

# SENATE BILL REPORT

## ESHB 1220

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As of March 21, 2011

**Title:** An act relating to regulating insurance rates.

**Brief Description:** Regulating insurance rates.

**Sponsors:** House Committee on Health Care & Wellness (originally sponsored by Representatives Rolfes, Cody, Appleton, Frockt, Hinkle, Liias, Fitzgibbon, Jinkins, Hunt, Van De Wege, Moeller and Kenney; by request of Insurance Commissioner).

**Brief History:** Passed House: 3/04/11, 57-40.

**Committee Activity:** Health & Long-Term Care: 3/16/11, 3/17/11.

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

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

**Background:** The Office of the Insurance Commissioner (OIC) has the authority to regulate health insurance companies in Washington. As part of this authority, the OIC has the authority to review insurance rates in both the individual and small group markets. Insurers are required to file their individual and group rates with the OIC. The OIC may disapprove the rates if they are unreasonable in relation to the benefits in the agreement. The OIC also reviews individual and small group market insurers for compliance with statutory requirements such as adjusted community rating and medical loss ratios (for purposes of determining remittances to the Washington State Health Insurance Pool).

An insurance filing is open to public inspection and copying except for actuarial formulae, statistics, and assumptions submitted in support of the filing.

Insurance carriers offering health plans to small groups require 75 percent of eligible employees to participate in the group insurance, except for groups of three or fewer where 100 percent of eligible employees must participate. The percentage of the employer contribution toward the insurance is not established in statute, but traditionally carriers require small employers contribute 75 percent of the employee premium. The Health Insurance Partnership program, administered by the Health Care Authority, established a requirement for participating small employers to contribute at least 40 percent of the eligible employee's total premium obligation with the requirement that 75 percent of eligible employees participate in the program.

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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.*

**Summary of Bill:** The entirety of a rate filing submitted by a health carrier in the individual or small group market is available for public inspection, except for the numeric values of each rating factor used in the rate filing.

An exception to this general rule is created for new products. The actuarial formulae, statistics, and assumptions associated with an individual or small group market rate filing remain confidential for new products that are distinct and unique from a health carrier's currently or previously offered plans. A health carrier must make a written request to the Insurance Commissioner, which must be approved in writing in order for this exception to apply. This exception lasts for one year or the date of the next filing, whichever occurs first.

The Insurance Commissioner must make any non-confidential rate filing information available ten days after the Insurance Commissioner determines that the filing is complete and accepts the filing through the electronic rate and form filing system.

The Insurance Commissioner must develop a rate disclosure summary in language easily understood by the public that allows carriers to explain the relationship between premium and health care cost drivers. The rate disclosure summary form must contain the following information: (1) annual rate increases for the past three years, (2) rate increases attributed to mandated changes, (3) the number of members impacted by the rate, (4) the impact of benefit changes on the rate, (5) the filed health care trend, (6) the projected medical loss ratio for the rating period, (7) the top three drivers contributing to the change in premiums, and (8) other information added to the summary form by rule that the Insurance Commissioner, in consultation with the carriers, finds reasonably necessary to help consumers understand the reasons for proposed and accepted rates. A health carrier in the individual or small group market must complete the rate disclosure summary form and submit it electronically along with each individual or small group health benefit plan rate filing.

The Insurance Commissioner must prepare a standardized rate summary form to explain his or her findings after the rate review process is completed. The Insurance Commissioner's rate summary form must be included as part of the rate filing documentation available to the public electronically.

The Insurance Commissioner must adopt rules necessary to implement these provisions, including a process for updating the rate disclosure summary forms. The Insurance Commissioner must consult with carriers and consumers when developing summary forms.

A new requirement is inserted for all health insurance carrier's offering health plans to small groups to prevent carriers from requiring an employer pay more than 40 percent of the employee's premium.

**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:** PRO: Health insurance is one of the largest expenses for individuals, and rate increases draw a great deal of interest; but we are prevented from sharing any detail on the rate filing when people request more information. It is important to provide some transparency and allow individuals to understand what is driving their rates. There has been some good negotiation and now two of the three large insurance carriers are supportive of this bill. However, a floor amendment was added that has nothing to do with transparency and we do not support that addition. The new language would destabilize the fragile small-group market and pass a lot of cost to employees, which in turn could force employees to drop coverage, and groups may not be able to meet the participation requirements and have to drop coverage for the whole group. We strongly support promoting consumer education and providing a chance for consumers to review the cost drivers. The next step may be providing transparency in more health care areas beyond insurance, for hospitals, providers, pharmacies, etc. The summary called for in the bill will be helpful in providing consumer education in an easy to understand format. We support the language added on the floor as an attempt to address the potential expansion of the Health Insurance Partnership (HIP). Their board has allowed employers to contribute only 40 percent of the premium and this is an attempt to level the playing field for all employers. The small-group market is the only segment where carriers require employers contribute 75 percent of the premium. The new language sets a minimum contribution requirement for employers not a cap or ceiling.

CON: We have concerns about section 2, the floor amendment, that added reference to employers paying 40 percent of premiums. It may be well intended but it will destabilize the small-group marketplace and have negative impacts for employees. The young and healthy will be more likely to disenroll from coverage if they have to pay upwards of 60 percent of the premium, and the more costly people will stay in coverage. This language is of deep concern to agents and brokers. We support the idea of transparency, but this bill is not needed. There will be new federal requirements this summer to share information on rate increases above a certain threshold. This bill may create redundant reporting and confusing reporting where it may be different from the federal standards. We also share the concerns with the floor amendment and the change to employer contribution requirements; it will create adverse risk selection.

OTHER: Consumers should begin to learn what's behind the cost increases, for all parts of health care like hospitals, providers, pharmacies, etc. – not just insurance. It is in everyone's best interest if consumers begin to understand more about what drives health care costs.

**Persons Testifying:** PRO: Representative Rolfes, prime sponsor; Commissioner Mike Kriedler, Insurance Commissioner; Joe King, Group Health Cooperative; Chris Bandoli, Regence Blue Shield; Sofia Aragon, Washington State Nurses Association; Sharon Ness, United Food and Commercial Workers 141; Ellie Menzies, Service Employees International Union 1199 NW and 775, Washington State Labor Council; Patrick Connor, National Federation of Independent Business; Don Conant, Valley Nut and Bolt.

CON: Mel Sorensen, Washington Association of Health Underwriters, National Alliance of Insurance and Finance Advisors; Len Sorrin, Premera Blue Cross.

OTHER: Sydney Smith Zvara, Association of Washington Healthcare Plans.