

# HOUSE BILL REPORT

## ESHB 1337

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### As Passed House

March 19, 1997

**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:** By House Committee on Health Care (originally sponsored by Representatives Dyer, Backlund and Sherstad).

### Brief History:

#### Committee Activity:

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

#### Floor Activity:

Passed House: 3/19/97, 63-35.

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### 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 a prepayment in exchange for providing 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

Cooperative or Kaiser Permanente. 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 Bill:** A lawful third-party payer is defined as a health carrier regulated by state insurance law. The Insurance Commissioner's authority to regulate a health care provider, a health care facility, or a provider network is preempted by federal law when the provider, facility, or network is contracting with a third-party payer governed by federal law affecting a self-funded (ERISA) employee benefits plan or a Taft-Hartley health and welfare fund (trust).

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Effective Date:** 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).