

SENATE BILL REPORT

ESSB 5848

As Reported By Senate Committee On:
Health & Long-Term Care, January 27, 2000
Ways & Means, February 8, 2000

Title: An act relating to the basic health plan.

Brief Description: Providing insurance coverage under the basic health plan.

Sponsors: Senate Committee on Health & Long-Term Care (originally sponsored by Senators Hargrove, Hochstatter, Thibaudeau and Oke).

Brief History:

Committee Activity: Health & Long-Term Care: 2/24/99, 3/1/99 [DPS]; 1/20/00, 1/27/00 [DP2S-WM].

Ways & Means: 2/7/00; 2/8/00 [DP3S].

Passed Senate, 3/11/99, 47-0.

SENATE COMMITTEE ON HEALTH & LONG-TERM CARE

Majority Report: That Second Substitute Senate Bill No. 5848 be substituted therefor, and the second substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Thibaudeau, Chair; Wojahn, Vice Chair; Costa, Franklin and Winsley.

Staff: Jonathan Seib (786-7427)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Third Substitute Senate Bill No. 5848 be substituted therefor, and the third substitute bill do pass.

Signed by Senators Loveland, Chair; Bauer, Vice Chair; Brown, Vice Chair; Fairley, Fraser, Honeyford, Kline, Kohl-Welles, Long, Rasmussen, Rossi, B. Sheldon, Snyder, Spanel, Winsley, Wojahn and Zarelli.

Staff: Tim Yowell (786-7435)

Background: The Washington Basic Health Plan (BHP) is a state-sponsored health insurance program for any Washington resident who is not eligible for Medicare and not institutionalized at the time of enrollment. Every enrollee pays a monthly premium based on income, age, family size, and the health plan they choose. The state helps pay part of the premium for members who meet income guidelines.

The BHP is administered by the state Health Care Authority (HCA). Currently, there are about 128,500 persons whose enrollment in the BHP is subsidized, and 3,000 persons whose enrollment is not.

The enabling statute directs the BHP to provide coverage through contracts with "managed care health systems," defined to include organizations that provide health care services on a pre-paid capitated basis. The HCA is not authorized to self-insure the BHP.

It is becoming increasingly difficult for the HCA to provide BHP coverage in some areas of the state, particularly rural counties, and it is suggested that giving the HCA more flexibility in BHP program design may help alleviate this problem.

Summary of Third Substitute Bill: The Legislature recognizes that current statutory restrictions have made it more difficult for the BHP to provide access to health care services in rural and other underserved areas. It states its intent to allow the BHP administrator to work with other interested parties to develop alternative purchasing strategies, including the use of differential rating based on geographic differences in cost and limited use of self-insurance.

The requirement that the BHP be delivered on a prepaid capitated basis is removed.

BHP benefits need not be the same, but must be actuarially equivalent, for similar enrollees.

The BHP administrator is authorized to negotiate additional contracts after the request for proposal process is completed for those areas of the state where no carrier has offered to provide coverage.

BHP is to continue to give priority to prepaid managed care as the preferred method of assuring access, but it is explicitly authorized to self-insure the Basic Health Plan. However, the use of a self-insured, self-funded option is limited to the subsidized BHP enrollees and only if: (1) it is necessary to meet access needs; (2) funding is available in the BHP self insurance reserve account; (3) no carrier has agreed to provide coverage in the local area where the authority would implement the self insured option at a price less than 133 percent of the statewide benchmark; and (4) the self-funded option can be provided at a cost less than offered by any carrier. In such circumstances, the authority is to act within 90 days to initiate alternative coverage strategies.

Where the Health Care Authority implements a self insured option, it is to endeavor to pay health care providers at rates comparable to those paid by the statewide benchmark plan.

A Basic Health Plan self-insurance reserve account is created and rules governing its operation are established.

Third Substitute Bill Compared to Second Substitute Bill: The self-funded plan may only be operated if (1) no carrier has bid less than 133 percent of the statewide benchmark rate in the area to be served; and (2) it can be provided at a lower cost than any carrier has offered. The second substitute provided that the self-funded plan could only be operated if no carrier was willing to serve an area at any price.

The requirement that the self-funded plan pay providers according to the Medicaid fee schedule is replaced with a direction that the Health Care Authority is to try to pay rates no higher than those offered by the statewide benchmark plan.

Second Substitute Bill Compared to Engrossed Substitute Bill: The second substitute explicitly limits the Health Care Authority's use of alternative delivery strategies to those situations where no carrier is offering coverage in a given area, and requires the authority, in those circumstances, to initiate alternative strategies within 90 days.

The second substitute provides that where the Health Care Authority implements a self-insured option, it may reimburse health care providers at no more than medical assistance administration reimbursement rates.

The second substitute removes provisions under which the HCA's authority to self-insure the BHP would have expired in 2004.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For (Health & Long-Term Care): The Health Care Authority has had increasing difficulty finding plans willing to provide BHP coverage, particularly in rural areas of the state. This has put many people in rural areas at risk of losing access to medical coverage, and thus, to medical care. This would be harmful to them and to the rural health care facilities. Rural areas need the same access to coverage that is available in urban areas. This bill gives extra tools to the health care authority that it can use to provide access in difficult areas of the state. The tools would be exercised with caution.

Testimony Against (Health & Long-Term Care): None.

Testified (Health & Long-Term Care): PRO: Senator Hargrove, prime sponsor; Dennis Martin, Health Care Authority.

Testimony For (Ways & Means): The legislation provides the Health Care Authority with flexibility which is needed to assure access to Basic Health Plan services in rural areas.

Testimony With Concerns (Ways & Means): Tying reimbursement to the Medicaid fee schedule will make it impossible for doctors and hospitals to participate in the new self-funded alternative.

Testified (Ways & Means): Becky Loomis, Health Care Authority; Tom Bristow, Community Health Plan of Washington; Susie Tracy, Washington State Medical Association; Andy Davidson, Washington State Hospital Association.