

# SENATE BILL REPORT

## ESHB 1714

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As Reported by Senate Committee On:  
Health & Long-Term Care, February 25, 2010  
Ways & Means, March 1, 2010

**Title:** An act relating to association health plans.

**Brief Description:** Concerning association health plans.

**Sponsors:** House Committee on Health Care & Wellness (originally sponsored by Representatives Cody, Morrell, Green and Moeller).

**Brief History:** Passed House: 2/10/10, 59-37.

**Committee Activity:** Health & Long-Term Care: 2/22/10, 2/25/10 [DPA-WM].  
Ways & Means: 3/01/10 [DPA(HEA)].

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

**Majority Report:** Do pass as amended and be referred to Committee on Ways & Means.

Signed by Senators Keiser, Chair; Franklin, Vice Chair; Pflug, Ranking Minority Member; Becker, Fairley, Marr, Murray and Parlette.

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

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** Do pass as amended by Committee on Health & Long-Term Care.

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

**Staff:** Steve Jones (786-7440)

**Background:** An association health plan is health insurance coverage that is offered to members of an association. The association must exist for some purpose other than to sell insurance. For example, the National Association for the Self-Employed is an association that offers a variety of discounts and benefits to its members – and one of these benefits is the opportunity to buy health insurance coverage.

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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.*

Washington State small group rules require an adjusted community rating which permits premium variation based on the following factors: age, geography, family size, and wellness activities. Age brackets must be at least five-year increments from age 20 to 65. The adjustment for an age group cannot exceed 375 percent of the lowest rate for all age groups. A wellness activity discount must reflect actuarially-justified differences in use or cost attributed to such programs. For small group plans, the pre-existing waiting period is nine months.

Large groups are experience rated. Experience rating is a rating method under which a group's recorded health care costs are analyzed and the group's premium is set partly or completely according to the group's experience. Under experience rating, sicker people are charged higher premiums and healthier people lower premiums. For large group plans the pre-existing waiting period is three months.

In Washington it is unclear whether association health plans operate under rules that apply to small group insurance products or large group insurance products. There is a lack of public transparency as to how association health plans operate, or how many people receive health care coverage through this option. It is also not possible to determine whether they are applying small group rules, large group rules, or some combination of the two.

**Summary of Bill (Recommended Amendments):** The Insurance Commissioner must gather information on the performance of the small group market and association health plan market from health carriers for the calendar years 2005 through 2008. The data must be aggregated and not identify specific small group or association health plans. The information must include: the number of persons covered through each block of business for each year; the age groups of covered persons; the enrollment by employer size for each year; calendar year earned premium and incurred claims; the number of association health plans that limit eligibility to employer groups by size or a subset of industries; and elements used in health plan rating such as claims, employer size, or health status factors. The information collected is exempt from public disclosure.

The Office of the Insurance Commissioner (OIC) is prohibited from collecting data from carriers if any rules necessary to implement the data submission have not been adopted. The commissioner must allow carriers a minimum of 90 days to submit data once carriers have received instructions.

The third-party experts that prepare the analysis and report for the OIC must submit the report directly to the appropriate committees of the Legislature and the OIC by October 1, 2011. The authority to collect the information terminates on September 30, 2011.

**EFFECT OF CHANGES MADE BY HEALTH & LONG-TERM CARE COMMITTEE (Recommended Amendments):** The OIC is prohibited from collecting data from carriers if any rules necessary to implement the data submission have not been adopted. The commissioner must allow carriers a minimum of 90 days to submit data once carriers have received instructions. The third-party experts that prepare the analysis and report for the OIC must submit the report directly to the appropriate committees of the Legislature and

the OIC. The date for the report to the Legislature is changed from July to October, and the authority to collect the information terminates is changed from June to September.

**Appropriation:** None.

**Fiscal Note:** Requested on February 16, 2010.

**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 Substitute House Bill (Health & Long-Term Care):** PRO: We support this negotiated language calling for data collection. There is a lot of history on the topic of association health plans and some difficult discussions over the years. The Commissioner has done some voluntary data calls to try and identify trends in the market place with small groups and association plans, but we feel it is necessary to have more authority to require reporting so the Legislature can assess any trends in the market.

OTHER: We are neutral on this bill with the negotiated language. Association health plans are an integral part of the market place and they successfully offer competitive products that serve small employers well. This is a fair study and the negotiated language is good. It is important to look at both markets together and put an end to the concerns and criticisms of the association products. Association products have lead to a net increase in coverage in Washington, and they are providing affordable coverage options for employers. We have an amendment request to modify the collection of data prior to adoption of final rules and to allow 90 days for data submission.

**Persons Testifying (Health & Long-Term Care):** PRO: Mary Clogston, Office of Insurance Commissioner.

OTHER: Donna Steward, Association of Washington Business; Lew McMurrin, Washington Technology Industry Association; Alejandro Alvarez, Clif Finch, Washington Alliance for Health Insurance Trust; Chris Bandoli, Regence Blue Shield.

**Staff Summary of Public Testimony on Recommended Amendments (Ways & Means):** PRO: The bill is supported by the Insurance Commissioner. The bill will produce some very useful data that were not previously available. The timeline in the bill is achievable.

**Persons Testifying (Ways & Means):** PRO: Mary Clogston, OIC.