

SENATE BILL REPORT

E2SHB 2572

As Reported By Senate Committee On:
Health & Long-Term Care, February 23, 2006
Ways & Means, February 27, 2006

Title: An act relating to establishment of the small employer health insurance partnership program.

Brief Description: Establishing the small employer health insurance partnership program.

Sponsors: House Committee on Appropriations (originally sponsored by Representatives Morrell, Clibborn, Green, Flannigan, Eickmeyer, Conway, Dickerson, Blake, Cody, Wallace, Roberts, Appleton, Hasegawa, McCoy, Linville, Simpson, Chase, Darneille, O'Brien, Murray, B. Sullivan, Ormsby, Springer, Moeller and Kagi).

Brief History: Passed House: 2/08/06, 57-41.

Committee Activity: Health & Long-Term Care: 2/16/06, 2/23/06 [DPA-WM].
Ways & Means: 2/27/06 [DPA(HEA), 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; Thibaudeau, Vice Chair; Franklin, Kastama, Kline and Poulsen.

Staff: Jonathan Seib (786-7427)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended by Committee on Health & Long-Term Care.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Doumit, Vice Chair, Operating Budget; Kohl-Welles, Pridemore, Rasmussen, Regala, Rockefeller and Thibaudeau.

Minority Report: Do not pass.

Signed by Senators Zarelli, Ranking Minority Member; Brandland, Parlette and Pflug.

Minority Report: That it be referred without recommendation.

Signed by Senators Roach and Schoesler.

Staff: Tim Yowell (786-7435)

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. 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 three hundred and fifty current BHP enrollees are sponsored by their employer.

There is concern that existing state programs 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 business who lack health insurance continues to increase.

Engrossed Second Substitute Senate Bill 6459, if enacted, will establish within the HCA a community health care collaborative grant program to further the efforts of community-based organizations to increase access to health care for state residents, particularly those who are employed, but uninsured or underinsured.

Washington's Children's Health Insurance Program (SCHIP) was initiated in February, 2000. The program provides Medicaid-like coverage to children under age 19 in families with income between 200 percent and 250 percent of the federal poverty level. The program is funded in part through a federal match drawn from a state-specific allotment. Enrollment in the program has typically been insufficient to use up Washington's allotment, in which case the remaining funds have been redistributed to other states. Some states have received permission from the federal Department of Health and Human Services to use their unspent SCHIP allotment to provide coverage to parents of Medicaid and SCHIP children.

Summary of Amended Bill: Within limits established in the operating budget, a small employer health insurance partnership is established in the HCA. It will subsidize, on a sliding-scale basis, the cost of employer coverage for small business employees with a family income of less than two hundred percent of the federal poverty level where: (1) the value of the plan offered by the employer is certified by the Insurance Commissioner to be substantially equivalent to that of the basic health plan; and (2) the employer will pay at least 40 percent of the plan's monthly premium cost. The monthly subsidy may not exceed the amount the person would have received as an enrollee in the Basic Health Plan.

In implementing the partnership, the HCA is directed to work with organizations awarded grants under the community health care collaborative grant program, if enacted. Funds appropriated for the partnership may be used to enhance a grant otherwise awarded to a community-based organization under this program, such enhancement to be used specifically to provide a premium subsidies to low income employees of small business within the region the organization serves.

The HCA is to report biennially to the Legislature on the effectiveness and efficiency of the small employer health insurance partnership, and the Joint Legislative Audit and Review Committee is to conduct a program review no later than December 1, 2009.

The Department of Social and Health Services is directed to seek authorization from the federal Department of Health and Human Services to draw down Washington's unspent state Children's Health Insurance Program allotment to finance BHP coverage for parents of children enrolled in Medicaid or the state Children's Health Insurance Program, and to use the

subsequent state savings to finance an expansion of the BHP or subsidies under the small employer health insurance partnership.

Amended Bill Compared to Original Bill: The striking amendment replaces the requirement that any subsidized plan be actuarially equivalent to the Basic Health Plan with the requirement that any such plan be substantially equivalent. It also limits the amount a person may receive in subsidy to no more than the amount he or she would have received as a basic health plan enrollee. The HCA is directed to work with the community health care collaborative grant program in implementing the small employer health insurance partnership. The striking amendment also changes the start date of the partnership from July 1, 2007 to January 1, 2007.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

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

Testimony For (Health & Long-Term Care): The basis for this bill is that the health care system is not a system, and we need to cover the uninsured. Other bills before the Legislature address health care costs on a long-term basis; in the mean time, there are immediate needs to be met. Many small businesses do not offer health care coverage, and those that do are getting close to no longer doing so because of the cost. This bill is an opportunity for a partnership with small businesses, to pull in some of the money available from them to provide employee insurance. The bill will allow for the coverage of more people for less dollars. The bill won't help everyone, but is a great first step.

Testimony Against (Health & Long-Term Care): None.

Testimony Other (Health & Long-Term Care): The concept of the bill has some merit, but there is concern about the way the bill is drafted. The bill will not bring more affordable health care plans to the state of Washington. The bill also does nothing for small employers with employees that don't meet the eligibility standards, but are still uninsured. Subsidies should be available for plans other than those which are actuarially equivalent to the Basic Health Plan. The bill should allow small employers to make a choice among all plans available in the market.

Who Testified (Health & Long-Term Care): PRO: Representative Morrell, Prime Sponsor; Bill Daley, Kent David, Chris Stegman, Mike Burchett, Barbara LaForge, Washington Citizen Action; Seth Howard, Washington for Healthcare.

OTHER: Ken Bertrand, Group Health; Gary Smith, Independent Business Association; Carolyn Logue, National Federation of Independent Business; Mellani McAleenan, Association of Washington Business.

Testimony For (Ways & Means): Many of the uninsured are employed by very small businesses. It is difficult for a small employer to provide insurance when its employees don't earn enough to pay much of the premium.

Testimony Against (Ways & Means): None.

Testimony Other (Ways & Means): There are some benefits to this proposal, but there are likely to be relatively few small employers who can participate, because there are relatively few BHP-equivalent plans available in the small group market.

Who Testified (Ways & Means): PRO: Bill Daley, Washington Citizen Action.

OTHER: Carolyn Logue, National Federation of Independent Business.