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**SUBSTITUTE SENATE BILL 6607**

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**State of Washington**

**61st Legislature**

**2010 Regular Session**

**By** Senate Health & Long-Term Care (originally sponsored by Senators Hobbs, Pflug, and Keiser)

READ FIRST TIME 02/05/10.

1        AN ACT Relating to premium changes and annual deductible periods  
2        for individual health coverage; amending RCW 48.44.022, 48.46.063, and  
3        48.20.028; and creating a new section.

4        BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5        NEW SECTION.    **Sec. 1.**    The legislature recognizes that it is  
6        confusing for individuals to receive annual premium changes midyear  
7        while annual deductible periods are on a calendar year basis. It is  
8        the intent of the legislature that individuals purchasing insurance  
9        have the opportunity to understand what they are purchasing, and that  
10       annual premium changes and annual deductible periods coincide where  
11       possible to ensure individuals have the fewest possible changes in  
12       their health plans.

13       **Sec. 2.**    RCW 48.44.022 and 2006 c 100 s 3 are each amended to read  
14       as follows:

15       (1) Except for health benefit plans covered under RCW 48.44.021,  
16       premium rates for health benefit plans for individuals shall be subject  
17       to the following provisions:

1 (a) The health care service contractor shall develop its rates  
2 based on an adjusted community rate and may only vary the adjusted  
3 community rate for:

- 4 (i) Geographic area;
- 5 (ii) Family size;
- 6 (iii) Age;
- 7 (iv) Tenure discounts; and
- 8 (v) Wellness activities.

9 (b) The adjustment for age in (a)(iii) of this subsection may not  
10 use age brackets smaller than five-year increments which shall begin  
11 with age twenty and end with age sixty-five. Individuals under the age  
12 of twenty shall be treated as those age twenty.

13 (c) The health care service contractor shall be permitted to  
14 develop separate rates for individuals age sixty-five or older for  
15 coverage for which medicare is the primary payer and coverage for which  
16 medicare is not the primary payer. Both rates shall be subject to the  
17 requirements of this subsection.

18 (d) The permitted rates for any age group shall be no more than  
19 four hundred twenty-five percent of the lowest rate for all age groups  
20 on January 1, 1996, four hundred percent on January 1, 1997, and three  
21 hundred seventy-five percent on January 1, 2000, and thereafter.

22 (e) A discount for wellness activities shall be permitted to  
23 reflect actuarially justified differences in utilization or cost  
24 attributed to such programs.

25 (f) The rate charged for a health benefit plan offered under this  
26 section may not be adjusted more frequently than annually except that  
27 the premium may be changed to reflect:

- 28 (i) Changes to the family composition;
- 29 (ii) Changes to the health benefit plan requested by the  
30 individual; or
- 31 (iii) Changes in government requirements affecting the health  
32 benefit plan.

33 (g) For the purposes of this section, a health benefit plan that  
34 contains a restricted network provision shall not be considered similar  
35 coverage to a health benefit plan that does not contain such a  
36 provision, provided that the restrictions of benefits to network  
37 providers result in substantial differences in claims costs. This

1 subsection does not restrict or enhance the portability of benefits as  
2 provided in RCW 48.43.015.

3 (h) A tenure discount for continuous enrollment in the health plan  
4 of two years or more may be offered, not to exceed ten percent.

5 (2) Adjusted community rates established under this section shall  
6 pool the medical experience of all individuals purchasing coverage,  
7 except individuals purchasing coverage under RCW 48.44.021, and shall  
8 not be required to be pooled with the medical experience of health  
9 benefit plans offered to small employers under RCW 48.44.023.

10 (3) As used in this section and RCW 48.44.023 "health benefit  
11 plan," "small employer," "adjusted community rates," and "wellness  
12 activities" mean the same as defined in RCW 48.43.005.

13 (4) For all health benefit plans issued or renewed on or after  
14 January 1, 2013, the annual premium change must begin in January for  
15 the calendar year so that the annual deductible and premiums align.

16 **Sec. 3.** RCW 48.46.063 and 2006 c 100 s 6 are each amended to read  
17 as follows:

18 (1) Premiums for health benefit plans for individuals who purchase  
19 the plan as a member of a purchasing pool:

20 (a) Consisting of five hundred or more individuals affiliated with  
21 a particular industry;

22 (b) To whom care management services are provided as a benefit of  
23 pool membership; and

24 (c) Which allows contributions from more than one employer to be  
25 used towards the purchase of an individual's health benefit plan;  
26 shall be calculated using the adjusted community rating method that  
27 spreads financial risk across the entire purchasing pool of which the  
28 individual is a member. Such rates are subject to the following  
29 provisions:

30 (i) The health maintenance organization shall develop its rates  
31 based on an adjusted community rate and may only vary the adjusted  
32 community rate for:

- 33 (A) Geographic area;
- 34 (B) Family size;
- 35 (C) Age;
- 36 (D) Tenure discounts; and
- 37 (E) Wellness activities.

1 (ii) The adjustment for age in (c)(i)(C) of this subsection may not  
2 use age brackets smaller than five-year increments which shall begin  
3 with age twenty and end with age sixty-five. Individuals under the age  
4 of twenty shall be treated as those age twenty.

5 (iii) The health maintenance organization shall be permitted to  
6 develop separate rates for individuals age sixty-five or older for  
7 coverage for which medicare is the primary payer, and coverage for  
8 which medicare is not the primary payer. Both rates are subject to the  
9 requirements of this subsection.

10 (iv) The permitted rates for any age group shall be no more than  
11 four hundred twenty-five percent of the lowest rate for all age groups  
12 on January 1, 1996, four hundred percent on January 1, 1997, and three  
13 hundred seventy-five percent on January 1, 2000, and thereafter.

14 (v) A discount for wellness activities shall be permitted to  
15 reflect actuarially justified differences in utilization or cost  
16 attributed to such programs.

17 (vi) The rate charged for a health benefit plan offered under this  
18 section may not be adjusted more frequently than annually except that  
19 the premium may be changed to reflect:

20 (A) Changes to the family composition;

21 (B) Changes to the health benefit plan requested by the individual;

22 or

23 (C) Changes in government requirements affecting the health benefit  
24 plan.

25 (vii) For the purposes of this section, a health benefit plan that  
26 contains a restricted network provision shall not be considered similar  
27 coverage to a health benefit plan that does not contain such a  
28 provision, provided that the restrictions of benefits to network  
29 providers result in substantial differences in claims costs. This  
30 subsection does not restrict or enhance the portability of benefits as  
31 provided in RCW 48.43.015.

32 (viii) A tenure discount for continuous enrollment in the health  
33 plan of two years or more may be offered, not to exceed ten percent.

34 (2) Adjusted community rates established under this section shall  
35 not be required to be pooled with the medical experience of health  
36 benefit plans offered to small employers under RCW 48.46.066.

37 (3) As used in this section and RCW 48.46.066, "health benefit

1 plan," "adjusted community rates," "small employer," and "wellness  
2 activities" mean the same as defined in RCW 48.43.005.

3 (4) For all health benefit plans issued or renewed on or after  
4 January 1, 2013, the annual premium change must begin in January for  
5 the calendar year so that the annual deductible and premiums align.

6 **Sec. 4.** RCW 48.20.028 and 2006 c 100 s 1 are each amended to read  
7 as follows:

8 (1) Premiums for health benefit plans for individuals shall be  
9 calculated using the adjusted community rating method that spreads  
10 financial risk across the carrier's entire individual product  
11 population, except the individual product population covered under RCW  
12 48.20.029. All such rates shall conform to the following:

13 (a) The insurer shall develop its rates based on an adjusted  
14 community rate and may only vary the adjusted community rate for:

- 15 (i) Geographic area;  
16 (ii) Family size;  
17 (iii) Age;  
18 (iv) Tenure discounts; and  
19 (v) Wellness activities.

20 (b) The adjustment for age in (a)(iii) of this subsection may not  
21 use age brackets smaller than five-year increments which shall begin  
22 with age twenty and end with age sixty-five. Individuals under the age  
23 of twenty shall be treated as those age twenty.

24 (c) The insurer shall be permitted to develop separate rates for  
25 individuals age sixty-five or older for coverage for which medicare is  
26 the primary payer and coverage for which medicare is not the primary  
27 payer. Both rates shall be subject to the requirements of this  
28 subsection.

29 (d) The permitted rates for any age group shall be no more than  
30 four hundred twenty-five percent of the lowest rate for all age groups  
31 on January 1, 1996, four hundred percent on January 1, 1997, and three  
32 hundred seventy-five percent on January 1, 2000, and thereafter.

33 (e) A discount for wellness activities shall be permitted to  
34 reflect actuarially justified differences in utilization or cost  
35 attributed to such programs not to exceed twenty percent.

36 (f) The rate charged for a health benefit plan offered under this

1 section may not be adjusted more frequently than annually except that  
2 the premium may be changed to reflect:

3 (i) Changes to the family composition;  
4 (ii) Changes to the health benefit plan requested by the  
5 individual; or

6 (iii) Changes in government requirements affecting the health  
7 benefit plan.

8 (g) For the purposes of this section, a health benefit plan that  
9 contains a restricted network provision shall not be considered similar  
10 coverage to a health benefit plan that does not contain such a  
11 provision, provided that the restrictions of benefits to network  
12 providers result in substantial differences in claims costs. This  
13 subsection does not restrict or enhance the portability of benefits as  
14 provided in RCW 48.43.015.

15 (h) A tenure discount for continuous enrollment in the health plan  
16 of two years or more may be offered, not to exceed ten percent.

17 (2) Adjusted community rates established under this section shall  
18 pool the medical experience of all individuals purchasing coverage,  
19 except individuals purchasing coverage under RCW 48.20.029, and shall  
20 not be required to be pooled with the medical experience of health  
21 benefit plans offered to small employers under RCW 48.21.045.

22 (3) As used in this section, "health benefit plan," "adjusted  
23 community rate," and "wellness activities" mean the same as defined in  
24 RCW 48.43.005.

25 (4) This section shall not apply to premiums for health benefit  
26 plans covered under RCW 48.20.029.

27 (5) For all health benefit plans issued or renewed on or after  
28 January 1, 2013, the annual premium change must begin in January for  
29 the calendar year so that the annual deductible and premiums align.

30 NEW SECTION. Sec. 5. The insurance commissioner may adopt rules  
31 to implement this act.

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