
HOUSE BILL 2972

State of Washington

59th Legislature

2006 Regular Session

By Representatives Clibborn, Hinkle, Curtis, B. Sullivan, Cody, Moeller, P. Sullivan, Kenney, Kilmer and Jarrett

Read first time 01/17/2006. Referred to Committee on Health Care.

1 AN ACT Relating to community rates for health benefit plans;
2 amending RCW 48.20.028, 48.44.022, and 48.46.064; adding a new section
3 to chapter 48.20 RCW; adding a new section to chapter 48.44 RCW; and
4 adding a new section to chapter 48.46 RCW.

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

6 **Sec. 1.** RCW 48.20.028 and 2000 c 79 s 4 are each amended to read
7 as follows:

8 (1) Premiums for health benefit plans for individuals shall be
9 calculated using the adjusted community rating method that spreads
10 financial risk across the carrier's entire individual product
11 population, except the individual product population covered under
12 section 2 of this act. All such rates shall conform to the following:

13 (a) The insurer shall develop its rates based on an adjusted
14 community rate and may only vary the adjusted community rate for:

- 15 (i) Geographic area;
16 (ii) Family size;
17 (iii) Age;
18 (iv) Tenure discounts; and
19 (v) Wellness activities.

1 (b) The adjustment for age in (a)(iii) of this subsection may not
2 use age brackets smaller than five-year increments which shall begin
3 with age twenty and end with age sixty-five. Individuals under the age
4 of twenty shall be treated as those age twenty.

5 (c) The insurer shall be permitted to develop separate rates for
6 individuals age sixty-five or older for coverage for which medicare is
7 the primary payer and coverage for which medicare is not the primary
8 payer. Both rates shall be subject to the requirements of this
9 subsection.

10 (d) The permitted rates for any age group shall be no more than
11 four hundred twenty-five percent of the lowest rate for all age groups
12 on January 1, 1996, four hundred percent on January 1, 1997, and three
13 hundred seventy-five percent on January 1, 2000, and thereafter.

14 (e) A discount for wellness activities shall be permitted to
15 reflect actuarially justified differences in utilization or cost
16 attributed to such programs not to exceed twenty percent.

17 (f) The rate charged for a health benefit plan offered under this
18 section may not be adjusted more frequently than annually except that
19 the premium may be changed to reflect:

20 (i) Changes to the family composition;

21 (ii) Changes to the health benefit plan requested by the
22 individual; or

23 (iii) Changes in government requirements affecting the health
24 benefit plan.

25 (g) For the purposes of this section, a health benefit plan that
26 contains a restricted network provision shall not be considered similar
27 coverage to a health benefit plan that does not contain such a
28 provision, provided that the restrictions of benefits to network
29 providers result in substantial differences in claims costs. This
30 subsection does not restrict or enhance the portability of benefits as
31 provided in RCW 48.43.015.

32 (h) A tenure discount for continuous enrollment in the health plan
33 of two years or more may be offered, not to exceed ten percent.

34 (2) Adjusted community rates established under this section shall
35 pool the medical experience of all individuals purchasing coverage,
36 except individuals purchasing coverage under section 2 of this act, and
37 shall not be required to be pooled with the medical experience of
38 health benefit plans offered to small employers under RCW 48.21.045.

1 (3) As used in this section, "health benefit plan," "adjusted
2 community rate," and "wellness activities" mean the same as defined in
3 RCW 48.43.005.

4 (4) This section shall not apply to premiums for health benefit
5 plans covered under section 2 of this act.

6 NEW SECTION. Sec. 2. A new section is added to chapter 48.20 RCW
7 to read as follows:

8 (1) Premiums for health benefit plans for individuals who purchase
9 the plan as a member of a purchasing pool:

10 (a) Consisting of five hundred or more individuals affiliated with
11 a particular industry;

12 (b) To whom care management services are provided as a benefit of
13 pool membership; and

14 (c) Which allows contributions from more than one employer to be
15 used towards the purchase of an individual's health benefit plan;
16 shall be calculated using the adjusted community rating method that
17 spreads financial risk across the entire purchasing pool of which the
18 individual is a member. All such rates shall conform to the following:

19 (i) The insurer shall develop its rates based on an adjusted
20 community rate and may only vary the adjusted community rate for:

21 (A) Geographic area;

22 (B) Family size;

23 (C) Age;

24 (D) Tenure discounts; and

25 (E) Wellness activities.

26 (ii) The adjustment for age in (c)(i)(C) of this subsection may not
27 use age brackets smaller than five-year increments which shall begin
28 with age twenty and end with age sixty-five. Individuals under the age
29 of twenty shall be treated as those age twenty.

30 (iii) The insurer shall be permitted to develop separate rates for
31 individuals age sixty-five or older for coverage for which medicare is
32 the primary payer, and coverage for which medicare is not the primary
33 payer. Both rates are subject to the requirements of this subsection.

34 (iv) The permitted rates for any age group shall be no more than
35 four hundred twenty-five percent of the lowest rate for all age groups
36 on January 1, 1996, four hundred percent on January 1, 1997, and three
37 hundred seventy-five percent on January 1, 2000, and thereafter.

1 (v) A discount for wellness activities shall be permitted to
2 reflect actuarially justified differences in utilization or cost
3 attributed to such programs not to exceed twenty percent.

4 (vi) The rate charged for a health benefit plan offered under this
5 section may not be adjusted more frequently than annually except that
6 the premium may be changed to reflect:

7 (A) Changes to the family composition;

8 (B) Changes to the health benefit plan requested by the individual;

9 or

10 (C) Changes in government requirements affecting the health benefit
11 plan.

12 (vii) For the purposes of this section, a health benefit plan that
13 contains a restricted network provision shall not be considered similar
14 coverage to a health benefit plan that does not contain such a
15 provision, provided that the restrictions of benefits to network
16 providers result in substantial differences in claims costs. This
17 subsection does not restrict or enhance the portability of benefits as
18 provided in RCW 48.43.015.

19 (viii) A tenure discount for continuous enrollment in the health
20 plan of two years or more may be offered, not to exceed ten percent.

21 (2) Adjusted community rates established under this section shall
22 not be required to be pooled with the medical experience of health
23 benefit plans offered to small employers under RCW 48.21.045.

24 (3) As used in this section, "health benefit plan," "adjusted
25 community rates," and "wellness activities" mean the same as defined in
26 RCW 48.43.005.

27 **Sec. 3.** RCW 48.44.022 and 2004 c 244 s 6 are each amended to read
28 as follows:

29 (1) Except for health benefit plans covered under section 4 of this
30 act, premium rates for health benefit plans for individuals shall be
31 subject to the following provisions:

32 (a) The health care service contractor shall develop its rates
33 based on an adjusted community rate and may only vary the adjusted
34 community rate for:

35 (i) Geographic area;

36 (ii) Family size;

37 (iii) Age;

1 (iv) Tenure discounts; and

2 (v) Wellness activities.

3 (b) The adjustment for age in (a)(iii) of this subsection may not
4 use age brackets smaller than five-year increments which shall begin
5 with age twenty and end with age sixty-five. Individuals under the age
6 of twenty shall be treated as those age twenty.

7 (c) The health care service contractor shall be permitted to
8 develop separate rates for individuals age sixty-five or older for
9 coverage for which medicare is the primary payer and coverage for which
10 medicare is not the primary payer. Both rates shall be subject to the
11 requirements of this subsection.

12 (d) The permitted rates for any age group shall be no more than
13 four hundred twenty-five percent of the lowest rate for all age groups
14 on January 1, 1996, four hundred percent on January 1, 1997, and three
15 hundred seventy-five percent on January 1, 2000, and thereafter.

16 (e) A discount for wellness activities shall be permitted to
17 reflect actuarially justified differences in utilization or cost
18 attributed to such programs.

19 (f) The rate charged for a health benefit plan offered under this
20 section may not be adjusted more frequently than annually except that
21 the premium may be changed to reflect:

22 (i) Changes to the family composition;

23 (ii) Changes to the health benefit plan requested by the
24 individual; or

25 (iii) Changes in government requirements affecting the health
26 benefit plan.

27 (g) For the purposes of this section, a health benefit plan that
28 contains a restricted network provision shall not be considered similar
29 coverage to a health benefit plan that does not contain such a
30 provision, provided that the restrictions of benefits to network
31 providers result in substantial differences in claims costs. This
32 subsection does not restrict or enhance the portability of benefits as
33 provided in RCW 48.43.015.

34 (h) A tenure discount for continuous enrollment in the health plan
35 of two years or more may be offered, not to exceed ten percent.

36 (2) Adjusted community rates established under this section shall
37 pool the medical experience of all individuals purchasing coverage,

1 except individuals purchasing coverage under section 4 of this act, and
2 shall not be required to be pooled with the medical experience of
3 health benefit plans offered to small employers under RCW 48.44.023.

4 (3) As used in this section and RCW 48.44.023 "health benefit
5 plan," "small employer," "adjusted community rates," and "wellness
6 activities" mean the same as defined in RCW 48.43.005.

7 NEW SECTION. **Sec. 4.** A new section is added to chapter 48.44 RCW
8 to read as follows:

9 (1) Premiums for health benefit plans for individuals who purchase
10 the plan as a member of a purchasing pool:

11 (a) Consisting of five hundred or more individuals affiliated with
12 a particular industry;

13 (b) To whom care management services are provided as a benefit of
14 pool membership; and

15 (c) Which allows contributions from more than one employer to be
16 used towards the purchase of an individual's health benefit plan;
17 shall be calculated using the adjusted community rating method that
18 spreads financial risk across the entire purchasing pool of which the
19 individual is a member. Such rates are subject to the following
20 provisions:

21 (i) The health care service contractor shall develop its rates
22 based on an adjusted community rate and may only vary the adjusted
23 community rate for:

24 (A) Geographic area;

25 (B) Family size;

26 (C) Age;

27 (D) Tenure discounts; and

28 (E) Wellness activities.

29 (ii) The adjustment for age in (c)(i)(C) of this subsection may not
30 use age brackets smaller than five-year increments which shall begin
31 with age twenty and end with age sixty-five. Individuals under the age
32 of twenty shall be treated as those age twenty.

33 (iii) The health care service contractor shall be permitted to
34 develop separate rates for individuals age sixty-five or older for
35 coverage for which medicare is the primary payer, and coverage for
36 which medicare is not the primary payer. Both rates are subject to the
37 requirements of this subsection.

1 (iv) The permitted rates for any age group shall be no more than
2 four hundred twenty-five percent of the lowest rate for all age groups
3 on January 1, 1996, four hundred percent on January 1, 1997, and three
4 hundred seventy-five percent on January 1, 2000, and thereafter.

5 (v) A discount for wellness activities shall be permitted to
6 reflect actuarially justified differences in utilization or cost
7 attributed to such programs.

8 (vi) The rate charged for a health benefit plan offered under this
9 section may not be adjusted more frequently than annually except that
10 the premium may be changed to reflect:

11 (A) Changes to the family composition;

12 (B) Changes to the health benefit plan requested by the individual;

13 or

14 (C) Changes in government requirements affecting the health benefit
15 plan.

16 (vii) For the purposes of this section, a health benefit plan that
17 contains a restricted network provision shall not be considered similar
18 coverage to a health benefit plan that does not contain such a
19 provision, provided that the restrictions of benefits to network
20 providers result in substantial differences in claims costs. This
21 subsection does not restrict or enhance the portability of benefits as
22 provided in RCW 48.43.015.

23 (viii) A tenure discount for continuous enrollment in the health
24 plan of two years or more may be offered, not to exceed ten percent.

25 (2) Adjusted community rates established under this section shall
26 not be required to be pooled with the medical experience of health
27 benefit plans offered to small employers under RCW 48.44.023.

28 (3) As used in this section and RCW 48.44.023, "health benefit
29 plan," "small employer," "adjusted community rates," and "wellness
30 activities" mean the same as defined in RCW 48.43.005.

31 **Sec. 5.** RCW 48.46.064 and 2004 c 244 s 8 are each amended to read
32 as follows:

33 (1) Except for health benefit plans covered under section 6 of this
34 act, premium rates for health benefit plans for individuals shall be
35 subject to the following provisions:

36 (a) The health maintenance organization shall develop its rates

1 based on an adjusted community rate and may only vary the adjusted
2 community rate for:

- 3 (i) Geographic area;
- 4 (ii) Family size;
- 5 (iii) Age;
- 6 (iv) Tenure discounts; and
- 7 (v) Wellness activities.

8 (b) The adjustment for age in (a)(iii) of this subsection may not
9 use age brackets smaller than five-year increments which shall begin
10 with age twenty and end with age sixty-five. Individuals under the age
11 of twenty shall be treated as those age twenty.

12 (c) The health maintenance organization shall be permitted to
13 develop separate rates for individuals age sixty-five or older for
14 coverage for which medicare is the primary payer and coverage for which
15 medicare is not the primary payer. Both rates shall be subject to the
16 requirements of this subsection.

17 (d) The permitted rates for any age group shall be no more than
18 four hundred twenty-five percent of the lowest rate for all age groups
19 on January 1, 1996, four hundred percent on January 1, 1997, and three
20 hundred seventy-five percent on January 1, 2000, and thereafter.

21 (e) A discount for wellness activities shall be permitted to
22 reflect actuarially justified differences in utilization or cost
23 attributed to such programs.

24 (f) The rate charged for a health benefit plan offered under this
25 section may not be adjusted more frequently than annually except that
26 the premium may be changed to reflect:

- 27 (i) Changes to the family composition;
- 28 (ii) Changes to the health benefit plan requested by the
29 individual; or
- 30 (iii) Changes in government requirements affecting the health
31 benefit plan.

32 (g) For the purposes of this section, a health benefit plan that
33 contains a restricted network provision shall not be considered similar
34 coverage to a health benefit plan that does not contain such a
35 provision, provided that the restrictions of benefits to network
36 providers result in substantial differences in claims costs. This
37 subsection does not restrict or enhance the portability of benefits as
38 provided in RCW 48.43.015.

1 (h) A tenure discount for continuous enrollment in the health plan
2 of two years or more may be offered, not to exceed ten percent.

3 (2) Adjusted community rates established under this section shall
4 pool the medical experience of all individuals purchasing coverage,
5 except individuals purchasing coverage under section 5 of this act, and
6 shall not be required to be pooled with the medical experience of
7 health benefit plans offered to small employers under RCW 48.46.066.

8 (3) As used in this section and RCW 48.46.066, "health benefit
9 plan," "adjusted community rate," "small employer," and "wellness
10 activities" mean the same as defined in RCW 48.43.005.

11 NEW SECTION. **Sec. 6.** A new section is added to chapter 48.46 RCW
12 to read as follows:

13 (1) Premiums for health benefit plans for individuals who purchase
14 the plan as a member of a purchasing pool:

15 (a) Consisting of five hundred or more individuals affiliated with
16 a particular industry;

17 (b) To whom care management services are provided as a benefit of
18 pool membership; and

19 (c) Which allows contributions from more than one employer to be
20 used towards the purchase of an individual's health benefit plan;
21 shall be calculated using the adjusted community rating method that
22 spreads financial risk across the entire purchasing pool of which the
23 individual is a member. Such rates are subject to the following
24 provisions:

25 (i) The health maintenance organization shall develop its rates
26 based on an adjusted community rate and may only vary the adjusted
27 community rate for:

- 28 (A) Geographic area;
- 29 (B) Family size;
- 30 (C) Age;
- 31 (D) Tenure discounts; and
- 32 (E) Wellness activities.

33 (ii) The adjustment for age in (c)(i)(C) of this subsection may not
34 use age brackets smaller than five-year increments which shall begin
35 with age twenty and end with age sixty-five. Individuals under the age
36 of twenty shall be treated as those age twenty.

1 (iii) The health maintenance organization shall be permitted to
2 develop separate rates for individuals age sixty-five or older for
3 coverage for which medicare is the primary payer, and coverage for
4 which medicare is not the primary payer. Both rates are subject to the
5 requirements of this subsection.

6 (iv) The permitted rates for any age group shall be no more than
7 four hundred twenty-five percent of the lowest rate for all age groups
8 on January 1, 1996, four hundred percent on January 1, 1997, and three
9 hundred seventy-five percent on January 1, 2000, and thereafter.

10 (v) A discount for wellness activities shall be permitted to
11 reflect actuarially justified differences in utilization or cost
12 attributed to such programs.

13 (vi) The rate charged for a health benefit plan offered under this
14 section may not be adjusted more frequently than annually except that
15 the premium may be changed to reflect:

16 (A) Changes to the family composition;

17 (B) Changes to the health benefit plan requested by the individual;

18 or

19 (C) Changes in government requirements affecting the health benefit
20 plan.

21 (vii) For the purposes of this section, a health benefit plan that
22 contains a restricted network provision shall not be considered similar
23 coverage to a health benefit plan that does not contain such a
24 provision, provided that the restrictions of benefits to network
25 providers result in substantial differences in claims costs. This
26 subsection does not restrict or enhance the portability of benefits as
27 provided in RCW 48.43.015.

28 (viii) A tenure discount for continuous enrollment in the health
29 plan of two years or more may be offered, not to exceed ten percent.

30 (2) Adjusted community rates established under this section shall
31 not be required to be pooled with the medical experience of health
32 benefit plans offered to small employers under RCW 48.46.066.

33 (3) As used in this section and RCW 48.46.066, "health benefit
34 plan," "adjusted community rates," "small employer," and "wellness
35 activities" mean the same as defined in RCW 48.43.005.

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