

SENATE BILL REPORT

SB 6353

As Reported By Senate Committee On:
Health & Long Term Care, January 31, 1996

Title: An act relating to expansion of the Washington state health insurance coverage access act.

Brief Description: Expanding health insurance access.

Sponsors: Senators Quigley, Prentice, Wojahn, Fairley, Thibaudeau and Pelz; by request of Insurance Commissioner.

Brief History:

Committee Activity: Health & Long-Term Care: 1/18/96, 1/31/96 [DPS, DNP]

SENATE COMMITTEE ON HEALTH & LONG-TERM CARE

Majority Report: That Substitute Senate Bill No. 6353 be substituted therefor, and the substitute bill do pass.

Signed by Senators Quigley, Chair; Wojahn, Vice Chair; Fairley, Franklin and Thibaudeau.

Minority Report: Do not pass.

Signed by Senators Deccio, Moyer and Wood.

Staff: Don Sloma (786-7319)

Background: Changes in the health care market and in state regulation in recent years (including prohibition of pre-existing condition exclusions, various modifications to community rating requirements and aggressive market re-positioning strategies by some insurers) have resulted in several developments which now threaten access for the 430,000 Washington residents who purchase health insurance in the individual market.

The few health insurance carriers who sell policies to individuals are reporting substantially higher costs. They have either sought to raise premiums substantially, to stop selling new policies or to pull out of the individual market entirely.

The state's high risk insurance pool was created by the Legislature in 1988 to provide health insurance at 150 percent of average rates for individuals who had been denied coverage entirely by private carriers, usually because of serious medical conditions. The pool is administered by a private insurer according to state specifications. It is partially subsidized through an assessment on insurers. 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 in the individual market that has, heretofore, been closed to them.

Accounts vary as to the relative cost of offering comparable insurance to individuals and small groups. No definitive comparative analyses are available. Some say individual insurance was less expensive before insurance reforms because insurers could exclude high risk cases from this market more effectively. They argue, however, that the insurance reforms and the recent round of rate increases, if approved, will make individual and small group rates comparable for comparable products.

Others argue individual insurance costs will now be higher than group costs, because individual insurance is now unable to insulate itself from higher risk cases or from those who purchase insurance, receive services and then cancel within a few months (so called "churning").

The Basic Health Plan, which now has more than 70,000 individuals enrolled, and which is planning a like-sized enrollment expansion of small group members, has signed contracts with managed care plans that assume no change in average costs related to the addition of the new small group BHP enrollees.

Summary of Substitute Bill: On January 1, 1997, every member of the high risk pool (health care service contractors, health maintenance organizations, and health insurers, with limited exceptions) who offers or provides group health insurance must actively market the model basic health plan to individuals and small groups. Rates for individual plans may not exceed rates for small group plans.

Stop loss insurers (those who offer stop loss protection to larger employers who self insure) are added as members of the high risk pool.

The Health Care Authority must design the model Basic Health Plan in a way that permits both managed care and indemnity plans to offer it.

The high risk pool must develop a reinsurance program which all insurers will participate in to cover losses from selling the model Basic Health Plan or better insurance to individuals, if the insurers' losses are in excess of certain thresholds established in the bill.

The pool may charge assessments which must be paid by every member of the pool, including the cost of subsidies the pool provides for reinsurance, in an amount sufficient to cover the total costs of pool operation.

Substitute Bill Compared to Original Bill: The implementation date for this reinsurance program is extended to January 1, 1997, from July 1, 1996. The price of model Basic Health Plan or better individual insurance may not exceed that of a carrier's small group offering of those products. The original bill's offering of a separate reinsurance policy is replaced with the requirement that all pool members are automatically reinsured.

Appropriation: None.

Fiscal Note: Requested on January 15, 1996.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: The bill is needed to stabilize ratios, retain competition and checks in this individual market and protect access to care.

Testimony Against: The bill is ill conceived, creates hidden subsidies, caps premiums and will lead to health care rationing, insurers leaving the state, government run health care and premium increases.

Testified: Deborah Senn, Insurance Commissioner (pro); Basil Badley, HIAA (con); Ed Denning, Group Health (con); Scott DeNies, Pierce County Medical (con).