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**Health Care Committee**

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**ESSB 5807**

**Brief Description:** Revising the basic health plan.

**Sponsors:** Senate Committee on Health & Long-Term Care (originally sponsored by Senators Parlette, Deccio, Brandland, Mulliken, Carlson, Honeyford, Hewitt, Stevens, Oke, Sheahan and Winsley).

**Brief Summary of Engrossed Substitute Bill**

- The Basic Health Plan is restricted to applicants who are U.S. citizens or legally admitted for permanent residence.
- Changes are made to the Basic Health Plan benefit design.
- Enrollees may be disenrolled to avoid overspending the appropriation for the Basic Health Plan.

**Hearing Date:** 4/1/03

**Staff:** Dave Knutson (786-7146).

**Background:**

The Basic Health Plan (BHP) was created in 1987 to provide access to health insurance for low-income Washington residents. It now provides state-funded subsidized coverage, through contracts with managed care plans, to approximately 132,000 enrollees statewide.

The BHP is administered by the state Health Care Authority (HCA) pursuant to guidelines established in statute. Any person not eligible for Medicare, with a gross family income of up to 200 percent of the federal poverty level, is eligible for subsidized coverage. Dependent on a federal match, the law would allow coverage of those with a gross family income of up to 250 percent of the federal poverty level.

Individual premiums are between \$10 and \$250 per month, depending primarily on income and age. Such premiums may be paid by a third-party sponsor, including the enrollee's employer. The plan also includes co-pays, but no deductible.

In designing the benefit plan, the HCA is directed to cover "services that may be necessary for basic health care," including physician and hospital services, and prescription drugs. The law also explicitly allows, to the extent funds are available, the BHP to cover chemical dependency, mental health and organ transplant services, as long as doing so does not increase the value of the plan by more than 5 percent.

Once enrolled in the BHP, a person whose premiums are delinquent may be disenrolled. Disenrollment may be contested pursuant to the Administrative Procedures Act before an administrative law judge.

The subsidized BHP is funded primarily through the state's Health Services Account using a number of revenue sources, including liquor and tobacco taxes. That account is in deficit, and there is concern that, as currently structured and administered, the BHP is not sustainable.

The law also allows those with family incomes above 200 percent to enroll in the BHP on an unsubsidized basis. However, beginning in 1999, rising costs associated with the plan made carriers reluctant to provide such coverage, and in 2000 it was de-linked from the subsidized program. Unsubsidized BHP coverage is now not available.

### **Summary of Bill:**

Numerous changes are made in the structure and operation of the Basic Health Plan.

Eligibility criteria are changed to add the requirements that an individual be ineligible for Medicaid (with some exceptions), have liquid assets not exceeding an amount established by the HCA in rule, and, if enrolling after the effective date of the act, be a U.S. citizen or legally admitted for permanent residence. The income threshold is kept at 200 percent of the federal poverty level, unless a lower level is set by the Legislature in the operating budget. Language that would allow coverage up to 250 percent of the federal poverty level is removed. The HCA must verify income initially and on an ongoing basis.

Specific direction is provided regarding the calculation of income for self-employed persons.

The minimum enrollee premiums are to be set by the Legislature in the operating budget, and may be varied based on wellness activities.

The HCA is authorized to disenroll persons to avoid overspending its appropriation. When doing so, those with higher incomes and who have been on the plan the longest are to be disenrolled first. Repeated failure to pay co-pays is also added as a reason for disenrollment. Disenrollment may no longer be appealed before an administrative law judge.

Changes are also made to the BHP benefit design, which must be developed using an evidence-based approach. Preventive care services are to be covered with no enrollee cost sharing. The HCA must include other benefits and enrollee cost sharing reasonably expected to result in a per member per month cost to be established by the Legislature in the operating budget.

In its contracts with managed care plans, the HCA must assure that the plans are actively engaged in specified efforts to promote wellness activities and quality care of their enrollees. The contracted rate must be expected to result in a loss-ratio to the contracting plan of no less than 87 percent.

Current law calling for an expedited application and enrollment process, and which authorizes commissions for agents and brokers enrolling people in the BHP, is repealed. Other obsolete language is removed, and the statute is reorganized.

The unsubsidized BHP is eliminated.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill contains an emergency clause and takes effect immediately.