

HOUSE BILL REPORT

HB 3096

As Reported By House Committee On: Financial Institutions & Insurance

Title: An act relating to declaring the state's preemption of the field of excise or privilege taxes on health maintenance organizations and health care service contractors.

Brief Description: Declaring the state's preemption of excise or privilege taxes on health care services.

Sponsors: Representatives Zellinsky and L. Thomas.

Brief History:

Committee Activity:

Financial Institutions & Insurance: 1/22/98, 2/2/98 [DPS].

HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives L. Thomas, Chairman; Smith, Vice Chairman; Zellinsky, Vice Chairman; Wolfe, Ranking Minority Member; Grant, Assistant Ranking Minority Member; Benson; DeBolt; Keiser and Wensman.

Minority Report: Without recommendation. Signed by 1 member: Representative Constantine.

Staff: Charlie Gavigan (786-7340).

Background: Insurance companies pay a premium tax of 2 percent on premiums. These taxes are collected by the insurance commissioner for deposit in the general fund. Health care service contractors and health maintenance organizations also pay a 2 percent tax on premiums or prepayments. These taxes are deposited in the health services account.

Local governments are preempted by the state from imposing excise or privilege taxes on insurance companies.

Summary of Substitute Bill: Beginning January 1, 2000, local governments are preempted by the state from imposing excise or privilege taxes on premiums or payments

for health benefit plans provided by health care service contractors and health maintenance organizations.

Substitute Bill Compared to Original Bill: The preemption takes effect January 1, 2000, rather than in 1998. The preemption applies to premiums/payments for the health benefit plans of health care service contractors and HMOs, not all the activities of these organizations.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: (on HB 2502) Health care service contractors and HMOs should be exempt from local taxes just like insurance companies are exempt. These companies already pay a 2 percent tax on premiums to the state which goes into the health services account. Multiple layers of local taxes will increase premiums.

Testimony Against: (on HB 2502) Cities provide services to these businesses. This preemption will narrow the tax base of cities and increase the burden on everyone else. Local governments need flexibility and adequate revenues; preemption harms both flexibility and revenues.

Testified: (on HB 2502) Mel Sorensen, Washington Physicians Service (supports); Rick Wickman, Blue Cross (supports); Ken Bertrand, Group Health (supports); Mike Doubleday, Glen Lee, Mel McDonald, City of Seattle (oppose); and Ron Rosenbloom, Association of Washington Cities (opposes).