E2SHB 1569 - S AMD TO S AMD (S-3448.1/07) **439**

By Senator Pflug

WITHDRAWN 4/12/2007

On page 1, line 24 of the amendment, after "(2)" strike all material through "(3)" on line 26

On page 2, beginning on line 4 of the amendment, after "employer" strike all material through "(6)" on line 19 and insert ".

(3) "Health benefit plan" has the same meaning as defined in RCW 48.43.005 or any plan provided by a self-funded multiple employer welfare arrangement as defined in RCW 48.125.010 or by another benefit arrangement defined in the federal employee retirement income security act of 1974, as amended.

(4) ((~~"Program"~~))"

On page 2, line 21 of the amendment, strike "((~~(5)~~)) (7)" and insert "(5)"

On page 2, beginning on line 22 of the amendment, after "employer" strike all material through "employment" on line 24

On page 2, line 25 of the amendment, strike "(8)" and insert "(6)"

On page 2, line 27 of the amendment, strike "(9)" and insert "(7)"

On page 2, line 34 of the amendment, strike "(1)"

Beginning on page 3, after line 3 of the amendment, strike all material through "study)." on page 20, line 19, and insert the following:

"**PART I: FINDINGS AND INTENT**

NEW SECTION. **Sec. 101.** LEGISLATIVE FINDINGS. The legislature finds that:

(1) The people of Washington have expressed strong concerns about health care costs and access to needed health services. Even if

currently insured, they are not confident that they will continue to have health insurance coverage in the future and feel that they are getting less, but spending more.

(2) Many employers, especially small employers, struggle with the cost of providing employer-sponsored health insurance coverage to their employees, while others are unable to offer employer-sponsored health insurance due to its high cost. In addition, small employers continue to invest a significant amount of their time in the health insurance business as they are the lone gateway to group coverage for their employees. This is time better served meeting their customers' needs and fulfilling the many demands and challenges of our ever-changing marketplace. Even after much research has been done by the employer to secure a health benefit plan that works for everyone, it is, too often, that some individuals are forced into a choice of health care coverage they would have never made on their own, if given that chance.

(3) Six hundred thousand Washingtonians are uninsured. Three-quarters work or have a working family member; two-thirds are low income; and one-half are young adults. Many are low-wage workers who are not offered, or eligible for, employer-sponsored coverage. Others struggle with the burden of paying their share of the costs of employer-sponsored health insurance, while still others turn down their employer's offer of coverage due to its costs.

(4) Lack of portability remains a constant problem as thousands of Washington residents go uninsured every year simply because they are temporarily between jobs or their new job does not offer an affordable option for them. In addition, two-income earner families are punished by the system as they are forced to choose one employer's health insurance plan over another without a chance to collect premium contributions from both.

(5) Access to health insurance and other health care spending has resulted in improved health for many Washingtonians. Yet, we are not receiving as much value as we should for each health care dollar spent in Washington state. By failing to sufficiently focus our efforts on prevention and management of chronic diseases, such as diabetes, asthma, and heart disease, too many Washingtonians suffer from complications of their illnesses. By failing to make health insurance coverage affordable for low-wage workers and self-employed people, health problems that could be treated in a doctor's office are treated in the emergency room or hospital. By failing to focus on the most

effective ways to maintain our health and treat disease, Washingtonians have not made lifestyle changes proven to improve health, nor do they receive the most effective care.

(6) There are very few incentives for young adults, nineteen through thirty years old, to purchase their own health coverage. Young, healthy adults are often quoted rates that are incongruent with their level of risk and do not make financial sense when they look at the cost benefit ratio. By failing to offer the right incentives for this population to enroll in a health insurance plan, we have created layers of problems such as increased uncompensated care and less preventative care being sought.

(7) The concept of a health insurance exchange has the potential for offering a strong value to Washington's health insurance market. It is necessary and advisable to fully consider the potential success and drawbacks of this concept through an interim study group of health policy stakeholders and legislators. The study's findings and recommendations will provide a template or guide for further consideration of health care market reform in Washington state.

NEW SECTION. **Sec. 102.** LEGISLATIVE INTENT. The legislature intends, through the public/private partnership reflected in this act, to improve our current health care system so that:

(1) Health insurance coverage is more affordable for employers, employees, self-employed people, and other individuals;

(2) The process of choosing and purchasing health insurance coverage is well-informed, clearer, and simpler;

(3) Prevention, chronic care management, wellness, and improved quality of care are a fundamental part of our health care system;

(4) Administrative costs at every level are reduced;

(5) As a result of these changes, more people in Washington state have access to affordable health insurance coverage and health outcomes in Washington state are improved;

(6) More insurance coverage choices are available to all health consumers;

(7) Competition is increased between health plans based on quality, cost, and positive health outcomes;

(8) Employer incentives to keep an employee below twenty hours per week are diminished creating wider access to health insurance for part-

time employees and thereby reducing state costs for subsidizing health care to low-wage and part-time workers;

(9) More workers and employers are able to take advantage of section 125 plans to gain tax preferred status for health care premium payments resulting in significantly reduced costs.

PART II: WASHINGTON HEALTH INSURANCE EXCHANGE

NEW SECTION. **Sec. 201.** The definitions in this section apply throughout this act unless the context clearly requires otherwise.

(1) "Carrier" means a carrier as defined in RCW 48.43.005.

(2) "Commissioner" means the insurance commissioner established under RCW 48.02.010.

(3) "Health plan" or "health benefit plan" means a health plan or health benefit plan as defined in RCW 48.43.005.

(4) "Small employer" or "small group" means a business as defined in RCW 48.43.005(24).

NEW SECTION. **Sec. 202.** (1) The Washington state health insurance exchange interim study group is hereby established. The function of the group is to thoroughly study the health insurance exchange concept and all possible implications of its full introduction in Washington state.

(2) The study group shall be composed of twenty members. Four members of the legislature, two from the house of representatives, one from each of the two largest caucuses, and two from the senate, one from each of the two largest caucuses. The remaining sixteen members will be appointed by the governor as follows:

(a) One member of the governor's policy staff;

(b) One representative of small employers;

(c) One employee health plan benefits specialist;

(d) One representative of health care consumers;

(e) One representative of public employees;

(f) One representative of a business association that offers its members access to an association health plan;

(g) A physician licensed in good standing under chapter 18.57 RCW;

(h) One representative each from those insurance carriers that have more than five hundred thousand Washington state subscribers;

(i) A health insurance broker licensed in good standing under chapter 48.17 RCW;

(j) The secretary of the department of social and health services, or designee;

(k) The secretary of the department of health, or designee;

(l) The insurance commissioner, or designee;

(m) The administrator of the health care authority, or designee; and

(n) The chair of the board of directors of the Washington state health insurance pool, or designee.

(3) Appointments to the study group shall be made on or before June 1, 2007. Members of the study group shall be compensated in accordance with RCW 43.03.250 and shall be reimbursed for their travel expenses while on official business in accordance with RCW 43.03.050 and 43.03.060. The study group shall prescribe rules for the conduct of its business. The study group shall choose a chair and a vice-chair from among its members. Meetings of the study group shall be at the call of the chair. Supporting staff to the study group shall be provided by the governor's office and/or the health care authority as deemed necessary.

NEW SECTION. **Sec. 203.** HEALTH INSURANCE EXCHANGE IMPLEMENTATION RECOMMENDATIONS. On or before July 1, 2007, the health care authority shall commission a comprehensive implementation study to be carried out by an independent firm in consultation with all government agencies and stakeholders affected by changes prescribed in this section. The firm designated for this task shall be provided all nonproprietary information necessary to complete its task in a timely fashion. The recommendations of the study shall be drafted in such a way as to provide a complete and comprehensive plan that will facilitate the expedient implementation of the exchange upon the study's conclusion. The implementation recommendations shall address the following issues in an actuarially sound and statistically significant manner using independent expertise from the public and private sector as is necessary to complete the task:

(1) The consolidation of markets in the exchange and its effect on consumers:

(a) The implementation study shall examine the participation and consolidation of the following markets:

(i) Small group health insurance market;

(ii) Individual health insurance market;

(iii) Washington state health insurance pool under chapter 48.41 RCW;

(iv) Basic health plan under chapter 70.47 RCW;

(v) Public employees' benefits board enrollees under chapter 41.05 RCW;

(vi) Public school employees; and

(vii) Association health plans; and

(b) The report shall examine at least the following issues:

(i) The direct impact of these markets participating in the exchange on the consumer, with respect to the utilization of services and cost of health plans offered through the exchange;

(ii) Whether any distinction should be made in participation between active and retired employees enrolled in public employees' benefits board plans, giving consideration to the implicit subsidy that nonmedicare-eligible retirees currently benefit from by being pooled with active employees, and how medicare-eligible retirees would be affected;

(iii) Whether any special allowance or provision can be or needs to be made for employees who are satisfied with their current insurance product that would assure them access to that same product within the exchange;

(iv) The process by which public or private self-funded plans can be modified in such a way to allow them participation as carriers in the exchange. This issue shall be evaluated with special attention paid to the feasibility of incorporating the uniform medical plan of the public employees' benefits board within the exchange to encourage competition between the public and private sector for better risk management, product design, and wellness activities while addressing the effect this would have on consumers and the market as a whole;

(v) The impact of applying the insurance regulations in RCW 48.43.015, 48.43.025, and 48.43.035, on access to health services and the cost of coverage for these markets;

(vi) If the exchange board should be modified in any way to adequately reflect the participation of these markets; and

(vii) Any additional areas of concern relating to carrier participation in the exchange and information necessary to effectively rate plans in a new risk environment.

(2) The risks and benefits of establishing a requirement that residents of the state of Washington age eighteen and over obtain and maintain affordable creditable coverage, as defined in the federal health insurance portability and accountability act of 1996 (42 U.S.C. Sec. 300gg(c)). The report shall address the question of how a requirement that residents maintain coverage could be enforced in the state of Washington.

(3) The participation of categorically needy medicaid and state children's health insurance program enrollees in the exchange. The study shall examine the following issues:

(a) The impact on medicaid and state children's health insurance program enrollees participating in the exchange, with respect to the utilization of services and cost of health plans offered through the exchange;

(b) Whether any distinction should be made between adult and child enrollees;

(c) Opportunities to provide plan design flexibility through medicaid state plan amendments;

(d) The need for a new section 1115 waiver from the federal government for moving a sizable portion of the medicaid and state children's health insurance program population into a defined contribution model;

(e) A study of other states that have attempted similar reforms involving a defined contribution model within their medicaid population and whether any ideas should be incorporated to facilitate the move of enrollees to the exchange;

(f) Whether any cost savings to the state would result from the incorporation of medicaid and state children's health insurance program enrollees to the exchange;

(g) The effect any such move would have on the premiums of current exchange enrollees;

(h) The capacity of participating carriers in the exchange to properly manage the care of medicaid and state children's health insurance program enrollees;

(i) The impact of expanded choice and cost sharing on medicaid enrollees; and

(j) What specific categories of categorically needy medicaid and state children's health insurance program enrollees, if any, should be excluded from participation in the exchange.

(4) A study of health benefit mandates and insurance statutes and rules to determine the impact on premiums and individuals' health if those statutes or rules were amended or repealed:

(a) The effect this would have on premium rates across the age and health risk spectrum;

(b) Whether adverse selection would occur between carriers and/or benefit plan types; and

(c) What the expected take-up rate of mandate free plans would be among young adults and other age groups previously uninsured.

(5) Reforming the way health benefit plans are rated for different groups and the process by which they receive approval for market consumption. Possible changes to analyze include but should not be limited to:

(a) Expanding the adjusted community rating band to four hundred twenty-five percent for plans offered through the exchange;

(b) Changing the community rating formula to allow for certain percentage variations between age groups as opposed to one all-encompassing age rating band;

(c) Introducing a separate rating band for young adults between the ages of nineteen and thirty-four to allow for more affordable plans for this population;

(d) Changing the role of the office of insurance commissioner in approving rate submittals by allowing the American academy of actuaries to justify the rate and thus bypassing a costly administrative hurdle;

(e) Expediting the rate-approval process by which plans are able to enter the market by limiting all rate review that is within the acceptable range to thirty days or less; and

(f) Allowing additional rate adjustment flexibility for health insurance carriers and what the optimal range of discretion is for the consumers that purchase those products.

(6) The manner in which premium assistance should be provided to prospective enrollees of the exchange:

(a) What expectation for contribution, if any, should be placed on small and large employers whose employees apply for premium assistance through the exchange;

(b) How the previously negotiated and widely accepted small employer health insurance partnership can be incorporated into the exchange; and

(c) The most effective means for determining contribution levels and what, if any, benchmark plans should be used in such an evaluation.

(7) The most effective means of equitably transferring risk among and between carriers to ensure rampant competition, lower costs, and wider access to health insurance:

(a) An evaluation of risk transfer mechanisms should include a thorough consultation with the office of the insurance commissioner in order to incorporate any previous reports, studies, or other material published by the commissioner in dealing with the subject.

(b) The implementation plan shall fully consider the following goals for risk transfer arrangements when evaluating the best approach:

(i) Reduction of insurer incentives to avoid risk;

(ii) Ability of insured individuals to find coverage easily and move among plans;

(iii) Incentives for the primary insurer to manage high costs effectively; and

(iv) Ability to stabilize a merged small group and individual health insurance market for carriers and consumers.

(c) A recommendation should be made as to the most effective way of phasing out the Washington state health insurance pool with concurrent implementation of a new risk transfer arrangement.

(8) The streamlined process by which brokers will be compensated for their involvement in bringing new enrollees to the exchange:

(a) What standard commission rate is deemed most appropriate and fair by the various agency and broker associations;

(b) How interaction between employer groups and brokers will be documented and compensated;

(c) How plan information will be shared between the exchange and broker community; and

(d) Other issues that are deemed worthy of addressing to ensure active participation from insurance brokers in the implementation of the exchange.

(9) New employer contribution strategies that will be utilized in the exchange. Strategies to be investigated for their risk and benefit to the employer and employee include:

(a) A set dollar amount or defined contribution;

(b) Pro rata contribution for part-time or seasonal employees based on hours worked;

(c) A percentage of premium contribution with or without a cap; and

(d) Other strategies as they are referred for further investigation and discussion by the exchange board or stakeholders.

(10) The interim study group shall submit a timeline and work plan for the study to the governor and appropriate committees of the legislature by August 1, 2007, to include a schedule of interim study group meetings, a schedule for stakeholder input, a detailed timeline of the study, the identity of the consulting actuarial firm, and any other information necessary to ensure the completion of a comprehensive health insurance exchange study. A final report with findings and recommendations related to each of the items in the study plan and recommendations for next steps shall be completed and submitted to the legislature and governor no later than January 1, 2008.

PART III: MISCELLANEOUS

NEW SECTION. **Sec. 301.** Part headings and captions used in this act are not any part of the law.

NEW SECTION. **Sec. 302.** This act is necessary for the immediate preservation of the public peace, health, or safety, or support of the state government and its existing public institutions, and takes effect immediately."

E2SHB 1569 - S AMD TO S AMD (S-3448.1/07) **439**
By Senator Pflug

WITHDRAWN 4/12/2007

Beginning on page 20, line 20 of the title amendment, after "line" strike all material through "date;" on page 21, line 2, and insert "2 of the title, after "state;" insert "amending RCW 70.47A.010, 70.47A.020, 70.47A.030, and 70.47A.040; creating new sections;"

--- END ---