

# HOUSE BILL REPORT

## E2SHB 1728

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**As Passed House:**

March 14, 2001

**Title:** An act relating to third-party administrators for health carriers.

**Brief Description:** Regulating the activities of insurance third-party administrators.

**Sponsors:** By House Committee on Appropriations (originally sponsored by Representatives Campbell, Schual-Berke, Skinner and Cody).

**Brief History:**

**Committee Activity:**

Health Care: 2/15/01, 2/22/01 [DPS];

Appropriations: 3/1/01, 3/8/01 [DP2S(w/o sub HC)].

**Floor Activity:**

Passed House: 3/14/01, 95-2.

**Brief Summary of Engrossed Second Substitute Bill**

- Creates a task force to recommend whether regulation of third party administrators is warranted.

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### HOUSE COMMITTEE ON HEALTH CARE

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 14 members: Representatives Campbell, Republican Co-Chair; Cody, Democratic Co-Chair; Schual-Berke, Democratic Vice Chair; Skinner, Republican Vice Chair; Alexander, Ballasiotes, Conway, Darneille, Edmonds, Edwards, Marine, McMorris, Pennington and Ruderman.

**Staff:** Dave Knutson (786-7146).

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### HOUSE COMMITTEE ON APPROPRIATIONS

**Majority Report:** The second substitute bill be substituted therefor and the second substitute bill do pass and do not pass the substitute bill by Committee on Health Care. Signed by 22 members: Representatives Sehlin, Republican Co-Chair; H. Sommers,

Democratic Co-Chair; Barlean, Republican Vice Chair; Doumit, Democratic Vice Chair; Lisk, Republican Vice Chair; Buck, Cody, Dunshee, Fromhold, Gombosky, Grant, Kagi, Keiser, Kenney, Kessler, Lambert, Linville, Mastin, Ruderman, D. Schmidt, Talcott and Tokuda.

**Minority Report:** Do not pass. Signed by 8 members: Representatives Alexander, Benson, Boldt, Clements, Cox, Mulliken, Pearson and Pflug.

**Staff:** Linda Brooks (786-7153).

**Background:**

The insurance industry is regulated by the Insurance Commissioner under the statutory authority granted in Title 48 RCW. The commissioner oversees the corporate activities of health carriers and regulates the provisions of health insurance services to consumers.

A "third party administrator" manages a health insurance program or health plan for an organization, and functions as an intermediary between a health carrier and an insured person. Third party administrators typically process claims and may also collect premiums and solicit enrollees. Some administrators are given broad authority to manage an insurance plan, including rejecting claims.

There are currently no state statutes or regulations specific to the regulation of third party administrators for health carriers.

**Summary:**

A task force is established to determine the need for state regulation of third party administrators. The task force will report its findings and recommendations to the Legislature by December 15, 2001.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Testimony For:** (Health Care) Third party administrator play an important role in determining the nature and extent of health care services provided to consumers. Their activities should be regulated by the Office of the Insurance Commissioner.

**Testimony For:** (Appropriations) (Substitute bill) There is a need for this bill as there are more and more health insurance carriers who are subcontracting with third party administrators, removing doctors and other practitioners from the decision-making

process. There are problems. Within the last six months, the Office of the Insurance Commissioner has received over 3,000 letters of complaint regarding a third party administrator. A third party administrator who would be regulated under this bill is requiring that all chiropractors' offices have exam rooms with two-inch thick walls for visual and auditory privacy. However, this same requirement is not being imposed for dentists' offices, emergency rooms, or hospital rooms.

**Testimony Against:** (Health Care) It is difficult to see who would be regulated under this proposal. Some organizations perform these functions using subsidiaries, and they should not have to be regulated. The National Association of Insurance Commissioners will not have their final Third Party Administrators draft legislation completed until the fourth quarter of 2001. The legislation should not be effective until the model draft legislation is finalized.

**Testimony Against:** (Appropriations) (Substitute bill) The need for new oversight for third party administrators is not well established. This legislation would only increase administrative costs and hassles. The fiscal note is woefully inadequate and may only estimate 10 percent of what the actual costs will be, since the bill is written so broadly. The fiscal note also does not reflect on how health care rates will increase as a result of this legislation, including rates paid to cover state employees. The substitute bill includes 14 exemptions, but does not clearly define who actually would be covered by the legislation. Rather than this legislation, the funding priority for the insurance commissioner's office should be regaining full accreditation with the National Association of Insurance Commissioners.

**Testified:** (Health Care) (In support) Steve Wehrly, Washington State Chiropractors; and Andrea Stephenson, Empower Alliance.

(Concerns) Andrew Dolan, Washington State Medical Association; Jim Tompkins, Office of the Insurance Commissioner; and Larry Shannon, Washington State Trial Lawyers Association.

(Against) Mel Sorensen, Employer Healthcare Coalition; and Ken Bertrand, Group Health.

**Testified:** (Appropriations) Lori Bielinski, Washington State Chiropractic Association; Steve Linstrom, Complementary Health Care Plans; Mel Sorensen, Employer Healthcare Coalition; Rick Wickman, Premera; Carl Nelson, Washington State Medical Association; Ken Bertrand, Group Health; and Jim Halstrom, Master Builders Association and Washington Healthcare Purchasing.