

# SENATE BILL REPORT

## SB 5637

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As Reported By Senate Committee On:  
Health & Long-Term Care, February 28, 2005

**Title:** An act relating to expanding access to health insurance coverage.

**Brief Description:** Creating the "Health Care Responsibility Act" to expand access to health insurance coverage.

**Sponsors:** Senators Keiser, Thibaudeau, Franklin, Kline, Prentice, McAuliffe and Kohl-Welles.

**Brief History:**

**Committee Activity:** Health & Long-Term Care: 2/17/05, 2/28/05 [DPS-WM, DNP].

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### SENATE COMMITTEE ON HEALTH & LONG-TERM CARE

**Majority Report:** That Substitute Senate Bill No. 5637 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Keiser, Chair; Thibaudeau, Vice Chair; Franklin, Kastama, Kline and Poulsen.

**Minority Report:** Do not pass.

Signed by Senators Benson, Brandland, Johnson and Parlette.

**Staff:** Jonathan Seib (786-7427)

**Background:** An employer is not required to provide health insurance coverage to its employees. And, although most people who have health insurance receive it through their employer, many of the approximately 600,000 people in Washington who are uninsured are employed by companies who do not provide such coverage. There is also concern that a number of those who are insured by public program such as Medicaid or the Basic Health Plan (BHP) are employed, often by large employers, who also choose not to provide such coverage.

Some companies, particularly small employers, may make coverage available, but at a cost that is unaffordable to many employees.

**Summary of Substitute Bill:** On a quarterly basis, any employer with 50 or more employees must pay a fee to the Department of Employment Security. The fee will be based on a rate established by the administrator of the Health Care Authority reflecting the cost of providing BHP coverage for an adult, plus administrative expenses. The employer will pay the established rate for each hour worked by each of its employees who is not otherwise covered by health insurance through another employer, up to a maximum of eighty-six hours per month. An employer may deduct from the fee the aggregate amount it pays to provide health insurance coverage for its employees. Failure to pay the fee will result in a penalty of two-hundred percent of the amount owed, plus interest of one percent per month.

Beginning January 1, 2006, the fees collected are to be used to cover eighty percent of the cost of BHP coverage for any employee who works at least eighty-six hours per month for an employer who pays the fee, and who chooses to obtain such coverage. The employee will pay the remaining twenty percent of the cost of such coverage. Enrollment in the BHP of "fee supported enrollees" may be limited so that expenditures on their behalf do not exceed the fees paid by employers under the act.

A low wage employee of a small employer may obtain assistance through the BHP to pay for his or her share of the premium for health insurance provided by his or her employer. Premium assistance will be available to low income employees if the biennial operating budget provides funding for at least 100,000 subsidized or fee supported enrollees, and if certain requirements related to small employer insurance coverage and eligibility conditions are met.

A small employer group enrollment option is established for participation in the BHP. Small employers can apply for group coverage and receive a subsidy through the BHP. This option will be available if savings result from the conversion of subsidized enrollees in the BHP to fee-supported enrollees and the Legislature appropriates the savings to finance this option.

**Substitute Bill Compared to Original Bill:** The substitute bill adds language excluding, for purposes of calculating the fee owed, employees who have coverage through another employer. It also reduces the amount attributable to the employer for health insurance coverage from eighty-five percent to eighty percent of the cost of providing BHP coverage, leaving the employee to pay twenty percent rather than fifteen percent.

**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:** The current employer-base system of health care is being undermined by large employers who have abandoned the American value of good companies taking care of their employees. This lack of corporate responsibility is unconscionable. It's gotten to the point where good employees feel like chumps, and is driving retail workers out of the middle class. Those who currently pay for insurance pay more because of those who do not. The uninsured drive uncompensated care costs, which eventually drive up health care costs for everyone. The study presented by the opponents regarding the bill is flawed. This bill is the single biggest step which the legislature can take to address the impact of the uninsured in this state. The bill seeks to eliminate the corporate free-loader's strategy of foisting health care costs on the taxpayers or other employers who are taking care of their employees. It levels the economic playing field and helps to save our health care system at the same time.

**Testimony Against:** This is expensive, onerous legislation that has employers very worried. Some would not be able to stay in business if this bill passed, and that won't help anyone. Employers don't provide health care coverage not because they don't want to, but because they can't afford to do so. This is a costly and inefficient attempt to address the problem of the uninsured. Instead of going after large employers, the legislature should seek to help small employers by giving them more affordable options in the marketplace. Also beneficial would

be creative solutions that provide incentives to employers to provide insurance coverage themselves. There is no incentive under this bill to be a smart consumer, and it does nothing to address the cost of health care. It would put Washington retailers at a competitive disadvantage relative to retailers in other states. The bill represents an unproven experiment.

**Who Testified:** PRO: Mike Kreidler, Insurance Commissioner; Joe King, Brown & Cole Stores; Sean Corry, Sprague Israel Insurance; Randy Joseph, CPA; John Boonsra, Washington Association of Churches; Kathy Fletcher, SEIU 1199; Tiffany Owens, Washington Citizen Action; Deana Knutson, Washington Citizen Action; Len McComb, Washington State Hospital Association; Darnell Dent, Community Health Network of Washington; Joe Crump, UFCW Washington State Council; Vickie Ybarra, Yakima Valley Farmworkers Clinic; David West, Center for a Changing Workforce.

CON: Denny Eliason, Washington State Restaurant Association; Carolyn Logue, National Federation of Independent Business; Cyndi Mullenhoff, Avail Home Nursing; Craig Garthwaite, Employment Policies Institute; Mellani Hughes McAleenan, Association of Washington Business; Mark Johnson, Washington Retail Association; Steve Gano, John Hefner, Walmart Stores; Gary Smith, Independent Business Association; Debra Munford, UFCW 1001.