

CERTIFICATION OF ENROLLMENT

**SUBSTITUTE HOUSE BILL 1560**

62nd Legislature  
2011 Regular Session

Passed by the House April 18, 2011  
Yeas 56 Nays 42

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**Speaker of the House of Representatives**

Passed by the Senate April 9, 2011  
Yeas 31 Nays 18

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**President of the Senate**

Approved

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**Governor of the State of Washington**

CERTIFICATE

I, Barbara Baker, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **SUBSTITUTE HOUSE BILL 1560** as passed by the House of Representatives and the Senate on the dates hereon set forth.

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**Chief Clerk**

FILED

**Secretary of State  
State of Washington**

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**SUBSTITUTE HOUSE BILL 1560**

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AS AMENDED BY THE SENATE

Passed Legislature - 2011 Regular Session

**State of Washington**                      **62nd Legislature**                      **2011 Regular Session**

**By**      House Health Care & Wellness (originally sponsored by  
Representatives Cody and Jenkins)

READ FIRST TIME 02/16/11.

1            AN ACT Relating to the health insurance partnership; and amending  
2      RCW 70.47A.020, 70.47A.030, 70.47A.050, and 70.47A.110.

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

4            **Sec. 1.** RCW 70.47A.020 and 2008 c 143 s 1 are each amended to read  
5      as follows:

6            The definitions in this section apply throughout this chapter  
7      unless the context clearly requires otherwise.

8            (1) "Administrator" means the administrator of the Washington state  
9      health care authority, established under chapter 41.05 RCW.

10           (2) "Board" means the health insurance partnership board  
11      established in RCW 70.47A.100.

12           (3) "Eligible partnership participant" means a partnership  
13      participant who:

14           (a) Is a resident of the state of Washington; and

15           (b) Has family income that does not exceed two hundred percent of  
16      the federal poverty level, as determined annually by the federal  
17      department of health and human services.

18           (4) "Health benefit plan" has the same meaning as defined in RCW  
19      48.43.005.

1 (5) "Participating small employer" means a small employer that has  
2 entered into an agreement with the partnership to purchase health  
3 benefits through the partnership. To participate in the partnership,  
4 an employer must attest to the fact that (a) the employer does not  
5 currently offer health insurance to its employees and has not offered  
6 insurance for at least six months, and (b) at least fifty percent of  
7 the employer's employees are low-wage workers.

8 (6) "Partnership" means the health insurance partnership  
9 established in RCW 70.47A.030.

10 (7) "Partnership participant" means a participating small employer  
11 and employees of a participating small employer, and, except to the  
12 extent provided otherwise in RCW 70.47A.110(1)(e), a former employee of  
13 a participating small employer who chooses to continue receiving  
14 coverage through the partnership following separation from employment.

15 (8) "Small employer" has the same meaning as defined in RCW  
16 48.43.005.

17 (9) "Subsidy" or "premium subsidy" means payment or reimbursement  
18 to an eligible partnership participant toward the purchase of a health  
19 benefit plan, and may include a net billing arrangement with insurance  
20 carriers or a prospective or retrospective payment for health benefit  
21 plan premiums.

22 **Sec. 2.** RCW 70.47A.030 and 2009 c 257 s 1 are each amended to read  
23 as follows:

24 (1) To the extent funding is appropriated in the operating budget  
25 for this purpose or obtained through federal resources, the health  
26 insurance partnership is established. The administrator shall be  
27 responsible for the implementation and operation of the health  
28 insurance partnership, directly or by contract. The administrator  
29 shall offer premium subsidies to eligible partnership participants  
30 under RCW 70.47A.040.

31 (2) Consistent with policies adopted by the board under RCW  
32 70.47A.110, the administrator shall, directly or by contract:

33 (a) Establish and administer procedures for enrolling small  
34 employers in the partnership, including publicizing the existence of  
35 the partnership and disseminating information on enrollment, and  
36 establishing rules related to minimum participation of employees in  
37 small groups purchasing health insurance through the partnership.

1 Opportunities to publicize the program for outreach and education of  
2 small employers on the value of insurance shall explore the use of  
3 online employer guides(~~(. As a condition of participating in the~~  
4 ~~partnership, a small employer must agree to establish a cafeteria plan~~  
5 ~~under section 125 of the federal internal revenue code that will enable~~  
6 ~~employees to use pretax dollars to pay their share of their health~~  
7 ~~benefit plan premium. The partnership shall provide technical~~  
8 ~~assistance to small employers for this purpose));~~

9 (b) Establish and administer procedures for health benefit plan  
10 enrollment by employees of small employers during open enrollment  
11 periods and outside of open enrollment periods upon the occurrence of  
12 any qualifying event specified in the federal health insurance  
13 portability and accountability act of 1996 or applicable state law.  
14 Except to the extent authorized in RCW 70.47A.110(1)(e), neither the  
15 employer nor the partnership shall limit an employee's choice of  
16 coverage from among the health benefit plans offered through the  
17 partnership;

18 (c) Establish and manage a system of collecting and transmitting to  
19 the applicable carriers all premium payments or contributions made by  
20 or on behalf of partnership participants, including employer  
21 contributions, automatic payroll deductions for partnership  
22 participants, premium subsidy payments, and contributions from  
23 philanthropies;

24 (d) Establish and manage a system for determining eligibility for  
25 and making premium subsidy payments under chapter 259, Laws of 2007;

26 (e) Establish a mechanism to apply a surcharge to each health  
27 benefit plan purchased through the partnership, which shall be used  
28 only to pay for administrative and operational expenses of the  
29 partnership. The surcharge must be applied uniformly to all health  
30 benefit plans purchased through the partnership. Any surcharge amount  
31 may be added to the premium, but shall not be considered part of the  
32 small group community rate, and shall be applied only to the coverage  
33 purchased through the partnership. Surcharges may not be used to pay  
34 any premium assistance payments under this chapter. The surcharge  
35 shall reflect administrative and operational expenses remaining after  
36 any appropriation provided by the legislature or resources received  
37 from the federal government to support administrative or operational  
38 expenses of the partnership during the year the surcharge is assessed;

1 (f) Design a schedule of premium subsidies that is based upon gross  
2 family income, giving appropriate consideration to family size and the  
3 ages of all family members based on a benchmark health benefit plan  
4 designated by the board. The amount of an eligible partnership  
5 participant's premium subsidy shall be determined by applying a sliding  
6 scale subsidy schedule with the percentage of premium similar to that  
7 developed for subsidized basic health plan enrollees under RCW  
8 70.47.060. The subsidy shall be applied to the employee's premium  
9 obligation for his or her health benefit plan, so that employees  
10 benefit financially from any employer contribution to the cost of their  
11 coverage through the partnership.

12 (3) The administrator may enter into interdepartmental agreements  
13 with the office of the insurance commissioner, the department of social  
14 and health services, and any other state agencies necessary to  
15 implement this chapter.

16 **Sec. 3.** RCW 70.47A.050 and 2007 c 260 s 12 are each amended to  
17 read as follows:

18 Enrollment in the health insurance partnership is not an  
19 entitlement and shall not result in expenditures that exceed the amount  
20 that has been appropriated for the program in the operating budget or  
21 resources received from the federal government. If it appears that  
22 continued enrollment will result in expenditures exceeding the  
23 appropriated level for a particular fiscal year, the administrator may  
24 freeze new enrollment in the program and establish a waiting list of  
25 eligible employees who shall receive subsidies only when sufficient  
26 funds are available.

27 **Sec. 4.** RCW 70.47A.110 and 2008 c 143 s 5 are each amended to read  
28 as follows:

- 29 (1) The health insurance partnership board shall:
- 30 (a) Develop policies for enrollment of small employers in the  
31 partnership, including minimum participation rules for small employer  
32 groups. The small employer shall determine the criteria for  
33 eligibility and enrollment in his or her plan and the terms and amounts  
34 of the employer's contributions to that plan, consistent with any  
35 minimum employer premium contribution level established by the board  
36 under (d) of this subsection;

1 (b) Designate health benefit plans that are currently offered in  
2 the small group market that will be offered to participating small  
3 employers through the health insurance partnership and those plans that  
4 will qualify for premium subsidy payments. Up to five health benefit  
5 plans shall be chosen, with multiple deductible and point-of-service  
6 cost-sharing options. The health benefit plans shall range from  
7 catastrophic to comprehensive coverage, and one health benefit plan  
8 shall be a high deductible health plan accompanied by a health savings  
9 account. Every effort shall be made to include health benefit plans  
10 that include components to maximize the quality of care provided and  
11 result in improved health outcomes, such as preventive care, wellness  
12 incentives, chronic care management services, and provider network  
13 development and payment policies related to quality of care;

14 (c) Approve a mid-range benefit plan from those selected to be used  
15 as a benchmark plan for calculating premium subsidies;

16 (d) Determine whether there should be a minimum employer premium  
17 contribution on behalf of employees, and if so, how much;

18 (e) Develop policies related to partnership participant enrollment  
19 in health benefit plans. The board may focus its initial efforts on  
20 access to coverage and affordability of coverage for participating  
21 small employers and their employees. To the extent necessary for  
22 successful implementation of the partnership, (~~during a start-up phase~~  
23 ~~of partnership operation,~~) the board may:

- 24 (i) Limit partnership participant health benefit plan choice; and
- 25 (ii) Offer former employees of participating small employers the  
26 opportunity to continue coverage after separation from employment to  
27 the extent that a former employee is eligible for continuation coverage  
28 under 29 U.S.C. Sec. 1161 et seq.

29 (~~The start-up phase may not exceed two years from the date the~~  
30 ~~partnership begins to offer coverage~~);

31 (f) Determine appropriate health benefit plan rating methodologies.  
32 The methodologies shall be based on the small group adjusted community  
33 rate as defined in Title 48 RCW. The board shall evaluate the impact  
34 of applying the small group adjusted community rating methodology to  
35 health benefit plans purchased through the partnership on the principle  
36 of allowing each partnership participant to choose his or her health  
37 benefit plan, and may implement one or more risk adjustment or

1 reinsurance mechanisms to reduce uncertainty for carriers and provide  
2 for efficient risk management of high-cost enrollees;

3 (g) Determine whether the partnership should be designated as the  
4 administrator of a participating small employer health benefit plan and  
5 undertake the obligations required of a plan administrator under  
6 federal law in order to minimize administrative burdens on  
7 participating small employers;

8 (h) Conduct analyses and provide recommendations as requested by  
9 the legislature and the governor, with the assistance of staff from the  
10 health care authority and the office of the insurance commissioner.

11 (2) The board may authorize one or more limited health care service  
12 plans for dental care services to be offered by limited health care  
13 service contractors under RCW 48.44.035. However, such plan shall not  
14 qualify for subsidy payments.

15 (3) In fulfilling the requirements of this section, the board shall  
16 consult with small employers, the office of the insurance commissioner,  
17 members in good standing of the American academy of actuaries, health  
18 carriers, agents and brokers, and employees of small business.

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