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**BILL REQUEST - CODE REVISER'S OFFICE**

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BILL REQ. #: H-4465.2/02 2nd draft

ATTY/TYPIST: ML:seg

BRIEF DESCRIPTION:

2 **SHB 2430** - H AMD  
3 By Representative Kessler

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5 Strike everything after the enacting clause and insert the  
6 following:

7 "Sec. 1. RCW 48.21.045 and 1995 c 265 s 14 are each amended to  
8 read as follows:

9 (1)(a) An insurer offering any health benefit plan to a small  
10 employer shall offer and actively market to the small employer a health  
11 benefit plan (~~((providing benefits identical to the schedule of covered  
12 health services that are required to be delivered to an individual  
13 enrolled in the basic health plan))~~) featuring a limited schedule of  
14 covered health services. Nothing in this subsection shall preclude an  
15 insurer from offering, or a small employer from purchasing, other  
16 health benefit plans that may have more (~~((or less))~~) comprehensive  
17 benefits than (~~((the basic health plan, provided such plans are in  
18 accordance with this chapter))~~) those included in the product offered  
19 under this subsection. An insurer offering a health benefit plan  
20 (~~((that does not include benefits in the basic health plan))~~) under this  
21 subsection shall clearly disclose (~~((these differences))~~) all covered  
22 benefits to the small employer in a brochure approved by the  
23 commissioner.

24 (b) A health benefit plan offered under this subsection shall  
25 provide coverage for hospital expenses and services rendered by a  
26 (~~((physician licensed under chapter 18.57 or 18.71 RCW))~~) health care  
27 professional licensed under chapter 18.22, 18.57, 18.71, or 18.79 RCW  
28 but is not subject to the requirements of RCW 48.21.130, 48.21.140,  
29 (~~((48.21.141,))~~) 48.21.142, 48.21.144, 48.21.146, 48.21.160 through  
30 48.21.197, 48.21.200, 48.21.220, 48.21.225, 48.21.230, 48.21.235,  
31 48.21.240, 48.21.244, 48.21.250, 48.21.300, 48.21.310, (~~((or))~~) 48.21.320  
32 (~~((if: (i) The health benefit plan is the mandatory offering under (a)  
33 of this subsection that provides benefits identical to the basic health  
34 plan, to the extent these requirements differ from the basic health  
35 plan; or (ii) the health benefit plan is offered to employers with not  
36 more than twenty-five employees))~~), or 48.43.045(1).

1        (c) For purposes of this subsection (1) only, "small employer"  
2 means any person, firm, corporation, partnership, association, or  
3 political subdivision that is actively engaged in business that, on at  
4 least fifty percent of its working days during the preceding calendar  
5 quarter, employed no fewer than two and no more than fifty eligible  
6 employees, with a normal workweek of thirty or more hours, the majority  
7 of whom were employed within this state, and is not formed primarily  
8 for purposes of buying health insurance and in which a bona fide  
9 employer-employee relationship exists. In determining the number of  
10 eligible employees, companies that are affiliated companies, or that  
11 are eligible to file a combined tax return for purposes of taxation by  
12 this state, shall be considered an employer. Subsequent to the  
13 issuance of a health plan to a small employer and for the purpose of  
14 determining eligibility, the size of a small employer shall be  
15 determined annually. Except as otherwise specifically provided, a  
16 small employer shall continue to be considered a small employer until  
17 the plan anniversary following the date the small employer no longer  
18 meets the requirements of this definition.

19        (2) Nothing in this section shall prohibit an insurer from  
20 offering, or a purchaser from seeking, health benefit plans with  
21 benefits in excess of the ((basic health plan services)) health benefit  
22 plan offered under subsection (1) of this section. All forms,  
23 policies, and contracts shall be submitted for approval to the  
24 commissioner, and the rates of any plan offered under subsection (1) of  
25 this section shall be reasonable in relation to the benefits thereto.

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

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

30        (i) Geographic area;

31        (ii) Family size;

32        (iii) Age; ((and))

33        (iv) Wellness activities; and

34        (v) Only for purposes of the health benefit plan offered under  
35 subsection (1) of this section, industry and any other factor the  
36 commissioner determines to be appropriate. The commissioner must adopt  
37 rules to implement these factors. An insurer may not modify its rating  
38 practices based upon these factors until final rules have been adopted  
39 by the commissioner.

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

5 (c) The insurer shall be permitted to develop separate rates for  
6 individuals age sixty-five or older for coverage for which medicare is  
7 the primary payer and coverage for which medicare is not the primary  
8 payer. Both rates shall be subject to the requirements of this  
9 subsection (3).

10 (d) The permitted rates for any age group shall be no more than  
11 (~~four hundred twenty five percent of the lowest rate for all age~~  
12 ~~groups on January 1, 1996, four hundred percent on January 1, 1997,~~  
13 ~~and~~) three hundred seventy-five percent of the lowest rate for all age  
14 groups on January 1, 2000, and five hundred percent on January 1, 2003,  
15 and thereafter.

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

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

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

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

24 (iii) Changes to the health benefit plan requested by the small  
25 employer; or

26 (iv) Changes in government requirements affecting the health  
27 benefit plan.

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

31 (h) For the purposes of this section, a health benefit plan that  
32 contains a restricted network provision shall not be considered similar  
33 coverage to a health benefit plan that does not contain such a  
34 provision, provided that the restrictions of benefits to network  
35 providers result in substantial differences in claims costs. This  
36 subsection does not restrict or enhance the portability of benefits as  
37 provided in RCW 48.43.015.

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

1       (4) (~~The health benefit plans authorized by this section that are~~  
2 ~~lower than the required offering shall not supplant or supersede any~~  
3 ~~existing policy for the benefit of employees in this state.~~) Nothing  
4 in this section shall restrict the right of employees to collectively  
5 bargain for insurance providing benefits in excess of those provided  
6 herein.

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

11       (b) An insurer shall not require a minimum participation level  
12 greater than:

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

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

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

21       (d) An insurer may not increase any requirement for minimum  
22 employee participation or modify any requirement for minimum employer  
23 contribution applicable to a small employer at any time after the small  
24 employer has been accepted for coverage.

25       (6) An insurer must offer coverage to all eligible employees of a  
26 small employer and their dependents. An insurer may not offer coverage  
27 to only certain individuals or dependents in a small employer group or  
28 to only part of the group. An insurer may not modify a health plan  
29 with respect to a small employer or any eligible employee or dependent,  
30 through riders, endorsements or otherwise, to restrict or exclude  
31 coverage or benefits for specific diseases, medical conditions, or  
32 services otherwise covered by the plan.

33       (7) As used in this section, "health benefit plan," (~~"small~~  
34 ~~employer,"~~) "basic health plan," "adjusted community rate," and  
35 "wellness activities" mean the same as defined in RCW 48.43.005.  
36 Except as defined otherwise in subsection (1)(c) of this section,  
37 "small employer" means the same as defined in RCW 48.43.005.

1       **Sec. 2.** RCW 48.44.023 and 1995 c 265 s 16 are each amended to read  
2 as follows:

3       (1)(a) A health care services contractor offering any health  
4 benefit plan to a small employer shall offer and actively market to the  
5 small employer a health benefit plan (~~((providing benefits identical to  
6 the schedule of covered health services that are required to be  
7 delivered to an individual enrolled in the basic health plan))~~)  
8 featuring a limited schedule of covered health services. Nothing in  
9 this subsection shall preclude a contractor from offering, or a small  
10 employer from purchasing, other health benefit plans that may have more  
11 (~~((or less))~~) comprehensive benefits than (~~((the basic health plan,  
12 provided such plans are in accordance with this chapter))~~) those  
13 included in the product offered under this subsection. A contractor  
14 offering a health benefit plan (~~((that does not include benefits in the  
15 basic health plan))~~) under this subsection shall clearly disclose  
16 (~~((these differences))~~) all covered benefits to the small employer in a  
17 brochure approved by the commissioner.

18       (b) A health benefit plan offered under this subsection shall  
19 provide coverage for hospital expenses and services rendered by a  
20 (~~((physician licensed under chapter 18.57 or 18.71 RCW))~~) health care  
21 professional licensed under chapter 18.22, 18.57, 18.71, or 18.79 RCW  
22 but is not subject to the requirements of RCW 48.44.225, 48.44.240,  
23 48.44.245, (~~((48.44.290, 48.44.300,))~~) 48.44.310, 48.44.320, 48.44.325,  
24 48.44.330, 48.44.335, 48.44.340, 48.44.344, 48.44.360, 48.44.400,  
25 48.44.440, 48.44.450, (~~((and))~~) 48.44.460 (~~((if: (i) The health benefit  
26 plan is the mandatory offering under (a) of this subsection that  
27 provides benefits identical to the basic health plan, to the extent  
28 these requirements differ from the basic health plan; or (ii) the  
29 health benefit plan is offered to employers with not more than twenty-  
30 five employees))~~), and 48.43.045(1).

31       (c) For purposes of this subsection (1) only, "small employer"  
32 means any person, firm, corporation, partnership, association, or  
33 political subdivision that is actively engaged in business that, on at  
34 least fifty percent of its working days during the preceding calendar  
35 quarter, employed no fewer than two and no more than fifty eligible  
36 employees, with a normal workweek of thirty or more hours, the majority  
37 of whom were employed within this state, and is not formed primarily  
38 for purposes of buying health insurance and in which a bona fide  
39 employer-employee relationship exists. In determining the number of

1 eligible employees, companies that are affiliated companies, or that  
2 are eligible to file a combined tax return for purposes of taxation by  
3 this state, shall be considered an employer. Subsequent to the  
4 issuance of a health plan to a small employer and for the purpose of  
5 determining eligibility, the size of a small employer shall be  
6 determined annually. Except as otherwise specifically provided, a  
7 small employer shall continue to be considered a small employer until  
8 the plan anniversary following the date the small employer no longer  
9 meets the requirements of this definition.

10 (2) Nothing in this section shall prohibit a health care service  
11 contractor from offering, or a purchaser from seeking, health benefits  
12 plans with benefits in excess of the ((basic health plan services))  
13 health benefit plan offered under subsection (1) of this section. All  
14 forms, policies, and contracts shall be submitted for approval to the  
15 commissioner, and the rates of any plan offered under subsection (1) of  
16 this section shall be reasonable in relation to the benefits thereto.

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

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

21 (i) Geographic area;

22 (ii) Family size;

23 (iii) Age; ((and))

24 (iv) Wellness activities; and

25 (v) Only for purposes of the health benefit plan offered under  
26 subsection (1) of this section, industry and any other factor the  
27 commissioner determines to be appropriate. The commissioner must adopt  
28 rules to implement these factors. A health care services contractor  
29 may not modify its rating practices based upon these factors until  
30 final rules have been adopted by the commissioner.

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

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

1 (d) The permitted rates for any age group shall be no more than  
2 (~~four hundred twenty five percent of the lowest rate for all age~~  
3 ~~groups on January 1, 1996, four hundred percent on January 1, 1997,~~  
4 ~~and~~) three hundred seventy-five percent of the lowest rate for all age  
5 groups on January 1, 2000, and five hundred percent on January 1, 2003,  
6 and thereafter.

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

10 (f) The rate charged for a health benefit plan offered under this  
11 section may not be adjusted more frequently than annually 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  
34 in 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. 3.** RCW 48.46.066 and 1995 c 265 s 18 are each amended to read  
26 as follows:

27 (1)(a) A health maintenance organization offering any health  
28 benefit plan to a small employer, as that term is defined in RCW  
29 48.43.005, shall offer and actively market to the small employer a  
30 health benefit plan (~~((providing benefits identical to the schedule of~~  
31 ~~covered health services that are required to be delivered to an~~  
32 ~~individual enrolled in the basic health plan))~~ featuring a limited  
33 schedule of covered health services. Nothing in this subsection shall  
34 preclude a health maintenance organization from offering, or a small  
35 employer from purchasing, other health benefit plans that may have more  
36 (~~((or less))~~) comprehensive benefits than (~~((the basic health plan,~~  
37 ~~provided such plans are in accordance with this chapter))~~ those  
38 included in the product offered under this subsection. A health

1 maintenance organization offering a health benefit plan (~~((that does not~~  
2 ~~include benefits in the basic health plan))~~ under this subsection shall  
3 clearly disclose (~~((these differences))~~) all covered benefits to the  
4 small employer in a brochure approved by the commissioner.

5 (b) A health benefit plan offered under this subsection shall  
6 provide coverage for hospital expenses and services rendered by a  
7 (~~((physician licensed under chapter 18.57 or 18.71 RCW))~~) health care  
8 professional licensed under chapter 18.22, 18.57, 18.71, or 18.79 RCW  
9 but is not subject to the requirements of RCW 48.46.275, 48.46.280,  
10 48.46.285, 48.46.290, 48.46.350, 48.46.355, 48.46.375, 48.46.440,  
11 48.46.480, 48.46.510, 48.46.520, ~~((and))~~ 48.46.530 ~~((if:—(i) The~~  
12 ~~health benefit plan is the mandatory offering under (a) of this~~  
13 ~~subsection that provides benefits identical to the basic health plan,~~  
14 ~~to the extent these requirements differ from the basic health plan; or~~  
15 ~~(ii) the health benefit plan is offered to employers with not more than~~  
16 ~~twenty-five employees))~~, and 48.43.045(1).

17 (c) For purposes of this subsection (1) only, "small employer"  
18 means any person, firm, corporation, partnership, association, or  
19 political subdivision that is actively engaged in business that, on at  
20 least fifty percent of its working days during the preceding calendar  
21 quarter, employed no fewer than two and no more than fifty eligible  
22 employees, with a normal workweek of thirty or more hours, the majority  
23 of whom were employed within this state, and is not formed primarily  
24 for purposes of buying health insurance and in which a bona fide  
25 employer-employee relationship exists. In determining the number of  
26 eligible employees, companies that are affiliated companies, or that  
27 are eligible to file a combined tax return for purposes of taxation by  
28 this state, shall be considered an employer. Subsequent to the  
29 issuance of a health plan to a small employer and for the purpose of  
30 determining eligibility, the size of a small employer shall be  
31 determined annually. Except as otherwise specifically provided, a  
32 small employer shall continue to be considered a small employer until  
33 the plan anniversary following the date the small employer no longer  
34 meets the requirements of this definition.

35 (2) Nothing in this section shall prohibit a health maintenance  
36 organization from offering, or a purchaser from seeking, health benefit  
37 plans with benefits in excess of the ((basic health plan services))  
38 health benefit plan offered under subsection (1) of this section. All  
39 forms, policies, and contracts shall be submitted for approval to the

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

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

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

8 (i) Geographic area;

9 (ii) Family size;

10 (iii) Age; (~~and~~)

11 (iv) Wellness activities; and

12 (v) Only for purposes of the health benefit plan offered under  
13 subsection (1) of this section, industry and any other factor the  
14 commissioner determines to be appropriate. The commissioner must adopt  
15 rules to implement these factors. A health maintenance organization  
16 may not modify its rating practices based upon these factors until  
17 final rules have been adopted by the commissioner.

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

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

27 (d) The permitted rates for any age group shall be no more than  
28 (~~four hundred twenty five percent of the lowest rate for all age~~  
29 ~~groups on January 1, 1996, four hundred percent on January 1, 1997,~~  
30 ~~and~~) three hundred seventy-five percent of the lowest rate for all age  
31 groups on January 1, 2000, and five hundred percent on January 1, 2003,  
32 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 except that  
38 the premium may be changed to reflect:

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

1 (ii) Changes to the family composition of the employee;  
2 (iii) Changes to the health benefit plan requested by the small  
3 employer; or  
4 (iv) Changes in government requirements affecting the health  
5 benefit plan.

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

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

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

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

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

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

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

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

38 (d) A health maintenance organization may not increase any  
39 requirement for minimum employee participation or modify any

1 requirement for minimum employer contribution applicable to a small  
2 employer at any time after the small employer has been accepted for  
3 coverage.

4 (6) A health maintenance organization must offer coverage to all  
5 eligible employees of a small employer and their dependents. A health  
6 maintenance organization may not offer coverage to only certain  
7 individuals or dependents in a small employer group or to only part of  
8 the group. A health maintenance organization may not modify a health  
9 plan with respect to a small employer or any eligible employee or  
10 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. 4.** RCW 48.43.035 and 2000 c 79 s 24 are each amended to read  
14 as follows:

15 For group health benefit plans, the following shall apply:

16 (1) All health carriers shall accept for enrollment any state  
17 resident within the group to whom the plan is offered and within the  
18 carrier's service area and provide or assure the provision of all  
19 covered services regardless of age, sex, family structure, ethnicity,  
20 race, health condition, geographic location, employment status,  
21 socioeconomic status, other condition or situation, or the provisions  
22 of RCW 49.60.174(2). The insurance commissioner may grant a temporary  
23 exemption from this subsection, if, upon application by a health  
24 carrier the commissioner finds that the clinical, financial, or  
25 administrative capacity to serve existing enrollees will be impaired if  
26 a health carrier is required to continue enrollment of additional  
27 eligible individuals.

28 (2) Except as provided in subsection (5) of this section, all  
29 health plans shall contain or incorporate by endorsement a guarantee of  
30 the continuity of coverage of the plan. For the purposes of this  
31 section, a plan is "renewed" when it is continued beyond the earliest  
32 date upon which, at the carrier's sole option, the plan could have been  
33 terminated for other than nonpayment of premium. The carrier may  
34 consider the group's anniversary date as the renewal date for purposes  
35 of complying with the provisions of this section.

36 (3) The guarantee of continuity of coverage required in health  
37 plans shall not prevent a carrier from canceling or nonrenewing a  
38 health plan for:

- 1 (a) Nonpayment of premium;
- 2 (b) Violation of published policies of the carrier approved by the  
3 insurance commissioner;
- 4 (c) Covered persons entitled to become eligible for medicare  
5 benefits by reason of age who fail to apply for a medicare supplement  
6 plan or medicare cost, risk, or other plan offered by the carrier  
7 pursuant to federal laws and regulations;
- 8 (d) Covered persons who fail to pay any deductible or copayment  
9 amount owed to the carrier and not the provider of health care  
10 services;
- 11 (e) Covered persons committing fraudulent acts as to the carrier;
- 12 (f) Covered persons who materially breach the health plan; or
- 13 (g) Change or implementation of federal or state laws that no  
14 longer permit the continued offering of such coverage.

15 (4) (~~The provisions of~~) This section (~~do~~) does not apply in the  
16 following cases:

- 17 (a) A carrier has zero enrollment on a product; or
- 18 (b) For group health plans sold to groups other than small employer  
19 groups, a carrier replaces a product and the replacement product is  
20 provided to all covered persons within that class or line of business,  
21 includes all of the services covered under the replaced product, and  
22 does not significantly limit access to the kind of services covered  
23 under the replaced product. The health plan may also allow  
24 unrestricted conversion to a fully comparable product; or
- 25 (c) For group health plans offered to small employer groups, no  
26 sooner than October 1, 2002, a carrier discontinues offering a  
27 particular type of health benefit plan if: (i) The carrier provides  
28 notice to each group provided coverage of this type of the  
29 discontinuation at least ninety days prior to the date of the  
30 discontinuation; (ii) the carrier offers to each group provided  
31 coverage of this type the option to enroll in any other small employer  
32 group health benefit plan currently being offered by the carrier; and  
33 (iii) in exercising the option to discontinue coverage of this type and  
34 in offering the option of coverage under (c)(ii) of this subsection,  
35 the carrier acts uniformly without regard to any health status-related  
36 factor of individuals enrolled through the small employer group,  
37 individuals who may become eligible for such coverage, or the  
38 collective health status of groups enrolled in coverage of this type;  
39 or

1       (d) A carrier discontinues offering all small employer group health  
2 coverage in the state and discontinues coverage under all existing  
3 small employer group health benefit plans if: (i) The carrier provides  
4 notice to the commissioner of its intent to discontinue offering all  
5 small employer group health coverage in the state and its intent to  
6 discontinue coverage under all existing health benefit plans at least  
7 one hundred eighty days prior to the date of the discontinuation of  
8 coverage under all existing health benefit plans; and (ii) the carrier  
9 provides notice to each covered small employer group of the intent to  
10 discontinue his or her existing health benefit plan at least one  
11 hundred eighty days prior to the date of the discontinuation and  
12 includes information in the notice that can help the small employer  
13 group identify alternative sources of coverage. In the case of  
14 discontinuation under this subsection, the carrier may not issue any  
15 small employer group health coverage in this state for a five-year  
16 period beginning on the date of the discontinuation of the last health  
17 plan not so renewed. Nothing in this subsection (3) may be construed  
18 to require a carrier to provide notice to the commissioner of its  
19 intent to discontinue offering a health benefit plan to new applicants  
20 where the carrier does not discontinue coverage of existing enrollees  
21 under that health benefit plan; or

22       (e) A carrier is withdrawing from a service area or from a segment  
23 of its service area because the carrier has demonstrated to the  
24 insurance commissioner that the carrier's clinical, financial, or  
25 administrative capacity to serve enrollees would be exceeded.

26       (5) The provisions of this section do not apply to health plans  
27 deemed by the insurance commissioner to be unique or limited or have a  
28 short-term purpose, after a written request for such classification by  
29 the carrier and subsequent written approval by the insurance  
30 commissioner.

31       NEW SECTION. Sec. 5. A new section is added to chapter 48.43 RCW  
32 to read as follows:

33       Beginning January 1, 2003, any carrier offering health benefit  
34 plans to small employers in addition to the benefit plan authorized  
35 under RCW 48.21.045(1), 48.44.023(1), and 48.46.066(1) must offer and  
36 actively market to small employers at least three other plans of the  
37 carrier's choosing. Nothing in this section limits the ability of a

1 carrier to offer small employer group health benefit plans in addition  
2 to those that must be offered under this section.

3 NEW SECTION. **Sec. 6.** A new section is added to chapter 70.47 RCW  
4 to read as follows:

5 (1) In coordination with the department of social and health  
6 services medical assistance administration and interested entities, the  
7 administrator will identify and design pilot projects to improve health  
8 care coverage access, including review of proposals by entities that  
9 have received funding through the federal health resources and services  
10 administration community access program. The administrator may approve  
11 pilot projects that are found to be feasible. Pilot projects may  
12 include applying basic health plan or medical assistance subsidy  
13 payments toward employer-sponsored health insurance or other health  
14 insurance premium shares, rather than as direct payments to managed  
15 health care systems participating in the basic health plan or medical  
16 assistance program.

17 (2) The schedule of benefits for persons enrolled through an  
18 approved pilot project may differ from the benefits offered through the  
19 basic health plan, but shall be reasonably comparable in value to those  
20 benefits.

21 (3) By November 1, 2002, the administrator and the secretary of the  
22 department of social and health services shall jointly report to the  
23 health care committees of the senate and the house of representatives  
24 on their progress in developing the pilot projects authorized in this  
25 act, the anticipated implementation date of any pilot project under  
26 development, and the resources needed to implement the pilot project.

27 **Sec. 7.** RCW 70.47.020 and 2000 c 79 s 43 are each amended to read  
28 as follows:

29 As used in this chapter:

30 (1) "Washington basic health plan" or "plan" means the system of  
31 enrollment and payment for basic health care services, administered by  
32 the plan administrator through participating managed health care  
33 systems, created by this chapter.

34 (2) "Administrator" means the Washington basic health plan  
35 administrator, who also holds the position of administrator of the  
36 Washington state health care authority.



1 (3) "Managed health care system" means: (a) Any health care  
2 organization, including health care providers, insurers, health care  
3 service contractors, health maintenance organizations, or any  
4 combination thereof, that provides directly or by contract basic health  
5 care services, as defined by the administrator and rendered by duly  
6 licensed providers, to a defined patient population enrolled in the  
7 plan and in the managed health care system; or (b) a self-funded or  
8 self-insured method of providing insurance coverage to subsidized  
9 enrollees provided under RCW 41.05.140 and subject to the limitations  
10 under RCW 70.47.100(7).

11 (4) "Subsidized enrollee" means an individual, or an individual  
12 plus the individual's spouse or dependent children: (a) Who is not  
13 eligible for medicare; (b) who is not confined or residing in a  
14 government-operated institution, unless he or she meets eligibility  
15 criteria adopted by the administrator; (c) who resides in an area of  
16 the state served by a managed health care system participating in the  
17 plan; (d) whose gross family income at the time of enrollment does not  
18 exceed two hundred percent of the federal poverty level as adjusted for  
19 family size and determined annually by the federal department of health  
20 and human services; and (e) who chooses to obtain basic health care  
21 coverage from a particular managed health care system in return for  
22 periodic payments to the plan. To the extent that state funds are  
23 specifically appropriated for this purpose, with a corresponding  
24 federal match, "subsidized enrollee" also means an individual, or an  
25 individual's spouse or dependent children, who meets the requirements  
26 in (a) through (c) and (e) of this subsection and whose gross family  
27 income at the time of enrollment is more than two hundred percent, but  
28 less than two hundred fifty-one percent, of the federal poverty level  
29 as adjusted for family size and determined annually by the federal  
30 department of health and human services. Upon approval of a pilot  
31 project under section 6 of this act, "subsidized enrollee" also means  
32 an individual, or an individual's spouse or dependent children, who  
33 meets the requirements of (a), (b), and (d) of this subsection, who  
34 resides within the state of Washington, and who qualifies for a premium  
35 subsidy under a pilot project approved under section 6 of this act.

36 (5) "Nonsubsidized enrollee" means an individual, or an individual  
37 plus the individual's spouse or dependent children: (a) Who is not  
38 eligible for medicare; (b) who is not confined or residing in a  
39 government-operated institution, unless he or she meets eligibility

1 criteria adopted by the administrator; (c) who resides in an area of  
2 the state served by a managed health care system participating in the  
3 plan; (d) who chooses to obtain basic health care coverage from a  
4 particular managed health care system; and (e) who pays or on whose  
5 behalf is paid the full costs for participation in the plan, without  
6 any subsidy from the plan.

7 (6) "Subsidy" means the difference between the amount of periodic  
8 payment the administrator makes to a managed health care system or  
9 through payments developed as part of a pilot project approved under  
10 section 6 of this act on behalf of a subsidized enrollee plus the  
11 administrative cost to the plan of providing the plan to that  
12 subsidized enrollee, and the amount determined to be the subsidized  
13 enrollee's responsibility under RCW 70.47.060(2).

14 (7) "Premium" means a periodic payment, based upon gross family  
15 income which an individual, their employer or another financial sponsor  
16 makes to the plan as consideration for enrollment in the plan as a  
17 subsidized enrollee or a nonsubsidized enrollee.

18 (8) "Rate" means the amount, negotiated by the administrator with  
19 and paid to a participating managed health care system, that is based  
20 upon the enrollment of subsidized and nonsubsidized enrollees in the  
21 plan and in that system.

22 NEW SECTION. **Sec. 8.** The commissioner shall submit a report to  
23 the legislature by December 2005 on the extent to which the health  
24 benefit plans authorized under RCW 48.21.045(1), 48.44.023(1), and  
25 48.46.066(1) have been marketed and sold, the extent to which those  
26 plans are being offered by carriers that are new entrants into the  
27 small group market, and the impact of those plans and sections 4 and 5  
28 of this act on the small group health insurance market.

29 NEW SECTION. **Sec. 9.** Section 4 of this act takes effect January  
30 1, 2003."

31 Correct the title.

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