
**Health Care & Wellness
Committee**

ESSB 5261

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

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

Brief Summary of Engrossed Substitute Bill

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

Hearing Date: 2/5/08

Staff: Dave Knutson (786-7146).

Background:

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).

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.

Summary of Bill:

The Insurance Commissioner may disapprove rates for the individual market. 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.

Appropriation: None.

Fiscal Note: Available.

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