

FINAL BILL REPORT

ESSB 6112

C 260 L 04

Synopsis as Enacted

Brief Description: Regulating self-funded multiple employer welfare arrangements.

Sponsors: Senate Committee on Financial Services, Insurance & Housing (originally sponsored by Senators Prentice, Benton, Winsley, Keiser and Kohl-Welles).

Senate Committee on Financial Services, Insurance & Housing
House Committee on Financial Institutions & Insurance

Background: A "Multiple Employer Welfare Arrangement" (MEWA) is a form of group purchasing arrangement defined by federal ERISA law (the Employee Retirement Income Security Act of 1974). By using a MEWA, employers can offer employee benefits at generally lower cost. Although ERISA usually preempts state attempts at regulation, in the case of MEWAs, states can set specific standards. Approximately 40 states have done so. Washington State currently does not have a MEWA act.

Summary: A regulatory scheme is created for self-funded MEWAs, including registration with the Office of the Insurance Commissioner (OIC); regulation by OIC to ensure integrity; numerous reporting requirements; and sanctions for noncompliance.

In order to obtain and maintain the ability to do business as a MEWA in Washington State, the MEWA organization must comply with the following regulations:

- Obtain a certificate of authority from OIC.
- MEWA members must be employers in a bona fide association that provides health care services to at least 20 employers, not a mere conduit for the collection of insurance premiums. The association must have been in existence for at least ten years, as of December 31, 2003.
- MEWAs must deposit \$200,000 with OIC, and maintain a surplus of \$2 million or more.
- MEWAs must meet numerous technical requirements for disclosure of financial status, plan operation, and management competence, integrity and bondability.
- MEWAs are subject to sanction, including a \$10,000 per violation fine or revocation of their certificate of authority.
- The OIC may perform market conduct exams on MEWAs.

MEWAs cannot include any type of arrangement by or between federal agencies, contractors, or subcontractors at federal facilities within Washington. MEWAs provide health care services to associations of no fewer than 20 employers and comply with state insurance laws on health benefits.

The "Patients Bill of Rights" applies to MEWAs. MEWAs are subject to assessments in the Washington State health insurance pool, if not preempted by ERISA. Premium tax provisions require tax to be paid into an escrow account, pending a final determination on ERISA preemption.

Votes on Final Passage:

Senate	49	0	
House	95	0	(House amended)
Senate	49	0	(Senate concurred)

Effective: March 31, 2004