal opinions by the attorney general's office if disputed in a due process hearing by a party to such a contract;
(3) Subject to explicit approval of a majority of the board, accept and expend gifts, donations, grants, and other funds received by the board; and
(4) Delegate administrative functions of the board to the executive director and staff of the trust as necessary to ensure efficient administration.

NEW SECTION. **Sec. 7** (1) The board shall: (a) With advice from the citizens' advisory committee and the technical advisory committee, establish and keep current a set of health services to be financed by the trust, as provided in section 11 of this act; (b) seek all necessary waivers so that current federal and state payments for health services to residents will be paid directly to the trust; (c) make rules, policies, guidelines, and timetables needed for the trust to finance the set of health services for all residents starting [Change (~~May 15, 2009~~) to feasible date]; (d) develop or contract for development of a state-wide, anonymous health care data system to use for quality assurance and cost containment; (e) with advice from the technical advisory committee, develop health care practice guidelines and quality standards; (f) develop policies to protect confidentiality of patient records throughout the health care delivery system and the claims payment system; (g) make eligibility rules, including eligibility for residents temporarily out-of-state; (h) develop or contract for development of a streamlined uniform claims processing system that must pay providers in a timely manner for covered health services; (i) develop appeals procedures for residents and providers; (j) integrate functions with other state agencies;
(k) work with the citizens' advisory committee and the technical advisory committee to balance benefits and provider payments with revenues, and develop effective measures to control excessive and unnecessary health care costs; (l) address nonfinancial barriers to health care access; (m) monitor population migration into Washington state to detect any trends related to availability of universal health care coverage; and (n) develop an annual budget for the trust.

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

NEW SECTION. **Sec. 8** (1) Beginning [Change (~~May 15, 2009~~) to feasible date], the board shall adopt, in consultation with the office of financial management, an annual Washington health security trust budget. Except by legislative approval, each annual budget shall not exceed the budget for the preceding year by more than the Washington state consumer price index. If operations expenses exceed revenues generated in two consecutive years, the board shall recommend adjustments in either benefits or revenues, or both, to the legislature.

NEW SECTION. **Sec. 9** (1) The board shall report annual changes in total Washington health care costs, along with the financial position and the status of the trust, to the governor and legislature at least once a year.
(2) The board shall seek audits annually from the state auditor.
(3) The board shall contract with the state auditor for a performance audit every two years.

(4) The board shall adopt bylaws, rules, and other appropriate governance documents to assure accountable, open, fair, effective operations of the trust, including methods for electing trustees and rules under which reserve funds may be prudently invested subject to advice of the state treasurer and the director of the department of financial management.
(5) The board shall submit any internal rules or policies it adopts to the secretary of state. The internal rules or policies must be made available by the secretary of state for public inspection.

NEW SECTION. **Sec. 10** (1) All residents are eligible for coverage through the trust.
(2) If a resident has health insurance coverage for any health services provided in the state, the benefits provided in this act are secondary to that insurance. Nonresidents are covered for emergency services and emergency transportation only.
(3) Until federal waivers are accomplished, residents covered under federal health programs shall continue to use that coverage, and benefits provided by the trust shall extend only to costs not covered by the federal health programs unless: (a) the resident voluntarily elects to participate in the trust, (b) the resident's pay is considered in calculating the employer's health security assessment defined under section 16 of this act; and (c) either the employer or the employee pays the health security premium under section 17 of this act.
(4) The board shall make provisions for determining eligibility for coverage for residents while they are temporarily out of the state.
(5) Pending integration of any federally qualified trusts into the health security trust, employees covered under such trusts are not eligible for coverage through the health security trust unless: (a) The employee's pay is considered in calculating the employer's health security assessment defined under section 16 of this act; and (b) either the employer or the employee pays the health security premium under section 17 of this act.
(6) Pending integration of any federally qualified trusts into the health security trust, residents who are retirees covered under such trusts are not eligible for coverage through the health security trust unless they pay the health security premium under section 17 of this act.

(7) Pending integration into the health security trust of applicable federal programs described in section 21, native American residents are not eligible for coverage through the health security trust unless (a) the resident's pay is considered in calculating the employer's health security assessment defined under section 16 and (b) either the employer or the resident pays any health security premium due under section 17.
(8) Nothing in this act shall be construed to limit a resident's right to seek health care from any provider he or she chooses, or from obtaining coverage for health care benefits in excess of those available under the trust.

NEW SECTION. **Sec. 11** (1) With advice from the citizens' advisory committee and the technical advisory committee, the board shall establish a single benefits package covering health services that are effective and necessary for the good health of residents and that emphasize preventive and primary health care.
(2) The benefits package shall include, but is not limited to: (a) Inpatient and outpatient hospital care, including twenty-four hour a day emergency services and emergency ambulance services; (b) outpatient, home-based, and office-based care; (c) rehabilitation services, including speech, occupational, and physical therapy; (d) inpatient and outpatient mental health services and substance abuse treatment; (e) hospice care; (f) prescription drugs and prescribed medical

nutrition; (g) vision and hearing care; (h) diagnostic tests; (i) durable medical equipment; and (j) preventive care.

(3) Subject to a financial analysis demonstrating ongoing sufficient funds in the trust, long-term care shall be a covered benefit as of [Change (~~May 15, 2010~~) to feasible date]. Long-term care coverage shall include a uniform initial assessment and coordination between home health, adult day care, and nursing home services, and other treatment alternatives. The board shall establish a copayment for long-term nursing home care, to cover some costs of room and board, for residents with incomes above one hundred fifty percent of the federal poverty level. The board, in coordination with the office of the insurance commissioner, shall examine by [Change (~~May 15, 2010~~) to feasible date], possible remedies for residents who have made previous payments for long-term care insurance.

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

(5) The board shall submit to the legislature by [Change (~~July 1, 2010~~) to feasible date], a plan to incorporate dental care coverage in the benefits package, to be effective [Change (~~January 1, 2011~~) to feasible date].

(6) The board shall submit to the governor and legislature by [Change (~~December 1, 2008~~) to feasible date], and by December 1st of the following years: (a) The benefits package, and (b) an actuarial analysis of the cost of the package.

(7) The board shall consider the extent to which medical research and health professions training activities should be included in the scope of covered activities set forth in this act. The board shall make a report to the governor and the legislature by [Change (~~July 1, 2010~~) to feasible date].

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

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

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

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

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

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

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

(5) The board shall adopt rules ensuring that payment schedules and procedures for mental health services are comparable to other health care services.
(6) The board shall study and seek to develop provider payment methods that: (a) encourage an integrated multispecialty approach to disease management; (b) reward education time spent with patients; and (c) include a medical risk adjustment formula for providers whose practices serve patients with higher than average health risks.
(7) Nothing in this act shall be construed to limit a provider's right to receive payments from sources other than the trust. However, any provider who does accept payment from the trust for a service must accept that payment, along with applicable copayments, as payment in full.

NEW SECTION. **Sec. 14** (1) The intent of this section is to exempt activities approved under this act from state antitrust laws and to provide immunity from federal antitrust laws through the state action doctrine.
(2) Activities that might otherwise be constrained by antitrust laws, including: (a) containing the aggregate cost of health care services; (b) promoting cooperative activities among health care providers to develop cost-effective health care delivery systems; and (c) any other lawful actions taken under this act by any person or entity created or regulated by this act, are declared to be pursuant to state statute and for the public purposes of the state of Washington.

NEW SECTION. **Sec. 15** (1) Administrative expenses to operate and maintain the trust shall not exceed eleven percent of the trust's annual budget. The board shall not shift administrative costs or duties of the trust to providers or to resident beneficiaries.
(2) The board shall work with providers to develop and apply scientifically based utilization standards, to use encounter and prescribing data to detect excessive utilization, to develop due processes for enforcing appropriate utilization standards, and to identify and prosecute fraud.
3) The board may institute other cost-containment measures in order to maintain a balanced budget. The board shall pursue due diligence to ensure that cost-containment measures do not limit access to clinically necessary care, nor infringe upon legitimate clinical decision making by practitioners.

NEW SECTION. **Sec. 16** A new section is added to chapter 82.02 RCW to read as follows:
In addition to and not in lieu of taxes imposed at the rates established under chapter 82.04 RCW, all Washington state employers shall pay a health security assessment to the department of revenue to fund the Washington health security trust created in section 3 of this act.
(1) Effective [Change (~~May 15, 2009~~) to feasible date], all employers in Washington state shall pay in quarterly installments a health security assessment on aggregate gross payroll paid to Washington state residents. Except as provided in this section, the health security assessment shall be: (a) one percent (1.0%) of aggregate gross quarterly payroll up to, and including, $125,000.00; and (b) ten percent 10.0% of the amount of aggregate gross quarterly payroll above $125,000.00.
(2) The tax rates under subsection (1) of this section may be adjusted annually by the office of financial management to reflect changes in the Washington state consumer price index.
(3) The department of revenue shall assess a penalty at the rate of two percent per month, or a fraction thereof, on any employer whose applicable health security payroll assessment is not postmarked by the last day of the month following the quarter in which it is due.

(4) The federal government, when an employer of Washington state residents, is exempt from the health security assessment prior to the repeal, amendment, or waiver of existing state and federal laws delineated in section 21 of this act.
(5) Beginning [Change (~~May 15, 2009~~) to feasible date], until [Change (~~May 15, 2014~~) to feasible date], employers that face financial hardship in paying the health security assessment, may, upon application to the board of trustees created in section 4 of this act, be eligible for waivers or reductions in the health security assessment. The board shall establish rules and procedures governing all aspects of the business assistance program, including application procedures, thresholds regarding firm size, wages, profits, age of firm, and duration of assistance.
(6) Pending integration of any federally qualified trusts, the payroll of employees covered under these trusts is exempt from the health security assessment, although the employer may pay it voluntarily.
(7) Pending repeal, amendment, or waiver of applicable state and federal laws delineated in section 21 of this act, payroll of native American residents who do not elect to participate in the health security trust is exempt from the health security assessment.
(8) Eighty percent of the revenue collected under this section must be deposited in the benefits account created in section 24 of this act.
(9) For the purposes of this section, the terms "employer," "payroll," and "resident" have the same meaning as defined in section 2 of this act.

NEW SECTION. **Sec. 17** A new section is added to chapter 82.02 RCW to read as follows:
(1) Effective [Change (~~May 15, 2009~~) to feasible date], all Washington residents eighteen years and older, except medicare and medicaid beneficiaries, with incomes over one hundred fifty percent of the federal poverty level shall pay a health security premium of one-hundred-twenty dollars ($120.00) per month.
(2) 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 a health security premium of sixty ($60.00) dollars per month.
(3) All premiums shall be adjusted annually by the office of financial management to reflect changes in the Washington state consumer price index.
(4) By [Change (~~May 15, 2009~~) to feasible date], the board of trustees of the Washington health security trust, created in section 3 of this act, shall develop and implement specific rules and procedures to subsidize the health security premiums of residents, including medicare and medicaid eligible residents, whose household incomes are less than two hundred fifty percent of the federal poverty level.
(5) Federal employees and retirees are exempt from the health security premium prior to the repeal, amendment, or waiver of existing federal laws delineated in section 21 of this act, although they may elect to participate in the trust and pay it voluntarily.
(6) Pending integration of any federally qualified trusts, employees and retirees covered under these trusts are exempt from the health security premium, although they may elect to participate in the trust and the employer or employee may pay it voluntarily.
(7) Pending repeal, amendment, or waiver of applicable state and federal laws delineated in section 21 of this act, native American residents are exempt from paying the health security premium, although they may elect to participate in the trust and they or their employer may pay it voluntarily.

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

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

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

NEW SECTION. **Sec. 18** Revenue derived from the health security assessment, created in section 16 of this act, and the health security premium, created in section 17 of this act, shall not be used to pay for medical assistance currently provided under chapter 74.09 RCW or other existing federal and state health care programs. If existing federal and state sources of payment for health services are reduced or terminated after the effective date of this section, the legislature shall replace these appropriations from the general fund.

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

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

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

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

(3) All employees of the health care authority are transferred to the jurisdiction of the Washington health security trust. All employees classified under chapter 41.06 RCW, the state civil service law, are assigned to the Washington health security trust to perform their usual

duties upon the same terms as formerly, without any loss of rights, subject to any action that may be appropriate thereafter in accordance with the laws and rules governing state civil service.
(4) All rules and all pending business before the health care authority shall be continued and acted upon by the Washington health security trust. All existing contracts and obligations shall remain in full force and shall be performed by the Washington health security trust.
(5) The transfer of the powers, duties, functions, and personnel of the health care authority shall not affect the validity of any act performed before the effective date of this section.
(6) If apportionments of budgeted funds are required because of the transfers directed by this section, the director of financial management shall certify the apportionments to the affected agencies, the state auditor, and the state treasurer. Each of these shall make the appropriate transfer and adjustments in funds and appropriation accounts and equipment records in accordance with the certification.
(7) Nothing contained in this section may be construed to alter any existing collective bargaining unit or the provisions of any existing collective bargaining agreement until the agreement has expired or until the bargaining unit has been modified by action of the personnel board as provided by law.

NEW SECTION. **Sec. 20** Effective [Change (~~January 1, 2009~~) to feasible date], until [Change (~~April 30, 2009~~) to feasible date], all employers in Washington state shall pay health security assessments that are equivalent to three and two-tenths percent of gross quarterly payroll. The department of revenue will collect these moneys. Twenty percent of these revenues must be deposited in the reserve account, created in section 22 of this act. Eighty percent of these revenues must be deposited in the benefits account, created in section 24 of this act. Employers who pay this assessment may be eligible for partial or full rebates within two years, if there are sufficient surpluses in the trust.

NEW SECTION. **Sec. 21** (1) The board, in consultation with sovereign tribal governments as called for by the Centennial Accord, shall determine the state and federal laws that need to be repealed, amended, or waived to implement this act, and report its recommendations, with proposed revisions to the Revised Code of Washington, to the governor and the appropriate committees of the legislature by [Change (~~October 1, 2008~~) to feasible date].
(2) The governor, in consultation with the board and sovereign tribal governments as called for by the Centennial Accord, shall take the following steps in an effort to receive waivers or exemptions from federal statutes necessary to fully implement this act:
(a) Negotiate with the federal department of health and human services, health care financing administration, to obtain a statutory or regulatory waiver of provisions of the medical assistance statute, Title XIX of the federal social security act and the children's health insurance program;
(b) Negotiate with the federal department of health and human services to obtain a statutory or regulatory waiver of provisions of the medicare statute, Title XVIII of the federal social security act, that currently constitute barriers to full implementation of this act;
(c) Negotiate with the federal department of health and human services to obtain any statutory or regulatory waivers of provisions of the United States public health services act necessary to ensure integration of federally funded community and migrant health clinics and other health services funded through the public health services act into the trust system under this act;
(d) Negotiate with the federal office of personnel management for the inclusion of federal employee health benefits in the trust under this act;

(e) Negotiate with the federal department of veterans' affairs for the inclusion of veterans' medical benefits in the trust under this act;
(f) Negotiate with the federal department of defense and other federal agencies for the inclusion of the civilian health and medical program of the uniformed services (CHAMPUS) in the trust under this act;
(g) Negotiate with the Indian health services and sovereign tribal governments for inclusion and adequate reimbursement of Indian health benefits under the trust created by this act; and
(h) Request that the United States congress amend the internal revenue code to treat the employer health security assessment, created in section 16 of this act, and the individual health security premiums, created in section 17 of this act, as fully deductible from adjusted gross income.

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

(2) Receipts from the following sources must be deposited into the reserve account: (a) Twenty percent of the health security assessments paid by employers under section 20 of this act between [Change (~~January 1, 2009 and April 30, 2009~~) to feasible dates]; (b) effective [Change (~~May 15, 2009~~) to feasible date], seven percent of receipts from the health security assessment created under section 16 of this act and seven percent of the receipts from the health security premium created under section 17 of this act; and (c) ten percent of all moneys received pursuant to RCW 41.05.120, 41.05.130, 66.24.290, 82.24.020, 82.26.020, 82.08.150, 43.79.480, 41.05.220, and section 33 of this act.
(3) Expenditures from the reserve account may be used only for the purposes of health care services and maintenance of the trust. Only the board or the board's designee may authorize expenditures from the account. The account is subject to allotment procedures under chapter 43.88 RCW, but an appropriation is not required for expenditures.

NEW SECTION. **Sec. 23** (1) The displaced worker training account is created in the custody of the state treasurer. Between [Change (~~May 15, 2009, and January 1, 2011~~) to feasible dates], three percent of the receipts from the health security assessment created in section 16 of this act and three percent of the health security premium created in section 17 of this act must be deposited into the account. Expenditures from the account may be used only for retraining and job placement of workers displaced by the transition to the trust. Only the board or the board's designee may authorize expenditures from the account. The account is subject to allotment procedures under chapter 43.88 RCW, but an appropriation is not required for expenditures.
(2) Any funds remaining in the account on [Change (~~December 31, 2011~~) to feasible date], must be deposited into the benefits account created in section 24 of this act.
(3) This section expires [Change (~~January 1, 2012.~~) to feasible date].

NEW SECTION. **Sec. 24** The benefits account is created in the custody of the state treasurer. All receipts from the health security assessment created under section 16 of this act and the

health security premium created under section 17 of this act that are not dedicated to the reserve account created in section 22 of this act or the displaced worker training account created in section 23 of this act, as well as receipts from other sources, must be deposited into the account. Expenditures from the account may be used only for health care services and maintenance of the trust. Only the board or the board's designee may authorize expenditures from the account. The account is subject to allotment procedures under chapter 43.88 RCW, but an appropriation is not required for expenditures.

Sec. 25 RCW 41.05.120 and 1994 c 153 s 9 are each amended to read as follows:
(()) Contributions from RCW 41.05.050, and reserves, dividends, and refunds currently in the public employees' and retirees' insurance account (()) shall be deposited in the reserve account pursuant to section 22 of this act and the benefits account pursuant to section 24 of this act.

Sec. 26 RCW 41.05.130 and 1988 c 107 s 11 are each amended to read as follows:
The state health care authority administrative account is (()) transferred to the reserve account created in section 22 of this act and the benefits account created in section 24 of this act. Moneys in the account, including unanticipated revenues under RCW 43.79.270, (()) are transferred to the reserve account created in section 22 of this act and the benefits account created in section 24 of this act.

Sec. 27 RCW 66.24.290 and 1999 c 281 s 14 are each amended to read as follows:
(1) Any microbrewer or domestic brewery or beer distributor licensed under this title may sell and deliver beer to holders of authorized licenses direct, but to no other person, other than the *[liquor control]* board; and every such brewery or beer distributor shall report all sales to the *[liquor control]* board monthly, pursuant to the regulations, and shall pay to the *[liquor control]* board as an added tax for the privilege of manufacturing and selling the beer within the state a tax of one dollar and thirty cents per barrel of thirty-one gallons on sales to licensees within the state and on sales to licensees within the state of bottled and canned beer shall pay a tax computed in gallons at the rate of one dollar and thirty cents per barrel of thirty-one gallons.
(3)(a) An additional tax is imposed on all beer subject to tax under subsection (1) of this section. The additional tax is equal to ninety-six cents per barrel of thirty-one gallons through June 30, 1995, two dollars and thirty-nine cents per barrel of thirty-one gallons for the period July 1, 1995, through June 30, 1997, and four dollars and seventy-eight cents per barrel of thirty-one gallons thereafter.
(b) The additional tax imposed under this subsection does not apply to the sale of the first sixty thousand barrels of beer each year by breweries that are entitled to a reduced rate of tax under 26 U.S.C. Sec. 5051, as existing on July 1, 1993, or such subsequent date as may be provided by the *[liquor control]* board by rule consistent with the purposes of this exemption.
(c) All revenues collected from the additional tax imposed under this subsection (3) shall be deposited in the (()) reserve account created in section 22 of this act and the benefits account (()) created in section 24 of this act.

Sec. 28 RCW 82.24.020 and 1994 sp.s. c 7 s 904 are each amended to read as follows:
(3) An additional tax is imposed upon the sale, use, consumption, handling, possession, or distribution of all cigarettes, in an amount equal to the rate of ten mills per cigarette through June 30, 1994, eleven and one-fourth mills per cigarette for the period July 1, 1994, through June 30,

1995, twenty mills per cigarette for the period July 1, 1995, through June 30, 1996, and twenty and one-half mills per cigarette thereafter. All revenues collected during any month from this additional tax shall be deposited in the (()) reserve account created in section 22 of this act and the benefits account created (()) in section 24 of this act by the twenty-fifth day of the following month.

Sec. 29 RCW 82.26.020 and 1993 c 492 s 309 are each amended to read as follows:
(4) An additional tax is imposed equal to ten percent of the wholesale sales price of tobacco products. The moneys collected under this subsection shall be deposited in the (()) reserve account created in section 22 of this act and the benefits account created (()) in section 24 of this act.

Sec. 30 RCW 82.08.150 and 1998 c 126 s 16 are each amended to read as follows:
(6)(a) An additional tax is imposed upon retail sale of spirits in the original package at the rate of one and seven-tenths percent of the selling price through June 30, 1995, two and six-tenths

percent of the selling price for the period July 1, 1995, through June 30, 1997, and three and four-tenths *[percent]* of the selling price thereafter. This additional tax applies to all such sales including sales by Washington state liquor stores and agencies, but excluding sales to spirits, beer, and wine restaurant licensees.
(b) An additional tax is imposed upon retail sale of spirits in the original package at the rate of one and one-tenth percent of the selling price through June 30, 1995, one and seven-tenths percent of the selling price for the period July 1, 1995, through June 30, 1997, and two and three-tenths *[percent]* of the selling price thereafter. This additional tax applies to all such sales to spirits, beer, and wine restaurant licensees.
(c) An additional tax is imposed upon each retail sale of spirits in the original package at the rate of twenty cents per liter through June 30, 1995, thirty cents per liter for the period July 1, 1995, through June 30, 1997, and forty-one cents per liter thereafter. This additional tax applies to all such sales including sales by Washington state liquor stores and agencies, and including sales to spirits, beer, and wine restaurant licensees.
(d) All revenues collected during any month from additional taxes under this subsection shall be deposited in the (()) reserve account created in section 22 of this act and the benefits account created (()) in section 24 of this act by the twenty-fifth day of the following month.

Sec. 31 RCW 43.79.480 and 1999 c 309 s 927 are each amended to read as follows:
(1) Moneys received by the state of Washington in accordance with the settlement of the state's legal action against tobacco product manufacturers, exclusive of costs and attorneys' fees, shall be deposited in the tobacco settlement account created in this section.
(2) The tobacco settlement account is created in the state treasury. Moneys in the tobacco settlement account may only be transferred to the (()) reserve account created in section 22 of this act and the benefits account (()) created in section 24 of this act, and to the tobacco prevention and control account for purposes set forth in this section.
(3) The tobacco prevention and control account is created in the state treasury. The source of revenue for this account is moneys transferred to the account from the tobacco settlement account, investment earnings, donations to the account, and other revenues as directed by law. Expenditures from the account are subject to appropriation.

(4) The state treasurer shall transfer one hundred million dollars from the tobacco settlement account to the tobacco prevention and control account upon authorization of the director of financial management. The director shall authorize transfer of the total amount by June 30, 2003.

Sec. 32 RCW 41.05.220 and 1998 c 245 s 38 are each amended to read as follows:
(1) State general funds appropriated to the department of health for the purposes of funding community health centers to provide primary health and dental care services, migrant health services, and maternity health care services shall be transferred to the (()) reserve account created in section 22 of this act and the benefits account created in section 24 of this act. Any related administrative funds expended by the department of health for this purpose shall also be transferred to the (()) reserve account created in section 22 of this act and the benefits account created in section 24 of this act. The Washington health (()) security trust shall exclusively expend these funds through contracts with community health centers to provide primary health

and dental care services, migrant health services, and maternity health care services. The (()) chair of the Washington health (()) security trust shall establish requirements necessary to assure community health centers provide quality health care services that are appropriate and effective and are delivered in a cost-efficient manner. The (()) chair of the Washington health security trust shall further assure that community health centers have appropriate referral arrangements for acute care and medical specialty services not provided by the community health centers.

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

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

NEW SECTION. **Sec. 35** No later than [Change (~~January 1, 2009~~) to feasible date], the board shall submit to the legislature a proposal to integrate those current and future federally qualified trusts that choose to participate in the trust.

NEW SECTION. **Sec. 36** On or before [Change (~~January 1, 2010~~) to feasible date], the board, in coordination with the department of labor and industries, shall study and make a report to the governor and appropriate committees of the legislature on the provision of medical benefits for injured workers under the trust.

NEW SECTION. **Sec. 37** The sum of fifty million dollars, or as much thereof as may be necessary, is appropriated for the fiscal year ending [Change (~~June 30, 2009~~) to feasible date], from the general fund to the benefits account of the Washington health security trust for start-up moneys for purposes of this act during the period of [Change (~~July 1, 2008 through June 30, 2009~~) to feasible dates].

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

RCW 82.04.260 (Tax on manufacturers and processors of various foods and by-products--Research and development organizations--Nuclear fuel assemblies--Travel agents--Certain international activities--Stevedoring and associated activities--Low-level waste disposers--Insurance agents, brokers, and solicitors--Hospitals) and 1998 c 312 s 5 & 1998 c 311 s 2; and RCW 48.14.0201 (Premiums and prepayments tax--Health care services--State preemption) and 1998 c 323 s 1, 1997 c 154 s 1, 1993 sp.s. c 25 s 601, & 1993 c 492 s 301.

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

NEW SECTION. **Sec. 40** (1) Sections 22 through 24 of this act take effect [Change (~~January 1, 2009~~) to feasible date].

(2) Sections 19, 25 through 34, and 38 of this act take effect [Change (~~May 15, 2009~~) to feasible date].

NEW SECTION. **Sec. 41** If any provision of this act or its application to any person or circumstance is held invalid, the remainder of the act or the application of the provision to other persons or circumstances is not affected.

NEW SECTION. **Sec. 42** If any part of this act is found to be in conflict with federal requirements that are a prescribed condition to the allocation of federal funds to the state, the conflicting part of this act is inoperative solely to the extent of the conflict and with respect to the agencies directly affected, and this finding does not affect the operation of the remainder of this act in its application to the agencies concerned. Rules adopted under this act must meet federal requirements that are a necessary condition to the receipt of federal funds by the state.

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