
Health Care Committee

SSB 5521

Brief Description: Offering health insurance to small employers.

Sponsors: Senate Committee on Health & Long-Term Care (originally sponsored by Senators Deccio, Rasmussen, Swecker, Haugen, Parlette, T. Sheldon, Finkbeiner, Doumit, Hale, Schmidt, Honeyford, Rossi, Morton, Sheahan, Johnson, Hewitt, Mulliken, McCaslin, Stevens, West, Shin, Zarelli, Winsley, Carlson, Esser and Oke).

Brief Summary of Substitute Bill

- Several requirements of current group insurance policies are eliminated or reduced.

Hearing Date: 4/1/03

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.

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 replaced with a requirement that carriers offer a plan featuring a limited schedule of covered health care services. The exact services to be offered are not specified.

The exemption from existing mandates is made applicable to plans offered to any small employer, not just those employing up to 25 employees, and some of the mandates are removed from the exemption list.

In addition to existing factors, rates for small employer plans may also be adjusted for industry and other factors approved by the commissioner in rule. The restrictions on how much rates may vary based on age and wellness activities are eliminated.

Also removed is the requirement that rates for small group plans pool the medical experience of all small groups purchasing coverage. Language is added allowing rates to include relativity adjustments, based on deductible leverage, or other 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, persons currently enrolled in a plan as a group of one may remain enrolled as long as the particular plan continues to be offered.

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.

The current law requiring health plans to cover every category of provider is made applicable only to individual health plans.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.