

---

HOUSE BILL 2572

---

State of Washington

59th Legislature

2006 Regular Session

**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 01/10/2006. Referred to Committee on Health Care.

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

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, 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, or the plan offered by the health care authority under section  
17 5 of this act.

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

20       (5) "Small employer" has the same meaning as defined in RCW  
21 48.43.005.

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

26       NEW SECTION. Sec. 3. SMALL EMPLOYER HEALTH INSURANCE PARTNERSHIP  
27 PROGRAM ESTABLISHED.    To the extent funding is appropriated in the  
28 operating budget for this purpose, the small employer health insurance  
29 partnership program is established.    The administrator shall be  
30 responsible for the implementation and operation of the small employer  
31 health insurance partnership program, directly or by contract.    The  
32 administrator shall offer two options through the program:

33       (1) Premium subsidies to eligible employees under section 4 of this  
34 act; or

35       (2) Enrollment of a small employer as a group in a health benefit  
36 plan offered by the administrator under section 5 of this act, with

1 premium subsidies provided to eligible employees under section 4 of  
2 this act.

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

4 (1) Beginning July 1, 2007, the administrator shall accept applications  
5 from eligible employees, on behalf of themselves, their spouses, and  
6 their dependent children, to receive premium subsidies through the  
7 small employer health insurance partnership program.

8 (2) Premium subsidy payments may be provided to eligible employees  
9 if:

10 (a) The eligible employee is employed by a small employer that has  
11 not offered health insurance coverage to its employees for at least the  
12 previous six months;

13 (b) The actuarial value of the health benefit plan offered by the  
14 small employer is at least equivalent to that of the basic health plan  
15 benefit offered under chapter 70.47 RCW. The office of the insurance  
16 commissioner under Title 48 RCW shall certify those small employer  
17 health benefit plans that are at least actuarially equivalent to the  
18 basic health plan benefit; and

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

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

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

31 (5) An eligible employee must agree to provide verification of  
32 continued enrollment in his or her small employer's health benefit plan  
33 on a semiannual basis or to notify the administrator whenever his or  
34 her enrollment status changes, whichever is earlier. Verification or  
35 notification may be made directly by the employee, or through his or  
36 her employer or the carrier providing the small employer health benefit  
37 plan. When necessary, the administrator has the authority to perform

1 retrospective audits on premium subsidy accounts. The administrator  
2 may suspend or terminate an employee's participation in the program and  
3 seek repayment of any subsidy amounts paid due to the omission or  
4 misrepresentation of an applicant or enrolled employee. The  
5 administrator shall adopt rules to define the appropriate application  
6 of these sanctions and the processes to implement the sanctions  
7 provided in this subsection, within available resources.

8 NEW SECTION. **Sec. 5.** SMALL EMPLOYER HEALTH PLAN OFFERED THROUGH  
9 THE HEALTH CARE AUTHORITY. (1) No later than July 1, 2007, the  
10 administrator may accept applications for enrollment in the small  
11 business health insurance partnership program from employers on behalf  
12 of themselves and their employees, spouses, and dependent children.  
13 The administrator may require all or the substantial majority of the  
14 eligible employees of small employers to enroll in the plan and may  
15 establish procedures necessary to facilitate the orderly enrollment of  
16 small employer groups.

17 (2) The benefit option offered through the program shall be  
18 actuarially equivalent to the basic health plan benefit package under  
19 RCW 70.47.060 and shall comply with the small employer health plan  
20 provisions of Title 48 RCW. The administrator shall determine the  
21 periodic premiums to be paid by small employers enrolled in the  
22 program. Premiums due from small employers shall be in an amount equal  
23 to the amount negotiated by the administrator with a contracted health  
24 carrier or carriers, as defined in RCW 48.43.005, plus the  
25 administrative cost of providing coverage through the program to those  
26 enrollees and the premium tax under RCW 48.14.0201.

27 (3) Small employer groups enrolled in the program shall be included  
28 in the basic health plan subsidized risk pool established under chapter  
29 70.47 RCW for purposes of contracting with carriers. The administrator  
30 shall monitor the impact of inclusion of program enrollees on the risk  
31 profile and claims experience of the basic health plan subsidized risk  
32 pool and on the costs of basic health plan subsidized coverage. If  
33 significant impacts are identified, the administrator shall report such  
34 impacts to the governor and to relevant policy and fiscal committees of  
35 the legislature.

1        NEW SECTION.    **Sec. 6.** 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. 7.** 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. 8.** 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. 9.** 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. 10.** 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. 11.** Captions used in this act are not part of  
19 the law.

20 NEW SECTION. **Sec. 12.** Sections 1 through 11 of this act  
21 constitute a new chapter in Title 70 RCW.

22 NEW SECTION. **Sec. 13.** (1) The sum of one million dollars, or as  
23 much thereof as may be necessary, is appropriated for the fiscal year  
24 ending June 30, 2007, from the health services account to the health  
25 care authority for the small employer health insurance partnership  
26 program.

27 (2) Contingent upon the appropriation of funds under subsection (1)  
28 of this section, the sum of eighteen million three hundred thousand  
29 dollars, or as much thereof as may be necessary, is appropriated for  
30 the fiscal year ending June 30, 2007, from the health services account  
31 to the health care authority to fund additional subsidized enrollment  
32 of up to ten thousand enrollees in the basic health plan.

--- END ---