

SENATE BILL REPORT

SB 6439

As of January 26, 1996

Title: An act relating to canceling or nonrenewing health plans by health carriers.

Brief Description: Allowing canceling or nonrenewing of health plans by health carriers for refusal to accept premium payment obligations.

Sponsors: Senators Moyer, Deccio, Winsley, Heavey, Swecker, Zarelli, Haugen, Loveland and Hochstatter.

Brief History:

Committee Activity: Health & Long-Term Care

SENATE COMMITTEE ON HEALTH & LONG-TERM CARE

Staff: Don Sloma (786-7319)

Background: Changes in the health care market and in state regulation in recent years (including prohibition of pre-existing condition exclusions, various modifications to community rating requirements and aggressive market re-positioning strategies by some insurers) have resulted in several developments which now threaten access for the 430,000 Washington residents who purchase health insurance in the individual market.

The few health insurance carriers who sell policies to individuals are reporting substantially higher costs. They have either sought to raise premiums substantially, to stop selling new policies or to pull out of the individual market entirely.

Accounts vary as to the reasons for recent developments. Some say individual insurance was less expensive before insurance reforms because insurers could effectively exclude high risk cases. They argue that the insurance reforms and the recent round of rate increases, if approved, will make individual and small group rates comparable for comparable products.

Others argue individual insurance costs will now be higher than group costs, because individual insurance is now unable to insulate itself from higher risk cases or from those who purchase insurance, receive services and then cancel within a few months (so called "churning").

It has been suggested that one step that could increase stability in the individual market and ensure continuing access to care might be to limit the guaranteed issue requirement only to those policies where the subscriber is willing to commit to a pre-determined, extended period of enrollment.

Summary of Bill: The requirement that all health plan carriers must issue policies to anyone willing to pay premiums is limited. Carriers need not issue policies to those

unwilling to accept premium payment obligations for periods of two years or less. The terms of such payment obligations may be set by carriers.

Appropriation: None.

Fiscal Note: None requested.

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