
**Health Care & Wellness
Committee**

HB 1569

Brief Description: Reforming the health care system in Washington state.

Sponsors: Representatives Cody, Campbell, Morrell, Linville, Moeller, Green, Seaquist, Conway, Dickerson, Appleton, McIntire, McCoy, Kagi, Pedersen, Kenney, Lantz, Santos, Wood and Ormsby.

Brief Summary of Bill

- Creates a Health Insurance Connector to simplify and improve the purchasing of health insurance for individuals and employees of small business.
- Combines individuals, employees of small employers, and individuals receiving health coverage through association plans into a single pool through the Connector.
- Eliminates the standard health questionnaire used in the individual market, and repeals the Washington State Health Insurance Pool.
- Establishes a premium subsidy mechanism for low income individuals.
- Establishes a reinsurance program in the Office of the Insurance Commissioner to lower the cost of health care coverage.

Hearing Date: 1/31/07

Staff: Dave Knutson (786-7146).

Background:

In 2004, Washington had approximately 600,000 uninsured person under age 65. For adults ages 19-64, 13.2 percent were uninsured. For children ages 0-16, six percent were uninsured. Health coverage through an employer in Washington has declined from 71 percent in 1993 to around 66

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percent in 2004. Rising health care costs are a significant barrier to small employers offering health coverage for their workers. Between 1999 and 2004, the annual increase in health insurance premiums for small businesses in Washington was substantially greater than the annual increase in wages or gross business income, some years by a factor of more than five. It is estimated that poor quality health care costs the typical employer between \$1,900 and \$2,250 per covered employee per year. Recent studies have shown that only a little more than half of adult patients receive recommended care. The level of performance is similar whether it is for chronic, acute, or preventive care and across all spectrums of medical care, including screening, diagnosis, treatment and follow-up.

Summary of Bill:

Connector

A Washington State Health Insurance Connector is established. It will be administered by the Health Care Authority Administrator. The Connector will be governed by a 14 member Board. The Connector will be responsible for developing and approving all health benefit plans sold by carriers through the Connector for individuals, small employer groups, and employees receiving health coverage through association plans. Four or five plans will be offered, with at least three deductible and point-of-service cost-sharing options. Benefits plans will include a high deductible health plan, a plan comparable to the Basic Health Plan, a plan with first dollar coverage for a fixed number of provider visits, and a plan comparable to plans offered by the public employees benefit board. All benefit plans offered through the Connector must include components to improve quality of care and health outcomes. The Connector will be responsible for establishing eligibility procedures, collection and transmission of all premium payments and payroll deductions, and all other aspects of operating a health insurance coverage program. Health benefit plans will be available through the Connector beginning September 1, 2008. Effective January 1, 2009, the Connector will administer a premium assistance program for individuals and employees with household incomes at or below 200 percent for the FPL, including all current enrollees of the Basic Health Plan who will be enrolled in the Connector and choosing a health benefit plan. The Connector will charge a surcharge on all health benefit plans offered to pay for administrative and operational expenses.

Insurance Standards

Individuals eligible to purchase health coverage through the Connector include all individuals who are not offered health insurance from an employer with more than fifty employees. This includes people who previously purchased health coverage through the individual market, small group market and association health plans. Health benefit plans offered through the connector must be certified by the Insurance Commissioner. Carriers will develop their rates for health benefit plans offered through the Connector on an adjusted community rate that may be varied for:

- a.) geographic area;
- b.) family size;
- c.) age; and
- d.) wellness activities.

Rates for any age group cannot be more than 375 percent of the lowest rate for all age groups. Adjusted community rates will pool the medical experience of all eligible individuals. Carriers are authorized to treat people under 30 as a separate experience pool when setting their rates.

Individual Market and WSHIP

After January 1, 2009, Carriers will not issue or renew any individual health benefit plans, or small group health benefit plans, including association plans, except through the Connector. Individuals will not be required to take the standard health questionnaire, and the Washington State Health Insurance Pool (WSHIP) is repealed.

Employer and Individual Responsibilities

Employers with more than five employees are required to adopt and maintain a cafeteria plan, and will collect and transmit amounts designated as payroll deductions by employees to the Connector. After January 1, 2012, individuals over 18 are required to obtain and maintain creditable health coverage, if it is deemed affordable by the Connector board.

Reinsurance Program

The Office of the Insurance Commissioner will operate a reinsurance program to make health coverage more affordable for people purchasing health coverage through the Connector. After January 1, 2009, Carriers may receive reimbursement for 90 percent of claims paid between \$30,000 and \$100,000 in a calendar year for an enrollee. The reinsurance applies to participating individuals and persons employed by participating small employers who did not offer a health benefit plan to their employees during the 12 month period prior to application for participation in the Connector.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.