

SENATE BILL REPORT

SHB 2560

As Reported By Senate Committee On:
Health & Long-Term Care, February 21, 2008

Title: An act relating to defining small employers for purposes of health insurance coverage.

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

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

Brief History: Passed House: 2/14/08, 95-0.

Committee Activity: Health & Long-Term Care: 2/20/08, 2/21/08 [DP].

SENATE COMMITTEE ON HEALTH & LONG-TERM CARE

Majority Report: Do pass.

Signed by Senators Keiser, Chair; Franklin, Vice Chair; Pflug, Ranking Minority Member; Carrell, Fairley, Kastama, Kohl-Welles, Marr and Parlette.

Staff: Mich'l Needham (786-7442)

Background: Washington law has a more restrictive definition of "small employer" or "small group" than does federal law. The federal definition at 42 U.S.C. s300gg-91(e)(4) 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 two employees on the first day of the plan year." The state definition of a "small employer" or "small group" is more restrictive. It requires that each group has at least two employees and no more than 50, on at least 50 percent of the working days in the preceding quarter; eligible employees must work a normal work week of 30 or more hours; the majority of these eligible employees must be employed within Washington; and the group must not be formed primarily for purposes of buying health insurance, and that it have a bona fide employer-employee relationship.

Self-employed individuals and sole proprietors, who were covered in the small group market prior to June 10, 2004, were allowed to retain coverage in the small group market. Self-employed individuals or sole proprietors are required to have 75 percent of their taxable income from their business, with the exception of those in agricultural business which must have 51 percent of their taxable income from their business.

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.

Summary of Bill: The definition of "small employer" or "small group" is modified to reflect the federal definition, requiring a group to have employed an average of at least two but not more than 50 employees during the previous calendar year, and to have employed at least two employees on the first day of the plan year.

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 (ERISA) of 1974, that was in effect on January 1, 2008.

The income test for a self-employed individual or sole proprietor to qualify for the small group insurance is removed.

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 on Substitute Bill: PRO: This gets the federal and state regulations in-sync for group insurance, and eliminates an extra burden on small employers that have had to complete an income test to qualify for insurance. The Health Insurance Portability Accountability Act (HIPAA) no longer allows the income test. This provides clarity for groups and insurance carriers and gets us in line with ERISA and HIPAA.

Persons Testifying: PRO: Representative Van De Wege, prime sponsor; Todd Holm, Gross's Nursery and Florist; Nancee Wildermuth, Regence, PacifiCare, and Aetna.