Washington State
House of Representatives
Office of Program Research

BILL ANALYSIS

Insurance, Financial Services & Consumer Protection Committee

HB 1717

Brief Description: Requiring certain information to be included with health care premium billings.

Sponsors: Representatives Simpson and Moeller.

Brief Summary of Bill

- Requires the Insurance Commissioner to estimate the percentage of total health benefit plan premiums charged by health carriers that reflects the statewide cost of uncompensated health care.
- Requires a health carrier to provide in its premium billing a current calculation of cost-shifting estimates and a per member per month calculation of percentage of the health carrier's surplus above a specified level.

Hearing Date: 2/8/07

Staff: Jon Hedegard (786-7127).

Background:

The Office of the Insurance Commissioner (OIC) oversees health benefit plans offered by health carriers in Washington. Rates and forms must be filed with the OIC. The OIC examines the market activities of health carriers. The OIC also oversees the financial regulation of health carriers. In order to be authorized to transact insurance in Washington, health carriers must meet minimum net worth standards and statutory risk-based capital (RBC) standards. RBC standards are a method to measure and monitor the minimum amount of capital that a health carrier needs to support its overall business operations. RBC formulas are intended to determine capital requirements considering the size and degree of risk taken by the insurer. If a health carrier does not meet RBC standards, the OIC may take action. There are four different categories of action

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that the OIC may take depending on the inadequacy of the carrier's RBC. The actions range from requiring additional reporting to the Insurance Commissioner to taking control of the carrier.

"Company action level RBC" is twice a number determined under the risk-based capital formula in accordance with the RBC instructions.

"Uncompensated care" is generally understood to be the total value of health care services, based on full established charges, that is provided to the patients, for which the patient and/or the payer either was not billed or failed to pay.

Summary of Bill:

Beginning with calendar year 2005, the Insurance Commissioner must annually calculate cost-shifting estimates that approximate the percentage of total health benefit plan premiums charged by health carriers that reflects the statewide cost of uncompensated health care.

These annual estimates must be posted on the OIC web site by October 1st of the year immediately following the completed calendar year that immediately followed the year for which the estimate was made. As an example, an estimate for 2005 must be posted by October 1, 2007.

Beginning with health benefit plan premiums billed on and after January 1, 2008, a health carrier must, at least annually, provide the following information with its premium billing:

- The most current cost-shifting estimate determined at the time of the billing; and
- The amount, as a percentage of the health carrier's average premium per member per month, of the health carrier's surplus that exceeds the "company action level RBC" as reported in the carrier's most recent annual report at the time of billing.

The information required to be provided with health benefit plan premium billings must be conspicuous and be provided in bold-face type no smaller than the largest type used to display billing information.

The Insurance Commissioner may adopt rules as necessary to implement this section.

Appropriation: None.

Fiscal Note: Available.

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