
SENATE BILL 5435

State of Washington

54th Legislature

1995 Regular Session

By Senators Prentice, Hale, Fraser, Franklin, C. Anderson and Kohl; by request of Insurance Commissioner

Read first time 01/23/95. Referred to Committee on Financial Institutions & Housing.

1 AN ACT Relating to preexisting condition limitations in medicare
2 supplement policies or certificates; amending RCW 48.66.020 and
3 48.66.130; adding a new section to chapter 48.66 RCW; and declaring an
4 emergency.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6 **Sec. 1.** RCW 48.66.020 and 1992 c 138 s 1 are each amended to read
7 as follows:

8 Unless the context clearly requires otherwise, the definitions in
9 this section apply throughout this chapter.

10 (1) "Medicare supplemental insurance" or "medicare supplement
11 insurance policy" refers to a group or individual policy of disability
12 insurance or a subscriber contract of a health care service contractor,
13 a health maintenance organization, or a fraternal benefit society,
14 which relates its benefits to medicare, or which is advertised,
15 marketed, or designed primarily as a supplement to reimbursements under
16 medicare for the hospital, medical, or surgical expenses of persons
17 eligible for medicare. Such term does not include:

18 (a) A policy or contract of one or more employers or labor
19 organizations, or of the trustees of a fund established by one or more

1 employers or labor organizations, or combination thereof, for employees
2 or former employees, or combination thereof, or for members or former
3 members, or combination thereof, of the labor organizations; or

4 (b) A policy issued pursuant to a contract under Section 1876 or
5 Section 1833 of the federal social security act (42 U.S.C. Sec. 1395 et
6 seq.), or an issued policy under a demonstration project authorized
7 pursuant to amendments to the federal social security act; or

8 (c) Insurance policies or health care benefit plans, including
9 group conversion policies, provided to medicare eligible persons, that
10 are not marketed or held to be medicare supplement policies or benefit
11 plans.

12 (2) "Medicare" means the "Health Insurance for the Aged Act," Title
13 XVIII of the Social Security Amendments of 1965, as then constituted or
14 later amended.

15 (3) "Medicare eligible expenses" means health care expenses of the
16 kinds covered by medicare, to the extent recognized as reasonable and
17 medically necessary by medicare.

18 (4) "Applicant" means:

19 (a) In the case of an individual medicare supplement insurance
20 policy or subscriber contract, the person who seeks to contract for
21 insurance benefits; and

22 (b) In the case of a group medicare supplement insurance policy or
23 subscriber contract, the proposed certificate holder.

24 (5) "Certificate" means any certificate delivered or issued for
25 delivery in this state under a group medicare supplement insurance
26 policy.

27 (6) "Loss ratio" means the incurred claims as a percentage of the
28 earned premium computed under rules adopted by the insurance
29 commissioner.

30 (7) "Preexisting condition" means a covered person's medical
31 condition that caused that person to have received medical advice or
32 treatment during a specified time period immediately prior to the
33 effective date of coverage.

34 (8) "Disclosure form" means the form designated by the insurance
35 commissioner which discloses medicare benefits, the supplemental
36 benefits offered by the insurer, and the remaining amount for which the
37 insured will be responsible.

38 (9) "Issuer" includes insurance companies, health care service
39 contractors, health maintenance organizations, fraternal benefit

1 societies, and any other entity delivering or issuing for delivery ((in
2 this state)) medicare supplement policies or certificates to a resident
3 of this state.

4 **Sec. 2.** RCW 48.66.130 and 1992 c 138 s 9 are each amended to read
5 as follows:

6 (1) No later than July 1, ((1992)) 1995, and notwithstanding any
7 other provision of Title 48 RCW, a medicare supplement policy or
8 certificate shall not exclude or limit benefits for losses incurred
9 more than ((six)) three months from the effective date of coverage
10 because it involved a preexisting condition.

11 (2) No later than July 1, ((1992)) 1995, a medicare supplement
12 policy or certificate shall not define a preexisting condition more
13 restrictively than as a condition for which medical advice was given or
14 treatment was recommended by or received from a physician, or other
15 health care provider acting within the scope of his or her license,
16 within ((six)) three months before the effective date of coverage.

17 (3) If a medicare supplement insurance policy or certificate
18 contains any limitations with respect to preexisting conditions, such
19 limitations must appear as a separate paragraph of the policy or
20 certificate and be labeled as "Preexisting Condition Limitations."

21 NEW SECTION. **Sec. 3.** A new section is added to chapter 48.66 RCW
22 to read as follows:

23 (1) Beginning on January 1, 1996, every issuer offering coverage
24 under a medicare supplement policy or contract shall offer coverage
25 under its standardized benefit plans without evidence of insurability
26 to any resident of this state who is eligible for both medicare
27 hospital and physician services by reason of age or by reason of
28 disability or end-stage renal disease.

29 (2) An issuer shall make available to every prospective purchaser
30 a choice of no fewer than two forms of medicare supplement standardized
31 benefit plans, one of which includes coverage for prescription drugs.
32 However, an issuer that does not offer in this state medicare
33 supplement standardized benefit plans that include prescription drug
34 coverage is exempt from the requirement under this subsection.

35 (3) Beginning on January 1, 1996, an issuer shall set rates only on
36 a community-rated basis. Premiums shall be equal for all policyholders
37 and certificate holders under a standardized medicare supplement

1 benefit form, except that an issuer may develop no more than two rating
2 pools that distinguish between an insured's eligibility for medicare by
3 reason of:

4 (a) Age; or

5 (b) Disability or end-stage renal disease.

6 NEW SECTION. **Sec. 4.** This act is necessary for the immediate
7 preservation of the public peace, health, or safety, or support of the
8 state government and its existing public institutions, and shall take
9 effect immediately.

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