

# HOUSE BILL REPORT

## SHB 1387

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### As Amended by the Senate

**Title:** An act relating to mandatory offering of basic health plan benefits.

**Brief Description:** Clarifying the frequency of filing of rate adjustments for mandatory offering of basic health plan benefits.

**Sponsors:** By House Committee on Financial Institutions & Insurance (originally sponsored by Representatives Zellinsky, K. Schmidt, L. Thomas, Johnson, Huff and Dyer).

**Brief History:**

**Committee Activity:**

Financial Institutions & Insurance: 2/3/97, 2/6/97 [DPS];

Appropriations: 3/3/97, 3/4/97 [DPS(FII)].

**Floor Activity:**

Passed House: 3/14/97, 66-28.

Senate Amended.

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### HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 6 members: Representatives L. Thomas, Chairman; Smith, Vice Chairman; Zellinsky, Vice Chairman; Benson; DeBolt and Wensman.

**Minority Report:** Do not pass. Signed by 4 members: Representatives Wolfe, Ranking Minority Member; Constantine; Keiser and Sullivan.

**Staff:** Charlie Gavigan (786-7340).

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### HOUSE COMMITTEE ON APPROPRIATIONS

**Majority Report:** The substitute bill by Committee on Financial Institutions & Insurance be substituted therefor and the substitute bill do pass. Signed by 31 members: Representatives Huff, Chairman; Alexander, Vice Chairman; Clements, Vice Chairman; Wensman, Vice Chairman; H. Sommers, Ranking Minority Member; Doumit, Assistant Ranking Minority Member; Gombosky, Assistant Ranking Minority Member; Benson; Carlson; Chopp; Cody; Cooke; Crouse; Dyer; Grant; Keiser;

Kenney; Kessler; Lambert; Linville; Lisk; Mastin; McMorris; Parlette; Poulsen; Regala; D. Schmidt; Sehlin; Sheahan; Talcott and Tokuda.

**Staff:** Jim Lux (786-7152).

**Background:** There are three primary types of health carriers: (1) a traditional health insurer that provides reimbursement for, or payment of, covered health services; (2) a health care service contractor, an association of providers that provide health care services; and (3) a health maintenance organization, an organization which also provides health care services. Health carriers are regulated by the Office of the Insurance Commissioner (OIC). Health carriers must offer individuals and employers with 26-50 employees a plan equivalent to the services contained in the Basic Health Plan. Individuals and employers with 26 or more employees may buy any insurance coverage that includes statutorily mandated benefits.

Rates for health plans are also regulated by the OIC. Generally, health plan rates must be reasonably related to benefits provided. Health plans for individuals, and small employers (50 or fewer employees) are subject to adjusted community rating. The rate charged for a health plan for individuals and small employers can only be adjusted annually except for changes in family composition, changes to benefits requested by the individual or employer, or changes due to government regulations.

**Summary of Bill:** Although a health carrier generally cannot adjust the rate (premium) more frequently than annually for a particular individual or small employer who has been offered a plan, the health carrier can file rate adjustments more frequently than annually for health plans offered to new or renewing individuals or small employers.

**EFFECT OF SENATE AMENDMENT(S):** The frequency of filing of rate adjustments for health plans for new or renewing individuals or small employers is limited to once every six months. A null and void clause is added, voiding the bill if \$206,000 is not appropriated in the operating budget to carry out this act.

**Appropriation:** None.

**Fiscal Note:** Available.

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

**Testimony For:** (Financial Institutions & Insurance) This bill allows health carriers to file a rate change to cover new enrollments or renewals, which can occur throughout the year. The premium is guaranteed for a year when a plan is offered to a specific person or small employer. The insurance commissioner has interpreted the law to allow filings for everyone only once during the year, even though plans are

offered or renewed throughout the year; a carrier should be able to change the rate later in the year for new or renewing individuals or small employers.

(Appropriations) None.

**Testimony Against:** (Financial Institutions & Insurance) None.

(Appropriations) None.

**Testified:** ( Financial Institutions & Insurance) Robert Schneider, Kitsap Physicians Service Health Plans (supports); Mel Sorensen, Washington Physicians Service (supports); and Ken Bertrand, Group Health (supports).

(Appropriations) None.