

FINAL BILL REPORT

SHB 2560

C 144 L 08

Synopsis as Enacted

Brief Description: Defining small employers for purposes of health insurance coverage.

Sponsors: By House Committee on Health Care & Wellness (originally sponsored by Representatives VanDeWege, Kessler, Cody, Morrell, Rolfes, Chase, Barlow, Green and Loomis).

House Committee on Health Care & Wellness
Senate Committee on Health & Long-Term Care

Background:

Washington law has a more restrictive definition of "small employer" or "small group" than does federal law. The relevant federal definition of small employer is "...in connection with a group health plan, with respect to a calendar year and a plan year, an employer who employed an average of at least 2 but not more than 50 employees on business days during the preceding calendar year and who employs at least 2 employees on the first day of the plan year."

The state definition of a "small employer" or "small group" is more narrow than the federal definition, adding several requirements. These additional requirements include:

- that the employees be "eligible," defined as working a normal work week of 30 or more hours;
- that the majority of these eligible employees be employed within Washington; and
- that the employer not be formed primarily for purposes of buying health insurance and have bona fide employer-employee relationships.

Conflicting federal and state definitions of "small employer" and "small group" may lead to confusion on the part of small employers, health carriers, and the Office of the Insurance Commissioner regarding who may purchase health coverage through the small group insurance market.

Summary:

The definitions of "small employer" and "small group" are modified to eliminate an income test for small businesses in order for them to qualify for small group health coverage. The definition of "employee" of a small employer is modified to be consistent with the federal definition found in the Employee Retirement Income Security Act of 1974 that was in effect on January 1, 2008.

Votes on Final Passage:

House 95 0

Senate 44 0

Effective: June 12, 2008