
HOUSE BILL 2922

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By Representatives Tate, Bowman, Schmidt, Chandler, Wilson, Brumsickle, Wynne, Sheldon, Beck, Vance, Ferguson, May, Broback, Forner, Miller, Neher, Hargrove, McLean, D. Sommers, Silver, Hochstatter, Mielke, Paris, Brough, Carlson, Winsley, Wood, Horn, Mitchell and P. Johnson

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1 AN ACT Relating to small employer health insurance coverage;
2 amending RCW 48.21.260, 48.44.370, 48.46.450, and 48.21.030; and adding
3 a new chapter to Title 48 RCW.

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

5 NEW SECTION. **Sec. 1.** The legislature finds that small
6 business employers are unable to buy affordable health care coverage
7 for their employees that is comparable in cost and benefits or service
8 to that available to larger businesses. It further finds that this
9 inability directly affects Washington citizens' access to health care.
10 It is, therefore, the intent of the legislature to make certain that
11 all citizens have equal access to health care coverage through their
12 employers. Thus, it is the further intent of the legislature to insure
13 this access regardless of the size of the employer's business
14 enterprise.

1 NEW SECTION. **Sec. 2.** Unless the context clearly requires
2 otherwise, the definitions in this section apply throughout this
3 chapter.

4 (1) "Issuer" means group disability insurers as defined in chapter
5 48.21 RCW, health service contractors as defined in chapter 48.44 RCW,
6 and health maintenance organizations as defined in chapter 48.46 RCW.

7 (2) "Small employer" and "employer" mean a business which, during
8 the most recent calendar year, employed at least three and not more
9 than fifty employees who are eligible for coverage under a health care
10 benefit plan on at least fifty percent of that business' working days.

11 (3) "Health care benefit plan" and "plan" mean any group policy,
12 contract, or agreement, which provides medical, surgical, or hospital
13 care or benefits to employees of a small employer and their dependents.

14 (4) "Premium" means consideration for issuance and administration
15 of a policy, contract, or agreement.

16 NEW SECTION. **Sec. 3.** (1)(a) An issuer providing a health care
17 benefit plan to a small employer may refuse to renew the plan, without
18 penalties, for any of the following reasons:

- 19 (i) Nonpayment of required premium;
20 (ii) Fraud or misrepresentation on the part of the employer; or
21 (iii) Noncompliance with provisions of the plan regarding minimum
22 numbers of or percentages of insured employees;

23 (b) The refusal to renew a group health care benefit plan requires
24 ninety days written notice to the group.

25 (2) If an issuer refuses to renew a health care benefit plan for
26 any reason not under subsection (1)(a) of this section the issuer may
27 not accept any new small employer business for a period of two years
28 after it provides notice of such refusal.

1 (3) Nothing in this section is intended to prevent any issuer from
2 rescinding or refusing to renew the coverage of any individual employee
3 or dependent of that employee for fraud or material misrepresentation.

4 NEW SECTION. **Sec. 4.** (1) An issuer shall establish the
5 premium rate in accordance with the issuer's table, contractor's table,
6 or organization's table of premium rates applicable to the age and
7 class of risk of each person to be covered under the policy. However,
8 no issuer shall charge any single group a rate greater than two times
9 that of the lowest rate the issuer charges to any small business
10 employer in the state.

11 (2) No issuer may increase the annual premium, subject to the
12 limitations under subsection (1) of this section, by more than:

13 (a) The percentage change in the new business premium rate for
14 employers with similar characteristics as measured between the first
15 day of the calendar year in which the new rates take effect and the
16 first day of the prior calendar year for groups with similar
17 characteristics; plus

18 (b) Fifteen percent annually based on group experience; plus

19 (c) An adjustment because of changes in the coverage provided or
20 changes in the work force characteristics of the employer.

21 NEW SECTION. **Sec. 5.** No issuer may refuse to offer coverage
22 under a health care benefit plan to employees of a small employer based
23 solely on the nature of the employer's business. An issuer may charge
24 additional premiums based on the nature of the employer's business that
25 do not exceed one hundred fifty percent of the total premium that would
26 be charged to that employer under section 3 of this act regardless of
27 the nature of the employer's business.

1 **Sec. 6.** RCW 48.21.260 and 1984 c 190 s 3 are each amended to read
2 as follows:

3 (1) Except as otherwise provided by this section, any group
4 disability insurance policy issued, renewed, or amended on or after
5 January 1, 1985, that provides benefits for hospital or medical
6 expenses shall contain a provision granting a person covered by the
7 group policy the right to obtain a conversion policy from the insurer
8 upon termination of the person's eligibility for coverage under the
9 group policy.

10 (2) An insurer need not offer a conversion policy to:

11 (a) A person whose coverage under the group policy ended when the
12 person's employment or membership was terminated for misconduct:
13 PROVIDED, That when a person's employment or membership is terminated
14 for misconduct, a conversion policy shall be offered to the spouse
15 and/or dependents of the terminated employee or member. The policy
16 shall include in the conversion provisions the same conversion rights
17 and conditions which are available to employees or members and their
18 spouses and/or dependents who are terminated for reasons other than
19 misconduct; or

20 (b) A person who is (~~eligible for federal Medicare coverage; or~~
21 ~~(c) A person who is~~) covered under another group plan, policy,
22 contract, or agreement providing benefits for hospital or medical care.

23 (3) To obtain the conversion policy, a person must submit a written
24 application and the first premium payment for the conversion policy not
25 later than thirty-one days after the date the person's group coverage
26 terminates. The conversion policy shall become effective, without
27 lapse of coverage, immediately following termination of coverage under
28 the group policy.

29 (4) If an insurer or group policyholder does not renew, cancels, or
30 otherwise terminates the group policy, the insurer shall offer a

1 conversion policy to any person who was covered under the terminated
2 policy unless the person is eligible to obtain group hospital or
3 medical expense coverage within thirty-one days after such nonrenewal,
4 cancellation, or termination of the group policy.

5 (5) The insurer shall determine the premium for the conversion
6 policy in accordance with the insurer's table of premium rates
7 applicable to the age and class of risk of each person to be covered
8 under the policy and the type and amount of benefits provided. The
9 benefits offered shall not be less than those in the group policy and
10 the individual premium shall not exceed one hundred thirty-five percent
11 of the rate that would have been offered under the same plan in the
12 same time period. The insurer may apply any benefits already paid
13 under the plan against the benefit limits of the conversion policy
14 providing that it shall also credit the insured with any waiting
15 period, deductible, or coinsurance previously credited under the plan.

16 (6) If the insured is eligible for medicare the insurer shall offer
17 a medigap policy providing supplemental benefits to medicare. The
18 total benefits when combined with medicare shall not be less than those
19 in the group policy. The individual premium shall not exceed seventy-
20 five percent of the rate that is offered under the group plan. The
21 insurer may apply any benefits already paid under the plan against the
22 benefit limits of the conversion policy providing that it shall also
23 credit the insured with any waiting period, deductible, or coinsurance
24 previously credited under the plan.

25 **Sec. 7.** RCW 48.44.370 and 1984 c 190 s 6 are each amended to read
26 as follows:

27 (1) Except as otherwise provided by this section, any group health
28 care service contract entered into or renewed on or after January 1,
29 1985, that provides benefits for hospital or medical expenses shall

1 contain a provision granting a person covered by the group contract the
2 right to obtain a conversion contract from the contractor upon
3 termination of the person's eligibility for coverage under the group
4 contract.

5 (2) A contractor need not offer a conversion contract to:

6 (a) A person whose coverage under the group contract ended when the
7 person's employment or membership was terminated for misconduct:
8 PROVIDED, That when a person's employment or membership is terminated
9 for misconduct, a conversion policy shall be offered to the spouse
10 and/or dependents of the terminated employee or member. The policy
11 shall include in the conversion provisions the same conversion rights
12 and conditions which are available to employees or members and their
13 spouses and/or dependents who are terminated for reasons other than
14 misconduct; or

15 (b) A person who is (~~eligible for federal Medicare coverage; or~~
16 ~~(c) A person who is~~) covered under another group plan, policy,
17 contract, or agreement providing benefits for hospital or medical care.

18 (3) To obtain the conversion contract, a person must submit a
19 written application and the first premium payment for the conversion
20 contract not later than thirty-one days after the date the person's
21 eligibility for group coverage terminates. The conversion contract
22 shall become effective, without lapse of coverage, immediately
23 following termination of coverage under the group contract.

24 (4) If a health care service contractor or group contract holder
25 does not renew, cancels, or otherwise terminates the group contract,
26 the health care service contractor shall offer a conversion contract to
27 any person who was covered under the terminated contract unless the
28 person is eligible to obtain group hospital or medical expense coverage
29 within thirty-one days after such nonrenewal, cancellation, or
30 termination of the group contract.

1 (5) The health care service contractor shall determine the premium
2 for the conversion contract in accordance with the contractor's table
3 of premium rates applicable to the age and class of risk of each person
4 to be covered under the contract and the type and amount of benefits
5 provided. The benefits offered shall not be less than those in the
6 group contract and the individual premium shall not exceed one hundred
7 thirty-five percent of the rate that would have been offered under the
8 same plan in the same time period. The insurer may apply any benefits
9 already paid under the plan against the benefit limits of the
10 conversion policy providing that it shall also credit the insured with
11 any waiting period, deductible, or coinsurance previously credited
12 under the plan.

13 (6) If the person covered under the group contract is eligible for
14 medicare the contractor shall offer medigap coverage providing
15 supplemental benefits to medicare. The total benefits when combined
16 with medicare shall not be less than those in the group plan. The
17 individual premium shall not exceed seventy-five percent of the rate
18 that is offered under the group plan. The insurer may apply any
19 benefits already paid under the plan against the benefit limits of the
20 conversion policy providing that it shall also credit the insured with
21 any waiting period, deductible, or coinsurance previously credited
22 under the plan.

23 **Sec. 8.** RCW 48.46.450 and 1984 c 190 s 9 are each amended to read
24 as follows:

25 (1) Except as otherwise provided by this section, any group health
26 maintenance agreement entered into or renewed on or after January 1,
27 1985, that provides benefits for hospital or medical care shall contain
28 a provision granting a person covered by the group agreement the right
29 to obtain a conversion agreement from the health maintenance

1 organization upon termination of the person's eligibility for coverage
2 under the group agreement.

3 (2) A health maintenance organization need not offer a conversion
4 agreement to:

5 (a) A person whose coverage under the group agreement ended when
6 the person's employment or membership was terminated for misconduct:
7 PROVIDED, That when a person's employment or membership is terminated
8 for misconduct, a conversion policy shall be offered to the spouse
9 and/or dependents of the terminated employee or member. The policy
10 shall include in the conversion provisions the same conversion rights
11 and conditions which are available to employees or members and their
12 spouses and/or dependents who are terminated for reasons other than
13 misconduct; or

14 (b) A person who is (~~eligible for federal Medicare coverage; or~~
15 ~~(c) A person who is~~) covered under another group plan, policy,
16 contract, or agreement providing benefits for hospital or medical care.

17 (3) To obtain the conversion agreement, a person must submit a
18 written application and the first premium payment for the conversion
19 agreement not later than thirty-one days after the date the person's
20 eligibility for group coverage terminates. The conversion agreement
21 shall become effective without lapse of coverage, immediately following
22 termination of coverage under the group agreement.

23 (4) If a health maintenance organization or group agreement holder
24 does not renew, cancels, or otherwise terminates the group agreement,
25 the health maintenance organization shall offer a conversion agreement
26 to any person who was covered under the terminated agreement unless the
27 person is eligible to obtain group benefits for hospital or medical
28 care within thirty-one days after such nonrenewal, cancellation, or
29 termination of the group agreement.

1 (5) The health maintenance organization shall determine the premium
2 for the conversion agreement in accordance with the organization's
3 table of premium rates applicable to the age and class of risk of each
4 person to be covered under the agreement and the type and amount of
5 benefits provided. The benefits offered shall not be less than those
6 in the group agreement and the individual premium shall not exceed one
7 hundred thirty-five percent of the rate that would have been offered
8 under the same plan in the same time period. The insurer may apply any
9 benefits already paid under the plan against the benefit limits of the
10 conversion policy providing that it shall also credit the insured with
11 any waiting period, deductible, or coinsurance previously credited
12 under the plan.

13 (6) If the person covered under the group agreement is eligible for
14 medicare the contractor shall offer medigap coverage providing
15 supplemental benefits to medicare. The total benefits when combined
16 with medicare shall not be less than those in the group plan. The
17 individual premium shall not exceed seventy-five percent of the rate
18 that is offered under the group plan. The insurer may apply any
19 benefits already paid under the plan against the benefit limits of the
20 conversion policy providing that it shall also credit the insured with
21 any waiting period, deductible, or coinsurance previously credited
22 under the plan.

23 NEW SECTION. Sec. 9. No issuer offering a health care benefit
24 plan may refuse to accept for coverage under the plan, any person
25 employed after the effective date of the policy, who on the date of
26 application for the coverage is eligible, if that person has, as of
27 that date, been continuously covered under a health care benefit plan
28 or other employer provided health care coverage for a period of one
29 year. However, the issuer may refuse to insure the employee for health

1 underwriting considerations, sufficient to qualify the person as a high
2 risk eligible for the Washington health insurance pool, or because the
3 employee was previously insured by a policy issued by any state high
4 risk pool. If a new employee is refused coverage, the employer shall
5 facilitate coverage through the Washington state health insurance pool,
6 under chapter 48.41 RCW, and pay the same premium amount to the pool as
7 he or she is paying for the group coverage for the other employees. If
8 the pool premium is a greater amount, the employee and employer shall
9 negotiate the difference as part of the employment contract. An issuer
10 does not need to provide benefits greater than those provided to a
11 person insured as a standard risk under the health care benefit plan or
12 greater than those that would have been provided under prior coverage
13 had it remained in force if they were greater than the standard risk.
14 For purposes of this section, a person is deemed to be continuously
15 covered for a period of one year if the person is insured at the
16 beginning and end of that period and has not had any breaks in coverage
17 during that period totaling more than thirty-one days.

18 **Sec. 10.** RCW 48.21.030 and 1947 c 79 s .21.03 are each amended to
19 read as follows:

20 (1) A policy of group disability insurance may be issued to a
21 corporation, as policyholder, existing primarily for the purpose of
22 assisting individuals who are its subscribers in securing medical,
23 hospital, dental, and other health care services for themselves and
24 their dependents, covering all and not less than five hundred such
25 subscribers and dependents, with respect only to medical, hospital,
26 dental, and other health care services.

27 (2) This section does not apply to sections 1 through 4 and 8 of
28 this act.

1 NEW SECTION. **Sec. 11.** Sections 1 through 5 and 9 of this act
2 shall constitute a new chapter in Title 48 RCW.