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**Health Care & Wellness  
Committee**

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**HB 2560**

**Brief Description:** Defining small employers for purposes of health insurance coverage.

**Sponsors:** Representatives VanDeWege, Kessler, Cody, Morrell, Rolfes, Chase, Barlow, Green and Loomis.

**Brief Summary of Bill**

- Modifies the definition of a small employer for the purposes of qualifying to purchase small group health coverage.

**Hearing Date:** 1/17/08

**Staff:** Dave Knutson (786-7146).

**Background:**

Washington law has a more restrictive definition of "small employer" or "small group" than does Federal law. The federal definition at 42 U.S.C. s300gg-91(e)(4) is "...in connection with a group health plan, with respect to a calendar year and a plan year, an employer who employed an average of at least 2 but not more than 50 employees on business days during the preceding calendar year and who employs at least 2 employees on the first day of the plan year."

The state definition of a "small employer" or "small group" is more narrow than the Federal definition, adding several requirements. These additional requirements include:

- that the employees be "eligible", defined as working a normal work week of 30 or more hours,
- that the majority of these eligible employees be employed within Washington, and
- that the employer not be formed primarily for purposes of buying health insurance and have bona fide employer-employee relationships.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

Conflicting Federal and state definitions of "small employer" and "small group" may lead to confusion on the part of small employers, health carriers, and the Office of Insurance Commissioner on who may purchase health coverage through the small group insurance market.

**Summary of Bill:**

The definition of "small employer" and "small group" is modified to delete the requirements that eligible employees must work a normal work week of 30 hours or more and that the majority of eligible employees be employed within Washington. The requirement that a self employed individual or a sole proprietor must derive a set percentage of their income from a trade or business is deleted.

**Appropriation:** None.

**Fiscal Note:** Not requested.

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