
HOUSE BILL 2340

State of Washington 63rd Legislature 2014 Regular Session

By Representatives Cody, Morrell, Green, Ryu, Reykdal, and Carlyle

Read first time 01/15/14. Referred to Committee on Health Care & Wellness.

1 AN ACT Relating to creating the Washington health benefit exchange
2 as a state agency; amending RCW 43.71.010, 43.71.020, 43.71.030,
3 41.05.011, 41.05.021, 42.17A.705, 43.17.010, and 43.17.020; adding new
4 sections to chapter 43.71 RCW; creating new sections; and repealing RCW
5 41.04.003, 43.01.031, 43.03.003, and 82.04.323.

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

7 NEW SECTION. **Sec. 1.** A new section is added to chapter 43.71 RCW
8 to read as follows:

9 (1) The Washington health benefit exchange is hereby created as a
10 state agency. The exchange is the successor to the public-private
11 partnership created in section 3, chapter 317, Laws of 2011. All
12 powers, duties, and functions vested in the public-private partnership
13 created in section 3, chapter 317, Laws of 2011 are transferred to the
14 exchange.

15 (2) The exchange shall have a director appointed by the governor,
16 with the consent of the senate. The director shall serve at the
17 pleasure of the governor. The director may employ a deputy director
18 and such assistant directors and special assistants as may be needed to
19 administer the exchange, who shall be exempt from chapter 41.06 RCW,

1 and any additional staff members as are necessary to administer this
2 chapter. The director may delegate any power or duty vested in him or
3 her by law, including authority to make final decisions and enter final
4 orders in hearings conducted under chapter 34.05 RCW.

5 (3) The exchange may, consistent with the purposes of this chapter:
6 (a) Sue and be sued in its own name; (b) make and execute agreements,
7 contracts, and other instruments, with any public or private person or
8 entity; (c) accept grants, donations, loans of funds, and contributions
9 in money, services, materials, or otherwise, from the United States or
10 any of its agencies or from any other source, and use or expend those
11 moneys, services, materials, or other contributions; (d) aggregate or
12 delegate the aggregation of funds that comprise the premium for a
13 health plan; and (e) complete other duties necessary to begin open
14 enrollment in qualified health plans through the exchange.

15 **Sec. 2.** RCW 43.71.010 and 2013 2nd sp.s. c 6 s 1 are each amended
16 to read as follows:

17 The definitions in this section apply throughout this chapter
18 unless the context clearly requires otherwise. Terms and phrases used
19 in this chapter that are not defined in this section must be defined as
20 consistent with implementation of a state health benefit exchange
21 pursuant to the affordable care act.

22 (1) "Affordable care act" means the federal patient protection and
23 affordable care act, P.L. 111-148, as amended by the federal health
24 care and education reconciliation act of 2010, P.L. 111-152, or federal
25 regulations or guidance issued under the affordable care act.

26 (2) "Authority" means the Washington state health care authority,
27 established under chapter 41.05 RCW.

28 (3) "Board" means the governing board established in RCW 43.71.020.

29 (4) "Commissioner" means the insurance commissioner, established in
30 Title 48 RCW.

31 (5) "Director" means the director of the exchange.

32 (6) "Exchange" means the Washington health benefit exchange
33 ((established in RCW 43.71.020)) created in section 1 of this act.

34 ~~((6))~~ (7) "Self-sustaining" means capable of operating with
35 revenue attributable to the operations of the exchange. Self-
36 sustaining sources include, but are not limited to, federal grants,

1 federal premium tax subsidies and credits, charges to health carriers,
2 premiums paid by enrollees, and premium taxes under RCW
3 48.14.0201(5)(b) and 48.14.020(2).

4 **Sec. 3.** RCW 43.71.020 and 2012 c 87 s 3 are each amended to read
5 as follows:

6 (1) (~~The Washington health benefit exchange is established and~~
7 ~~constitutes a self-sustaining public-private partnership separate and~~
8 ~~distinct from the state, exercising functions delineated in chapter~~
9 ~~317, Laws of 2011.~~) By January 1, 2014, the exchange shall operate
10 consistent with the affordable care act subject to statutory
11 authorization. The exchange shall have a governing board consisting of
12 persons with expertise in the Washington health care system and private
13 and public health care coverage. The initial membership of the board
14 shall be appointed as follows:

15 (a) By October 1, 2011, each of the two largest caucuses in both
16 the house of representatives and the senate shall submit to the
17 governor a list of five nominees who are not legislators or employees
18 of the state or its political subdivisions, with no caucus submitting
19 the same nominee.

20 (i) The nominations from the largest caucus in the house of
21 representatives must include at least one employee benefit specialist;

22 (ii) The nominations from the second largest caucus in the house of
23 representatives must include at least one health economist or actuary;

24 (iii) The nominations from the largest caucus in the senate must
25 include at least one representative of health consumer advocates;

26 (iv) The nominations from the second largest caucus in the senate
27 must include at least one representative of small business;

28 (v) The remaining nominees must have demonstrated and acknowledged
29 expertise in at least one of the following areas: Individual health
30 care coverage, small employer health care coverage, health benefits
31 plan administration, health care finance and economics, actuarial
32 science, or administering a public or private health care delivery
33 system.

34 (b) By December 15, 2011, the governor shall appoint two members
35 from each list submitted by the caucuses under (a) of this subsection.
36 The appointments made under this subsection (1)(b) must include at
37 least one employee benefits specialist, one health economist or

1 actuary, one representative of small business, and one representative
2 of health consumer advocates. The remaining four members must have a
3 demonstrated and acknowledged expertise in at least one of the
4 following areas: Individual health care coverage, small employer
5 health care coverage, health benefits plan administration, health care
6 finance and economics, actuarial science, or administering a public or
7 private health care delivery system.

8 (c) By December 15, 2011, the governor shall appoint a ninth member
9 to serve as chair. The chair may not be an employee of the state or
10 its political subdivisions. The chair shall serve as a nonvoting
11 member except in the case of a tie.

12 (d) The following members shall serve as nonvoting, ex officio
13 members of the board:

- 14 (i) The insurance commissioner or his or her designee; and
- 15 (ii) The administrator of the health care authority, or his or her
16 designee.

17 (2) Initial members of the board shall serve staggered terms not to
18 exceed four years. Members appointed thereafter shall serve two-year
19 terms.

20 (3) A member of the board whose term has expired or who otherwise
21 leaves the board shall be replaced by gubernatorial appointment. When
22 the person leaving was nominated by one of the caucuses of the house of
23 representatives or the senate, his or her replacement shall be
24 appointed from a list of five nominees submitted by that caucus within
25 thirty days after the person leaves. If the member to be replaced is
26 the chair, the governor shall appoint a new chair within thirty days
27 after the vacancy occurs. A person appointed to replace a member who
28 leaves the board prior to the expiration of his or her term shall serve
29 only the duration of the unexpired term. Members of the board may be
30 reappointed to multiple terms.

31 (4) No board member may be appointed if his or her participation in
32 the decisions of the board could benefit his or her own financial
33 interests or the financial interests of an entity he or she represents.
34 A board member who develops such a conflict of interest shall resign or
35 be removed from the board.

36 (5) Members of the board must be reimbursed for their travel
37 expenses while on official business in accordance with RCW 43.03.050

1 and 43.03.060. The board shall prescribe rules for the conduct of its
2 business. Meetings of the board are at the call of the chair.

3 ~~(6) ((The exchange and the board are subject only to the provisions
4 of chapter 42.30 RCW, the open public meetings act, and chapter 42.56
5 RCW, the public records act, and not to any other law or regulation
6 generally applicable to state agencies. Consistent with the open
7 public meetings act, the board may hold executive sessions to consider
8 proprietary or confidential nonpublished information.~~

9 ~~(7))~~(a) The board shall establish an advisory committee to allow
10 for the views of the health care industry and other stakeholders to be
11 heard in the operation of the health benefit exchange.

12 (b) The board may establish technical advisory committees or seek
13 the advice of technical experts when necessary to execute the powers
14 and duties included in chapter 317, Laws of 2011.

15 ~~((+8))~~ (7) Members of the board are not civilly or criminally
16 liable and may not have any penalty or cause of action of any nature
17 arise against them for any action taken or not taken, including any
18 discretionary decision or failure to make a discretionary decision,
19 when the action or inaction is done in good faith and in the
20 performance of the powers and duties under chapter 317, Laws of 2011.
21 Nothing in this section prohibits legal actions against the board to
22 enforce the board's statutory or contractual duties or obligations.

23 ~~((+9))~~ (8) In recognition of the government-to-government
24 relationship between the state of Washington and the federally
25 recognized tribes in the state of Washington, the board shall consult
26 with the American Indian health commission.

27 **Sec. 4.** RCW 43.71.030 and 2012 c 87 s 4 are each amended to read
28 as follows:

29 ~~(1) ((The exchange may, consistent with the purposes of this
30 chapter: (a) Sue and be sued in its own name; (b) make and execute
31 agreements, contracts, and other instruments, with any public or
32 private person or entity; (c) employ, contract with, or engage
33 personnel; (d) pay administrative costs; (e) accept grants, donations,
34 loans of funds, and contributions in money, services, materials or
35 otherwise, from the United States or any of its agencies, from the
36 state of Washington and its agencies or from any other source, and use
37 or expend those moneys, services, materials, or other contributions;~~

1 ~~(f) aggregate or delegate the aggregation of funds that comprise the~~
2 ~~premium for a health plan; and (g) complete other duties necessary to~~
3 ~~begin open enrollment in qualified health plans through the exchange~~
4 ~~beginning October 1, 2013.~~

5 (2)) The board shall develop a methodology to ensure the exchange
6 is self-sustaining after December 31, 2014. The board shall seek input
7 from health carriers to develop funding mechanisms that fairly and
8 equitably apportion among carriers the reasonable administrative costs
9 and expenses incurred to implement the provisions of this chapter. The
10 board shall submit its recommendations to the legislature by December
11 1, 2012. If the legislature does not enact legislation during the 2013
12 regular session to modify or reject the board's recommendations, the
13 board may proceed with implementation of the recommendations.

14 ((3)) (2) The board shall establish policies that permit city and
15 county governments, Indian tribes, tribal organizations, urban Indian
16 organizations, private foundations, and other entities to pay premiums
17 on behalf of qualified individuals.

18 ((4) The employees of the exchange may participate in the public
19 employees' retirement system under chapter 41.40 RCW and the public
20 employees' benefits board under chapter 41.05 RCW.

21 (5)) (3) Qualified employers may access coverage for their
22 employees through the exchange for small groups under section 1311 of
23 P.L. 111-148 of 2010, as amended. The exchange shall enable any
24 qualified employer to specify a level of coverage so that any of its
25 employees may enroll in any qualified health plan offered through the
26 small group exchange at the specified level of coverage.

27 ((6)) (4) The exchange shall report its activities and status to
28 the governor and the legislature as requested, and no less often than
29 annually.

30 NEW SECTION. **Sec. 5.** A new section is added to chapter 43.71 RCW
31 to read as follows:

32 The director of the exchange is authorized to adopt such rules as
33 are necessary and appropriate to carry out the provisions of this
34 chapter.

35 **Sec. 6.** RCW 41.05.011 and 2013 c 2 s 306 are each amended to read
36 as follows:

1 The definitions in this section apply throughout this chapter
2 unless the context clearly requires otherwise.

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

4 (2) "Board" means the public employees' benefits board established
5 under RCW 41.05.055.

6 (3) "Dependent care assistance program" means a benefit plan
7 whereby state and public employees may pay for certain employment
8 related dependent care with pretax dollars as provided in the salary
9 reduction plan under this chapter pursuant to 26 U.S.C. Sec. 129 or
10 other sections of the internal revenue code.

11 (4) "Director" means the director of the authority.

12 (5) "Emergency service personnel killed in the line of duty" means
13 law enforcement officers and firefighters as defined in RCW 41.26.030,
14 members of the Washington state patrol retirement fund as defined in
15 RCW 43.43.120, and reserve officers and firefighters as defined in RCW
16 41.24.010 who die as a result of injuries sustained in the course of
17 employment as determined consistent with Title 51 RCW by the department
18 of labor and industries.

19 (6) "Employee" includes all employees of the state, whether or not
20 covered by civil service; elected and appointed officials of the
21 executive branch of government, including full-time members of boards,
22 commissions, or committees; justices of the supreme court and judges of
23 the court of appeals and the superior courts; and members of the state
24 legislature. Pursuant to contractual agreement with the authority,
25 "employee" may also include: (a) Employees of a county, municipality,
26 or other political subdivision of the state and members of the
27 legislative authority of any county, city, or town who are elected to
28 office after February 20, 1970, if the legislative authority of the
29 county, municipality, or other political subdivision of the state seeks
30 and receives the approval of the authority to provide any of its
31 insurance programs by contract with the authority, as provided in RCW
32 41.04.205 and 41.05.021(1)(g); (b) employees of employee organizations
33 representing state civil service employees, at the option of each such
34 employee organization, and, effective October 1, 1995, employees of
35 employee organizations currently pooled with employees of school
36 districts for the purpose of purchasing insurance benefits, at the
37 option of each such employee organization; (c) employees of a school
38 district if the authority agrees to provide any of the school

1 districts' insurance programs by contract with the authority as
2 provided in RCW 28A.400.350; (d) employees of a tribal government, if
3 the governing body of the tribal government seeks and receives the
4 approval of the authority to provide any of its insurance programs by
5 contract with the authority, as provided in RCW 41.05.021(1) (f) and
6 (g); and (e) (~~employees of the Washington health benefit exchange if~~
7 ~~the governing board of the exchange established in RCW 43.71.020 seeks~~
8 ~~and receives approval of the authority to provide any of its insurance~~
9 ~~programs by contract with the authority, as provided in RCW~~
10 ~~41.05.021(1) (g) and (n); and (f)) employees of a charter school
11 established under chapter 28A.710 RCW. "Employee" does not include:
12 Adult family homeowners; unpaid volunteers; patients of state
13 hospitals; inmates; employees of the Washington state convention and
14 trade center as provided in RCW 41.05.110; students of institutions of
15 higher education as determined by their institution; and any others not
16 expressly defined as employees under this chapter or by the authority
17 under this chapter.~~

18 (7) "Employer" means the state of Washington.

19 (8) "Employing agency" means a division, department, or separate
20 agency of state government, including an institution of higher
21 education; a county, municipality, school district, educational service
22 district, or other political subdivision; charter school; and a tribal
23 government covered by this chapter.

24 (9) "Faculty" means an academic employee of an institution of
25 higher education whose workload is not defined by work hours but whose
26 appointment, workload, and duties directly serve the institution's
27 academic mission, as determined under the authority of its enabling
28 statutes, its governing body, and any applicable collective bargaining
29 agreement.

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

34 (11) "Insuring entity" means an insurer as defined in chapter 48.01
35 RCW, a health care service contractor as defined in chapter 48.44 RCW,
36 or a health maintenance organization as defined in chapter 48.46 RCW.

37 (12) "Medical flexible spending arrangement" means a benefit plan
38 whereby state and public employees may reduce their salary before taxes

1 to pay for medical expenses not reimbursed by insurance as provided in
2 the salary reduction plan under this chapter pursuant to 26 U.S.C. Sec.
3 125 or other sections of the internal revenue code.

4 (13) "Participant" means an individual who fulfills the eligibility
5 and enrollment requirements under the salary reduction plan.

6 (14) "Plan year" means the time period established by the
7 authority.

8 (15) "Premium payment plan" means a benefit plan whereby state and
9 public employees may pay their share of group health plan premiums with
10 pretax dollars as provided in the salary reduction plan under this
11 chapter pursuant to 26 U.S.C. Sec. 125 or other sections of the
12 internal revenue code.

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

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

17 (b) Persons who separate from employment with a school district,
18 educational service district, or charter school on or after October 1,
19 1993, and immediately upon separation receive a retirement allowance
20 under chapter 41.32, 41.35, or 41.40 RCW;

21 (c) Persons who separate from employment with a school district,
22 educational service district, or charter school due to a total and
23 permanent disability, and are eligible to receive a deferred retirement
24 allowance under chapter 41.32, 41.35, or 41.40 RCW.

25 (17) "Salary" means a state employee's monthly salary or wages.

26 (18) "Salary reduction plan" means a benefit plan whereby state and
27 public employees may agree to a reduction of salary on a pretax basis
28 to participate in the dependent care assistance program, medical
29 flexible spending arrangement, or premium payment plan offered pursuant
30 to 26 U.S.C. Sec. 125 or other sections of the internal revenue code.

31 (19) "Seasonal employee" means an employee hired to work during a
32 recurring, annual season with a duration of three months or more, and
33 anticipated to return each season to perform similar work.

34 (20) "Separated employees" means persons who separate from
35 employment with an employer as defined in:

36 (a) RCW 41.32.010(17) on or after July 1, 1996; or

37 (b) RCW 41.35.010 on or after September 1, 2000; or

38 (c) RCW 41.40.010 on or after March 1, 2002;

1 and who are at least age fifty-five and have at least ten years of
2 service under the teachers' retirement system plan 3 as defined in RCW
3 41.32.010(33), the Washington school employees' retirement system plan
4 3 as defined in RCW 41.35.010, or the public employees' retirement
5 system plan 3 as defined in RCW 41.40.010.

6 (21) "State purchased health care" or "health care" means medical
7 and health care, pharmaceuticals, and medical equipment purchased with
8 state and federal funds by the department of social and health
9 services, the department of health, the basic health plan, the state
10 health care authority, the department of labor and industries, the
11 department of corrections, the department of veterans affairs, and
12 local school districts.

13 (22) "Tribal government" means an Indian tribal government as
14 defined in section 3(32) of the employee retirement income security act
15 of 1974, as amended, or an agency or instrumentality of the tribal
16 government, that has government offices principally located in this
17 state.

18 **Sec. 7.** RCW 41.05.021 and 2012 c 87 s 23 are each amended to read
19 as follows:

20 (1) The Washington state health care authority is created within
21 the executive branch. The authority shall have a director appointed by
22 the governor, with the consent of the senate. The director shall serve
23 at the pleasure of the governor. The director may employ a deputy
24 director, and such assistant directors and special assistants as may be
25 needed to administer the authority, who shall be exempt from chapter
26 41.06 RCW, and any additional staff members as are necessary to
27 administer this chapter. The director may delegate any power or duty
28 vested in him or her by law, including authority to make final
29 decisions and enter final orders in hearings conducted under chapter
30 34.05 RCW. The primary duties of the authority shall be to:
31 Administer state employees' insurance benefits and retired or disabled
32 school employees' insurance benefits; administer the basic health plan
33 pursuant to chapter 70.47 RCW; administer the children's health program
34 pursuant to chapter 74.09 RCW; study state-purchased health care
35 programs in order to maximize cost containment in these programs while
36 ensuring access to quality health care; implement state initiatives,
37 joint purchasing strategies, and techniques for efficient

1 administration that have potential application to all state-purchased
2 health services; and administer grants that further the mission and
3 goals of the authority. The authority's duties include, but are not
4 limited to, the following:

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

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

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

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

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

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

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

31 (vi) In collaboration with other state agencies that administer
32 state purchased health care programs, private health care purchasers,
33 health care facilities, providers, and carriers:

34 (A) Use evidence-based medicine principles to develop common
35 performance measures and implement financial incentives in contracts
36 with insuring entities, health care facilities, and providers that:

37 (I) Reward improvements in health outcomes for individuals with

1 chronic diseases, increased utilization of appropriate preventive
2 health services, and reductions in medical errors; and

3 (II) Increase, through appropriate incentives to insuring entities,
4 health care facilities, and providers, the adoption and use of
5 information technology that contributes to improved health outcomes,
6 better coordination of care, and decreased medical errors;

7 (B) Through state health purchasing, reimbursement, or pilot
8 strategies, promote and increase the adoption of health information
9 technology systems, including electronic medical records, by hospitals
10 as defined in RCW 70.41.020(4), integrated delivery systems, and
11 providers that:

- 12 (I) Facilitate diagnosis or treatment;
- 13 (II) Reduce unnecessary duplication of medical tests;
- 14 (III) Promote efficient electronic physician order entry;
- 15 (IV) Increase access to health information for consumers and their
16 providers; and
- 17 (V) Improve health outcomes;

18 (C) Coordinate a strategy for the adoption of health information
19 technology systems using the final health information technology report
20 and recommendations developed under chapter 261, Laws of 2005;

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

22 (d) To provide information and technical and administrative
23 assistance to the board;

24 (e) To review and approve or deny applications from counties,
25 municipalities, and other political subdivisions of the state to
26 provide state-sponsored insurance or self-insurance programs to their
27 employees in accordance with the provisions of RCW 41.04.205 and (g) of
28 this subsection, setting the premium contribution for approved groups
29 as outlined in RCW 41.05.050;

30 (f) To review and approve or deny the application when the
31 governing body of a tribal government applies to transfer their
32 employees to an insurance or self-insurance program administered under
33 this chapter. In the event of an employee transfer pursuant to this
34 subsection (1)(f), members of the governing body are eligible to be
35 included in such a transfer if the members are authorized by the tribal
36 government to participate in the insurance program being transferred
37 from and subject to payment by the members of all costs of insurance
38 for the members. The authority shall: (i) Establish the conditions

1 for participation; (ii) have the sole right to reject the application;
2 and (iii) set the premium contribution for approved groups as outlined
3 in RCW 41.05.050. Approval of the application by the authority
4 transfers the employees and dependents involved to the insurance,
5 self-insurance, or health care program approved by the authority;

6 (g) To ensure the continued status of the employee insurance or
7 self-insurance programs administered under this chapter as a
8 governmental plan under section 3(32) of the employee retirement income
9 security act of 1974, as amended, the authority shall limit the
10 participation of employees of a county, municipal, school district,
11 educational service district, or other political subdivision(~~(, the~~
12 ~~Washington health benefit exchange,~~)) or a tribal government, including
13 providing for the participation of those employees whose services are
14 substantially all in the performance of essential governmental
15 functions, but not in the performance of commercial activities;

16 (h) To establish billing procedures and collect funds from school
17 districts in a way that minimizes the administrative burden on
18 districts;

19 (i) To publish and distribute to nonparticipating school districts
20 and educational service districts by October 1st of each year a
21 description of health care benefit plans available through the
22 authority and the estimated cost if school districts and educational
23 service district employees were enrolled;

24 (j) To apply for, receive, and accept grants, gifts, and other
25 payments, including property and service, from any governmental or
26 other public or private entity or person, and make arrangements as to
27 the use of these receipts to implement initiatives and strategies
28 developed under this section;

29 (k) To issue, distribute, and administer grants that further the
30 mission and goals of the authority;

31 (l) To adopt rules consistent with this chapter as described in RCW
32 41.05.160 including, but not limited to:

33 (i) Setting forth the criteria established by the board under RCW
34 41.05.065 for determining whether an employee is eligible for benefits;

35 (ii) Establishing an appeal process in accordance with chapter
36 34.05 RCW by which an employee may appeal an eligibility determination;

37 (iii) Establishing a process to assure that the eligibility

1 determinations of an employing agency comply with the criteria under
2 this chapter, including the imposition of penalties as may be
3 authorized by the board;

4 (m)(i) To administer the medical services programs established
5 under chapter 74.09 RCW as the designated single state agency for
6 purposes of Title XIX of the federal social security act;

7 (ii) To administer the state children's health insurance program
8 under chapter 74.09 RCW for purposes of Title XXI of the federal social
9 security act;

10 (iii) To enter into agreements with the department of social and
11 health services for administration of medical care services programs
12 under Titles XIX and XXI of the social security act. The agreements
13 shall establish the division of responsibilities between the authority
14 and the department with respect to mental health, chemical dependency,
15 and long-term care services, including services for persons with
16 developmental disabilities. The agreements shall be revised as
17 necessary, to comply with the final implementation plan adopted under
18 section 116, chapter 15, Laws of 2011 1st sp. sess.;

19 (iv) To adopt rules to carry out the purposes of chapter 74.09 RCW;

20 (v) To appoint such advisory committees or councils as may be
21 required by any federal statute or regulation as a condition to the
22 receipt of federal funds by the authority. The director may appoint
23 statewide committees or councils in the following subject areas: (A)
24 Health facilities; (B) children and youth services; (C) blind services;
25 (D) medical and health care; (E) drug abuse and alcoholism; (F)
26 rehabilitative services; and (G) such other subject matters as are or
27 come within the authority's responsibilities. The statewide councils
28 shall have representation from both major political parties and shall
29 have substantial consumer representation. Such committees or councils
30 shall be constituted as required by federal law or as the director in
31 his or her discretion may determine. The members of the committees or
32 councils shall hold office for three years except in the case of a
33 vacancy, in which event appointment shall be only for the remainder of
34 the unexpired term for which the vacancy occurs. No member shall serve
35 more than two consecutive terms. Members of such state advisory
36 committees or councils may be paid their travel expenses in accordance
37 with RCW 43.03.050 and 43.03.060 as now existing or hereafter
38 amended((÷

1 ~~(n) To review and approve or deny the application from the~~
2 ~~governing board of the Washington health benefit exchange to provide~~
3 ~~state sponsored insurance or self insurance programs to employees of~~
4 ~~the exchange. The authority shall (i) establish the conditions for~~
5 ~~participation; (ii) have the sole right to reject an application; and~~
6 ~~(iii) set the premium contribution for approved groups as outlined in~~
7 ~~RCW 41.05.050)).~~

8 (2) On and after January 1, 1996, the public employees' benefits
9 board may implement strategies to promote managed competition among
10 employee health benefit plans. Strategies may include but are not
11 limited to:

12 (a) Standardizing the benefit package;

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

14 (c) Limiting the state's contribution to a percent of the lowest
15 priced qualified plan within a geographical area;

16 (d) Monitoring the impact of the approach under this subsection
17 with regards to: Efficiencies in health service delivery, cost shifts
18 to subscribers, access to and choice of managed care plans statewide,
19 and quality of health services. The health care authority shall also
20 advise on the value of administering a benchmark employer-managed plan
21 to promote competition among managed care plans.

22 **Sec. 8.** RCW 42.17A.705 and 2012 c 229 s 582 are each amended to
23 read as follows:

24 For the purposes of RCW 42.17A.700, "executive state officer"
25 includes:

26 (1) The chief administrative law judge, the director of
27 agriculture, the director of the department of services for the blind,
28 the chief information officer of the office of chief information
29 officer, the director of the state system of community and technical
30 colleges, the director of commerce, the director of the consolidated
31 technology services agency, the secretary of corrections, the director
32 of early learning, the director of ecology, the commissioner of
33 employment security, the chair of the energy facility site evaluation
34 council, the director of enterprise services, the secretary of the
35 state finance committee, the director of financial management, the
36 director of fish and wildlife, the executive secretary of the forest
37 practices appeals board, the director of the gambling commission, the

1 secretary of health, the administrator of the Washington state health
2 care authority, the executive secretary of the health care facilities
3 authority, the executive secretary of the higher education facilities
4 authority, the executive secretary of the horse racing commission, the
5 human resources director, the executive secretary of the human rights
6 commission, the executive secretary of the indeterminate sentence
7 review board, the executive director of the state investment board, the
8 director of labor and industries, the director of licensing, the
9 director of the lottery commission, the director of the office of
10 minority and women's business enterprises, the director of parks and
11 recreation, the executive director of the public disclosure commission,
12 the executive director of the Puget Sound partnership, the director of
13 the recreation and conservation office, the director of retirement
14 systems, the director of revenue, the secretary of social and health
15 services, the chief of the Washington state patrol, the executive
16 secretary of the board of tax appeals, the secretary of transportation,
17 the secretary of the utilities and transportation commission, the
18 director of veterans affairs, the director of the Washington health
19 benefit exchange, the president of each of the regional and state
20 universities and the president of The Evergreen State College, and each
21 district and each campus president of each state community college;

22 (2) Each professional staff member of the office of the governor;

23 (3) Each professional staff member of the legislature; and

24 (4) Central Washington University board of trustees, the boards of
25 trustees of each community college and each technical college, each
26 member of the state board for community and technical colleges, state
27 convention and trade center board of directors, Eastern Washington
28 University board of trustees, Washington economic development finance
29 authority, Washington energy northwest executive board, The Evergreen
30 State College board of trustees, executive ethics board, fish and
31 wildlife commission, forest practices appeals board, forest practices
32 board, gambling commission, Washington health care facilities
33 authority, student achievement council, higher education facilities
34 authority, horse racing commission, state housing finance commission,
35 human rights commission, indeterminate sentence review board, board of
36 industrial insurance appeals, state investment board, commission on
37 judicial conduct, legislative ethics board, life sciences discovery
38 fund authority board of trustees, liquor control board, lottery

1 commission, Pacific Northwest electric power and conservation planning
2 council, parks and recreation commission, Washington personnel
3 resources board, board of pilotage commissioners, pollution control
4 hearings board, public disclosure commission, public employees'
5 benefits board, recreation and conservation funding board, salmon
6 recovery funding board, shorelines hearings board, board of tax
7 appeals, transportation commission, University of Washington board of
8 regents, utilities and transportation commission, Washington State
9 University board of regents, and Western Washington University board of
10 trustees.

11 **Sec. 9.** RCW 43.17.010 and 2011 1st sp.s. c 43 s 107 are each
12 amended to read as follows:

13 There shall be departments of the state government which shall be
14 known as (1) the department of social and health services, (2) the
15 department of ecology, (3) the department of labor and industries, (4)
16 the department of agriculture, (5) the department of fish and wildlife,
17 (6) the department of transportation, (7) the department of licensing,
18 (8) the department of enterprise services, (9) the department of
19 commerce, (10) the department of veterans affairs, (11) the department
20 of revenue, (12) the department of retirement systems, (13) the
21 department of corrections, (14) the department of health, (15) the
22 department of financial institutions, (16) the department of
23 archaeology and historic preservation, (17) the department of early
24 learning, (~~and~~) (18) the Puget Sound partnership, and (19) the
25 Washington health benefit exchange, which shall be charged with the
26 execution, enforcement, and administration of such laws, and invested
27 with such powers and required to perform such duties, as the
28 legislature may provide.

29 **Sec. 10.** RCW 43.17.020 and 2011 1st sp.s. c 43 s 108 are each
30 amended to read as follows:

31 There shall be a chief executive officer of each department to be
32 known as: (1) The secretary of social and health services, (2) the
33 director of ecology, (3) the director of labor and industries, (4) the
34 director of agriculture, (5) the director of fish and wildlife, (6) the
35 secretary of transportation, (7) the director of licensing, (8) the
36 director of enterprise services, (9) the director of commerce, (10) the

1 director of veterans affairs, (11) the director of revenue, (12) the
2 director of retirement systems, (13) the secretary of corrections, (14)
3 the secretary of health, (15) the director of financial institutions,
4 (16) the director of the department of archaeology and historic
5 preservation, (17) the director of early learning, (~~and~~) (18) the
6 executive director of the Puget Sound partnership, and (19) the
7 director of the Washington health benefit exchange.

8 Such officers, except the director of fish and wildlife, shall be
9 appointed by the governor, with the consent of the senate, and hold
10 office at the pleasure of the governor. The director of fish and
11 wildlife shall be appointed by the fish and wildlife commission as
12 prescribed by RCW 77.04.055.

13 NEW SECTION. **Sec. 11.** The Washington health benefit exchange
14 created in section 1 of this act assumes all existing obligations of
15 the public-private partnership created in section 3, chapter 317, Laws
16 of 2011.

17 NEW SECTION. **Sec. 12.** The following acts or parts of acts are
18 each repealed:

19 (1) RCW 41.04.003 (Title application--Health benefit exchange) and
20 2012 c 87 s 19;

21 (2) RCW 43.01.031 (Chapter application--Health benefit exchange)
22 and 2012 c 87 s 20;

23 (3) RCW 43.03.003 (Chapter application--Health benefit exchange)
24 and 2012 c 87 s 21; and

25 (4) RCW 82.04.323 (Exemption--Washington health benefit exchange)
26 and 2013 2nd sp.s. c 6 s 8.

27 NEW SECTION. **Sec. 13.** The repeal in section 12(4) of this act
28 does not modify the applicability of the exemption for tax reporting
29 periods ending on or before the effective date of this section.

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