

# HOUSE BILL REPORT

## ESHB 1220

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### As Amended by the Senate

**Title:** An act relating to regulating insurance rates.

**Brief Description:** Regulating insurance rates.

**Sponsors:** House Committee on Health Care & Wellness (originally sponsored by Representatives Rolfes, Cody, Appleton, Frockt, Hinkle, Lias, Fitzgibbon, Jinkins, Hunt, Van De Wege, Moeller and Kenney; by request of Insurance Commissioner).

**Brief History:**

**Committee Activity:**

Health Care & Wellness: 1/27/11, 2/10/11 [DPS].

**Floor Activity:**

Passed House: 3/4/11, 57-40.

Senate Amended.

Passed Senate: 4/7/11, 48-1.

### Brief Summary of Engrossed Substitute Bill

- Makes the entirety of an individual or small group market health benefit plan rate filing open to public inspection, except for the numeric values of each rating factor used by the health carrier.
- Requires health insurers in the individual and small group markets to submit a publicly-available rate disclosure summary form along with their rate filings.
- Requires the Insurance Commissioner to submit a publicly-available rate summary form once the rate review process is completed.

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### HOUSE COMMITTEE ON HEALTH CARE & WELLNESS

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 7 members: Representatives Cody, Chair; Jinkins, Vice Chair; Clibborn, Green, Kelley, Moeller and Van De Wege.

**Minority Report:** Do not pass. Signed by 4 members: Representatives Schmick, Ranking Minority Member; Hinkle, Assistant Ranking Minority Member; Bailey and Harris.

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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.*

**Staff:** Jim Morishima (786-7191).

**Background:**

The Office of the Insurance Commissioner (OIC) has the authority to regulate health insurance companies in Washington. As part of this authority, the OIC has the authority to review insurance rates in both the individual and small group markets. Insurers are required to file their individual and group rates with the OIC. The OIC may disapprove the rates if they are unreasonable in relation to the benefits in the agreement. The OIC also reviews individual and small group market insurers for compliance with statutory requirements such as adjusted community rating and medical loss ratios (for purposes of determining remittances to the Washington State Health Insurance Pool).

An insurance filing is open to public inspection and copying except for actuarial formulae, statistics, and assumptions submitted in support of the filing.

**Summary of Engrossed Substitute Bill:**

The entirety of a rate filing submitted by a health carrier in the individual or small group market is available for public inspection, except for the numeric values of each rating factor used in the rate filing.

An exception to this general rule is created for new products. The actuarial formulae, statistics, and assumptions associated with an individual or small group market rate filing remain confidential for new products that are distinct and unique from a health carrier's currently or previously offered plans. A health carrier must make a written request to the Insurance Commissioner, which must be approved in writing in order for this exception to apply. This exception lasts for one year or until the date of the next filing, whichever occurs first.

The Insurance Commissioner must make any non-confidential rate filing information available 10 days after the Insurance Commissioner determines that the filing is complete and accepts the filing through the electronic rate and form filing system.

The Insurance Commissioner must develop a rate disclosure summary in language easily understood by the public that allows carriers to explain the relationship between premium and health care cost drivers. The rate disclosure summary form must contain the following information: (1) annual rate increases for the past three years, (2) rate increases attributed to mandated changes, (3) the number of members impacted by the rate, (4) the impact of benefit changes on the rate, (5) the filed health care trend, (6) the projected medical loss ratio for the rating period, (7) the top three drivers contributing to the change in premiums, and (8) other information added to the summary form by rule that the Insurance Commissioner, in consultation with the carriers, finds reasonably necessary to help consumers understand the reasons for proposed and accepted rates. A health carrier in the individual or small group market must complete the rate disclosure summary form and submit it electronically along with each individual or small group health benefit plan rate filing.

Additionally, the Insurance Commissioner must prepare a standardized rate summary form to explain his or her findings after the rate review process is completed. The Insurance Commissioner's rate summary form must be included as part of the rate filing documentation available to the public electronically.

The Insurance Commissioner must adopt rules necessary to implement these provisions, including a process for updating the rate disclosure summary forms. The Insurance Commissioner must consult with carriers and consumers when developing summary forms.

**EFFECT OF SENATE AMENDMENT(S):**

The Senate amendment:

- makes the bill applicable to individual and small group health benefit plan rate filings submitted (as opposed to effective) on or after July 1, 2011 (as opposed to January 1, 2012);
- limits the numeric values of rating factors that may be withheld from disclosure to small group rating factors used by a health carrier as authorized by RCW 48.21.045(3)(a), 48.44.023(3)(a), and 48.46.066(3)(a);
- eliminates provisions requiring health carriers to submit a rate disclosure summary form in a format easily understood by the general public; instead, requires health carriers to submit with their individual and small group filings "Part I Rate Increase Summary" and "Part II Written Explanation of the Rate Increase" as set forth by the United States Department of Health and Human Services;
- requires each filing (as opposed to the portions of each rate filing that are open to public inspection) and the Part I Rate Increase Summary and Part II Written Explanation of the Rate Increase available for public inspection on the 10th day after the rate filing is complete;
- removes the Insurance Commissioner's authority to adopt rules to implement the act; and
- removes the prohibition against a small group market health carrier requiring an employer to pay more than 40 percent of the employee's premium.

**Appropriation:** None.

**Fiscal Note:** Available.

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

**Staff Summary of Public Testimony:**

(In support) Insurance rates have been on the rise and consumers have no idea why. Under current law, the Insurance Commissioner is prohibited from providing consumers with the drivers behind a rate increase. Releasing this information will not pose a problem for insurers because all of them will have to comply with the requirement. This bill allows consumers to make smarter choices.

(With concerns) This bill will make an insurer's confidential, proprietary information open to the public and to each of the insurer's competitors. If insurers were to do this on their own, it would violate antitrust laws — it is similar to allowing insurers to go into a room to trade information. Expertise and skill in the competitive market should be prized. This information is prepared by actuaries and will not be meaningful to the general public. This bill also would make the information behind the filing public before the filing goes into effect, which could cause confusion. Making all of this information public will hinder competition and increase costs to consumers. Instead of the entire filing, an executive summary could be made public.

(Opposed) None.

**Persons Testifying:** (In support) Representative Rolfes, prime sponsor; Mike Kreidler, Office of the Insurance Commissioner; Ingrid McDonald, Association for the Advancement of Retired Persons; and Kent Davis, Washington Health Security Coalition.

(With concerns) Mel Sorensen, America's Health Insurance Plans; Len Sorrin, Premera BlueCross; and Chris Bandoli, Regence BlueShield.

**Persons Signed In To Testify But Not Testifying:** None.