

SENATE BILL REPORT

SB 6416

As of January 30, 2018

Title: An act relating to requiring the insurance commissioner to review a health carrier's surplus levels as part of its rate filing review process.

Brief Description: Requiring the insurance commissioner to review a health carrier's surplus levels in its rate filing review process.

Sponsors: Senators Kuderer, Conway, Frockt, Hasegawa and Rolfes.

Brief History:

Committee Activity: Health & Long Term Care: 1/30/18.

Brief Summary of Bill

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

SENATE COMMITTEE ON HEALTH & LONG TERM CARE

Staff: Evan Klein (786-7483)

Background: The 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 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: For individual and small group rate filings for plan year 2019 and beyond, 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.

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.

Fiscal Note: Not requested.

Creates Committee/Commission/Task Force that includes Legislative members: No.

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

Staff Summary of Public Testimony: PRO: The insurance commissioner currently does not review insurer surplus when setting rates. This bill will take all reasonable and appropriate resources into account when determining rates for health insurance in this state. This is a complicated area of law. Health carrier surplus may not be from their line of work in the individual market. This bill does not require the Office of Insurance Commissioner to specifically divert surplus, allowing them to take into account market factors. Premiums for many constituents are doubling, while non-profit carriers' surplus reserves are also doubling.

CON: This bill unfairly targets three carriers in the Washington market. This bill targets these non-profit carriers and only them. This bill misunderstands the reserves that are required by law. State law specifically states that reserves be above the risk-based capital requirements in statute. It is important that the largest carriers in the state compete effectively with other carriers. This bill will undermine the ability of the market to remain stable. Carriers are close to break even or barely below break even in the small group and individual markets. The concept of subsidizing premiums by drawing down reserves has a lot of problems. It creates a false impression that health care costs are being reduced. The NAIC has already adopted model legislation surrounding solvency, using the risk-based capital methodology. Risk-based capital has been adopted by virtually every state.

Persons Testifying: PRO: Senator Patty Kuderer, Prime Sponsor; Lonnie Johns-Brown, Office of the Insurance Commissioner; Patrick Connor, National Federation of Independent Business Washington.

CON: Meg Jones, Association of Washington Healthcare Plans; Len Sorrin, Premera; Carrie Tellefson, Regence; Amber Ulvenes, Kaiser Foundation Health Plan; Mel Sorensen, America's Health Insurance Plans.

Persons Signed In To Testify But Not Testifying: No one.