

HOUSE BILL REPORT

SSB 5521

As Reported by House Committee On:
Health Care

Title: An act relating to access to health insurance for employers and their employees.

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 History:

Committee Activity:

Health Care: 4/1/03, 4/3/03 [DPA].

Brief Summary of Substitute Bill
(As Amended by House Committee)

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

HOUSE COMMITTEE ON HEALTH CARE

Majority Report: Do pass as amended. Signed by 10 members: Representatives Cody, Chair; Pflug, Ranking Minority Member; Bailey, Assistant Ranking Minority Member; Alexander, Benson, Clibborn, Darneille, Edwards, Schual-Berke and Skinner.

Minority Report: Without recommendation. Signed by 3 members: Representatives Morrell, Vice Chair; Campbell and Moeller.

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 Amended Bill:

The exemption from existing mandated benefits applies to a "bare bones" health plan offered to employers employing up to 50 employees. If a health benefit plan does not adhere to the every category of provider mandate, the plan cannot offer services that would be within the permitted scope of practice of the excluded provider.

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

The permitted rates for any age group cannot be more than 500 percent of the lowest rate for all age groups.

If a health carrier discontinues a health plan, they must offer the option to enroll in any other small employer health plan currently offered by the carrier. After January 2004, if a health carrier offers a "bare bones" plan, they must also offer three other small group plans of their choosing.

Sole proprietors and self employed persons applying for group health insurance may be screened by health carriers using the same screening tool used in the individual health insurance market. Based on the screen, if the person is eligible for coverage through the Washington State Health Insurance Pool the health carrier may decline to cover the individual, and refer them to the Washington State Health Insurance Pool. Health carriers are required to report their actual loss ratio in the small group market to the Insurance Commissioner. If the actual loss ratio is less than 80 percent, a remittance will be made to the Washington State Health Insurance Pool.

Amended Bill Compared to Substitute Bill:

The exemption from the every category of provider requirement only applies to the "bare bones" plan. If the "bare bones" plan does not comply with the every category of provider requirement, the plan cannot offer the services that fall within the permitted scope of practice of the excluded health care provider.

The ability of health carriers to adjust community rating based on the industry or other factors related to employees, is removed. Community rating based on the age of the employee is capped at 500 percent.

Sole proprietors and self employed persons applying for group health insurance may be screened by health carriers using the same screening tool used in the individual health insurance market.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Amended Bill: The bill takes effect 90 days after adjournment of session in which bill is passed, except for section 4, relating to small group health insurance, which takes effect on January 1, 2004.

Testimony For: It is important to reduce the cost of health insurance to employers. Offering fewer mandated benefits, changing the elements of community rating, and not requiring that every category of health provider be covered could reduce the cost of

health insurance.

Testimony Against: Expanding the number of employees who might be forced to choose a "bare bones" plan could hurt consumers. Many mandated benefits are very important services that should be included in health plans. There is no proof that allowing every category of health care providers to be covered by health plans adds cost to the health care system. Alternative health care providers save the consumer money.

Testified: (In support) Senator Deccio, prime sponsor; Carolyn Logue and Curt Kingman, National Federation of Independent Business; Shirley Ericson, Omega Consultants; Dean Hartman, Capitol Business Machines; Bob Hamilton, Computer Alchemy; Gary Smith, Independent Business Association; Amber Balch, Association of Washington Business; Julie Cole, Mail Media Inc.; and Nancee Wildermuth, Regence/Pacificare.

(Opposed) Rick Spoonemore and Lori Bielinski, Washington State Chiropractic Association; Dr. Kasra Pournadeali and Terry Kohl, Washington Association of Naturopathic Physicians; Randy Ray, Acupuncture Association of Washington; Melanie Stewart, American Association of Massage Therapy, Washington Chapter, Timberlands RSN, and Washington Osteopathic Medical Association; Nick Federici, Midwives Association and Association of Marriage and Family Therapy; Bill Daley, Office of the Insurance Commissioner; and Tanis Marsh, League of Women Voters of Washington.