

SENATE BILL REPORT

ESHB 2797

As Reported By Senate Committee On:
Health & Long-Term Care, February 26, 2004

Title: An act relating to providing access to the basic health plan for individuals eligible for the health coverage tax credit under the Trade Act of 2002 (P.L. 107-210).

Brief Description: Increasing access to health insurance options for certain persons eligible for the Federal Health Coverage Tax Credit under the Trade Act of 2002 (P.L. 107-210).

Sponsors: House Committee on Health Care (originally sponsored by Representatives Morrell, Cody, Linville, G. Simpson, Edwards, Kenney and Ormsby; by request of Insurance Commissioner).

Brief History:

Committee Activity: Health & Long-Term Care: 2/24/04, 2/26/04 [DPA].

SENATE COMMITTEE ON HEALTH & LONG-TERM CARE

Majority Report: Do pass as amended.

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

Staff: Jonathan Seib (786-7427)

Background: The federal Trade Act of 2002 (P.L. 107-210) gave the President increased authority to liberalize trade with other countries. The act also sought to protect workers displaced by trade by expanding existing assistance programs to include assistance in obtaining health insurance. To this end, the act established a federal income tax credit equal to 65 percent of the amounts paid by an eligible individual for certain types of health insurance coverage for the individual and qualified family members.

This Health Coverage Tax Credit (HCTC) can be paid in advance directly to an individual's insurer, and is fully refundable -- meaning even those who owe no income tax receive the credit in full. Eligible persons include those certified to receive certain trade adjustment assistance (TAA) benefits, and persons over age 55 who receive benefits from the Pension Benefit Guaranty Corporation. In 2002, it was estimated that approximately 11,600 state residents, and their dependents, were eligible for the tax credit.

An eligible person enrolled in continuation coverage under federal law ("COBRA coverage"), a group plan as a dependent of his or her spouse, or individual coverage obtained prior to TAA certification may automatically claim the tax credit. The credit may also be used to purchase coverage through various state-based insurance programs, but only if the program, upon application by the state, is approved by the federal Department of Health and Human Services as meeting certain criteria. No such program is currently available in Washington.

Washington's Basic Health Plan (BHP), administered by the Health Care Authority (HCA), provides health coverage on a subsidized basis to persons with family income up to 200 percent of the federal poverty level. Although the BHP statute also authorizes coverage of those with higher incomes on a nonsubsidized basis, such coverage is not currently offered.

A health carrier may impose coverage limitations or waiting periods on a new enrollee because of the enrollee's pre-existing health conditions. However, the waiting period must be reduced by certain amounts based on the person's prior enrollment in a health plan.

Most applicants for individual health coverage are also required to complete a standardized health questionnaire. Depending on the results of the questionnaire, the person may enroll either in the individual plan applied for, or in the Washington State Health Insurance Pool.

Summary of Amended Bill: A person eligible for the federal HCTC may enroll in the Basic Health Plan on a nonsubsidized basis. In addition to the full cost of coverage, the premium charged such an enrollee must include affiliated administrative expenses. The premium may be prospectively adjusted to assure that it covers the full cost of care. The HCA must establish a mechanism for receiving premium payments from the U.S. Internal Revenue Service for these enrollees. A carrier that serves subsidized BHP enrollees cannot be required to also serve nonsubsidized or health coverage tax credit enrollees. Enrollment in the Basic Health Plan by a person eligible for the HCTC qualifies as a "health plan" for purposes of reducing the pre-existing condition waiting period in any group or individual plan in which the person may subsequently enroll.

Amended Bill Compared to Substitute Bill: The striking amendment adds the language allowing the prospective adjustment of premiums, and allowing carriers to serve only subsidized BHP enrollees. It removes language which would have allowed any person applying for an individual plan following enrollment in the BHP under the HCTC program to do so without completing the standardized health questionnaire.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: This bill would further implement a wonderful program for potential beneficiaries, allowing them to take advantage of a federal tax credit to cover health insurance costs. The current insurance options available to those eligible for the tax credit are expensive and may present administrative difficulties. Enrollees under the bill would not take up subsidized BHP slots. The bill would provide an affordable health insurance option to displaced workers.

Testimony Against: The bill should include language allowing enrollee premiums to be prospectively adjusted following periodic review. Carriers should have the option, and not be required, to cover participants in this program in addition to subsidized BHP enrollees. Enrollees in this program should not be exempt from taking the health screen.

Testified: PRO: Representative Morrell, prime sponsor; Beth Berent, Office of the Insurance Commissioner; CONCERNS: Ken Bertrand, Group Health; Rick Wickman, Premera; Davor Gjurasic, Molina.