
SECOND SUBSTITUTE HOUSE BILL 2776

State of Washington

55th Legislature

1998 Regular Session

By House Committee on Appropriations (originally sponsored by Representatives Zellinsky, Anderson, L. Thomas, Quall, Benson and Grant)

Read first time 02/07/98. 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 for the purposes of this
20 act, referencing this act by bill or chapter number, is not provided by
21 June 30, 1998, in the omnibus appropriations act, this act is null and
22 void.

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