

# HOUSE BILL REPORT

## HB 2776

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**As Reported By House Committee On:**  
Financial Institutions & Insurance  
Appropriations

**Title:** An act relating to annual rate adjustments for health plans.

**Brief Description:** Concerning rate adjustments to individual and small business health benefit plans.

**Sponsors:** Representatives Zellinsky, Anderson, L. Thomas, Quall, Benson and Grant.

**Brief History:**

**Committee Activity:**

Financial Institutions & Insurance: 1/26/98, 1/28/98 [DPS];  
Appropriations: 2/7/98 [DP2S(w/o sub FII)].

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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 10 members: Representatives L. Thomas, Chairman; Zellinsky, Vice Chairman; Wolfe, Ranking Minority Member; Grant, Assistant Ranking Minority Member; Benson; Constantine; DeBolt; Keiser; Sullivan and Wensman.

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

**Background:** There are three 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).

Rates for health plans are also regulated by the OIC. Generally, health plan rates must be reasonably related to benefits provided. The rate charged for a health plan for all individuals and small employers can only be adjusted annually, regardless of when during the year they enroll or renew, except for changes in family composition, changes to benefits requested by the individual or employer, or changes due to government regulations.

**Summary of Substitute Bill:** Each individual or small employer must be offered a rate that cannot be adjusted more frequently than annually from the month the particular individual or small employer obtains or renews coverage.

If \$103,000 is not in the supplemental budget for this act by June 30, 1998, the act is null and void.

**Substitute Bill Compared to Original Bill:** Clarifications are made and the required appropriation in the null and void clause is cut in half.

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Effective Date of Substitute Bill:** Ninety days after adjournment of session in which bill is passed. However, the bill is null and void unless funded in the budget.

**Testimony For:** Carriers need to be able to adjust rates more often than once a year. Currently, someone who enrolls in a plan in December has to be given the same rate as someone who enrolled in January, 11 months earlier. This bill clarifies that an individual or small employer gets a particular rate good for one year, but different individuals or different small employers who enroll later in the year may get a different rate (good for one year).

**Testimony Against:** None.

**Testified:** Mel Sorensen, Washington Physicians Service (supports); Rick Wickman, Blue Cross (supports); Ken Bertrand, Group Health (supports); and Lee Barclay, Office of the Insurance Commissioner (supports with amendment).

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## HOUSE COMMITTEE ON APPROPRIATIONS

**Majority Report:** The second substitute bill be substituted therefor and the second substitute bill do pass and do not pass the substitute bill by Committee on Financial Institutions & Insurance. Signed by 29 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; Grant; Keiser; Kenney; Kessler; Lambert; Lisk; Mastin; McMorris; Parlette; Poulsen; Regala; D. Schmidt; Sehlin; Sheahan; Talcott and Tokuda.

**Staff:** Joe Hauth (786-7271).

**Summary of Recommendation of Committee on Appropriations Compared to Recommendation of Committee on Financial Institutions & Insurance:** The required appropriation level referenced in the null and void clause is removed.

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Effective Date** Ninety days after adjournment of session in which bill is passed. However, the bill is null and void unless funded in the budget.

**Testimony For:** This bill allows insurance companies not to have to predict their rates so far out into the future.

**Testimony Against:** None.

**Testified:** Representative Brad Benson.