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## Appropriations Committee

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### HB 2679

**Brief Description:** Concerning funding for individuals who are not eligible for federal insurance subsidies and for foundational public health services.

**Sponsors:** Representatives Robinson, Macri, Cody, Chopp, Tarleton, Frame, Stonier, Ormsby, Riccelli, Tharinger, Ortiz-Self, Davis, Pollet and Kloba.

#### Brief Summary of Bill

- Requires each nonprofit health carrier to annually report the carrier's surplus amounts to the Office of the Insurance Commissioner (OIC) for determination of whether the carrier's surplus is excessive.
- Requires carriers with a surplus greater than 400 percent of the carrier's Risk-Based Capital requirements to pay 3 percent of the excessive surplus to the OIC for deposit into the newly created Nonprofit Health Carrier Community Benefit Fund (Fund).
- Provides that expenditures from the Fund must be used for: subsidies for individuals purchasing individual market insurance coverage who are not eligible for federal insurance subsidies; and Foundational Public Health Services.

**Hearing Date:** 1/29/20

**Staff:** Meghan Morris (786-7119).

#### **Background:**

Office of the Insurance Commissioner.

The Office of the Insurance Commissioner (OIC) has the authority to regulate health insurance companies in Washington. As part of this authority, the OIC is responsible for regulating the solvency of insurance companies and health carriers.

National Association of Insurance Commissioners.

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*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.*

The National Association of Insurance Commissioners (NAIC) is an association of state insurance agencies that creates and recommends certain financial regulation standards and regulatory statutes for the insurance industry. The OIC is a member of the NAIC.

#### Risk-Based Capital (RBC).

Every domestic health carrier must annually file an RBC report with the OIC, the NAIC, and with the insurance agency of any state where the insurance carrier is authorized to do business. RBC is based on a formula and measures the minimum amount of capital appropriate for a reporting insurance carrier to support its overall operations in consideration of its size and risk profile. The NAIC RBC formula generates the regulatory minimum amount of capital that a carrier is required to maintain to avoid regulatory action.

#### Insurance Subsidies.

Individuals may purchase health insurance through the Washington Health Benefit Exchange (Exchange) or in the individual market. Premium subsidies are available to individuals between 100 percent and 400 percent of the federal poverty level who purchase insurance coverage from a qualified health plan through the Exchange.

#### Foundational Public Health Services.

"Foundational public health services" means a limited statewide set of defined public health services within the following areas:

- control of communicable diseases and other notifiable conditions; chronic disease and injury prevention;
- environmental public health;
- maternal, child, and family health;
- access to and linkage with medical, oral, and behavioral health services;
- vital records; and
- cross-cutting capabilities including assessing the health of populations, public health emergency planning, communications, policy development and support, community partnership development, and business competencies.

#### **Summary of Bill:**

By July 1, 2021, and each year thereafter, each nonprofit health carrier (carrier) must submit the amount of the carrier's surplus to the OIC. By October 1, 2021, and each year thereafter, the OIC must determine whether a carrier's surplus is excessive. A carrier's surplus is excessive if the surplus is greater than 400 percent of the carrier's RBC requirements, in accordance with the formula set forth in the RBC instructions.

If the OIC determines the carrier's surplus is excessive, the nonprofit health carrier must pay 3 percent of the excessive surplus to the OIC for deposit into the newly created Nonprofit Health Carrier Community Benefit Fund (Fund). Within 30 days of the determination, a carrier may request a hearing for the OIC to consider a reduction to the required payment. The OIC may only reduce a carrier's payment to the Fund if the carrier presents clear and compelling evidence that the required amount of excessive surplus payment would render the carrier financially

impaired under the laws of this state or any other state in which the carrier is authorized to do business.

Expenditures from the Fund must be used exclusively for:

- subsidies for individuals purchasing individual market insurance coverage who are not eligible for federal insurance subsidies; and
- Foundational Public Health Services.

**Appropriation:** None.

**Fiscal Note:** Requested on January 19, 2020.

**Effective Date:** This act takes effect January 1, 2021.