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**SUBSTITUTE SENATE BILL 5435**

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**State of Washington**

**54th Legislature**

**1995 Regular Session**

**By** Senate Committee on Financial Institutions & Housing (originally sponsored by Senators Prentice, Hale, Fraser, Franklin, C. Anderson and Kohl; by request of Insurance Commissioner)

Read first time 02/27/95.

1 AN ACT Relating to preexisting condition limitations in medicare  
2 supplement policies or certificates; amending RCW 48.66.020 and  
3 48.66.130; and adding a new section to chapter 48.66 RCW.

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

5 **Sec. 1.** RCW 48.66.020 and 1992 c 138 s 1 are each amended to read  
6 as follows:

7 Unless the context clearly requires otherwise, the definitions in  
8 this section apply throughout this chapter.

9 (1) "Medicare supplemental insurance" or "medicare supplement  
10 insurance policy" refers to a group or individual policy of disability  
11 insurance or a subscriber contract of a health care service contractor,  
12 a health maintenance organization, or a fraternal benefit society,  
13 which relates its benefits to medicare, or which is advertised,  
14 marketed, or designed primarily as a supplement to reimbursements under  
15 medicare for the hospital, medical, or surgical expenses of persons  
16 eligible for medicare. Such term does not include:

17 (a) A policy or contract of one or more employers or labor  
18 organizations, or of the trustees of a fund established by one or more  
19 employers or labor organizations, or combination thereof, for employees

1 or former employees, or combination thereof, or for members or former  
2 members, or combination thereof, of the labor organizations; or

3 (b) A policy issued pursuant to a contract under Section 1876 or  
4 Section 1833 of the federal social security act (42 U.S.C. Sec. 1395 et  
5 seq.), or an issued policy under a demonstration project authorized  
6 pursuant to amendments to the federal social security act; or

7 (c) Insurance policies or health care benefit plans, including  
8 group conversion policies, provided to medicare eligible persons, that  
9 are not marketed or held to be medicare supplement policies or benefit  
10 plans.

11 (2) "Medicare" means the "Health Insurance for the Aged Act," Title  
12 XVIII of the Social Security Amendments of 1965, as then constituted or  
13 later amended.

14 (3) "Medicare eligible expenses" means health care expenses of the  
15 kinds covered by medicare, to the extent recognized as reasonable and  
16 medically necessary by medicare.

17 (4) "Applicant" means:

18 (a) In the case of an individual medicare supplement insurance  
19 policy or subscriber contract, the person who seeks to contract for  
20 insurance benefits; and

21 (b) In the case of a group medicare supplement insurance policy or  
22 subscriber contract, the proposed certificate holder.

23 (5) "Certificate" means any certificate delivered or issued for  
24 delivery in this state under a group medicare supplement insurance  
25 policy.

26 (6) "Loss ratio" means the incurred claims as a percentage of the  
27 earned premium computed under rules adopted by the insurance  
28 commissioner.

29 (7) "Preexisting condition" means a covered person's medical  
30 condition that caused that person to have received medical advice or  
31 treatment during a specified time period immediately prior to the  
32 effective date of coverage.

33 (8) "Disclosure form" means the form designated by the insurance  
34 commissioner which discloses medicare benefits, the supplemental  
35 benefits offered by the insurer, and the remaining amount for which the  
36 insured will be responsible.

37 (9) "Issuer" includes insurance companies, health care service  
38 contractors, health maintenance organizations, fraternal benefit  
39 societies, and any other entity delivering or issuing for delivery ((in

1 ~~this state~~) medicare supplement policies or certificates to a resident  
2 of this state.

3 **Sec. 2.** RCW 48.66.130 and 1992 c 138 s 9 are each amended to read  
4 as follows:

5 (1) (~~No later than July 1, 1992~~) On or after January 1, 1996, and  
6 notwithstanding any other provision of Title 48 RCW, a medicare  
7 supplement policy or certificate shall not exclude or limit benefits  
8 for losses incurred more than (~~six~~) three months from the effective  
9 date of coverage because it involved a preexisting condition.

10 (2) (~~No later than July 1, 1992~~) On or after January 1, 1996, a  
11 medicare supplement policy or certificate shall not define a  
12 preexisting condition more restrictively than as a condition for which  
13 medical advice was given or treatment was recommended by or received  
14 from a physician, or other health care provider acting within the scope  
15 of his or her license, within (~~six~~) three months before the effective  
16 date of coverage.

17 (3) If a medicare supplement insurance policy or certificate  
18 contains any limitations with respect to preexisting conditions, such  
19 limitations must appear as a separate paragraph of the policy or  
20 certificate and be labeled as "Preexisting Condition Limitations."

21 NEW SECTION. **Sec. 3.** A new section is added to chapter 48.66 RCW  
22 to read as follows:

23 Every issuer of a medicare supplement insurance policy or  
24 certificate providing coverage to a resident of this state issued on or  
25 after January 1, 1996, shall:

26 (1) Issue coverage under its standardized benefit plans B, C, D, E,  
27 F, and G without evidence of insurability to any resident of this state  
28 who is eligible for both medicare hospital and physician services by  
29 reason of age or by reason of disability or end-stage renal disease, if  
30 the medicare supplement policy replaces another medicare supplement  
31 standardized benefit plan policy or certificate B, C, D, E, F, or G, or  
32 other more comprehensive coverage than the replaced policy;

33 (2) Issue coverage under its standardized plans A, H, I, and J  
34 without evidence of insurability to any resident of this state who is  
35 eligible for both medicare hospital and physician services by reason of  
36 age or by reason of disability or end-stage renal disease, if the  
37 medicare supplement policy replaces another medicare supplement policy

1 or certificate which is the same standardized plan as the replaced  
2 policy; and

3 (3) Set rates only on a community-rated basis. Premiums shall be  
4 equal for all policyholders and certificate holders under a  
5 standardized medicare supplement benefit plan form, except that an  
6 issuer may develop no more than two rating pools that distinguish  
7 between an insured's eligibility for medicare by reason of:

8 (a) Age; or

9 (b) Disability or end-stage renal disease.

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