Fiscal Issues of Statewide Significance

HEALTH CARE REFORM

The health care reform bill, Chapter 492, Laws of 1993 (E2SSB 5304), addresses a wide number of health care issues, including access to health care, health professional shortages, the provision and pricing of health insurance, and public health improvements. It also includes tax increases to finance the additional spending required by the bill. A total of $241 million from the Health Services Trust Account is appropriated to various state agencies to carry out the provisions of the measure. These appropriations are summarized in the table on page 5.

Expanded Access to Health Care

Additional funds are provided to expand subsidized enrollment in the Basic Health Plan for low-income persons. Beginning in fiscal year 1994, the Medicaid program will be expanded to cover all children in households at or below 200 percent of the federal poverty level. As a result, enrollment in subsidized health coverage for the uninsured will increase by over 156,000 by the end of fiscal year 1994.

Health Professional Shortages

Additional funding is provided to retain existing health professionals and increase the number of new health professionals in underserved rural and urban areas.

Public Health Improvements

An additional $20 million is provided for public health improvements - $10 million to be distributed to local boards of health based on population, with the remaining $10 million to be targeted for specific public health items such as childhood immunizations, reducing teen pregnancy, and funding of the statewide poison control center.

Short-Term Insurance Reform

The bill provides for limitations on pre-existing conditions exclusions (effective 1/1/94) and the ability of insurers to cancel health insurance coverage due to health changes (effective 7/1/94); these measures are intended to provide short-term reform until the permanent reform measures become effective in 1995.

Health Services Commission/Uniform Benefits Plan

The Health Services Commission is created to design a Uniform Benefits Package (UBP), which will become the minimum level of health insurance coverage for all state residents. The commission will also set the maximum price to be charged for the UBP, with the annual growth in UBP premiums to eventually decline to a five-year rolling average of growth in state per capita personal income.

The commission will submit the UBP to the Legislature by December 1994. By July 1995 all insurers must offer, at a minimum, the UBP, to all state residents regardless of pre-existing health conditions, race, sex, or age. Insurers must sell the UBP for no more than the maximum premium set by the Health Services Commission.

Employer and Individual Mandate

By July 1995 all employers with more than 500 employees must offer the UBP to all employees working 30 or more hours per week. Employers are responsible for a minimum of 50 percent of these premium costs. Employers are responsible for a pro-rated premium payment for persons working less than 30 hours per week. By July 1996 these employers must offer the UBP to the dependents of employees. In addition, all employers with more than 100 employees must offer the UBP to all employees working 30 or more hours per week. Employers are responsible for a minimum of 50 percent of these premium costs. Employers are responsible for a pro-rated premium payment for persons working less than 30 hours per week. These employers must offer the UBP to the dependents of employees no later than July 1997.

By July 1997 all remaining employers must offer the UBP to all employees working 30 or more hours per week. Employers are responsible for a minimum of 50 percent of these premium costs. Employers are responsible for a pro-rated premium payment for persons working less than 30 hours per week. These employers must offer the UBP to the dependents of employees no later than July 1999. As of July 1997, firms with fewer than 25 employees will be eligible for financial assistance, with a total of $150 million available for the 1997-99 biennium. By July 1999 all state residents are required to purchase the UBP.

Financing

To provide the additional funding required for many of the areas noted above, E2SSB 5304 increases taxes on cigarettes, tobacco products, spirits (hard liquor), beer, and non-profit hospitals, effective July 1993. As of January 1996 revenue from the prepayments tax on health care service contractors and health maintenance organizations will also be used to fund health care reform.

Cigarettes: The current $0.34 per pack tax is increased to $0.54 as of 7/93, $0.565 as of 7/94, $0.74 as of 7/95, and $0.75 as of 7/96.

Tobacco products: The current tax of 64.9 percent of wholesale price is increased to 74.9 percent of wholesale price as of 7/93.

Spirits: Liquor sales and liquor liter taxes are increased by 10 percent for the 1993-95 biennium, 15 percent for the 1995-97 biennium, and 20 percent thereafter. This amounts to increases of $0.27 for an average 750 ml bottle during the 1993-95 biennium, rising to an average increase of $0.54 per bottle by the 1997-99 biennium.

Beer: The current tax of $4.78 per barrel (31 gallons) is increased by $0.96 for the 1993-95 biennium, $2.39 for the 1995-97 biennium, and $4.78 thereafter. This amounts to a tax increase of $0.01 for an average six-pack during the 1993-95 biennium, rising to an average increase of $0.09 per six pack by the 1997-99 biennium. Small brewers are exempt from this tax increase.

Hospitals: Currently, non-profit hospitals are not subject to the Business and Occupation Tax. This bill extends the B&O tax to such hospitals at a rate of 0.75 percent during the 1993-95 biennium, and 1.5 percent thereafter.

Insurance Prepayments Tax: The current 1.5 percent B&O tax on health care service contractors and health maintenance organizations is repealed and replaced with a 2 percent tax on insurance prepayments similar to the existing insurance premiums tax imposed on commercial insurers. Initially, this tax is part of the 1993-95 general tax package, but as of January 1996, the revenue from this source will be used to support health care reform.

HEALTH REFORM FUNDING

	Health Services Trust Account	Other Funds
BHP & Medicaid Expansion	**183,974**	**62,373**
Health Care Authority – Basic Health Plan	132,941	
DSHS – Medicaid Expansion & Coordination	51,033	62,373
COMMISSION/DATA	**7,784**	**0**
Commission	3,654	
Commission Anti–Trust (AG'S)	350	
OFM – Data	250	
DOH – Data	3,530	
ATTORNEY GENERAL – Antitrust	**175**	**0**
INSURANCE COMMISSIONER	**0**	**890**
LABOR & INDUSTRIES	**0**	**470**
HCA – Health Reform Planning	**1,427**	**662**
Consolidated Purchasing Planning	1,205	
HCIP Administration		662
K–12 Administration 10/95 Merger	222	
PUBLIC HEALTH	**20,000**	**0**
General (Per Capita Distribution)	10,000	
Immunization	1,000	
Teen Pregnancy	2,750	
Counter Message Advertising	1,000	
Family Planning	1,000	
Multicultural Assistance	100	
Poison Center	3,900	
Public Health Improvement Plan	250	
DSHS	**4,538**	**5,705**
Medicaid Waiver	644	786
Non–Medicaid Maternity Expansion	1,694	4,919
Offset Emergency Room Co–pay	2,200	
DEPARTMENT OF HEALTH	**7,641**	**498**
Recruitment, Retention	1,507	
Children's Hospital	1,918	
EMS Training	1,948	
Volunteer Malpractice	280	
Health Personnel Improvement	613	
Practice w/o License		498
Board of Health/DOH Policy	1,375	
LBC Studies	**565**	**0**
Nursing Homes	165	
Hospital Studies	400	
ADMINISTRATOR FOR THE COURTS – Malpractice Review	**117**	**0**
COMMUNITY HEALTH CENTERS	**5,000**	**0**
UW	**2,900**	**0**
Primary Care Physician Supply/Plan	2,300	
Physician Assistants	300	
Advanced Registered Nurse Practitioners	300	
HECB	**7,070**	**0**
Loan Repayment Program	2,000	
Health Personnel Resource Plan	230	
TA/RA Health Benefits	4,840	
TOTAL EXPENDITURES	**241,191**	**70,598**
REVENUE	**251,400**	
FUND BALANCE	**10,209**	

LOCAL CRIMINAL JUSTICE ASSISTANCE

Chapter 21, Laws of 1993 1st sp.s. (2E2SSB 5521) provides additional state assistance for local criminal justice programs of $60 million in the 1993-95 biennium. The key provisions of this measure are summarized below.

Motor Vehicle Excise Tax Distributions

Sixty million dollars will be distributed for local criminal justice purposes from the motor vehicle excise tax (MVET) revenue beginning January 1, 1994. Of this amount, $42.9 million will be distributed to counties and $17.1 million will be distributed to cities.

The $42.9 million allocated to counties from the MVET will be distributed through a formula based on population, crime rate, and criminal filings.

Distributions to cities include $8.6 million on a per capita basis to cities with exceptionally high crime rates. An additional $8.6 million will be distributed to cities based on the following allocations: (1) 20 percent based on violent crime rates; (2) 16 percent based on population; (3) 14 percent to cities with innovative law enforcement strategies; (4) 20 percent to at risk children programs and child abuse victim response programs; (5) 20 percent to reduce the level of domestic violence and for counseling for domestic violence victims; and (6) 10 percent to cities who contract with other governmental entities for law enforcement services.

Undistributed funds will be used to reimburse local law enforcement agencies with fewer than 10 employees for manpower replacement costs when their employees attend training at the Criminal Justice Training Commission.

Local Sales Tax Authorization

Authorization for the one-tenth of 1 percent sales tax for criminal justice programs is made permanent and is extended to all counties. The sales tax is non-voter approved, but is subject to repeal through referendum. If the tax is imposed in all 39 counties, $105 million would be generated during the 1993-95 biennium for local criminal justice programs.

Mandatory Law and Justice Councils

A local law and justice council is made mandatory in every county. The local law and justice plan for the county shall include maximization of personnel and facilities in order to accomplish local efficiencies.