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HOUSE BILL 2776

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State of Washington

55th Legislature

1998 Regular Session

By Representatives Zellinsky, Anderson, L. Thomas, Quall, Benson and Grant

Read first time 01/20/98. Referred to Committee on Financial Institutions & Insurance.

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 for a health benefit plan offered under this  
37 section may not be adjusted more frequently than annually))~~ Every  
38 individual making an application for a health benefit plan or renewing  
39 a health benefit plan offered under this section must be offered a rate

1 that cannot be adjusted more frequently than annually as measured from  
2 the time that the individual obtains or renews coverage, except that  
3 the premium may be changed to reflect:

4 (i) Changes to the family composition;

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

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

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

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

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

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

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

27 (1)(a) An insurer offering any health benefit plan to a small  
28 employer shall offer and actively market to the small employer a health  
29 benefit plan providing benefits identical to the schedule of covered  
30 health services that are required to be delivered to an individual  
31 enrolled in the basic health plan. Nothing in this subsection shall  
32 preclude an insurer from offering, or a small employer from purchasing,  
33 other health benefit plans that may have more or less comprehensive  
34 benefits than the basic health plan, provided such plans are in  
35 accordance with this chapter. An insurer offering a health benefit  
36 plan that does not include benefits in the basic health plan shall  
37 clearly disclose these differences to the small employer in a brochure  
38 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 for a health benefit plan offered under this~~  
5 ~~section may not be adjusted more frequently than annually~~) Every small  
6 employer making an application for a health benefit plan or renewing a  
7 health benefit plan offered under this section must be offered a rate  
8 that cannot be adjusted more frequently than annually as measured from  
9 the time that the individual obtains or renews coverage, except that  
10 the premium may be changed to reflect:

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

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

13 (iii) Changes to the health benefit plan requested by the small  
14 employer; or

15 (iv) Changes in government requirements affecting the health  
16 benefit plan.

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

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

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

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

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

1 (b) An insurer shall not require a minimum participation level  
2 greater than:

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

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

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

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

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

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

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

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

1 health plan shall clearly disclose these differences to the individual  
2 in a brochure approved by the commissioner.

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

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

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

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

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

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

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

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

38 (f) (~~The rate charged for a health benefit plan offered under this~~  
39 ~~section may not be adjusted more frequently than annually~~) Every

1 individual making an application for a health benefit plan or renewing  
2 a health benefit plan offered under this section must be offered a rate  
3 that cannot be adjusted more frequently than annually as measured from  
4 the time that the individual obtains or renews coverage, except that  
5 the premium may be changed to reflect:

6 (i) Changes to the family composition;

7 (ii) Changes to the health benefit plan requested by the  
8 individual; or

9 (iii) Changes in government requirements affecting the health  
10 benefit plan.

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

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

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

24 (4) As used in this section and RCW 48.44.023 "health benefit  
25 plan," "small employer," "basic health plan," "adjusted community  
26 rates," and "wellness activities" mean the same as defined in RCW  
27 48.43.005.

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

30 (1)(a) A health care services contractor offering any health  
31 benefit plan to a small employer shall offer and actively market to the  
32 small employer a health benefit plan providing benefits identical to  
33 the schedule of covered health services that are required to be  
34 delivered to an individual enrolled in the basic health plan. Nothing  
35 in this subsection shall preclude a contractor from offering, or a  
36 small employer from purchasing, other health benefit plans that may  
37 have more or less comprehensive benefits than the basic health plan,  
38 provided such plans are in accordance with this chapter. A contractor



1 offering a health benefit plan that does not include benefits in the  
2 basic health plan shall clearly disclose these differences to the small  
3 employer in a brochure approved by the commissioner.

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

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

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

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

- 25 (i) Geographic area;
- 26 (ii) Family size;
- 27 (iii) Age; and
- 28 (iv) Wellness activities.

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

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

38 (d) The permitted rates for any age group shall be no more than  
39 four hundred twenty-five percent of the lowest rate for all age groups

1 on January 1, 1996, four hundred percent on January 1, 1997, and three  
2 hundred seventy-five percent on January 1, 2000, and thereafter.

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

6 (f) (~~The rate charged for a health benefit plan offered under this~~  
7 ~~section may not be adjusted more frequently than annually~~) Every small  
8 employer making an application for a health benefit plan or renewing a  
9 health benefit plan offered under this section must be offered a rate  
10 that cannot be adjusted more frequently than annually as measured from  
11 the time that the individual obtains or renews coverage, except that  
12 the premium may be changed to reflect:

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

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

15 (iii) Changes to the health benefit plan requested by the small  
16 employer; or

17 (iv) Changes in government requirements affecting the health  
18 benefit plan.

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

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

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

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

37 (5)(a) Except as provided in this subsection, requirements used by  
38 a contractor in determining whether to provide coverage to a small

1 employer shall be applied uniformly among all small employers applying  
2 for coverage or receiving coverage from the carrier.

3 (b) A contractor shall not require a minimum participation level  
4 greater than:

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

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

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

13 (d) A contractor may not increase any requirement for minimum  
14 employee participation or modify any requirement for minimum employer  
15 contribution applicable to a small employer at any time after the small  
16 employer has been accepted for coverage.

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

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

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

1 disclose these differences to the individual in a brochure approved by  
2 the commissioner.

3 (b) A health benefit plan shall provide coverage for hospital  
4 expenses and services rendered by a physician licensed under chapter  
5 18.57 or 18.71 RCW but is not subject to the requirements of RCW  
6 48.46.275, 48.46.280, 48.46.285, 48.46.290, 48.46.350, 48.46.355,  
7 48.46.375, 48.46.440, 48.46.480, 48.46.510, 48.46.520, and 48.46.530 if  
8 the health benefit plan is the mandatory offering under (a) of this  
9 subsection that provides benefits identical to the basic health plan,  
10 to the extent these requirements differ from the basic health plan.

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

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

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

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

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

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

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

37 (~~(f) ((The rate charged for a health benefit plan offered under this~~  
38 ~~section may not be adjusted more frequently than annually))~~ Every  
39 individual making an application for a health benefit plan or renewing

1 a health benefit plan offered under this section must be offered a rate  
2 that cannot be adjusted more frequently than annually as measured from  
3 the time that the individual obtains or renews coverage, except that  
4 the premium may be changed to reflect:

5 (i) Changes to the family composition;

6 (ii) Changes to the health benefit plan requested by the  
7 individual; or

8 (iii) Changes in government requirements affecting the health  
9 benefit plan.

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

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

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

23 (4) As used in this section and RCW 48.46.066, "health benefit  
24 plan," "basic health plan," "adjusted community rate," "small  
25 employer," and "wellness activities" mean the same as defined in RCW  
26 48.43.005.

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

29 (1)(a) A health maintenance organization offering any health  
30 benefit plan to a small employer shall offer and actively market to the  
31 small employer a health benefit plan providing benefits identical to  
32 the schedule of covered health services that are required to be  
33 delivered to an individual enrolled in the basic health plan. Nothing  
34 in this subsection shall preclude a health maintenance organization  
35 from offering, or a small employer from purchasing, other health  
36 benefit plans that may have more or less comprehensive benefits than  
37 the basic health plan, provided such plans are in accordance with this  
38 chapter. A health maintenance organization offering a health benefit

1 plan that does not include benefits in the basic health plan shall  
2 clearly disclose these differences to the small employer in a brochure  
3 approved by the commissioner.

4 (b) A health benefit plan shall provide coverage for hospital  
5 expenses and services rendered by a physician licensed under chapter  
6 18.57 or 18.71 RCW but is not subject to the requirements of RCW  
7 48.46.275, 48.46.280, 48.46.285, 48.46.290, 48.46.350, 48.46.355,  
8 48.46.375, 48.46.440, 48.46.480, 48.46.510, 48.46.520, and 48.46.530  
9 if: (i) The health benefit plan is the mandatory offering under (a) of  
10 this subsection that provides benefits identical to the basic health  
11 plan, to the extent these requirements differ from the basic health  
12 plan; or (ii) the health benefit plan is offered to employers with not  
13 more than twenty-five employees.

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

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

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

- 25 (i) Geographic area;
- 26 (ii) Family size;
- 27 (iii) Age; and
- 28 (iv) Wellness activities.

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

33 (c) The health maintenance organization shall be permitted to  
34 develop separate rates for individuals age sixty-five or older for  
35 coverage for which medicare is the primary payer and coverage for which  
36 medicare is not the primary payer. Both rates shall be subject to the  
37 requirements of this subsection (3).

38 (d) The permitted rates for any age group shall be no more than  
39 four hundred twenty-five percent of the lowest rate for all age groups

1 on January 1, 1996, four hundred percent on January 1, 1997, and three  
2 hundred seventy-five percent on January 1, 2000, and thereafter.

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

6 (f) (~~The rate charged for a health benefit plan offered under this~~  
7 ~~section may not be adjusted more frequently than annually~~) Every small  
8 employer making an application for a health benefit plan or renewing a  
9 health benefit plan offered under this section must be offered a rate  
10 that cannot be adjusted more frequently than annually as measured from  
11 the time that the individual obtains or renews coverage, except that  
12 the premium may be changed to reflect:

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

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

15 (iii) Changes to the health benefit plan requested by the small  
16 employer; or

17 (iv) Changes in government requirements affecting the health  
18 benefit plan.

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

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

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

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

37 (5)(a) Except as provided in this subsection, requirements used by  
38 a health maintenance organization in determining whether to provide

1 coverage to a small employer shall be applied uniformly among all small  
2 employers applying for coverage or receiving coverage from the carrier.

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

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

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

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

13 (d) A health maintenance organization may not increase any  
14 requirement for minimum employee participation or modify any  
15 requirement for minimum employer contribution applicable to a small  
16 employer at any time after the small employer has been accepted for  
17 coverage.

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

27 NEW SECTION. **Sec. 7.** If specific funding in the amount of two  
28 hundred six thousand dollars for the purposes of this act, referencing  
29 this act by bill or chapter number, is not provided by June 30, 1998,  
30 in the omnibus appropriations act, this act is null and void.

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