

HOUSE BILL REPORT

HB 1337

As Reported By House Committee On:

Health Care

Title: An act relating to authorizing providers and provider groups to offer health care coverage.

Brief Description: Authorizing providers and provider groups to offer health care coverage.

Sponsors: Representatives Dyer, Backlund and Sherstad.

Brief History:

Committee Activity:

Health Care: 3/3/97, 3/4/97 [DPS].

HOUSE COMMITTEE ON HEALTH CARE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 8 members: Representatives Dyer, Chairman; Backlund, Vice Chairman; Skinner, Vice Chairman; Murray, Assistant Ranking Minority Member; Anderson; Parlette; Sherstad and Zellinsky.

Minority Report: Do not pass. Signed by 3 members: Representatives Cody, Ranking Minority Member; Conway and Wood.

Staff: Bill Hagens (786-7131).

Background: Current law states that when an organization accepts prepayment for health services it is engaging in the business of insurance and, therefore, is regulated by the Office of the Insurance Commissioner. A health care service contractor (HCSC), e.g., Blue Cross of Washington and Alaska or Unified Physicians of Washington, is defined as any corporation, cooperative group, or association which accepts prepayment for health care services from or for the benefit of persons or groups of persons as consideration for providing such persons with any health care services. Once certified, a HCSC is required to comply with laws regarding net worth, solvency, product design, rates, and consumer protection. Similar requirements exist for health maintenance organizations, e.g., Group Health or Kaiser. A commercial carrier, e.g., Travelers or AETNA, that offers individual, group, or blanket disability (indemnity) coverage is not explicitly authorized to offer prepaid coverage.

Recently, the Illinois Department of Insurance adopted a rule that permits provider-sponsored organizations to assume financial risk on a capitation or prepaid basis without becoming a carrier.

Summary of Substitute Bill: A health care provider, health care facility, or provider network is deemed not to be engaging in the business of insurance when compensated by a lawful third-party payer on a capitation, prepaid, or other at-risk basis so long as a lawful third-party payer is ultimately financially responsible to the patient for the provision of the health care services contracted.

A lawful third-party payer is defined as the State Health Care Authority, the Medical Assistance Administration, the Department of Social and Health Services, local governments, the Department of Labor and Industries; employer health plans (ERISA exempted), Medicare, and Civilian Health and Medical Program for the Uniform Services (CHAMPUS).

Substitute Bill Compared to Original Bill: Clarifies that health care facilities are permitted to participate in provider-sponsored organization activities.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date of Substitute Bill: Ninety days after adjournment of session in which bill is passed.

Testimony For: This bill is necessary to clarify that as long as a provider-sponsored organization is contracting with a public entity or a federally exempt business it should not have to be an insurance company. Further, this bill could strive off capricious litigation by the insurance commissioner.

Testimony Against: This bill has the potential of exempting a large sector of the health care service delivery system from numerous consumer protection and quality assurance standards required by law regarding solvency, product design, rates review, utilization review, grievance procedures, and provider network adequacy.

Testified: John Conniff, Office of the Insurance Commissioner (con); Rachael Myers, Washington Citizens Action (con); Andy Dolan, Washington State Medical Association (pro); Nancy Long, Washington State Hospital Association (pro); Jeff Larsen, Washington Osteopathic Medical Association (pro); and Jim Halstrom, Health Care Purchasers Association (pro).