

SENATE BILL REPORT

ESHB 2460

As Reported By Senate Committee On:
Health & Long-Term Care, February 25, 2004

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

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

Sponsors: 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).

Brief History:

Committee Activity: Health & Long-Term Care: 2/18/04, 2/25/04 [DP].

SENATE COMMITTEE ON HEALTH & LONG-TERM CARE

Majority Report: Do pass.

Signed by Senators Deccio, Chair; Winsley, Vice Chair; Brandland, Franklin, Keiser, Parlette and Thibaudeau.

Staff: Jonathan Seib (786-7427)

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 persons or conditions, and reimburse for services provided by identified types of providers. Among these mandates is the requirement that a person enrolled in a group plan be allowed to enroll in a "conversion plan" when no longer eligible for group coverage. 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.

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 allow those separating from employment to continue group coverage on a self-pay basis for up to 18 months. This is known as "COBRA coverage." In Washington, those exhausting their COBRA coverage are allowed to enroll in an individual health benefit plan without taking the health screen to which most others are subject.

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 language authorizing carriers to 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 several of the mandates are removed from the exemption list.

The limitation on how much premiums in the small group market may vary based on wellness activities is eliminated. Language is also added to allow adjustments to the community rate based on certain factors.

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 as a group of one may remain enrolled as long as the carrier with whom they are enrolled continues to offer small group coverage.

Current continuity of coverage provisions are amended to also allow plans for groups of up to 200 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 requirement that a person enrolled in a group policy be allowed to obtain a conversion policy when they are no longer eligible for group coverage is repealed. Persons whose conversion coverage is discontinued may enroll in an individual health plan without being subject to the health screen.

Persons who, but for the size of their employer, would be eligible for COBRA coverage may also enroll in an individual health plan without being subject to the health screen.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: The number of small businesses in this state who offer health insurance to their employees continue to decline. The main reason for this is cost. Small businesses need the more affordable health insurance options that this bill will provide. Businesses want to provide the best coverage available at an affordable price.

Testimony Against: The bill would allow health insurance to be provided to small business employees that did not include coverage for mental health services and substance abuse treatment. Without insurance coverage, those people who need these services will go without, or turn to state programs, at a significant cost to the state. The bill would also push more people into the individual market, where coverage is more expensive and typically does not cover mental health services.

Testified: PRO: Representative Cody, prime sponsor; Melanie Stewart, Washington State Pediatric Medical Association, AMTA Washington, Washington Osteopathic Medical Association, American Cancer Society; PRO W/AMENDMENTS: Carolyn Logue, National Federation of Independent Businesses; Gary Smith, Independent Business Association; Scottie Marable, small business owner; Patti Carter, small business owner; Amber Carter, Association of Washington Business; Ken Bertrand, Group Health; Rick Wickman, Premera; Nancee Wildermuth, Regence; CON: Kristen Rogers, National Association of Social Workers, Bob Cooper, Washington Citizen Action; CONCERNS: Seth Dawson, NAMI Washington.