

2 SHB 1387 - S COMM AMD

3 By Committee on Financial Institutions, Insurance & Housing

4 ADOPTED 4/15/97

5 Strike everything after the enacting clause and insert the
6 following:

7 "Sec. 1. RCW 48.20.028 and 1995 c 265 s 13 are each amended to
8 read as follows:

9 (1)(a) An insurer offering any health benefit plan to any
10 individual shall offer and actively market to all individuals a health
11 benefit plan providing benefits identical to the schedule of covered
12 health services that are required to be delivered to an individual
13 enrolled in the basic health plan. Nothing in this subsection shall
14 preclude an insurer from offering, or an individual from purchasing,
15 other health benefit plans that may have more or less comprehensive
16 benefits than the basic health plan, provided such plans are in
17 accordance with this chapter. An insurer offering a health benefit
18 plan that does not include benefits provided in the basic health plan
19 shall clearly disclose these differences to the individual in a
20 brochure approved by the commissioner.

21 (b) A health benefit plan shall provide coverage for hospital
22 expenses and services rendered by a physician licensed under chapter
23 18.57 or 18.71 RCW but is not subject to the requirements of RCW
24 48.20.390, 48.20.393, 48.20.395, 48.20.397, 48.20.410, 48.20.411,
25 48.20.412, 48.20.416, and 48.20.420 if the health benefit plan is the
26 mandatory offering under (a) of this subsection that provides benefits
27 identical to the basic health plan, to the extent these requirements
28 differ from the basic health plan.

29 (2) Premiums for health benefit plans for individuals shall be
30 calculated using the adjusted community rating method that spreads
31 financial risk across the carrier's entire individual product
32 population. All such rates shall conform to the following:

33 (a) The insurer shall develop its rates based on an adjusted
34 community rate and may only vary the adjusted community rate for:

35 (i) Geographic area;

36 (ii) Family size;

1 (iii) Age; and

2 (iv) Wellness activities.

3 (b) The adjustment for age in (a)(iii) of this subsection may not
4 use age brackets smaller than five-year increments which shall begin
5 with age twenty and end with age sixty-five. Individuals under the age
6 of twenty shall be treated as those age twenty.

7 (c) The insurer shall be permitted to develop separate rates for
8 individuals age sixty-five or older for coverage for which medicare is
9 the primary payer and coverage for which medicare is not the primary
10 payer. Both rates shall be subject to the requirements of this
11 subsection.

12 (d) The permitted rates for any age group shall be no more than
13 four hundred twenty-five percent of the lowest rate for all age groups
14 on January 1, 1996, four hundred percent on January 1, 1997, and three
15 hundred seventy-five percent on January 1, 2000, and thereafter.

16 (e) A discount for wellness activities shall be permitted to
17 reflect actuarially justified differences in utilization or cost
18 attributed to such programs not to exceed twenty percent.

19 (f) The rate charged for a health benefit plan offered under this
20 section may not be adjusted more frequently than annually except that
21 the premium may be changed to reflect:

22 (i) Changes to the family composition;

23 (ii) Changes to the health benefit plan requested by the
24 individual; or

25 (iii) Changes in government requirements affecting the health
26 benefit plan.

27 (g) The frequency of filing of rate adjustments for new and
28 renewing individuals is limited to once every six months.

29 ~~((g))~~ (h) For the purposes of this section, a health benefit plan
30 that contains a restricted network provision shall not be considered
31 similar coverage to a health benefit plan that does not contain such a
32 provision, provided that the restrictions of benefits to network
33 providers result in substantial differences in claims costs. This
34 subsection does not restrict or enhance the portability of benefits as
35 provided in RCW 48.43.015.

36 (3) Adjusted community rates established under this section shall
37 pool the medical experience of all individuals purchasing coverage, and
38 shall not be required to be pooled with the medical experience of
39 health benefit plans offered to small employers under RCW 48.21.045.

1 (4) As used in this section, "health benefit plan," "basic health
2 plan," "adjusted community rate," and "wellness activities" mean the
3 same as defined in RCW 48.43.005.

4 **Sec. 2.** RCW 48.21.045 and 1995 c 265 s 14 are each amended to read
5 as follows:

6 (1)(a) An insurer offering any health benefit plan to a small
7 employer shall offer and actively market to the small employer a health
8 benefit plan providing benefits identical to the schedule of covered
9 health services that are required to be delivered to an individual
10 enrolled in the basic health plan. Nothing in this subsection shall
11 preclude an insurer from offering, or a small employer from purchasing,
12 other health benefit plans that may have more or less comprehensive
13 benefits than the basic health plan, provided such plans are in
14 accordance with this chapter. An insurer offering a health benefit
15 plan that does not include benefits in the basic health plan shall
16 clearly disclose these differences to the small employer in a brochure
17 approved by the commissioner.

18 (b) A health benefit plan shall provide coverage for hospital
19 expenses and services rendered by a physician licensed under chapter
20 18.57 or 18.71 RCW but is not subject to the requirements of RCW
21 48.21.130, 48.21.140, 48.21.141, 48.21.142, 48.21.144, 48.21.146,
22 48.21.160 through 48.21.197, 48.21.200, 48.21.220, 48.21.225,
23 48.21.230, 48.21.235, 48.21.240, 48.21.244, 48.21.250, 48.21.300,
24 48.21.310, or 48.21.320 if: (i) The health benefit plan is the
25 mandatory offering under (a) of this subsection that provides benefits
26 identical to the basic health plan, to the extent these requirements
27 differ from the basic health plan; or (ii) the health benefit plan is
28 offered to employers with not more than twenty-five employees.

29 (2) Nothing in this section shall prohibit an insurer from
30 offering, or a purchaser from seeking, benefits in excess of the basic
31 health plan services. All forms, policies, and contracts shall be
32 submitted for approval to the commissioner, and the rates of any plan
33 offered under this section shall be reasonable in relation to the
34 benefits thereto.

35 (3) Premium rates for health benefit plans for small employers as
36 defined in this section shall be subject to the following provisions:

37 (a) The insurer shall develop its rates based on an adjusted
38 community rate and may only vary the adjusted community rate for:

- 1 (i) Geographic area;
2 (ii) Family size;
3 (iii) Age; and
4 (iv) Wellness activities.

5 (b) The adjustment for age in (a)(iii) of this subsection may not
6 use age brackets smaller than five-year increments, which shall begin
7 with age twenty and end with age sixty-five. Employees under the age
8 of twenty shall be treated as those age twenty.

9 (c) The insurer shall be permitted to develop separate rates for
10 individuals age sixty-five or older for coverage for which medicare is
11 the primary payer and coverage for which medicare is not the primary
12 payer. Both rates shall be subject to the requirements of this
13 subsection (3).

14 (d) The permitted rates for any age group shall be no more than
15 four hundred twenty-five percent of the lowest rate for all age groups
16 on January 1, 1996, four hundred percent on January 1, 1997, and three
17 hundred seventy-five percent on January 1, 2000, and thereafter.

18 (e) A discount for wellness activities shall be permitted to
19 reflect actuarially justified differences in utilization or cost
20 attributed to such programs not to exceed twenty percent.

21 (f) The rate charged for a health benefit plan offered under this
22 section may not be adjusted more frequently than annually except that
23 the premium may be changed to reflect:

- 24 (i) Changes to the enrollment of the small employer;
25 (ii) Changes to the family composition of the employee;
26 (iii) Changes to the health benefit plan requested by the small
27 employer; or
28 (iv) Changes in government requirements affecting the health
29 benefit plan.

30 (g) The frequency of filing of rate adjustments for new and
31 renewing small employers is limited to once every six months.

32 ~~((g))~~ (h) Rating factors shall produce premiums for identical
33 groups that differ only by the amounts attributable to plan design,
34 with the exception of discounts for health improvement programs.

35 ~~((h))~~ (i) For the purposes of this section, a health benefit plan
36 that contains a restricted network provision shall not be considered
37 similar coverage to a health benefit plan that does not contain such a
38 provision, provided that the restrictions of benefits to network
39 providers result in substantial differences in claims costs. This

1 subsection does not restrict or enhance the portability of benefits as
2 provided in RCW 48.43.015.

3 ~~((i))~~ (j) Adjusted community rates established under this section
4 shall pool the medical experience of all small groups purchasing
5 coverage.

6 (4) The health benefit plans authorized by this section that are
7 lower than the required offering shall not supplant or supersede any
8 existing policy for the benefit of employees in this state. Nothing in
9 this section shall restrict the right of employees to collectively
10 bargain for insurance providing benefits in excess of those provided
11 herein.

12 (5)(a) Except as provided in this subsection, requirements used by
13 an insurer in determining whether to provide coverage to a small
14 employer shall be applied uniformly among all small employers applying
15 for coverage or receiving coverage from the carrier.

16 (b) An insurer shall not require a minimum participation level
17 greater than:

18 (i) One hundred percent of eligible employees working for groups
19 with three or less employees; and

20 (ii) Seventy-five percent of eligible employees working for groups
21 with more than three employees.

22 (c) In applying minimum participation requirements with respect to
23 a small employer, a small employer shall not consider employees or
24 dependents who have similar existing coverage in determining whether
25 the applicable percentage of participation is met.

26 (d) An insurer may not increase any requirement for minimum
27 employee participation or modify any requirement for minimum employer
28 contribution applicable to a small employer at any time after the small
29 employer has been accepted for coverage.

30 (6) An insurer must offer coverage to all eligible employees of a
31 small employer and their dependents. An insurer may not offer coverage
32 to only certain individuals or dependents in a small employer group or
33 to only part of the group. An insurer may not modify a health plan
34 with respect to a small employer or any eligible employee or dependent,
35 through riders, endorsements or otherwise, to restrict or exclude
36 coverage or benefits for specific diseases, medical conditions, or
37 services otherwise covered by the plan.

1 (7) As used in this section, "health benefit plan," "small
2 employer," "basic health plan," "adjusted community rate," and
3 "wellness activities" mean the same as defined in RCW 48.43.005.

4 **Sec. 3.** RCW 48.44.022 and 1995 c 265 s 15 are each amended to read
5 as follows:

6 (1)(a) A health care service contractor offering any health benefit
7 plan to any individual shall offer and actively market to all
8 individuals a health benefit plan providing benefits identical to the
9 schedule of covered health services that are required to be delivered
10 to an individual enrolled in the basic health plan. Nothing in this
11 subsection shall preclude a contractor from offering, or an individual
12 from purchasing, other health benefit plans that may have more or less
13 comprehensive benefits than the basic health plan, provided such plans
14 are in accordance with this chapter. A contractor offering a health
15 benefit plan that does not include benefits provided in the basic
16 health plan shall clearly disclose these differences to the individual
17 in a brochure approved by the commissioner.

18 (b) A health benefit plan shall provide coverage for hospital
19 expenses and services rendered by a physician licensed under chapter
20 18.57 or 18.71 RCW but is not subject to the requirements of RCW
21 48.44.225, 48.44.240, 48.44.245, 48.44.290, 48.44.300, 48.44.310,
22 48.44.320, 48.44.325, 48.44.330, 48.44.335, 48.44.340, 48.44.344,
23 48.44.360, 48.44.400, 48.44.440, 48.44.450, and 48.44.460 if the health
24 benefit plan is the mandatory offering under (a) of this subsection
25 that provides benefits identical to the basic health plan, to the
26 extent these requirements differ from the basic health plan.

27 (2) Premium rates for health benefit plans for individuals shall be
28 subject to the following provisions:

29 (a) The health care service contractor shall develop its rates
30 based on an adjusted community rate and may only vary the adjusted
31 community rate for:

- 32 (i) Geographic area;
- 33 (ii) Family size;
- 34 (iii) Age; and
- 35 (iv) Wellness activities.

36 (b) The adjustment for age in (a)(iii) of this subsection may not
37 use age brackets smaller than five-year increments which shall begin

1 with age twenty and end with age sixty-five. Individuals under the age
2 of twenty shall be treated as those age twenty.

3 (c) The health care service contractor shall be permitted to
4 develop separate rates for individuals age sixty-five or older for
5 coverage for which medicare is the primary payer and coverage for which
6 medicare is not the primary payer. Both rates shall be subject to the
7 requirements of this subsection.

8 (d) The permitted rates for any age group shall be no more than
9 four hundred twenty-five percent of the lowest rate for all age groups
10 on January 1, 1996, four hundred percent on January 1, 1997, and three
11 hundred seventy-five percent on January 1, 2000, and thereafter.

12 (e) A discount for wellness activities shall be permitted to
13 reflect actuarially justified differences in utilization or cost
14 attributed to such programs not to exceed twenty percent.

15 (f) The rate charged for a health benefit plan offered under this
16 section may not be adjusted more frequently than annually except that
17 the premium may be changed to reflect:

18 (i) Changes to the family composition;

19 (ii) Changes to the health benefit plan requested by the
20 individual; or

21 (iii) Changes in government requirements affecting the health
22 benefit plan.

23 (g) The frequency of filing of rate adjustments for new and
24 renewing individuals is limited to once every six months.

25 ~~((+g))~~ (h) For the purposes of this section, a health benefit plan
26 that contains a restricted network provision shall not be considered
27 similar coverage to a health benefit plan that does not contain such a
28 provision, provided that the restrictions of benefits to network
29 providers result in substantial differences in claims costs. This
30 subsection does not restrict or enhance the portability of benefits as
31 provided in RCW 48.43.015.

32 (3) Adjusted community rates established under this section shall
33 pool the medical experience of all individuals purchasing coverage, and
34 shall not be required to be pooled with the medical experience of
35 health benefit plans offered to small employers under RCW 48.44.023.

36 (4) As used in this section and RCW 48.44.023 "health benefit
37 plan," "small employer," "basic health plan," "adjusted community
38 rates," and "wellness activities" mean the same as defined in RCW
39 48.43.005.

1 **Sec. 4.** RCW 48.44.023 and 1995 c 265 s 16 are each amended to read
2 as follows:

3 (1)(a) A health care services contractor offering any health
4 benefit plan to a small employer shall offer and actively market to the
5 small employer a health benefit plan providing benefits identical to
6 the schedule of covered health services that are required to be
7 delivered to an individual enrolled in the basic health plan. Nothing
8 in this subsection shall preclude a contractor from offering, or a
9 small employer from purchasing, other health benefit plans that may
10 have more or less comprehensive benefits than the basic health plan,
11 provided such plans are in accordance with this chapter. A contractor
12 offering a health benefit plan that does not include benefits in the
13 basic health plan shall clearly disclose these differences to the small
14 employer in a brochure approved by the commissioner.

15 (b) A health benefit plan shall provide coverage for hospital
16 expenses and services rendered by a physician licensed under chapter
17 18.57 or 18.71 RCW but is not subject to the requirements of RCW
18 48.44.225, 48.44.240, 48.44.245, 48.44.290, 48.44.300, 48.44.310,
19 48.44.320, 48.44.325, 48.44.330, 48.44.335, 48.44.340, 48.44.344,
20 48.44.360, 48.44.400, 48.44.440, 48.44.450, and 48.44.460 if: (i) The
21 health benefit plan is the mandatory offering under (a) of this
22 subsection that provides benefits identical to the basic health plan,
23 to the extent these requirements differ from the basic health plan; or
24 (ii) the health benefit plan is offered to employers with not more than
25 twenty-five employees.

26 (2) Nothing in this section shall prohibit a health care service
27 contractor from offering, or a purchaser from seeking, benefits in
28 excess of the basic health plan services. All forms, policies, and
29 contracts shall be submitted for approval to the commissioner, and the
30 rates of any plan offered under this section shall be reasonable in
31 relation to the benefits thereto.

32 (3) Premium rates for health benefit plans for small employers as
33 defined in this section shall be subject to the following provisions:

34 (a) The contractor shall develop its rates based on an adjusted
35 community rate and may only vary the adjusted community rate for:

- 36 (i) Geographic area;
- 37 (ii) Family size;
- 38 (iii) Age; and
- 39 (iv) Wellness activities.

1 (b) The adjustment for age in (a)(iii) of this subsection may not
2 use age brackets smaller than five-year increments, which shall begin
3 with age twenty and end with age sixty-five. Employees under the age
4 of twenty shall be treated as those age twenty.

5 (c) The contractor shall be permitted to develop separate rates for
6 individuals age sixty-five or older for coverage for which medicare is
7 the primary payer and coverage for which medicare is not the primary
8 payer. Both rates shall be subject to the requirements of this
9 subsection (3).

10 (d) The permitted rates for any age group shall be no more than
11 four hundred twenty-five percent of the lowest rate for all age groups
12 on January 1, 1996, four hundred percent on January 1, 1997, and three
13 hundred seventy-five percent on January 1, 2000, and thereafter.

14 (e) A discount for wellness activities shall be permitted to
15 reflect actuarially justified differences in utilization or cost
16 attributed to such programs not to exceed twenty percent.

17 (f) The rate charged for a health benefit plan offered under this
18 section may not be adjusted more frequently than annually except that
19 the premium may be changed to reflect:

20 (i) Changes to the enrollment of the small employer;

21 (ii) Changes to the family composition of the employee;

22 (iii) Changes to the health benefit plan requested by the small
23 employer; or

24 (iv) Changes in government requirements affecting the health
25 benefit plan.

26 (g) The frequency of filing of rate adjustments for new and
27 renewing small employers is limited to once every six months.

28 ~~((g))~~ (h) Rating factors shall produce premiums for identical
29 groups that differ only by the amounts attributable to plan design,
30 with the exception of discounts for health improvement programs.

31 ~~((h))~~ (i) For the purposes of this section, a health benefit plan
32 that contains a restricted network provision shall not be considered
33 similar coverage to a health benefit plan that does not contain such a
34 provision, provided that the restrictions of benefits to network
35 providers result in substantial differences in claims costs. This
36 subsection does not restrict or enhance the portability of benefits as
37 provided in RCW 48.43.015.

38 ~~((i))~~ (j) Adjusted community rates established under this section
39 shall pool the medical experience of all groups purchasing coverage.

1 (4) The health benefit plans authorized by this section that are
2 lower than the required offering shall not supplant or supersede any
3 existing policy for the benefit of employees in this state. Nothing in
4 this section shall restrict the right of employees to collectively
5 bargain for insurance providing benefits in excess of those provided
6 herein.

7 (5)(a) Except as provided in this subsection, requirements used by
8 a contractor in determining whether to provide coverage to a small
9 employer shall be applied uniformly among all small employers applying
10 for coverage or receiving coverage from the carrier.

11 (b) A contractor shall not require a minimum participation level
12 greater than:

13 (i) One hundred percent of eligible employees working for groups
14 with three or less employees; and

15 (ii) Seventy-five percent of eligible employees working for groups
16 with more than three employees.

17 (c) In applying minimum participation requirements with respect to
18 a small employer, a small employer shall not consider employees or
19 dependents who have similar existing coverage in determining whether
20 the applicable percentage of participation is met.

21 (d) A contractor may not increase any requirement for minimum
22 employee participation or modify any requirement for minimum employer
23 contribution applicable to a small employer at any time after the small
24 employer has been accepted for coverage.

25 (6) A contractor must offer coverage to all eligible employees of
26 a small employer and their dependents. A contractor may not offer
27 coverage to only certain individuals or dependents in a small employer
28 group or to only part of the group. A contractor may not modify a
29 health plan with respect to a small employer or any eligible employee
30 or dependent, through riders, endorsements or otherwise, to restrict or
31 exclude coverage or benefits for specific diseases, medical conditions,
32 or services otherwise covered by the plan.

33 **Sec. 5.** RCW 48.46.064 and 1995 c 265 s 17 are each amended to read
34 as follows:

35 (1)(a) A health maintenance organization offering any health
36 benefit plan to any individual shall offer and actively market to all
37 individuals a health benefit plan providing benefits identical to the
38 schedule of covered health services that are required to be delivered

1 to an individual enrolled in the basic health plan. Nothing in this
2 subsection shall preclude a health maintenance organization from
3 offering, or an individual from purchasing, other health benefit plans
4 that may have more or less comprehensive benefits than the basic health
5 plan, provided such plans are in accordance with this chapter. A
6 health maintenance organization offering a health benefit plan that
7 does not include benefits provided in the basic health plan shall
8 clearly disclose these differences to the individual in a brochure
9 approved by the commissioner.

10 (b) A health benefit plan shall provide coverage for hospital
11 expenses and services rendered by a physician licensed under chapter
12 18.57 or 18.71 RCW but is not subject to the requirements of RCW
13 48.46.275, ((48.26.280-[48.46.280])) 48.46.280, 48.46.285, 48.46.290,
14 48.46.350, 48.46.355, 48.46.375, 48.46.440, 48.46.480, 48.46.510,
15 48.46.520, and 48.46.530 if the health benefit plan is the mandatory
16 offering under (a) of this subsection that provides benefits identical
17 to the basic health plan, to the extent these requirements differ from
18 the basic health plan.

19 (2) Premium rates for health benefit plans for individuals shall be
20 subject to the following provisions:

21 (a) The health maintenance organization shall develop its rates
22 based on an adjusted community rate and may only vary the adjusted
23 community rate for:

- 24 (i) Geographic area;
- 25 (ii) Family size;
- 26 (iii) Age; and
- 27 (iv) Wellness activities.

28 (b) The adjustment for age in (a)(iii) of this subsection may not
29 use age brackets smaller than five-year increments which shall begin
30 with age twenty and end with age sixty-five. Individuals under the age
31 of twenty shall be treated as those age twenty.

32 (c) The health maintenance organization shall be permitted to
33 develop separate rates for individuals age sixty-five or older for
34 coverage for which medicare is the primary payer and coverage for which
35 medicare is not the primary payer. Both rates shall be subject to the
36 requirements of this subsection.

37 (d) The permitted rates for any age group shall be no more than
38 four hundred twenty-five percent of the lowest rate for all age groups

1 on January 1, 1996, four hundred percent on January 1, 1997, and three
2 hundred seventy-five percent on January 1, 2000, and thereafter.

3 (e) A discount for wellness activities shall be permitted to
4 reflect actuarially justified differences in utilization or cost
5 attributed to such programs not to exceed twenty percent.

6 (f) The rate charged for a health benefit plan offered under this
7 section may not be adjusted more frequently than annually except that
8 the premium may be changed to reflect:

9 (i) Changes to the family composition;

10 (ii) Changes to the health benefit plan requested by the
11 individual; or

12 (iii) Changes in government requirements affecting the health
13 benefit plan.

14 (g) The frequency of filing of rate adjustments for new and
15 renewing individuals is limited to once every six months.

16 ~~((g))~~ (h) For the purposes of this section, a health benefit plan
17 that contains a restricted network provision shall not be considered
18 similar coverage to a health benefit plan that does not contain such a
19 provision, provided that the restrictions of benefits to network
20 providers result in substantial differences in claims costs. This
21 subsection does not restrict or enhance the portability of benefits as
22 provided in RCW 48.43.015.

23 (3) Adjusted community rates established under this section shall
24 pool the medical experience of all individuals purchasing coverage, and
25 shall not be required to be pooled with the medical experience of
26 health benefit plans offered to small employers under RCW 48.46.066.

27 (4) As used in this section and RCW 48.46.066, "health benefit
28 plan," "basic health plan," "adjusted community rate," "small
29 employer," and "wellness activities" mean the same as defined in RCW
30 48.43.005.

31 **Sec. 6.** RCW 48.46.066 and 1995 c 265 s 18 are each amended to read
32 as follows:

33 (1)(a) A health maintenance organization offering any health
34 benefit plan to a small employer shall offer and actively market to the
35 small employer a health benefit plan providing benefits identical to
36 the schedule of covered health services that are required to be
37 delivered to an individual enrolled in the basic health plan. Nothing
38 in this subsection shall preclude a health maintenance organization

1 from offering, or a small employer from purchasing, other health
2 benefit plans that may have more or less comprehensive benefits than
3 the basic health plan, provided such plans are in accordance with this
4 chapter. A health maintenance organization offering a health benefit
5 plan that does not include benefits in the basic health plan shall
6 clearly disclose these differences to the small employer in a brochure
7 approved by the commissioner.

8 (b) A health benefit plan shall provide coverage for hospital
9 expenses and services rendered by a physician licensed under chapter
10 18.57 or 18.71 RCW but is not subject to the requirements of RCW
11 48.46.275, 48.46.280, 48.46.285, 48.46.290, 48.46.350, 48.46.355,
12 48.46.375, 48.46.440, 48.46.480, 48.46.510, 48.46.520, and 48.46.530
13 if: (i) The health benefit plan is the mandatory offering under (a) of
14 this subsection that provides benefits identical to the basic health
15 plan, to the extent these requirements differ from the basic health
16 plan; or (ii) the health benefit plan is offered to employers with not
17 more than twenty-five employees.

18 (2) Nothing in this section shall prohibit a health maintenance
19 organization from offering, or a purchaser from seeking, benefits in
20 excess of the basic health plan services. All forms, policies, and
21 contracts shall be submitted for approval to the commissioner, and the
22 rates of any plan offered under this section shall be reasonable in
23 relation to the benefits thereto.

24 (3) Premium rates for health benefit plans for small employers as
25 defined in this section shall be subject to the following provisions:

26 (a) The health maintenance organization shall develop its rates
27 based on an adjusted community rate and may only vary the adjusted
28 community rate for:

- 29 (i) Geographic area;
- 30 (ii) Family size;
- 31 (iii) Age; and
- 32 (iv) Wellness activities.

33 (b) The adjustment for age in (a)(iii) of this subsection may not
34 use age brackets smaller than five-year increments, which shall begin
35 with age twenty and end with age sixty-five. Employees under the age
36 of twenty shall be treated as those age twenty.

37 (c) The health maintenance organization shall be permitted to
38 develop separate rates for individuals age sixty-five or older for
39 coverage for which medicare is the primary payer and coverage for which

1 medicare is not the primary payer. Both rates shall be subject to the
2 requirements of this subsection (3).

3 (d) The permitted rates for any age group shall be no more than
4 four hundred twenty-five percent of the lowest rate for all age groups
5 on January 1, 1996, four hundred percent on January 1, 1997, and three
6 hundred seventy-five percent on January 1, 2000, and thereafter.

7 (e) A discount for wellness activities shall be permitted to
8 reflect actuarially justified differences in utilization or cost
9 attributed to such programs not to exceed twenty percent.

10 (f) The rate charged for a health benefit plan offered under this
11 section may not be adjusted more frequently than annually except that
12 the premium may be changed to reflect:

13 (i) Changes to the enrollment of the small employer;

14 (ii) Changes to the family composition of the employee;

15 (iii) Changes to the health benefit plan requested by the small
16 employer; or

17 (iv) Changes in government requirements affecting the health
18 benefit plan.

19 (g) The frequency of filing of rate adjustments for new and
20 renewing small employers is limited to once every six months.

21 ~~((g))~~ (h) Rating factors shall produce premiums for identical
22 groups that differ only by the amounts attributable to plan design,
23 with the exception of discounts for health improvement programs.

24 ~~((h))~~ (i) For the purposes of this section, a health benefit plan
25 that contains a restricted network provision shall not be considered
26 similar coverage to a health benefit plan that does not contain such a
27 provision, provided that the restrictions of benefits to network
28 providers result in substantial differences in claims costs. This
29 subsection does not restrict or enhance the portability of benefits as
30 provided in RCW 48.43.015.

31 ~~((i))~~ (j) Adjusted community rates established under this section
32 shall pool the medical experience of all groups purchasing coverage.

33 (4) The health benefit plans authorized by this section that are
34 lower than the required offering shall not supplant or supersede any
35 existing policy for the benefit of employees in this state. Nothing in
36 this section shall restrict the right of employees to collectively
37 bargain for insurance providing benefits in excess of those provided
38 herein.

1 (5)(a) Except as provided in this subsection, requirements used by
2 a health maintenance organization in determining whether to provide
3 coverage to a small employer shall be applied uniformly among all small
4 employers applying for coverage or receiving coverage from the carrier.

5 (b) A health maintenance organization shall not require a minimum
6 participation level greater than:

7 (i) One hundred percent of eligible employees working for groups
8 with three or less employees; and

9 (ii) Seventy-five percent of eligible employees working for groups
10 with more than three employees.

11 (c) In applying minimum participation requirements with respect to
12 a small employer, a small employer shall not consider employees or
13 dependents who have similar existing coverage in determining whether
14 the applicable percentage of participation is met.

15 (d) A health maintenance organization may not increase any
16 requirement for minimum employee participation or modify any
17 requirement for minimum employer contribution applicable to a small
18 employer at any time after the small employer has been accepted for
19 coverage.

20 (6) A health maintenance organization must offer coverage to all
21 eligible employees of a small employer and their dependents. A health
22 maintenance organization may not offer coverage to only certain
23 individuals or dependents in a small employer group or to only part of
24 the group. A health maintenance organization may not modify a health
25 plan with respect to a small employer or any eligible employee or
26 dependent, through riders, endorsements or otherwise, to restrict or
27 exclude coverage or benefits for specific diseases, medical conditions,
28 or services otherwise covered by the plan.

29 NEW SECTION. **Sec. 7.** If specific funding in the amount of two
30 hundred six thousand dollars for the purposes of this act, referencing
31 this act by bill or chapter number, is not provided by June 30, 1997,
32 in the omnibus appropriations act, this act is null and void."

1 **SHB 1387** - S COMM AMD

2 By Committee on Financial Institutions, Insurance & Housing

3 ADOPTED 4/15/97

4 On page 1, line 2 of the title, after "benefits;" strike the
5 remainder of the title and insert "amending RCW 48.20.028, 48.21.045,
6 48.44.022, 48.44.023, 48.46.064, and 48.46.066; and creating a new
7 section."

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