
SENATE BILL 6278

State of Washington

54th Legislature

1996 Regular Session

By Senator Quigley

Read first time 01/10/96. Referred to Committee on Health & Long-Term Care.

1 AN ACT Relating to the health insurance coverage access act;
2 amending RCW 48.41.020, 48.41.030, 48.41.040, 48.41.050, 48.41.060,
3 48.41.070, 48.41.080, 48.41.090, 48.41.100, 48.41.110, 48.41.120,
4 48.41.130, 48.41.170, 48.41.180, 48.41.200, and 48.41.210; creating a
5 new section; repealing RCW 48.41.140 and 48.41.160; and declaring an
6 emergency.

7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

8 **Sec. 1.** RCW 48.41.020 and 1987 c 431 s 2 are each amended to read
9 as follows:

10 ~~((It is the purpose and intent of the legislature to provide access
11 to health insurance coverage to all residents of Washington who are
12 denied adequate health insurance for any reason. It is the intent of
13 the legislature that adequate levels of health insurance coverage be
14 made available to residents of Washington whare otherwise considered
15 uninsurable or who are underinsured.))~~ It is the intent of the
16 Washington state health insurance coverage access act to provide a
17 mechanism to insure the availability of ~~((comprehensive))~~ affordable
18 private health insurance to persons ~~((unable to obtain such insurance
19 coverage on either an individual or group basis directly under any~~

1 ~~health plan~~) through the reinsurance of individual health plans
2 offering at least the level of benefits of the state basic health plan.

3 **Sec. 2.** RCW 48.41.030 and 1989 c 121 s 1 are each amended to read
4 as follows:

5 As used in this chapter, the following terms have the meaning
6 indicated, unless the context requires otherwise:

7 (1) "Accounting year" means a twelve-month period determined by the
8 board for purposes of record-keeping and accounting. The first
9 accounting year may be more or less than twelve months and, from time
10 to time in subsequent years, the board may order an accounting year of
11 other than twelve months as may be required for orderly management and
12 accounting of the pool.

13 (2) "Administrator" means the entity chosen by the board to
14 administer the pool under RCW 48.41.080.

15 (3) "Board" means the board of directors of the pool.

16 (4) "Commissioner" means the insurance commissioner.

17 (5) "Health care facility" has the same meaning as in RCW
18 70.38.025.

19 (6) "Health care provider" means any physician, facility, or health
20 care professional, who is licensed in Washington state and entitled to
21 reimbursement for health care services.

22 (7) "Health care services" means services for the purpose of
23 preventing, alleviating, curing, or healing human illness or injury.

24 (8) "Health insurance" means any (~~group or individual~~) disability
25 insurance policy, health care service contract, and health maintenance
26 agreement, except those contracts entered into for the provision of
27 health care services pursuant to Title XVIII of the Social Security
28 Act, 42 U.S.C. Sec. 1395 et seq. The term does not include short-term
29 care, long-term care, dental, vision, accident, fixed indemnity,
30 disability income contracts, civilian health and medical program for
31 the uniform services (CHAMPUS), 10 U.S.C. 55, limited benefit or credit
32 insurance, coverage issued as a supplement to liability insurance,
33 insurance arising out of the worker's compensation or similar law,
34 automobile medical payment insurance, or insurance under which benefits
35 are payable with or without regard to fault and which is statutorily
36 required to be contained in any liability insurance policy or
37 equivalent self-insurance.

1 (9) "Health plan" means any arrangement by which persons, including
2 dependents or spouses, (~~covered or making application to be covered~~
3 ~~under this pool,~~) have access to hospital and medical benefits or
4 reimbursement including any (~~group or~~) individual disability
5 insurance policy; health care service contract; health maintenance
6 agreement; uninsured arrangements of group or group-type contracts
7 including employer self-insured, cost-plus, or other benefit
8 methodologies not involving insurance or not governed by Title 48 RCW;
9 coverage under group-type contracts which are not available to the
10 general public and can be obtained only because of connection with a
11 particular organization or group; and coverage by medicare or other
12 governmental benefits. This term includes coverage through "health
13 insurance" as defined under this section, and specifically excludes
14 those types of programs excluded under the definition of "health
15 insurance" in subsection (8) of this section.

16 (10) "Insured" means any individual resident of this state who is
17 eligible to receive benefits from any member, or other health plan.

18 (11) "Medical assistance" means coverage under Title XIX of the
19 federal Social Security Act (42 U.S.C., Sec. 1396 et seq.) and chapter
20 74.09 RCW, and any successor federal program.

21 (12) "Medicare" means coverage under Title XVIII of the Social
22 Security Act, (42 U.S.C. Sec. 1395 et seq., as amended) and any
23 successor federal program.

24 (13) "Member" means any commercial insurer which provides
25 disability insurance or stop-loss coverage, any health care service
26 contractor, and any health maintenance organization licensed under
27 Title 48 RCW. "Member" shall also mean, as soon as authorized by
28 federal law, employers and other entities, including a self-funding
29 entity and employee welfare benefit plans that provide health plan
30 benefits in this state on or after May 18, 1987. "Member" does not
31 include any insurer, health care service contractor, or health
32 maintenance organization whose products are exclusively dental products
33 or those products excluded from the definition of "health insurance"
34 set forth in subsection (8) of this section.

35 (14) "Plan of operation" means the pool, including articles, by-
36 laws, and operating rules, adopted by the board pursuant to RCW
37 48.41.050.

38 (15) "Pool" means the Washington state health insurance pool as
39 created in RCW 48.41.040.

1 (~~(16)~~ "Substantially equivalent health plan" means a "health plan"
2 as defined in subsection (9) of this section which, in the judgment of
3 the board or the administrator, offers persons including dependents or
4 spouses covered or making application to be covered by this pool an
5 overall level of benefits deemed approximately equivalent to the
6 minimum benefits available under this pool.))

7 **Sec. 3.** RCW 48.41.040 and 1989 c 121 s 2 are each amended to read
8 as follows:

9 (1) There is hereby created a nonprofit entity to be known as the
10 Washington state health (~~insurance~~) reinsurance pool. All members in
11 this state on or after May 18, (~~1987~~) 1996, shall be members of the
12 pool. When authorized by federal law, all self-insured employers shall
13 also be members of the pool.

14 (2) Pursuant to chapter 34.05 RCW the commissioner shall, within
15 ninety days after May 18, (~~1987~~) 1996, give notice to all members of
16 the time and place for the initial organizational meetings of the pool.
17 A board of directors shall be established, which shall be comprised of
18 nine members. The commissioner shall select three members of the board
19 who shall represent (a) the general public, (b) health care providers,
20 and (c) health insurance agents. The remaining members of the board
21 shall be selected by election from among the members of the pool. The
22 elected members shall, to the extent possible, include at least one
23 representative of health care service contractors, one representative
24 of health maintenance organizations, and one representative of
25 commercial insurers which provides disability insurance. When self-
26 insured organizations become eligible for participation in the pool,
27 the membership of the board shall be increased to eleven and at least
28 one member of the board shall represent the self-insurers.

29 (3) The original members of the board of directors shall be
30 appointed for intervals of one to three years. Thereafter, all board
31 members shall serve a term of three years. Board members shall receive
32 no compensation, but shall be reimbursed for all travel expenses as
33 provided in RCW 43.03.050 and 43.03.060.

34 (4) The board shall submit to the commissioner a plan of operation
35 for the pool and any amendments thereto necessary or suitable to assure
36 the fair, reasonable, and equitable administration of the pool. The
37 commissioner shall, after notice and hearing pursuant to chapter 34.05
38 RCW, approve the plan of operation if it is determined to assure the

1 fair, reasonable, and equitable administration of the pool and provides
2 for the sharing of pool losses on an equitable, proportionate basis
3 among the members of the pool. The plan of operation shall become
4 effective upon approval in writing by the commissioner consistent with
5 the date on which the coverage under this chapter must be made
6 available. If the board fails to submit a plan of operation within one
7 hundred eighty days after the appointment of the board or any time
8 thereafter fails to submit acceptable amendments to the plan, the
9 commissioner shall, within ninety days after notice and hearing
10 pursuant to chapters 34.05 and 48.04 RCW, adopt such rules as are
11 necessary or advisable to effectuate this chapter. The rules shall
12 continue in force until modified by the commissioner or superseded by
13 a plan submitted by the board and approved by the commissioner.

14 **Sec. 4.** RCW 48.41.050 and 1987 c 431 s 5 are each amended to read
15 as follows:

16 The plan of operation submitted by the board to the commissioner
17 shall:

18 (1) Establish procedures for the handling and accounting of assets
19 and moneys of the pool;

20 (2) Establish regular times and places for meetings of the board of
21 directors;

22 (3) Establish procedures for records to be kept of all financial
23 transactions and for an annual fiscal reporting to the commissioner;

24 (4) Contain additional provisions necessary and proper for the
25 execution of the powers and duties of the pool;

26 (5) Establish procedures for the collection of assessments from all
27 members to provide for claims paid under the plan and for
28 administrative expenses incurred or estimated to be incurred during the
29 period for which the assessment is made;

30 (6) Establish the amount of assessment pursuant to RCW 48.41.060,
31 which shall occur after March 1st of each calendar year, and which
32 shall be due and payable within thirty days of the receipt of the
33 assessment notice;

34 (7) Select an administrator in accordance with RCW 48.41.080; and

35 ~~(8) ((Develop and implement a program to publicize the existence of~~
36 ~~the plan, the eligibility requirements and procedures for enrollment,~~
37 ~~and to maintain public awareness of the plan; and~~

1 (9)) Establish procedures under which ((~~applicants~~—and
2 ~~participants~~)) members may have grievances reviewed by an impartial
3 body and reported to the board.

4 **Sec. 5.** RCW 48.41.060 and 1989 c 121 s 3 are each amended to read
5 as follows:

6 The board shall have the general powers and authority granted under
7 the laws of this state to insurance companies licensed to transact the
8 kinds of insurance defined under this title. In addition thereto, the
9 board may:

10 (1) Enter into contracts as are necessary or proper to carry out
11 the provisions and purposes of this chapter including the authority,
12 with the approval of the commissioner, to enter into contracts with
13 similar pools of other states for the joint performance of common
14 administrative functions, or with persons or other organizations for
15 the performance of administrative functions;

16 (2) Sue or be sued, including taking any legal action as necessary
17 to avoid the payment of improper claims against the pool or the
18 coverage provided by or through the pool;

19 (3) Establish appropriate rates, rate schedules, rate adjustments,
20 expense allowances, agent referral fees, claim reserve formulas and any
21 other actuarial functions appropriate to the operation of the pool(~~(-~~
22 ~~Rates shall not be unreasonable in relation to the coverage provided,~~
23 ~~the risk experience, and expenses of providing the coverage. Rates and~~
24 ~~rate schedules may be adjusted for appropriate risk factors such as age~~
25 ~~and area variation in claim costs and shall take into consideration~~
26 ~~appropriate risk factors in accordance with established actuarial~~
27 ~~underwriting practices))~~);

28 (4) Assess members of the pool in accordance with the provisions of
29 this chapter, and make advance interim assessments as may be reasonable
30 and necessary for the organizational or interim operating expenses.
31 Any interim assessments will be credited as offsets against any regular
32 assessments due following the close of the year;

33 (5) Issue policies of ((~~insurance~~)) reinsurance in accordance with
34 the requirements of this chapter;

35 (6) Appoint appropriate legal, actuarial and other committees as
36 necessary to provide technical assistance in the operation of the pool,
37 policy, and other contract design, and any other function within the
38 authority of the pool; and

1 (7) Conduct periodic audits to assure the general accuracy of the
2 financial data submitted to the pool, and the board shall cause the
3 pool to have an annual audit of its operations by an independent
4 certified public accountant.

5 **Sec. 6.** RCW 48.41.070 and 1989 c 121 s 4 are each amended to read
6 as follows:

7 The pool shall be subject to examination by the commissioner as
8 provided under chapter 48.03 RCW. The board of directors shall submit
9 to the commissioner, not later than one hundred twenty days after the
10 end of each accounting year, a financial report for the year in a form
11 approved by the commissioner. The board of directors shall further
12 report to the ~~((appropriate standing))~~ house of representatives health
13 care and the senate health and long-term care or their successor
14 committees ~~((of each house of the legislature))~~ by March 1st of each
15 year.

16 **Sec. 7.** RCW 48.41.080 and 1989 c 121 s 5 are each amended to read
17 as follows:

18 The board shall select an administrator from the membership of the
19 pool whether domiciled in this state or another state through a
20 competitive bidding process to administer the pool.

21 (1) The board shall evaluate bids based upon criteria established
22 by the board, which shall include:

23 (a) The administrator's proven ability to handle ~~((accident and))~~
24 health ~~((insurance))~~ reinsurance;

25 (b) The efficiency of the administrator's claim-paying procedures;

26 (c) An estimate of the total charges for administering the plan;
27 and

28 (d) The administrator's ability to administer the pool in a cost-
29 effective manner.

30 (2) The administrator shall serve for a period of three years
31 subject to removal for cause. At least six months prior to the
32 expiration of each three-year period of service by the administrator,
33 the board shall invite all interested parties, including the current
34 administrator, to submit bids to serve as the administrator for the
35 succeeding three-year period. Selection of the administrator for this
36 succeeding period shall be made at least three months prior to the end
37 of the current three-year period.

1 (3) The administrator shall perform such duties as may be assigned
2 by the board including:

3 (a) All eligibility and administrative claim payment functions
4 relating to the pool;

5 (b) Establishing a premium billing procedure for collection of
6 premiums from (~~(insured persons)~~) reinsured members. Billings shall be
7 made on a periodic basis as determined by the board(~~(, which shall not~~
8 ~~be more frequent than a monthly billing)~~);

9 (c) Performing all necessary functions to assure timely payment of
10 benefits to covered (~~(persons)~~) members under the pool including:

11 (i) Making available information relating to the proper manner of
12 submitting a claim for benefits to the pool, and distributing forms
13 upon which submission shall be made; and

14 (ii) Evaluating the eligibility of each claim for payment by the
15 pool;

16 (d) Submission of regular reports to the board regarding the
17 operation of the pool. The frequency, content, and form of the report
18 shall be as determined by the board;

19 (e) Following the close of each accounting year, determination of
20 net paid and earned premiums, the expense of administration, and the
21 paid and incurred losses for the year and reporting this information to
22 the board and the commissioner on a form as prescribed by the
23 commissioner.

24 (4) The administrator shall be paid as provided in the contract
25 between the board and the administrator for its expenses incurred in
26 the performance of its services.

27 **Sec. 8.** RCW 48.41.090 and 1989 c 121 s 6 are each amended to read
28 as follows:

29 (1) Following the close of each accounting year, the pool
30 administrator shall determine the net premium (premiums less
31 administrative expense allowances), the pool expenses of
32 administration, and incurred losses for the year, taking into account
33 investment income and other appropriate gains and losses.

34 (2)(a) Each member's proportion of participation in the pool shall
35 be determined annually by the board based on annual statements and
36 other reports deemed necessary by the board and filed by the member
37 with the commissioner; and shall be determined by multiplying the total
38 cost of pool operation by a fraction, the numerator of which equals

1 that member's total number of resident insured persons, including
2 spouse and dependents under the member's health plan in the state
3 during the preceding calendar year, and the denominator of which equals
4 the total number of resident insured persons including spouses and
5 dependents insured under all health plans in the state by all pool
6 members. In the case of stop-loss coverage, the numerator shall be the
7 total number of resident persons covered under the plan for which stop-
8 loss coverage is provided.

9 (b) Any deficit incurred by the pool shall be recouped by
10 assessments among members apportioned under this subsection pursuant to
11 the formula set forth by the board among members.

12 (3) The board may abate or defer, in whole or in part, the
13 assessment of a member if, in the opinion of the board, payment of the
14 assessment would endanger the ability of the member to fulfill its
15 contractual obligations. If an assessment against a member is abated
16 or deferred in whole or in part, the amount by which such assessment is
17 abated or deferred may be assessed against the other members in a
18 manner consistent with the basis for assessments set forth in
19 subsection (2) of this section. The member receiving such abatement or
20 deferment shall remain liable to the pool for the deficiency.

21 (4) If assessments exceed actual losses and administrative expenses
22 of the pool, the excess shall be held at interest and used by the board
23 to offset future losses or to reduce pool premiums. As used in this
24 subsection, "future losses" includes reserves for incurred but not
25 reported claims.

26 **Sec. 9.** RCW 48.41.100 and 1995 c 34 s 5 are each amended to read
27 as follows:

28 ~~((1)) Any ((individual person who is a resident of this state is~~
29 ~~eligible for coverage upon providing evidence of rejection for medical~~
30 ~~reasons, a requirement of restrictive riders, an up-rated premium, or~~
31 ~~a preexisting conditions limitation on health insurance, the effect of~~
32 ~~which is to substantially reduce coverage from that received by a~~
33 ~~person considered a standard risk, by at least one member within six~~
34 ~~months of the date of application. Evidence of rejection may be waived~~
35 ~~in accordance with rules adopted by the board.~~

36 ~~(2) The following persons are not eligible for coverage by the~~
37 ~~pool:~~

1 ~~(a) Any person having terminated coverage in the pool unless (i)~~
2 ~~twelve months have lapsed since termination, or (ii) that person can~~
3 ~~show continuous other coverage which has been involuntarily terminated~~
4 ~~for any reason other than nonpayment of premiums;~~

5 ~~(b) Any person on whose behalf the pool has paid out five hundred~~
6 ~~thousand dollars in benefits;~~

7 ~~(c) Inmates of public institutions and persons whose benefits are~~
8 ~~duplicated under public programs.~~

9 ~~(3) Any person whose health insurance coverage is involuntarily~~
10 ~~terminated for any reason other than nonpayment of premium may apply~~
11 ~~for coverage under the plan)) member actively marketing individual~~
12 ~~health insurance may apply to the board for reinsurance of plans with~~
13 ~~benefits equal to or greater than those benefits provided under the~~
14 ~~state basic health plan if the plan is offered primarily to individual~~
15 ~~persons and their spouses and dependents, who are residents of this~~
16 ~~state.~~

17 **Sec. 10.** RCW 48.41.110 and 1987 c 431 s 11 are each amended to
18 read as follows:

19 ~~(1) ((The administrator shall prepare a brochure outlining the~~
20 ~~benefits and exclusions of the pool policy in plain language. After~~
21 ~~approval by the board of directors, such brochure shall be made~~
22 ~~reasonably available to participants or potential participants. The~~
23 ~~health insurance policy issued by the pool shall pay only usual,~~
24 ~~customary, and reasonable charges for medically necessary eligible~~
25 ~~health care services rendered or furnished for the diagnosis or~~
26 ~~treatment of illnesses, injuries, and conditions which are not~~
27 ~~otherwise limited or excluded. Eligible expenses are the usual,~~
28 ~~customary, and reasonable charges for the health care services and~~
29 ~~items for which benefits are extended under the pool policy. Such~~
30 ~~benefits shall at minimum include, but not be limited to, the following~~
31 ~~services or related items:~~

32 ~~(a) Hospital services, including charges for the most common~~
33 ~~semiprivate room, for the most common private room if semiprivate rooms~~
34 ~~do not exist in the health care facility, or for the private room if~~
35 ~~medically necessary, but limited to a total of one hundred eighty~~
36 ~~inpatient days in a calendar year, and limited to thirty days inpatient~~
37 ~~care for mental and nervous conditions, or alcohol, drug, or chemical~~
38 ~~dependency or abuse per calendar year;~~

1 ~~(b) Professional services including surgery for the treatment of~~
2 ~~injuries, illnesses, or conditions, other than dental, which are~~
3 ~~rendered by a health care provider, or at the direction of a health~~
4 ~~care provider, by a staff of registered or licensed practical nurses,~~
5 ~~or other health care providers;~~

6 ~~(c) The first twenty outpatient professional visits for the~~
7 ~~diagnosis or treatment of one or more mental or nervous conditions or~~
8 ~~alcohol, drug, or chemical dependency or abuse rendered during a~~
9 ~~calendar year by one or more physicians, psychologists, or community~~
10 ~~mental health professionals, or, at the direction of a physician, by~~
11 ~~other qualified licensed health care practitioners;~~

12 ~~(d) Drugs and contraceptive devices requiring a prescription;~~

13 ~~(e) Services of a skilled nursing facility, excluding custodial and~~
14 ~~convalescent care, for not more than one hundred days in a calendar~~
15 ~~year as prescribed by a physician;~~

16 ~~(f) Services of a home health agency;~~

17 ~~(g) Chemotherapy, radioisotope, radiation, and nuclear medicine~~
18 ~~therapy;~~

19 ~~(h) Oxygen;~~

20 ~~(i) Anesthesia services;~~

21 ~~(j) Prostheses, other than dental;~~

22 ~~(k) Durable medical equipment which has no personal use in the~~
23 ~~absence of the condition for which prescribed;~~

24 ~~(l) Diagnostic x rays and laboratory tests;~~

25 ~~(m) Oral surgery limited to the following: Fractures of facial~~
26 ~~bones; excisions of mandibular joints, lesions of the mouth, lip, or~~
27 ~~tongue, tumors, or cysts excluding treatment for temporomandibular~~
28 ~~joints; incision of accessory sinuses, mouth salivary glands or ducts;~~
29 ~~dislocations of the jaw; plastic reconstruction or repair of traumatic~~
30 ~~injuries occurring while covered under the pool; and excision of~~
31 ~~impacted wisdom teeth;~~

32 ~~(n) Services of a physical therapist and services of a speech~~
33 ~~therapist;~~

34 ~~(o) Hospice services;~~

35 ~~(p) Professional ambulance service to the nearest health care~~
36 ~~facility qualified to treat the illness or injury; and~~

37 ~~(q) Other medical equipment, services, or supplies required by~~
38 ~~physician's orders and medically necessary and consistent with the~~
39 ~~diagnosis, treatment, and condition.~~

1 (2)) The board shall design and employ cost containment measures
2 and requirements such as, but not limited to, preadmission
3 certification and concurrent inpatient review which may make the pool
4 more cost-effective.

5 (~~(3)~~) (2) The pool benefit policy may contain benefit
6 limitations, exceptions, and reductions that are generally included in
7 health insurance plans and are approved by the insurance commissioner;
8 however, no limitation, exception, or reduction may be approved that
9 would exclude coverage for any disease, illness, or injury.

10 **Sec. 11.** RCW 48.41.120 and 1989 c 121 s 8 are each amended to read
11 as follows:

12 (1) (~~Subject to the limitation provided in subsection (3) of this~~
13 ~~section,~~) A pool reinsurance policy offered in accordance with this
14 chapter shall impose a deductible(~~.— Deductibles of five hundred~~
15 ~~dollars and one thousand dollars on a per person per calendar year~~
16 ~~basis shall initially be offered. The board may authorize deductibles~~
17 ~~in other amounts. The deductible shall be applied to the first five~~
18 ~~hundred dollars, one thousand dollars, or other authorized amount of~~
19 ~~eligible expenses incurred by the covered person.~~

20 (2) ~~Subject to the limitations provided in subsection (3) of this~~
21 ~~section, a mandatory coinsurance requirement shall be imposed at the~~
22 ~~rate of twenty percent of eligible expenses in excess of the mandatory~~
23 ~~deductible.~~

24 (3) ~~The maximum aggregate out of pocket payments for eligible~~
25 ~~expenses by the insured in the form of deductibles and coinsurance~~
26 ~~shall not exceed in a calendar year:~~

27 (a) ~~One thousand five hundred dollars per individual, or three~~
28 ~~thousand dollars per family, per calendar year for the five hundred~~
29 ~~dollar deductible policy;~~

30 (b) ~~Two thousand five hundred dollars per individual, or five~~
31 ~~thousand dollars per family per calendar year for the one thousand~~
32 ~~dollar deductible policy; or~~

33 (c) ~~An amount authorized by the board for any other deductible~~
34 ~~policy.~~

35 (4) ~~Eligible expenses incurred by a covered person in the last~~
36 ~~three months of a calendar year, and applied toward a deductible, shall~~
37 ~~also be applied toward the deductible amount in the next calendar~~
38 ~~year)) of five thousand dollars for each person covered under the~~

1 reinsured plan per calendar year. In addition, the reinsured member
2 shall be responsible for ten percent of the next fifty thousand dollars
3 of claims during the calendar year and the remainder may be reinsured.
4 The reinsured member's liability for covered health benefit costs shall
5 not exceed a maximum limit of ten thousand dollars in any one calendar
6 year with respect to any person covered under the reinsured plan.

7 (2) The board shall annually adjust the initial level of claims and
8 the maximum limit to be retained by the carrier to reflect increases in
9 the costs and utilization of benefits. The adjustment shall not be
10 less than the annual change in the medical component of the "Consumer
11 Price Index for All Urban Consumers" of the United States department of
12 labor, bureau of statistics, unless the board proposes and the
13 commissioner approves a lower adjustment factor.

14 (3) The pool may suggest any managed care and claims handling
15 technique, including utilization review, individual case management,
16 preferred provider provisions, and other managed care provisions and
17 methods of operation, with respect to the reinsured member.

18 **Sec. 12.** RCW 48.41.130 and 1987 c 431 s 13 are each amended to
19 read as follows:

20 All policy forms issued by the pool shall conform in substance to
21 prototype forms developed by the pool, and shall in all other respects
22 conform to the requirements of this chapter, and shall be filed with
23 and approved by the commissioner before they are issued. ((The pool
24 shall not issue a pool policy to any individual who, on the effective
25 date of the coverage applied for, already has or would have coverage
26 substantially equivalent to a pool policy as an insured or covered
27 dependent, or who would be eligible for such coverage if he elected to
28 obtain it at a lesser premium rate.))

29 **Sec. 13.** RCW 48.41.170 and 1987 c 431 s 17 are each amended to
30 read as follows:

31 The commissioner shall adopt rules pursuant to chapter 34.05 RCW
32 that((+)

33 ~~(1) Provide for disclosure by the member of the availability of~~
34 ~~insurance coverage from the pool; and~~

35 ~~(2))~~ implement this chapter.

1 **Sec. 14.** RCW 48.41.180 and 1987 c 431 s 18 are each amended to
2 read as follows:

3 (1) Commencing with May 18, ~~((1987))~~ 1996, every member ~~((shall~~
4 ~~provide a notice and an application for coverage by the pool to any~~
5 ~~person who receives a rejection of coverage for health insurance or~~
6 ~~health care services, or has any health condition limited or excluded.~~
7 ~~The notice shall state that the person is eligible to apply for health~~
8 ~~insurance provided by the pool.~~

9 (2) ~~Members of the pool shall provide the brochure outlining the~~
10 ~~benefits and exclusions of the pool policy to any person who is~~
11 ~~rejected by a member or who is offered a policy containing restrictive~~
12 ~~riders, up-rated premiums, or a preexisting conditions limitation on a~~
13 ~~health insurance plan)) who offers or provides group health insurance~~
14 ~~shall actively market to individuals the model basic health plan.~~
15 ~~Rates for individual plans established by the member shall not exceed~~
16 ~~one hundred five percent of the rate charged for small group plans.~~
17 ~~The health care authority shall ensure that its model basic health plan~~
18 ~~is designed to permit both managed care and indemnity type benefit~~
19 ~~plans.~~

20 **Sec. 15.** RCW 48.41.200 and 1987 c 431 s 20 are each amended to
21 read as follows:

22 The pool shall determine the standard risk rate for reinsurance by
23 calculating the average small group standard rate ~~((for groups~~
24 ~~comprised of up to ten persons charged by the five largest members~~
25 ~~offering coverages in the state comparable to the pool coverage. In~~
26 ~~the event five members do not offer comparable coverage, the standard~~
27 ~~risk rate shall be established)) and the average individual standard~~
28 ~~rate using reasonable actuarial techniques ((and)).~~ The standard risk
29 rate shall reflect anticipated experience and expenses for such
30 coverage. ~~((Maximum rates for pool coverage shall be one hundred fifty~~
31 ~~percent of the rates established as applicable for group standard risks~~
32 ~~in groups comprised of up to ten persons.)) The rates developed and~~
33 ~~coverage provided shall promote cost-effective, quality health care and~~
34 ~~shall deter inefficient administration and management of benefits by~~
35 ~~members reinsured.~~ All rates and rate schedules shall be submitted to
36 the commissioner for approval.

1 **Sec. 16.** RCW 48.41.210 and 1987 c 431 s 21 are each amended to
2 read as follows:

3 It is the express intent of this chapter that the pool be the last
4 payor of benefits whenever any other benefit is available.

5 (~~(1)~~) Benefits otherwise payable under pool coverage shall be
6 reduced by all amounts paid or payable through any other (~~health~~
7 ~~insurance, or health benefit plans~~) reinsurance, including (~~but not~~
8 ~~limited to self-insured plans and by all hospital and medical expense~~
9 ~~benefits paid or payable under any worker's compensation coverage,~~
10 ~~automobile medical payment or liability insurance whether provided on~~
11 ~~the basis of fault or nonfault, and by any hospital or medical benefits~~
12 ~~paid or~~) any amount payable under or provided pursuant to any other
13 state or federal law or program.

14 (~~(2) The administrator or the pool shall have a cause of action~~
15 ~~against an eligible person for the recovery of the amount of benefits~~
16 ~~paid which are not for covered expenses. Benefits due from the pool~~
17 ~~may be reduced or refused as a set-off against any amount recoverable~~
18 ~~under this subsection.~~)

19 NEW SECTION. **Sec. 17.** Nothing in this act shall be construed to
20 exempt plans under this chapter from any requirement under Title 48
21 RCW, including but not limited to provisions on preexisting conditions,
22 guaranteed issue, and renewability and prohibitions against unfair
23 practices.

24 NEW SECTION. **Sec. 18.** The following acts or parts of acts are
25 each repealed:

26 (1) RCW 48.41.140 and 1987 c 431 s 14; and

27 (2) RCW 48.41.160 and 1987 c 431 s 16.

28 NEW SECTION. **Sec. 19.** This act is necessary for the immediate
29 preservation of the public peace, health, or safety, or support of the
30 state government and its existing public institutions, and shall take
31 effect immediately.

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