
Health Care & Wellness Committee

ESSB 5406

Brief Description: Concerning the standard health questionnaire.

Sponsors: Senate Committee on Health & Long-Term Care (originally sponsored by Senators Keiser, Pflug, Kohl-Welles and Parlette).

Brief Summary of Engrossed Substitute Bill

- Individuals who are eligible to purchase Consolidated Omnibus Budget Reconciliation Act (COBRA) continuation coverage or who drop COBRA continuation coverage are not required to take the Standard Health Questionnaire when they apply for individual health insurance coverage.

Hearing Date: 3/12/09

Staff: Dave Knutson (786-7146)

Background:

Congress passed the Consolidated Omnibus Budget Reconciliation Act (COBRA) health benefit provisions in 1986. The law amends the Employee Retirement Income Security Act (ERISA), the Internal Revenue Code and the Public Health Service Act to provide continuation of group health coverage that otherwise would be terminated. The COBRA contains provisions giving certain former employees, retirees, spouses, and dependent children the right to temporary continuation of health coverage at group rates. This coverage, however, is only available in specific instances. Group health coverage for COBRA participants is usually more expensive than health coverage for active employees, since usually the employer formerly paid a part of the premium. It is ordinarily less expensive, though, than individual health coverage. The law generally covers group health plans maintained by employers with 20 or more employees in the prior year. It applies to plans in the private sector and those sponsored by state and local governments. The law does not, however, apply to plans sponsored by the federal government and certain church-related organizations. Group health plans sponsored by private-sector employers generally are welfare benefit plans governed by ERISA and subject to its

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requirements for reporting and disclosure, fiduciary standards, and enforcement. The ERISA neither establishes minimum standards or benefit eligibility for welfare plans nor mandates the type or level of benefits offered to plan participants. It does, though, require that these plans have rules outlining how workers become entitled to benefits. Under COBRA, a group health plan ordinarily is defined as a plan that provides medical benefits for the employer's own employees and their dependents through insurance or otherwise (such as a trust, health maintenance organization, self-funded pay-as-you-go basis, reimbursement, or combination of these). Medical benefits provided under the terms of the plan and available to COBRA beneficiaries may include:

- inpatient and outpatient hospital care;
- physician care;
- surgery and other major medical benefits;
- prescription drugs; and
- any other medical benefits, such as dental and vision care.

A recent analysis from The Commonwealth Fund finds that few laid-off workers, only 9 percent, took up coverage under COBRA in 2006. Unemployed workers who also lose their health insurance would need substantial financial assistance, covering 75 to 85 percent of their health insurance premiums, for their premium contributions to remain at the levels they paid while they were working, according to the report, "Maintaining Health Insurance During a Recession: Likely COBRA Eligibility," by Michelle M. Doty, Director of Survey Research at The Commonwealth Fund.

The report also found that low-wage workers are at a particular disadvantage – with only 38 percent eligible to receive COBRA benefits – because they don't receive health insurance through their jobs, work for small firms that aren't required to offer COBRA, or are uninsured to begin with. Sixty-six percent of all current workers, if laid off, would be eligible to extend their health insurance under COBRA. For most people, COBRA payments are unaffordable, about four to six times higher than the amount of money they contributed to their health insurance when they were employed. According to The Commonwealth Fund report, millions of the eligible could keep their coverage if they could get assistance with their premiums, which average \$4,704 per year for an individual and \$12,680 a year for a family.

Summary of Bill:

Individuals who are eligible for COBRA continuation coverage or who discontinue COBRA prior to exhausting the option are not required to complete the standard health questionnaire to purchase individual health coverage. Applications must be made within 90 days of the qualifying event or termination of coverage, and individuals must have had at least 24 months of continuous group coverage.

Individuals who lose group coverage from a group not required to provide COBRA may apply for individual health coverage without completing the standard health questionnaire if they apply within 90 days of a COBRA qualifying event and the person had at least 24 months of continuous group coverage.

Individuals may also apply for coverage without completing the standard health questionnaire if they apply within 60 days of the effective day of this act following a qualifying event or termination of continuation coverage that occurred on or after September 1, 2008.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: The bill contains an emergency clause and takes effect immediately.