
SUBSTITUTE HOUSE BILL 2430

State of Washington

57th Legislature

2002 Regular Session

By House Committee on Health Care (originally sponsored by Representatives Kessler, Cody, Schual-Berke, Voloria, Chase, Dickerson, Santos, Haigh and Kenney)

Read first time 02/08/2002. Referred to Committee on .

1 AN ACT Relating to access to health insurance for small employers
2 and their employees; amending RCW 48.21.045, 48.44.023, 48.46.066,
3 48.43.035, and 70.47.020; adding a new section to chapter 48.43 RCW;
4 adding a new section to chapter 70.47 RCW; and providing an effective
5 date.

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

7 **Sec. 1.** RCW 48.21.045 and 1995 c 265 s 14 are each amended to read
8 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

1 (~~((that does not include benefits in the basic health plan))~~) under this
2 subsection shall clearly disclose (~~((these differences))~~) all covered
3 benefits to the small employer in a brochure approved by the
4 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 but (~~((is not~~
8 ~~subject to))~~) will not include the (~~((requirements of))~~) services
9 identified in RCW 48.21.130, 48.21.140, (~~((48.21.141,))~~) 48.21.142,
10 48.21.143, 48.21.144, 48.21.146, 48.21.148, 48.21.160 through
11 48.21.197, 48.21.200, 48.21.220, 48.21.225, 48.21.230, 48.21.235,
12 48.21.240, 48.21.244, 48.21.250, 48.21.300, 48.21.310, (~~((or))~~) 48.21.320
13 (~~((if: (i) The health benefit plan is the mandatory offering under (a)~~
14 ~~of this subsection that provides benefits identical to the basic health~~
15 ~~plan, to the extent these requirements differ from the basic health~~
16 ~~plan; or (ii) the health benefit plan is offered to employers with not~~
17 ~~more than twenty five employees)),~~ 48.43.045(1), 48.43.125, or
18 48.43.180.

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.

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

38 (c) The insurer shall be permitted to develop separate rates for
39 individuals age sixty-five or older for coverage for which medicare is

1 the primary payer and coverage for which medicare is not the primary
2 payer. Both rates shall be subject to the requirements of this
3 subsection (3).

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

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

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

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

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

18 (iii) Changes to the health benefit plan requested by the small
19 employer; or

20 (iv) Changes in government requirements affecting the health
21 benefit plan.

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

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

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

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

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

5 (b) An insurer shall not require a minimum participation level
6 greater than:

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

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

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

15 (d) An insurer may not increase any requirement for minimum
16 employee participation or modify any requirement for minimum employer
17 contribution applicable to a small employer at any time after the small
18 employer has been accepted for coverage.

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

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

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

32 (1)(a) A health care services contractor offering any health
33 benefit plan to a small employer, as that term is defined in RCW
34 48.43.005, shall offer and actively market to the small employer a
35 health benefit plan (~~providing benefits identical to the schedule of~~
36 ~~covered health services that are required to be delivered to an~~
37 ~~individual enrolled in the basic health plan~~) featuring a limited
38 schedule of covered health services. Nothing in this subsection shall

1 preclude a contractor from offering, or a small employer from
2 purchasing, other health benefit plans that may have more (~~or less~~)
3 comprehensive benefits than (~~the basic health plan, provided such~~
4 ~~plans are in accordance with this chapter~~) those included in the
5 product offered under this subsection. A contractor offering a health
6 benefit plan (~~that does not include benefits in the basic health~~
7 ~~plan~~) under this subsection shall clearly disclose (~~these~~
8 ~~differences~~) all covered benefits to the small employer in a brochure
9 approved by the commissioner.

10 (b) A health benefit plan offered under this subsection shall
11 provide coverage for hospital expenses and services rendered by a
12 physician licensed under chapter 18.57 or 18.71 RCW but (~~is not~~
13 ~~subject to the requirements of~~) will not include the services
14 identified in RCW 48.44.225, 48.44.240, 48.44.245, (~~48.44.290,~~
15 ~~48.44.300,~~) 48.44.310, 48.44.315, 48.44.320, 48.44.325, 48.44.330,
16 48.44.335, 48.44.340, 48.44.344, 48.44.360, 48.44.400, 48.44.440,
17 48.44.450, (~~and~~) 48.44.460 (~~if: (i) The health benefit plan is the~~
18 ~~mandatory offering under (a) of this subsection that provides benefits~~
19 ~~identical to the basic health plan, to the extent these requirements~~
20 ~~differ from the basic health plan; or (ii) the health benefit plan is~~
21 ~~offered to employers with not more than twenty five employees~~),
22 48.44.500, 48.43.045(1), 48.43.125, and 48.43.180.

23 (2) Nothing in this section shall prohibit a health care service
24 contractor from offering, or a purchaser from seeking, health benefits
25 plans with benefits in excess of the (~~basic health plan services~~)
26 health benefit plan offered under subsection (1) of this section. All
27 forms, policies, and contracts shall be submitted for approval to the
28 commissioner, and the rates of any plan offered under subsection (1) of
29 this section shall be reasonable in relation to the benefits thereto.

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

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

- 34 (i) Geographic area;
- 35 (ii) Family size;
- 36 (iii) Age; and
- 37 (iv) Wellness activities.

38 (b) The adjustment for age in (a)(iii) of this subsection may not
39 use age brackets smaller than five-year increments, which shall begin

1 with age twenty and end with age sixty-five. Employees under the age
2 of twenty shall be treated as those age twenty.

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

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

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

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

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

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

22 (iii) Changes to the health benefit plan requested by the small
23 employer; or

24 (iv) Changes in government requirements affecting the health
25 benefit plan.

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

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

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

38 (4) (~~The health benefit plans authorized by this section that are~~
39 ~~lower than the required offering shall not supplant or supersede any~~

1 ~~existing policy for the benefit of employees in this state.))~~ Nothing
2 in this section shall restrict the right of employees to collectively
3 bargain for insurance providing benefits in excess of those provided
4 herein.

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

9 (b) A contractor shall not require a minimum participation level
10 greater than:

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

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

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

19 (d) A contractor may not increase any requirement for minimum
20 employee participation or modify any requirement for minimum employer
21 contribution applicable to a small employer at any time after the small
22 employer has been accepted for coverage.

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

31 **Sec. 3.** RCW 48.46.066 and 1995 c 265 s 18 are each amended to read
32 as follows:

33 (1)(a) A health maintenance organization offering any health
34 benefit plan to a small employer, as that term is defined in RCW
35 48.43.005, shall offer and actively market to the small employer a
36 health benefit plan (~~providing benefits identical to the schedule of~~
37 ~~covered health services that are required to be delivered to an~~
38 ~~individual enrolled in the basic health plan~~) featuring a limited

1 schedule of covered health services. Nothing in this subsection shall
2 preclude a health maintenance organization from offering, or a small
3 employer from purchasing, other health benefit plans that may have more
4 ~~((or less))~~ comprehensive benefits than ~~((the basic health plan,~~
5 ~~provided such plans are in accordance with this chapter))~~ those
6 included in the product offered under this subsection. A health
7 maintenance organization offering a health benefit plan ~~((that does not~~
8 ~~include benefits in the basic health plan))~~ under this subsection shall
9 clearly disclose ~~((these differences))~~ all covered benefits to the
10 small employer in a brochure approved by the commissioner.

11 (b) A health benefit plan offered under this subsection shall
12 provide coverage for hospital expenses and services rendered by a
13 physician licensed under chapter 18.57 or 18.71 RCW but ~~((is not~~
14 ~~subject to the requirements of))~~ will not include the services
15 identified in RCW 48.46.272, 48.46.275, 48.46.280, 48.46.285,
16 48.46.290, 48.46.350, 48.46.355, 48.46.375, 48.46.440, 48.46.480,
17 48.46.510, 48.46.520, ((and)) 48.46.530 ((if: (i) The health benefit
18 plan is the mandatory offering under (a) of this subsection that
19 provides benefits identical to the basic health plan, to the extent
20 these requirements differ from the basic health plan; or (ii) the
21 health benefit plan is offered to employers with not more than twenty-
22 five employees)), and 48.46.570.

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

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

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

- 35 (i) Geographic area;
- 36 (ii) Family size;
- 37 (iii) Age; and
- 38 (iv) Wellness activities.

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 health maintenance organization shall be permitted to
6 develop separate rates for individuals age sixty-five or older for
7 coverage for which medicare is the primary payer and coverage for which
8 medicare is not the primary payer. Both rates shall be subject to the
9 requirements of this 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 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 a health maintenance organization in determining whether to provide
9 coverage to a small employer shall be applied uniformly among all small
10 employers applying for coverage or receiving coverage from the carrier.

11 (b) A health maintenance organization shall not require a minimum
12 participation level 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) A health maintenance organization may not increase any
22 requirement for minimum employee participation or modify any
23 requirement for minimum employer contribution applicable to a small
24 employer at any time after the small employer has been accepted for
25 coverage.

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

35 **Sec. 4.** RCW 48.43.035 and 2000 c 79 s 24 are each amended to read
36 as follows:

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

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

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

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

24 (a) Nonpayment of premium;

25 (b) Violation of published policies of the carrier approved by the
26 insurance commissioner;

27 (c) Covered persons entitled to become eligible for medicare
28 benefits by reason of age who fail to apply for a medicare supplement
29 plan or medicare cost, risk, or other plan offered by the carrier
30 pursuant to federal laws and regulations;

31 (d) Covered persons who fail to pay any deductible or copayment
32 amount owed to the carrier and not the provider of health care
33 services;

34 (e) Covered persons committing fraudulent acts as to the carrier;

35 (f) Covered persons who materially breach the health plan; or

36 (g) Change or implementation of federal or state laws that no
37 longer permit the continued offering of such coverage.

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

1 (a) A carrier has zero enrollment on a product; or

2 (b) For group health plans sold to groups other than small employer
3 groups, a carrier replaces a product and the replacement product is
4 provided to all covered persons within that class or line of business,
5 includes all of the services covered under the replaced product, and
6 does not significantly limit access to the kind of services covered
7 under the replaced product. The health plan may also allow
8 unrestricted conversion to a fully comparable product; or

9 (c) For group health plans offered to small employer groups, no
10 sooner than October 1, 2002, a carrier discontinues offering a
11 particular type of health benefit plan if: (i) The carrier provides
12 notice to each group provided coverage of this type of the
13 discontinuation at least ninety days prior to the date of the
14 discontinuation; (ii) the carrier offers to each group provided
15 coverage of this type the option to enroll in any other small employer
16 group health benefit plan currently being offered by the carrier; and
17 (iii) in exercising the option to discontinue coverage of this type and
18 in offering the option of coverage under (c)(ii) of this subsection,
19 the carrier acts uniformly without regard to any health status-related
20 factor of individuals enrolled through the small employer group,
21 individuals who may become eligible for such coverage, or the
22 collective health status of groups enrolled in coverage of this type;
23 or

24 (d) A carrier discontinues offering all small employer group health
25 coverage in the state and discontinues coverage under all existing
26 small employer group health benefit plans if: (i) The carrier provides
27 notice to the commissioner of its intent to discontinue offering all
28 small employer group health coverage in the state and its intent to
29 discontinue coverage under all existing health benefit plans at least
30 one hundred eighty days prior to the date of the discontinuation of
31 coverage under all existing health benefit plans; and (ii) the carrier
32 provides notice to each covered small employer group of the intent to
33 discontinue his or her existing health benefit plan at least one
34 hundred eighty days prior to the date of the discontinuation and
35 includes information in the notice that can help the small employer
36 group identify alternative sources of coverage. In the case of
37 discontinuation under this subsection, the carrier may not issue any
38 small employer group health coverage in this state for a five-year
39 period beginning on the date of the discontinuation of the last health

1 plan not so renewed. Nothing in this subsection (3) may be construed
2 to require a carrier to provide notice to the commissioner of its
3 intent to discontinue offering a health benefit plan to new applicants
4 where the carrier does not discontinue coverage of existing enrollees
5 under that health benefit plan; or

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

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

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

17 Beginning January 1, 2003, any carrier offering health benefit
18 plans to small employers in addition to the benefit plan authorized
19 under RCW 48.21.045, 48.44.023, and 48.46.066 must offer and actively
20 market to small employers at least three other plans of the carrier's
21 choosing. Nothing in this section limits the ability of a carrier to
22 offer small employer group health benefit plans in addition to those
23 that must be offered under this section.

24 NEW SECTION. Sec. 6. A new section is added to chapter 70.47 RCW
25 to read as follows:

26 (1) In coordination with the department of social and health
27 services medical assistance administration and interested entities, the
28 administrator will identify and design pilot projects to improve health
29 care coverage access, including review of proposals by entities that
30 have received funding through the federal health resources and services
31 administration community access program. The administrator may approve
32 pilot projects that are found to be feasible. Pilot projects may
33 include applying basic health plan or medical assistance subsidy
34 payments toward employer-sponsored health insurance or other health
35 insurance premium shares, rather than as direct payments to managed
36 health care systems participating in the basic health plan or medical
37 assistance program.

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

5 (3) By November 1, 2002, the administrator and the secretary of the
6 department of social and health services shall jointly report to the
7 health care committees of the senate and the house of representatives
8 on their progress in developing the pilot projects authorized in this
9 act, the anticipated implementation date of any pilot project under
10 development, and the resources needed to implement the pilot project.

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

13 As used in this chapter:

14 (1) "Washington basic health plan" or "plan" means the system of
15 enrollment and payment for basic health care services, administered by
16 the plan administrator through participating managed health care
17 systems, created by this chapter.

18 (2) "Administrator" means the Washington basic health plan
19 administrator, who also holds the position of administrator of the
20 Washington state health care authority.

21 (3) "Managed health care system" means: (a) Any health care
22 organization, including health care providers, insurers, health care
23 service contractors, health maintenance organizations, or any
24 combination thereof, that provides directly or by contract basic health
25 care services, as defined by the administrator and rendered by duly
26 licensed providers, to a defined patient population enrolled in the
27 plan and in the managed health care system; or (b) a self-funded or
28 self-insured method of providing insurance coverage to subsidized
29 enrollees provided under RCW 41.05.140 and subject to the limitations
30 under RCW 70.47.100(7).

31 (4) "Subsidized enrollee" means an individual, or an individual
32 plus the individual's spouse or dependent children: (a) Who is not
33 eligible for medicare; (b) who is not confined or residing in a
34 government-operated institution, unless he or she meets eligibility
35 criteria adopted by the administrator; (c) who resides in an area of
36 the state served by a managed health care system participating in the
37 plan; (d) whose gross family income at the time of enrollment does not
38 exceed two hundred percent of the federal poverty level as adjusted for

1 family size and determined annually by the federal department of health
2 and human services; and (e) who chooses to obtain basic health care
3 coverage from a particular managed health care system in return for
4 periodic payments to the plan. To the extent that state funds are
5 specifically appropriated for this purpose, with a corresponding
6 federal match, "subsidized enrollee" also means an individual, or an
7 individual's spouse or dependent children, who meets the requirements
8 in (a) through (c) and (e) of this subsection and whose gross family
9 income at the time of enrollment is more than two hundred percent, but
10 less than two hundred fifty-one percent, of the federal poverty level
11 as adjusted for family size and determined annually by the federal
12 department of health and human services. Upon approval of a pilot
13 project under section 6 of this act, "subsidized enrollee" also means
14 an individual, or an individual's spouse or dependent children, who
15 meets the requirements of (a), (b), and (d) of this subsection, who
16 resides within the state of Washington, and who qualifies for a premium
17 subsidy under a pilot project approved under section 6 of this act.

18 (5) "Nonsubsidized enrollee" means an individual, or an individual
19 plus the individual's spouse or dependent children: (a) Who is not
20 eligible for medicare; (b) who is not confined or residing in a
21 government-operated institution, unless he or she meets eligibility
22 criteria adopted by the administrator; (c) who resides in an area of
23 the state served by a managed health care system participating in the
24 plan; (d) who chooses to obtain basic health care coverage from a
25 particular managed health care system; and (e) who pays or on whose
26 behalf is paid the full costs for participation in the plan, without
27 any subsidy from the plan.

28 (6) "Subsidy" means the difference between the amount of periodic
29 payment the administrator makes to a managed health care system or
30 through payments developed as part of a pilot project approved under
31 section 6 of this act on behalf of a subsidized enrollee plus the
32 administrative cost to the plan of providing the plan to that
33 subsidized enrollee, and the amount determined to be the subsidized
34 enrollee's responsibility under RCW 70.47.060(2).

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

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

5 NEW SECTION. **Sec. 8.** Section 4 of this act takes effect January
6 1, 2003.

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