

# **HOUSE BILL ANALYSIS**

## **HB 2776**

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**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.

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### **HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE**

**Meeting Date:** January 26, 1998

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

**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:** Each individual or small employer must be offered a rate that cannot be adjusted more frequently than annually. The requirement that the rate for a health plan be not be changed more frequently than annually is removed.

**Appropriation:** None.

**Fiscal Note:** Requested.

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

**Rulemaking Authority:** None Specified.