

SENATE BILL REPORT

ESSB 5261

As Amended by House, 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: 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 & Long-Term Care: 2/01/07, 2/08/07 [DP, DNP]; 1/17/08, 1/24/08[DPS, DNP].

Passed Senate: 3/09/07, 29-18; 1/30/08, 31-18.

SENATE COMMITTEE ON HEALTH & LONG-TERM CARE

Majority Report: That Substitute Senate Bill No. 5261 be substituted therefor, and the substitute bill do pass.

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; Carrell and Parlette.

Staff: Mich'l Needham (786-7442)

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

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percent premium tax), the carrier must remit the difference to the Washington State Health Insurance Pool (WSHIP).

Summary of Engrossed Substitute 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.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony on Engrossed Bill: PRO: The bill restores the authority for the commissioner to review rates for the individual market and verify that the rate request is justified, using standards of the American Academy of Actuaries. The rates would be filed and used and not require prior approval to use, but if there was concern the rate increase was not appropriate, the commissioner could ask for further information from the carrier. There is concern that no one is looking at the rates charged to individuals unlike those in the group markets.

CON: The bill does not do anything to impact the real problem with affordability, driven by medical costs that are increasing rapidly. Artificially holding down premiums may make the problems with the individual market worse. The 1990's subjective review lead to costly legal battles and delays in appropriate premium pricing. The legislative changes made in 2000 reinvigorated the individual market and have only been in place eight years. Changing them now may have unintended consequences.

Persons Testifying: PRO: Mike Kreidler, Insurance Commissioner; Beth Berendt, Deputy Insurance Commissioner; Bill Daley, Washington Community Action Network; Mike Husbey, consumer; Kent Davis, Washington Health Security Coalition.

CON: Jeff Rowe, Lifewise and Premera; Donna Stewart, Association of Washington Businesses; Nancy Ellison, Regence Blue Shield; Mel Sorensen, America's Health Insurance Plans.

House Amendment(s): Requires the Office of the Insurance Commissioner (OIC) to explore the feasibility of entering into a multistate compact for individual health insurance coverage. The OIC must report their findings and recommendations by December 1, 2008. Technical corrections are inserted to modify references to health insurance plans with their statutory license as a health maintenance organization or health care service contractor. If the Insurance Commissioner does not disapprove a rate filing within 60 days, the filing must be approved.