SENATE BILL REPORT
SB 6574

As of January 22, 2008

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

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

Sponsors: Senator Pflug.

Brief History:
Committee Activity: Health & Long-Term Care: 1/21/08.

SENATE COMMITTEE ON HEALTH & LONG-TERM CARE

Staff: Mich'l Needham (786-7442)

Background: There are many proposals to reform health care purchasing and to expand access to insurance products across the country. One such concept has been designed as an "insurance exchange" where access to a broad array of private insurance products is available in one venue. The intent is to increase competition of private insurance products, offer broad choice of products for individuals, and ensure portability of insurance that is not tied to employment.

Summary of Bill: The Washington State Health Insurance Exchange (Exchange) is created as a not-for-profit corporation to facilitate the availability and enrollment in private health insurance plans. The program is governed by the Washington State Health Insurance Exchange Board (Board) consisting of 13 members appointed by the Governor.

Coverage through the Exchange begins January 1, 2010. Public Employees Benefits Board members and Basic Health members transition into the program effective January 1, 2010. Health insurance carriers may only sell products for individuals, small groups and association groups through the Exchange beginning January 1, 2010. Employer groups may sponsor employee coverage through the Exchange, and determine their contribution amounts. Participating employers must establish a Section 125 account for pre-tax contributions, and may offer supplemental benefits. All participants in the Exchange have full choice of the plans offered.

All insurance carriers certified by the Office of Insurance Commissioner (OIC) are eligible to participate in the Exchange. Product offerings are designed by the carriers and are not required to include most benefit mandates. All rating is based on an adjusted community rate reflecting the experience of all participants in the Exchange, and new standards for rate variation for age groups and annual rate adjustments are established. Rating may vary for any

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age group up to 425 percent of the lowest for all age groups. Annual rate adjustments may vary plus or minus 6 percent from the overall adjustment for the carrier's pool, and high deductible products may vary plus 4 percent or minus 8 percent. Variations greater than plus 6 percent or minus 8 percent are subject to a 60-day review and approval by the OIC.

A premium assistance program is established for persons with family income below 200 percent of the federal poverty level. Eligibility and administration of the premium assistance are managed by the Health Care Authority. The benchmark for the premium assistance design is based on the average benefits covered in the top three plans purchased through the individual market as of January 1, 2008. After January 1, 2010, the benchmark will be adjusted to reflect the top three subscribed plans in the Exchange.

All employers and self-employed individuals must file a statement of coverage form annually with the OIC, indicating the coverage status for each employee and their dependents, with the name of the insurance carrier. Individuals with no coverage must indicate they take full responsibility for all health care-related expenses, have forfeited their rights to their employer coverage, and have turned down enrollment in the Exchange and publicly sponsored insurance or premium subsidies. The Department of Social and Health Services must also file the statement of coverage form for all individuals receiving medical assistance.

The Washington State Institute for Public Policy must complete a study by September 1, 2011 on the potential participation in the Exchange of Medicaid and the State Children's Health Insurance Program (SCHIP) enrollees. The OIC must convene a high risk transfer pool task force with representatives from all the insurance carriers to provide recommendations on the best approaches for sharing risk of high-risk claims evenly among carriers. Recommendations are due January 1, 2009.

Appropriation: None.

Fiscal Note: Requested on January 17, 2008.

Committee/Commission/Task Force Created: Yes.

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

Staff Summary of Public Testimony: PRO: This bill promotes personal responsibility and affordability, and is similar to the Federal Employees Health Benefits Program that has been successfully operating for over thirty years, with high consumer satisfaction. This type of approach removes a barrier for part-time employees that will allow them to pool resources from multiple employers, and allow coverage to be retained if employment changes. This provides a structure that allows consumers to bring pressure on insurance carriers and create competitive change. This is a well thought out proposal. There are some concerns with the changes to required benefits and rating components.

OTHER: This is an important discussion, but there are some concerns with cost. Rising medical costs are the chief concern, and we remain cautious.

Persons Testifying: PRO: Senator Pflug, prime sponsor; Bill Daley, Washington Community Action Network.

OTHER: Donna Steward, Association of Washington Business; Mark Johnson, Washington Retail Association.