

SENATE BILL REPORT

E2SHB 2069

As Reported By Senate Committee On:
Health & Long-Term Care, March 31, 2005

Title: An act relating to expanding access to insurance coverage through the small business assist program.

Brief Description: Expanding access to insurance coverage through the small business assist program.

Sponsors: House Committee on Appropriations (originally sponsored by Representatives Morrell, Hankins, Cody, Sells, Green, Kenney, Moeller, Conway and Chase; by request of Governor Gregoire).

Brief History: Passed House: 3/14/05, 56-41.

Committee Activity: Health & Long-Term Care: 3/24/05, 3/31/05 [DPA-WM, DNP, w/oRec].

SENATE COMMITTEE ON HEALTH & LONG-TERM CARE

Majority Report: Do pass as amended and be referred to Committee on Ways & Means.

Signed by Senators Keiser, Chair; Deccio, Ranking Minority Member; Benson, Brandland, Johnson, Kastama, Kline, Parlette and Poulsen.

Minority Report: Do not pass.

Signed by Senator Thibaudeau, Vice Chair.

Minority Report: That it be referred without recommendation.

Signed by Senator Franklin.

Staff: Jonathan Seib (786-7427)

Background: The Basic Health Plan (BHP) is a state sponsored program administered by the Health Care Authority (HCA) that provides health insurance coverage to eligible Washington residents through contracts with health carriers. To qualify for coverage on a subsidized basis, an applicant must be ineligible for Medicare, not confined to a government operated institution, and have a family income no greater than two hundred percent of the federal poverty level. Although BHP coverage on a non-subsidized basis is authorized in statute, it is generally available only on a very limited basis.

Current law allows business owners to apply for BHP coverage on behalf of themselves, their employees, and dependents. Since non-subsidized coverage is not available, those who enroll must meet the eligibility criteria for subsidized enrollees. Approximately four hundred current BHP enrollees are sponsored by their employer.

There is concern that existing state program are insufficient to address the health insurance needs of small employers, generally referring to those that employ up to 50 employees. Due

to this, and the cost of coverage in the commercial market, the number of persons employed by small businesses who lack health insurance continues to increase.

Summary of Amended Bill: By January 1, 2007, the HCA is to implement a program to assist small employers in providing meaningful health care coverage to their employees and employees' dependents. The program must offer a choice of health plans, designed to include the most efficacious and cost-effective benefits within the limits affordable to small employers. Cost sharing and plan administration are to encourage health promotion and quality care. One of the plans offered must be a high deductible plan that may be used in conjunction with a health savings account. Both the participating employers and employees will pay part of the premium, which may also be subsidized.

With some exceptions, including the Patient Bill of Rights (which would apply), the benefit plans offered under the small employer assistance program are exempt from the mandates and other regulations under the insurance code. A carrier may also offer any health benefit plan available under the small employer assistance program to any small employer, through the assistance program or otherwise.

If no carrier is willing to provide coverage under the program, the HCA is authorized to implement a self-insured plan, if it has sufficient reserves to cover the risk it expects to assume.

The HCA is to provide a progress report on its implementation of the program to the legislature by December 1, 2005.

Beginning July 1, 2006, a small business employee who meets certain conditions may apply to the HCA for assistance in paying the employee share of his or her employer-sponsored health insurance premium. Premium assistance is limited to those whose family income is less than two hundred percent of the federal poverty level. Premium assistance will be offered to the extent of funding provided in the biennial operating budget, with the amount each enrollee receives based on the subsidy schedule developed for subsidized BHP enrollees.

Amended Bill Compared to Original Bill: The original bill was drafted primarily as amendments to the existing BHP, and included numerous technical and other changes to conform existing language to the new program. The striking amendment places the program in a new chapter in the code, and eliminates any changes to the BHP statute. The striking amendment also adds: additional criteria regarding benefit plan design and program administration; an explicit exemption from the insurance code for plans offered under the small employer assistance program; language allowing any plan offered under the program to also be offered to small businesses outside the program; and a requirement that a progress report be submitted to the legislature. The provisions in the striker regarding self insurance also apply only to the small employer assistance program, and are now different than those which apply to the BHP. The amendment removes language directing the Department of Social and Health Services to make efforts to subsidize small employer health benefit plan premiums on behalf of individuals eligible for medical assistance. An appropriation is added.

Appropriation: \$724,000.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

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

Testimony For: The Governor is aware that small businesses are having a very difficult time being able to provide affordable health care insurance for employees. Businesses have stated that the plans need to cost them less than \$100 per employee per month to be affordable. The percentage of small employers who offer insurance for employees is trending in the wrong direction; currently only 45 percent of small employers provide coverage. This plan is aimed at helping the uninsured gain coverage. An advantage for businesses who wish to buy into this program is that the overhead will likely be lower than for those programs currently offered, which could help to make the product's cost less prohibitive. Efforts have been made to ensure that those who are already insured will not switch into this program.

Testimony Against: There is concern that the numbers generated in the fiscal note are based on incorrect assumptions. The number of employees and dependants who would be covered is merely a drop in the bucket and does not meaningfully address the problem. The government should not be a market competitor with the few carriers who are in the Washington market. The application of Title 48 needs to be more carefully detailed in the bill. This bill does nothing to address the underlying costs of healthcare; it would be better to allow private carriers to offer "leaner" coverage by not requiring all of the mandates to be met by each plan. Other states have successful premium assistance programs that provide better models and lead to lower numbers of uninsured.

Who Testified: PRO: Representative Morrell, prime sponsor; Christina Hulet, Governor's Office; Beth Dupre, Health Care Authority.

CON: Mel Sorenson, Americas Health Insurance Plans, Association of Washington Healthcare Plans; Mellani Hughes-McAleenan, Association of Washington Business; Sydney Zvara, Association of Washington Healthcare Plans. OTHER: Carolyn Logue, National Federation of Independent Business; Gary Smith, Independent Business Association; Daniel Smith, Washington Policy Center; Denny Elliason, Washington Restaurant Association.