

# FINAL BILL REPORT

## ESSB 5261

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### C 303 L 08

Synopsis as Enacted

**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).

#### **Senate Committee on Health & Long-Term Care** **House Committee on Health Care & Wellness**

**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.

**Summary:** The Insurance Commissioner may disapprove rates for the individual market if the rates are unreasonable in relation to the benefits provided. Rates modified on or after July 1, 2008, may not be used until 60 days after they are filed. If the rates are not disapproved within 60 days, the rate filing is deemed approved. A declination rate is defined to mean the percentage of the total number of applicants for individual health benefit plans received in the aggregate by each insurer that are not accepted for enrollment based on the results of the standard health questionnaire. The minimum loss-ratio requirement for insurers remains 72 percent (74 percent minus the 2 percent premium tax); however, the loss-ratio requirement for calculation of the remittance is determined by a sliding-scale loss-ratio that is tied to the number of people each carrier declines for coverage:

<b>Actual Declination Rate</b>	<b>Loss Ratio</b>
Under 6%	74%
6% or more (but less than 7%)	75%
7% or more (but less than 8%)	76%

8% or more

77%

The Office of Insurance Commissioner (OIC) must explore the feasibility of entering into a multistate compact for individual health coverage, and report the findings and recommendations to the Legislature by December 1, 2008.

The OIC authority to review and disapprove rates expires January 1, 2012.

**Votes on Final Passage:**

Senate	31	18	
House	68	26	(House amended)
Senate	29	17	(Senate concurred)

**Effective:** June 12, 2008