
SENATE BILL 6761

State of Washington 57th Legislature

2002 Regular Session

By Senators West and Parlette

Read first time 02/01/2002. Referred to Committee on Health & Long-Term Care.

1 AN ACT Relating to offering covered health services to employers
2 with no more than fifty employees; amending RCW 48.21.045, 48.21.047,
3 48.43.035, 48.44.023, 48.44.024, 48.46.066, and 48.46.068; and
4 providing an effective date.

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

6 **Sec. 1.** RCW 48.21.045 and 1995 c 265 s 14 are each amended to read
7 as follows:

8 (1)(a) An insurer (~~offering any~~) may offer a health benefit plan
9 to a small employer (~~shall offer and actively market to the small~~
10 ~~employer a health benefit plan providing benefits identical to the~~),
11 as defined in RCW 48.43.005, featuring a limited 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 a small employer 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~~) those included in the product offered
18 under this section. An insurer offering a health benefit plan (~~that~~
19 ~~does not include benefits in the basic health plan~~) under this

1 subsection shall clearly disclose (~~these differences~~) all covered
2 benefits to the small employer in a brochure approved by the
3 commissioner.

4 (b) A health benefit plan offered under this subsection shall
5 provide coverage for hospital expenses and services rendered by a
6 physician licensed under chapter 18.57 or 18.71 RCW but (~~is not~~
7 ~~subject to the requirements of~~) will not include the services
8 identified in RCW 48.21.130, 48.21.140, 48.21.141, 48.21.142,
9 48.21.144, 48.21.146, 48.21.148, 48.21.160 through 48.21.197,
10 48.21.200, 48.21.220, 48.21.225, 48.21.230, 48.21.235, 48.21.240,
11 48.21.244, 48.21.250, 48.21.300, 48.21.310, (~~or~~) 48.21.320 (~~if: (i)~~)
12 ~~The health benefit plan is the mandatory offering under (a) of this~~
13 ~~subsection that provides benefits identical to the basic health plan,~~
14 ~~to the extent these requirements differ from the basic health plan; or~~
15 ~~(ii))~~, 48.43.045(1), 48.43.125, or 48.43.180 if the health benefit
16 plan is offered to employers with not more than (~~twenty-five~~) fifty
17 employees.

18 (2)(a) Nothing in this section shall prohibit an insurer from
19 offering, or a purchaser from seeking, benefits in excess of the
20 (~~basic health plan services~~) health benefit plan offered under
21 subsection (1) of this section.

22 (b) All forms, policies, and contracts shall be submitted for
23 approval to the commissioner, and the rates of any plan offered under
24 subsection (1) of this section shall be reasonable in relation to the
25 (i) benefits thereto, and (ii) risks involved as determined by the
26 insurer.

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

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

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

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

1 ~~(c) The insurer shall be permitted to develop separate rates for~~
2 ~~individuals age sixty five or older for coverage for which medicare is~~
3 ~~the primary payer and coverage for which medicare is not the primary~~
4 ~~payer. Both rates shall be subject to the requirements of this~~
5 ~~subsection (3).~~

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

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

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

16 ~~(i) Changes to the enrollment of the small employer;~~

17 ~~(ii) Changes to the family composition of the employee;~~

18 ~~(iii) Changes to the health benefit plan requested by the small~~
19 ~~employer; or~~

20 ~~(iv) Changes in government requirements affecting the health~~
21 ~~benefit plan.~~

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

25 ~~(h) For the purposes of this section, a health benefit plan that~~
26 ~~contains a restricted network provision shall not be considered similar~~
27 ~~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 ~~(i) Adjusted community rates established under this section shall~~
33 ~~pool the medical experience of all small groups purchasing coverage.~~

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

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

5 ~~(b) An insurer shall not require a minimum participation level~~
6 ~~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) An insurer may not increase any requirement for minimum~~
16 ~~employee participation or modify any requirement for minimum employer~~
17 ~~contribution applicable to a small employer at any time after the small~~
18 ~~employer has been accepted for coverage.~~

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

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

30 **Sec. 2.** RCW 48.21.047 and 1995 c 265 s 22 are each amended to read
31 as follows:

32 (1) No insurer shall offer any health benefit plan to any small
33 employer without complying with the provisions of RCW 48.21.045(~~(+5)~~)).

34 (2) Employers purchasing health plans provided through associations
35 or through member-governed groups formed specifically for the purpose
36 of purchasing health care shall not be considered small employers and
37 such plans shall not be subject to the provisions of RCW
38 48.21.045(~~(+5)~~)).

1 (3) For purposes of this section, "health benefit plan," "health
2 plan," and "small employer" mean the same as defined in RCW 48.43.005.

3 **Sec. 3.** RCW 48.43.035 and 2000 c 79 s 24 are each amended to read
4 as follows:

5 For group health benefit plans, the following shall apply:

6 (1) All health carriers shall accept for enrollment any state
7 resident within the group to whom the plan is offered and within the
8 carrier's service area and provide or assure the provision of all
9 covered services regardless of age, sex, family structure, ethnicity,
10 race, health condition, geographic location, employment status,
11 socioeconomic status, other condition or situation, or the provisions
12 of RCW 49.60.174(2). The insurance commissioner may grant a temporary
13 exemption from this subsection, if, upon application by a health
14 carrier the commissioner finds that the clinical, financial, or
15 administrative capacity to serve existing enrollees will be impaired if
16 a health carrier is required to continue enrollment of additional
17 eligible individuals.

18 (2) Except as provided in subsection (5) of this section, all
19 health plans shall contain or incorporate by endorsement a guarantee of
20 the continuity of coverage of the plan. For the purposes of this
21 section, a plan is "renewed" when it is continued beyond the earliest
22 date upon which, at the carrier's sole option, the plan could have been
23 terminated for other than nonpayment of premium. The carrier may
24 consider the group's anniversary date as the renewal date for purposes
25 of complying with the provisions of this section.

26 (3) The guarantee of continuity of coverage required in health
27 plans shall not prevent a carrier from canceling or nonrenewing a
28 health plan for:

29 (a) Nonpayment of premium;

30 (b) Violation of published policies of the carrier approved by the
31 insurance commissioner;

32 (c) Covered persons entitled to become eligible for medicare
33 benefits by reason of age who fail to apply for a medicare supplement
34 plan or medicare cost, risk, or other plan offered by the carrier
35 pursuant to federal laws and regulations;

36 (d) Covered persons who fail to pay any deductible or copayment
37 amount owed to the carrier and not the provider of health care
38 services;

- 1 (e) Covered persons committing fraudulent acts as to the carrier;
- 2 (f) Covered persons who materially breach the health plan; or
- 3 (g) Change or implementation of federal or state laws that no
- 4 longer permit the continued offering of such coverage.

5 (4) ~~((The provisions of))~~ This section ~~((do))~~ does not apply in the
6 following cases:

7 (a) A carrier has zero enrollment on a product; or

8 (b) For group health plans sold to groups other than small employer
9 groups, a carrier replaces a product and the replacement product is
10 provided to all covered persons within that class or line of business,
11 includes all of the services covered under the replaced product, and
12 does not significantly limit access to the kind of services covered
13 under the replaced product. The health plan may also allow
14 unrestricted conversion to a fully comparable product; or

15 (c) For group health plans offered to small employer groups, no
16 sooner than October 1, 2002, a carrier discontinues offering a
17 particular type of health benefit plan if: (i) The carrier provides
18 notice to each group provided coverage of this type of the
19 discontinuation at least ninety days prior to the date of the
20 discontinuation; (ii) the carrier offers to each group provided
21 coverage of this type the option to enroll in any other small employer
22 group health benefit plan currently being offered by the carrier; and
23 (iii) in exercising the option to discontinue coverage of this type and
24 in offering the option of coverage under (c)(ii) of this subsection,
25 the carrier acts uniformly without regard to any health status-related
26 factor of individuals enrolled through the small employer group,
27 individuals who may become eligible for such coverage, or the
28 collective health status of groups enrolled in coverage of this type;
29 or

30 (d) A carrier discontinues offering all small employer group health
31 coverage in the state and discontinues coverage under all existing
32 small employer group health benefit plans if: (i) The carrier provides
33 notice to the commissioner of its intent to discontinue offering all
34 small employer group health coverage in the state and its intent to
35 discontinue coverage under all existing health benefit plans at least
36 one hundred eighty days prior to the date of the discontinuation of
37 coverage under all existing health benefit plans; and (ii) the carrier
38 provides notice to each covered small employer group of the intent to
39 discontinue his or her existing health benefit plan at least one

1 hundred eighty days prior to the date of the discontinuation and
2 includes information in the notice that can help the small employer
3 group identify alternative sources of coverage. In the case of
4 discontinuation under this subsection, the carrier may not issue any
5 small employer group health coverage in this state for a five-year
6 period beginning on the date of the discontinuation of the last health
7 plan not so renewed. Nothing in this subsection (4) may be construed
8 to require a carrier to provide notice to the commissioner of its
9 intent to discontinue offering a health benefit plan to new applicants
10 where the carrier does not discontinue coverage of existing enrollees
11 under that health benefit plan; or

12 (e) A carrier is withdrawing from a service area or from a segment
13 of its service area because the carrier has demonstrated to the
14 insurance commissioner that the carrier's clinical, financial, or
15 administrative capacity to serve enrollees would be exceeded.

16 (5) The provisions of this section do not apply to health plans
17 deemed by the insurance commissioner to be unique or limited or have a
18 short-term purpose, after a written request for such classification by
19 the carrier and subsequent written approval by the insurance
20 commissioner.

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

23 (1)(a) A health care services contractor (~~((offering any))~~) may offer
24 a health benefit plan to a small employer (~~((shall offer and actively~~
25 ~~market to the small employer a health benefit plan providing benefits~~
26 ~~identical to the))~~), as defined in RCW 48.43.005, featuring a limited
27 schedule of covered health services (~~((that are required to be delivered~~
28 ~~to an individual enrolled in the basic health plan))~~). Nothing in this
29 subsection shall preclude a contractor from offering, or a small
30 employer from purchasing, other health benefit plans that may have more
31 (~~((or less))~~) comprehensive benefits than (~~((the basic health plan,~~
32 ~~provided such plans are in accordance with this chapter))~~) those
33 included in the product offered under this section. A contractor
34 offering a health benefit plan (~~((that does not include benefits in the~~
35 ~~basic health plan))~~) under this subsection shall clearly disclose
36 (~~((these differences))~~) all covered benefits to the small employer in a
37 brochure approved by the commissioner.

1 (b) A health benefit plan offered under this subsection shall
2 provide coverage for hospital expenses and services rendered by a
3 physician licensed under chapter 18.57 or 18.71 RCW but (~~is not~~
4 ~~subject to the requirements of~~) will not include the services
5 identified in RCW 48.44.225, 48.44.240, 48.44.245, 48.44.290,
6 48.44.300, 48.44.310, ~~48.44.315~~, 48.44.320, 48.44.325, 48.44.330,
7 48.44.335, 48.44.340, 48.44.344, 48.44.360, 48.44.400, 48.44.440,
8 48.44.450, ((and)) 48.44.460 ((if: (i) The health benefit plan is the
9 mandatory offering under (a) of this subsection that provides benefits
10 identical to the basic health plan, to the extent these requirements
11 differ from the basic health plan; or (ii))), 48.44.500, 48.43.045(1),
12 48.43.125, or 48.43.180 if the health benefit plan is offered to
13 employers with not more than ((twenty-five)) fifty employees.

14 (2)(a) Nothing in this section shall prohibit a health care service
15 contractor from offering, or a purchaser from seeking, benefits in
16 excess of the (~~basic health plan services~~) health benefit plan
17 offered under subsection (1) of this section.

18 (b) All forms, policies, and contracts shall be submitted for
19 approval to the commissioner, and the rates of any plan offered under
20 subsection (1) of this section shall be reasonable in relation to the
21 (i) benefits thereto, and (ii) risks involved as determined by the
22 insurer.

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

35 ~~(5)(a) Except as provided in this subsection, requirements used by~~
36 ~~a contractor 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) A contractor 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) A contractor 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) A contractor must offer coverage to all eligible employees of~~
16 ~~a small employer and their dependents. A contractor may not offer~~
17 ~~coverage to only certain individuals or dependents in a small employer~~
18 ~~group or to only part of the group. A contractor may not modify a~~
19 ~~health plan with respect to a small employer or any eligible employee~~
20 ~~or dependent, through riders, endorsements or otherwise, to restrict or~~
21 ~~exclude coverage or benefits for specific diseases, medical conditions,~~
22 ~~or services otherwise covered by the plan.))~~

23 **Sec. 5.** RCW 48.44.024 and 1995 c 265 s 23 are each amended to read
24 as follows:

25 (1) No health care service contractor shall offer any health
26 benefit plan to any small employer without complying with the
27 provisions of RCW 48.44.023(~~(+5)~~)).

28 (2) Employers purchasing health plans provided through associations
29 or through member-governed groups formed specifically for the purpose
30 of purchasing health care shall not be considered small employers and
31 such plans shall not be subject to the provisions of RCW
32 48.44.023(~~(+5)~~)).

33 (3) For purposes of this section, "health benefit plan," "health
34 plan," and "small employer" mean the same as defined in RCW 48.43.005.

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

1 (1)(a) A health maintenance organization (~~offering any~~) may offer
2 a health benefit plan to a small employer (~~shall offer and actively~~
3 ~~market to the small employer a health benefit plan providing benefits~~
4 ~~identical to the~~), as defined in RCW 48.43.005, featuring a limited
5 schedule of covered health services (~~that are required to be delivered~~
6 ~~to an individual enrolled in the basic health plan~~). Nothing in this
7 subsection shall preclude a health maintenance organization from
8 offering, or a small employer from purchasing, other health benefit
9 plans that may have more (~~or less~~) comprehensive benefits than (~~the~~
10 ~~basic health plan, provided such plans are in accordance with this~~
11 ~~chapter~~) those included in the product offered under this section. A
12 health maintenance organization offering a health benefit plan (~~that~~
13 ~~does not include benefits in the basic health plan~~) under this
14 subsection shall clearly disclose (~~these differences~~) all covered
15 benefits to the small employer in a brochure approved by the
16 commissioner.

17 (b) A health benefit plan offered under this subsection shall
18 provide coverage for hospital expenses and services rendered by a
19 physician licensed under chapter 18.57 or 18.71 RCW but (~~is not~~
20 ~~subject to the requirements of~~) will not include the services
21 identified in RCW 48.46.272, 48.46.275, 48.46.280, 48.46.285,
22 48.46.290, 48.46.350, 48.46.355, 48.46.375, 48.46.440, 48.46.480,
23 48.46.510, 48.46.520, (and) 48.46.530 (if: (i) The health benefit
24 plan is the mandatory offering under (a) of this subsection that
25 provides benefits identical to the basic health plan, to the extent
26 these requirements differ from the basic health plan; or (ii)),
27 48.46.565, 48.46.570, 48.43.045(1), 48.43.125, or 48.43.180 if the
28 health benefit plan is offered to employers with not more than
29 (~~twenty-five~~) fifty employees.

30 (2)(a) Nothing in this section shall prohibit a health maintenance
31 organization from offering, or a purchaser from seeking, benefits in
32 excess of the (~~basic health plan services~~) health benefit plan
33 offered under subsection (1) of this section.

34 (b) All forms, policies, and contracts shall be submitted for
35 approval to the commissioner, and the rates of any plan offered under
36 subsection (1) of this section shall be reasonable in relation to the
37 (i) benefits thereto, and (ii) risks involved as determined by the
38 insurer.

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

3 ~~(a) The health maintenance organization shall develop its rates~~
4 ~~based on an adjusted community rate and may only vary the adjusted~~
5 ~~community rate for:~~

- 6 ~~(i) Geographic area;~~
- 7 ~~(ii) Family size;~~
- 8 ~~(iii) Age; and~~
- 9 ~~(iv) Wellness activities.~~

10 ~~(b) The adjustment for age in (a)(iii) of this subsection may not~~
11 ~~use age brackets smaller than five year increments, which shall begin~~
12 ~~with age twenty and end with age sixty five. Employees under the age~~
13 ~~of twenty shall be treated as those age twenty.~~

14 ~~(c) The health maintenance organization shall be permitted to~~
15 ~~develop separate rates for individuals age sixty five or older for~~
16 ~~coverage for which medicare is the primary payer and coverage for which~~
17 ~~medicare is not the primary payer. Both rates shall be subject to the~~
18 ~~requirements of this subsection (3).~~

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

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

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

- 29 ~~(i) Changes to the enrollment of the small employer;~~
- 30 ~~(ii) Changes to the family composition of the employee;~~
- 31 ~~(iii) Changes to the health benefit plan requested by the small~~
32 ~~employer; or~~
- 33 ~~(iv) Changes in government requirements affecting the health~~
34 ~~benefit plan.~~

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

38 ~~(h) For the purposes of this section, a health benefit plan that~~
39 ~~contains a restricted network provision shall not be considered similar~~

1 coverage to a health benefit plan that does not contain such a
2 provision, provided that the restrictions of benefits to network
3 providers result in substantial differences in claims costs. This
4 subsection does not restrict or enhance the portability of benefits as
5 provided in RCW 48.43.015.

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

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

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

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

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

22 (ii) Seventy five percent of eligible employees working for groups
23 with more than three employees.

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

28 (d) A health maintenance organization may not increase any
29 requirement for minimum employee participation or modify any
30 requirement for minimum employer contribution applicable to a small
31 employer at any time after the small employer has been accepted for
32 coverage.

33 (6) A health maintenance organization must offer coverage to all
34 eligible employees of a small employer and their dependents. A health
35 maintenance organization may not offer coverage to only certain
36 individuals or dependents in a small employer group or to only part of
37 the group. A health maintenance organization may not modify a health
38 plan with respect to a small employer or any eligible employee or
39 dependent, through riders, endorsements or otherwise, to restrict or

1 ~~exclude coverage or benefits for specific diseases, medical conditions,~~
2 ~~or services otherwise covered by the plan.))~~

3 **Sec. 7.** RCW 48.46.068 and 1995 c 265 s 24 are each amended to read
4 as follows:

5 (1) No health maintenance organization shall offer any health
6 benefit plan to any small employer without complying with the
7 provisions of RCW 48.46.066(~~(+5)~~)).

8 (2) Employers purchasing health plans provided through associations
9 or through member-governed groups formed specifically for the purpose
10 of purchasing health care shall not be considered small employers and
11 such plans shall not be subject to the provisions of RCW
12 48.46.066(~~(+5)~~)).

13 (3) For purposes of this section, "health benefit plan," "health
14 plan," and "small employer" mean the same as defined in RCW 48.43.005.

15 NEW SECTION. **Sec. 8.** Section 3 of this act takes effect January
16 1, 2004.

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