

SENATE BILL REPORT

E2SHB 1728

As Reported By Senate Committee On:
Health & Long-Term Care, March 28, 2001

Title: An act relating to third-party administrators for health carriers.

Brief Description: Establishing a task force on the regulation of insurance third-party administrators.

Sponsors: By House Committee on Appropriations (originally sponsored by Representatives Campbell, Schual-Berke, Skinner and Cody).

Brief History:

Committee Activity: Health & Long-Term Care: 3/26/01, 3/28/01 [DP, DNP].

SENATE COMMITTEE ON HEALTH & LONG-TERM CARE

Majority Report: Do pass.

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

Minority Report: Do not pass.

Signed by Senator Parlette.

Staff: Jonathan Seib (786-7427)

Background: The insurance industry is regulated by the Insurance Commissioner under the statutory authority granted in Title 48 RCW. The commissioner oversees the corporate activities of health carriers and regulates the provisions of health insurance services to consumers.

A "third-party administrator" manages a health insurance program or health plan for an organization, and functions as an intermediary between a health carrier and an insured person. Third-party administrators typically process claims and may also collect premiums and solicit enrollees. Some administrators are given broad authority to manage an insurance plan, including rejecting claims.

There are currently no state statutes or regulations specific to the regulation of third-party administrators for health carriers.

Summary of Bill: The Insurance Commissioner must establish a 13-member task force on third-party administrator regulation. The task force is to include two members of the House, selected by the House Co-Speakers, and two members of the Senate, selected by the President of the Senate. The remaining members are selected by the Insurance Commissioner, representing various stakeholder groups enumerated in the bill.

The task force must review the need for regulation of third-party administrators, and report its findings and recommendations to the Legislature by December 15, 2001.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill contains an emergency clause and takes effect immediately.

Testimony For: The rise of third party administrators represents a new wave in managed care. Third party administrators act on behalf of insuring entities, and make arbitrary and capricious decisions that impact quality of patient care. They often apply inconsistent standards. It is reasonable that there be some state oversight of these entities. The bill would put together a fair, equitable, and manageable group to investigate this issue.

Testimony Against: The language of the bill would apply to all types of third party administrators, when the expressed intent is to only address those in health care. This task force could have an impact on entities that will not be represented in its discussion. The list of participants is not inclusive enough. The issues to be discussed have more to do with provider frustration with health carriers than with third party administrators. Other important issues are not listed at all.

Testified: Bill Daley, Office of the Insurance Commissioner; George Picket, Department of Labor and Industries; PRO: Representative Campbell, prime sponsor; Lori Bielinski, Rocco Nelson, Washington State Chiropractic Association; Lucy Homans, Washington State Psych. Association; Melanie Stewart, Washington Podiatric Medical; Laura Groshong, WSCMHPC; Jeff Larsen, Washington Academy of Physician Assistants; Larry Shannon, Washington State Trial Lawyers Association; CON: Richard Brinkley, Complementary Healthcare Plans; Basil Badley, ACLI, AIA, HIAA; Rick Wickman, Premera; Ken Bertrand, Group Health; Nancee Wildermuth, Regence Blueshield, PacificCare of Washington; Charlie Brown, Merck-Medco; Glen Hudson, Association of Washington Business; Dan Fazio, Washington State Farm Bureau.