

HOUSE BILL REPORT

ESHB 1220

As Passed Legislature

Title: An act relating to regulating insurance rates.

Brief Description: Regulating insurance rates.

Sponsors: House Committee on Health Care & Wellness (originally sponsored by Representatives Rolfes, Cody, Appleton, Frockt, Hinkle, Liias, Fitzgibbon, Jinkins, Hunt, Van De Wege, Moeller and Kenney; by request of Insurance Commissioner).

Brief History:

Committee Activity:

Health Care & Wellness: 1/27/11, 2/10/11 [DPS].

Floor Activity:

Passed House: 3/4/11, 57-40.

Senate Amended.

Passed Senate: 4/7/11, 48-1.

House Concurred.

Passed House: 4/13/11, 95-1.

Passed Legislature.

Brief Summary of Engrossed Substitute Bill

- Makes the entirety of an individual or small group market health benefit plan rate filing open to public inspection, except for the numeric values of each rating factor used by the health carrier.
- Requires health insurers in the individual and small group markets to submit rate disclosure summary information along with their rate filings.
- Requires the Insurance Commissioner to submit a publicly-available rate summary form once the rate review process is completed.

HOUSE COMMITTEE ON HEALTH CARE & WELLNESS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 7 members: Representatives Cody, Chair; Jinkins, Vice Chair; Clibborn, Green, Kelley, Moeller and Van De Wege.

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.

Minority Report: Do not pass. Signed by 4 members: Representatives Schmick, Ranking Minority Member; Hinkle, Assistant Ranking Minority Member; Bailey and Harris.

Staff: Jim Morishima (786-7191).

Background:

The Office of the Insurance Commissioner (OIC) has the authority to regulate health insurance companies in Washington. As part of this authority, the OIC has the authority to review insurance rates in both the individual and small group markets. Insurers are required to file their individual and group rates with the OIC. The OIC may disapprove the rates if they are unreasonable in relation to the benefits in the agreement. The OIC also reviews individual and small group market insurers for compliance with statutory requirements such as adjusted community rating and medical loss ratios (for purposes of determining remittances to the Washington State Health Insurance Pool).

An insurance filing is open to public inspection and copying except for actuarial formulae, statistics, and assumptions submitted in support of the filing.

Summary of Engrossed Substitute Bill:

The entirety of a rate filing submitted by a health carrier in the individual or small group market on or after July 1, 2011, is available for public inspection, except for the numeric values of each small group rating factor used in the rate filing.

An exception to this general rule is created for new products. The actuarial formulae, statistics, and assumptions associated with an individual or small group market rate filing remain confidential for new products that are distinct and unique from a health carrier's currently or previously offered plans. A health carrier must make a written request to the Insurance Commissioner, which must be approved in writing in order for this exception to apply. This exception lasts for one year or until the date of the next filing, whichever occurs first.

Each health carrier in the individual or small group market must submit with its filings "Part I Rate Increase Summary" and "Part II Written Explanation of Rate Increase" as set forth by the United States Department of Health and Human Services. Additionally, the Insurance Commissioner must prepare a standardized rate summary form to explain his or her findings after the rate review process is completed. The Insurance Commissioner's rate summary form must be included as part of the rate filing documentation available to the public electronically.

The Insurance Commissioner must adopt rules necessary to implement these provisions, including a process for updating the rate disclosure summary forms. The Insurance Commissioner must consult with carriers and consumers when developing summary forms.

The Insurance Commissioner must make the rate filing and summary information available 10 days after the Insurance Commissioner determines that the filing is complete and accepts the filing through the electronic rate and form filing system.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony:

(In support) Insurance rates have been on the rise and consumers have no idea why. Under current law, the Insurance Commissioner is prohibited from providing consumers with the drivers behind a rate increase. Releasing this information will not pose a problem for insurers because all of them will have to comply with the requirement. This bill allows consumers to make smarter choices.

(With concerns) This bill will make an insurer's confidential, proprietary information open to the public and to each of the insurer's competitors. If insurers were to do this on their own, it would violate antitrust laws — it is similar to allowing insurers to go into a room to trade information. Expertise and skill in the competitive market should be prized. This information is prepared by actuaries and will not be meaningful to the general public. This bill also would make the information behind the filing public before the filing goes into effect, which could cause confusion. Making all of this information public will hinder competition and increase costs to consumers. Instead of the entire filing, an executive summary could be made public.

(Opposed) None.

Persons Testifying: (In support) Representative Rolfes, prime sponsor; Mike Kreidler, Office of the Insurance Commissioner; Ingrid McDonald, Association for the Advancement of Retired Persons; and Kent Davis, Washington Health Security Coalition.

(With concerns) Mel Sorensen, America's Health Insurance Plans; Len Sorrin, Premera BlueCross; and Chris Bandoli, Regence BlueShield.

Persons Signed In To Testify But Not Testifying: None.