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HOUSE BILL 1851

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State of Washington

57th Legislature

2001 Regular Session

By Representative McMorris

Read first time 02/06/2001. Referred to Committee on Health Care.

1 AN ACT Relating to modifying the definition of small employers for  
2 insurance purposes; and amending RCW 48.43.005.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

4 **Sec. 1.** RCW 48.43.005 and 2000 c 79 s 18 are each amended to read  
5 as follows:

6 Unless otherwise specifically provided, the definitions in this  
7 section apply throughout this chapter.

8 (1) "Adjusted community rate" means the rating method used to  
9 establish the premium for health plans adjusted to reflect actuarially  
10 demonstrated differences in utilization or cost attributable to  
11 geographic region, age, family size, and use of wellness activities.

12 (2) "Basic health plan" means the plan described under chapter  
13 70.47 RCW, as revised from time to time.

14 (3) "Basic health plan services" means that schedule of covered  
15 health services, including the description of how those benefits are to  
16 be administered, that are required to be delivered to an enrollee under  
17 the basic health plan, as revised from time to time.

18 (4) "Catastrophic health plan" means:

1 (a) In the case of a contract, agreement, or policy covering a  
2 single enrollee, a health benefit plan requiring a calendar year  
3 deductible of, at a minimum, one thousand five hundred dollars and an  
4 annual out-of-pocket expense required to be paid under the plan (other  
5 than for premiums) for covered benefits of at least three thousand  
6 dollars; and

7 (b) In the case of a contract, agreement, or policy covering more  
8 than one enrollee, a health benefit plan requiring a calendar year  
9 deductible of, at a minimum, three thousand dollars and an annual out-  
10 of-pocket expense required to be paid under the plan (other than for  
11 premiums) for covered benefits of at least five thousand five hundred  
12 dollars; or

13 (c) Any health benefit plan that provides benefits for hospital  
14 inpatient and outpatient services, professional and prescription drugs  
15 provided in conjunction with such hospital inpatient and outpatient  
16 services, and excludes or substantially limits outpatient physician  
17 services and those services usually provided in an office setting.

18 (5) "Certification" means a determination by a review organization  
19 that an admission, extension of stay, or other health care service or  
20 procedure has been reviewed and, based on the information provided,  
21 meets the clinical requirements for medical necessity, appropriateness,  
22 level of care, or effectiveness under the auspices of the applicable  
23 health benefit plan.

24 (6) "Concurrent review" means utilization review conducted during  
25 a patient's hospital stay or course of treatment.

26 (7) "Covered person" or "enrollee" means a person covered by a  
27 health plan including an enrollee, subscriber, policyholder,  
28 beneficiary of a group plan, or individual covered by any other health  
29 plan.

30 (8) "Dependent" means, at a minimum, the enrollee's legal spouse  
31 and unmarried dependent children who qualify for coverage under the  
32 enrollee's health benefit plan.

33 (9) "Eligible employee" means an employee who works on a full-time  
34 basis with a normal work week of thirty or more hours. The term  
35 includes a self-employed individual, including a sole proprietor, a  
36 partner of a partnership, and may include an independent contractor, if  
37 the self-employed individual, sole proprietor, partner, or independent  
38 contractor is included as an employee under a health benefit plan of a  
39 small employer, but does not work less than thirty hours per week and

1 derives at least seventy-five percent of his or her income from a trade  
2 or business through which he or she has attempted to earn taxable  
3 income and for which he or she has filed the appropriate internal  
4 revenue service form. Persons covered under a health benefit plan  
5 pursuant to the consolidated omnibus budget reconciliation act of 1986  
6 shall not be considered eligible employees for purposes of minimum  
7 participation requirements of chapter 265, Laws of 1995.

8 (10) "Emergency medical condition" means the emergent and acute  
9 onset of a symptom or symptoms, including severe pain, that would lead  
10 a prudent layperson acting reasonably to believe that a health  
11 condition exists that requires immediate medical attention, if failure  
12 to provide medical attention would result in serious impairment to  
13 bodily functions or serious dysfunction of a bodily organ or part, or  
14 would place the person's health in serious jeopardy.

15 (11) "Emergency services" means otherwise covered health care  
16 services medically necessary to evaluate and treat an emergency medical  
17 condition, provided in a hospital emergency department.

18 (12) "Enrollee point-of-service cost-sharing" means amounts paid to  
19 health carriers directly providing services, health care providers, or  
20 health care facilities by enrollees and may include copayments,  
21 coinsurance, or deductibles.

22 (13) "Grievance" means a written complaint submitted by or on  
23 behalf of a covered person regarding: (a) Denial of payment for  
24 medical services or nonprovision of medical services included in the  
25 covered person's health benefit plan, or (b) service delivery issues  
26 other than denial of payment for medical services or nonprovision of  
27 medical services, including dissatisfaction with medical care, waiting  
28 time for medical services, provider or staff attitude or demeanor, or  
29 dissatisfaction with service provided by the health carrier.

30 (14) "Health care facility" or "facility" means hospices licensed  
31 under chapter 70.127 RCW, hospitals licensed under chapter 70.41 RCW,  
32 rural health care facilities as defined in RCW 70.175.020, psychiatric  
33 hospitals licensed under chapter 71.12 RCW, nursing homes licensed  
34 under chapter 18.51 RCW, community mental health centers licensed under  
35 chapter 71.05 or 71.24 RCW, kidney disease treatment centers licensed  
36 under chapter 70.41 RCW, ambulatory diagnostic, treatment, or surgical  
37 facilities licensed under chapter 70.41 RCW, drug and alcohol treatment  
38 facilities licensed under chapter 70.96A RCW, and home health agencies  
39 licensed under chapter 70.127 RCW, and includes such facilities if

1 owned and operated by a political subdivision or instrumentality of the  
2 state and such other facilities as required by federal law and  
3 implementing regulations.

4 (15) "Health care provider" or "provider" means:

5 (a) A person regulated under Title 18 or chapter 70.127 RCW, to  
6 practice health or health-related services or otherwise practicing  
7 health care services in this state consistent with state law; or

8 (b) An employee or agent of a person described in (a) of this  
9 subsection, acting in the course and scope of his or her employment.

10 (16) "Health care service" means that service offered or provided  
11 by health care facilities and health care providers relating to the  
12 prevention, cure, or treatment of illness, injury, or disease.

13 (17) "Health carrier" or "carrier" means a disability insurer  
14 regulated under chapter 48.20 or 48.21 RCW, a health care service  
15 contractor as defined in RCW 48.44.010, or a health maintenance  
16 organization as defined in RCW 48.46.020.

17 (18) "Health plan" or "health benefit plan" means any policy,  
18 contract, or agreement offered by a health carrier to provide, arrange,  
19 reimburse, or pay for health care services except the following:

20 (a) Long-term care insurance governed by chapter 48.84 RCW;

21 (b) Medicare supplemental health insurance governed by chapter  
22 48.66 RCW;

23 (c) Limited health care services offered by limited health care  
24 service contractors in accordance with RCW 48.44.035;

25 (d) Disability income;

26 (e) Coverage incidental to a property/casualty liability insurance  
27 policy such as automobile personal injury protection coverage and  
28 homeowner guest medical;

29 (f) Workers' compensation coverage;

30 (g) Accident only coverage;

31 (h) Specified disease and hospital confinement indemnity when  
32 marketed solely as a supplement to a health plan;

33 (i) Employer-sponsored self-funded health plans;

34 (j) Dental only and vision only coverage; and

35 (k) Plans deemed by the insurance commissioner to have a short-term  
36 limited purpose or duration, or to be a student-only plan that is  
37 guaranteed renewable while the covered person is enrolled as a regular  
38 full-time undergraduate or graduate student at an accredited higher  
39 education institution, after a written request for such classification

1 by the carrier and subsequent written approval by the insurance  
2 commissioner.

3 (19) "Material modification" means a change in the actuarial value  
4 of the health plan as modified of more than five percent but less than  
5 fifteen percent.

6 (20) "Preexisting condition" means any medical condition, illness,  
7 or injury that existed any time prior to the effective date of  
8 coverage.

9 (21) "Premium" means all sums charged, received, or deposited by a  
10 health carrier as consideration for a health plan or the continuance of  
11 a health plan. Any assessment or any "membership," "policy,"  
12 "contract," "service," or similar fee or charge made by a health  
13 carrier in consideration for a health plan is deemed part of the  
14 premium. "Premium" shall not include amounts paid as enrollee point-  
15 of-service cost-sharing.

16 (22) "Review organization" means a disability insurer regulated  
17 under chapter 48.20 or 48.21 RCW, health care service contractor as  
18 defined in RCW 48.44.010, or health maintenance organization as defined  
19 in RCW 48.46.020, and entities affiliated with, under contract with, or  
20 acting on behalf of a health carrier to perform a utilization review.

21 (23) "Small employer" or "small group" means any person, firm,  
22 corporation, partnership, association, political subdivision (~~except~~  
23 ~~school districts~~), or self-employed individual that is actively  
24 engaged in business that, on at least fifty percent of its working days  
25 during the preceding calendar quarter, employed no more than fifty  
26 eligible employees, with a normal work week of thirty or more hours,  
27 the majority of whom were employed within this state, and is not formed  
28 primarily for purposes of buying health insurance and in which a bona  
29 fide employer-employee relationship exists. In determining the number  
30 of eligible employees, companies that are affiliated companies, or that  
31 are eligible to file a combined tax return for purposes of taxation by  
32 this state, shall be considered an employer. Subsequent to the  
33 issuance of a health plan to a small employer and for the purpose of  
34 determining eligibility, the size of a small employer shall be  
35 determined annually. Except as otherwise specifically provided, a  
36 small employer shall continue to be considered a small employer until  
37 the plan anniversary following the date the small employer no longer  
38 meets the requirements of this definition. The term "small employer"  
39 includes a self-employed individual or sole proprietor. The term

1 "small employer" also includes a self-employed individual or sole  
2 proprietor who derives at least seventy-five percent of his or her  
3 income from a trade or business through which the individual or sole  
4 proprietor has attempted to earn taxable income and for which he or she  
5 has filed the appropriate internal revenue service form 1040, schedule  
6 C or F, for the previous taxable year.

7 (24) "Utilization review" means the prospective, concurrent, or  
8 retrospective assessment of the necessity and appropriateness of the  
9 allocation of health care resources and services of a provider or  
10 facility, given or proposed to be given to an enrollee or group of  
11 enrollees.

12 (25) "Wellness activity" means an explicit program of an activity  
13 consistent with department of health guidelines, such as, smoking  
14 cessation, injury and accident prevention, reduction of alcohol misuse,  
15 appropriate weight reduction, exercise, automobile and motorcycle  
16 safety, blood cholesterol reduction, and nutrition education for the  
17 purpose of improving enrollee health status and reducing health service  
18 costs.

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