
Health Care Committee

HB 2460

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

Sponsors: Representatives Cody, Campbell, Kessler, Morrell, Haigh, Kenney, Santos, Hatfield, Blake, Linville, Upthegrove, Simpson, G., Moeller and Lantz.

Brief Summary of Bill

- Authorizes the Insurance Commissioner to waive service mandates for limited scope health plans.
- Changes the small group size from one to 50 to two to 50.

Hearing Date: 1/20/04

Staff: Dave Knutson (786-7146).

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 includes 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.

Current 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.

There is concern that insurance in the small group market is becoming increasingly unaffordable, prompting employers to shift more of the costs to their employees, or drop coverage altogether.

Summary of Bill:

The requirement that carriers offer to small employers a benefit plan identical to the Basic Health Plan is eliminated. Under certain circumstances, the Insurance Commissioner is required to approve plans offered by carriers featuring a limited schedule of covered health care services, that do not include all mandated 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.

Adjusted community rates may vary based on actuarially demonstrated differences.

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 will be grandfathered.

Current continuity of coverage provisions are amended to also 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.

Small employers with fewer than 20 employees will provide continuation coverage for qualified beneficiaries for up to 18 months.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed, except for sections 13 through 19, relating to continuation coverage for small employers, which takes effect January 1, 2005.