

CERTIFICATION OF ENROLLMENT

SUBSTITUTE HOUSE BILL 1387

55th Legislature
1997 Regular Session

Passed by the House April 19, 1997
Yeas 61 Nays 30

**Speaker of the
House of Representatives**

Passed by the Senate April 15, 1997
Yeas 33 Nays 15

President of the Senate

Approved

Governor of the State of Washington

CERTIFICATE

I, Timothy A. Martin, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **SUBSTITUTE HOUSE BILL 1387** as passed by the House of Representatives and the Senate on the dates hereon set forth.

Chief Clerk

FILED

**Secretary of State
State of Washington**

SUBSTITUTE HOUSE BILL 1387

Passed Legislature - 1997 Regular Session

AS AMENDED BY THE SENATE

State of Washington

55th Legislature

1997 Regular Session

By House Committee on Financial Institutions & Insurance (originally sponsored by Representatives Zellinsky, K. Schmidt, L. Thomas, Johnson, Huff and Dyer)

Read first time 02/10/97.

1 AN ACT Relating to mandatory offering of basic health plan
2 benefits; amending RCW 48.20.028, 48.21.045, 48.44.022, 48.44.023,
3 48.46.064, and 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 1995 c 265 s 13 are each amended to read
6 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 services that are required to be delivered to an individual
11 enrolled in the basic health plan. Nothing in this subsection shall
12 preclude an insurer from offering, or an individual from purchasing,
13 other health benefit plans that may have more or less comprehensive
14 benefits than the basic health plan, provided such plans are in
15 accordance with this chapter. An insurer offering a health benefit
16 plan that does not include benefits provided in the basic health plan
17 shall clearly disclose these differences to the individual in a
18 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 48.20.390, 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; and
- 18 (iv) Wellness activities.

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

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

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

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

35 (f) The rate charged for a health benefit plan offered under this
36 section may not be adjusted more frequently than annually except that
37 the premium may be changed to 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) The frequency of filing of rate adjustments for new and
6 renewing individuals is limited to once every six months.

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

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 48.21.045.

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

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

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

35 (b) A health benefit plan shall provide coverage for hospital
36 expenses and services rendered by a physician licensed under chapter
37 18.57 or 18.71 RCW but is not subject to the requirements of RCW
38 48.21.130, 48.21.140, 48.21.141, 48.21.142, 48.21.144, 48.21.146,

1 48.21.160 through 48.21.197, 48.21.200, 48.21.220, 48.21.225,
2 48.21.230, 48.21.235, 48.21.240, 48.21.244, 48.21.250, 48.21.300,
3 48.21.310, or 48.21.320 if: (i) The health benefit plan is the
4 mandatory offering under (a) of this subsection that provides benefits
5 identical to the basic health plan, to the extent these requirements
6 differ from the basic health plan; or (ii) the health benefit plan is
7 offered to employers with not more than twenty-five employees.

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

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

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

- 18 (i) Geographic area;
- 19 (ii) Family size;
- 20 (iii) Age; and
- 21 (iv) 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. Employees under the age
25 of twenty shall be treated as those age twenty.

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

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.

1 (f) The rate charged for a health benefit plan offered under this
2 section may not be adjusted more frequently than annually except that
3 the premium may be changed to reflect:

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

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

6 (iii) Changes to the health benefit plan requested by the small
7 employer; or

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

10 (g) The frequency of filing of rate adjustments for new and
11 renewing small employers is limited to once every six months.

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

15 ~~((h))~~ (i) For the purposes of this section, a health benefit plan
16 that contains a restricted network provision shall not be considered
17 similar 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))~~ (j) Adjusted community rates established under this section
23 shall pool the medical experience of all small groups purchasing
24 coverage.

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

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

35 (b) An insurer shall not require a minimum participation level
36 greater than:

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

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

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

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

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

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

22 **Sec. 3.** RCW 48.44.022 and 1995 c 265 s 15 are each amended to read
23 as follows:

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

36 (b) A health benefit plan shall provide coverage for hospital
37 expenses and services rendered by a physician licensed under chapter
38 18.57 or 18.71 RCW but is not subject to the requirements of RCW

1 48.44.225, 48.44.240, 48.44.245, 48.44.290, 48.44.300, 48.44.310,
2 48.44.320, 48.44.325, 48.44.330, 48.44.335, 48.44.340, 48.44.344,
3 48.44.360, 48.44.400, 48.44.440, 48.44.450, and 48.44.460 if the health
4 benefit plan is the mandatory offering under (a) of this subsection
5 that provides benefits identical to the basic health plan, to the
6 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 care service contractor 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; and
- 15 (iv) Wellness activities.

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

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

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

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

32 (f) The rate charged for a health benefit plan offered under this
33 section may not be adjusted more frequently than annually except that
34 the premium may be changed to reflect:

- 35 (i) Changes to the family composition;
- 36 (ii) Changes to the health benefit plan requested by the
37 individual; or
- 38 (iii) Changes in government requirements affecting the health
39 benefit plan.

1 (g) The frequency of filing of rate adjustments for new and
2 renewing individuals is limited to once every six months.

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

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

14 (4) As used in this section and RCW 48.44.023 "health benefit
15 plan," "small employer," "basic health plan," "adjusted community
16 rates," and "wellness activities" mean the same as defined in RCW
17 48.43.005.

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

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

32 (b) A health benefit plan shall provide coverage for hospital
33 expenses and services rendered by a physician licensed under chapter
34 18.57 or 18.71 RCW but is not subject to the requirements of RCW
35 48.44.225, 48.44.240, 48.44.245, 48.44.290, 48.44.300, 48.44.310,
36 48.44.320, 48.44.325, 48.44.330, 48.44.335, 48.44.340, 48.44.344,
37 48.44.360, 48.44.400, 48.44.440, 48.44.450, and 48.44.460 if: (i) The
38 health benefit plan is the mandatory offering under (a) of this

1 subsection that provides benefits identical to the basic health plan,
2 to the extent these requirements differ from the basic health plan; or
3 (ii) the health benefit plan is offered to employers with not more than
4 twenty-five employees.

5 (2) Nothing in this section shall prohibit a health care service
6 contractor from offering, or a purchaser from seeking, benefits in
7 excess of the basic health plan services. All forms, policies, and
8 contracts shall be submitted for approval to the commissioner, and the
9 rates of any plan offered under this section shall be reasonable in
10 relation to the benefits thereto.

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

13 (a) The contractor 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; and
- 18 (iv) Wellness activities.

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

23 (c) The contractor shall be permitted to develop separate rates for
24 individuals age sixty-five or older for coverage for which medicare is
25 the primary payer and coverage for which medicare is not the primary
26 payer. Both rates shall be subject to the requirements of this
27 subsection (3).

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

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

35 (f) The rate charged for a health benefit plan offered under this
36 section may not be adjusted more frequently than annually except that
37 the premium may be changed to reflect:

- 38 (i) Changes to the enrollment of the small employer;
- 39 (ii) Changes to the family composition of the employee;

1 (iii) Changes to the health benefit plan requested by the small
2 employer; or

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

5 (g) The frequency of filing of rate adjustments for new and
6 renewing small employers is limited to once every six months.

7 ~~((g))~~ (h) Rating factors shall produce premiums for identical
8 groups that differ only by the amounts attributable to plan design,
9 with the exception of discounts for health improvement programs.

10 ~~((h))~~ (i) For the purposes of this section, a health benefit plan
11 that contains a restricted network provision shall not be considered
12 similar 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 ~~((i))~~ (j) Adjusted community rates established under this section
18 shall pool the medical experience of all groups purchasing coverage.

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

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

29 (b) A contractor shall not require a minimum participation level
30 greater than:

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

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

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

1 (d) A contractor may not increase any requirement for minimum
2 employee participation or modify any requirement for minimum employer
3 contribution applicable to a small employer at any time after the small
4 employer has been accepted for coverage.

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

13 **Sec. 5.** RCW 48.46.064 and 1995 c 265 s 17 are each amended to read
14 as follows:

15 (1)(a) A health maintenance organization offering any health
16 benefit plan to any individual shall offer and actively market to all
17 individuals a health benefit plan providing benefits identical to the
18 schedule of covered health services that are required to be delivered
19 to an individual enrolled in the basic health plan. Nothing in this
20 subsection shall preclude a health maintenance organization from
21 offering, or an individual from purchasing, other health benefit plans
22 that may have more or less comprehensive benefits than the basic health
23 plan, provided such plans are in accordance with this chapter. A
24 health maintenance organization offering a health benefit plan that
25 does not include benefits provided in the basic health plan shall
26 clearly disclose these differences to the individual in a brochure
27 approved by the commissioner.

28 (b) A health benefit plan shall provide coverage for hospital
29 expenses and services rendered by a physician licensed under chapter
30 18.57 or 18.71 RCW but is not subject to the requirements of RCW
31 48.46.275, ((~~48.26.280~~ [~~48.46.280~~])) 48.46.280, 48.46.285, 48.46.290,
32 48.46.350, 48.46.355, 48.46.375, 48.46.440, 48.46.480, 48.46.510,
33 48.46.520, and 48.46.530 if the health benefit plan is the mandatory
34 offering under (a) of this subsection that provides benefits identical
35 to the basic health plan, to the extent these requirements differ from
36 the basic health plan.

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

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

- 4 (i) Geographic area;
- 5 (ii) Family size;
- 6 (iii) Age; and
- 7 (iv) Wellness activities.

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

12 (c) The health maintenance organization shall be permitted to
13 develop separate rates for individuals age sixty-five or older for
14 coverage for which medicare is the primary payer and coverage for which
15 medicare is not the primary payer. Both rates shall be subject to the
16 requirements of this subsection.

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

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

24 (f) The rate charged for a health benefit plan offered under this
25 section may not be adjusted more frequently than annually except that
26 the premium may be changed to reflect:

- 27 (i) Changes to the family composition;
- 28 (ii) Changes to the health benefit plan requested by the
29 individual; or
- 30 (iii) Changes in government requirements affecting the health
31 benefit plan.

32 (g) The frequency of filing of rate adjustments for new and
33 renewing individuals is limited to once every six months.

34 ~~((+g))~~ (h) For the purposes of this section, a health benefit plan
35 that contains a restricted network provision shall not be considered
36 similar coverage to a health benefit plan that does not contain such a
37 provision, provided that the restrictions of benefits to network
38 providers result in substantial differences in claims costs. This

1 subsection does not restrict or enhance the portability of benefits as
2 provided in RCW 48.43.015.

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

7 (4) As used in this section and RCW 48.46.066, "health benefit
8 plan," "basic health plan," "adjusted community rate," "small
9 employer," and "wellness activities" mean the same as defined in RCW
10 48.43.005.

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

13 (1)(a) A health maintenance organization offering any health
14 benefit plan to a small employer shall offer and actively market to the
15 small employer a health benefit plan providing benefits identical to
16 the schedule of covered health services that are required to be
17 delivered to an individual enrolled in the basic health plan. Nothing
18 in this subsection shall preclude a health maintenance organization
19 from offering, or a small employer from purchasing, other health
20 benefit plans that may have more or less comprehensive benefits than
21 the basic health plan, provided such plans are in accordance with this
22 chapter. A health maintenance organization offering a health benefit
23 plan that does not include benefits in the basic health plan shall
24 clearly disclose these differences to the small employer in a brochure
25 approved by the commissioner.

26 (b) A health benefit plan shall provide coverage for hospital
27 expenses and services rendered by a physician licensed under chapter
28 18.57 or 18.71 RCW but is not subject to the requirements of RCW
29 48.46.275, 48.46.280, 48.46.285, 48.46.290, 48.46.350, 48.46.355,
30 48.46.375, 48.46.440, 48.46.480, 48.46.510, 48.46.520, and 48.46.530
31 if: (i) The health benefit plan is the mandatory offering under (a) of
32 this subsection that provides benefits identical to the basic health
33 plan, to the extent these requirements differ from the basic health
34 plan; or (ii) the health benefit plan is offered to employers with not
35 more than twenty-five employees.

36 (2) Nothing in this section shall prohibit a health maintenance
37 organization from offering, or a purchaser from seeking, benefits in
38 excess of the basic health plan services. All forms, policies, and

1 contracts shall be submitted for approval to the commissioner, and the
2 rates of any plan offered under this section shall be reasonable in
3 relation to the benefits thereto.

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

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

9 (i) Geographic area;

10 (ii) Family size;

11 (iii) Age; and

12 (iv) Wellness activities.

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

17 (c) The health maintenance organization shall be permitted to
18 develop separate rates for individuals age sixty-five or older for
19 coverage for which medicare is the primary payer and coverage for which
20 medicare is not the primary payer. Both rates shall be subject to the
21 requirements of this subsection (3).

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

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

29 (f) The rate charged for a health benefit plan offered under this
30 section may not be adjusted more frequently than annually except that
31 the premium may be changed to reflect:

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

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

34 (iii) Changes to the health benefit plan requested by the small
35 employer; or

36 (iv) Changes in government requirements affecting the health
37 benefit plan.

38 (g) The frequency of filing of rate adjustments for new and
39 renewing small employers is limited to once every six months.

1 (~~(g)~~) (h) Rating factors shall produce premiums for identical
2 groups that differ only by the amounts attributable to plan design,
3 with the exception of discounts for health improvement programs.

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

11 (~~(i)~~) (j) Adjusted community rates established under this section
12 shall pool the medical experience of all groups purchasing coverage.

13 (4) The health benefit plans authorized by this section that are
14 lower than the required offering shall not supplant or supersede any
15 existing policy for the benefit of employees in this state. Nothing in
16 this section shall restrict the right of employees to collectively
17 bargain for insurance providing benefits in excess of those provided
18 herein.

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

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

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

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

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

33 (d) A health maintenance organization may not increase any
34 requirement for minimum employee participation or modify any
35 requirement for minimum employer contribution applicable to a small
36 employer at any time after the small employer has been accepted for
37 coverage.

38 (6) A health maintenance organization must offer coverage to all
39 eligible employees of a small employer and their dependents. A health

1 maintenance organization may not offer coverage to only certain
2 individuals or dependents in a small employer group or to only part of
3 the group. A health maintenance organization may not modify a health
4 plan with respect to a small employer or any eligible employee or
5 dependent, through riders, endorsements or otherwise, to restrict or
6 exclude coverage or benefits for specific diseases, medical conditions,
7 or services otherwise covered by the plan.

8 NEW SECTION. **Sec. 7.** If specific funding in the amount of two
9 hundred six thousand dollars for the purposes of this act, referencing
10 this act by bill or chapter number, is not provided by June 30, 1997,
11 in the omnibus appropriations act, this act is null and void.

--- END ---