

# HOUSE BILL REPORT

## ESB 5261

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**As Reported by House Committee On:**  
Health Care & Wellness

**Title:** An act relating to granting the insurance commissioner the authority to review individual health benefit plan rates.

**Brief Description:** Granting the insurance commissioner the authority to review individual health benefit plan rates.

**Sponsors:** Senators Keiser, Franklin, Kohl-Welles, Fairley and Kline; by request of Insurance Commissioner.

**Brief History:**

**Committee Activity:**

Health Care & Wellness: 3/19/07, 3/22/07 [DPA].

**Brief Summary of Engrossed Bill**  
**(As Amended by House Committee)**

- Authorizes the Insurance Commissioner to disapprove a Carrier's rates for the individual market.
- Increases a Carrier's minimum loss ratio from a net 72 percent to a net 75 percent.

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### HOUSE COMMITTEE ON HEALTH CARE & WELLNESS

**Majority Report:** Do pass as amended. Signed by 8 members: Representatives Cody, Chair; Morrell, Vice Chair; Barlow, Campbell, Green, Moeller, Schual-Berke and Seaquist.

**Minority Report:** Without recommendation. Signed by 5 members: Representatives Hinkle, Ranking Minority Member; Alexander, Assistant Ranking Minority Member; Condotta, Curtis and Pedersen.

**Staff:** Dave Knutson (786-7146).

**Background:**

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

The majority of people receive their health insurance through their employer. Those who do not have access to employer-sponsored coverage may purchase insurance in the individual market. Approximately 220,000 Washington residents were insured through the individual market in 2005. While eight insurance carriers offer approved products in Washington, 94.5 percent of enrollment was concentrated with four major carriers.

Prior to 2000, the Insurance Commissioner (Commissioner) was allowed to disapprove rates offered for individual health plans, when it was determined the rates were unreasonable in relation to the benefits provided. In 2000, the Legislature adopted numerous changes to the laws governing the individual market. The Commissioner is no longer allowed to disapprove filed rates for the individual market; however, a minimum loss ratio (the percentage of premium paid out in medical claims) was established. If, in the year following a rate filing, it is determined that a carrier's actual loss ratio was lower than 72 percent (74 percent minus the 2 percent premium tax), the carrier must remit the difference to the Washington State Health Insurance Pool.

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**Summary of Amended Bill:**

The Commissioner may disapprove rates for the individual market. Rates may be filed and used after 60 days. The minimum loss ratio is increased to 75 percent (77 percent minus the 2 percent premium tax).

**Amended Bill Compared to Original Bill:**

Technical changes are made to ensure the Commissioner has the statutory authority to disapprove rates in the individual market.

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**Appropriation:** None.

**Fiscal Note:** Not requested.

**Effective Date of Amended Bill:** The bill takes effect 90 days after adjournment of session in which bill is passed.

**Staff Summary of Public Testimony:**

(In support) The Commissioner had the authority to review individual market rates until 2000. It was taken away in 2000. Since then premiums have risen dramatically. The Commissioner should have this authority again.

(With concerns) A technical correction is needed to ensure the Commissioner is authorized to disapprove rates in the individual market.

(Opposed) The individual market is working well now. Over 200,000 people purchase their health coverage through the individual market. This bill could cause serious damage to the individual market.

**Persons Testifying:** (In support) Senator Keiser, prime sponsor; and Bill Daley, Washington Community Action Network.

(With concerns) Mike Kreidler, Office of Insurance Commissioner; and Sean Corry, Sprague, Israel, and Giles, Incorporated.

(Opposed) Audrey Halvorson, Premera Blue Cross; Nancy Ellison, Regence Blue Shield; and Ken Bertrand, Group Health Cooperative.

**Persons Signed In To Testify But Not Testifying:** None.