FINAL BILL REPORT
ESHB 2460

PARTIAL VETO
C 244 L 04
Synopsis as Enacted

Brief Description: Providing access to health insurance for small employers and their employees.

Sponsors: By House Committee on Health Care (originally sponsored by Representatives Cody, Campbell, Kessler, Morrell, Haigh, Kenney, Santos, Hatfield, Blake, Linville, Upthegrove, G. Simpson, Moeller and Lantz).

House Committee on Health Care
Senate Committee on Health & Long-Term Care

Background:

As in other states, most people in Washington who receive their health insurance through the private market do so through their employer in what is referred to as the group market. Within that group market, Washington law distinguishes between plans provided to "small groups," defined to include those employing between one and 50 people, and "large groups" which include those employing more than 50. A separate set of standards also applies to the individual market, where those not provided coverage by their employer can get their health insurance.

Various mandates in Washington law require that health plans sold in the state, including in the small group market, cover particular conditions and reimburse for services provided by identified types of providers. Plans offered to groups of up to 25 are exempt from many of these mandates. The law further requires carriers in the small group market to offer a plan with benefits identical to those provided in the state's Basic Health Plan and also exempts such plans from the various benefit mandates.

All plans subject to state regulation, without exception, are required to cover every category of provider. This means for any treatment sought, enrollees must be given the option of receiving that treatment from any type of provider, as long as the condition is covered by the plan, the treatment is appropriate for the condition, and the provider is acting within his or her scope of practice.

The premiums charged for small group plans are also governed by state law. In general, plans must be community-rated, with rate variations allowed based only on geographic area, family size, age, and wellness activities. Variations for age and wellness must be within a specified range.

The law also requires that carriers accept for enrollment any person within a group, large or small, to whom a plan is offered. This is known as guaranteed issue. Carriers are also

required to guarantee continuity of coverage, meaning that, with some exceptions, they may not cancel or fail to renew a group plan unless it is replaced with a similar product or they are completely withdrawing from a service area.

Federal law requires employers with 20 or more employees to offer continuation coverage under COBRA provisions. There is no comparable state or federal requirement for employers with fewer than 20 employees.

Insurance in the small group market is becoming increasingly costly, prompting employers to shift more of the costs to their employees or drop coverage altogether.

Summary:

Health carriers are not required to offer small employers a benefit plan identical to the Basic Health Plan. Health carriers are authorized to offer a limited health plan that features a limited schedule of covered health care services.

The exemption from existing mandates is made applicable to plans offered to any small employer, not just those employing up to 25 employees.

The restriction on how much rates may vary based on wellness activities is eliminated.

Carriers may develop rates based on claims costs due to network provider reimbursement schedules or type of network. Rate increases for small group products may vary based on deductibles, benefit design, or provider network. Rate increases may vary by up to 4 percentage points from the overall adjustment of the carriers entire small group pool.

The definition of small employer is changed from an establishment employing between one and 50 employees to an establishment employing between two and 50 employees. However, existing groups of one are grandfathered.

Current continuity of coverage provisions are amended to cover plans for groups of up to 200 and to allow a group plan to be discontinued, with 90 days notice, as long as policyholders are allowed to continue coverage in any other group plan offered by the carrier. A group plan may also be discontinued if the carrier discontinues all coverage in the particular market.

Employees working for small employers with fewer than 20 employees who leave their jobs may apply for individual health insurance policies without first taking the health questionnaire if they had at least 24 months of immediately prior continuous group coverage and application is made within 90 days of the event that would have qualified the person for COBRA coverage.

The requirement that carriers offer conversion policies is repealed. Persons who lose their conversion coverage may apply for individual coverage without taking the standard health questionnaire.

Votes on Final Passage:

House 63 33

Senate	32	16	(Senate amended)
House			(House refused to concur)
Senate	46	3	(Senate amended)
House	89	7	(House concurred)

Effective: June 10, 2004

Partial Veto Summary: The Governor vetoed the repeal of the requirement that health carriers offer conversion health plans to group enrollees who lose coverage in the private insurance market.