

HOUSE BILL REPORT

ESB 5773

As Reported by House Committee On: Ways & Means

Title: An act relating to making a health savings account option and high deductible health plan option and a direct patient-provider primary care practice option available to public employees.

Brief Description: Making a health savings account option and high deductible health plan option and a direct patient-provider primary care practice option available to public employees.

Sponsors: Senators Zarelli, Baumgartner, Hill, Parlette, Schoesler, Ericksen and Holmquist Newbry.

Brief History:

Committee Activity:

Ways & Means: 3/21/11, 3/31/11 [DPA].

**Brief Summary of Engrossed Bill
(As Amended by House)**

- Requires the Health Care Authority (HCA) to offer a high-deductible health plan with a health savings account as an option alongside its traditional comprehensive medical insurance offerings during the open enrollment period in November 2011 for the 2012 plan year.
- Requires the HCA and the Public Employees' Benefits Board to offer direct patient-provider primary care practices in conjunction with a health savings account, paid for by the employer outside the health savings account or paid directly by the employee.

HOUSE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended. Signed by 23 members: Representatives Hunter, Chair; Darneille, Vice Chair; Alexander, Ranking Minority Member; Bailey, Assistant Ranking Minority Member; Dammeier, Assistant Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Carlyle, Chandler, Cody, Dickerson, Haigh, Haler,

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.

Hinkle, Kagi, Kenney, Parker, Pettigrew, Ross, Schmick, Seaquist, Springer, Sullivan and Wilcox.

Minority Report: Do not pass. Signed by 4 members: Representatives Hasegawa, Vice Chair; Hudgins, Hunt and Ormsby.

Staff: David Pringle (786-7310).

Background:

In 2003 Congress enacted section 223 of the Medicare Modernization Act which allows people to establish health savings accounts to work in combination with qualifying high-deductible health plans (HDHP) to help finance medical expenses. A health plan qualifies as a HDHP if it has an annual deductible of at least \$1,200 for individuals and annual out-of-pocket expenses (not premiums) that do not exceed \$5,950. Health savings accounts are tax-free accounts that can be set up by individuals or employers. They are personal accounts that are owned by individuals, even when employers establish and contribute to them. Interest earned is not taxed, and funds that are not used may carry over to the following year.

Under Chapter 299, Laws of 2006 (Engrossed House Bill 1383) the Health Care Authority (HCA) is directed to develop a health savings account option for covered employees. A health savings account option is not currently available to employees enrolled in HCA-administered health plans.

Chapter 257, Laws of 2007 (Engrossed Second Substitute Senate Bill 5958) created a statutory framework for direct patient-provider primary health care practices. Direct practices were explicitly exempted from the definition of health care service contractors in insurance law.

Direct practices furnish primary care services in exchange for a direct fee from a patient. Services are limited to primary care, including screening, assessment, diagnosis, and treatment for the purpose of promotion of health, and detection and management of disease or injury. Direct practices are also allowed to pay for charges associated with routine lab and imaging services. Direct practices are prevented from accepting payments for services provided to direct care patients from regulated insurance carriers, any insurance programs administered by the HCA, and self-insured plans. Direct practices may accept payment of fees directly or indirectly from non-employer third parties, but are prevented from selling their agreements directly to employer groups.

Summary of Amended Bill:

The Health Care Authority (HCA) is directed to offer a high-deductible health plan with a health savings account as an option alongside its traditional comprehensive medical insurance offerings during the open enrollment period in November 2011 for the 2012 plan year.

Beginning November 1, 2011, the HCA and the Public Employees' Benefits Board shall offer direct patient-provider primary care practices in conjunction with a health savings account. The direct practice may be paid by the employer outside the health savings account or paid directly by the employee. Direct practices are permitted to receive payments from the HCA or from health benefit plans administered by the HCA.

Direct practices may contract with and accept direct fee payments from plans administered by the HCA.

Amended Bill Compared to Engrossed Bill:

The amended bill removes provisions requiring the HCA to include a direct practice in its provider network during the 2013 and 2014 plan years, and to attempt to enroll 1,000 members residing in King, Pierce, or Thurston counties with the direct practice. Language is also removed that required the HCA to submit a performance evaluation to the Legislature on the direct patient-provider primary care practices that participate in the HCA programs. A requirement that the resources provided by employer funding rates not be increased by the addition of the direct practice provisions to the benefits offered by the HCA is removed.

Appropriation: None.

Fiscal Note: Available. New fiscal note requested on April 4, 2011.

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

Staff Summary of Public Testimony:

(In support) This is concierge medicine for everyone. The system is simplified by eliminating the insurance costs from the delivery of medical benefits to subscribers. Only certain people will join, and the program will sit in front of the high, medium, or low deductible plans. The users would have no out-of-pocket costs for the care offered through the clinics. These provisions were added on the Senate floor, and there was interest in trying innovative health care delivery models. There will be substantial savings down the road, so we need to find a way to make this proposal work.

(Opposed) While we support health savings accounts, the direct practice provision is an expensive unfunded mandate two or three times the cost of the network primary care that is already being provided to the state employees. We don't believe that the downstream cost reductions promised are plausible. It is fine to study this, but in the health care field, studies are funded by the providers that want to prove that the products work, not by the state. This proposal makes the challenge of providing affordable health benefits for employees worse, not better. We need to reform benefit designs, encourage good outcomes, and drive efficiencies. The health savings account/high deductible health plan model encourages poor decision making by consumers, discouraging early intervention and leading to higher costs in the long-term. This is not a comprehensive approach, and does not employ proper

coordination of care methods. The Washington Federation of State Employees does not support the high deductible/health savings account plans, as they will benefit employees without families or health problems at the expense of other employees. In January we entered a four-year contract with Regence to be the third-party administrator of the Uniform Medical Plan (UMP), which covers most state employees and retirees. The HCA leases the provider network of Regence in Washington and around the country. The HCA no longer has the ability to directly contract with providers through the UMP. If there is a contract for direct practice services, it should be with Regence. There are structural problems, but also legal problems, with this proposal as it may impair the state's contract with Regence.

Persons Testifying: (In support) Senator Zarelli, prime sponsor; and Erika Bliss, Chapin Henry, and Lisa Thatcher, Qliance Medical Management.

(Opposed) Joe Gifford, Regence Blue Shield; Ellie Menzies, Service Employees International Union 1199 NW; John Williams, Washington Health Care Authority; and Alia Griffing, Washington Federation of State Employees.

Persons Signed In To Testify But Not Testifying: None.