

HOUSE BILL REPORT

HB 2449

As Reported by House Committee On:
Health Care & Wellness

Title: An act relating to long-term care insurance price transparency.

Brief Description: Addressing long-term care insurance price transparency.

Sponsors: Representatives Jinkins, Appleton, Tarleton, Wylie, Roberts, Goodman, Morrell, Tharinger, Cody and Freeman.

Brief History:

Committee Activity:

Health Care & Wellness: 1/30/14, 2/3/14, 2/5/14 [DPS].

Brief Summary of Substitute Bill

- Requires issuers of long-term care policies to provide notice of premium rate increases.

HOUSE COMMITTEE ON HEALTH CARE & WELLNESS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 15 members: Representatives Cody, Chair; Riccelli, Vice Chair; Schmick, Ranking Minority Member; Clibborn, Green, G. Hunt, Jinkins, Manweller, Moeller, Morrell, Rodne, Ross, Short, Tharinger and Van De Wege.

Minority Report: Do not pass. Signed by 2 members: Representatives Harris, Assistant Ranking Minority Member; DeBolt.

Staff: Alexa Silver (786-7190).

Background:

Long-term care insurance is an insurance policy, contract, or rider that provides coverage for at least 12 consecutive months for the covered person. It covers services such as home health care, nursing home care, and care in an assisted living facility.

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 2008 Washington enacted long-term care insurance legislation based on a model act developed by the National Association of Insurance Commissioners. Separate laws apply to long-term care insurance sold before and after January 1, 2009. The laws applicable to long-term care insurance issued more recently only apply to policies, contracts, or riders delivered or issued for delivery in Washington.

Rules adopted by the Office of the Insurance Commissioner (OIC) regulate premium rate schedule increases for policies issued on or after January 1, 2009. The rules require that an issuer provide applicants with certain information about rate increases at the time of application or enrollment, as well as 45 days prior to implementation of a rate increase. Among other things, the notice must include information regarding each premium rate increase on the policy form or similar policy forms over the past 10 years for Washington or any other state that, at a minimum, identifies: the policy forms for which premium rates have been increased; the calendar years when the form was available for purchase; and the amount or percent of each increase. The rules also permit an issuer, in a fair manner, to provide additional explanatory information related to the rate increases.

In addition, the rules require that an issuer provide a notice of a premium rate schedule increase to the OIC at least 30 days before notifying policyholders. After a rate increase is implemented, the issuer must file annual updated projections for review by the OIC. If the OIC finds that the actual experience following a rate increase does not adequately match the projected experience, it may require the issuer to implement a premium rate schedule adjustment. An issuer with a persistent practice of filing inadequate initial premium rates may be prohibited from offering similar coverage.

Summary of Substitute Bill:

An issuer of a long-term care policy issued or delivered in Washington must provide notice of an upcoming premium rate schedule increase to policyholders and certificate holders at least 45 days prior to implementation. The notice must include:

- an explanation of the premium rate revision and the policyholder's or certificate holder's options;
- a general explanation for applying a premium rate or rate schedule, including a description of when the adjustment will be effective;
- information regarding each premium rate increase on the policy form or similar forms over the past 10 years for Washington or other states that, at a minimum, identifies the policy forms for which rates have been increased, the calendar years when the form was available for purchase, and the amount or percent of each increase; and
- the issuer's contact information.

The issuer, in a fair manner, may also provide additional explanatory information related to the increases.

Substitute Bill Compared to Original Bill:

The substitute bill modifies the information that must be included in the notice. For policies, contracts, and riders issued prior to 2009, it applies the notification requirement to policies, contracts, and riders delivered or issued for delivery in Washington.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute 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) People with long-term care insurance policies have been affected in recent years by huge rate hikes with no advance notice. The long-term care insurance market has failed, because a large percentage of people who buy the policies use the benefit. While this bill will not fix the market, it is a good first step. It will provide consumers with better notice about what is happening. Affected policyholders have been investing in their long-term care policies a long time. When rates go up, they need time to figure out whether to let the policy lapse or pay the higher premiums.

(With concerns) To maintain viability, insurers look for the ability to have claims that are slightly less than the premium generated. Several provisions in the bill have overly sweeping language about the information that must be provided. The language suggests that consumers would get an analysis of every rate increase ever used for each policy. This would not be useful and would be difficult to put in a consumer friendly form. The bill should clarify which pattern of filings or rate increases must be available to consumers.

(Opposed) None.

Persons Testifying: (In support) Representative Jinkins, prime sponsor; and Ingrid McDonald, American Association of Retired Persons Washington.

(With concerns) Mel Sorensen, American Council of Life Insurers and America's Health Insurance Plans.

Persons Signed In To Testify But Not Testifying: None.