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**SUBSTITUTE HOUSE BILL 2776**

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**State of Washington**

**55th Legislature**

**1998 Regular Session**

**By** House Committee on Financial Institutions & Insurance (originally sponsored by Representatives Zellinsky, Anderson, L. Thomas, Quall, Benson and Grant)

Read first time 01/28/98. Referred to Committee on .

1 AN ACT Relating to annual rate adjustments for health plans;  
2 amending RCW 48.20.028, 48.21.045, 48.44.022, 48.44.023, 48.46.064, and  
3 48.46.066; and creating a new section.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 **Sec. 1.** RCW 48.20.028 and 1997 c 231 s 207 are each amended to  
6 read as follows:

7 (1)(a) An insurer offering any health benefit plan to any  
8 individual shall offer and actively market to all individuals a health  
9 benefit plan providing benefits identical to the schedule of covered  
10 health benefits that are required to be delivered to an individual  
11 enrolled in the basic health plan subject to RCW 48.43.025 and  
12 48.43.035. Nothing in this subsection shall preclude an insurer from  
13 offering, or an individual from purchasing, other health benefit plans  
14 that may have more or less comprehensive benefits than the basic health  
15 plan, provided such plans are in accordance with this chapter. An  
16 insurer offering a health benefit plan that does not include benefits  
17 provided in the basic health plan shall clearly disclose these  
18 differences to the individual in a brochure approved by the  
19 commissioner.

1 (b) A health benefit plan shall provide coverage for hospital  
2 expenses and services rendered by a physician licensed under chapter  
3 18.57 or 18.71 RCW but is not subject to the requirements of RCW  
4 48.20.390, 48.20.393, 48.20.395, 48.20.397, 48.20.410, 48.20.411,  
5 48.20.412, 48.20.416, and 48.20.420 if the health benefit plan is the  
6 mandatory offering under (a) of this subsection that provides benefits  
7 identical to the basic health plan, to the extent these requirements  
8 differ from the basic health plan.

9 (2) Premiums for health benefit plans for individuals shall be  
10 calculated using the adjusted community rating method that spreads  
11 financial risk across the carrier's entire individual product  
12 population. All such rates shall conform to the following:

13 (a) The insurer shall develop its rates based on an adjusted  
14 community rate and may only vary the adjusted community rate for:

- 15 (i) Geographic area;
- 16 (ii) Family size;
- 17 (iii) Age;
- 18 (iv) Tenure discounts; and
- 19 (v) Wellness activities.

20 (b) The adjustment for age in (a)(iii) of this subsection may not  
21 use age brackets smaller than five-year increments which shall begin  
22 with age twenty and end with age sixty-five. Individuals under the age  
23 of twenty shall be treated as those age twenty.

24 (c) The insurer shall be permitted to develop separate rates for  
25 individuals age sixty-five or older for coverage for which medicare is  
26 the primary payer and coverage for which medicare is not the primary  
27 payer. Both rates shall be subject to the requirements of this  
28 subsection.

29 (d) The permitted rates for any age group shall be no more than  
30 four hundred twenty-five percent of the lowest rate for all age groups  
31 on January 1, 1996, four hundred percent on January 1, 1997, and three  
32 hundred seventy-five percent on January 1, 2000, and thereafter.

33 (e) A discount for wellness activities shall be permitted to  
34 reflect actuarially justified differences in utilization or cost  
35 attributed to such programs not to exceed twenty percent.

36 (f) The rate charged to an individual for a health benefit plan  
37 offered under this section (~~may~~) shall not be adjusted more  
38 frequently than annually as measured from the month that the individual

1 obtains or renews coverage, except that the premium may be changed to  
2 reflect:

3 (i) Changes to the family composition;

4 (ii) Changes to the health benefit plan requested by the  
5 individual; or

6 (iii) Changes in government requirements affecting the health  
7 benefit plan.

8 (g) For the purposes of this section, a health benefit plan that  
9 contains a restricted network provision shall not be considered similar  
10 coverage to a health benefit plan that does not contain such a  
11 provision, provided that the restrictions of benefits to network  
12 providers result in substantial differences in claims costs. This  
13 subsection does not restrict or enhance the portability of benefits as  
14 provided in RCW 48.43.015.

15 (h) A tenure discount for continuous enrollment in the health plan  
16 of two years or more may be offered, not to exceed ten percent.

17 (3) Adjusted community rates established under this section shall  
18 pool the medical experience of all individuals purchasing coverage, and  
19 shall not be required to be pooled with the medical experience of  
20 health benefit plans offered to small employers under RCW 48.21.045.

21 (4) As used in this section, "health benefit plan," "basic health  
22 plan," "adjusted community rate," and "wellness activities" mean the  
23 same as defined in RCW 48.43.005.

24 **Sec. 2.** RCW 48.21.045 and 1995 c 265 s 14 are each amended to read  
25 as follows:

26 (1)(a) An insurer offering any health benefit plan to a small  
27 employer shall offer and actively market to the small employer a health  
28 benefit plan providing benefits identical to the schedule of covered  
29 health services that are required to be delivered to an individual  
30 enrolled in the basic health plan. Nothing in this subsection shall  
31 preclude an insurer from offering, or a small employer from purchasing,  
32 other health benefit plans that may have more or less comprehensive  
33 benefits than the basic health plan, provided such plans are in  
34 accordance with this chapter. An insurer offering a health benefit  
35 plan that does not include benefits in the basic health plan shall  
36 clearly disclose these differences to the small employer in a brochure  
37 approved by the commissioner.

1 (b) A health benefit plan shall provide coverage for hospital  
2 expenses and services rendered by a physician licensed under chapter  
3 18.57 or 18.71 RCW but is not subject to the requirements of RCW  
4 48.21.130, 48.21.140, 48.21.141, 48.21.142, 48.21.144, 48.21.146,  
5 48.21.160 through 48.21.197, 48.21.200, 48.21.220, 48.21.225,  
6 48.21.230, 48.21.235, 48.21.240, 48.21.244, 48.21.250, 48.21.300,  
7 48.21.310, or 48.21.320 if: (i) The health benefit plan is the  
8 mandatory offering under (a) of this subsection that provides benefits  
9 identical to the basic health plan, to the extent these requirements  
10 differ from the basic health plan; or (ii) the health benefit plan is  
11 offered to employers with not more than twenty-five employees.

12 (2) Nothing in this section shall prohibit an insurer from  
13 offering, or a purchaser from seeking, benefits in excess of the basic  
14 health plan services. All forms, policies, and contracts shall be  
15 submitted for approval to the commissioner, and the rates of any plan  
16 offered under this section shall be reasonable in relation to the  
17 benefits thereto.

18 (3) Premium rates for health benefit plans for small employers as  
19 defined in this section shall be subject to the following provisions:

20 (a) The insurer shall develop its rates based on an adjusted  
21 community rate and may only vary the adjusted community rate for:

- 22 (i) Geographic area;
- 23 (ii) Family size;
- 24 (iii) Age; and
- 25 (iv) Wellness activities.

26 (b) The adjustment for age in (a)(iii) of this subsection may not  
27 use age brackets smaller than five-year increments, which shall begin  
28 with age twenty and end with age sixty-five. Employees under the age  
29 of twenty shall be treated as those age twenty.

30 (c) The insurer shall be permitted to develop separate rates for  
31 individuals age sixty-five or older for coverage for which medicare is  
32 the primary payer and coverage for which medicare is not the primary  
33 payer. Both rates shall be subject to the requirements of this  
34 subsection (3).

35 (d) The permitted rates for any age group shall be no more than  
36 four hundred twenty-five percent of the lowest rate for all age groups  
37 on January 1, 1996, four hundred percent on January 1, 1997, and three  
38 hundred seventy-five percent on January 1, 2000, and thereafter.

1 (e) A discount for wellness activities shall be permitted to  
2 reflect actuarially justified differences in utilization or cost  
3 attributed to such programs not to exceed twenty percent.

4 (f) The rate charged to a small employer for a health benefit plan  
5 offered under this section (~~may~~) shall not be adjusted more  
6 frequently than annually as measured from the month that the small  
7 employer obtains or renews coverage, except that the premium may be  
8 changed to reflect:

9 (i) Changes to the enrollment of the small employer;

10 (ii) Changes to the family composition of the employee;

11 (iii) Changes to the health benefit plan requested by the small  
12 employer; or

13 (iv) Changes in government requirements affecting the health  
14 benefit plan.

15 (g) Rating factors shall produce premiums for identical groups that  
16 differ only by the amounts attributable to plan design, with the  
17 exception of discounts for health improvement programs.

18 (h) For the purposes of this section, a health benefit plan that  
19 contains a restricted network provision shall not be considered similar  
20 coverage to a health benefit plan that does not contain such a  
21 provision, provided that the restrictions of benefits to network  
22 providers result in substantial differences in claims costs. This  
23 subsection does not restrict or enhance the portability of benefits as  
24 provided in RCW 48.43.015.

25 (i) Adjusted community rates established under this section shall  
26 pool the medical experience of all small groups purchasing coverage.

27 (4) The health benefit plans authorized by this section that are  
28 lower than the required offering shall not supplant or supersede any  
29 existing policy for the benefit of employees in this state. Nothing in  
30 this section shall restrict the right of employees to collectively  
31 bargain for insurance providing benefits in excess of those provided  
32 herein.

33 (5)(a) Except as provided in this subsection, requirements used by  
34 an insurer in determining whether to provide coverage to a small  
35 employer shall be applied uniformly among all small employers applying  
36 for coverage or receiving coverage from the carrier.

37 (b) An insurer shall not require a minimum participation level  
38 greater than:

1 (i) One hundred percent of eligible employees working for groups  
2 with three or less employees; and

3 (ii) Seventy-five percent of eligible employees working for groups  
4 with more than three employees.

5 (c) In applying minimum participation requirements with respect to  
6 a small employer, a small employer shall not consider employees or  
7 dependents who have similar existing coverage in determining whether  
8 the applicable percentage of participation is met.

9 (d) An insurer may not increase any requirement for minimum  
10 employee participation or modify any requirement for minimum employer  
11 contribution applicable to a small employer at any time after the small  
12 employer has been accepted for coverage.

13 (6) An insurer must offer coverage to all eligible employees of a  
14 small employer and their dependents. An insurer may not offer coverage  
15 to only certain individuals or dependents in a small employer group or  
16 to only part of the group. An insurer may not modify a health plan  
17 with respect to a small employer or any eligible employee or dependent,  
18 through riders, endorsements or otherwise, to restrict or exclude  
19 coverage or benefits for specific diseases, medical conditions, or  
20 services otherwise covered by the plan.

21 (7) As used in this section, "health benefit plan," "small  
22 employer," "basic health plan," "adjusted community rate," and  
23 "wellness activities" mean the same as defined in RCW 48.43.005.

24 **Sec. 3.** RCW 48.44.022 and 1997 c 231 s 208 are each amended to  
25 read as follows:

26 (1)(a) A health care service contractor offering any health benefit  
27 plan to any individual shall offer and actively market to all  
28 individuals a health benefit plan providing benefits identical to the  
29 schedule of covered health benefits that are required to be delivered  
30 to an individual enrolled in the basic health plan, subject to the  
31 provisions in RCW 48.43.025 and 48.43.035. Nothing in this subsection  
32 shall preclude a contractor from offering, or an individual from  
33 purchasing, other health benefit plans that may have more or less  
34 comprehensive benefits than the basic health plan, provided such plans  
35 are in accordance with this chapter. A contractor offering a health  
36 benefit plan that does not include benefits provided in the basic  
37 health plan shall clearly disclose these differences to the individual  
38 in a brochure approved by the commissioner.

1 (b) A health benefit plan shall provide coverage for hospital  
2 expenses and services rendered by a physician licensed under chapter  
3 18.57 or 18.71 RCW but is not subject to the requirements of RCW  
4 48.44.225, 48.44.240, 48.44.245, 48.44.290, 48.44.300, 48.44.310,  
5 48.44.320, 48.44.325, 48.44.330, 48.44.335, 48.44.340, 48.44.344,  
6 48.44.360, 48.44.400, 48.44.440, 48.44.450, and 48.44.460 if the health  
7 benefit plan is the mandatory offering under (a) of this subsection  
8 that provides benefits identical to the basic health plan, to the  
9 extent these requirements differ from the basic health plan.

10 (2) Premium rates for health benefit plans for individuals shall be  
11 subject to the following provisions:

12 (a) The health care service contractor shall develop its rates  
13 based on an adjusted community rate and may only vary the adjusted  
14 community rate for:

- 15 (i) Geographic area;
- 16 (ii) Family size;
- 17 (iii) Age;
- 18 (iv) Tenure discounts; and
- 19 (v) Wellness activities.

20 (b) The adjustment for age in (a)(iii) of this subsection may not  
21 use age brackets smaller than five-year increments which shall begin  
22 with age twenty and end with age sixty-five. Individuals under the age  
23 of twenty shall be treated as those age twenty.

24 (c) The health care service contractor shall be permitted to  
25 develop separate rates for individuals age sixty-five or older for  
26 coverage for which medicare is the primary payer and coverage for which  
27 medicare is not the primary payer. Both rates shall be subject to the  
28 requirements of this subsection.

29 (d) The permitted rates for any age group shall be no more than  
30 four hundred twenty-five percent of the lowest rate for all age groups  
31 on January 1, 1996, four hundred percent on January 1, 1997, and three  
32 hundred seventy-five percent on January 1, 2000, and thereafter.

33 (e) A discount for wellness activities shall be permitted to  
34 reflect actuarially justified differences in utilization or cost  
35 attributed to such programs not to exceed twenty percent.

36 (f) The rate charged to an individual for a health benefit plan  
37 offered under this section (~~may~~) shall not be adjusted more  
38 frequently than annually as measured from the month that the individual

1 obtains or renews coverage, except that the premium may be changed to  
2 reflect:

3 (i) Changes to the family composition;

4 (ii) Changes to the health benefit plan requested by the  
5 individual; or

6 (iii) Changes in government requirements affecting the health  
7 benefit plan.

8 (g) For the purposes of this section, a health benefit plan that  
9 contains a restricted network provision shall not be considered similar  
10 coverage to a health benefit plan that does not contain such a  
11 provision, provided that the restrictions of benefits to network  
12 providers result in substantial differences in claims costs. This  
13 subsection does not restrict or enhance the portability of benefits as  
14 provided in RCW 48.43.015.

15 (h) A tenure discount for continuous enrollment in the health plan  
16 of two years or more may be offered, not to exceed ten percent.

17 (3) Adjusted community rates established under this section shall  
18 pool the medical experience of all individuals purchasing coverage, and  
19 shall not be required to be pooled with the medical experience of  
20 health benefit plans offered to small employers under RCW 48.44.023.

21 (4) As used in this section and RCW 48.44.023 "health benefit  
22 plan," "small employer," "basic health plan," "adjusted community  
23 rates," and "wellness activities" mean the same as defined in RCW  
24 48.43.005.

25 **Sec. 4.** RCW 48.44.023 and 1995 c 265 s 16 are each amended to read  
26 as follows:

27 (1)(a) A health care services contractor offering any health  
28 benefit plan to a small employer shall offer and actively market to the  
29 small employer a health benefit plan providing benefits identical to  
30 the schedule of covered health services that are required to be  
31 delivered to an individual enrolled in the basic health plan. Nothing  
32 in this subsection shall preclude a contractor from offering, or a  
33 small employer from purchasing, other health benefit plans that may  
34 have more or less comprehensive benefits than the basic health plan,  
35 provided such plans are in accordance with this chapter. A contractor  
36 offering a health benefit plan that does not include benefits in the  
37 basic health plan shall clearly disclose these differences to the small  
38 employer in a brochure approved by the commissioner.



1 (b) A health benefit plan shall provide coverage for hospital  
2 expenses and services rendered by a physician licensed under chapter  
3 18.57 or 18.71 RCW but is not subject to the requirements of RCW  
4 48.44.225, 48.44.240, 48.44.245, 48.44.290, 48.44.300, 48.44.310,  
5 48.44.320, 48.44.325, 48.44.330, 48.44.335, 48.44.340, 48.44.344,  
6 48.44.360, 48.44.400, 48.44.440, 48.44.450, and 48.44.460 if: (i) The  
7 health benefit plan is the mandatory offering under (a) of this  
8 subsection that provides benefits identical to the basic health plan,  
9 to the extent these requirements differ from the basic health plan; or  
10 (ii) the health benefit plan is offered to employers with not more than  
11 twenty-five employees.

12 (2) Nothing in this section shall prohibit a health care service  
13 contractor from offering, or a purchaser from seeking, benefits in  
14 excess of the basic health plan services. All forms, policies, and  
15 contracts shall be submitted for approval to the commissioner, and the  
16 rates of any plan offered under this section shall be reasonable in  
17 relation to the benefits thereto.

18 (3) Premium rates for health benefit plans for small employers as  
19 defined in this section shall be subject to the following provisions:

20 (a) The contractor shall develop its rates based on an adjusted  
21 community rate and may only vary the adjusted community rate for:

- 22 (i) Geographic area;
- 23 (ii) Family size;
- 24 (iii) Age; and
- 25 (iv) Wellness activities.

26 (b) The adjustment for age in (a)(iii) of this subsection may not  
27 use age brackets smaller than five-year increments, which shall begin  
28 with age twenty and end with age sixty-five. Employees under the age  
29 of twenty shall be treated as those age twenty.

30 (c) The contractor shall be permitted to develop separate rates for  
31 individuals age sixty-five or older for coverage for which medicare is  
32 the primary payer and coverage for which medicare is not the primary  
33 payer. Both rates shall be subject to the requirements of this  
34 subsection (3).

35 (d) The permitted rates for any age group shall be no more than  
36 four hundred twenty-five percent of the lowest rate for all age groups  
37 on January 1, 1996, four hundred percent on January 1, 1997, and three  
38 hundred seventy-five percent on January 1, 2000, and thereafter.

1 (e) A discount for wellness activities shall be permitted to  
2 reflect actuarially justified differences in utilization or cost  
3 attributed to such programs not to exceed twenty percent.

4 (f) The rate charged to a small employer for a health benefit plan  
5 offered under this section (~~may~~) shall not be adjusted more  
6 frequently than annually as measured from the month that the small  
7 employer obtains or renews coverage, except that the premium may be  
8 changed to reflect:

9 (i) Changes to the enrollment of the small employer;

10 (ii) Changes to the family composition of the employee;

11 (iii) Changes to the health benefit plan requested by the small  
12 employer; or

13 (iv) Changes in government requirements affecting the health  
14 benefit plan.

15 (g) Rating factors shall produce premiums for identical groups that  
16 differ only by the amounts attributable to plan design, with the  
17 exception of discounts for health improvement programs.

18 (h) For the purposes of this section, a health benefit plan that  
19 contains a restricted network provision shall not be considered similar  
20 coverage to a health benefit plan that does not contain such a  
21 provision, provided that the restrictions of benefits to network  
22 providers result in substantial differences in claims costs. This  
23 subsection does not restrict or enhance the portability of benefits as  
24 provided in RCW 48.43.015.

25 (i) Adjusted community rates established under this section shall  
26 pool the medical experience of all groups purchasing coverage.

27 (4) The health benefit plans authorized by this section that are  
28 lower than the required offering shall not supplant or supersede any  
29 existing policy for the benefit of employees in this state. Nothing in  
30 this section shall restrict the right of employees to collectively  
31 bargain for insurance providing benefits in excess of those provided  
32 herein.

33 (5)(a) Except as provided in this subsection, requirements used by  
34 a contractor in determining whether to provide coverage to a small  
35 employer shall be applied uniformly among all small employers applying  
36 for coverage or receiving coverage from the carrier.

37 (b) A contractor shall not require a minimum participation level  
38 greater than:

1 (i) One hundred percent of eligible employees working for groups  
2 with three or less employees; and

3 (ii) Seventy-five percent of eligible employees working for groups  
4 with more than three employees.

5 (c) In applying minimum participation requirements with respect to  
6 a small employer, a small employer shall not consider employees or  
7 dependents who have similar existing coverage in determining whether  
8 the applicable percentage of participation is met.

9 (d) A contractor may not increase any requirement for minimum  
10 employee participation or modify any requirement for minimum employer  
11 contribution applicable to a small employer at any time after the small  
12 employer has been accepted for coverage.

13 (6) A contractor must offer coverage to all eligible employees of  
14 a small employer and their dependents. A contractor may not offer  
15 coverage to only certain individuals or dependents in a small employer  
16 group or to only part of the group. A contractor may not modify a  
17 health plan with respect to a small employer or any eligible employee  
18 or dependent, through riders, endorsements or otherwise, to restrict or  
19 exclude coverage or benefits for specific diseases, medical conditions,  
20 or services otherwise covered by the plan.

21 **Sec. 5.** RCW 48.46.064 and 1997 c 231 s 209 are each amended to  
22 read as follows:

23 (1)(a) A health maintenance organization offering any health  
24 benefit plan to any individual shall offer and actively market to all  
25 individuals a health benefit plan providing benefits identical to the  
26 schedule of covered health benefits that are required to be delivered  
27 to an individual enrolled in the basic health plan, subject to the  
28 provisions in RCW 48.43.025 and 48.43.035. Nothing in this subsection  
29 shall preclude a health maintenance organization from offering, or an  
30 individual from purchasing, other health benefit plans that may have  
31 more or less comprehensive benefits than the basic health plan,  
32 provided such plans are in accordance with this chapter. A health  
33 maintenance organization offering a health benefit plan that does not  
34 include benefits provided in the basic health plan shall clearly  
35 disclose these differences to the individual in a brochure approved by  
36 the commissioner.

37 (b) A health benefit plan shall provide coverage for hospital  
38 expenses and services rendered by a physician licensed under chapter

1 18.57 or 18.71 RCW but is not subject to the requirements of RCW  
2 48.46.275, 48.46.280, 48.46.285, 48.46.290, 48.46.350, 48.46.355,  
3 48.46.375, 48.46.440, 48.46.480, 48.46.510, 48.46.520, and 48.46.530 if  
4 the health benefit plan is the mandatory offering under (a) of this  
5 subsection that provides benefits identical to the basic health plan,  
6 to the extent these requirements differ from the basic health plan.

7 (2) Premium rates for health benefit plans for individuals shall be  
8 subject to the following provisions:

9 (a) The health maintenance organization shall develop its rates  
10 based on an adjusted community rate and may only vary the adjusted  
11 community rate for:

- 12 (i) Geographic area;
- 13 (ii) Family size;
- 14 (iii) Age;
- 15 (iv) Tenure discounts; and
- 16 (v) Wellness activities.

17 (b) The adjustment for age in (a)(iii) of this subsection may not  
18 use age brackets smaller than five-year increments which shall begin  
19 with age twenty and end with age sixty-five. Individuals under the age  
20 of twenty shall be treated as those age twenty.

21 (c) The health maintenance organization shall be permitted to  
22 develop separate rates for individuals age sixty-five or older for  
23 coverage for which medicare is the primary payer and coverage for which  
24 medicare is not the primary payer. Both rates shall be subject to the  
25 requirements of this subsection.

26 (d) The permitted rates for any age group shall be no more than  
27 four hundred twenty-five percent of the lowest rate for all age groups  
28 on January 1, 1996, four hundred percent on January 1, 1997, and three  
29 hundred seventy-five percent on January 1, 2000, and thereafter.

30 (e) A discount for wellness activities shall be permitted to  
31 reflect actuarially justified differences in utilization or cost  
32 attributed to such programs not to exceed twenty percent.

33 (f) The rate charged to an individual for a health benefit plan  
34 offered under this section ~~((may))~~ shall not be adjusted more  
35 frequently than annually as measured from the month that the individual  
36 obtains or renews coverage, except that the premium may be changed to  
37 reflect:

- 38 (i) Changes to the family composition;

1 (ii) Changes to the health benefit plan requested by the  
2 individual; or

3 (iii) Changes in government requirements affecting the health  
4 benefit plan.

5 (g) For the purposes of this section, a health benefit plan that  
6 contains a restricted network provision shall not be considered similar  
7 coverage to a health benefit plan that does not contain such a  
8 provision, provided that the restrictions of benefits to network  
9 providers result in substantial differences in claims costs. This  
10 subsection does not restrict or enhance the portability of benefits as  
11 provided in RCW 48.43.015.

12 (h) A tenure discount for continuous enrollment in the health plan  
13 of two years or more may be offered, not to exceed ten percent.

14 (3) Adjusted community rates established under this section shall  
15 pool the medical experience of all individuals purchasing coverage, and  
16 shall not be required to be pooled with the medical experience of  
17 health benefit plans offered to small employers under RCW 48.46.066.

18 (4) As used in this section and RCW 48.46.066, "health benefit  
19 plan," "basic health plan," "adjusted community rate," "small  
20 employer," and "wellness activities" mean the same as defined in RCW  
21 48.43.005.

22 **Sec. 6.** RCW 48.46.066 and 1995 c 265 s 18 are each amended to read  
23 as follows:

24 (1)(a) A health maintenance organization offering any health  
25 benefit plan to a small employer shall offer and actively market to the  
26 small employer a health benefit plan providing benefits identical to  
27 the schedule of covered health services that are required to be  
28 delivered to an individual enrolled in the basic health plan. Nothing  
29 in this subsection shall preclude a health maintenance organization  
30 from offering, or a small employer from purchasing, other health  
31 benefit plans that may have more or less comprehensive benefits than  
32 the basic health plan, provided such plans are in accordance with this  
33 chapter. A health maintenance organization offering a health benefit  
34 plan that does not include benefits in the basic health plan shall  
35 clearly disclose these differences to the small employer in a brochure  
36 approved by the commissioner.

37 (b) A health benefit plan shall provide coverage for hospital  
38 expenses and services rendered by a physician licensed under chapter

1 18.57 or 18.71 RCW but is not subject to the requirements of RCW  
2 48.46.275, 48.46.280, 48.46.285, 48.46.290, 48.46.350, 48.46.355,  
3 48.46.375, 48.46.440, 48.46.480, 48.46.510, 48.46.520, and 48.46.530  
4 if: (i) The health benefit plan is the mandatory offering under (a) of  
5 this subsection that provides benefits identical to the basic health  
6 plan, to the extent these requirements differ from the basic health  
7 plan; or (ii) the health benefit plan is offered to employers with not  
8 more than twenty-five employees.

9 (2) Nothing in this section shall prohibit a health maintenance  
10 organization from offering, or a purchaser from seeking, benefits in  
11 excess of the basic health plan services. All forms, policies, and  
12 contracts shall be submitted for approval to the commissioner, and the  
13 rates of any plan offered under this section shall be reasonable in  
14 relation to the benefits thereto.

15 (3) Premium rates for health benefit plans for small employers as  
16 defined in this section shall be subject to the following provisions:

17 (a) The health maintenance organization shall develop its rates  
18 based on an adjusted community rate and may only vary the adjusted  
19 community rate for:

- 20 (i) Geographic area;
- 21 (ii) Family size;
- 22 (iii) Age; and
- 23 (iv) Wellness activities.

24 (b) The adjustment for age in (a)(iii) of this subsection may not  
25 use age brackets smaller than five-year increments, which shall begin  
26 with age twenty and end with age sixty-five. Employees under the age  
27 of twenty shall be treated as those age twenty.

28 (c) The health maintenance organization shall be permitted to  
29 develop separate rates for individuals age sixty-five or older for  
30 coverage for which medicare is the primary payer and coverage for which  
31 medicare is not the primary payer. Both rates shall be subject to the  
32 requirements of this subsection (3).

33 (d) The permitted rates for any age group shall be no more than  
34 four hundred twenty-five percent of the lowest rate for all age groups  
35 on January 1, 1996, four hundred percent on January 1, 1997, and three  
36 hundred seventy-five percent on January 1, 2000, and thereafter.

37 (e) A discount for wellness activities shall be permitted to  
38 reflect actuarially justified differences in utilization or cost  
39 attributed to such programs not to exceed twenty percent.

1 (f) The rate charged to a small employer for a health benefit plan  
2 offered under this section (~~(may)~~) shall not be adjusted more  
3 frequently than annually as measured from the month that the small  
4 employer obtains or renews coverage, except that the premium may be  
5 changed to reflect:

6 (i) Changes to the enrollment of the small employer;

7 (ii) Changes to the family composition of the employee;

8 (iii) Changes to the health benefit plan requested by the small  
9 employer; or

10 (iv) Changes in government requirements affecting the health  
11 benefit plan.

12 (g) Rating factors shall produce premiums for identical groups that  
13 differ only by the amounts attributable to plan design, with the  
14 exception of discounts for health improvement programs.

15 (h) For the purposes of this section, a health benefit plan that  
16 contains a restricted network provision shall not be considered similar  
17 coverage to a health benefit plan that does not contain such a  
18 provision, provided that the restrictions of benefits to network  
19 providers result in substantial differences in claims costs. This  
20 subsection does not restrict or enhance the portability of benefits as  
21 provided in RCW 48.43.015.

22 (i) Adjusted community rates established under this section shall  
23 pool the medical experience of all groups purchasing coverage.

24 (4) The health benefit plans authorized by this section that are  
25 lower than the required offering shall not supplant or supersede any  
26 existing policy for the benefit of employees in this state. Nothing in  
27 this section shall restrict the right of employees to collectively  
28 bargain for insurance providing benefits in excess of those provided  
29 herein.

30 (5)(a) Except as provided in this subsection, requirements used by  
31 a health maintenance organization in determining whether to provide  
32 coverage to a small employer shall be applied uniformly among all small  
33 employers applying for coverage or receiving coverage from the carrier.

34 (b) A health maintenance organization shall not require a minimum  
35 participation level greater than:

36 (i) One hundred percent of eligible employees working for groups  
37 with three or less employees; and

38 (ii) Seventy-five percent of eligible employees working for groups  
39 with more than three employees.

1 (c) In applying minimum participation requirements with respect to  
2 a small employer, a small employer shall not consider employees or  
3 dependents who have similar existing coverage in determining whether  
4 the applicable percentage of participation is met.

5 (d) A health maintenance organization may not increase any  
6 requirement for minimum employee participation or modify any  
7 requirement for minimum employer contribution applicable to a small  
8 employer at any time after the small employer has been accepted for  
9 coverage.

10 (6) A health maintenance organization must offer coverage to all  
11 eligible employees of a small employer and their dependents. A health  
12 maintenance organization may not offer coverage to only certain  
13 individuals or dependents in a small employer group or to only part of  
14 the group. A health maintenance organization may not modify a health  
15 plan with respect to a small employer or any eligible employee or  
16 dependent, through riders, endorsements or otherwise, to restrict or  
17 exclude coverage or benefits for specific diseases, medical conditions,  
18 or services otherwise covered by the plan.

19 NEW SECTION. **Sec. 7.** If specific funding in the amount of one  
20 hundred three thousand dollars for the purposes of this act,  
21 referencing this act by bill or chapter number, is not provided by June  
22 30, 1998, in the omnibus appropriations act, this act is null and void.

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