

SENATE BILL REPORT

SB 6384

AS PASSED SENATE, FEBRUARY 13, 1992

**Brief Description:** Enacting the small employer health insurer availability act.

**SPONSORS:** Senators Sellar, Snyder, West and McMullen

**SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE**

**Majority Report:** Do pass and be referred to Committee on Ways & Means.

Signed by Senators von Reichbauer, Chairman; Erwin, Vice Chairman; McCaslin, Owen, Rasmussen, Sellar, and West.

**Minority Report:** Do not pass.

Signed by Senators Moore, Pelz, and Vognild.

**Staff:** Tom Fender (786-7414)

**Hearing Dates:** February 4, 1992; February 7, 1992

**SENATE COMMITTEE ON WAYS & MEANS**

**Majority Report:** Do pass.

Signed by Senators McDonald, Chairman; Craswell, Vice Chairman; Amondson, Bailey, Bauer, Bluechel, Cantu, Gaspard, M. Kreidler, Matson, Metcalf, Murray, Newhouse, Niemi, Rinehart, Saling, West, Williams, and Wojahn.

**Staff:** Steve Jones (786-7715)

**Hearing Dates:** February 10, 1992; February 11, 1992

**BACKGROUND:**

Statistical information indicates that small employers are least apt to provide health insurance for their employees. Cost and product availability have been major deterrents in this marketplace.

In 1991, a "basic coverage" provision was added to existing law to create an incentive for employers with fewer than 25 employees. This change in the law allowed, on a permissive basis, an insurance carrier to provide to small groups basic coverage for group disability and health services.

This law established a second tier of reduced benefit health insurance by dealing with the mandated benefits provisions of existing law. Issues of high risk employees and groups, a standard definition of basic health, allocation versus assigned risk pooling, rating methods and guaranteed renewal were not addressed.

Additionally, a potential parity issue was created in that the basic benefits provided by Medicaid and the basic benefits under this plan are not necessarily the same. The effect of this provision is not known as to the transition from public assistance to minimum wage employment.

Finally, it should be noted that this is a private insurer plan and as of this date the insurers are modifying this concept to achieve more widespread industry support. Accordingly, the committee should expect testimony to suggest changes in this plan to ensure workability.

**SUMMARY:**

Small employers shall be guaranteed access to private health insurance regardless of employees' and dependents' health status or past health experience. A uniform rating system and guaranteed renewal is incorporated.

**Appropriation:** none

**Revenue:** none

**Fiscal Note:** available

**TESTIMONY FOR (Financial Institutions & Insurance):**

By risk allocation more employers will be able to purchase health insurance. The effect of this increased access, and the addition of a "basic health" definition will control costs.

**TESTIMONY AGAINST (Financial Institutions & Insurance):**

This is not a practical solution but instead a "bandaid" approach to a large problem.

**TESTIFIED (Financial Institutions & Insurance):** PRO: Michael Schlitt, Association of American Physicians and Surgeons; Margaret Stanley, Health Care Authority; Mary Clogston, WA Citizen Action; Gary Smith, Independent Business Association; Mel Sorensen, Alliance for Health Care Reform; Ken Bertrand, Group Health Cooperative; Becky Bogard, Aetna Health; Dick Hemstad, PACC Health Plans; Clif Finch, Association of Washington Business; CON: Craig Salins, small business owner

**TESTIMONY FOR (Ways & Means):**

The bill will make available to small businesses a standardized insurance policy with standardized rates. Rate stabilization will occur by pooling similarly situated employers and excluding medical factors such as pre-existing conditions. The costs of the bill should be less than indicated in the fiscal note because many individual nonstandard insurance policies currently being filed with the Insurance Commissioner will be replaced by standardized policies. Initial filings with the commissioner may be high, but the filings will soon taper off.

**TESTIMONY AGAINST (Ways & Means):** None

**TESTIFIED (Ways & Means):** Mel Sorensen, Alliance for Health Care Reform; Basil Badley, Health Insurance Association of America