

SENATE BILL REPORT

SB 5722

As Reported By Senate Committee On:
Health & Long-Term Care, February 28, 2005
Ways & Means, March 7, 2005

Title: An act relating to small employers and the basic health plan.

Brief Description: Concerning small employers and the basic health plan.

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

Brief History:

Committee Activity: Health & Long-Term Care: 2/17/05, 2/28/05 [DPS-WM, DNP].
Ways & Means: 3/4/05, 3/7/05 [DP2S, DNP].

SENATE COMMITTEE ON HEALTH & LONG-TERM CARE

Majority Report: That Substitute Senate Bill No. 5722 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)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Second Substitute Senate Bill No. 5722 be substituted therefor, and the second substitute bill do pass.

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

Minority Report: Do not pass.

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

Staff: Tim Yowell (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. 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.

Summary of Second Substitute Bill: The small business assist program is established within the Health Care Authority. One component of the program will allow certain small employers, no later than January 1, 2007, to enroll themselves, their employees, and dependents in group coverage through the Health Care Authority. The initial plan available to small businesses will be the Basic Health Plan, but additional plans, including a high deductible plan, may also be offered. Small employers will enroll on an unsubsidized basis, but will be included in the Basic Health Plan subsidized risk pool for purposes of contracting with carriers. The HCA administrator is to report any significant impacts of this to the Governor and the Legislature.

The second component of the small business assist program authorizes, beginning July 1, 2006, a small business employee who meets certain conditions to apply 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. The amount of premium assistance will be based on the subsidy schedule developed for subsidized Basic Health Plan enrollees.

Current language allowing business owners to apply for the BHP on behalf of themselves, their employees and dependents is removed.

The criteria under which the Health Care Authority is authorized to implement self-funded or self-insured method of providing insurance coverage to Basic Health Plan enrollees is changed.

By December 15, 2006, the administrator of the HCA is to report to the Governor and the Legislature on options for subsidizing small business assist plan enrollees or their employers to help pay the cost of their coverage.

Second Substitute Bill Compared to Substitute Bill: A \$2 million appropriation from the Health Services Account for the premium assistance program is dropped. Technical corrections are made with regard to creation of the new small business assist account.

Substitute Bill Compared to Original Bill: The original bill provided only that a small employer could enroll in group coverage through the BHP on a non-subsidized basis. The substitute bill adds substantial detail to this component of the business assist program. The substitute bill also: adds the premium assistance component, changes the criteria under which the HCA may self-insure the BHP, adds requirements that the HCA report on certain issues to the Governor and the Legislature, and removes language in the current law allowing employers to apply for BHP coverage on behalf of their employees. The substitute bill also adds an appropriation.

Appropriation: None.

Fiscal Note: Requested on substitute bill March 1, 2005.

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): None.

Testimony Against (Health & Long-Term Care): The non-subsidized Basic Health Plan has failed before because of concerns about adverse selection, however, placing these enrollees in the same pool as subsidized enrollees is also problematic. The bill could make the subsidized program less attractive to carriers.

Who Testified: (Health & Long-Term Care) CON: Rick Wickman, Premera Blue Cross; Ken Bertrand, Group Health.

Testimony For (Ways & Means): This bill is consistent with the Governor's goal of providing creative new options that expand health insurance coverage.

Testimony Against (Ways & Means): There are better ways to provide access to health insurance for small businesses and their employees. Those ways would involve working with and within the private sector. Private sector strategies could be implemented without dropping a thousand people from the Basic Health Plan. The small business community looks forward to working with the Governor on those strategies.

Who Testified (Ways & Means): PRO: Christina Hulet, Governor's Office; Pete Cutler, Health Care Authority.

CON: Carolyn Logue, National Federation of Independent Business; Gary Smith, Independent Business Association; Melanie Hughes McAleenan, Association of Washington Business.