SENATE BILL REPORT
ESHB 2875

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

Title: An act relating to health savings accounts.

Brief Description: Concerning health savings accounts.

Sponsors: House Committee on Health Care & Wellness (originally sponsored by Representatives Ericksen, Cody, Condotta, Hinkle, Herrera, Driscoll, Parker, Bailey, Green, Morrell, Kelley, Wallace, Kessler and Moeller).

Brief History: Passed House: 2/11/10, 96-1.
Committee Activity: Health & Long-Term Care: 2/24/10, 2/25/10 [DPA].

SENATE COMMITTEE ON HEALTH & LONG-TERM CARE

Majority Report: Do pass as amended.
Signed by Senators Keiser, Chair; Franklin, Vice Chair; Pflug, Ranking Minority Member; Becker, Marr, Murray and Parlette.

Staff: Mich'l Needham (786-7442)

Background: In 2003 as part of the Medicare Modernization Act, Congress authorized individuals to establish health savings accounts to work with qualifying high-deducible health coverage to help finance medical expenses. Health savings accounts are tax-free accounts set up by individuals or employers. The accounts are held by individuals, even when established and contributed to by employers. Interest earned is not taxed, and unused funds may carry over to the following year. A qualifying high-deductible health plan is one having an annual deductible of at least $1,000 for individual coverage and at least $2,000 for family coverage, with out-of-pocket costs not to exceed $5,000 for an individual and $10,000 for families. Preventive care is not subject to the annual deductible. The Internal Revenue Service rules on high-deductible health plans provide that services such as physicals, immunizations, screenings, prenatal care, and tobacco-cessation programs are covered without imposing any deductible. Preventive care also includes medication taken to prevent a disease or reoccurrence of a disease, such as taking cholesterol-lowering medications to prevent heart disease.

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.

In 2005 the Legislature enacted legislation directing the Public Employees Benefits Board (PEBB) to develop a health savings account with a high-deductible health plan as an option for public employees. As of January 2010, the PEBB has not developed such a plan.

Summary of Bill (Recommended Amendments): The Office of the Insurance Commissioner (OIC) is authorized to enter into a compact with other states for the purpose of permitting the sale of private health benefit plans across state lines for small groups. Washington is deemed the primary state for the purpose of organizing and administering the compact. Any state is eligible to become a compacting state if approved by the primary member of the compact. Carriers offering qualifying plans in Washington must comply with state laws related to market conduct, unfair trade practices, network adequacy, consumer protection standards, grievance and appeals, and fraud.

Carriers may offer health benefit plans in Washington if: the qualifying plan is approved for in the insurer's state of origin prior to being offered in the compacting state; the plan is approved as to form by one of the compacting states; the premium for the qualifying plan is approved by its state of origin; and the carrier complies with the requirements of the compact. Carriers are required to provide a side-by-side comparison explaining the difference between each qualifying plan's requirements, conditions, and benefits, compared to the requirements for health benefit plans for the compacting state.

Health carriers domiciled in other states who sell health benefit plans will comply with all requirements related to support of the Washington State Health Insurance Pool to the extent required by the commissioner. Carriers offering plans in compacting states must comply with the state regulatory assessment and the premium tax payment requirements of each compacting state as if they were admitted insurers in each compact state.

The act expires January 1, 2015.

EFFECT OF CHANGES MADE BY HEALTH & LONG-TERM CARE COMMITTEE (Recommended Amendments): The underlying bill is replaced in its entirety with language from SHB 3015 establishing an interstate compact for the sale of health benefit plans. The Insurance Commissioner is authorized to enter into a compact with other states for the purpose of permitting the sale of small group health benefit plans across state lines. The act expires January 1, 2015. The title is amended to read, an act relating to establishing an interstate compact for the sale and issue of health benefit plans; adding a new chapter to Title 48 RCW; and providing an expiration date.

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 Substitute House Bill: PRO: We've been in conversations with the Health Care Authority to resolve the issues with implementing

health savings accounts. We've been working through the difficult issues and have packaged an alternative approach to implementation. It will be a benefit to employees to have a health savings account option. We strongly support expanding access to health savings accounts. Health savings accounts offer a tool to reconnect individuals with the cost of health care and address over-utilization. Expanding health savings accounts will bring more transparency in pricing and force providers to share the information more broadly, not just with state employees. Health savings accounts offer a tool to bring individuals into decisionmaking about their health care, and provide incentives for people to use less care and shop more aggressively. Recent studies suggest that concerns about adverse selection are not proving to be as big a problem as first thought. Adverse selection shouldn't be an issue because the state can deal with the cross subsidies throughout the program.

CON: We have serious concerns with health savings accounts and believe they do not control costs but shift costs onto enrollees. The designs leave significant out-of-pocket expense on enrollees and they will forgo necessary treatment. The designs also attract a younger, healthier population leaving the older, sicker employees in traditional plans with spiraling costs. The PEBB plans are already facing difficult economic challenges and this is not the time to create a new program. The implementation burden will drive up administrative costs and divert attention and resources from providing high quality plans.

OTHER: We've developed a different implementation approach with the prime sponsor, that focuses on developing a pass-through approach rather than developing a program fully integrated into the payroll systems. For the state employees alone, there are seven different payroll systems to interface with, and in the past discussions about a fully integrated model the systems costs were quite prohibitive, and the Legislature never authorized funding. The approach assumed here includes a limited focus on developing a pass-through of employer money into the health savings account, where the vendor will then put money in the actual health savings account. This approach is not directly connected with the payroll systems, and as a result the cost reflected in the fiscal note is only a portion of past cost estimates, and it reflects consultant costs and the development of educational materials and communication materials to bring in a completely new product.

Persons Testifying: PRO: Representative Ericksen, prime sponsor; Donna Steward, Association of Washington Business; Kriss Sjoblum, Washington Research Council.

CON: Greg Devereaux, Washington Federation of State Employees.

OTHER: Dennis Martin, Health Care Authority.