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SECOND SUBSTITUTE HOUSE BILL 2572

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State of Washington

59th Legislature

2006 Regular Session

By 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)

READ FIRST TIME 02/07/06.

1 AN ACT Relating to establishment of the small employer health  
2 insurance partnership program; and adding a new chapter to Title 70  
3 RCW.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 NEW SECTION. **Sec. 1.** FINDINGS AND INTENT. (1) The legislature  
6 finds that many small employers struggle with the cost of providing  
7 employer-sponsored health insurance coverage to their employees, while  
8 others are unable to offer employer-sponsored health insurance due to  
9 its high cost. Low-wage workers also struggle with the burden of  
10 paying their share of the costs of employer-sponsored health insurance,  
11 while others turn down their employer's offer of coverage due to its  
12 costs.

13 (2) The legislature intends, through establishment of a small  
14 employer health insurance partnership program, to remove economic  
15 barriers to health insurance coverage for low-wage employees of small  
16 employers by building on the private sector health benefit plan system  
17 and encouraging employer and employee participation in  
18 employer-sponsored health benefit plan coverage.

1        NEW SECTION.    **Sec. 2.**    DEFINITIONS.    The definitions in this  
2 section apply throughout this chapter unless the context clearly  
3 requires otherwise.

4        (1) "Administrator" means the administrator of the Washington state  
5 health care authority, established under chapter 41.05 RCW.

6        (2) "Eligible employee" means an individual who:

7        (a) Is a resident of the state of Washington;

8        (b) Has family income less than two hundred percent of the federal  
9 poverty level, as determined annually by the federal department of  
10 health and human services; and

11       (c) Is employed by a small employer.

12       (3) "Health benefit plan" has the same meaning as defined in RCW  
13 48.43.005 or any plan provided by a less than fully insured multiple  
14 employer welfare arrangement or by another benefit arrangement defined  
15 in the federal employee retirement income security act of 1974, as  
16 amended.

17       (4) "Program" means the small employer health insurance partnership  
18 program established in section 3 of this act.

19       (5) "Small employer" has the same meaning as defined in RCW  
20 48.43.005.

21       (6) "Subsidy" means payment or reimbursement to an eligible  
22 employee toward the purchase of a health benefit plan, and may include  
23 a net billing arrangement with insurance carriers or a prospective or  
24 retrospective payment for health benefit plan premiums.

25       NEW SECTION.    **Sec. 3.**    SMALL EMPLOYER HEALTH INSURANCE PARTNERSHIP  
26 PROGRAM ESTABLISHED.    To the extent funding is appropriated in the  
27 operating budget for this purpose, the small employer health insurance  
28 partnership program is established.    The administrator shall be  
29 responsible for the implementation and operation of the small employer  
30 health insurance partnership program, directly or by contract.    The  
31 administrator shall offer premium subsidies to eligible employees under  
32 section 4 of this act.

33       NEW SECTION.    **Sec. 4.**    PREMIUM SUBSIDIES TO ELIGIBLE EMPLOYEES.

34       (1) Beginning July 1, 2007, the administrator shall accept applications  
35 from eligible employees, on behalf of themselves, their spouses, and

1 their dependent children, to receive premium subsidies through the  
2 small employer health insurance partnership program.

3 (2) Premium subsidy payments may be provided to eligible employees  
4 if:

5 (a) The eligible employee is employed by a small employer;

6 (b) The actuarial value of the health benefit plan offered by the  
7 small employer is at least equivalent to that of the basic health plan  
8 benefit offered under chapter 70.47 RCW. The office of the insurance  
9 commissioner under Title 48 RCW shall certify those small employer  
10 health benefit plans that are at least actuarially equivalent to the  
11 basic health plan benefit; and

12 (c) The small employer will pay at least forty percent of the  
13 monthly premium cost for health benefit plan coverage of the eligible  
14 employee.

15 (3) The amount of an eligible employee's premium subsidy shall be  
16 determined by applying the sliding scale subsidy schedule developed for  
17 subsidized basic health plan enrollees under RCW 70.47.060 to the  
18 employee's premium obligation for his or her employer's health benefit  
19 plan.

20 (4) After an eligible individual has enrolled in the program, the  
21 program shall issue subsidies in an amount determined pursuant to  
22 subsection (3) of this section to either the eligible employee or to  
23 the carrier designated by the eligible employee.

24 (5) An eligible employee must agree to provide verification of  
25 continued enrollment in his or her small employer's health benefit plan  
26 on a semiannual basis or to notify the administrator whenever his or  
27 her enrollment status changes, whichever is earlier. Verification or  
28 notification may be made directly by the employee, or through his or  
29 her employer or the carrier providing the small employer health benefit  
30 plan. When necessary, the administrator has the authority to perform  
31 retrospective audits on premium subsidy accounts. The administrator  
32 may suspend or terminate an employee's participation in the program and  
33 seek repayment of any subsidy amounts paid due to the omission or  
34 misrepresentation of an applicant or enrolled employee. The  
35 administrator shall adopt rules to define the appropriate application  
36 of these sanctions and the processes to implement the sanctions  
37 provided in this subsection, within available resources.

1           NEW SECTION.   **Sec. 5.** ENROLLMENT LIMITS TO REMAIN WITHIN  
2 APPROPRIATION. Enrollment in the small employer health insurance  
3 partnership program is not an entitlement and shall not result in  
4 expenditures that exceed the amount that has been appropriated for the  
5 program in the operating budget. If it appears that continued  
6 enrollment will result in expenditures exceeding the appropriated level  
7 for a particular fiscal year, the administrator may freeze new  
8 enrollment in the program and establish a waiting list of eligible  
9 employees who shall receive subsidies only when sufficient funds are  
10 available.

11           NEW SECTION.   **Sec. 6.** RULES. The administrator shall adopt all  
12 rules necessary for the implementation and operation of the small  
13 employer health insurance partnership program. As part of the rule  
14 development process, the administrator shall consult with small  
15 employers, carriers, employee organizations, and the office of the  
16 insurance commissioner under Title 48 RCW to determine an effective and  
17 efficient method for the payment of subsidies under this chapter. All  
18 rules shall be adopted in accordance with chapter 34.05 RCW.

19           NEW SECTION.   **Sec. 7.** REPORTS TO THE LEGISLATURE. The  
20 administrator shall report biennially to the relevant policy and fiscal  
21 committees of the legislature on the effectiveness and efficiency of  
22 the small employer health insurance partnership program, including the  
23 services and benefits covered under the purchased health benefit plans,  
24 consumer satisfaction, and other program operational issues.

25           NEW SECTION.   **Sec. 8.** SMALL EMPLOYER HEALTH INSURANCE PARTNERSHIP  
26 PROGRAM ACCOUNT. The small employer health insurance partnership  
27 program account is hereby established in the custody of the state  
28 treasurer. Any nongeneral fund--state funds collected for the small  
29 employer health insurance partnership program shall be deposited in the  
30 small employer health insurance partnership program account. Moneys in  
31 the account shall be used exclusively for the purposes of administering  
32 the small employer health insurance partnership program, including  
33 payments to participating managed health care systems on behalf of  
34 small employer health insurance partnership enrollees. Only the  
35 administrator of the health care authority or his or her designee may

1 authorize expenditures from the account. The account is subject to  
2 allotment procedures under chapter 43.88 RCW, but an appropriation is  
3 not required for expenditures.

4 NEW SECTION. **Sec. 9.** STATE CHILDREN'S HEALTH INSURANCE PROGRAM--  
5 FEDERAL WAIVER REQUEST. The department of social and health services  
6 shall submit a request to the federal department of health and human  
7 services by October 1, 2006, for a state children's health insurance  
8 program section 1115 demonstration waiver. The waiver request shall  
9 seek authorization from the federal government to draw down Washington  
10 state's unspent state children's health insurance program allotment to  
11 finance basic health plan coverage, as provided in chapter 70.47 RCW,  
12 for parents of children enrolled in medical assistance or the state  
13 children's health insurance program. The waiver also shall seek  
14 authorization from the federal government to utilize the resulting  
15 state savings to finance expanded basic health plan enrollment, or  
16 subsidies provided to low-wage workers through the small employer  
17 health insurance partnership program established in this chapter.

18 NEW SECTION. **Sec. 10.** Captions used in this act are not part of  
19 the law.

20 NEW SECTION. **Sec. 11.** Sections 1 through 10 of this act  
21 constitute a new chapter in Title 70 RCW.

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