

**ESB 5261** - H COMM AMD

By Committee on Health Care & Wellness

1 Beginning on page 5, after line 13, strike all of sections 4  
2 through 6 and insert the following:

3 "Sec. 4. RCW 48.20.025 and 2003 c 248 s 8 are each amended to read  
4 as follows:

5 (1) The definitions in this subsection apply throughout this  
6 section unless the context clearly requires otherwise.

7 (a) "Claims" means the cost to the insurer of health care services,  
8 as defined in RCW 48.43.005, provided to a policyholder or paid to or  
9 on behalf of the policyholder in accordance with the terms of a health  
10 benefit plan, as defined in RCW 48.43.005. This includes capitation  
11 payments or other similar payments made to providers for the purpose of  
12 paying for health care services for a policyholder.

13 (b) "Claims reserves" means: (i) The liability for claims which  
14 have been reported but not paid; (ii) the liability for claims which  
15 have not been reported but which may reasonably be expected; (iii)  
16 active life reserves; and (iv) additional claims reserves whether for  
17 a specific liability purpose or not.

18 (c) "Earned premiums" means premiums, as defined in RCW 48.43.005,  
19 plus any rate credits or recoupments less any refunds, for the  
20 applicable period, whether received before, during, or after the  
21 applicable period.

22 (d) "Incurred claims expense" means claims paid during the  
23 applicable period plus any increase, or less any decrease, in the  
24 claims reserves.

25 (e) "Loss ratio" means incurred claims expense as a percentage of  
26 earned premiums.

27 (f) "Reserves" means: (i) Active life reserves; and (ii)  
28 additional reserves whether for a specific liability purpose or not.

29 (2) (~~An insurer shall file, for informational purposes only, a~~

1 ~~notice of its schedule of rates for its individual health benefit plans~~  
2 ~~with the commissioner prior to use.~~

3 ~~(3))~~ An insurer (~~(shall)~~) must file (~~(with the notice required~~  
4 ~~under subsection (2) of this section)~~) supporting documentation of its  
5 method of determining the rates charged(~~(. The commissioner may~~  
6 ~~request only)~~) for its individual health benefit plans. At a minimum,  
7 the insurer must provide the following supporting documentation:

8 (a) A description of the insurer's rate-making methodology;

9 (b) An actuarially determined estimate of incurred claims which  
10 includes the experience data, assumptions, and justifications of the  
11 insurer's projection;

12 (c) The percentage of premium attributable in aggregate for  
13 nonclaims expenses used to determine the adjusted community rates  
14 charged; and

15 (d) A certification by a member of the American academy of  
16 actuaries, or other person approved by the commissioner, that the  
17 adjusted community rate charged can be reasonably expected to result in  
18 a loss ratio that meets or exceeds the loss ratio standard established  
19 in subsection (~~(+7))~~) (5) of this section.

20 (~~(+4) The commissioner may not disapprove or otherwise impede the~~  
21 ~~implementation of the filed rates.~~

22 ~~(+5))~~ (3) By the last day of May each year any insurer issuing or  
23 renewing individual health benefit plans in this state during the  
24 preceding calendar year shall file for review by the commissioner  
25 supporting documentation of its actual loss ratio for its individual  
26 health benefit plans offered or renewed in the state in aggregate for  
27 the preceding calendar year. The filing shall include aggregate earned  
28 premiums, aggregate incurred claims, and a certification by a member of  
29 the American academy of actuaries, or other person approved by the  
30 commissioner, that the actual loss ratio has been calculated in  
31 accordance with accepted actuarial principles.

32 (a) At the expiration of a thirty-day period beginning with the  
33 date the filing is received by the commissioner, the filing shall be  
34 deemed approved unless prior thereto the commissioner contests the  
35 calculation of the actual loss ratio.

36 (b) If the commissioner contests the calculation of the actual loss  
37 ratio, the commissioner shall state in writing the grounds for  
38 contesting the calculation to the insurer.

1 (c) Any dispute regarding the calculation of the actual loss ratio  
2 shall, upon written demand of either the commissioner or the insurer,  
3 be submitted to hearing under chapters 48.04 and 34.05 RCW.

4 ~~((+6+))~~ (4) If the actual loss ratio for the preceding calendar  
5 year is less than the loss ratio established in subsection ~~((+7+))~~ (5)  
6 of this section, a remittance is due and the following shall apply:

7 (a) The insurer shall calculate a percentage of premium to be  
8 remitted to the Washington state health insurance pool by subtracting  
9 the actual loss ratio for the preceding year from the loss ratio  
10 established in subsection ~~((+7+))~~ (5) of this section.

11 (b) The remittance to the Washington state health insurance pool is  
12 the percentage calculated in (a) of this subsection, multiplied by the  
13 premium earned from each enrollee in the previous calendar year.  
14 Interest shall be added to the remittance due at a five percent annual  
15 rate calculated from the end of the calendar year for which the  
16 remittance is due to the date the remittance is made.

17 (c) All remittances shall be aggregated and such amounts shall be  
18 remitted to the Washington state high risk pool to be used as directed  
19 by the pool board of directors.

20 (d) Any remittance required to be issued under this section shall  
21 be issued within thirty days after the actual loss ratio is deemed  
22 approved under subsection ~~((+5+))~~ (3)(a) of this section or the  
23 determination by an administrative law judge under subsection ~~((+5+))~~  
24 (3)(c) of this section.

25 ~~((+7+))~~ (5) The loss ratio applicable to this section shall be  
26 ~~((seventy—four))~~ seventy-seven percent minus the premium tax rate  
27 applicable to the insurer's individual health benefit plans under RCW  
28 48.14.020.

29 **Sec. 5.** RCW 48.44.017 and 2001 c 196 s 11 are each amended to read  
30 as follows:

31 (1) The definitions in this subsection apply throughout this  
32 section unless the context clearly requires otherwise.

33 (a) "Claims" means the cost to the health care service contractor  
34 of health care services, as defined in RCW 48.43.005, provided to a  
35 contract holder or paid to or on behalf of a contract holder in  
36 accordance with the terms of a health benefit plan, as defined in RCW

1 48.43.005. This includes capitation payments or other similar payments  
2 made to providers for the purpose of paying for health care services  
3 for an enrollee.

4 (b) "Claims reserves" means: (i) The liability for claims which  
5 have been reported but not paid; (ii) the liability for claims which  
6 have not been reported but which may reasonably be expected; (iii)  
7 active life reserves; and (iv) additional claims reserves whether for  
8 a specific liability purpose or not.

9 (c) "Earned premiums" means premiums, as defined in RCW 48.43.005,  
10 plus any rate credits or recoupments less any refunds, for the  
11 applicable period, whether received before, during, or after the  
12 applicable period.

13 (d) "Incurred claims expense" means claims paid during the  
14 applicable period plus any increase, or less any decrease, in the  
15 claims reserves.

16 (e) "Loss ratio" means incurred claims expense as a percentage of  
17 earned premiums.

18 (f) "Reserves" means: (i) Active life reserves; and (ii)  
19 additional reserves whether for a specific liability purpose or not.

20 ~~((A health care service contractor shall file, for  
21 informational purposes only, a notice of its schedule of rates for its  
22 individual contracts with the commissioner prior to use.~~

23 ~~(3))~~ A health care service contractor ~~((shall))~~ must file ~~((with  
24 the notice required under subsection (2) of this section))~~ supporting  
25 documentation of its method of determining the rates charged~~((The  
26 commissioner may request only))~~ for its individual contracts. At a  
27 minimum, the health care service contractor must provide the following  
28 supporting documentation:

29 (a) A description of the health care service contractor's rate-  
30 making methodology;

31 (b) An actuarially determined estimate of incurred claims which  
32 includes the experience data, assumptions, and justifications of the  
33 health care service contractor's projection;

34 (c) The percentage of premium attributable in aggregate for  
35 nonclaims expenses used to determine the adjusted community rates  
36 charged; and

37 (d) A certification by a member of the American academy of  
38 actuaries, or other person approved by the commissioner, that the

1 adjusted community rate charged can be reasonably expected to result in  
2 a loss ratio that meets or exceeds the loss ratio standard established  
3 in subsection ~~((+7))~~ (5) of this section.

4 ~~((+4) The commissioner may not disapprove or otherwise impede the  
5 implementation of the filed rates.~~

6 ~~(+5))~~ (3) By the last day of May each year any health care service  
7 contractor issuing or renewing individual health benefit plans in this  
8 state during the preceding calendar year shall file for review by the  
9 commissioner supporting documentation of its actual loss ratio for its  
10 individual health benefit plans offered or renewed in this state in  
11 aggregate for the preceding calendar year. The filing shall include  
12 aggregate earned premiums, aggregate incurred claims, and a  
13 certification by a member of the American academy of actuaries, or  
14 other person approved by the commissioner, that the actual loss ratio  
15 has been calculated in accordance with accepted actuarial principles.

16 (a) At the expiration of a thirty-day period beginning with the  
17 date the filing is received by the commissioner, the filing shall be  
18 deemed approved unless prior thereto the commissioner contests the  
19 calculation of the actual loss ratio.

20 (b) If the commissioner contests the calculation of the actual loss  
21 ratio, the commissioner shall state in writing the grounds for  
22 contesting the calculation to the health care service contractor.

23 (c) Any dispute regarding the calculation of the actual loss ratio  
24 shall upon written demand of either the commissioner or the health care  
25 service contractor be submitted to hearing under chapters 48.04 and  
26 34.05 RCW.

27 ~~((+6))~~ (4) If the actual loss ratio for the preceding calendar  
28 year is less than the loss ratio standard established in subsection  
29 ~~((+7))~~ (5) of this section, a remittance is due and the following  
30 shall apply:

31 (a) The health care service contractor shall calculate a percentage  
32 of premium to be remitted to the Washington state health insurance pool  
33 by subtracting the actual loss ratio for the preceding year from the  
34 loss ratio established in subsection ~~((+7))~~ (5) of this section.

35 (b) The remittance to the Washington state health insurance pool is  
36 the percentage calculated in (a) of this subsection, multiplied by the  
37 premium earned from each enrollee in the previous calendar year.

1 Interest shall be added to the remittance due at a five percent annual  
2 rate calculated from the end of the calendar year for which the  
3 remittance is due to the date the remittance is made.

4 (c) All remittances shall be aggregated and such amounts shall be  
5 remitted to the Washington state high risk pool to be used as directed  
6 by the pool board of directors.

7 (d) Any remittance required to be issued under this section shall  
8 be issued within thirty days after the actual loss ratio is deemed  
9 approved under subsection ~~((+5+))~~ (3)(a) of this section or the  
10 determination by an administrative law judge under subsection ~~((+5+))~~  
11 (3)(c) of this section.

12 ~~((+7+))~~ (5) The loss ratio applicable to this section shall be  
13 ~~((seventy—four))~~ seventy-seven percent minus the premium tax rate  
14 applicable to the health care service contractor's individual health  
15 benefit plans under RCW 48.14.0201.

16 **Sec. 6.** RCW 48.46.062 and 2001 c 196 s 12 are each amended to read  
17 as follows:

18 (1) The definitions in this subsection apply throughout this  
19 section unless the context clearly requires otherwise.

20 (a) "Claims" means the cost to the health maintenance organization  
21 of health care services, as defined in RCW 48.43.005, provided to an  
22 enrollee or paid to or on behalf of the enrollee in accordance with the  
23 terms of a health benefit plan, as defined in RCW 48.43.005. This  
24 includes capitation payments or other similar payments made to  
25 providers for the purpose of paying for health care services for an  
26 enrollee.

27 (b) "Claims reserves" means: (i) The liability for claims which  
28 have been reported but not paid; (ii) the liability for claims which  
29 have not been reported but which may reasonably be expected; (iii)  
30 active life reserves; and (iv) additional claims reserves whether for  
31 a specific liability purpose or not.

32 (c) "Earned premiums" means premiums, as defined in RCW 48.43.005,  
33 plus any rate credits or recoupments less any refunds, for the  
34 applicable period, whether received before, during, or after the  
35 applicable period.

36 (d) "Incurred claims expense" means claims paid during the

1 applicable period plus any increase, or less any decrease, in the  
2 claims reserves.

3 (e) "Loss ratio" means incurred claims expense as a percentage of  
4 earned premiums.

5 (f) "Reserves" means: (i) Active life reserves; and (ii)  
6 additional reserves whether for a specific liability purpose or not.

7 ~~(2) ((A health maintenance organization shall file, for  
8 informational purposes only, a notice of its schedule of rates for its  
9 individual agreements with the commissioner prior to use.~~

10 ~~(3))~~ A health maintenance organization ~~((shall))~~ must file ~~((with  
11 the notice required under subsection (2) of this section))~~ supporting  
12 documentation of its method of determining the rates charged~~((The  
13 commissioner may request only))~~ for its individual agreements. At a  
14 minimum, the health maintenance organization must provide the following  
15 supporting documentation:

16 (a) A description of the health maintenance organization's rate-  
17 making methodology;

18 (b) An actuarially determined estimate of incurred claims which  
19 includes the experience data, assumptions, and justifications of the  
20 health maintenance organization's projection;

21 (c) The percentage of premium attributable in aggregate for  
22 nonclaims expenses used to determine the adjusted community rates  
23 charged; and

24 (d) A certification by a member of the American academy of  
25 actuaries, or other person approved by the commissioner, that the  
26 adjusted community rate charged can be reasonably expected to result in  
27 a loss ratio that meets or exceeds the loss ratio standard established  
28 in subsection ~~((7))~~ (5) of this section.

29 ~~((4) The commissioner may not disapprove or otherwise impede the  
30 implementation of the filed rates.~~

31 ~~(5))~~ (3) By the last day of May each year any health maintenance  
32 organization issuing or renewing individual health benefit plans in  
33 this state during the preceding calendar year shall file for review by  
34 the commissioner supporting documentation of its actual loss ratio for  
35 its individual health benefit plans offered or renewed in the state in  
36 aggregate for the preceding calendar year. The filing shall include  
37 aggregate earned premiums, aggregate incurred claims, and a

1 certification by a member of the American academy of actuaries, or  
2 other person approved by the commissioner, that the actual loss ratio  
3 has been calculated in accordance with accepted actuarial principles.

4 (a) At the expiration of a thirty-day period beginning with the  
5 date the filing is received by the commissioner, the filing shall be  
6 deemed approved unless prior thereto the commissioner contests the  
7 calculation of the actual loss ratio.

8 (b) If the commissioner contests the calculation of the actual loss  
9 ratio, the commissioner shall state in writing the grounds for  
10 contesting the calculation to the health maintenance organization.

11 (c) Any dispute regarding the calculation of the actual loss ratio  
12 shall, upon written demand of either the commissioner or the health  
13 maintenance organization, be submitted to hearing under chapters 48.04  
14 and 34.05 RCW.

15 ~~((+6+))~~ (4) If the actual loss ratio for the preceding calendar  
16 year is less than the loss ratio standard established in subsection  
17 ~~((+7+))~~ (5) of this section, a remittance is due and the following  
18 shall apply:

19 (a) The health maintenance organization shall calculate a  
20 percentage of premium to be remitted to the Washington state health  
21 insurance pool by subtracting the actual loss ratio for the preceding  
22 year from the loss ratio established in subsection ~~((+7+))~~ (5) of this  
23 section.

24 (b) The remittance to the Washington state health insurance pool is  
25 the percentage calculated in (a) of this subsection, multiplied by the  
26 premium earned from each enrollee in the previous calendar year.  
27 Interest shall be added to the remittance due at a five percent annual  
28 rate calculated from the end of the calendar year for which the  
29 remittance is due to the date the remittance is made.

30 (c) All remittances shall be aggregated and such amounts shall be  
31 remitted to the Washington state high risk pool to be used as directed  
32 by the pool board of directors.

33 (d) Any remittance required to be issued under this section shall  
34 be issued within thirty days after the actual loss ratio is deemed  
35 approved under subsection ~~((+5+))~~ (3)(a) of this section or the  
36 determination by an administrative law judge under subsection ~~((+5+))~~  
37 (3)(c) of this section.



1        (~~(7)~~) (5) The loss ratio applicable to this section shall be  
2        (~~seventy-four~~) seventy-seven percent minus the premium tax rate  
3        applicable to the health maintenance organization's individual health  
4        benefit plans under RCW 48.14.0201."

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