

SENATE BILL REPORT

SB 6808

As of February 17, 2000

Title: An act relating to the conversion of health care service contractors and health maintenance organizations from nonprofit or not-for-profit corporate to for-profit corporate status.

Brief Description: Restricting the conversion of health care service contractors and health maintenance organizations from nonprofit or not-for-profit corporate to for-profit corporate status.

Sponsors: Senator Prentice; by request of Insurance Commissioner.

Brief History:

Committee Activity: Health & Long-Term Care: 2/17/2000.

SENATE COMMITTEE ON HEALTH & LONG-TERM CARE

Staff: Jonathan Seib (786-7427)

Background: Nonprofit corporations, including health carriers, are created under laws that require them to serve charitable or other public purposes. In return, federal and state laws accord them certain financial advantages such as tax exemption. Concern exists, however, that nonprofit carriers in this state are considering converting to for-profit status. Were this to occur, there would be a public interest in assuring that the "public assets" built up by virtue of the corporation's nonprofit status were not converted to a private asset before the public was repaid. It is suggested, however, that current Washington laws are insufficient to protect this public interest.

Summary of Bill: A nonprofit health care service contractor (HCSC) or health maintenance organization (HMO) may convert to for-profit status, or transfer more than 10 percent of its assets, only with the approval of the Insurance Commissioner. Such approval is granted only upon: (1) a showing that such a conversion is in the best interest of current subscribers; and (2) the establishment of a trust to be used to fund health care services for the indigent. The trust is to include all capital and surplus of the HMO or HCSC, less the minimum capital and surplus requirements for in-force contracts to be transferred.

Appropriation: None.

Fiscal Note: Not requested.

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