

# HOUSE BILL REPORT

## ESSB 5261

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### As Passed House - Amended:

February 29, 2008

**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:** By Senate Committee on Health & Long-Term Care (originally sponsored by Senators Keiser, Franklin, Kohl-Welles, Fairley and Kline; by request of Insurance Commissioner).

### Brief History:

#### Committee Activity:

Health Care & Wellness: 2/5/08, 2/7/08 [DPA].

#### Floor Activity:

Passed House - Amended: 2/29/08, 68-26.

### Brief Summary of Engrossed Substitute Bill (As Amended by House)

- Authorizes the Insurance Commissioner to review rates in the individual market and disapprove them if they are unreasonable.

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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:** Do not pass. Signed by 5 members: Representatives Hinkle, Ranking Minority Member; Alexander, Assistant Ranking Minority Member; Condotta, DeBolt 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 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 Insurance 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 (WSHIP).

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**Summary of Amended Bill:**

The Insurance Commissioner may disapprove rates for the individual market for any rates or modification of rates filed on or after July 1, 2008. Rates may be filed and used after 60 days. A sliding-scale minimum loss-ratio requirement is created that is tied to the number of people each carrier declines for coverage:

- declination rate of under 6 percent = loss ratio of 74 percent;
- declination rate of 6 percent but less than 7 percent = loss ratio of 75 percent;
- declination rate of 7 percent but less than 8 percent = loss ratio of 76 percent; or
- declination rate of 8 percent or more = loss ratio of 77 percent.

The Insurance Commissioner is required to explore the feasibility of establishing a multistate health insurance plan.

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**Appropriation:** None.

**Fiscal Note:** Available.

**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 public needs to know that rates charged for individual health insurance policies are reasonable. Without the authority to review and disapprove rates if they are unreasonable, the Insurance Commissioner cannot protect the public interest.

(Opposed) The individual market is working well right now without additional oversight by the Insurance Commissioner. This legislation could seriously damage the individual market and affect over 200,000 citizens who rely on it for their health insurance coverage.

**Persons Testifying:** (In support) Mike Kreidler and Beth Berendt, Office of the Insurance Commissioner; Mike Huseby and Bill Daley, Washington Coalition Action Network; Kent Davis, Washington Health Security Coalition; Robby Stern, Healthy Washington Coalition, State Labor Council, and American Association of Retired Persons; and Brian McCulloch.

(Opposed) Nancy Ellison and Jeff Roe, Premera Blue Cross; and Mel Sorensen, America's Health Insurance Plans and Washington Association of Health Underwriters.

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