

SENATE BILL REPORT

SB 5888

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

Title: An act relating to access to individual health insurance coverage.

Brief Description: Addressing access to individual health insurance coverage.

Sponsors: Senators Thibaudeau, Franklin, Poulsen and Kline.

Brief History:

Committee Activity: Health & Long-Term Care: 2/16/05, 2/28/05 [DPS, DNP, w/oRec].

SENATE COMMITTEE ON HEALTH & LONG-TERM CARE

Majority Report: That Substitute Senate Bill No. 5888 be substituted therefor, and the substitute bill do pass.

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

Minority Report: Do not pass.

Signed by Senator Benson.

Minority Report: That it be referred without recommendation. Signed by Senator Johnson and Parlette.

Staff: Jonathan Seib (786-7427)

Background: As in other states, most people in Washington who receive their health insurance through the private market do so through their employer in what is referred to as the group market. However, those who are not provided coverage by their employer must get insurance in the individual market. There are approximately 300,000 state residents currently insured through the individual market, and 600,000 people without health insurance for whom the individual market could potentially be a source of coverage.

Currently, premiums charged for an individual health benefit plan are not subject to approval by the Insurance Commissioner. Instead, a carrier is allowed to charge the rate deemed necessary to support a loss ratio of no less than 72 percent. If it is later determined that the carrier's actual loss ratio was lower than this amount, the carrier must remit the difference to the Washington State Health Insurance Pool (WSHIP) for use as directed by the pool board.

Each year, carriers as a whole may deny enrollment to up to 8 percent of those who apply for individual coverage. The denial must be based on the results of a standard health questionnaire developed by the WSHIP board. The questionnaire is not subject to approval by the Commissioner. Anyone denied coverage by a carrier may enroll in WSHIP, and approximately one in seven actually do so.

WSHIP is a nonprofit entity created by the legislature to provide health coverage to those denied coverage in the individual market. It is governed by a ten member board of directors, including two consumer representatives, four carrier representative, and one member each representing health care providers, health insurance agents, small employers, and large employers. About 2,800 people are currently enrolled.

Individual premiums for pool coverage are capped, with the current average premium at 119 percent of comparable rates in the individual market. Depending on available state funding, discounts are provided for those aged 50-64 whose family income is below 301 percent of the federal poverty level.

If the total cost to care for pool enrollees exceeds the premiums collected, the difference is made up through an assessment paid by all health carriers in the state based on each carriers proportional share of the market. Stop loss insurers and the state's Uniform Medical Plan are assessed at a rate that is 10 percent that of the other carriers. In calender year 2004, assessments totaled \$28.5 million.

If available, state funds may be drawn on to pay assessments when the amount charged exceeds 70 cents per person per month.

Summary of Substitute Bill: WSHIP is made explicitly subject to the Open Public Meetings Act.

In establishing rates for WSHIP, the WSHIP board in to work in consultation with the Insurance Commissioner.

Substitute Bill Compared to Original Bill: The following provisions were included in the original bill but removed in the substitute bill:

The Insurance Commissioner was authorized to review and disapprove premiums charged for individual health benefit plans. The acceptable loss ratio for an individual health benefit plan was changed from 72 to 81 percent. Premium dollars in excess of this amount would be remitted by the carrier and used to fund rate discounts in WSHIP.

The number of persons who could be denied enrollment in the individual market based on the standard health questionnaire was reduced to five percent. The questionnaire was made subject to review and approval by the Insurance Commissioner

The composition of the WSHIP board of directors was changed, adding a consumer representative and subtracting a carrier representative.

Responsibility for administering premium discounts for eligible WSHIP enrollees was moved from the Health Care Authority to the pool administrator. The level of discount, and the number of persons to whom a discount is available, was increased.

At least once a year, a pool enrollee was to be given the opportunity to change the pool plan in which he or she is enrolled.

Language providing immunity for actions related to operations of the board was broadened to, among other things, include pool employees and the Office of the Insurance Commissioner.

Stop loss carriers and the Uniform Medical Plan were to be assessed at the same rate as all other carriers to cover losses in the pool. The threshold to determine when available state funds could be used to cover assessments was increased to \$1.50 per member per month, and indexed to inflation.

The board was directed to conduct an enrollee satisfaction survey, and a survey of those who were referred to the pool by carriers, whether or not they actually enrolled, at least once every eighteen months..

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: When SB 6067 was passed in 2000 and carriers came back to the individual market, it represented a set of compromises. Over time, it has become necessary give that bill a tune-up and make some adjustments. Only 12 percent of those who are eligible for WSHIP actually enroll, since the premiums are so high that virtually no one can afford them. Changes proposed in this bill will benefit those with chronic conditions who may not have access to any other health insurance. The bill will give consumers more of a voice on the WSHIP board, and help control costs that are shifted to consumers. It will increase the number of citizens in Washington who can afford health insurance

Testimony Against: SB 6067 was a very delicately balanced bill of which every word meant something, and this bill is an abrogation of that agreement. There is nothing wrong with carriers making money in the individual market. This tuneup will lead us back to where we were prior to the passage of SB 6067. The individual market is still very fragile, and this bill is a step backwards. The state should consider subsidizing the pool with public dollars as is done in some other states. We should be careful about putting more costs into the insurance market. 70 percent of individuals in WSHIP pay at the lowest allowable rate, and all WSHIP enrollees receive great value for the premium paid.

Who Testified: PRO: Bill Daley, Washington Citizen Action; Sean Corry, Sprague Israel; Bob Jaffe.

CON: Nancee Wildermuth, Regence Blue Shield, PacifiCare, Aetna; Rick Wickman, Premera Blue Cross; Pat Maddock, Washington Association of Health Underwriters.