

HOUSE BILL REPORT

HB 1220

As Reported by House Committee On:
Health Care & Wellness

Title: An act relating to regulating insurance rates.

Brief Description: Regulating insurance rates.

Sponsors: Representatives Rolfes, Cody, Appleton, Frockt, Hinkle, Liias, Fitzgibbon, Jinkins, Hunt, Van De Wege, Moeller and Kenney; by request of Insurance Commissioner.

Brief History:

Committee Activity:

Health Care & Wellness: 1/27/11, 2/10/11 [DPS].

Brief Summary of Substitute Bill

- Makes formulae, statistics, and assumptions submitted as part of an insurance rate filing open to public inspection and copying.

HOUSE COMMITTEE ON HEALTH CARE & WELLNESS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 7 members: Representatives Cody, Chair; Jinkins, Vice Chair; Clibborn, Green, Kelley, Moeller and Van De Wege.

Minority Report: Do not pass. Signed by 4 members: Representatives Schmick, Ranking Minority Member; Hinkle, Assistant Ranking Minority Member; Bailey and Harris.

Staff: Jim Morishima (786-7191).

Background:

The Office of the Insurance Commissioner (OIC) has the authority to regulate health insurance companies in Washington. As part of this authority, the OIC has the authority to review insurance rates in both the individual and small group markets. Insurers are required to file their individual and group rates with the OIC. The OIC may disapprove the rates if they are unreasonable in relation to the benefits in the agreement. The OIC also reviews

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individual and small group market insurers for compliance with statutory requirements such as adjusted community rating and medical loss ratios (for purposes of determining remittances to the Washington State Health Insurance Pool).

An insurance filing is open to public inspection and copying except for actuarial formulae, statistics, and assumptions submitted in support of the filing.

Summary of Substitute Bill:

Actuarial formulae, statistics, and assumptions submitted in support of a rate filing are open to public inspection and copying. However, rate filings for individual and small group health benefit plans are not open to public inspection until the effective date set forth in the filing.

Substitute Bill Compared to Original Bill:

The substitute bill requires that rate filings for individual and small group health benefit plans are not open to public inspection until the effective date set forth in the filing. The substitute bill also removes the provision that repeals the termination date on the Insurance Commissioner's authority to review individual market rates.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) Insurance rates have been on the rise and consumers have no idea why. Under current law, the Insurance Commissioner is prohibited from providing consumers with the drivers behind a rate increase. Releasing this information will not pose a problem for insurers because all of them will have to comply with the requirement. This bill allows consumers to make smarter choices.

(With concerns) This bill will make an insurer's confidential, proprietary information open to the public and to each of the insurer's competitors. If insurers were to do this on their own, it would violate antitrust laws — it is similar to allowing insurers to go into a room to trade information. Expertise and skill in the competitive market should be prized. This information is prepared by actuaries and will not be meaningful to the general public. This bill also would make the information behind the filing public before the filing goes into effect, which could cause confusion. Making all of this information public will hinder competition and increase costs to consumers. Instead of the entire filing, an executive summary could be made public.

(Opposed) None.

Persons Testifying: (In support) Representative Rolfes, prime sponsor; Mike Kreidler, Office of the Insurance Commissioner; Ingrid McDonald, Association for the Advancement of Retired Persons; and Kent Davis, Washington Health Security Coalition.

(With concerns) Mel Sorensen, America's Health Insurance Plans; Len Sorrin, Premera BlueCross; and Chris Bandoli, Regence BlueShield.

Persons Signed In To Testify But Not Testifying: None.