

# SENATE BILL REPORT

## SHB 1560

---

---

As Reported by Senate Committee On:  
Health & Long-Term Care, March 21, 2011

**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:** Passed House: 3/04/11, 56-41.

**Committee Activity:** Health & Long-Term Care: 3/14/11, 3/21/11 [DPA, DNP, w/oRec].

---

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

**Majority Report:** Do pass as amended.

Signed by Senators Keiser, Chair; Conway, Vice Chair; Kline, Murray and Pridemore.

**Minority Report:** Do not pass.

Signed by Senators Becker, Ranking Minority Member; Parlette and Pflug.

**Minority Report:** That it be referred without recommendation.

Signed by Senator Carrell.

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

**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. To be eligible, the small employer must not currently offer insurance benefits, have no more than 50 employees, and 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 based upon a sliding scale depending on income, similar to the Basic Health plan.

---

*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 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, to fund 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 Bill (Recommended Amendments):** The requirement for qualifying for the HIP that at least half of a participating small employer's workforce be low-wage workers is removed. The requirement that participating small employers establish a cafeteria plan that allows employees to use pretax dollars to pay for health benefit plan premiums is eliminated. It is clarified that funding for the HIP may come from federal sources.

**EFFECT OF CHANGES MADE BY HEALTH & LONG-TERM CARE COMMITTEE (Recommended Amendments):** The language removes the amendment to the underlying statute and retains the language that says an employer and the partnership may not limit an employee's choice of coverage among the health benefit plans offered through the partnership.

**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 Substitute House Bill:** PRO: This is a clean up for the HIP program. We received federal funding and have been able to move forward with coverage effective January 1 but there are some changes that will make the program more administratively simple for employers. Getting rid of the section 125 requirement makes sense since it works against low-income employees to be enrolled in a section 125 plan if they are they don't qualify for the earned income tax credit. Eliminating the eligibility tie to having 50 percent of low-wage workers will make more sense for employers. Right now the program has two conflicting requirements, low-wage workers for entry but low-income, which is based on family income, to qualify for the subsidy. It makes it very difficult for employers to figure out if their group will qualify and how many employees may qualify for subsidies which impacts their ability to meet the participation requirements. Streamlining the language will help clear up confusion for employers.

CON: The option for small employers to access a subsidy through this program has the potential of creating adverse selection impacts for the small group market. Subsidy money should only be directed to low-wage. The HIP program creates an unlevel playing field since the employer contribution can be as low as 40 percent of the premium. Employers should only be able to contribute as little as 40 percent if at least half of their employees are eligible for subsidies. It is unfair to provide a subsidy to some employers and not others. It is also unfortunate the HIP program has not allowed all interested plans like the Washington Alliance for Health Insurance Trust to offer a product in HIP – it should be open to all

qualified plans. The program should require a one-year look back to ensure the employer has not offered insurance. It is not appropriate to make structural changes to a program that might not continue past 2014.

OTHER: We continue to have strong reservations about the program since it treats businesses unequally and may encourage employers to drop coverage to get access to the subsidy for their employees. There is a 75 percent employer premium contribution in the private market and only 40 percent in HIP and this creates an unlevel playing field.

**Persons Testifying:** PRO: Representative Cody, prime sponsor; Beth Walter, Health Care Authority.

CON: Mel Sorensen, Washington Association of Health Underwriters, National Association of Insurance and Financial Advisors; Len Sorrin, Premera Blue Cross; Chris Bandoli, Regence Blue Shield; Clif Finch, Washington Alliance for Health Insurance Trust.

OTHER: Patrick Connor, National Federation of Independent Businesses.