

# HOUSE BILL REPORT

## HB 2537

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### As Reported by House Committee On:

Health Care & Wellness

Appropriations

**Title:** An act relating to modifications to the health insurance partnership statute necessary for timely implementation of the health insurance partnership.

**Brief Description:** Modifications to the health insurance partnership act.

**Sponsors:** Representatives Cody, Hasegawa, Kenney, Morrell, Green and Loomis.

### Brief History:

#### Committee Activity:

Health Care & Wellness: 1/17/08, 1/24/08 [DPS];

Appropriations: 2/4/08, 2/6/08 [DP2S(w/o sub HCW)].

### Brief Summary of Second Substitute Bill

- Modifies the Health Insurance Partnership to allow for a phased implementation in providing subsidized health coverage for employees of small employers.

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## HOUSE COMMITTEE ON HEALTH CARE & WELLNESS

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives Cody, Chair; Morrell, Vice Chair; Barlow, Campbell, Green, Moeller, Pedersen, Schual-Berke and Seaquist.

**Minority Report:** Do not pass. Signed by 3 members: Representatives Hinkle, Ranking Minority Member; Alexander, Assistant Ranking Minority Member and Condotta.

**Staff:** Dave Knutson (786-7146).

### Background:

In 2007 the Legislature established a Health Insurance Partnership (Partnership) within the Health Care Authority (Authority) to serve small employers beginning in September 2008. If funding is provided by the Legislature, the Partnership will provide a premium subsidy for low-income employees with incomes below 200 percent of the federal poverty level.

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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.*

A seven-member Health Insurance Partnership Board (Board) was established. Members include the Authority administrator and individuals with expertise in the health insurance market and benefit design. The Board will designate the health plans eligible for premium subsidy from plans available in the private small group market, approved by the Office of the Insurance Commissioner. They must include at least four plans, with multiple cost-sharing and deductible options, and plans will range from high deductible/catastrophic to comprehensive. Designated plans must include innovative components, such as preventive care, chronic care management, wellness incentives, and payments related to quality of care. The Board will determine a mid-range plan that will be used as the benchmark for the premium subsidy, and the premium subsidy will be developed similar to the sliding scale used for basic health. The Board will determine minimum employee participation requirements and whether there should be a minimum employer contribution; employers continue to determine employee eligibility and their contributions. The Board will evaluate rating methodologies and impacts on applying small group market ratings within a partnership, and it will consider options to manage carrier uncertainty through risk adjustment, reinsurance, or other mechanisms.

By December 1, 2008 the Partnership must report to the Legislature and the Governor on the risks and benefits of incorporating the individual and small group markets into the Partnership. By September 1, 2009 the Partnership must report to the Legislature and the Governor on the risks and benefits of incorporating the high risk pool, the Basic Health Plan, the Public Employees Benefits Board, and public school employees, as well as the impact of requiring all residents over 18 years of age to be covered.

The Board has identified a number of issues that must be addressed prior to making subsidized health coverage available to employees of small business through the Partnership. These issues include: placing limits on an employee's ability to choose a health plan, providing a funding source for subsidies, funding administrative expenses, potential conflicts between the Partnership statute and the health insurance provisions of Title 48 RCW, the need to provide a longer implementation time line, and allowing employers to participate in the Partnership regardless of the employees' subsidy status.

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

The Partnership Board (Partnership) is authorized to limit the number of small group plans that will be offered and limit the plans that will be eligible for a subsidy. The requirement that participating employers must have at least one employee eligible for a subsidy is deleted. The Partnership is authorized to limit an individual's health plan choice and limit coverage of former employees to those eligible for COBRA continuation coverage for up to two years from when the Partnership begins to offer coverage.

Language authorizing the Partnership to offer and administer the small employer's group health benefit is deleted. Both the small employer and his or her employees are eligible to purchase health coverage through the Partnership. The Partnership will not act in the role of the small employer's health plan sponsor.

### **Substitute Bill Compared to Original Bill:**

The substitute bill removes the ability of the Health Insurance Partnership to administer the small employer's group health benefit and limits their role to offering health care coverage to small employers and their employees.

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**Appropriation:** None.

**Fiscal Note:** Requested on January 17, 2008.

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

### **Staff Summary of Public Testimony:**

(In support) The Partnership will allow small employers and their employees to purchase more affordable health coverage. For the Partnership to be effective, additional state support must be provided to fund subsidies to reduce premium costs and to cover a portion of the administrative costs. Statutory changes are needed to ensure the Partnership complies with federal law. A two-year phase-in period needs to be established to allow the Partnership Board to gradually expand the program, while limiting the adverse selection that could occur if Partnership participants were free to choose any health plan they wanted in the small group market.

(With concerns) Without public subsidies the Health Insurance Partnership is an empty promise. Limiting choices of health plans through the Partnership and making it more complex is the wrong way to go. The Partnership program will set up an unfair playing field for association health plans that are attempting to provide coverage to small employers. A public subsidy through the Partnership will take individuals away from existing association health plans.

**Persons Testifying:** (In support) Michelle Moulton, Washington Community Action Network; Don Brennan, Sue Sharpe and Steve Hill, Health Insurance Partnership Board; Robby Stern, Healthy Washington Coalition and the Washington State Labor Council; and Joe King, Group Health Cooperative.

(With concerns) Sandra Powers-Booth, Washington Association of Health Underwriters; Randy Ray, Washington Alliance for Healthcare Insurance Trust; and Mark Johnson, Washington Retail Association.

**Persons Signed In To Testify But Not Testifying:** (In support) Drana Rashid and Kathleen Devon, Washington Community Action Network; and Nancy Gerber, Service Employees International Union.

(Opposed) Donna Steward, Association of Washington Business; and Gary Smith, Independent Business Association.

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## HOUSE COMMITTEE ON APPROPRIATIONS

**Majority Report:** The second substitute bill be substituted therefor and the second substitute bill do pass and do not pass the substitute bill by Committee on Health Care & Wellness. Signed by 23 members: Representatives Sommers, Chair; Dunshee, Vice Chair; Cody, Conway, Darneille, Ericks, Fromhold, Grant, Green, Haigh, Hunt, Hunter, Kagi, Kenney, Kessler, Linville, McDonald, McIntire, Morrell, Pettigrew, Schual-Berke, Seaquist and Sullivan.

**Minority Report:** Do not pass. Signed by 11 members: Representatives Alexander, Ranking Minority Member; Bailey, Assistant Ranking Minority Member; Haler, Assistant Ranking Minority Member; Anderson, Chandler, Hinkle, Kretz, Priest, Ross, Schmick and Walsh.

**Staff:** Mark Matteson (786-7145).

### **Summary of Recommendation of Committee On Appropriations Compared to Recommendation of Committee On Health Care & Wellness:**

A null and void clause was added, making the bill null and void unless funded in the budget.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date of Second Substitute Bill:** The bill takes effect 90 days after adjournment of session in which bill is passed. However, the bill is null and void unless funded in the budget.

### **Staff Summary of Public Testimony:**

(In support) There is money in the Governor's budget to finish the Health Insurance Partnership (HIP) administration ramp-up, including appropriations to offset. But the Governor's budget does not include a subsidy, and to adequately address this bill, a subsidy should be included. This is a really important bill for many small businesses. Many have had to subsidize the low-wage workers. This bill and adequate funding will offset their burden.

Start-up programs can be frustrating, and infrastructure is difficult and expensive to develop. But the Legislature should make these changes.

(Opposed) The legislation implementing HIP last year was designed to help small employers who were having difficulty with the costs of offering coverage and employees of small employers who were having difficulty affording the coverage that was being offered. This opens it up to all small employers, taking away some of the impetus to provide coverage. The focus needs to remain on those that are struggling, such as start up businesses or those in highly competitive industries where there are not the sort of margins that allow for appropriate coverage. We would like to be able to work with the administrator to address some of the concerns raised in the bill, rather than having this bill move forward.

Last year, the implementing legislation for HIP promised more choices and innovation, affordability, flexibility, and portability. This bill does none of that, and, in fact, reduces plan choices, flexibility and portability. Basically, it sends HIP forth to compete with private insurers that offer similar products. Instead of helping the needy and uninsured, the bill is instead offering a subsidy on a first-come, first-served basis. That is what was originally intended.

**Persons Testifying:** (In support) Bill Daley, Washington Community Action Network; and Joe King, Group Health Cooperative.

(Opposed) Patrick Conner, Washington Farm Bureau; and Donna Stewart, Association of Washington Business.

**Persons Signed In To Testify But Not Testifying:** None.