
SENATE BILL 6255

State of Washington

54th Legislature

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By Senators Franklin, Wojahn, Kohl, Prentice, Quigley, Thibaudeau and Fairley

Read first time 01/09/96. Referred to Committee on Health & Long-Term Care.

1 AN ACT Relating to approval by the insurance commissioner of
2 premium rates; amending RCW 48.44.022, 48.44.023, 48.46.064, and
3 48.46.066; adding a new section to chapter 48.44 RCW; and adding a new
4 section to chapter 48.46 RCW.

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

6 **Sec. 1.** RCW 48.44.022 and 1995 c 265 s 15 are each amended to read
7 as follows:

8 (1)(a) A health care service contractor offering any health benefit
9 plan to any individual shall offer and actively market to all
10 individuals a health benefit plan providing benefits identical to the
11 schedule of covered health services that are required to be delivered
12 to an individual enrolled in the basic health plan. Nothing in this
13 subsection shall preclude a contractor from offering, or an individual
14 from purchasing, other health benefit plans that may have more or less
15 comprehensive benefits than the basic health plan, provided such plans
16 are in accordance with this chapter. A contractor offering a health
17 benefit plan that does not include benefits provided in the basic
18 health plan shall clearly disclose these differences to the individual
19 in a brochure approved by the commissioner.

1 (b) A health benefit plan shall provide coverage for hospital
2 expenses and services rendered by a physician licensed under chapter
3 18.57 or 18.71 RCW but is not subject to the requirements of RCW
4 48.44.225, 48.44.240, 48.44.245, 48.44.290, 48.44.300, 48.44.310,
5 48.44.320, 48.44.325, 48.44.330, 48.44.335, 48.44.340, 48.44.344,
6 48.44.360, 48.44.400, 48.44.440, 48.44.450, and 48.44.460 if the health
7 benefit plan is the mandatory offering under (a) of this subsection
8 that provides benefits identical to the basic health plan, to the
9 extent these requirements differ from the basic health plan.

10 (2) Premium rates for health benefit plans for individuals must be
11 approved by the insurance commissioner as provided in section 5 of this
12 act and shall be subject to the following provisions:

13 (a) The health care service contractor shall develop its rates
14 based on an adjusted community rate and may only vary the adjusted
15 community rate for:

- 16 (i) Geographic area;
- 17 (ii) Family size;
- 18 (iii) Age; and
- 19 (iv) Wellness activities.

20 (b) The adjustment for age in (a)(iii) of this subsection may not
21 use age brackets smaller than five-year increments which shall begin
22 with age twenty and end with age sixty-five. Individuals under the age
23 of twenty shall be treated as those age twenty.

24 (c) The health care service contractor shall be permitted to
25 develop separate rates for individuals age sixty-five or older for
26 coverage for which medicare is the primary payer and coverage for which
27 medicare is not the primary payer. Both rates shall be subject to the
28 requirements of this subsection.

29 (d) The permitted rates for any age group shall be no more than
30 four hundred twenty-five percent of the lowest rate for all age groups
31 on January 1, 1996, four hundred percent on January 1, 1997, and three
32 hundred seventy-five percent on January 1, 2000, and thereafter.

33 (e) A discount for wellness activities shall be permitted to
34 reflect actuarially justified differences in utilization or cost
35 attributed to such programs not to exceed twenty percent.

36 (f) The rate charged for a health benefit plan offered under this
37 section may not be adjusted more frequently than annually except that
38 the premium may be changed to reflect:

- 39 (i) Changes to the family composition;

1 (ii) Changes to the health benefit plan requested by the
2 individual; or

3 (iii) Changes in government requirements affecting the health
4 benefit plan.

5 (g) For the purposes of this section, a health benefit plan that
6 contains a restricted network provision shall not be considered similar
7 coverage to a health benefit plan that does not contain such a
8 provision, provided that the restrictions of benefits to network
9 providers result in substantial differences in claims costs. This
10 subsection does not restrict or enhance the portability of benefits as
11 provided in RCW 48.43.015.

12 (3) Adjusted community rates established under this section shall
13 pool the medical experience of all individuals purchasing coverage, and
14 shall not be required to be pooled with the medical experience of
15 health benefit plans offered to small employers under RCW 48.44.023.

16 (4) As used in this section and RCW 48.44.023 "health benefit
17 plan," "small employer," "basic health plan," "adjusted community
18 rates," and "wellness activities" mean the same as defined in RCW
19 48.43.005.

20 **Sec. 2.** RCW 48.44.023 and 1995 c 265 s 16 are each amended to read
21 as follows:

22 (1)(a) A health care services contractor offering any health
23 benefit plan to a small employer shall offer and actively market to the
24 small employer a health benefit plan providing benefits identical to
25 the schedule of covered health services that are required to be
26 delivered to an individual enrolled in the basic health plan. Nothing
27 in this subsection shall preclude a contractor from offering, or a
28 small employer from purchasing, other health benefit plans that may
29 have more or less comprehensive benefits than the basic health plan,
30 provided such plans are in accordance with this chapter. A contractor
31 offering a health benefit plan that does not include benefits in the
32 basic health plan shall clearly disclose these differences to the small
33 employer in a brochure approved by the commissioner.

34 (b) A health benefit plan shall provide coverage for hospital
35 expenses and services rendered by a physician licensed under chapter
36 18.57 or 18.71 RCW but is not subject to the requirements of RCW
37 48.44.225, 48.44.240, 48.44.245, 48.44.290, 48.44.300, 48.44.310,
38 48.44.320, 48.44.325, 48.44.330, 48.44.335, 48.44.340, 48.44.344,

1 48.44.360, 48.44.400, 48.44.440, 48.44.450, and 48.44.460 if: (i) The
2 health benefit plan is the mandatory offering under (a) of this
3 subsection that provides benefits identical to the basic health plan,
4 to the extent these requirements differ from the basic health plan; or
5 (ii) the health benefit plan is offered to employers with not more than
6 twenty-five employees.

7 (2) Nothing in this section shall prohibit a health care service
8 contractor from offering, or a purchaser from seeking, benefits in
9 excess of the basic health plan services. All forms, policies, and
10 contracts shall be submitted for approval to the commissioner, and the
11 rates of any plan offered under this section shall be reasonable in
12 relation to the benefits thereto.

13 (3) Premium rates for health benefit plans for small employers as
14 defined in this section must be approved by the insurance commissioner
15 as provided in section 5 of this act and shall be subject to the
16 following provisions:

17 (a) The contractor shall develop its rates based on an adjusted
18 community rate and may only vary the adjusted community rate for:

- 19 (i) Geographic area;
- 20 (ii) Family size;
- 21 (iii) Age; and
- 22 (iv) Wellness activities.

23 (b) The adjustment for age in (a)(iii) of this subsection may not
24 use age brackets smaller than five-year increments, which shall begin
25 with age twenty and end with age sixty-five. Employees under the age
26 of twenty shall be treated as those age twenty.

27 (c) The contractor shall be permitted to develop separate rates for
28 individuals age sixty-five or older for coverage for which medicare is
29 the primary payer and coverage for which medicare is not the primary
30 payer. Both rates shall be subject to the requirements of this
31 subsection (3).

32 (d) The permitted rates for any age group shall be no more than
33 four hundred twenty-five percent of the lowest rate for all age groups
34 on January 1, 1996, four hundred percent on January 1, 1997, and three
35 hundred seventy-five percent on January 1, 2000, and thereafter.

36 (e) A discount for wellness activities shall be permitted to
37 reflect actuarially justified differences in utilization or cost
38 attributed to such programs not to exceed twenty percent.

1 (f) The rate charged for a health benefit plan offered under this
2 section may not be adjusted more frequently than annually except that
3 the premium may be changed to reflect:

4 (i) Changes to the enrollment of the small employer;

5 (ii) Changes to the family composition of the employee;

6 (iii) Changes to the health benefit plan requested by the small
7 employer; or

8 (iv) Changes in government requirements affecting the health
9 benefit plan.

10 (g) Rating factors shall produce premiums for identical groups that
11 differ only by the amounts attributable to plan design, with the
12 exception of discounts for health improvement programs.

13 (h) For the purposes of this section, a health benefit plan that
14 contains a restricted network provision shall not be considered similar
15 coverage to a health benefit plan that does not contain such a
16 provision, provided that the restrictions of benefits to network
17 providers result in substantial differences in claims costs. This
18 subsection does not restrict or enhance the portability of benefits as
19 provided in RCW 48.43.015.

20 (i) Adjusted community rates established under this section shall
21 pool the medical experience of all groups purchasing coverage.

22 (4) The health benefit plans authorized by this section that are
23 lower than the required offering shall not supplant or supersede any
24 existing policy for the benefit of employees in this state. Nothing in
25 this section shall restrict the right of employees to collectively
26 bargain for insurance providing benefits in excess of those provided
27 herein.

28 (5)(a) Except as provided in this subsection, requirements used by
29 a contractor in determining whether to provide coverage to a small
30 employer shall be applied uniformly among all small employers applying
31 for coverage or receiving coverage from the carrier.

32 (b) A contractor shall not require a minimum participation level
33 greater than:

34 (i) One hundred percent of eligible employees working for groups
35 with three or less employees; and

36 (ii) Seventy-five percent of eligible employees working for groups
37 with more than three employees.

38 (c) In applying minimum participation requirements with respect to
39 a small employer, a small employer shall not consider employees or

1 dependents who have similar existing coverage in determining whether
2 the applicable percentage of participation is met.

3 (d) A contractor may not increase any requirement for minimum
4 employee participation or modify any requirement for minimum employer
5 contribution applicable to a small employer at any time after the small
6 employer has been accepted for coverage.

7 (6) A contractor must offer coverage to all eligible employees of
8 a small employer and their dependents. A contractor may not offer
9 coverage to only certain individuals or dependents in a small employer
10 group or to only part of the group. A contractor may not modify a
11 health plan with respect to a small employer or any eligible employee
12 or dependent, through riders, endorsements or otherwise, to restrict or
13 exclude coverage or benefits for specific diseases, medical conditions,
14 or services otherwise covered by the plan.

15 **Sec. 3.** RCW 48.46.064 and 1995 c 265 s 17 are each amended to read
16 as follows:

17 (1)(a) A health maintenance organization offering any health
18 benefit plan to any individual shall offer and actively market to all
19 individuals a health benefit plan providing benefits identical to the
20 schedule of covered health services that are required to be delivered
21 to an individual enrolled in the basic health plan. Nothing in this
22 subsection shall preclude a health maintenance organization from
23 offering, or an individual from purchasing, other health benefit plans
24 that may have more or less comprehensive benefits than the basic health
25 plan, provided such plans are in accordance with this chapter. A
26 health maintenance organization offering a health benefit plan that
27 does not include benefits provided in the basic health plan shall
28 clearly disclose these differences to the individual in a brochure
29 approved by the commissioner.

30 (b) A health benefit plan shall provide coverage for hospital
31 expenses and services rendered by a physician licensed under chapter
32 18.57 or 18.71 RCW but is not subject to the requirements of RCW
33 48.46.275, ((~~48.26.280~~ [~~48.46.280~~])) 48.46.280, 48.46.285, 48.46.290,
34 48.46.350, 48.46.355, 48.46.375, 48.46.440, 48.46.480, 48.46.510,
35 48.46.520, and 48.46.530 if the health benefit plan is the mandatory
36 offering under (a) of this subsection that provides benefits identical
37 to the basic health plan, to the extent these requirements differ from
38 the basic health plan.

1 (2) Premium rates for health benefit plans for individuals must be
2 approved by the insurance commissioner as provided in section 6 of this
3 act and shall be subject to the following provisions:

4 (a) The health maintenance organization shall develop its rates
5 based on an adjusted community rate and may only vary the adjusted
6 community rate for:

7 (i) Geographic area;

8 (ii) Family size;

9 (iii) Age; and

10 (iv) Wellness activities.

11 (b) The adjustment for age in (a)(iii) of this subsection may not
12 use age brackets smaller than five-year increments which shall begin
13 with age twenty and end with age sixty-five. Individuals under the age
14 of twenty shall be treated as those age twenty.

15 (c) The health maintenance organization shall be permitted to
16 develop separate rates for individuals age sixty-five or older for
17 coverage for which medicare is the primary payer and coverage for which
18 medicare is not the primary payer. Both rates shall be subject to the
19 requirements of this subsection.

20 (d) The permitted rates for any age group shall be no more than
21 four hundred twenty-five percent of the lowest rate for all age groups
22 on January 1, 1996, four hundred percent on January 1, 1997, and three
23 hundred seventy-five percent on January 1, 2000, and thereafter.

24 (e) A discount for wellness activities shall be permitted to
25 reflect actuarially justified differences in utilization or cost
26 attributed to such programs not to exceed twenty percent.

27 (f) The rate charged for a health benefit plan offered under this
28 section may not be adjusted more frequently than annually except that
29 the premium may be changed to reflect:

30 (i) Changes to the family composition;

31 (ii) Changes to the health benefit plan requested by the
32 individual; or

33 (iii) Changes in government requirements affecting the health
34 benefit plan.

35 (g) For the purposes of this section, a health benefit plan that
36 contains a restricted network provision shall not be considered similar
37 coverage to a health benefit plan that does not contain such a
38 provision, provided that the restrictions of benefits to network
39 providers result in substantial differences in claims costs. This

1 subsection does not restrict or enhance the portability of benefits as
2 provided in RCW 48.43.015.

3 (3) Adjusted community rates established under this section shall
4 pool the medical experience of all individuals purchasing coverage, and
5 shall not be required to be pooled with the medical experience of
6 health benefit plans offered to small employers under RCW 48.46.066.

7 (4) As used in this section and RCW 48.46.066, "health benefit
8 plan," "basic health plan," "adjusted community rate," "small
9 employer," and "wellness activities" mean the same as defined in RCW
10 48.43.005.

11 **Sec. 4.** RCW 48.46.066 and 1995 c 265 s 18 are each amended to read
12 as follows:

13 (1)(a) A health maintenance organization offering any health
14 benefit plan to a small employer shall offer and actively market to the
15 small employer a health benefit plan providing benefits identical to
16 the schedule of covered health services that are required to be
17 delivered to an individual enrolled in the basic health plan. Nothing
18 in this subsection shall preclude a health maintenance organization
19 from offering, or a small employer from purchasing, other health
20 benefit plans that may have more or less comprehensive benefits than
21 the basic health plan, provided such plans are in accordance with this
22 chapter. A health maintenance organization offering a health benefit
23 plan that does not include benefits in the basic health plan shall
24 clearly disclose these differences to the small employer in a brochure
25 approved by the commissioner.

26 (b) A health benefit plan shall provide coverage for hospital
27 expenses and services rendered by a physician licensed under chapter
28 18.57 or 18.71 RCW but is not subject to the requirements of RCW
29 48.46.275, 48.46.280, 48.46.285, 48.46.290, 48.46.350, 48.46.355,
30 48.46.375, 48.46.440, 48.46.480, 48.46.510, 48.46.520, and 48.46.530
31 if: (i) The health benefit plan is the mandatory offering under (a) of
32 this subsection that provides benefits identical to the basic health
33 plan, to the extent these requirements differ from the basic health
34 plan; or (ii) the health benefit plan is offered to employers with not
35 more than twenty-five employees.

36 (2) Nothing in this section shall prohibit a health maintenance
37 organization from offering, or a purchaser from seeking, benefits in
38 excess of the basic health plan services. All forms, policies, and

1 contracts shall be submitted for approval to the commissioner, and the
2 rates of any plan offered under this section shall be reasonable in
3 relation to the benefits thereto.

4 (3) Premium rates for health benefit plans for small employers as
5 defined in this section must be approved by the insurance commissioner
6 as provided in section 6 of this act and shall be subject to the
7 following provisions:

8 (a) The health maintenance organization shall develop its rates
9 based on an adjusted community rate and may only vary the adjusted
10 community rate for:

- 11 (i) Geographic area;
- 12 (ii) Family size;
- 13 (iii) Age; and
- 14 (iv) Wellness activities.

15 (b) The adjustment for age in (a)(iii) of this subsection may not
16 use age brackets smaller than five-year increments, which shall begin
17 with age twenty and end with age sixty-five. Employees under the age
18 of twenty shall be treated as those age twenty.

19 (c) The health maintenance organization shall be permitted to
20 develop separate rates for individuals age sixty-five or older for
21 coverage for which medicare is the primary payer and coverage for which
22 medicare is not the primary payer. Both rates shall be subject to the
23 requirements of this subsection (3).

24 (d) The permitted rates for any age group shall be no more than
25 four hundred twenty-five percent of the lowest rate for all age groups
26 on January 1, 1996, four hundred percent on January 1, 1997, and three
27 hundred seventy-five percent on January 1, 2000, and thereafter.

28 (e) A discount for wellness activities shall be permitted to
29 reflect actuarially justified differences in utilization or cost
30 attributed to such programs not to exceed twenty percent.

31 (f) The rate charged for a health benefit plan offered under this
32 section may not be adjusted more frequently than annually except that
33 the premium may be changed to reflect:

- 34 (i) Changes to the enrollment of the small employer;
- 35 (ii) Changes to the family composition of the employee;
- 36 (iii) Changes to the health benefit plan requested by the small
37 employer; or
- 38 (iv) Changes in government requirements affecting the health
39 benefit plan.

1 (g) Rating factors shall produce premiums for identical groups that
2 differ only by the amounts attributable to plan design, with the
3 exception of discounts for health improvement programs.

4 (h) For the purposes of this section, a health benefit plan that
5 contains a restricted network provision shall not be considered similar
6 coverage to a health benefit plan that does not contain such a
7 provision, provided that the restrictions of benefits to network
8 providers result in substantial differences in claims costs. This
9 subsection does not restrict or enhance the portability of benefits as
10 provided in RCW 48.43.015.

11 (i) Adjusted community rates established under this section shall
12 pool the medical experience of all groups purchasing coverage.

13 (4) The health benefit plans authorized by this section that are
14 lower than the required offering shall not supplant or supersede any
15 existing policy for the benefit of employees in this state. Nothing in
16 this section shall restrict the right of employees to collectively
17 bargain for insurance providing benefits in excess of those provided
18 herein.

19 (5)(a) Except as provided in this subsection, requirements used by
20 a health maintenance organization in determining whether to provide
21 coverage to a small employer shall be applied uniformly among all small
22 employers applying for coverage or receiving coverage from the carrier.

23 (b) A health maintenance organization shall not require a minimum
24 participation level greater than:

25 (i) One hundred percent of eligible employees working for groups
26 with three or less employees; and

27 (ii) Seventy-five percent of eligible employees working for groups
28 with more than three employees.

29 (c) In applying minimum participation requirements with respect to
30 a small employer, a small employer shall not consider employees or
31 dependents who have similar existing coverage in determining whether
32 the applicable percentage of participation is met.

33 (d) A health maintenance organization may not increase any
34 requirement for minimum employee participation or modify any
35 requirement for minimum employer contribution applicable to a small
36 employer at any time after the small employer has been accepted for
37 coverage.

38 (6) A health maintenance organization must offer coverage to all
39 eligible employees of a small employer and their dependents. A health

1 maintenance organization may not offer coverage to only certain
2 individuals or dependents in a small employer group or to only part of
3 the group. A health maintenance organization may not modify a health
4 plan with respect to a small employer or any eligible employee or
5 dependent, through riders, endorsements or otherwise, to restrict or
6 exclude coverage or benefits for specific diseases, medical conditions,
7 or services otherwise covered by the plan.

8 NEW SECTION. **Sec. 5.** A new section is added to chapter 48.44 RCW
9 to read as follows:

10 (1) Premium rates for health benefit plans and health care service
11 contracts must be filed with the insurance commissioner for approval.
12 No rate may be charged unless approved by the insurance commissioner
13 except as provided in subsection (2) of this section.

14 (2) For the period beginning one hundred eighty days after the date
15 of filing the premium rate with the insurance commissioner or, if
16 supporting data has been requested by the insurance commissioner, after
17 submittal of a satisfactory response to the last request for data until
18 the insurance commissioner acts upon the filing, the filed rate may be
19 charged.

20 NEW SECTION. **Sec. 6.** A new section is added to chapter 48.46 RCW
21 to read as follows:

22 (1) Premium rates for health benefit plans and health maintenance
23 agreements must be filed with the insurance commissioner for approval.
24 No rate may be charged until the rate is approved by the insurance
25 commissioner except as provided in subsection (2) of this section.

26 (2) For the period beginning one hundred eighty days after the date
27 of filing the premium rate with the insurance commissioner or, if
28 supporting data has been requested by the insurance commissioner, after
29 submittal of a satisfactory response to the last request for data until
30 the insurance commissioner acts upon the filing, the filed rate may be
31 charged.

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