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**SENATE BILL 5741**

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**State of Washington                      64th Legislature                      2015 Regular Session**

**By Senators Hasegawa, Conway, and Chase**

Read first time 01/30/15. Referred to Committee on Health Care.

1            AN ACT Relating to health care financing and development of a  
2 publicly sponsored integrated delivery system such as the veterans  
3 affairs system for all; amending RCW 41.05.130, 66.24.290, 82.24.020,  
4 82.26.020, 82.08.150, 43.79.480, and 41.05.220; reenacting and  
5 amending RCW 41.05.120; adding new sections to chapter 82.02 RCW;  
6 adding a new chapter to Title 43 RCW; creating new sections;  
7 repealing RCW 82.04.260 and 48.14.0201; providing effective dates;  
8 and providing an expiration date.

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

10            NEW SECTION.    **Sec. 1.**    (1) There is a crisis in health care  
11 accessibility, affordability, and choice in Washington state. Health  
12 care through insurance companies has failed to control costs,  
13 increase access, or preserve choice. More than six hundred thousand  
14 Washington residents have no health care coverage. Individual plans  
15 are unavailable or unaffordable in most counties. Many clinics,  
16 physician practices, and emergency departments, especially in rural  
17 areas, are failing. Employers, faced with fewer choices and more  
18 expensive premiums, are reducing employment-based health care  
19 coverage. Simplifying health care financing and eliminating  
20 administrative waste inherent in multiple insurance plans can create

1 sufficient savings to extend health care coverage to all residents  
2 and enhance fairness in the system.

3 (2) The people of the state of Washington declare their intention  
4 to create a single health financing entity called the Washington  
5 health security trust. Through public hearings, research, and  
6 consensus building, the trust will: (a) Provide fair, simple, and  
7 accountable health care financing for all Washington residents using  
8 a single health care financing entity; (b) cover a comprehensive  
9 package of effective and necessary personal health services; (c) make  
10 health care coverage independent from employment; (d) eliminate  
11 excessive administrative costs resulting from the current fragmented  
12 system of multiple insurers; (e) generate savings sufficient to  
13 ensure coverage for all Washington residents; (f) integrate current  
14 publicly sponsored health programs into the health security trust;  
15 (g) preserve choice of providers for Washington residents; (h)  
16 protect patient rights; (i) keep clinical decisions in the hands of  
17 health professionals and patients, rather than administrative  
18 personnel; (j) promote health care quality; and (k) control excessive  
19 health care costs.

20 NEW SECTION. **Sec. 2.** The definitions in this section apply  
21 throughout this chapter unless the context clearly requires  
22 otherwise.

23 (1) "Board" means the board of trustees of the Washington health  
24 security trust, created in section 3 of this act.

25 (2) "Capitation" means a mechanism of payment in which a provider  
26 is paid a negotiated monthly sum and is obliged to provide all  
27 covered services for specific patients who enroll with that provider.

28 (3) "Case rate" means a method of payment based on diagnosis.  
29 Case rate assumes that a given set of services shall be provided and  
30 the rate is based on the total compensation for those services.

31 (4) "Chair" means the presiding officer of the board.

32 (5) "Employer" means any person, partnership, corporation,  
33 association, joint venture, or public or private entity operating in  
34 Washington state and employing for wages, salary, or other  
35 compensation, one or more residents.

36 (6) "Federal poverty level" means the federal poverty guidelines  
37 determined annually by the United States department of health and  
38 human services or its successor agency.

1 (7) "Group practice" or "group" means a group of practitioners  
2 voluntarily joined into an organization for the purpose of sharing  
3 administrative costs, negotiating with payers and controlling the  
4 circumstances of their medical practice, and, in some cases, sharing  
5 revenues. The group may be of a single specialty or include more than  
6 one specialty.

7 (8) "Health care facility" or "facility" includes any of the  
8 following appropriately accredited entities: Hospices licensed  
9 pursuant to chapter 70.127 RCW; hospitals licensed pursuant to  
10 chapter 70.41 RCW; rural health care facilities as defined in RCW  
11 70.175.020; psychiatric hospitals licensed pursuant to chapter 71.12  
12 RCW; nursing homes licensed pursuant to chapter 18.51 RCW; community  
13 mental health centers licensed pursuant to chapter 71.05 or 71.24  
14 RCW; kidney disease treatment centers licensed pursuant to chapter  
15 70.41 RCW; ambulatory diagnostic, treatment, or surgical facilities  
16 licensed pursuant to chapter 70.41 RCW; approved drug and alcohol  
17 treatment facilities certified by the department of social and health  
18 services; home health agencies licensed pursuant to chapter 70.127  
19 RCW; and such facilities if owned and operated by a political  
20 subdivision or instrumentality of the state and such other facilities  
21 as required by federal law and implementing regulations.

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

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

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

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

1 (13) "Native American" means an American Indian or Alaska native  
2 as defined under 25 U.S.C. Sec. 1603.

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

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

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

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

21 NEW SECTION. **Sec. 4.** (1) The trust shall be governed by a board  
22 of trustees. The board consists of nine trustees selected for  
23 expertise in health care financing and delivery, and representing  
24 Washington citizens, business, labor, and health professions. The  
25 initial trustees shall be appointed by the governor, subject to  
26 confirmation by the senate. The governor shall appoint the initial  
27 board by December 31, 2015. Of the initial trustees, three shall be  
28 appointed to terms of two years, three shall be appointed to terms of  
29 four years, and three shall be appointed to terms of six years.  
30 Thereafter, trustees shall be elected to six-year terms, one trustee  
31 from each congressional district; the first class of trustees shall  
32 be elected from the first, second, and ninth congressional districts;  
33 the second class from the third, seventh, and eighth congressional  
34 districts; and the third class from the fourth, fifth, and sixth  
35 congressional districts. The governor shall appoint a trustee to  
36 serve the remaining term for a vacancy from any cause. The initial  
37 board shall convene no later than March 15, 2016.

1 (2) Members of the board shall have no pecuniary interest in any  
2 business subject to regulation by the board. Members of the board are  
3 subject to chapter 42.52 RCW.

4 (3) The initial, appointed members of the board shall occupy  
5 their positions on a full-time basis and are exempt from the  
6 provisions of chapter 41.06 RCW. The elected trustees shall occupy  
7 their positions according to the bylaws, rules, and relevant  
8 governing documents of the board. The board and its professional  
9 staff are subject to the public disclosure provisions of chapter  
10 42.17A RCW. Trustees shall be paid a salary to be fixed by the  
11 governor in accordance with RCW 43.03.040. Five trustees constitute a  
12 quorum for the conduct of business.

13 (4) One member of the board shall be designated by the governor  
14 as chair, subject to confirmation by a majority of the other  
15 trustees. The chair shall serve in this capacity, subject to  
16 continuing confidence of a majority of the board.

17 (5) If convinced by a preponderance of the evidence in a due  
18 process hearing that a trustee has failed to perform required duties  
19 or has a conflict with the public interest, the governor may remove  
20 that trustee and appoint another to serve the unexpired term.

21 NEW SECTION. **Sec. 5.** (1) Subject to the approval of the board,  
22 the chair shall appoint three standing committees:

23 (a) A financial advisory committee consisting of financial  
24 experts from the office of financial management, the office of the  
25 state treasurer, and the office of the insurance commissioner. The  
26 financial advisory committee shall recommend specific details for  
27 major budget decisions and for appropriations, taxes, and other  
28 funding legislation necessary to conduct the operations of the  
29 Washington health security trust;

30 (b) A citizens' advisory committee consisting of balanced  
31 representation from health experts, business, labor, and consumers.  
32 The citizens' advisory committee shall hold public hearings on  
33 priorities for inclusion in the set of health services, survey public  
34 satisfaction, investigate complaints, and identify and report on  
35 health care access and other priority issues for residents; and

36 (c) A technical advisory committee consisting of members with  
37 broad experience in and knowledge of health care delivery, research,  
38 and policy, as well as public and private funding of health care  
39 services. The technical advisory committee shall make recommendations

1 to the board on technical issues related to covered benefits, quality  
2 assurance, utilization, and other issues as requested by the board.

3 (2) The board shall consult with the citizens' advisory committee  
4 at least quarterly, receive its reports and recommendations, and then  
5 report to the governor and legislature at least annually on board  
6 actions in response to citizens' advisory committee input. The board  
7 shall also seek financially sound recommendations from the financial  
8 advisory committee whenever the board requests funding legislation  
9 necessary to operate the Washington health security trust and  
10 whenever the board considers major budget decisions.

11 (3) Subject to approval of the board, the chair may appoint other  
12 committees and task forces as needed.

13 (4) Members of committees shall serve without compensation for  
14 their services but shall be reimbursed for their expenses while  
15 attending meetings on behalf of the board in accordance with RCW  
16 43.03.050 and 43.03.060.

17 NEW SECTION. **Sec. 6.** The chair is the presiding officer of the  
18 board and has the following powers and duties:

19 (1) Appoint an executive director with the approval of the board.  
20 The executive director, with approval of the board, shall employ  
21 staff in accordance with chapter 41.06 RCW necessary to execute the  
22 policies and decisions of the board;

23 (2) Enter into contracts on behalf of the board. All contracts  
24 are subject to review and binding legal opinions by the attorney  
25 general's office if disputed in a due process hearing by a party to  
26 such a contract;

27 (3) Subject to explicit approval of a majority of the board,  
28 accept and expend gifts, donations, grants, and other funds received  
29 by the board; and

30 (4) Delegate administrative functions of the board to the  
31 executive director and staff of the trust as necessary to ensure  
32 efficient administration.

33 NEW SECTION. **Sec. 7.** (1) The board shall: (a) With advice from  
34 the citizens' advisory committee and the technical advisory  
35 committee, establish and keep current a set of health services to be  
36 financed by the trust, as provided in section 11 of this act; (b)  
37 seek all necessary waivers so that (i) current federal and state  
38 payments for health services to residents will be paid directly to

1 the trust, and (ii) the trust complies with the federal patient  
2 protection and affordable care act; (c) request legislation  
3 authorizing the health security assessments and premiums necessary to  
4 operate the trust and make rules, policies, guidelines, and  
5 timetables needed for the trust to finance the set of health services  
6 for all residents starting May 15, 2017; (d) develop or contract for  
7 development of a statewide, anonymous health care data system to use  
8 for quality assurance and cost containment; (e) with advice from the  
9 technical advisory committee, develop health care practice guidelines  
10 and quality standards; (f) develop policies to protect  
11 confidentiality of patient records throughout the health care  
12 delivery system and the claims payment system; (g) make eligibility  
13 rules, including eligibility for residents temporarily out-of-state;  
14 (h) develop or contract for development of a streamlined uniform  
15 claims processing system that must pay providers in a timely manner  
16 for covered health services; (i) develop appeals procedures for  
17 residents and providers; (j) integrate functions with other state  
18 agencies; (k) work with the citizens' advisory committee and the  
19 technical advisory committee to balance benefits and provider  
20 payments with revenues, and develop effective measures to control  
21 excessive and unnecessary health care costs; (l) address nonfinancial  
22 barriers to health care access; (m) monitor population migration into  
23 Washington state to detect any trends related to availability of  
24 universal health care coverage; (n) develop an annual budget for the  
25 trust; (o) develop a plan to implement a publicly sponsored  
26 integrated delivery system in which residents would receive care from  
27 state-employed providers in state-owned and operated facilities or  
28 from nonprofit entities contracting with the state; and (p) comply  
29 with all insurance related provisions of the federal patient  
30 protection and affordable care act.

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

36 NEW SECTION. **Sec. 8.** Beginning May 15, 2018, the board shall  
37 adopt, in consultation with the office of financial management, an  
38 annual Washington health security trust budget. Except by legislative  
39 approval, each annual budget shall not exceed the budget for the

1 preceding year by more than the Washington state consumer price  
2 index. If operations expenses exceed revenues generated in two  
3 consecutive years, the board shall recommend adjustments in either  
4 benefits or revenues, or both, to the legislature.

5 NEW SECTION. **Sec. 9.** (1) The board shall report annual changes  
6 in total Washington health care costs, along with the financial  
7 position and the status of the trust, to the governor and legislature  
8 at least once a year.

9 (2) The board shall seek audits annually from the state auditor.

10 (3) The board shall contract with the state auditor for a  
11 performance audit every two years.

12 (4) The board shall adopt bylaws, rules, and other appropriate  
13 governance documents to assure accountable, open, fair, effective  
14 operations of the trust, including methods for electing trustees and  
15 rules under which reserve funds may be prudently invested subject to  
16 advice of the state treasurer and the director of the department of  
17 financial management.

18 (5) The board shall submit any internal rules or policies it  
19 adopts to the secretary of state. The internal rules or policies must  
20 be made available by the secretary of state for public inspection.

21 NEW SECTION. **Sec. 10.** (1) All residents are eligible for  
22 coverage through the trust.

23 (2) If a resident has health insurance coverage for any health  
24 services provided in the state, the benefits provided in this act are  
25 secondary to that insurance. Nonresidents are covered for emergency  
26 services and emergency transportation only.

27 (3) Until federal waivers are accomplished, residents covered  
28 under federal health programs shall continue to use that coverage,  
29 and benefits provided by the trust shall extend only to costs not  
30 covered by the federal health programs unless: (a) The resident  
31 voluntarily elects to participate in the trust; (b) the resident's  
32 pay is considered in calculating the employer's health security  
33 assessment defined under section 16 of this act; and (c) either the  
34 employer or the employee pays the health security premium under  
35 section 17 of this act.

36 (4) The board shall make provisions for determining eligibility  
37 for coverage for residents while they are temporarily out of the  
38 state.

1 (5) Pending integration of federally qualified trusts into the  
2 health security trust, employees covered under the trusts are not  
3 eligible for coverage through the health security trust unless: (a)  
4 The employee's pay is considered in calculating the employer's health  
5 security assessment defined under section 16 of this act; and (b)  
6 either the employer or the employee pays the health security premium  
7 under section 17 of this act.

8 (6) Pending integration of federally qualified trusts into the  
9 health security trust, residents who are retirees covered under the  
10 trusts are not eligible for coverage through the health security  
11 trust unless they pay the health security premium under section 17 of  
12 this act.

13 (7) Pending integration into the health security trust of  
14 applicable federal programs described in section 21 of this act,  
15 Native American residents are not eligible for coverage through the  
16 health security trust unless: (a) The resident's pay is considered in  
17 calculating the employer's health security assessment under section  
18 16 of this act; and (b) either the employer or the resident pays any  
19 health security premium due under section 17 of this act.

20 (8) Nothing in this act shall be construed to limit a resident's  
21 right to seek health care from any provider he or she chooses, or  
22 from obtaining coverage for health care benefits in excess of those  
23 available under the trust.

24 NEW SECTION. **Sec. 11.** (1) With advice from the citizens'  
25 advisory committee and the technical advisory committee, the board  
26 shall establish a single benefits package covering health services  
27 that are effective and necessary for the good health of residents and  
28 that emphasize preventive and primary health care. The board shall  
29 ensure that the benefits package constitutes minimum essential  
30 coverage for purposes of the federal patient protection and  
31 affordable care act.

32 (2) The benefits package shall include, but is not limited to:  
33 (a) Inpatient and outpatient hospital care, including twenty-four  
34 hour a day emergency services and emergency ambulance services; (b)  
35 outpatient, home-based, and office-based care; (c) rehabilitation  
36 services, including speech, occupational, and physical therapy; (d)  
37 inpatient and outpatient mental health services and substance abuse  
38 treatment; (e) hospice care; (f) prescription drugs and prescribed  
39 medical nutrition; (g) vision and hearing care; (h) diagnostic tests;

1 (i) durable medical equipment; (j) preventive care; and (k) any other  
2 benefits defined as "essential health benefits" by the United States  
3 department of health and human services pursuant to the federal  
4 patient protection and affordable care act.

5 (3) Subject to a financial analysis demonstrating ongoing  
6 sufficient funds in the trust, long-term care shall be a covered  
7 benefit as of May 15, 2018. Long-term care coverage shall include a  
8 uniform initial assessment and coordination between home health,  
9 adult day care, and nursing home services, and other treatment  
10 alternatives. The board shall establish a copayment for long-term  
11 nursing home care, to cover some costs of room and board, for  
12 residents with incomes above one hundred fifty percent of the federal  
13 poverty level.

14 (4) The board, in coordination with the office of the insurance  
15 commissioner, shall examine by May 15, 2018, possible remedies for  
16 residents who have made previous payments for long-term care  
17 insurance.

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

23 (6) The board shall submit to the legislature by July 1, 2018, a  
24 plan to incorporate dental care coverage in the benefits package, to  
25 be effective January 1, 2019.

26 (7) The board shall submit to the governor and legislature by  
27 December 1, 2016, and by December 1st of the following years: (a) The  
28 benefits package, and (b) an actuarial analysis of the cost of the  
29 package.

30 (8) The board shall consider the extent to which medical research  
31 and health professions training activities should be included in the  
32 scope of covered activities set forth in this act. The board shall  
33 make a report to the governor and the legislature by July 1, 2018.

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

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

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

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

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

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

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

22 (5) The board shall adopt rules ensuring that payment schedules  
23 and procedures for mental health services are comparable to other  
24 health care services.

25 (6) The board shall study and seek to develop provider payment  
26 methods that: (a) Encourage an integrated multispecialty approach to  
27 disease management; (b) reward education time spent with patients;  
28 and (c) include a medical risk adjustment formula for providers whose  
29 practices serve patients with higher than average health risks.

30 (7) Nothing in this act shall be construed to limit a provider's  
31 right to receive payments from sources other than the trust. However,  
32 any provider who does accept payment from the trust for a service  
33 must accept that payment, along with applicable copayments, as  
34 payment in full.

35 NEW SECTION. **Sec. 14.** (1) The intent of this section is to  
36 exempt activities approved under this act from state antitrust laws  
37 and to provide immunity from federal antitrust laws through the state  
38 action doctrine.

1 (2) Activities that might otherwise be constrained by antitrust  
2 laws, including: (a) Containing the aggregate cost of health care  
3 services; (b) promoting cooperative activities among health care  
4 providers to develop cost-effective health care delivery systems; and  
5 (c) any other lawful actions taken under this act by any person or  
6 entity created or regulated by this act, are declared to be pursuant  
7 to state statute and for the public purposes of the state of  
8 Washington.

9 NEW SECTION. **Sec. 15.** (1) Administrative expenses to operate  
10 and maintain the trust shall not exceed eleven percent of the trust's  
11 annual budget. The board shall not shift administrative costs or  
12 duties of the trust to providers or to resident beneficiaries.

13 (2) The board shall work with providers to develop and apply  
14 scientifically based utilization standards, to use encounter and  
15 prescribing data to detect excessive utilization, to develop due  
16 processes for enforcing appropriate utilization standards, and to  
17 identify and prosecute fraud.

18 (3) The board may institute other cost-containment measures in  
19 order to maintain a balanced budget. The board shall pursue due  
20 diligence to ensure that cost-containment measures do not limit  
21 access to clinically necessary care, nor infringe upon legitimate  
22 clinical decision making by practitioners.

23 NEW SECTION. **Sec. 16.** A new section is added to chapter 82.02  
24 RCW to read as follows:

25 In addition to and not in lieu of taxes imposed at the rates  
26 established under chapter 82.04 RCW, all Washington state employers  
27 shall pay a health security assessment to the department of revenue  
28 to fund the Washington health security trust created in section 3 of  
29 this act.

30 (1) Effective May 15, 2017, all employers in Washington state  
31 shall pay in quarterly installments a health security assessment on  
32 aggregate gross payroll paid to Washington state residents. Except as  
33 provided in this section, the health security assessment shall be:  
34 (a) A first step percentage of aggregate gross quarterly payroll up  
35 to, and including, one hundred twenty-five thousand dollars; (b) a  
36 second step percentage of the amount of aggregate gross quarterly  
37 payroll above one hundred twenty-five thousand dollars; and (c) the

1 first step percentage rate shall be one-tenth of the rate of the  
2 second step percentage.

3 (2) The tax rates under subsection (1) of this section may be  
4 adjusted annually by the office of financial management to reflect  
5 changes in the Washington state consumer price index, or other cost-  
6 of-living index deemed appropriate by the office of financial  
7 management.

8 (3) The department of revenue shall assess a penalty at the rate  
9 of two percent per month, or a fraction thereof, on any employer  
10 whose applicable health security payroll assessment is not postmarked  
11 by the last day of the month following the quarter in which it is  
12 due.

13 (4) The federal government, when an employer of Washington state  
14 residents, is exempt from the health security assessment prior to the  
15 repeal, amendment, or waiver of existing state and federal laws  
16 delineated in section 21 of this act.

17 (5) Beginning May 15, 2017, until May 15, 2023, employers that  
18 face financial hardship in paying the health security assessment,  
19 may, upon application to the board of trustees created in section 4  
20 of this act, be eligible for waivers or reductions in the health  
21 security assessment. The board shall establish rules and procedures  
22 governing all aspects of the business assistance program, including  
23 application procedures, thresholds regarding firm size, wages,  
24 profits, age of firm, and duration of assistance.

25 (6) Pending integration of any federally qualified trusts, the  
26 payroll of employees covered under these trusts is exempt from the  
27 health security assessment, although the employer may pay it  
28 voluntarily.

29 (7) Pending repeal, amendment, or waiver of applicable state and  
30 federal laws delineated in section 21 of this act, payroll of Native  
31 American residents who do not elect to participate in the health  
32 security trust is exempt from the health security assessment.

33 (8) Eighty percent of the revenue collected under this section  
34 must be deposited in the benefits account created in section 24 of  
35 this act.

36 (9) For the purposes of this section, the terms "employer,"  
37 "payroll," and "resident" have the same meaning as defined in section  
38 2 of this act.

1        NEW SECTION.    **Sec. 17.**    A new section is added to chapter 82.02  
2    RCW to read as follows:

3        (1) Effective May 15, 2017, all Washington residents eighteen  
4    years and older, except medicare and medicaid beneficiaries, with  
5    incomes over one hundred fifty percent of the federal poverty level  
6    shall pay a standard monthly flat rate health security premium. The  
7    board shall recommend the amount of this premium, and the legislature  
8    shall establish the exact amount in separate legislation.

9        (2) Medicare and medicaid beneficiaries with incomes over one  
10    hundred fifty percent of the federal poverty level who elect to  
11    participate in the trust shall pay reduced, monthly, flat rate health  
12    security premium. The board shall recommend the amount of this  
13    premium, and the legislature shall establish the exact amount in  
14    separate legislation.

15        (3) All premiums may be adjusted annually by the office of  
16    financial management to reflect changes in the Washington state  
17    consumer price index, or other cost-of-living index deemed  
18    appropriate by the office of financial management.

19        (4) By May 15, 2017, the board of trustees of the Washington  
20    health security trust, created in section 3 of this act, shall  
21    develop and implement specific rules and procedures to subsidize the  
22    health security premiums of residents, including medicare and  
23    medicaid eligible residents, whose household incomes are less than  
24    two hundred fifty percent of the federal poverty level.

25        (5) Federal employees and retirees are exempt from the health  
26    security premium prior to the repeal, amendment, or waiver of  
27    existing federal laws delineated in section 21 of this act, although  
28    they may elect to participate in the trust and pay it voluntarily.

29        (6) Pending integration of any federally qualified trusts,  
30    employees and retirees covered under these trusts are exempt from the  
31    health security premium, although they may elect to participate in  
32    the trust and the employee or the employer may pay it voluntarily.

33        (7) Pending repeal, amendment, or waiver of applicable state and  
34    federal laws delineated in section 21 of this act, Native American  
35    residents are exempt from paying the health security premium,  
36    although they may elect to participate in the trust and they or their  
37    employer may pay it voluntarily.

38        (8) Employers shall collect the health security premiums of their  
39    employees through payroll deduction. An employee may also make the  
40    premium payment for a nonworking spouse through payroll deduction.

1 Self-employed and nonemployed individuals shall pay their health  
2 security premiums monthly to the department of revenue. The  
3 department shall assess a penalty at the rate of two percent per  
4 month, or fraction thereof, on all self-employed and nonemployed  
5 individuals whose health security premium is not postmarked by the  
6 twentieth day following the month it is due. Employers reserve the  
7 right to provide private health care coverage to employees;  
8 notwithstanding, employers must pay the health security assessment as  
9 provided in section 16 of this act.

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

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

21 NEW SECTION. **Sec. 18.** Revenue derived from the health security  
22 assessment, created in section 16 of this act, and the health  
23 security premium, created in section 17 of this act, shall not be  
24 used to pay for medical assistance currently provided under chapter  
25 74.09 RCW or other existing federal and state health care programs.  
26 If existing federal and state sources of payment for health services  
27 are reduced or terminated after the effective date of this section,  
28 the legislature shall replace these appropriations from the general  
29 fund.

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

36 (2)(a) All reports, documents, surveys, books, records, files,  
37 papers, or written material in the possession of the health care  
38 authority shall be delivered to the custody of the Washington health

1 security trust. All cabinets, furniture, office equipment, motor  
2 vehicles, and other tangible property employed by the health care  
3 authority shall be made available to the Washington health security  
4 trust. All funds, credits, or other assets held by the health care  
5 authority shall be assigned to the Washington health security trust.

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

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

15 (3) All employees of the health care authority are transferred to  
16 the jurisdiction of the Washington health security trust. All  
17 employees classified under chapter 41.06 RCW, the state civil service  
18 law, are assigned to the Washington health security trust to perform  
19 their usual duties upon the same terms as formerly, without any loss  
20 of rights, subject to any action that may be appropriate thereafter  
21 in accordance with the laws and rules governing state civil service.

22 (4) All rules and all pending business before the health care  
23 authority shall be continued and acted upon by the Washington health  
24 security trust. All existing contracts and obligations shall remain  
25 in full force and shall be performed by the Washington health  
26 security trust.

27 (5) The transfer of the powers, duties, functions, and personnel  
28 of the health care authority shall not affect the validity of any act  
29 performed before the effective date of this section.

30 (6) If apportionments of budgeted funds are required because of  
31 the transfers directed by this section, the director of financial  
32 management shall certify the apportionments to the affected agencies,  
33 the state auditor, and the state treasurer. Each of these shall make  
34 the appropriate transfer and adjustments in funds and appropriation  
35 accounts and equipment records in accordance with the certification.

36 (7) Nothing contained in this section may be construed to alter  
37 any existing collective bargaining unit or the provisions of any  
38 existing collective bargaining agreement until the agreement has  
39 expired or until the bargaining unit has been modified by action of  
40 the personnel board as provided by law.

1        NEW SECTION.    **Sec. 20.**    Effective January 1, 2017, until April  
2 30, 2017, all employers in Washington state shall pay reduced start-  
3 up health security assessments that are thirty percent of the  
4 standard monthly flat rate assessment amount to be established by  
5 separate legislation. The department of revenue will collect these  
6 moneys. Twenty percent of these revenues must be deposited in the  
7 reserve account, created in section 22 of this act. Eighty percent of  
8 these revenues must be deposited in the benefits account, created in  
9 section 24 of this act. Employers who pay this assessment may be  
10 eligible for partial or full rebates within two years, if there are  
11 sufficient surpluses in the trust.

12        NEW SECTION.    **Sec. 21.**    (1) The board, in consultation with  
13 sovereign tribal governments as called for by the centennial accord,  
14 shall determine the state and federal laws that need to be repealed,  
15 amended, or waived to implement this act, and report its  
16 recommendations, with proposed revisions to the Revised Code of  
17 Washington, to the governor and the appropriate committees of the  
18 legislature by October 1, 2016.

19        (2) The governor, in consultation with the board and sovereign  
20 tribal governments as called for by the centennial accord, shall take  
21 the following steps in an effort to receive waivers or exemptions  
22 from federal statutes necessary to fully implement this act:

23        (a) Negotiate with the federal department of health and human  
24 services, health care financing administration, to obtain a statutory  
25 or regulatory waiver of provisions of the medical assistance statute,  
26 Title XIX of the federal social security act and the children's  
27 health insurance program;

28        (b) Negotiate with the federal department of health and human  
29 services to obtain a statutory or regulatory waiver of provisions of  
30 the medicare statute, Title XVIII of the federal social security act,  
31 that currently constitute barriers to full implementation of this  
32 act;

33        (c) Negotiate with the federal department of health and human  
34 services to obtain any statutory or regulatory waivers of provisions  
35 of the United States public health services act necessary to ensure  
36 integration of federally funded community and migrant health clinics  
37 and other health services funded through the public health services  
38 act into the trust system under this act;

1 (d) Negotiate with the federal office of personnel management for  
2 the inclusion of federal employee health benefits in the trust under  
3 this act;

4 (e) Negotiate with the federal department of veterans' affairs  
5 for the inclusion of veterans' medical benefits in the trust under  
6 this act;

7 (f) Negotiate with the federal department of defense and other  
8 federal agencies for the inclusion of the civilian health and medical  
9 program of the uniformed services (CHAMPUS) in the trust under this  
10 act;

11 (g) Negotiate with the Indian health services and sovereign  
12 tribal governments for inclusion and adequate reimbursement of Indian  
13 health benefits under the trust created by this act; and

14 (h) Request that the United States congress amend the internal  
15 revenue code to treat the employer health security assessment,  
16 created in section 16 of this act, and the individual health security  
17 premiums, created in section 17 of this act, as fully deductible from  
18 adjusted gross income.

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

27 (2) Receipts from the following sources must be deposited into  
28 the reserve account: (a) Twenty percent of the health security  
29 assessments paid by employers under section 20 of this act between  
30 January 1, 2017, and April 30, 2017; (b) effective May 15, 2017,  
31 seven percent of receipts from the health security assessment created  
32 under section 16 of this act and seven percent of the receipts from  
33 the health security premium created under section 17 of this act; and  
34 (c) ten percent of all moneys received pursuant to RCW 41.05.120,  
35 41.05.130, 66.24.290, 82.24.020, 82.26.020, 82.08.150, 43.79.480,  
36 41.05.220, and section 33 of this act.

37 (3) Expenditures from the reserve account may be used only for  
38 the purposes of health care services and maintenance of the trust.  
39 Only the board or the board's designee may authorize expenditures

1 from the account. The account is subject to allotment procedures  
2 under chapter 43.88 RCW, but an appropriation is not required for  
3 expenditures.

4 NEW SECTION. **Sec. 23.** (1) The displaced worker training account  
5 is created in the custody of the state treasurer. Between May 15,  
6 2017, and January 1, 2019, three percent of the receipts from the  
7 health security assessment created in section 16 of this act and  
8 three percent of the health security premium created in section 17 of  
9 this act must be deposited into the account. Expenditures from the  
10 account may be used only for retraining and job placement of workers  
11 displaced by the transition to the trust. Only the board or the  
12 board's designee may authorize expenditures from the account. The  
13 account is subject to allotment procedures under chapter 43.88 RCW,  
14 but an appropriation is not required for expenditures.

15 (2) Any funds remaining in the account on December 31, 2019, must  
16 be deposited into the benefits account created in section 24 of this  
17 act.

18 (3) This section expires January 1, 2020.

19 NEW SECTION. **Sec. 24.** The benefits account is created in the  
20 custody of the state treasurer. All receipts from the health security  
21 assessment created under section 16 of this act and the health  
22 security premium created under section 17 of this act that are not  
23 dedicated to the reserve account created in section 22 of this act or  
24 the displaced worker training account created in section 23 of this  
25 act, as well as receipts from other sources, must be deposited into  
26 the account. Expenditures from the account may be used only for  
27 health care services and maintenance of the trust. Only the board or  
28 the board's designee may authorize expenditures from the account. The  
29 account is subject to allotment procedures under chapter 43.88 RCW,  
30 but an appropriation is not required for expenditures.

31 **Sec. 25.** RCW 41.05.120 and 2005 c 518 s 921 and 2005 c 143 s 3  
32 are each reenacted and amended to read as follows:

33 ~~((1))~~ Contributions from RCW 41.05.050, and reserves,  
34 dividends, and refunds currently in the public employees' and  
35 retirees' insurance account ~~((is hereby established in the custody of~~  
36 ~~the state treasurer, to be used by the administrator for the deposit~~  
37 ~~of contributions, the remittance paid by school districts and~~

1 educational service districts under RCW 28A.400.410, reserves,  
2 dividends, and refunds, for payment of premiums for employee and  
3 retiree insurance benefit contracts and subsidy amounts provided  
4 under RCW 41.05.085, and transfers from the medical flexible spending  
5 account as authorized in RCW 41.05.123. Moneys from the account shall  
6 be disbursed by the state treasurer by warrants on vouchers duly  
7 authorized by the administrator. Moneys from the account may be  
8 transferred to the medical flexible spending account to provide  
9 reserves and start-up costs for the operation of the medical flexible  
10 spending account program.

11 (2) The state treasurer and the state investment board may invest  
12 moneys in the public employees' and retirees' insurance account. All  
13 such investments shall be in accordance with RCW 43.84.080 or  
14 43.84.150, whichever is applicable. The administrator shall determine  
15 whether the state treasurer or the state investment board or both  
16 shall invest moneys in the public employees' insurance account.

17 (3) During the 2005-07 fiscal biennium, the legislature may  
18 transfer from the public employees' and retirees' insurance account  
19 such amounts as reflect the excess fund balance of the fund)) shall  
20 be deposited in the reserve account pursuant to section 22 of this  
21 act and the benefits account pursuant to section 24 of this act.

22 **Sec. 26.** RCW 41.05.130 and 2014 c 221 s 914 are each amended to  
23 read as follows:

24 The state health care authority administrative account is  
25 ((hereby created in the state treasury)) transferred to the reserve  
26 account created in section 22 of this act and the benefits account  
27 created in section 24 of this act. Moneys in the account, including  
28 unanticipated revenues under RCW 43.79.270, ((may be spent only after  
29 appropriation by statute, and may be used only for operating expenses  
30 of the authority)) are transferred to the reserve account created in  
31 section 22 of this act and the benefits account created in section 24  
32 of this act, and during the 2013-2015 fiscal biennium, for health  
33 care related analysis provided to the legislature by the office of  
34 the state actuary.

35 **Sec. 27.** RCW 66.24.290 and 2010 1st sp.s. c 23 s 1301 are each  
36 amended to read as follows:

37 (1) Any microbrewer or domestic brewery or beer distributor  
38 licensed under this title may sell and deliver beer and strong beer

1 to holders of authorized licenses direct, but to no other person,  
2 other than the board. Any certificate of approval holder authorized  
3 to act as a distributor under RCW 66.24.270 shall pay the taxes  
4 imposed by this section.

5 (a) Every such brewery or beer distributor shall report all sales  
6 to the board monthly, pursuant to the regulations, and shall pay to  
7 the board as an added tax for the privilege of manufacturing and  
8 selling the beer and strong beer within the state a tax of one dollar  
9 and thirty cents per barrel of thirty-one gallons on sales to  
10 licensees within the state and on sales to licensees within the state  
11 of bottled and canned beer, including strong beer, shall pay a tax  
12 computed in gallons at the rate of one dollar and thirty cents per  
13 barrel of thirty-one gallons.

14 (b) Any brewery or beer distributor whose applicable tax payment  
15 is not postmarked by the twentieth day following the month of sale  
16 will be assessed a penalty at the rate of two percent per month or  
17 fraction thereof. Beer and strong beer shall be sold by breweries and  
18 distributors in sealed barrels or packages.

19 (c) The moneys collected under this subsection shall be  
20 distributed as follows: (i) Three-tenths of a percent shall be  
21 distributed to border areas under RCW 66.08.195; and (ii) of the  
22 remaining moneys: (A) Twenty percent shall be distributed to counties  
23 in the same manner as under RCW 66.08.200; and (B) eighty percent  
24 shall be distributed to incorporated cities and towns in the same  
25 manner as under RCW 66.08.210.

26 (d) Any licensed retailer authorized to purchase beer from a  
27 certificate of approval holder with a direct shipment endorsement or  
28 a brewery or microbrewery shall make monthly reports to the liquor  
29 control board on beer purchased during the preceding calendar month  
30 in the manner and upon such forms as may be prescribed by the board.

31 (2) An additional tax is imposed on all beer and strong beer  
32 subject to tax under subsection (1) of this section. The additional  
33 tax is equal to two dollars per barrel of thirty-one gallons. All  
34 revenues collected during any month from this additional tax shall be  
35 deposited in the state general fund by the twenty-fifth day of the  
36 following month.

37 (3)(a) An additional tax is imposed on all beer and strong beer  
38 subject to tax under subsection (1) of this section. The additional  
39 tax is equal to ninety-six cents per barrel of thirty-one gallons  
40 through June 30, 1995, two dollars and thirty-nine cents per barrel

1 of thirty-one gallons for the period July 1, 1995, through June 30,  
2 1997, and four dollars and seventy-eight cents per barrel of thirty-  
3 one gallons thereafter.

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

10 (c) All revenues collected from the additional tax imposed under  
11 this subsection (3) shall be deposited in the (~~state general fund~~)  
12 reserve account created in section 22 of this act and the benefits  
13 account created in section 24 of this act.

14 (4) An additional tax is imposed on all beer and strong beer that  
15 is subject to tax under subsection (1) of this section that is in the  
16 first sixty thousand barrels of beer and strong beer by breweries  
17 that are entitled to a reduced rate of tax under 26 U.S.C. Sec. 5051,  
18 as existing on July 1, 1993, or such subsequent date as may be  
19 provided by the board by rule consistent with the purposes of the  
20 exemption under subsection (3)(b) of this section. The additional tax  
21 is equal to one dollar and forty-eight and two-tenths cents per  
22 barrel of thirty-one gallons. By the twenty-fifth day of the  
23 following month, three percent of the revenues collected from this  
24 additional tax shall be distributed to border areas under RCW  
25 66.08.195 and the remaining moneys shall be transferred to the state  
26 general fund.

27 (5)(a) From June 1, 2010, through June 30, 2013, an additional  
28 tax is imposed on all beer and strong beer subject to tax under  
29 subsection (1) of this section. The additional tax is equal to  
30 fifteen dollars and fifty cents per barrel of thirty-one gallons.

31 (b) The additional tax imposed under this subsection does not  
32 apply to the sale of the first sixty thousand barrels of beer each  
33 year by breweries that are entitled to a reduced rate of tax under 26  
34 U.S.C. Sec. 5051 of the federal internal revenue code, as existing on  
35 July 1, 1993, or such subsequent date as may be provided by the board  
36 by rule consistent with the purposes of this exemption.

37 (c) All revenues collected from the additional tax imposed under  
38 this subsection shall be deposited in the state general fund.

39 (6) The board may make refunds for all taxes paid on beer and  
40 strong beer exported from the state for use outside the state.

1 (7) The board may require filing with the board of a bond to be  
2 approved by it, in such amount as the board may fix, securing the  
3 payment of the tax. If any licensee fails to pay the tax when due,  
4 the board may forthwith suspend or cancel his or her license until  
5 all taxes are paid.

6 **Sec. 28.** RCW 82.24.020 and 2010 1st sp.s. c 22 s 2 are each  
7 amended to read as follows:

8 (1) There is levied and collected as provided in this  
9 chapter((~~7~~)) a tax upon the sale, use, consumption, handling,  
10 possession, or distribution of all cigarettes, in an amount equal to  
11 12.125 cents per cigarette.

12 (2) Wholesalers subject to the payment of this tax may, if they  
13 wish, absorb five one-hundredths cents per cigarette of the tax and  
14 not pass it on to purchasers without being in violation of this  
15 section or any other act relating to the sale or taxation of  
16 cigarettes.

17 (3) For purposes of this chapter, "possession" means both (a)  
18 physical possession by the purchaser, and((~~7~~)) (b) when cigarettes  
19 are being transported to or held for the purchaser or his or her  
20 designee by a person other than the purchaser, constructive  
21 possession by the purchaser or his or her designee, which  
22 constructive possession is deemed to occur at the location of the  
23 cigarettes being so transported or held.

24 (4) In accordance with federal law and rules prescribed by the  
25 department, an enrolled member of a federally recognized Indian tribe  
26 may purchase cigarettes from an Indian tribal organization under the  
27 jurisdiction of the member's tribe for the member's own use exempt  
28 from the applicable taxes imposed by this chapter. Except as provided  
29 in subsection (5) of this section, any person, who purchases  
30 cigarettes from an Indian tribal organization and who is not an  
31 enrolled member of the federally recognized Indian tribe within whose  
32 jurisdiction the sale takes place, is not exempt from the applicable  
33 taxes imposed by this chapter.

34 (5) If the state enters into a cigarette tax contract or  
35 agreement with a federally recognized Indian tribe under chapter  
36 43.06 RCW, the terms of the contract or agreement take precedence  
37 over any conflicting provisions of this chapter while the contract or  
38 agreement is in effect. The revenue collected under this section must

1 be deposited in the reserve account created in section 22 of this act  
2 and the benefits account created in section 24 of this act.

3 **Sec. 29.** RCW 82.26.020 and 2010 1st sp.s. c 22 s 5 are each  
4 amended to read as follows:

5 (1) There is levied and collected a tax upon the sale, handling,  
6 or distribution of all tobacco products in this state at the  
7 following rate:

8 (a) For cigars except little cigars, ninety-five percent of the  
9 taxable sales price of cigars, not to exceed sixty-five cents per  
10 cigar;

11 (b) For all tobacco products except those covered under separate  
12 provisions of this subsection, ninety-five percent of the taxable  
13 sales price;

14 (c) For moist snuff, as established in this subsection (1)(c) and  
15 computed on the net weight listed by the manufacturer:

16 (i) On each single unit consumer-sized can or package whose net  
17 weight is one and two-tenths ounces or less, a rate per single unit  
18 that is equal to the greater of 2.526 dollars or eighty-three and  
19 one-half percent of the cigarette tax under chapter 82.24 RCW  
20 multiplied by twenty; or

21 (ii) On each single unit consumer-sized can or package whose net  
22 weight is more than one and two-tenths ounces, a proportionate tax at  
23 the rate established in (c)(i) of this subsection (1) on each ounce  
24 or fractional part of an ounce; and

25 (d) For little cigars, an amount per cigar equal to the cigarette  
26 tax under chapter 82.24 RCW.

27 (2) Taxes under this section must be imposed at the time the  
28 distributor (a) brings, or causes to be brought, into this state from  
29 without the state tobacco products for sale, (b) makes, manufactures,  
30 fabricates, or stores tobacco products in this state for sale in this  
31 state, (c) ships or transports tobacco products to retailers in this  
32 state, to be sold by those retailers, or (d) handles for sale any  
33 tobacco products that are within this state but upon which tax has  
34 not been imposed.

35 (3) The moneys collected under this section must be deposited  
36 into the (~~state general fund~~) reserve account created in section 22  
37 of this act and the benefits account created in section 24 of this  
38 act.

1       **Sec. 30.** RCW 82.08.150 and 2012 c 2 s 106 are each amended to  
2 read as follows:

3       (1) There is levied and collected a tax upon each retail sale of  
4 spirits in the original package at the rate of fifteen percent of the  
5 selling price.

6       (2) There is levied and collected a tax upon each sale of spirits  
7 in the original package at the rate of ten percent of the selling  
8 price on sales by a spirits distributor licensee or other licensee  
9 acting as a spirits distributor pursuant to Title 66 RCW to  
10 restaurant spirits retailers.

11       (3) There is levied and collected an additional tax upon each  
12 sale of spirits in the original package by a spirits distributor  
13 licensee or other licensee acting as a spirits distributor pursuant  
14 to Title 66 RCW to a restaurant spirits retailer and upon each retail  
15 sale of spirits in the original package by a licensee of the board at  
16 the rate of one dollar and seventy-two cents per liter.

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

20       (5) An additional tax is imposed upon each sale of spirits in the  
21 original package by a spirits distributor licensee or other licensee  
22 acting as a spirits distributor pursuant to Title 66 RCW to a  
23 restaurant spirits retailer and upon each retail sale of spirits in  
24 the original package by a licensee of the board at the rate of seven  
25 cents per liter. All revenues collected during any month from this  
26 additional tax must be deposited in the state general fund by the  
27 twenty-fifth day of the following month.

28       (6)(a) An additional tax is imposed upon retail sale of spirits  
29 in the original package at the rate of three and four-tenths percent  
30 of the selling price.

31       (b) An additional tax is imposed upon retail sale of spirits in  
32 the original package to a restaurant spirits retailer at the rate of  
33 two and three-tenths percent of the selling price.

34       (c) An additional tax is imposed upon each sale of spirits in the  
35 original package by a spirits distributor licensee or other licensee  
36 acting as a spirits distributor pursuant to Title 66 RCW to a  
37 restaurant spirits retailer and upon each retail sale of spirits in  
38 the original package by a licensee of the board at the rate of forty-  
39 one cents per liter.

1 (d) All revenues collected during any month from additional taxes  
2 under this subsection must be deposited in the ((~~state general fund~~))  
3 reserve account created in section 22 of this act and the benefits  
4 account created in section 24 of this act by the twenty-fifth day of  
5 the following month.

6 (7)(a) An additional tax is imposed upon each retail sale of  
7 spirits in the original package at the rate of one dollar and thirty-  
8 three cents per liter.

9 (b) All revenues collected during any month from additional taxes  
10 under this subsection must be deposited by the twenty-fifth day of  
11 the following month into the ((~~general fund~~)) reserve account created  
12 in section 22 of this act and the benefits account created in section  
13 24 of this act.

14 (8) The tax imposed in RCW 82.08.020 does not apply to sales of  
15 spirits in the original package.

16 (9) The taxes imposed in this section must be paid by the buyer  
17 to the seller, and each seller must collect from the buyer the full  
18 amount of the tax payable in respect to each taxable sale under this  
19 section. The taxes required by this section to be collected by the  
20 seller must be stated separately from the selling price, and for  
21 purposes of determining the tax due from the buyer to the seller, it  
22 is conclusively presumed that the selling price quoted in any price  
23 list does not include the taxes imposed by this section. Sellers must  
24 report and return all taxes imposed in this section in accordance  
25 with rules adopted by the department.

26 (10) As used in this section, the terms((~~τ~~)) "spirits" and  
27 "package" have the same meaning as provided in chapter 66.04 RCW.

28 **Sec. 31.** RCW 43.79.480 and 2013 2nd sp.s. c 4 s 980 are each  
29 amended to read as follows:

30 (1) Moneys received by the state of Washington in accordance with  
31 the settlement of the state's legal action against tobacco product  
32 manufacturers, exclusive of costs and attorneys' fees, shall be  
33 deposited in the tobacco settlement account created in this section  
34 except as these moneys are sold or assigned under chapter 43.340 RCW.

35 (2) The tobacco settlement account is created in the state  
36 treasury. Moneys in the tobacco settlement account may only be  
37 transferred to the ((~~state general fund~~)) reserve account created in  
38 section 22 of this act and the benefits account created in section 24  
39 of this act, and to the tobacco prevention and control account for

1 purposes set forth in this section. (~~The legislature shall transfer~~  
2 ~~amounts received as strategic contribution payments as defined in RCW~~  
3 ~~43.350.010 to the life sciences discovery fund created in RCW~~  
4 ~~43.350.070. During the 2009-2011 and 2011-2013 fiscal biennia, the~~  
5 ~~legislature may transfer less than the entire strategic contribution~~  
6 ~~payments, and may transfer amounts attributable to strategic~~  
7 ~~contribution payments into the basic health plan stabilization~~  
8 ~~account. During the 2013-2015 fiscal biennium, the legislature may~~  
9 ~~transfer less than the entire strategic contribution payments, and~~  
10 ~~may transfer amounts attributable to strategic contribution payments~~  
11 ~~into the state general fund.))~~

12 (3) The tobacco prevention and control account is created in the  
13 state treasury. The source of revenue for this account is moneys  
14 transferred to the account from the tobacco settlement account,  
15 investment earnings, donations to the account, and other revenues as  
16 directed by law. Expenditures from the account are subject to  
17 appropriation. During the 2009-2011 fiscal biennium, the legislature  
18 may transfer from the tobacco prevention and control account to the  
19 state general fund such amounts as represent the excess fund balance  
20 of the account.

21 **Sec. 32.** RCW 41.05.220 and 1998 c 245 s 38 are each amended to  
22 read as follows:

23 (~~(1)~~) State general funds appropriated to the department of  
24 health for the purposes of funding community health centers to  
25 provide primary health and dental care services, migrant health  
26 services, and maternity health care services shall be transferred to  
27 the (~~state health care authority~~) reserve account created in  
28 section 22 of this act and the benefits account created in section 24  
29 of this act. Any related administrative funds expended by the  
30 department of health for this purpose shall also be transferred to  
31 the (~~health care authority~~) reserve account created in section 22  
32 of this act and the benefits account created in section 24 of this  
33 act. The Washington health (~~care authority~~) security trust shall  
34 exclusively expend these funds through contracts with community  
35 health centers to provide primary health and dental care services,  
36 migrant health services, and maternity health care services. The  
37 (~~administrator~~) chair of the Washington health (~~care authority~~)  
38 security trust shall establish requirements necessary to assure  
39 community health centers provide quality health care services that

1 are appropriate and effective and are delivered in a cost-efficient  
2 manner. The ~~((administrator))~~ chair of the Washington health security  
3 trust shall further assure that community health centers have  
4 appropriate referral arrangements for acute care and medical  
5 specialty services not provided by the community health centers.

6 ~~((2) The authority, in consultation with the department of  
7 health, shall work with community and migrant health clinics and  
8 other providers of care to underserved populations, to ensure that  
9 the number of people of color and underserved people receiving access  
10 to managed care is expanded in proportion to need, based upon  
11 demographic data.))~~

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

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

21 NEW SECTION. **Sec. 35.** No later than January 1, 2018, the board  
22 shall submit to the legislature a proposal to integrate those current  
23 and future federally qualified trusts that choose to participate in  
24 the trust.

25 NEW SECTION. **Sec. 36.** On or before January 1, 2018, the board,  
26 in coordination with the department of labor and industries, shall  
27 study and make a report to the governor and appropriate committees of  
28 the legislature on the provision of medical benefits for injured  
29 workers under the trust.

30 NEW SECTION. **Sec. 37.** An appropriation by separate act of the  
31 legislature may be necessary for the fiscal year ending June 30,  
32 2017, from the general fund to the benefits account of the Washington  
33 health security trust for start-up moneys for purposes of this act  
34 during the period of July 1, 2016, through June 30, 2017.

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

3        (1) RCW 82.04.260 (Tax on manufacturers and processors of various  
4 foods and by-products—Research and development organizations—Travel  
5 agents—Certain international activities—Stevedoring and associated  
6 activities—Low-level waste disposers—Insurance producers, surplus  
7 line brokers, and title insurance agents—Hospitals—Commercial  
8 airplane activities—Timber product activities—Canned salmon  
9 processors) and 2014 c 140 s 6, 2014 c 140 s 5, 2014 c 140 s 4, 2014  
10 c 140 s 3, 2013 3rd sp.s. c 2 s 6, 2013 3rd sp.s. c 2 s 5, 2013 2nd  
11 sp.s. c 13 s 203, 2013 2nd sp.s. c 13 s 202, 2012 2nd sp.s. c 6 s  
12 204, 2011 c 2 s 203, 2010 1st sp.s. c 23 s 506, & 2010 c 114 s 107;  
13 and

14        (2) RCW 48.14.0201 (Premiums and prepayments tax—Health care  
15 services—Exemptions—State preemption) and 2013 2nd sp.s. c 6 s 5,  
16 2013 c 325 s 3, 2011 c 47 s 8, & 2009 c 479 s 41.

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

20        NEW SECTION.    **Sec. 40.**    (1) Sections 22 through 24 of this act  
21 take effect January 1, 2017.

22        (2) Sections 19, 25 through 34, and 38 of this act take effect  
23 May 15, 2017.

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

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

1 federal requirements that are a necessary condition to the receipt of  
2 federal funds by the state.

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