SENATE BILL REPORT
E2SHB 1569

As Reported By Senate Committee On:
Health & Long-Term Care, March 29, 2007
Ways & Means, April 2, 2007

Title: An act relating to reforming the health care system in Washington state.

Brief Description: Reforming the health care system in Washington state.

Sponsors: House Committee on Appropriations (originally sponsored by Representatives Cody, Campbell, Morrell, Linville, Moeller, Green, Seaquist, Conway, Dickerson, Appleton, McIntire, McCoy, Kagi, Pedersen, Kenney, Lantz, Santos, Wood and Ormsby).

Brief History: Passed House: 3/10/07, 53-44.
Committee Activity: Health & Long-Term Care: 2/01/07, 3/19/07, 3/29/07 [DPA-WM, DNP, w/oRec].
Ways & Means: 4/02/07 [DPA, DNP].

SENATE COMMITTEE ON HEALTH & LONG-TERM CARE

Majority Report: Do pass as amended and be referred to Committee on Ways & Means.
Signed by Senators Keiser, Chair; Franklin, Vice Chair; Fairley, Kastama, Kohl-Welles and Marr.

Minority Report: Do not pass.
Signed by Senators Pflug, Ranking Minority Member; and Parlette.

Minority Report: That it be referred without recommendation.
Signed by Senator Carrell.

Staff: Mich'l Needham (786-7442)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended.
Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Pridemore, Vice Chair, Operating Budget; Fairley, Hatfield, Keiser, Kohl-Welles, Rasmussen, Regala, Rockefeller and Tom.
Minority Report: Do not pass.Signed by Senators Zarelli, Ranking Minority Member; Brandland, Carrell, Honeyford, Parlette and Schoesler.

Staff: Elaine Deschamps (786-7441)

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.

Background: Estimates from the 2006 Washington State Population Survey indicate that Washington had approximately 593,000 uninsured persons under age 65, and approximately 73 percent of the uninsured had one or more workers in the family. Employer sponsored coverage has declined from 71 percent in 1993 to 67 percent in 2006, as health care costs have increased, in particular for small businesses. In addition, employment patterns are changing, with increasing numbers of part-time, temporary and mobile workers, and increasing employment in industries that traditionally have not offered insurance, while employment is declining in industries that have traditionally offered insurance.

Summary of Engrossed Second Substitute Bill: The Health Care Authority (HCA), in collaboration with a newly created Washington Health Insurance Partnership (WHP) Board and the Office of Insurance Commissioner (OIC), will study and design a public-private partnership, known as the Washington Health Insurance Partnership (WHP), to pool purchasing of small group health benefit plans, including all small group products approved by the OIC.

The study of the WHP must include analysis of the impact of applying small group rating rules in an environment where each employee chooses his or her health plan; options that reduce uncertainty for carriers including risk adjustment, reinsurance, or other effective risk management alternatives; and other issues that may be identified as barriers. Recommendations will be packaged in a Request for Proposal (RFP) to seek a private entity to operate the WHP. The study and a summary of the RFP are due to the Legislature January 1, 2008. If the 2008 Legislature takes no action, the RFP will be issued April 1, 2008.

The RFP will include a description of the functions of the WHP, including enrollment and participation procedures, a system of collecting premiums from participants and transmitting payments to health carriers, a system for determining eligibility for premium assistance, a mechanism for payment of commissions to brokers for the enrollment of small groups, and a plan to offer health benefit plans through the WHP by July 1, 2009. The WHP will be designed as the single door to all small group products approved by the OIC; however, association products will remain outside the WHP.

The WHP will be designed to include a premium assistance program, for employees with family incomes below 200 percent of the federal poverty level (FPL), replacing the Small Employer Health Insurance Partnership program (SEHIP) established in statute within the HCA. The premium assistance program is not an entitlement program and is subject to available funding. The WHP Board and HCA will determine a subset of benefit plans that are eligible for premium assistance, which will include innovative components that maximize quality of care and health outcomes, and must include a range of benefit plans from catastrophic to comprehensive coverage. At least one plan must offer services and cost-sharing similar to the current Basic Health plan. The plan similar to Basic Health will be the benchmark plan for designing the premium assistance payment schedule.

In addition to the initial study and report, the WHP Board must study the risks and benefits of additional markets participating in the WHP, including association health plans, individual health insurance plans, the Washington State Health Insurance Pool, the Basic Health Plan, Public Employees' Benefits Board enrollees, and Public School Employees. The report is due to the Governor and Legislature December 1, 2009.

The OIC must contract for an independent study of health benefit mandates, rating requirements, and insurance statutes and rules to determine the impact on premiums and individuals' health. An interim report is due to the Governor and Legislature December 1, 2007, and a final report is due December 1, 2008.

EFFECT OF CHANGES MADE BY RECOMMENDED AMENDMENT(S) AS PASSED COMMITTEE (Health & Long-Term Care): The current SEHIP program, established in statute in the HCA, is renamed the Health Insurance Partnership to serve small employers, effective September 2008. The Partnership will provide a premium subsidy for low-income employees with income below 200 percent FPL.

Creates a nine-member Health Insurance Partnership Board, appointed by the Governor, by June 2007, to include representatives from: two small employers; two employees of small employers including one low-wage employee; four health benefit specialists; and the HCA Administrator.

The Board will designate the health plans eligible for premium subsidy, from plans available in the private small group market, approved by the OIC. They must include at least four plans, with multiple cost-sharing and deductible options, and plans will range from high deductible/catastrophic to comprehensive. Designated plans must include innovative components, such as preventive care, chronic care management, wellness incentives, and payment related to quality of care. The Board will determine a mid-range plan that will be used as the benchmark for the premium subsidy, and the premium subsidy will be developed similar to the sliding scale used for Basic Health.

The Board will determine minimum employee participation requirements and if there should be a minimum employer contribution; employers continue to determine employee eligibility and their contribution (above a minimum if established). The Board will evaluate rating methodologies, and impacts on applying small group market rating within a partnership, and consider options to manage carrier uncertainty through risk adjustment, reinsurance, or other mechanisms.

The Board may authorize a dental plan be offered, but no subsidy will be available.

Enrollment in the Partnership is not an entitlement, and enrollment may be limited to available funding.

By December 1, 2008, the Partnership must report to the Legislature and Governor on the risks and benefits of incorporating the individual and small group markets into the partnership; and by December 1, 2009, the Partnership must report to the Legislature and Governor on the risk and benefits of incorporating the high risk pool, Basic Health, Public Employees Benefits Board, and public school employees, as well as the impact of requiring all residents over 18 to be covered.

The OIC is required to contract for an independent study of health benefit mandates, rating requirements, and insurance statutes and rules to determine the impact on premiums and individuals' health. An interim report is due December 1, 2007, and the final report is due December 1, 2008.

The JLARC study of SEHIP due December 2009 is repealed.

EFFECT OF CHANGES MADE BY RECOMMENDED AMENDMENT(S) AS PASSED COMMITTEE (Ways & Means): The following changes are made: clarifies that participation rules for employers must be consistent with insurance laws for small employers; directs the agency to explore on-line employer guides for outreach; the Health Insurance Partnership Board and the benefit mandate study to be conducted by the OIC are made contingent upon appropriations; and the title is amended to reflect the more precise focus on the small employer program.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed, except Sections 302 through 310, relating to health plan methodology and application of the methodology as required by law, which take effect January 1, 2009.

Staff Summary of Public Testimony (Health & Long-Term Care): PRO: This proposal now focuses on small groups and the areas where there's the highest uninsurance rate. Only 50 percent of small employers offer insurance and this will help those who don't offer now. The concept of the connector/partnership/exchange is a viable model to help share risk, simplify administration, and allow employees access to portable insurance they can retain when they change jobs. Broadening the pool to include large groups, the individual market, and association plans would help stabilize the pool even more. Clarifying that association health plans must follow large group rating would help clear up confusion on the rating practices. The rating band change for young adults may exacerbate the rating impacts on the older insured people. Broadening access or coverage for religious health care would be appreciated.

CON: The connector concept has not been fully implemented anywhere, and we should watch what happens in Massachusetts over the next couple of months. The issue should be studied, like in the Blue Ribbon Commission bill (5930). This may be too disruptive for small employers that are pleased with their coverage now. The expansion to all other markets as suggested by the exchange bill or amendment is too broad.

OTHER: The concept of an exchange/connector/partnership would simplify administration for employers and allow employees to pool resources from multiple employers, access health care with pre-tax dollars, and retain their coverage if they change jobs. It would be much like the stock exchange for health insurance plans, and should include the broadest population base for a large pool.

Persons Testifying (Health & Long-Term Care): PRO: Representative Cody, prime sponsor; Commissioner Kreidler; Bill Daley, Washington Community Action Network (WCAN); Stephanie Jekel, Gene Otto, Kent Dave, small business owners, members of small business coalition of WCAN; Bill Scott, Christian Science Committee on Publication for Washington State.

CON: Jack McRae, Premera Blue Cross; Susan Pittman, agent, member of Washington Association of Health Underwriters; Mellanie McAleenan, Association of Washington

Business; Cliff Webster, Architects and Engineers Legislative Council; Gary Smith, Independent Business Association; Mel Sorenson, America's Health Insurance Plans.

OTHER: Senator Pflug.

Staff Summary of Public Testimony (Ways & Means): PRO: This bill provides a kernel from which to grow health care reform, and is an important companion to the Blue Ribbon Commission bill.

CON: The foundation for the current SEHIP program is in place and just needs a technical correction. This way the state could save money on administrative costs and spend that money on health care.

Persons Testifying (Ways & Means): PRO: Bill Daley, Washington Community Action Network.

CON: Mellani McAleenan, Association of Washington Business; Carolyn Logue, National Federation of Independent Business.