

SENATE BILL REPORT

SB 5849

As of February 25, 1997

Title: An act relating to payment of health care providers in the event of a health insurer's insolvency.

Brief Description: Providing for payment of health care providers in the event of a health insurer's insolvency.

Sponsors: Senator Benton.

Brief History:

Committee Activity: Financial Institutions, Insurance & Housing: 2/26/97.

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, INSURANCE & HOUSING

Staff: Catherine Mele (786-7470)

Background: Health care service contractors (HCSCs) and health maintenance organizations (HMOs) provide health plans to enrolled individuals and employees (enrollees). These organizations are regulated by the Office of the Insurance Commissioner (OIC) and must comply with applicable statutes and rules, including solvency requirements. State law requires that health care providers who contract with HCSCs and HMOs agree not to seek payment from enrollees for services provided in the event the HCSC or the HMO becomes insolvent and does not pay the provider.

Summary of Bill: Health care service contractors and health maintenance organizations must have a funded reserve equal to one month's premiums as reported on the most recent financial statement filed with the commissioner's office. The reserve must be deposited with the Insurance Commissioner's office, or with an organization acceptable to the commissioner. The funded reserve may be in the form of cash, securities, surety bond, or any combination of these. The reserve is only to be used to reimburse health care providers for the cost of products and services incurred on behalf of enrollees in the event of an insolvency.

Appropriation: None.

Fiscal Note: Not requested.

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