

HOUSE BILL ANALYSIS

HB 2549

Title: An act relating to the risk-based capital of health carriers.

Brief Description: Establishing risk-based capital standards for health carriers.

Sponsors: Representatives L. Thomas, Wolfe and Thompson; by request of
Insurance Commissioner.

HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Meeting Date: January 22, 1998

Bill Analysis Prepared by: Charlie Gavigan, Counsel (786-7340)

Background: There are three types of health carriers in Washington State: (1) disability insurers, which are traditional insurance companies that reimburse policyholders for covered health care expenses; (2) health care service contractors (HCSCs), which are organizations that provide health care services through a provider network to enrollees who have contracted with the HCSCs; and (3) health maintenance organizations, which are organizations that provide health care services to enrollees on a prepaid basis (generally monthly). All are regulated by statute and the Office of the Insurance Commissioner.

The National Association of Insurance Commissioners (NAIC) is an association of state insurance agencies that attempts to coordinate the regulation of insurance. Insurance is regulated by the states rather than the federal government. One approach the NAIC uses to coordinate state regulation of insurance is to develop model laws.

The Legislature cannot improperly delegate its authority to the federal government or private entities. For instance, the Legislature cannot, in present legislation, adopt future statutes, rules, or regulations of the federal government, or delegate to private entities the authority to change laws adopted by the Legislature.

Summary of Bill: A risk-based capital (RBC) program for health carriers is established. The RBC program is based on an NAIC model.

Every domestic health carrier annually must file an RBC report. This report must be filed with the Washington Insurance Commissioner, the NAIC, and with the insurance agency of any state where the insurance company is authorized to do business. The report provides RBC rating levels based on a formula and factors developed by the NAIC, and subject to change by the NAIC. The Insurance

Commissioner can adjust the RBC report if the commissioner believes the report is inaccurate. The Insurance Commissioner can require that a foreign or alien insurer file an RBC report with the commissioner, and can take action if the home state regulator does not when required by the RBC program.

If a health carrier's level of capital is less than certain RBC standards based on NAIC formulas, the company must submit an RBC plan to the Insurance Commissioner that describes the problems and contains proposals to resolve them. Other corrective action may be required, depending on the severity of the capital deficiency based on RBC standards.

Most documents related to the RBC program are confidential.

Appropriation: None.

Fiscal Note: Requested January 20, 1998.

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

Rulemaking Authority: None Specified.