

SENATE BILL REPORT

SB 6812

As of February 3, 2010

Title: An act relating to authorizing health carriers to offer plans equivalent to the basic health plan.

Brief Description: Authorizing health carriers to offer plans equivalent to the basic health plan.

Sponsors: Senators Pflug and Parlette.

Brief History:

Committee Activity: Health & Long-Term Care: 2/01/10, 2/03/10.

SENATE COMMITTEE ON HEALTH & LONG-TERM CARE

Staff: Mich'l Needham (786-7442)

Background: The state Health Care Authority (HCA) administers the Basic Health program for individuals with family income below 200 percent of the federal poverty level. The program was created by the 1987 Legislature as a pilot program and expanded statewide in 1993. Health plan coverage is available through contracted private sector managed care plans. The subsidized program is available with a sliding scale premium contribution and currently serves 72,000 individuals in the traditional subsidized program. The program received a significant budget reduction for the 2009-2011 biennial budget and new individuals are not being enrolled. The waiting list of interested individuals has grown to over 90,000.

The Basic Health program offered a non-subsidized program through 2002, that was available to individuals without any state subsidy. The program design and other insurance market conditions made the program unattractive to insurance carriers and they have opted not to bid on the product since 2002. The 2007 Legislature modified the statutory structure of the non-subsidized program to allow the use of the standard health screening questionnaire used in the individual market, and the HCA has updated a benefit package for a possible non-subsidized program that would be available to those on the waiting list. The HCA is scheduled to release a public Request for Proposals (RFP) in early February, to allow all interested carriers to submit a bid for the non-subsidized Basic Health package. The goal is to have a program available by July 1, 2010.

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.

The proposed benefit package for the non-subsidized Basic Health program includes the same covered benefits as the subsidized Basic Health program, except for a separate \$5,000 deductible on maternity benefits if delivery occurs within the first six months of enrollment, a 30 percent co-insurance for in-patient hospital facility charges, and a maximum annual benefit level of \$75,000. The framework for the covered services in Basic Health is established in HCA statute. The program is exempt from much of the insurance law in Title 48, but must comply with the consumer protections established in the patient bill of rights, premium tax payments and assessments for the high risk pool.

Summary of Bill: Health insurance carriers may offer a health benefit plan that is actuarially equivalent to the same schedule of covered benefits established for the Basic Health non-subsidized program. Health insurance carriers are exempt from Title 48 insurance law except those areas required for the Basic Health program, which include the patient bill of rights, premium tax payments and assessments for the high risk pool.

Appropriation: None.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.

Effective Date: The bill contains an emergency clause and takes effect immediately.

Staff Summary of Public Testimony: PRO: This is an issue of leveling the playing field for insurance carriers and providing them the opportunity to offer the same option that the HCA may offer. We have tried for a number of years to allow the carriers to create a special product for the young adults that would be free of some of the insurance mandates. It is not fair for the state to offer a product and not allow the carriers an opportunity to compete for that business. Carriers should have the chance to offer the same type of product and do it more efficiently as a basic market competition issue. Insurers have the experience, expertise, and structure to offer a product in competition with, or in lieu of, a product from Basic Health. Carriers want to offer a limited benefit plan and have the flexibility to design an attractive benefit plan. We support offering something to those on the waiting list for Basic Health. Hospice and homecare benefits are covered in the Basic Health benefits now and we support opportunities to recognize hospice and homecare as cost effective alternatives to hospital care. Although the bill would not require carriers to include them, we expect the carriers would continue to recognize the efficiency of offering these benefits.

CON: There are not adequate protections in the bill to ensure that people would have access to cancer screenings and the coverage they really need if they get cancer. The bill does not ensure that current mandates the Legislature has put in place would continue to be available for consumers. The requirement to include every category of provider is important to protect. The current Basic Health benefit structure does not follow the Title 48 requirements for chiropractic services - the benefit is very limited. Basic Health should be required to follow the Title 48 insurance requirements.

OTHER: The HCA is proposing to offer a mini-medical product, one that would not meet current insurance requirements. Allowing the state to offer such a product will send a

message that the state is endorsing a lower standard. HCA has not been willing to consider other options like Lyfe Systems that can provide portable, affordable coverage. The bill is not clear if it applies to the individual or small group products, although we believe it is the intent to address individual plans; so, clarifying language may be needed. The actuarial equivalency raises a concern since it leaves the benefit structure completely open. The blanket exemption from Title 48 for carriers is a concern. Although Basic Health is exempt from Title 48 it is regulated by the HCA and their statutory structure. The mini-medical benefit design contemplated here would turn the individual insurance market on its head and leave people bare if they have a significant illness or traumatic event that pushes them over the maximum benefits. There could be unintended consequences on the market with adverse risk and an unbalanced marketplace. A mini-medical product with a catastrophic plan like that proposed by the Commissioner would provide better protection, for very little additional cost.

Persons Testifying: PRO: Senator Pflug, prime sponsor; Senator Parlette, co-sponsor; Mel Sorenson, Washington Association of Health Underwriters; Ross Baker, Regence Blue Shield; Lisa Butler, Washington State Hospice Organization, Homecare Association of Washington.

CON: Erin Dziedzic, American Cancer Society; Leslie Emerick, Washington Acupuncture, Asian Medicine Association; Lori Bielinski, Washington State Chiropractic Association; Melanie Stewart, Washington Podiatric Medical Association, Licensed Mental Health Counselors, Massage Therapists.

OTHER: Randy Ray, Lyfe Systems; Mary Clogston, Barbara Flye, Office of Insurance Commissioner.