

SENATE BILL REPORT

ESB 5261

As Reported By Senate Committee On:
Health & Long-Term Care, January 24, 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: 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.

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

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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).

Summary of Bill (Recommended Substitute): The Insurance Commissioner may disapprove rates for the individual market. Rates may be filed and used after 60 days. The minimum loss ratio is increased to 75 percent (77 percent minus the 2 percent premium tax). The Commissioner's authority to disapprove rates terminates January 1, 2012.

EFFECT OF CHANGES MADE BY HEALTH & LONG-TERM CARE COMMITTEE (Recommended Substitute): Technical corrections were made to the Engrossed Bill ensuring consistency throughout the bill, and a sunset of the Commissioner's authority to disapprove rates was added.

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.