

# SENATE BILL REPORT

## SB 5712

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As Reported By Senate Committee On:  
Health & Long-Term Care, February 22, 2007  
Ways & Means, March 5, 2007

**Title:** An act relating to the Washington state health insurance pool.

**Brief Description:** Revising provisions for the Washington state health insurance pool.

**Sponsors:** Senator Parlette.

**Brief History:**

**Committee Activity:** Health & Long-Term Care: 2/01/07, 2/22/07 [DPS-WM].  
Ways & Means: 2/28/07, 3/05/07 [DP2S].

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### SENATE COMMITTEE ON HEALTH & LONG-TERM CARE

**Majority Report:** That Substitute Senate Bill No. 5712 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Keiser, Chair; Franklin, Vice Chair; Pflug, Ranking Minority Member; Carrell, Fairley, Kastama, Kohl-Welles, Marr and Parlette.

**Staff:** Mich'l Needham (786-7442)

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** That Second Substitute Senate Bill No. 5712 be substituted therefor, and the second substitute bill do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Pridemore, Vice Chair, Operating Budget; Zarelli, Ranking Minority Member; Brandland, Carrell, Fairley, Hatfield, Hewitt, Hobbs, Honeyford, Keiser, Kohl-Welles, Oemig, Parlette, Rasmussen, Regala, Roach, Rockefeller, Schoesler and Tom.

**Staff:** Elaine Deschamps (786-7441)

**Background:** The Washington State Health Insurance Pool (WSHIP) is a nonprofit entity created by the Legislature to provide health coverage to those denied coverage in the individual market. It is governed by a ten member board of directors, including two consumer representatives, four carrier representatives, and one member each representing health care providers, health insurance agents, small employers, and large employers. The Insurance Commissioner is a non-voting member.

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*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.*

Approximately 3,000 people are currently enrolled in WSHIP, many of whom have chronic health conditions. The benefit coverage available to pool enrollees is outlined in statute, including a lifetime maximum benefit of one million dollars. Benefit policies offered by the pool are required to be renewable, including Medicare wrap-around policies designed prior to Medicare Part D drug benefit coverage.

WSHIP is funded by enrollee premiums and assessments of all insurance carriers licensed to offer health benefits under Title 48 RCW, as well as the Washington State self-insured plan offered through the Health Care Authority. Thirty-three states have high risk pools, the majority of which are funded through a variety of assessments on insurance carriers. For the first time in 2007, WSHIP is expected to receive federal funds (\$2.4 million) to offset losses.

**Summary of Bill:** WSHIP may offer at least one policy which closely resembles benefits available in the private, individual market. The pool must contract with organizations to provide care management for chronically ill enrollees, and eligible enrollees are required to participate. The pool may discontinue benefit policies if they provide 90 days notice to enrollees and information on other products offered by the pool.

A 30 percent premium reduction is available to those with family income less than 250 percent of the federal poverty level, and 15 percent premium reduction is available for those with family income between 251 percent and 300 percent of the federal poverty level.

The calculation for determining that the assessment has reached the statutory threshold of 70 seventy cents per person per month is determined by dividing the total amount of assessment by the proportion of assessed members. Stop-loss members are counted as one-tenth of fully insured members.

Persons enrolled in publicly funded medical assistance programs are deemed ineligible for the pool. The WSHIP Board must conduct an independent analysis of the eligibility standards with consideration of the impacts on the pool and the state budget. A report is due to the Legislature December 1, 2007.

Civil and criminal liability protection is provided to the board of directors, employees, and others.

A five million dollar appropriation is made from the General Fund-State to cover deficits in excess of the threshold.

**EFFECT OF CHANGES MADE BY RECOMMENDED SUBSTITUTE AS PASSED COMMITTEE (Health & Long-Term Care):** Additional changes to WSHIP are inserted including: encouraging, rather than requiring, participation in chronic care programs; increasing the lifetime maximum benefit to \$2 million from \$1 million; restoring original statutory language on eligibility; increasing the catastrophic plan deductible and out-of-pocket maximum to reflect inflation; and adding access to the Health Care Authority provider networks for WSHIP.

**EFFECT OF CHANGES MADE BY RECOMMENDED SECOND SUBSTITUTE AS PASSED COMMITTEE (Ways & Means):** An emergency clause that the bill takes effect immediately is added, and the \$5 million appropriation is removed.

**Appropriation:** \$5 million.

**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 (Health & Long-Term Care):** PRO: WSHIP needs this additional flexibility to modify benefits, improve chronic care management, and eliminate plans that are no longer appropriate. It will be helpful to offer a product that more closely resembles those available in the individual market. The WSHIP work group is considering many of these issues as well, and expecting to bring some further recommendations March 1.

OTHER: This may negatively impact stop-loss carriers.

**Persons Testifying (Health & Long-Term Care):** PRO: Senator Parlette, prime sponsor; Karen Larsen, Washington State Health Insurance Pool (WSHIP); Nancy Ellison, Regence; Carolyn Logue, National Federation of Independent Businesses.

OTHER: Jeffrey Laurence, Symetra Financial Corporation.

**Staff Summary of Public Testimony (Ways & Means):** PRO: The high-risk pool serves 3,000 enrollees as an annual cost of \$54 million—we should explore more affordable alternatives and make sure people have access to coverage. One of our WSHIP enrollees will benefit from an emergency clause as she will hit her \$1 million lifetime maximum and can continue to receive treatment with the proposal in the bill to expand the lifetime maximum to \$2 million. WSHIP has not met the needs it was intended to help because the premiums are too high; premium subsidies proposed in the bill will help.

OTHER: We hope you will incorporate more of the WSHIP workgroup recommendations.

**Persons Testifying (Ways & Means):** PRO: Senator Parlette, prime sponsor; Nancee Wildermuth, Regence Blue Shield, Aetna, Pacifi-Care; Jeanne Sather, Washington Community Action Network; Carolyn Logue, National Federation of Independent Business.

OTHER: Bill Daley, Washington Community Action Network.