

---

HOUSE BILL 2157

---

State of Washington

57th Legislature

2001 Regular Session

By Representatives Pennington, Kessler, Schoesler, Mulliken, Schindler and Pflug

Read first time 02/20/2001. Referred to Committee on Health Care.

1 AN ACT Relating to health plans for small businesses; and amending  
2 RCW 48.21.045, 48.44.023, and 48.46.066.

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

4 **Sec. 1.** 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))~~ featuring a limited schedule of  
11 covered health services and lower premium costs than would otherwise be  
12 available. Nothing in this subsection shall preclude an insurer from  
13 offering, or a small employer from purchasing, other health benefit  
14 plans that may have more ~~((or less))~~ comprehensive benefits than ~~((the  
15 basic health plan,))~~ provided ~~((such plans are in accordance with this  
16 chapter))~~ by this subsection. An insurer offering a health benefit  
17 plan ~~((that does not include benefits in the basic health plan))~~ under  
18 this section shall clearly disclose ~~((these differences))~~ all covered

1 benefits to the small employer in a brochure approved by the  
2 commissioner.

3 (b) A health benefit plan offered under this subsection shall  
4 provide coverage for hospital expenses and services rendered by a  
5 physician licensed under chapter 18.57 or 18.71 RCW but is not subject  
6 to the requirements of RCW 48.21.130, 48.21.140, 48.21.141, 48.21.142,  
7 48.21.144, 48.21.146, 48.21.160 through 48.21.197, 48.21.200,  
8 48.21.220, 48.21.225, 48.21.230, 48.21.235, 48.21.240, 48.21.244,  
9 48.21.250, 48.21.300, 48.21.310, or 48.21.320 if (~~(i) The health~~  
10 ~~benefit plan is the mandatory offering under (a) of this subsection~~  
11 ~~that provides benefits identical to the basic health plan, to the~~  
12 ~~extent these requirements differ from the basic health plan; or (ii))~~)  
13 the health benefit plan is offered to employers with not more than  
14 (~~twenty-five~~) fifty employees or to associations or member-governed  
15 groups formed specifically for the purpose of purchasing health care.

16 (2) Nothing in this section shall prohibit an insurer from  
17 offering, or a purchaser from seeking, benefits in excess of the  
18 (~~basic health plan services~~) benefits offered under subsection (1) of  
19 this section. All forms, policies, and contracts shall be submitted  
20 for approval to the commissioner, and the rates of any plan offered  
21 under this section shall be reasonable in relation to the benefits  
22 thereto.

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

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

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

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

35 (c) The insurer shall be permitted to develop separate rates for  
36 individuals age sixty-five or older for coverage for which medicare is  
37 the primary payer and coverage for which medicare is not the primary  
38 payer. Both rates shall be subject to the requirements of this  
39 subsection (3).

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

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

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

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

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

13 (iii) Changes to the health benefit plan requested by the small  
14 employer; or

15 (iv) Changes in government requirements affecting the health  
16 benefit plan.

17 (g) Rating factors shall produce premiums for identical groups that  
18 differ only by the amounts attributable to plan design, with the  
19 exception of discounts for health improvement programs.

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

27 (i) Adjusted community rates established under this section shall  
28 pool the medical experience of all small groups purchasing coverage.

29 ~~(4) ((The health benefit plans authorized by this section that are  
30 lower than the required offering shall not supplant or supersede any  
31 existing policy for the benefit of employees in this state.))~~

32 Nothing in this section shall restrict the right of employees to  
33 collectively bargain for insurance providing benefits in excess of  
34 those provided herein.

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

1 (b) An insurer shall not require a minimum participation level  
2 greater than:

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

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

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

11 (d) An insurer may not increase any requirement for minimum  
12 employee participation or modify any requirement for minimum employer  
13 contribution applicable to a small employer at any time after the small  
14 employer has been accepted for coverage.

15 (6) An insurer must offer coverage to all eligible employees of a  
16 small employer and their dependents. An insurer may not offer coverage  
17 to only certain individuals or dependents in a small employer group or  
18 to only part of the group. An insurer may not modify a health plan  
19 with respect to a small employer or any eligible employee or dependent,  
20 through riders, endorsements or otherwise, to restrict or exclude  
21 coverage or benefits for specific diseases, medical conditions, or  
22 services otherwise covered by the plan.

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

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

28 (1)(a) A health care service((s)) contractor offering any health  
29 benefit plan to a small employer shall offer and actively market to the  
30 small employer a health benefit plan ((providing benefits identical to  
31 the schedule of covered health services that are required to be  
32 delivered to an individual enrolled in the basic health plan))  
33 featuring a limited schedule of covered health services and lower  
34 premium costs than would otherwise be available. Nothing in this  
35 subsection shall preclude a contractor from offering, or a small  
36 employer from purchasing, other health benefit plans that may have more  
37 ((or less)) comprehensive benefits than ((the basic health plan,))  
38 provided ((such plans are in accordance with this chapter)) by this

1 subsection. A contractor offering a health benefit plan (~~((that does~~  
2 ~~not include benefits in the basic health plan))~~ under this section  
3 ~~shall clearly disclose ((these differences))~~ all covered benefits to  
4 the small employer in a brochure approved by the commissioner.

5 (b) A health benefit plan offered under this subsection shall  
6 provide coverage for hospital expenses and services rendered by a  
7 physician licensed under chapter 18.57 or 18.71 RCW but is not subject  
8 to the requirements of RCW 48.44.225, 48.44.240, 48.44.245, 48.44.290,  
9 48.44.300, 48.44.310, 48.44.320, 48.44.325, 48.44.330, 48.44.335,  
10 48.44.340, 48.44.344, 48.44.360, 48.44.400, 48.44.440, 48.44.450, and  
11 48.44.460 if(~~((: (i) The health benefit plan is the mandatory offering~~  
12 ~~under (a) of this subsection that provides benefits identical to the~~  
13 ~~basic health plan, to the extent these requirements differ from the~~  
14 ~~basic health plan; or (ii))~~) the health benefit plan is offered to  
15 employers with not more than (~~((twenty-five))~~) fifty employees or to  
16 associations or member-governed groups formed specifically for the  
17 purpose of purchasing health care.

18 (2) Nothing in this section shall prohibit a health care service  
19 contractor from offering, or a purchaser from seeking, benefits in  
20 excess of the (~~((basic health plan services))~~) benefits offered under  
21 subsection (1) of this section. All forms, policies, and contracts  
22 shall be submitted for approval to the commissioner, and the rates of  
23 any plan offered under this section shall be reasonable in relation to  
24 the benefits thereto.

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

27 (a) The contractor shall develop its rates based on an adjusted  
28 community rate and may only vary the adjusted 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 contractor shall be permitted to develop separate rates for  
38 individuals age sixty-five or older for coverage for which medicare is  
39 the primary payer and coverage for which medicare is not the primary

1 payer. Both rates shall be subject to the requirements of this  
2 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) Rating factors shall produce premiums for identical groups that  
20 differ only by the amounts attributable to plan design, with the  
21 exception of discounts for health improvement programs.

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

29 (i) Adjusted community rates established under this section shall  
30 pool the medical experience of all groups purchasing coverage.

31 ~~(4) ((The health benefit plans authorized by this section that are  
32 lower than the required offering shall not supplant or supersede any  
33 existing policy for the benefit of employees in this state.))~~

34 Nothing in this section shall restrict the right of employees to  
35 collectively bargain for insurance providing benefits in excess of  
36 those provided herein.

37 (5)(a) Except as provided in this subsection, requirements used by  
38 a contractor in determining whether to provide coverage to a small

1 employer shall be applied uniformly among all small employers applying  
2 for coverage or receiving coverage from the carrier.

3 (b) A contractor shall not require a minimum participation level  
4 greater than:

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

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

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

13 (d) A contractor may not increase any requirement for minimum  
14 employee participation or modify any requirement for minimum employer  
15 contribution applicable to a small employer at any time after the small  
16 employer has been accepted for coverage.

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

25 **Sec. 3.** RCW 48.46.066 and 1995 c 265 s 18 are each amended to read  
26 as follows:

27 (1)(a) A health maintenance organization offering any health  
28 benefit plan to a small employer shall offer and actively market to the  
29 small employer a health benefit plan (~~((providing benefits identical to  
30 the schedule of covered health services that are required to be  
31 delivered to an individual enrolled in the basic health plan))~~)  
32 featuring a limited schedule of covered health services and lower  
33 premium costs than would otherwise be available. Nothing in this  
34 subsection shall preclude a health maintenance organization from  
35 offering, or a small employer from purchasing, other health benefit  
36 plans that may have more (~~((or less))~~) comprehensive benefits than (~~((the  
37 basic health plan,))~~) provided (~~((such plans are in accordance with this  
38 chapter))~~) by this subsection. A health maintenance organization

1 offering a health benefit plan (~~((that does not include benefits in the~~  
2 ~~basic health plan))~~ under this section shall clearly disclose (~~((these~~  
3 ~~differences))~~ all covered benefits to the small employer in a brochure  
4 approved by the commissioner.

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

17 (2) Nothing in this section shall prohibit a health maintenance  
18 organization from offering, or a purchaser from seeking, benefits in  
19 excess of the (~~((basic health plan services))~~) benefits offered under  
20 subsection (1) of this section. All forms, policies, and contracts  
21 shall be submitted for approval to the commissioner, and the rates of  
22 any plan offered under this section shall be reasonable in relation to  
23 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) Rating factors shall produce premiums for identical groups that  
20 differ only by the amounts attributable to plan design, with the  
21 exception of discounts for health improvement programs.

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

29 (i) Adjusted community rates established under this section shall  
30 pool the medical experience of all groups purchasing coverage.

31 ~~(4) ((The health benefit plans authorized by this section that are  
32 lower than the required offering shall not supplant or supersede any  
33 existing policy for the benefit of employees in this state.))~~

34 Nothing in this section shall restrict the right of employees to  
35 collectively bargain for insurance providing benefits in excess of  
36 those provided herein.

37 (5)(a) Except as provided in this subsection, requirements used by  
38 a health maintenance organization in determining whether to provide

1 coverage to a small employer shall be applied uniformly among all small  
2 employers applying for coverage or receiving coverage from the carrier.

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

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

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

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

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

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

--- END ---