

# HOUSE BILL REPORT

## HB 1995

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### As Reported By House Committee On:

Health Care

**Title:** An act relating to provision of a tax exemption and offset for premiums and prepayments for policies under the health insurance coverage access act.

**Brief Description:** Providing an exemption and an offset for insurance premium and prepayment obligations for the high risk pool.

**Sponsors:** Representatives Mielke, Morris and Dyer.

### Brief History:

#### Committee Activity:

Health Care: 2/28/95 [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 13 members: Representatives Dyer, Chairman; Backlund, Vice Chairman; Hymes, Vice Chairman; Dellwo, Ranking Minority Member; Cody, Assistant Ranking Minority Member; Campbell; Casada; Conway; Crouse; Kessler; Morris; Sherstad and Skinner.

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

**Background:** The High Risk Health Insurance Pool [Chapter 48.14 RCW] was created in 1987 to assist persons unable to purchase insurance coverage because of serious illness. The act placed limitations upon premium charges. Any excess in cost beyond premiums collected is assessed against health carriers. Such assessments were tax deductions from the premium tax for disabilities insurers. Health maintenance organizations [HMO's] and health care service contractors do not get a deduction because they do not pay a premium tax, but do pay a minimal B&O tax.

The Washington Health Services Act imposed a 2 percent premium tax on HMO's and contractors beginning July 1, 1995, and terminated B&O tax on January 1, 1996. The High Risk Pool tax deduction statute [RCW 48.14.022] was not modified to reflect this change. Thus, under current law, HMO's and contractors could not receive the appropriate tax deduction.

Regarding a separate issue, although the HMO/contractor premium tax begins July 1, 1995, under present law it is deposited in the general fund until March 31, 1996, when deposits are transferred to the Health Services Account.

Further, a related tax exemption for Medicare services is scheduled to expire July 1, 1997.

**Summary of Substitute Bill:** The statute is modified to permit HMO's and contractors to receive the High Risk Pool tax deductions. The HMO/contractor tax is to be deposited in the Health Services Account beginning July 1, 1995. The repealer of the Medicare exemption is deleted from statute.

**Substitute Bill Compared to Original Bill:** The substitute bill adds provision for the HMO/contractor tax is to be deposited in the Health Services Account beginning July 1, 1995. The Medicare tax exemption repealer is deleted.

**Appropriation:** None.

**Fiscal Note:** Not Requested.

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

**Testimony For:** Regarding the High Risk Pool tax deduction: This bill is needed to correct a previous statutory error.

**Testimony Against:** None.

**Testified:** Mel Sorensen, Washington Physicians Services, Blue Cross Blue Shield of Oregon (pro).