
Appropriations Committee

HB 1947

Brief Description: Concerning the operating expenses of the Washington health benefit exchange.

Sponsors: Representatives Cody, Hunter, Jinkins and Harris.

Brief Summary of Bill

- Directs insurance premium taxes collected on plans offered through the Washington Health Benefit Exchange (HBE) and on premiums for clients enrolling in the Medicaid expansion to the Health Benefit Exchange Account (Account) starting January 1, 2014.
- Authorizes the HBE to charge assessments on medical and dental plans sold through the HBE to fund HBE operations.
- Specifies that moneys in the Account may only be spent after appropriation, and expenditures may only be used to fund HBE operations.
- Requires the State Auditor to conduct a performance review by July 1, 2016, on the cost of HBE operations and make recommendations for improvements in cost performance and adoption of best practices.

Hearing Date: 2/26/13

Staff: Erik Cornellier (786-7116).

Background:

Insurance Premium Tax.

With some exceptions, insurance companies must pay a 2 percent insurance premiums tax to the state. The tax is imposed on the total amount of all premiums and prepayments for health care services collected or received by the insurer during the preceding calendar year. Insurers must prepay their tax obligations. By June 15, insurers must pay 45 percent of their tax obligations.

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.

On September and December 15 they must pay 25 percent. Revenues from the tax are deposited in the state general fund.

Expenditure Limit.

The State General Fund is subject to a spending limit. The Expenditure Limit Committee was established in 2000 for the purpose of determining and adjusting the state expenditure limit. Each November, the Expenditure Limit Committee (Committee) adjusts the limit for the previous and current fiscal year, and projects a limit State General Fund to another source of funding, or if funds are transferred from the State General Fund to another fund or account, the Committee must lower the expenditure limit to reflect the shift.

Health Benefit Exchange.

The Washington Health Benefit Exchange (HBE) will be an online marketplace for individuals, families, and small businesses in Washington to compare and enroll in health insurance coverage and gain access to tax credits, reduced cost sharing, and public programs such as Medicaid. The HBE will begin enrolling consumers on October 1, 2013, for health insurance coverage beginning on January 1, 2014.

The HBE was established as a self-sustaining public-private partnership that is separate and distinct from the state. To be "self-sustaining," the HBE must be capable of operating without direct state tax subsidy. Self-sustaining sources of revenue include federal grants, federal premium tax subsidies and credits, charges to health carriers, and premiums paid by enrollees.

Development of the HBE is funded primarily through federal grants that end before 2015. The HBE was directed to report to the Governor and the Legislature with recommendations for development of sustainable funding for administration of the HBE starting in 2015. The HBE provided three options: increase the current insurance premium tax, apportion to the HBE the premium taxes collected on all premiums for health care services attributable to the HBE, and/or assess a service charge on plans sold through the HBE.

Summary of Bill:

Insurance Premium Tax.

Beginning January 1, 2014, insurance premium taxes collected on plans offered through the HBE and on premiums for managed care plans provided to newly eligible clients enrolling in the Medicaid expansion must be deposited in the Health Benefit Exchange Account (Account).

The requirement that the State Expenditure Limit Committee must reduce the expenditure limit to reflect any transfers from the State General Fund to other funds or accounts does not apply to the dedication of insurance premium taxes to the Account.

Health Benefit Exchange.

"Self-sustaining" is defined to mean capable of operating with revenue attributable to the operations of the HBE, and insurance premium taxes are included in the list of self-sustaining sources.

Beginning January 1, 2014, the HBE may impose quarterly assessments on health and dental plans sold through the HBE in an amount necessary to fund the operations of the HBE in the

following quarter. The HBE may only impose the assessments if the expected insurance premium taxes and other funds deposited in the Account are insufficient to fund the HBE's operations in the following quarter at the level appropriated by the Legislature in the omnibus appropriations act. The assessment is calculated by dividing the shortfall in revenues in the Account necessary to operate the HBE at the appropriated level by the total number of expected covered lives in the HBE for the fiscal year that the assessment will be collected in. The HBE must deposit proceeds from the assessments in the Account.

The HBE is required to establish procedures allowing carriers to have grievances reviewed by an impartial body and reported to the HBE.

By July 1, 2016, the State Auditor must conduct a performance review of the cost of HBE operations and make recommendations to the HBE and the health care committees of the Legislature addressing improvements in cost performance and adoption of best practices. The review must include an evaluation of the potential cost and customer service benefits of regionalization with other state exchanges or partnership with the federal government. The HBE must pay for the cost of the review.

Health Benefit Exchange Account.

Funds in the Account may only be spent after appropriation, and expenditures may only be used to fund HBE operations.

Insurance premium taxes and HBE assessments are included in the list of funds that must be deposited in the Account.

The expiration date is removed.

Appropriation: None.

Fiscal Note: Requested on February 19, 2013.

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