SENATE BILL REPORT
ESB 6089

As Passed Senate, April 3, 2015

Title: An act relating to health benefit exchange sustainability.

Brief Description: Concerning health benefit exchange sustainability.

Sponsors: Senator Hill.

Brief History:
Committee Activity: Ways & Means: 3/31/15, 4/01/15 [DP, DNP].
Passed Senate: 4/03/15, 26-22.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.
Signed by Senators Hill, Chair; Braun, Vice Chair; Dammeier, Vice Chair; Honeyford, Vice Chair, Capital Budget Chair; Bailey, Becker, Brown, Hewitt, O'Ban, Padden, Parlette, Schoesler and Warnick.

Minority Report: Do not pass.
Signed by Senators Hargrove, Ranking Member; Keiser, Assistant Ranking Member on the Capital Budget; Ranker, Ranking Minority Member, Operating; Billig, Conway, Fraser, Hasegawa, Hatfield, Kohl-Welles and Rolfes.

Staff: Sandy Stith (786-7710)

Background: The Health Benefit Exchange (Exchange) is established in statute as a public-private partnership to serve as an insurance marketplace for individuals, families, and small businesses. The Exchange, through the Washington Healthplanfinder, provides access to multiple insurance plans and federal premium tax credits for individuals with incomes between 138 and 400 percent of the federal poverty level.

RCW 43.71.030 requires the Exchange be self-sustaining after December 31, 2014. Self-sustainability includes federal grants, federal premium tax subsidies and credits, charges to health carriers, premiums paid by enrollees, and premium taxes paid on qualified health plans.

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.

Other than federal grants, the Legislature determines the expenditure level allowed by the Exchange. The Exchange is funded with premium taxes on qualified health plans sold through the Exchange and federal Medicaid funds. If the total funds generated through premium tax and other funds deposited in the dedicated account, along with other funds authorized by the Legislature, such as Medicaid, do not provide the level of funding authorized by the Legislature to fund the operations of the Exchange, the Exchange is allowed to collect assessments from qualified health plan carriers to make up the difference between the amount authorized by the Legislature and the amount available through premium tax and other available funds. The Legislature currently appropriates premium taxes and Medicaid funding, but not federal grants.

The original duties of the Exchange allowed for aggregation of premiums collected from individuals purchasing qualified health plans. These premiums were collected at the Exchange and forwarded to carriers. This process began January 1, 2014. Throughout the first year of operations, the Exchange encountered a number of system difficulties including transmission of payment information to health plans that resulted in coverage and claims problems for individuals and carriers.

In December 2014, after review of several options, the Exchange board voted to cease premium aggregation and remove premium collection and invoicing from the individual Exchange. The project planning and system redesign have begun for the 2016 open enrollment period.

Summary of Engrossed Bill: The Exchange is authorized to use premium taxes generated from qualified health plans through December 31, 2015. After January 1, 2016, the Exchange may no longer receive premium taxes generated from qualified health plans. All operations of the Exchange must be self-sustaining through the generation of assessments on qualified health plan carriers, Medicaid cost allocation, federal grants, and other allowable sources available to the Exchange.

The Exchange may not increase assessments on qualified health plans until January 1, 2016, and the assessment may not exceed 3.5 percent of the plan premium and may not generate greater income than authorized by the Legislature. Federal grants received by the Exchange are deposited into the dedicated account within the state treasury. The Exchange operates at the level authorized by the Legislature and monies in the dedicated account must only be spent after appropriation.

The Exchange must not aggregate or delegate the aggregation of funds for the premium for any enrollee for any plan offering, except as required by federal law.

The Exchange must verify that a person seeking to enroll in a qualified health plan or qualified dental plan during a special enrollment period has experienced a qualifying event, and must require reasonable proof or documentation of the qualifying event.

Appropriation: None.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: CON: We really appreciate Section (2). We would like to replace it with Senate Bill 5142, which is the removal of premium aggregation from the Exchange. We are concerned that this policy will shift costs to carrier assessments; these increases will be added to plan premiums impacting businesses in the state. The 2 percent premium tax equates to a $2 million impact. This bill creates a costly burden for consumers by shifting a significant cost to those purchasing benefits on the Exchange. This is a significant change to the health insurance marketplace. Stakeholders need a chance to examine this. By shifting these costs to consumers this bill threatens the viability of the health insurance marketplace. This bill puts employers in an impossible position with insurance filings coming up on April 24th. This effectively gives carriers a week to set rates for the next year. This will result in losses for the next biennium. This bill will increase enrollees' health benefit costs considerably. The original Exchange mechanism was set up to be sustainable using premium tax dollars that are generated exclusively by plans sold through the exchange in addition to a carrier assessment, as necessary. It was intended to lessen the impact on consumers and the broader insurance market. Moving the funds from the Exchange to the general fund will result in a quadrupling of the assessment. More people will look to buy plans outside the Exchange. We would be unable to incorporate into rates for 2015. It is estimated that there would be an impact of over $8 million of unrecovered cost over 2015 and roughly $16 million in 2016. When combined with the budget, these assessments will be used as the Medicaid state match which creates a concern that commercial market enrollment will be paying a fee inside and outside the Exchange. People who pay this fee would not receive a benefit through Medicaid or the Exchange for this fee. This bill will destabilize the Exchange by driving increased costs to the plans that participate in the Exchange and consumers inside and outside the Exchange. For every premium tax dollar transferred to the general fund, it is estimated that there would be a new assessment dollar imposed on the health plans. This adding a layer of additional assessment that have to be borne by the taxpaying public. All these additional taxes add costs to insurance-buying public.

Persons Testifying: CON: Leonard Sorrin, Premera Blue Cross; Sheri D Nelson, Assn. of WA Business; Chris Bandoli, Regence BlueShield; Mel Sorenson, America's Health Insurance Plans, WA Assn. of Health Underwriters; Jon Brumbach, Columbia United Providers.

Persons Signed in to Testify But Not Testifying: No one.