

5011-S

Sponsor(s): Senate Committee on Financial Institutions, Insurance & Housing (originally sponsored by Senators Prentice and Winsley)

Brief Title: Changing the financial and reporting requirements of health care service contractors and health maintenance organizations.

**SB 5011-S - DIGEST**

(DIGEST AS PASSED LEGISLATURE)

Requires limited health care service contractors to maintain a minimum net worth of \$300,000.

Requires health care service contractors to maintain a net worth equal to \$3 million or 2 percent of annual premiums on the first \$150 million of premium and 1 percent on the premium revenue in excess of that amount, whichever is greater.

Requires health maintenance organizations to maintain a minimum net worth equal to the greater of \$3 million or 2 percent of annual premiums on the first \$150 million of premium and 1 percent on the premium in excess of that amount.

Provides that, if the minimum net worth of a domestic health maintenance organization falls below the minimum net worth required, the commissioner shall at once ascertain the amount of the deficiency and serve notice upon the domestic health maintenance organization to cure the deficiency within ninety days after that service of notice.

Declares that, if the deficiency is not cured, and proof thereof filed with the commissioner within the ninety-day period, the domestic health maintenance organization shall be declared insolvent and shall be proceeded against as authorized by this code or the commissioner shall, consistent with chapters 48.04 and 34.05 RCW, suspend or revoke the registration of the domestic health maintenance organization.

Provides that, if the deficiency is not cured the domestic health maintenance organization shall not issue or deliver any health maintenance agreement after the expiration of the ninety-day period.

VETO MESSAGE ON SB 5011-S

May 7, 1997

To the Honorable President and Members,  
The Senate of the State of Washington  
Ladies and Gentlemen:

I am returning herewith, without my approval, Substitute Senate Bill No. 5011 entitled:

"AN ACT Relating to the financial and reporting requirements of health care service contractors and health maintenance organizations;"

I fully support the proposal in Substitute Senate Bill No. 5011, which raises minimum net worth requirements for health maintenance organizations, health care service contractors and

limited health care service contractors operating in Washington State. The intent of this bill, which was requested by the Insurance Commissioner with the support of the industry, is to protect Washington State policyholders by ensuring the solvency of certain health carriers.

However, this bill is identical to Engrossed Substitute House Bill 1064, which I signed into law on April 25, 1997.

For this reason, I have vetoed Substitute Senate Bill No. 5011 in its entirety.

Respectfully submitted,  
Gary Locke  
Governor