

# HOUSE BILL REPORT

## SHB 1560

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### As Passed Legislature

**Title:** An act relating to the health insurance partnership.

**Brief Description:** Concerning the health insurance partnership.

**Sponsors:** House Committee on Health Care & Wellness (originally sponsored by Representatives Cody and Jinkins).

#### **Brief History:**

##### **Committee Activity:**

Health Care & Wellness: 2/7/11, 2/10/11 [DPS].

##### **Floor Activity:**

Passed House: 3/4/11, 56-41.

Senate Amended.

Passed Senate: 4/9/11, 31-18.

House Concurred.

Passed House: 4/18/11, 56-42.

Passed Legislature.

#### **Brief Summary of Substitute Bill**

- Eliminates the requirement for participation in the Health Insurance Partnership that small employers establish a cafeteria plan to allow employees to use pretax dollars for health benefit premiums.

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### HOUSE COMMITTEE ON HEALTH CARE & WELLNESS

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 7 members: Representatives Cody, Chair; Jinkins, Vice Chair; Clibborn, Green, Kelley, Moeller and Van De Wege.

**Minority Report:** Do not pass. Signed by 4 members: Representatives Schmick, Ranking Minority Member; Hinkle, Assistant Ranking Minority Member; Bailey and Harris.

**Staff:** Chris Blake (786-7392).

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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.*

**Background:**

The Health Care Authority administers the Health Insurance Partnership (HIP). The HIP offers premium subsidies to the employees of small employers who employ mostly low-wage workers. Specifically, the small employer must (1) not currently offer insurance benefits, (2) have no more than 50 employees, and (3) at least half of the employer's workforce must consist of low-wage workers. To participate in the HIP, the small employer must enroll at least 75 percent of its employees and contribute at least 40 percent of the cost of premiums. In addition, the employer must establish a cafeteria plan that allows employees to use pretax dollars to pay their share of the health benefit plan premium. Employees of participating small employers may be eligible for a subsidy for their portion of the premiums if they are Washington residents and they have a family income that is less than 200 percent of the Federal Poverty Level. Subsidies are to be based upon a sliding scale depending on income.

The HIP was created by the Legislature in 2007 and was originally due to begin accepting applications on January 1, 2009. In 2009 the program was suspended until January 1, 2011, subject to available funding. In August 2009 the federal government approved a five-year grant to the Health Care Authority, through the Office of Financial Management, which would begin funding subsidies from January 1, 2011 through 2014. Enrollment in the plan began on September 1, 2010, and coverage began on January 1, 2011.

**Summary of Substitute Bill:**

The eligibility requirement for the Health Insurance Partnership (HIP) that a small employer must not currently offer health insurance is expanded to also require that the small employer not have offered insurance for the previous six months. The requirement for participation in the HIP that a small employer establish a cafeteria plan that allows employees to use pretax dollars for health benefit plan premiums is eliminated.

It is clarified that funding for the HIP may come from federal sources.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.

**Staff Summary of Public Testimony:**

(In support) This bill removes several administrative barriers for enrollment in the Health Insurance Partnership (HIP). Removing the low-wage worker requirement makes enrollment simpler for employers without compromising the integrity of the program. Establishing a section 125 plan adds cost and time to employers who want to enroll and can affect the ability of low-wage enrollees to receive the federal earned income tax credit. Increasing the subsidy level to 300 percent can help employees who may be on the border of being able to afford their premium share.

(In support with concerns) The HIP has helped to explore some of the fundamental issues regarding exchanges and how to offer meaningful assistance to small employers who want to offer coverage to their employees. Many of the changes in this bill align the pilot with the changes coming with health reform in 2014. It is a good idea to open up the HIP to as many people as possible, especially in light of the possible changes to the Basic Health Program.

(Opposed) The HIP sends the message that those who have been conscientious enough to provide health care to their employees will be penalized by having the state subsidize their competitors with their tax dollars. It is wrong to penalize the good employers. The goals of the HIP have been lost because of HIP Board decisions and statutory restrictions, such as not having a look-back period and preventing the lowest cost plans from being available under the HIP. Until there is enough funding to cover all low-income workers, the 200 percent Federal Poverty Level provision should be kept. This bill asks employers to take a leap of faith that the funding will remain in the future. There is no flexibility, portability, or choice in the HIP. The bill changes requirements that were established to help low-income employees of small employers.

**Persons Testifying:** (In support) Beth Walter, Health Insurance Partnership.

(In support with concerns) Karen Merrikin, Group Health Cooperative.

(Opposed) Clif Finch, Washington Alliance for Healthcare Insurance Trust; Patrick Connor, National Federation of Independent Business; and Mel Sorensen, Washington Association of Health Underwriters and National Association of Insurance and Financial Advisors.

**Persons Signed In To Testify But Not Testifying:** None.