

2SHB 2572 - H AMD 721

By Representative Bailey

SCOPED 2/8/2006

1 On page 5, after line 21, insert the following:

2 "Sec. 12. RCW 48.21.045 and 2004 c 244 s 1 are each amended to
3 read as follows:

4 (1)(a) An insurer offering any health benefit plan to a small
5 employer, either directly or through an association or member-
6 governed group formed specifically for the purpose of purchasing
7 health care, may offer and actively market to the small employer a
8 health benefit plan featuring a limited schedule of covered health
9 care services. Nothing in this subsection shall preclude an
10 insurer from offering, or a small employer from purchasing, other
11 health benefit plans that may have more comprehensive benefits than
12 those included in the product offered under this subsection. An
13 insurer offering a health benefit plan under this subsection shall
14 clearly disclose all covered benefits to the small employer in a
15 brochure filed with the commissioner.

16 (b) A health benefit plan offered under this subsection shall
17 provide coverage for hospital expenses and services rendered by a
18 physician licensed under chapter 18.57 or 18.71 RCW but is not
19 subject to the requirements of RCW 48.21.130, 48.21.140, 48.21.141,
20 48.21.142, 48.21.144, 48.21.146, 48.21.160 through 48.21.197,
21 48.21.200, 48.21.220, 48.21.225, 48.21.230, 48.21.235, 48.21.240,
22 48.21.244, 48.21.250, 48.21.300, 48.21.310, or 48.21.320.

23 (2) Nothing in this section shall prohibit an insurer from
24 offering, or a purchaser from seeking, health benefit plans with
25 benefits in excess of the health benefit plan offered under
26 subsection (1) of this section. All forms, policies, and contracts
27 shall be submitted for approval to the commissioner, and the rates
28 of any plan offered under this section shall be reasonable in
29 relation to the benefits thereto.

1 (3) Premium rates for health benefit plans for small employers
2 as defined in this section shall be subject to the following
3 provisions:

4 (a) The insurer shall develop its rates based on an adjusted
5 community rate and may only vary the adjusted community rate for:

6 (i) Geographic area;

7 (ii) Family size;

8 (iii) Age; and

9 (iv) Wellness activities.

10 (b) The adjustment for age in (a)(iii) of this subsection may
11 not use age brackets smaller than five-year increments, which shall
12 begin with age twenty and end with age sixty-five. Employees under
13 the age of twenty shall be treated as those age twenty.

14 (c) The insurer shall be permitted to develop separate rates
15 for individuals age sixty-five or older for coverage for which
16 medicare is the primary payer and coverage for which medicare is
17 not the primary payer. Both rates shall be subject to the
18 requirements of this subsection (3).

19 (d) The permitted rates for any age group shall be no more than
20 four hundred twenty-five percent of the lowest rate for all age
21 groups on January 1, 1996, four hundred percent on January 1, 1997,
22 and three hundred seventy-five percent on January 1, 2000, and
23 thereafter.

24 (e) A discount for wellness activities shall be permitted to
25 reflect actuarially justified differences in utilization or cost
26 attributed to such programs.

27 (f) The rate charged for a health benefit plan offered under
28 this section may not be adjusted more frequently than annually
29 except that the premium may be changed to reflect:

30 (i) Changes to the enrollment of the small employer;

31 (ii) Changes to the family composition of the employee;

32 (iii) Changes to the health benefit plan requested by the small
33 employer; or

34 (iv) Changes in government requirements affecting the health
35 benefit plan.

36 (g) Rating factors shall produce premiums for identical groups
37 that differ only by the amounts attributable to plan design, with
38 the exception of discounts for health improvement programs.

1 (h) For the purposes of this section, a health benefit plan
2 that contains a restricted network provision shall not be
3 considered similar coverage to a health benefit plan that does not
4 contain such a provision, provided that the restrictions of
5 benefits to network providers result in substantial differences in
6 claims costs. A carrier may develop its rates based on claims
7 costs (~~(due to network provider reimbursement schedules or type of~~
8 ~~network)) for a plan. This subsection does not restrict or enhance
9 the portability of benefits as provided in RCW 48.43.015.~~

10 (i) Except for small group health benefit plans that qualify as
11 insurance coverage combined with a health savings account as
12 defined by the United States internal revenue service, adjusted
13 community rates established under this section shall pool the
14 medical experience of all small groups purchasing coverage.
15 However, annual rate adjustments for each small group health
16 benefit plan may vary by up to plus or minus four percentage points
17 from the overall adjustment of a carrier's entire small group pool,
18 such overall adjustment to be approved by the commissioner, upon a
19 showing by the carrier, certified by a member of the American
20 academy of actuaries that: (i) The variation is a result of
21 deductible leverage, benefit design, or provider network
22 characteristics; and (ii) for a rate renewal period, the projected
23 weighted average of all small group benefit plans will have a
24 revenue neutral effect on the carrier's small group pool.
25 Variations of greater than four percentage points are subject to
26 review by the commissioner, and must be approved or denied within
27 sixty days of submittal. A variation that is not denied within
28 sixty days shall be deemed approved. The commissioner must provide
29 to the carrier a detailed actuarial justification for any denial
30 (within thirty days of the denial.

31 (4) Nothing in this section shall restrict the right of
32 employees to collectively bargain for insurance providing benefits
33 in excess of those provided herein.

34 (5)(a) Except as provided in this subsection, requirements used
35 by an insurer in determining whether to provide coverage to a small
36 employer shall be applied uniformly among all small employers
37 applying for coverage or receiving coverage from the carrier.

38 (b) An insurer shall not require a minimum participation level
39 greater than:

1 (i) One hundred percent of eligible employees working for
2 groups with three or less employees; and

3 (ii) Seventy-five percent of eligible employees working for
4 groups with more than three employees.

5 (c) In applying minimum participation requirements with respect
6 to a small employer, a small employer shall not consider employees
7 or dependents who have similar existing coverage in determining
8 whether the applicable percentage of participation is met.

9 (d) An insurer may not increase any requirement for minimum
10 employee participation or modify any requirement for minimum
11 employer contribution applicable to a small employer at any time
12 after the small employer has been accepted for coverage.

13 (6) An insurer must offer coverage to all eligible employees of
14 a small employer and their dependents. An insurer may not offer
15 coverage to only certain individuals or dependents in a small
16 employer group or to only part of the group. An insurer may not
17 modify a health plan with respect to a small employer or any
18 eligible employee or dependent, through riders, endorsements or
19 otherwise, to restrict or exclude coverage or benefits for specific
20 diseases, medical conditions, or services otherwise covered by the
21 plan.

22 (7) As used in this section, "health benefit plan," "small
23 employer," "adjusted community rate," and "wellness activities"
24 mean the same as defined in RCW 48.43.005.

25 **Sec. 13.** RCW 48.44.023 and 2004 c 244 s 7 are each amended to
26 read as follows:

27 (1)(a) A health care services contractor offering any health
28 benefit plan to a small employer, either directly or through an
29 association or member-governed group formed specifically for the
30 purpose of purchasing health care, may offer and actively market to
31 the small employer a health benefit plan featuring a limited
32 schedule of covered health care services. Nothing in this
33 subsection shall preclude a contractor from offering, or a small
34 employer from purchasing, other health benefit plans that may have
35 more comprehensive benefits than those included in the product
36 offered under this subsection. A contractor offering a health
37 benefit plan under this subsection shall clearly disclose all

1 covered benefits to the small employer in a brochure filed with the
2 commissioner.

3 (b) A health benefit plan offered under this subsection shall
4 provide coverage for hospital expenses and services rendered by a
5 physician licensed under chapter 18.57 or 18.71 RCW but is not
6 subject to the requirements of RCW 48.44.225, 48.44.240, 48.44.245,
7 48.44.290, 48.44.300, 48.44.310, 48.44.320, 48.44.325, 48.44.330,
8 48.44.335, 48.44.340, 48.44.344, 48.44.360, 48.44.400, 48.44.440,
9 48.44.450, and 48.44.460.

10 (2) Nothing in this section shall prohibit a health care
11 service contractor from offering, or a purchaser from seeking,
12 health benefit plans with benefits in excess of the health benefit
13 plan offered under subsection (1) of this section. All forms,
14 policies, and contracts shall be submitted for approval to the
15 commissioner, and the rates of any plan offered under this section
16 shall be reasonable in relation to the benefits thereto.

17 (3) Premium rates for health benefit plans for small employers
18 as defined in this section shall be subject to the following
19 provisions:

20 (a) The contractor shall develop its rates based on an adjusted
21 community rate and may only vary the adjusted community rate for:

- 22 (i) Geographic area;
- 23 (ii) Family size;
- 24 (iii) Age; and
- 25 (iv) Wellness activities.

26 (b) The adjustment for age in (a)(iii) of this subsection may
27 not use age brackets smaller than five-year increments, which shall
28 begin with age twenty and end with age sixty-five. Employees under
29 the age of twenty shall be treated as those age twenty.

30 (c) The contractor shall be permitted to develop separate rates
31 for individuals age sixty-five or older for coverage for which
32 medicare is the primary payer and coverage for which medicare is
33 not the primary payer. Both rates shall be subject to the
34 requirements of this subsection (3).

35 (d) The permitted rates for any age group shall be no more than
36 four hundred twenty-five percent of the lowest rate for all age
37 groups on January 1, 1996, four hundred percent on January 1, 1997,
38 and three hundred seventy-five percent on January 1, 2000, and
39 thereafter.

1 (e) A discount for wellness activities shall be permitted to
2 reflect actuarially justified differences in utilization or cost
3 attributed to such programs.

4 (f) The rate charged for a health benefit plan offered under
5 this section may not be adjusted more frequently than annually
6 except that the premium may be changed to reflect:

7 (i) Changes to the enrollment of the small employer;

8 (ii) Changes to the family composition of the employee;

9 (iii) Changes to the health benefit plan requested by the small
10 employer; or

11 (iv) Changes in government requirements affecting the health
12 benefit plan.

13 (g) Rating factors shall produce premiums for identical groups
14 that differ only by the amounts attributable to plan design, with
15 the exception of discounts for health improvement programs.

16 (h) For the purposes of this section, a health benefit plan
17 that contains a restricted network provision shall not be
18 considered similar coverage to a health benefit plan that does not
19 contain such a provision, provided that the restrictions of
20 benefits to network providers result in substantial differences in
21 claims costs. A carrier may develop its rates based on claims
22 costs (~~((due to network provider reimbursement schedules or type of~~
23 ~~network))~~ for a plan). This subsection does not restrict or enhance
24 the portability of benefits as provided in RCW 48.43.015.

25 (i) Except for small group health benefit plans that qualify as
26 insurance coverage combined with a health savings account as
27 defined by the United States internal revenue service, adjusted
28 community rates established under this section shall pool the
29 medical experience of all groups purchasing coverage. However,
30 annual rate adjustments for each small group health benefit plan
31 may vary by up to plus or minus four percentage points from the
32 overall adjustment of a carrier's entire small group pool, such
33 overall adjustment to be approved by the commissioner, upon a
34 showing by the carrier, certified by a member of the American
35 academy of actuaries that: (i) The variation is a result of
36 deductible leverage, benefit design, or provider network
37 characteristics; and (ii) for a rate renewal period, the projected
38 weighted average of all small group benefit plans will have a
39 revenue neutral effect on the carrier's small group pool.

1 Variations of greater than four percentage points are subject to
2 review by the commissioner, and must be approved or denied within
3 sixty days of submittal. A variation that is not denied within
4 sixty days shall be deemed approved. The commissioner must provide
5 to the carrier a detailed actuarial justification for any denial
6 within thirty days of the denial.

7 (4) Nothing in this section shall restrict the right of
8 employees to collectively bargain for insurance providing benefits
9 in excess of those provided herein.

10 (5)(a) Except as provided in this subsection, requirements used
11 by a contractor in determining whether to provide coverage to a
12 small employer shall be applied uniformly among all small employers
13 applying for coverage or receiving coverage from the carrier.

14 (b) A contractor shall not require a minimum participation
15 level greater than:

16 (i) One hundred percent of eligible employees working for
17 groups with three or less employees; and

18 (ii) Seventy-five percent of eligible employees working for
19 groups with more than three employees.

20 (c) In applying minimum participation requirements with respect
21 to a small employer, a small employer shall not consider employees
22 or dependents who have similar existing coverage in determining
23 whether the applicable percentage of participation is met.

24 (d) A contractor may not increase any requirement for minimum
25 employee participation or modify any requirement for minimum
26 employer contribution applicable to a small employer at any time
27 after the small employer has been accepted for coverage.

28 (6) A contractor must offer coverage to all eligible employees
29 of a small employer and their dependents. A contractor may not
30 offer coverage to only certain individuals or dependents in a small
31 employer group or to only part of the group. A contractor may not
32 modify a health plan with respect to a small employer or any
33 eligible employee or dependent, through riders, endorsements or
34 otherwise, to restrict or exclude coverage or benefits for specific
35 diseases, medical conditions, or services otherwise covered by the
36 plan.

37 **Sec. 14.** RCW 48.46.066 and 2004 c 244 s 9 are each amended to
38 read as follows:

1 (1)(a) A health maintenance organization offering any health
2 benefit plan to a small employer, either directly or through an
3 association or member-governed group formed specifically for the
4 purpose of purchasing health care, may offer and actively market to
5 the small employer a health benefit plan featuring a limited
6 schedule of covered health care services. Nothing in this
7 subsection shall preclude a health maintenance organization from
8 offering, or a small employer from purchasing, other health benefit
9 plans that may have more comprehensive benefits than those included
10 in the product offered under this subsection. A health maintenance
11 organization offering a health benefit plan under this subsection
12 shall clearly disclose all the covered benefits to the small
13 employer in a brochure filed with the commissioner.

14 (b) A health benefit plan offered under this subsection shall
15 provide coverage for hospital expenses and services rendered by a
16 physician licensed under chapter 18.57 or 18.71 RCW but is not
17 subject to the requirements of RCW 48.46.275, 48.46.280, 48.46.285,
18 48.46.290, 48.46.350, 48.46.355, 48.46.375, 48.46.440, 48.46.480,
19 48.46.510, 48.46.520, and 48.46.530.

20 (2) Nothing in this section shall prohibit a health maintenance
21 organization from offering, or a purchaser from seeking, health
22 benefit plans with benefits in excess of the health benefit plan
23 offered under subsection (1) of this section. All forms, policies,
24 and contracts shall be submitted for approval to the commissioner,
25 and the rates of any plan offered under this section shall be
26 reasonable in relation to the benefits thereto.

27 (3) Premium rates for health benefit plans for small employers
28 as defined in this section shall be subject to the following
29 provisions:

30 (a) The health maintenance organization shall develop its rates
31 based on an adjusted community rate and may only vary the adjusted
32 community rate for:

- 33 (i) Geographic area;
- 34 (ii) Family size;
- 35 (iii) Age; and
- 36 (iv) Wellness activities.

37 (b) The adjustment for age in (a)(iii) of this subsection may
38 not use age brackets smaller than five-year increments, which shall

1 begin with age twenty and end with age sixty-five. Employees under
2 the age of twenty shall be treated as those age twenty.

3 (c) The health maintenance organization shall be permitted to
4 develop separate rates for individuals age sixty-five or older for
5 coverage for which medicare is the primary payer and coverage for
6 which medicare is not the primary payer. Both rates shall be
7 subject to the requirements of this subsection (3).

8 (d) The permitted rates for any age group shall be no more than
9 four hundred twenty-five percent of the lowest rate for all age
10 groups on January 1, 1996, four hundred percent on January 1, 1997,
11 and three hundred seventy-five percent on January 1, 2000, and
12 thereafter.

13 (e) A discount for wellness activities shall be permitted to
14 reflect actuarially justified differences in utilization or cost
15 attributed to such programs.

16 (f) The rate charged for a health benefit plan offered under
17 this section may not be adjusted more frequently than annually
18 except that the premium may be changed to reflect:

19 (i) Changes to the enrollment of the small employer;

20 (ii) Changes to the family composition of the employee;

21 (iii) Changes to the health benefit plan requested by the small
22 employer; or

23 (iv) Changes in government requirements affecting the health
24 benefit plan.

25 (g) Rating factors shall produce premiums for identical groups
26 that differ only by the amounts attributable to plan design, with
27 the exception of discounts for health improvement programs.

28 (h) For the purposes of this section, a health benefit plan
29 that contains a restricted network provision shall not be
30 considered similar coverage to a health benefit plan that does not
31 contain such a provision, provided that the restrictions of
32 benefits to network providers result in substantial differences in
33 claims costs. A carrier may develop its rates based on claims
34 costs (~~((due to network provider reimbursement schedules or type of~~
35 ~~network))~~ for a plan). This subsection does not restrict or enhance
36 the portability of benefits as provided in RCW 48.43.015.

37 (i) Except for small group health benefit plans that qualify as
38 insurance coverage combined with a health savings account as
39 defined by the United States internal revenue service, adjusted

1 community rates established under this section shall pool the
2 medical experience of all groups purchasing coverage. However,
3 annual rate adjustments for each small group health benefit plan
4 may vary by up to plus or minus four percentage points from the
5 overall adjustment of a carrier's entire small group pool, such
6 overall adjustment to be approved by the commissioner, upon a
7 showing by the carrier, certified by a member of the American
8 academy of actuaries that: (i) The variation is a result of
9 deductible leverage, benefit design, or provider network
10 characteristics; and (ii) for a rate renewal period, the projected
11 weighted average of all small group benefit plans will have a
12 revenue neutral effect on the carrier's small group pool.
13 Variations of greater than four percentage points are subject to
14 review by the commissioner, and must be approved or denied within
15 sixty days of submittal. A variation that is not denied within
16 sixty days shall be deemed approved. The commissioner must provide
17 to the carrier a detailed actuarial justification for any denial
18 within thirty days of the denial.

19 (4) Nothing in this section shall restrict the right of
20 employees to collectively bargain for insurance providing benefits
21 in excess of those provided herein.

22 (5)(a) Except as provided in this subsection, requirements used
23 by a health maintenance organization in determining whether to
24 provide coverage to a small employer shall be applied uniformly
25 among all small employers applying for coverage or receiving
26 coverage from the carrier.

27 (b) A health maintenance organization shall not require a
28 minimum participation level greater than:

29 (i) One hundred percent of eligible employees working for
30 groups with three or less employees; and

31 (ii) Seventy-five percent of eligible employees working for
32 groups with more than three employees.

33 (c) In applying minimum participation requirements with respect
34 to a small employer, a small employer shall not consider employees
35 or dependents who have similar existing coverage in determining
36 whether the applicable percentage of participation is met.

37 (d) A health maintenance organization may not increase any
38 requirement for minimum employee participation or modify any
39 requirement for minimum employer contribution applicable to a small

1 employer at any time after the small employer has been accepted for
2 coverage.

3 (6) A health maintenance organization must offer coverage to
4 all eligible employees of a small employer and their dependents.
5 A health maintenance organization may not offer coverage to only
6 certain individuals or dependents in a small employer group or to
7 only part of the group. A health maintenance organization may not
8 modify a health plan with respect to a small employer or any
9 eligible employee or dependent, through riders, endorsements or
10 otherwise, to restrict or exclude coverage or benefits for specific
11 diseases, medical conditions, or services otherwise covered by the
12 plan."

13
14 Correct internal references and correct the title.

EFFECT: Excludes health savings account offered in the small
group market from the adjusted community rating pool.