

HOUSE BILL REPORT

HB 1349

As Reported by House Committee On:
Health Care & Wellness

Title: An act relating to carrier surplus as an element of health benefit plan rate review.

Brief Description: Addressing carrier surplus as an element of health benefit plan rate review.

Sponsors: Representatives Jinkins, Cody, Morrell, Fitzgibbon, Pollet, Van De Wege, Uptegrove, Appleton, Tharinger and Ormsby; by request of Insurance Commissioner.

Brief History:

Committee Activity:

Health Care & Wellness: 2/8/13, 2/22/13 [DP].

Brief Summary of Bill

- Requires the Insurance Commissioner to review the surpluses of nonprofit individual and small group market health insurers.

HOUSE COMMITTEE ON HEALTH CARE & WELLNESS

Majority Report: Do pass. Signed by 9 members: Representatives Cody, Chair; Jinkins, Vice Chair; Clibborn, Green, Moeller, Morrell, Riccelli, Tharinger and Van De Wege.

Minority Report: Do not pass. Signed by 7 members: Representatives Schmick, Ranking Minority Member; Hope, Assistant Ranking Minority Member; Angel, Manweller, Rodne, Ross and Short.

Staff: Jim Morishima (786-7191).

Background:

The Insurance Commissioner (Commissioner) has the authority to regulate health insurance companies in Washington. As part of this authority, the Commissioner 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 Commissioner. The Commissioner may disapprove the rates if they are unreasonable in relation to the benefits in the agreement. The

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.

Commissioner also reviews individual and small group market insurers for compliance with federal and state requirements such as adjusted community rating and medical loss ratios.

Summary of Bill:

Beginning January 1, 2015, the Commissioner must review the surplus of a nonprofit health carrier in the individual or small group market as an element in determining the reasonableness of the carrier's proposed rate. In reviewing the surplus, the Commissioner must consider the capital facility needs for carriers maintaining and operating hospitals and clinics.

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 is consistent with the American value of paying your fair share. Two of Washington's nonprofit health carriers have exceeded \$1 billion in surplus. This bill allows the Commissioner to examine a carrier's surplus; it does not specify what amount is too much. Eleven other states are already doing this. This bill does not unfairly penalize nonprofit health carriers because they are already dominant in Washington; lower rates make them more competitive, and they have a duty to policy holders, not shareholders. Medical loss ratio has nothing to do with surplus. Without this bill, the Commissioner must ignore surplus. The insurance crisis in the 1990s was caused by the lack of an individual mandate, not regulations like this.

(Opposed) Nonprofit carrier surpluses are increasing not because of profits, but because of investments; health carriers generally lose money in the individual market. Leveraging surpluses to lower rates is unsustainable. The Affordable Care Act (ACA) is creating a lot of uncertainty in the market; the individual mandate may not be enough to make sure the market remains robust. The ACA will also cause taxes and fees paid by carriers to increase. The Commissioner already has powerful rate review and approval authority. The ACA also requires medical loss ratios to be between 80 and 85 percent. The rate review process plus the medical loss ratio requirements provide both a prospective and retrospective control over excess profits. This bill will put nonprofit carriers at a disadvantage as they compete against for-profit carriers in the exchange. The Commissioner's number one duty is solvency. The question should not be whether surplus should be capped, but whether a carrier has enough. This bill will be corrosive to the rate review process. Having financially healthy carriers is a good thing. Businesses want affordable health care options, but this bill will not achieve this. The state should give the ACA time to work before imposing any new requirements.

Persons Testifying: (In support) Representative Jenkins, prime sponsor; and Mike Kreidler, Office of the Insurance Commissioner.

(Opposed) Chris Bandoli, Regence BlueShield; Len Sorrin, Premera Blue Cross; Mel Sorensen, America's Health Insurance Plans, Health Underwriters and National Association of Insurance and Financial Advisors; and Matt Canedy, Association of Washington Business.

Persons Signed In To Testify But Not Testifying: None.