

# HOUSE BILL REPORT

## HB 2902

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**As Reported By House Committee On:**  
Health Care

**Title:** An act relating to the stabilization of the health insurance market.

**Brief Description:** Establishing the Washington health insurance stabilization program.

**Sponsors:** Representatives Dyer, Schoesler, L. Thomas, Mitchell, Hymes, Elliot, Talcott and Carlson.

**Brief History:**

**Committee Activity:**

Health Care: 2/1/96, 2/2/96 [DPS].

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### HOUSE COMMITTEE ON HEALTH CARE

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 7 members: Representatives Dyer, Chairman; Backlund, Vice Chairman; Hymes, Vice Chairman; Casada; Crouse; Sherstad and Skinner.

**Minority Report:** Do not pass. Signed by 6 members: Representatives Cody, Ranking Minority Member; Murray, Assistant Ranking Minority Member; Campbell; Conway; Morris and H. Sommers.

**Staff:** Bill Hagens (786-7131).

**Background:** Health care policy in Washington State has gone through tremendous changes in recent years. In 1993, the Legislature adopted the Washington Health Services Act, which included a commission with broad powers and duties, employer and individual mandates, a premium cap, a uniform benefits package as minimum coverage, and community rating. The act also included limitation on preexisting condition exclusions, portability of benefits, and guaranteed insurance issue, which went into effect July 1994, a year before the rest of the act was to be implemented. In 1995, all these provisions were repealed, save for those addressing preexisting condition exclusions, portability of benefits, and guaranteed insurance issue.

In 1987, the Legislature adopted the Washington State Health Insurance Pool, commonly known as the high risk pool. It provided enrollees who had been denied coverage because of medical conditions a comprehensive benefits package at 150

percent of average rates for small groups. The pool is administered by a private insurer according to state specifications. It is partially subsidized through an assessment on insurers (members). Since health insurance reforms prohibiting exclusions from insurance coverage because of pre-existing medical conditions and limiting waiting periods took effect, the number of individuals in the high risk pool has decreased from 4,387 enrollees to an estimated 900 at the end of 1995. There is evidence that many of these people have purchased insurance through regular individual sources.

Currently, there is disruption in the individual insurance market. Individuals are finding it difficult to purchase adequate coverage at affordable prices, and carriers are cautious about continuing this type of insurance product. Information is anecdotal regarding the causes of this problem and to what degree it is a market anomaly or a long-term trend.

**Summary of Substitute Bill:** The Washington Health Insurance Market Stabilization Program is created using the high risk pool organization and board of directors for administration. The board is charged with the task of developing a three-year reinsurance policy coverage program.

Requirements are losses must have been incurred between July 1, 1996, and July 1, 1999; losses can be paid based only on loss ratios standards; losses can be for only the individual market; and aggregate claims can not exceed funds available.

The program must be reviewed by the Washington State Health Care Policy Board [HCPB] and filed with the Office of the Insurance Commissioner (OIC).

Health carrier or pool members will be assessed in three 12-month periods, with no aggregate assessment exceeding \$25 million for any one period.

For this three-year period, member health maintenance organizations (HMOs) and health care service contractors (HCSCs) will be given a credit equal to their 2 percent premium tax assessment, scheduled to be deposited in the Health Services Account beginning April 1, 1996. Also, the termination date of the Medicare exemption from the premium tax is deleted. Any surplus available at the end of the three-year period and after claims are paid must be deposited in the Health Services Account.

HCPB, in coordination with the Programs Board of Directors, shall study the necessity of an ongoing policy to stabilize the health insurance market for individuals, and report its findings to the Legislature by December 1, 1996.

Current preexisting health conditions limitation provisions that let a carrier impose a three-month benefit waiting period for conditions that were treated within three months before the effective date of coverage are amended to a nine month waiting

period, if the individual voluntarily terminates coverage within nine-months of issuance.

**Substitute Bill Compared to Original Bill:** A provision that would permit commercial insurers to file their products and market them prior to OIC approval is struck. The deletion of the Medicare exemption termination date is added.

**Appropriation:** None.

**Fiscal Note:** Requested on January 30, 1996.

**Effective Date of Substitute Bill:** The bill contains an emergency clause and takes effect immediately.

**Testimony For:** The problems of the individual insurance market must be addressed prudently. This bill provides an immediate provisional remedy, and sets in place a process for longer-term solutions, if needed.

**Testimony Against:** This bill is not well thought out. Its approach is too vague with few restrictions on carriers. The bill takes needed funds out of the Health Services Account, which could be used for a more cost-effective approach to the access problem.

**Testified:** John Conniff, Office of the Insurance Commissioner; and Gary Smith, Independent Business Association.