

SENATE BILL REPORT

SB 6307

AS REPORTED BY COMMITTEE ON WAYS & MEANS, FEBRUARY 28, 1994

Brief Description: Clarifying health care authority powers and duties.

SPONSORS: Senators Talmadge and Winsley; by request of Health Care Authority

SENATE COMMITTEE ON HEALTH & HUMAN SERVICES

Majority Report: That Substitute Senate Bill No. 6307 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Talmadge, Chairman; Wojahn, Vice Chairman; Deccio, Franklin, Fraser, Hargrove, McAuliffe, McDonald, Moyer, Niemi, Prentice, Quigley and Winsley.

Staff: Don Sloma (786-7319)

Hearing Dates: February 23, 1994; February 25, 1994

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 6307 as recommended by Committee on Health & Human Services be substituted therefor, and the substitute bill do pass.

Signed by Senators Rinehart, Chairman; Bauer, Bluechel, Gaspard, Hargrove, Moyer, Niemi, Owen, Pelz, Snyder, Spanel, Sutherland, Talmadge, Williams and Wojahn.

Staff: Steve Lerch (786-7474)

Hearing Dates: February 28, 1994

BACKGROUND:

The Health Care Authority (HCA) purchases health insurance for state employees, some school district employees and other public employees, administers the Basic Health Plan, provides grants to community and migrant health centers and performs other duties related to the state's purchase of health care.

Under current law and practice, the HCA administrator hears appeals and makes final decisions on complaints regarding HCA administrative determinations. The practice is time consuming for the administrator and is sometimes criticized as unfair to enrollees.

The Public Employee Benefits Board within HCA may pursue various strategies to contain health care costs, including limiting the state's contribution for employee plans to a percentage of a lowest priced plan. Under current law, if

this is done, employee financial contributions must be structured on a sliding fee basis related to employee household income. The HCA does not keep employee household information, and would incur additional costs to begin doing so if this provision becomes operational.

Under current law, the HCA administrator must survey and report on the cost and quality of health services provided within the private sector. The HCA has been unable to comply with this requirement because much of the information which must be obtained to complete the survey is proprietary and not available to the HCA.

Under current law, the HCA may not accept a person for subsidized enrollment in the Basic Health Plan (BHP) if he or she has more comprehensive coverage than offered by BHP at the time of applying.

Under current law, the BHP may purchase insurance for any resident of the state who wishes to pay 100 percent of the BHP costs, including applicable state administrative costs and "the appropriate premium tax as provided by law." However, a blanket exemption of BHP from all of Title 48 RCW enacted as part of the publicly subsidized portion of that program may exempt unsubsidized coverage purchased by BHP from the 2 percent premium tax required of all insurers. If this is true, the exemption may conflict with the intent established in RCW 70.47.060(2)b. Some are concerned that if unsubsidized BHP purchased insurance plans do not pay the 2 percent premium tax, BHP will have an unfair market advantage in comparison to purely privately offered health insurance plans.

SUMMARY:

The HCA administrator may delegate any power or duty vested in him or her, including the authority to make final determinations under the Administrative Procedure Act.

The administrator's duty to regularly survey and report on private and public insurance offered to employees is removed.

The administrator's duty to exclude applicants from subsidized enrollment in the BHP if they have more comprehensive health insurance is modified. Under the terms of the act, the time for determining the presence of more comprehensive coverage is changed from the time of application to the time of enrollment in BHP.

The exemption of the BHP from Title 48 RCW is modified to clarify that it does not apply to the payment of the 2 percent premium tax by unsubsidized BHP insurance plans.

EFFECT OF PROPOSED SUBSTITUTE:

The date upon which the HCA must begin managed competition with state purchased health care is moved from January 1, 1995 as in current law, to July 1, 1995.

Clarification is provided as to legislative intent regarding the premium tax on unsubsidized enrollment in the BHP. Intent is stated that these provisions are included to clarify that the premium tax for all certified health plans and other forms of insurance is intended to apply to unsubsidized BHP plans. If a court finds that this tax is in violation of I 601, this tax must be put to a vote of the people.

Appropriation: none

Revenue: none

Fiscal Note: available

TESTIMONY FOR:

The bill is needed to resolve the several technical issues it addresses in order to improve the efficiency and compliance with statutory direction of the Health Care Authority. The provisions related to the premium tax on the BHP are needed to make sure there is no problem collecting the revenue the Legislature intended to collect and assumed when it passed health care reform in 1993.

TESTIMONY AGAINST: None

TESTIFIED: Kristen West, Health Care Authority; Jeff Larsen, WA Assn. of Naturopathic Physicians