

SENATE BILL REPORT

SB 5521

As Reported By Senate Committee On:
Health & Long-Term Care, March 4, 2003

Title: An act relating to access to health insurance for employers and their employees.

Brief Description: Offering health insurance to small employers.

Sponsors: Senators Deccio, Rasmussen, Swecker, Haugen, Parlette, T. Sheldon, Finkbeiner, Doumit, Hale, Schmidt, Honeyford, Rossi, Morton, Sheahan, Johnson, Hewitt, Mulliken, McCaslin, Stevens, West, Shin, Zarelli, Winsley, Carlson, Eide, Esser and Oke.

Brief History:

Committee Activity: Health & Long-Term Care: 2/5/03, 3/4/03 [DPS, DNP].

SENATE COMMITTEE ON HEALTH & LONG-TERM CARE

Majority Report: That Substitute Senate Bill No. 5521 be substituted therefor, and the substitute bill do pass.

Signed by Senators Deccio, Chair; Winsley, Vice Chair; Brandland and Parlette.

Minority Report: Do not pass.

Signed by Senators Franklin, Keiser and Thibaudeau.

Staff: Jonathan Seib (786-7427)

Background: As in other states, most people in Washington who receive their health insurance through the private market do so through their employer in what is referred to as the group market. Within that group market, Washington law distinguishes between plans provided to "small groups," defined to include those employing between one and fifty people, and "large groups" which includes those employing more than 50. A separate set of standards also applies to the individual market, where those not provided coverage by their employer can get their health insurance.

Various mandates in Washington law require that health plans sold in the state, including in the small group market, cover particular conditions and reimburse for services provided by identified types of providers. Plans offered to groups of up to 25 are exempt from many of these mandates.

The law further requires carriers in the small group market to offer a plan with benefits identical to those provided in the state's Basic Health Plan, and also exempts such plans from the various benefit mandates.

All plans subject to state regulation, without exception, are required to cover every category of provider. This means for any treatment sought, enrollees must be given the option of receiving that treatment from any type of provider, as long as the condition is covered by the

plan, the treatment is appropriate for the condition, and the provider is acting within his or her scope of practice.

The premiums charged for small group plans are also governed by state law. In general, plans must be community rated, with rate variations allowed based only on geographic area, family size, age and wellness activities. Variations for age and wellness must be within a specified range.

Current law also requires that carriers accept for enrollment any person within a group, large or small, to whom a plan is offered. This is known as guaranteed issue. Carriers are also required to guarantee continuity of coverage, meaning that, with some exceptions, they may not cancel or fail to renew a group plan unless it is replaced with a similar product or they are completely withdrawing from a service area.

There is concern that insurance in the small group market is becoming increasingly unaffordable, prompting employers to shift more of the costs to their employees, or drop coverage altogether.

Summary of Substitute Bill: The requirement that carriers offer to small employers a benefit plan identical to the Basic Health Plan is replaced with a requirement that carriers offer a plan featuring a limited schedule of covered health care services. The exact services to be offered are not specified.

The exemption from existing mandates is made applicable to plans offered to any small employer, not just those employing up to 25 employees, and some of the mandates are removed from the exemption list.

In addition to existing factors, rates for small employer plans may also be adjusted for industry and other factors approved by the commissioner in rule. The restrictions on how much rates may vary based on age and wellness activities are eliminated.

Also removed is the requirement that rates for small group plans pool the medical experience of all small groups purchasing coverage. Language is added allowing rates to include relativity adjustments, based on deductible leverage, or other actuarially demonstrated differences.

The definition of small employer is changed from an establishment employing between one and 50 employees to an establishment employing between two and 50 employees. However, persons currently enrolled in a plan as a group of one may remain enrolled as long as the particular plan continues to be offered.

Current continuity of coverage provisions are amended to also allow a group plan to be discontinued, with 90 days notice, as long as policyholders are allowed to continue coverage in any other group plan offered by the carrier. A group plan may also be discontinued if the carrier discontinues all coverage in the particular market.

The current law requiring health plans to cover every category of provider is made applicable only to individual health plans.

Substitute Bill Compared to Original Bill: In the substitute bill, mandates regarding chemical dependency, mammography, reconstructive breast surgery, and mastectomy and lumpectomy are removed from the list of mandates from which small group plans are exempt.

Unlike the substitute, the original bill does not remove the current law requiring that rates for small group plans pool the medical experience of all small groups purchasing coverage.

Neither does the original bill allow current groups of one to continue group coverage beyond the effective date of the act. The substitute does.

The original bill repeals the current law requiring carriers to accept for enrollment any resident within a group to whom a plan is offered. It also struck existing language providing that nothing in the law governing small group plans restricts collective bargaining rights. The substitute retains both of these provisions.

The original bill repealed the any category of provider law entirely, while the substitute bill simply limits it to individual health benefit plans.

Appropriation: None.

Fiscal Note: Requested on substitute on March 3, 2003.

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

Testimony For: This bill is a step in the right direction and is very important to small businesses, for whom health insurance costs are a major concern. Such costs are one of many factors making businesses in this state less competitive. The bill would address this concern by allowing additional insurance products to be offered with a wider range of cost options. Under the current law, small businesses are faced with the prospect of not offering health insurance at all; this bill would at least allow insurance of some type to be offered. The bill would promote more intelligent use of the health care system, and would make for a more competitive insurance market by making the laws in this state more consistent with other states.

Testimony Against: The bill simply shifts costs and provides a solution that is worse than the problems it purports to solve. It eliminates an affordable option for sole proprietors at a time when the rate of uninsured individuals is climbing. Eliminating the age rating limitations places older workers at risk for no longer being considered for employment. By allowing rates based on industry, some small businesses will actually face an increase in insurance premiums. The likely result of the bill will be to make insurance more difficult to obtain for many small businesses. It will also reduce access to mental health care and aggravate the existing shortage of health care personnel in the state. There is no data to show that the any category of provider law increases costs.

Testified: PRO: Carolyn Logue, National Federation of Independent Business; Mel Sorenson, Employer Health Care Coalition; Amber Balch, Association of Washington Business; Greg Seifert, Washington Association of Health Underwriters; Diane Symms, Lombardi Cucina; Curtis Fackler; Pay Systems America; Patti Carter, Pony Mailing Center; Judith Jewall, Olympian Precast; Frank Morrison, Washington Podiatric Association; Craig

Larsen, Wenatchee Valley Chamber of Commerce; Patricia Smith, Greater Kirkland Chamber of Commerce; Ken Bertrand, Group Health; Rick Wickman, Premera Blue Cross; Nancee Wildermuth, Regence Blue Shield; CON: Michael Arnis, Office of the Insurance Commissioner; Sean Corry, Sprague, Israel, Giles, Inc.; Lori Beilinski, Washington State Chiropractic Association; Gail McGaffick, Washington State Psychological Association, Washington State Dietetic Association; Nick Federici, Midwives Association, Marriage & Family Therapists; Melanie Stewart, Licensed Mental Health Counselors, Association of Massage Therapists; Kasra Pournadhali, Washington Association of Naturopathic Physicians; Randy Ray, Acupuncture Association of Washington; Ellie Menzies, Service Employees International; Mike O'Sullivan, American Cancer Society; Susan Hart; Mary McGann; Shanna Winters.