
Health Care & Wellness Committee

HB 1712

Brief Description: Concerning association health plans.

Sponsors: Representatives Cody, Green, Morrell, Moeller and Kenney.

Brief Summary of Bill

- Regulates association health plans through the large group market.

Hearing Date: 2/6/09

Staff: Dave Knutson (786-7146)

Background:

An association health plan is health insurance coverage that is offered to members of an association. The association must exist for some other purpose than to sell insurance. For example, the National Association for the Self-Employed is an association that offers a variety of discounts and benefits to its members -- and one of these benefits is the opportunity to buy health insurance coverage.

Washington state small group rules require adjusted community rating which permits premium variation based on the following factors: age, geography, family size, and wellness activities. Age brackets must be at least five-year increments from age 20 to 65. The adjustment for an age group cannot exceed 375% of the lowest rate for all age groups. A wellness activity discount must reflect actuarially – justified differences in use or cost attributed to such programs. For small group plans, the pre – existing waiting period is nine months.

Large groups are experience rated. Experience rating is a rating method under which a group's recorded health care costs are analyzed and the group's premium is set partly or completely according to the group's experience. Under experience rating, sicker people are charged higher premiums and healthier people lower premiums. For large group plans the pre – existing waiting period is three months.

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.

In Washington, it is unclear whether association health plans should operate under rules that apply to small group insurance products or large group insurance products. As a result, there is a lack of public transparency as to how association health plans operate, or how many people receive health care coverage through this option. It is also not possible to determine whether they are complying with small group rules, large group rules, or some combination of the two.

Summary of Bill:

For regulatory and rating requirements, association health plans will be considered large group plans in which the entire association or the member – governed group constitutes the group.

Appropriation: None.

Fiscal Note: Not requested.

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