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HOUSE BILL 2430

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State of Washington

57th Legislature

2002 Regular Session

By Representatives Kessler, Cody, Schual-Berke, Veloria, Chase, Dickerson, Santos, Haigh and Kenney

Read first time 01/16/2002. Referred to Committee on Health Care.

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; adding a new section to  
5 chapter 74.09 RCW; and providing an effective 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)), 48.46.565, 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 (1) On or before July 1, 2003, the commissioner shall, in  
18 consultation with carriers, consumers, and other interested  
19 organizations, establish the policy and contract forms and benefits  
20 levels for five standard health plans to be offered to small employer  
21 groups.

22 (2) The standard health plans must represent a range of health  
23 plans sufficiently diverse to meet the needs of small employer groups  
24 seeking health insurance coverage in Washington state. One standard  
25 health plan shall be a basic benefit plan consistent with RCW  
26 48.21.045, 48.44.023, and 48.46.066. The remaining four plans must  
27 include enhanced benefits of proportionally increasing actuarial value.  
28 To ensure adequate choice of coverage options for small employer  
29 groups, each standard health plan must offer varying levels of consumer  
30 cost-sharing, which may include deductibles, coinsurance, or point-of-  
31 service cost-sharing.

32 (3) The commissioner must adopt rules under chapter 34.05 RCW to  
33 implement this section, and make information available to the general  
34 public that clearly describes the benefits included in each of the  
35 plans and compares each plan to the other with respect to services  
36 covered and consumer cost-sharing obligations.

37 (4) On or after January 1, 2004, a carrier that offers group health  
38 benefit plans in Washington state must offer each of the small employer

1 groups standard health plans developed and adopted by the commissioner  
2 under this section. Nothing in this section may be construed to limit  
3 the ability of a carrier to offer small employer group health benefit  
4 plans in addition to the standard health plans adopted under this  
5 section.

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

8 (1) The legislature finds that many low-wage workers and their  
9 families are eligible for, or receive health insurance coverage  
10 through, the basic health plan and medical assistance programs. Some  
11 of these low-wage workers may work for employers who do not offer  
12 health insurance or may have access to employer-sponsored health  
13 insurance for themselves and their dependents, but that insurance may  
14 be unaffordable for the worker. The legislature finds that pilot  
15 projects should be established to determine whether it is appropriate  
16 to use basic health plan and medical assistance funds to subsidize  
17 premium shares for employer-sponsored health insurance when such a  
18 subsidy would be cost-effective for the state.

19 (2) Upon receipt of a reasonable request from an entity that has  
20 received funding through the federal health resources and services  
21 administration community access program to develop a regional system  
22 for increased access to health services and health insurance coverage,  
23 the administrator shall develop mechanisms to apply subsidy payments  
24 toward premium shares for employer-sponsored health insurance for the  
25 employees and their dependents, rather than as direct payments to  
26 managed health care systems participating in the basic health plan.  
27 The payment mechanisms must be developed in consultation with the  
28 requesting entity, the department of social and health services, and  
29 other interested entities, and must meet the following criteria:

30 (a) Subsidy payments may be made only on behalf of individuals who  
31 meet the basic health plan eligibility criteria in effect at the time  
32 the pilot project is underway;

33 (b) Subsidy payments toward premium shares for employer-sponsored  
34 health insurance must be cost-effective. The payment amount must not  
35 exceed the subsidy payment amount that would be made to the benchmark  
36 managed health care system participating in the basic health plan in  
37 the counties covered by the pilot project if that employee had enrolled  
38 directly in the basic health plan; and

1 (c) A subsidy payment toward premium shares of employer-sponsored  
2 health insurance can be made only upon a determination by the  
3 administrator that the benefits package of the employer-sponsored  
4 health insurance is reasonably comparable to or better than the basic  
5 health plan benefits package.

6 (3) By November 1, 2002, the administrator and the secretary of the  
7 department of social and health services must jointly report to the  
8 health care committees of the senate and the house of representatives  
9 on their progress in developing the payment mechanisms authorized in  
10 this act.

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.

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

23 (6) "Subsidy" means the difference between the amount of periodic  
24 payment the administrator makes to a managed health care system or an  
25 entity authorized in section 6 of this act on behalf of a subsidized  
26 enrollee plus the administrative cost to the plan of providing the plan  
27 to that subsidized enrollee, and the amount determined to be the  
28 subsidized enrollee's responsibility under RCW 70.47.060(2).

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

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

37 NEW SECTION. **Sec. 8.** A new section is added to chapter 74.09 RCW  
38 to read as follows:



1 (1) The legislature finds that many low-wage workers and their  
2 families are eligible for, or receive health insurance coverage  
3 through, the basic health plan and medical assistance programs. Some  
4 of these low-wage workers may work for employers who do not offer  
5 health insurance or may have access to employer-sponsored health  
6 insurance for themselves and their dependents, but that insurance may  
7 be unaffordable for the worker. The legislature finds that pilot  
8 projects should be established to determine whether it is appropriate  
9 to use basic health plan and medical assistance funds to subsidize  
10 premium shares for employer-sponsored health insurance when such a  
11 subsidy would be cost-effective for the state.

12 (2) Upon receipt of a request from an entity that has received  
13 funding from the federal health resources and services administration  
14 community access program to develop a regional system for increased  
15 access to health services and health insurance coverage, the secretary  
16 shall use his or her existing authority under Title XIX of the federal  
17 social security act to pay premium shares for employer-sponsored health  
18 insurance for the employees and their dependents. Payment mechanisms  
19 must be developed in consultation with the requesting entity, the  
20 health care authority, and other interested entities, and must meet the  
21 following criteria:

22 (a) Subsidy payments may be made only on behalf of individuals who  
23 meet medical assistance eligibility criteria in effect at the time the  
24 pilot project is underway; and

25 (b) Payments toward premium shares for employer-sponsored health  
26 insurance must be cost-effective, as defined in federal law.

27 NEW SECTION. **Sec. 9.** Section 4 of this act takes effect January  
28 1, 2004.

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