

**2SHB 2572 - H AMD 720**

By Representative Bailey

**SCOPE AND OBJECT 2/8/2006**

1 On page 5, after line 21, insert the following:

2 "Sec. 12. RCW 48.21.045 and 2004 c 244 s 1 are each amended to  
3 read as follows:

4 (1)(a) An insurer offering any health benefit plan to a small  
5 employer, either directly or through an association or member-  
6 governed group formed specifically for the purpose of purchasing  
7 health care, may offer and actively market to the small employer a  
8 health benefit plan featuring a limited schedule of covered health  
9 care services. Nothing in this subsection shall preclude an  
10 insurer from offering, or a small employer from purchasing, other  
11 health benefit plans that may have more comprehensive benefits than  
12 those included in the product offered under this subsection. An  
13 insurer offering a health benefit plan under this subsection shall  
14 clearly disclose all covered benefits to the small employer in a  
15 brochure filed with the commissioner.

16 (b) A health benefit plan offered under this subsection shall  
17 provide coverage for hospital expenses and services rendered by a  
18 physician licensed under chapter 18.57 or 18.71 RCW but is not  
19 subject to the requirements of RCW 48.21.130, 48.21.140, 48.21.141,  
20 48.21.142, 48.21.144, 48.21.146, 48.21.160 through 48.21.197,  
21 48.21.200, 48.21.220, 48.21.225, 48.21.230, 48.21.235, 48.21.240,  
22 48.21.244, 48.21.250, 48.21.300, 48.21.310, or 48.21.320.

23 (2) Nothing in this section shall prohibit an insurer from  
24 offering, or a purchaser from seeking, health benefit plans with  
25 benefits in excess of the health benefit plan offered under  
26 subsection (1) of this section. All forms, policies, and contracts  
27 shall be submitted for approval to the commissioner, and the rates  
28 of any plan offered under this section shall be reasonable in  
29 relation to the benefits thereto.

1 (3) Premium rates for health benefit plans for small employers  
2 as defined in this section shall be subject to the following  
3 provisions:

4 (a) The insurer shall develop its rates based on an adjusted  
5 community rate and may only vary the adjusted community rate for:

6 (i) Geographic area;

7 (ii) Family size;

8 (iii) Age; and

9 (iv) Wellness activities.

10 (b) The adjustment for age in (a)(iii) of this subsection may  
11 not use age brackets smaller than five-year increments, which shall  
12 begin with age twenty and end with age sixty-five. Employees under  
13 the age of twenty shall be treated as those age twenty.

14 (c) The insurer shall be permitted to develop separate rates  
15 for individuals age sixty-five or older for coverage for which  
16 medicare is the primary payer and coverage for which medicare is  
17 not the primary payer. Both rates shall be subject to the  
18 requirements of this subsection (3).

19 (d) The permitted rates for any age group shall be no more than  
20 four hundred twenty-five percent of the lowest rate for all age  
21 groups on January 1, 1996, four hundred percent on January 1, 1997,  
22 and three hundred seventy-five percent on January 1, 2000, and  
23 thereafter.

24 (e) A discount for wellness activities shall be permitted to  
25 reflect actuarially justified differences in utilization or cost  
26 attributed to such programs.

27 (f) The rate charged for a health benefit plan offered under  
28 this section may not be adjusted more frequently than annually  
29 except that the premium may be changed to reflect:

30 (i) Changes to the enrollment of the small employer;

31 (ii) Changes to the family composition of the employee;

32 (iii) Changes to the health benefit plan requested by the small  
33 employer; or

34 (iv) Changes in government requirements affecting the health  
35 benefit plan.

36 (g) Rating factors shall produce premiums for identical groups  
37 that differ only by the amounts attributable to plan design, with  
38 the exception of discounts for health improvement programs.

1 (h) For the purposes of this section, a health benefit plan  
2 that contains a restricted network provision shall not be  
3 considered similar coverage to a health benefit plan that does not  
4 contain such a provision, provided that the restrictions of  
5 benefits to network providers result in substantial differences in  
6 claims costs. A carrier may develop its rates based on claims  
7 costs due to network provider reimbursement schedules or type of  
8 network. This subsection does not restrict or enhance the  
9 portability of benefits as provided in RCW 48.43.015.

10 (i) Adjusted community rates established under this section  
11 shall pool the medical experience of all small groups purchasing  
12 coverage. However, annual rate adjustments for each small group  
13 health benefit plan may vary by up to plus or minus (~~four~~) eight  
14 percentage points from the overall adjustment of a carrier's entire  
15 small group pool(~~(, such overall adjustment to be approved by the~~  
16 ~~commissioner, upon a showing by the carrier, certified by a member~~  
17 ~~of the American academy of actuaries that: (i) The variation is a~~  
18 ~~result of deductible leverage, benefit design, or provider network~~  
19 ~~characteristics; and (ii) for a rate renewal period, the projected~~  
20 ~~weighted average of all small group benefit plans will have a~~  
21 ~~revenue neutral effect on the carrier's small group pool.~~  
22 ~~Variations of greater than four percentage points are subject to~~  
23 ~~review by the commissioner, and must be approved or denied within~~  
24 ~~sixty days of submittal~~) if certified by a member of the American  
25 academy of actuaries, that: (i) The variation is a result of  
26 deductible leverage, benefit design, claims cost trend for the  
27 plan, or provider network characteristics; and (ii) for a rate  
28 renewal period, the projected weighted average of all small group  
29 benefit plans will have a revenue neutral effect on the carrier's  
30 small group pool. Variations of greater than eight percentage  
31 points are subject to review by the commissioner, and must be  
32 approved or denied within thirty days of submittal. A variation  
33 that is not denied within (~~sixty~~) thirty days shall be deemed  
34 approved. The commissioner must provide to the carrier a detailed  
35 actuarial justification for any denial (~~within thirty days~~) at  
36 the time of the denial.

37 (~~(+4)~~) (5) Nothing in this section shall restrict the right of  
38 employees to collectively bargain for insurance providing benefits  
39 in excess of those provided herein.

1           (~~(5)~~) (6)(a) Except as provided in this subsection,  
2 requirements used by an insurer in determining whether to provide  
3 coverage to a small employer shall be applied uniformly among all  
4 small employers applying for coverage or receiving coverage from  
5 the carrier.

6           (b) An insurer shall not require a minimum participation level  
7 greater than:

8           (i) One hundred percent of eligible employees working for  
9 groups with three or less employees; and

10           (ii) Seventy-five percent of eligible employees working for  
11 groups with more than three employees.

12           (c) In applying minimum participation requirements with respect  
13 to a small employer, a small employer shall not consider employees  
14 or dependents who have similar existing coverage in determining  
15 whether the applicable percentage of participation is met.

16           (d) An insurer may not increase any requirement for minimum  
17 employee participation or modify any requirement for minimum  
18 employer contribution applicable to a small employer at any time  
19 after the small employer has been accepted for coverage.

20           (~~(6)~~) (7) An insurer must offer coverage to all eligible  
21 employees of a small employer and their dependents. An insurer may  
22 not offer coverage to only certain individuals or dependents in a  
23 small employer group or to only part of the group. An insurer may  
24 not modify a health plan with respect to a small employer or any  
25 eligible employee or dependent, through riders, endorsements or  
26 otherwise, to restrict or exclude coverage or benefits for specific  
27 diseases, medical conditions, or services otherwise covered by the  
28 plan.

29           (~~(7)~~) (8) As used in this section, "health benefit plan,"  
30 "small employer," "adjusted community rate," and "wellness  
31 activities" mean the same as defined in RCW 48.43.005.

32           **Sec. 13.** RCW 48.44.023 and 2004 c 244 s 7 are each amended to  
33 read as follows:

34           (1)(a) A health care services contractor offering any health  
35 benefit plan to a small employer, either directly or through an  
36 association or member-governed group formed specifically for the  
37 purpose of purchasing health care, may offer and actively market to  
38 the small employer a health benefit plan featuring a limited

1 schedule of covered health care services. Nothing in this  
2 subsection shall preclude a contractor from offering, or a small  
3 employer from purchasing, other health benefit plans that may have  
4 more comprehensive benefits than those included in the product  
5 offered under this subsection. A contractor offering a health  
6 benefit plan under this subsection shall clearly disclose all  
7 covered benefits to the small employer in a brochure filed with the  
8 commissioner.

9 (b) A health benefit plan offered under this subsection shall  
10 provide coverage for hospital expenses and services rendered by a  
11 physician licensed under chapter 18.57 or 18.71 RCW but is not  
12 subject to the requirements of RCW 48.44.225, 48.44.240, 48.44.245,  
13 48.44.290, 48.44.300, 48.44.310, 48.44.320, 48.44.325, 48.44.330,  
14 48.44.335, 48.44.340, 48.44.344, 48.44.360, 48.44.400, 48.44.440,  
15 48.44.450, and 48.44.460.

16 (2) Nothing in this section shall prohibit a health care  
17 service contractor from offering, or a purchaser from seeking,  
18 health benefit plans with benefits in excess of the health benefit  
19 plan offered under subsection (1) of this section. All forms,  
20 policies, and contracts shall be submitted for approval to the  
21 commissioner, and the rates of any plan offered under this section  
22 shall be reasonable in relation to the benefits thereto.

23 (3) Premium rates for health benefit plans for small employers  
24 as defined in this section shall be subject to the following  
25 provisions:

26 (a) The contractor shall develop its rates based on an adjusted  
27 community rate and may only vary the adjusted community rate for:

- 28 (i) Geographic area;
- 29 (ii) Family size;
- 30 (iii) Age; and
- 31 (iv) Wellness activities.

32 (b) The adjustment for age in (a)(iii) of this subsection may  
33 not use age brackets smaller than five-year increments, which shall  
34 begin with age twenty and end with age sixty-five. Employees under  
35 the age of twenty shall be treated as those age twenty.

36 (c) The contractor shall be permitted to develop separate rates  
37 for individuals age sixty-five or older for coverage for which  
38 medicare is the primary payer and coverage for which medicare is

1 not the primary payer. Both rates shall be subject to the  
2 requirements of this subsection (3).

3 (d) The permitted rates for any age group shall be no more than  
4 four hundred twenty-five percent of the lowest rate for all age  
5 groups on January 1, 1996, four hundred percent on January 1, 1997,  
6 and three hundred seventy-five percent on January 1, 2000, and  
7 thereafter.

8 (e) A discount for wellness activities shall be permitted to  
9 reflect actuarially justified differences in utilization or cost  
10 attributed to such programs.

11 (f) The rate charged for a health benefit plan offered under  
12 this section may not be adjusted more frequently than annually  
13 except that the premium may be changed to reflect:

14 (i) Changes to the enrollment of the small employer;

15 (ii) Changes to the family composition of the employee;

16 (iii) Changes to the health benefit plan requested by the small  
17 employer; or

18 (iv) Changes in government requirements affecting the health  
19 benefit plan.

20 (g) Rating factors shall produce premiums for identical groups  
21 that differ only by the amounts attributable to plan design, with  
22 the exception of discounts for health improvement programs.

23 (h) For the purposes of this section, a health benefit plan  
24 that contains a restricted network provision shall not be  
25 considered similar coverage to a health benefit plan that does not  
26 contain such a provision, provided that the restrictions of  
27 benefits to network providers result in substantial differences in  
28 claims costs. A carrier may develop its rates based on claims  
29 costs due to network provider reimbursement schedules or type of  
30 network. This subsection does not restrict or enhance the  
31 portability of benefits as provided in RCW 48.43.015.

32 (i) Adjusted community rates established under this section  
33 shall pool the medical experience of all groups purchasing  
34 coverage. However, annual rate adjustments for each small group  
35 health benefit plan may vary by up to plus or minus (~~four~~) eight  
36 percentage points from the overall adjustment of a carrier's entire  
37 small group pool(~~(, such overall adjustment to be approved by the~~  
38 ~~commissioner, upon a showing by the carrier, certified by a member~~  
39 ~~of the American academy of actuaries that: (i) The variation is a~~

1 ~~result of deductible leverage, benefit design, or provider network~~  
2 ~~characteristics; and (ii) for a rate renewal period, the projected~~  
3 ~~weighted average of all small group benefit plans will have a~~  
4 ~~revenue neutral effect on the carrier's small group pool.~~  
5 ~~Variations of greater than four percentage points are subject to~~  
6 ~~review by the commissioner, and must be approved or denied within~~  
7 ~~sixty days of submittal)) if certified by a member of the American~~  
8 ~~academy of actuaries, that: (i) The variation is a result of~~  
9 ~~deductible leverage, benefit design, claims cost trend for the~~  
10 ~~plan, or provider network characteristics; and (ii) for a rate~~  
11 ~~renewal period, the projected weighted average of all small group~~  
12 ~~benefit plans will have a revenue neutral effect on the carrier's~~  
13 ~~small group pool. Variations of greater than eight percentage~~  
14 ~~points are subject to review by the commissioner, and must be~~  
15 ~~approved or denied within thirty days of submittal. A variation~~  
16 ~~that is not denied within ((sixty)) thirty days shall be deemed~~  
17 ~~approved. The commissioner must provide to the carrier a detailed~~  
18 ~~actuarial justification for any denial ((within thirty days)) at~~  
19 ~~the time of the denial.~~

20 (4) Nothing in this section shall restrict the right of  
21 employees to collectively bargain for insurance providing benefits  
22 in excess of those provided herein.

23 (5)(a) Except as provided in this subsection, requirements used  
24 by a contractor in determining whether to provide coverage to a  
25 small employer shall be applied uniformly among all small employers  
26 applying for coverage or receiving coverage from the carrier.

27 (b) A contractor shall not require a minimum participation  
28 level greater than:

29 (i) One hundred percent of eligible employees working for  
30 groups with three or less employees; and

31 (ii) Seventy-five percent of eligible employees working for  
32 groups with more than three employees.

33 (c) In applying minimum participation requirements with respect  
34 to a small employer, a small employer shall not consider employees  
35 or dependents who have similar existing coverage in determining  
36 whether the applicable percentage of participation is met.

37 (d) A contractor may not increase any requirement for minimum  
38 employee participation or modify any requirement for minimum

1 employer contribution applicable to a small employer at any time  
2 after the small employer has been accepted for coverage.

3 (6) A contractor must offer coverage to all eligible employees  
4 of a small employer and their dependents. A contractor may not  
5 offer coverage to only certain individuals or dependents in a small  
6 employer group or to only part of the group. A contractor may not  
7 modify a health plan with respect to a small employer or any  
8 eligible employee or dependent, through riders, endorsements or  
9 otherwise, to restrict or exclude coverage or benefits for specific  
10 diseases, medical conditions, or services otherwise covered by the  
11 plan.

12 **Sec. 14.** RCW 48.46.066 and 2004 c 244 s 9 are each amended to  
13 read as follows:

14 (1)(a) A health maintenance organization offering any health  
15 benefit plan to a small employer, either directly or through an  
16 association or member-governed group formed specifically for the  
17 purpose of purchasing health care, may offer and actively market to  
18 the small employer a health benefit plan featuring a limited  
19 schedule of covered health care services. Nothing in this  
20 subsection shall preclude a health maintenance organization from  
21 offering, or a small employer from purchasing, other health benefit  
22 plans that may have more comprehensive benefits than those included  
23 in the product offered under this subsection. A health maintenance  
24 organization offering a health benefit plan under this subsection  
25 shall clearly disclose all the covered benefits to the small  
26 employer in a brochure filed with the commissioner.

27 (b) A health benefit plan offered under this subsection shall  
28 provide coverage for hospital expenses and services rendered by a  
29 physician licensed under chapter 18.57 or 18.71 RCW but is not  
30 subject to the requirements of RCW 48.46.275, 48.46.280, 48.46.285,  
31 48.46.290, 48.46.350, 48.46.355, 48.46.375, 48.46.440, 48.46.480,  
32 48.46.510, 48.46.520, and 48.46.530.

33 (2) Nothing in this section shall prohibit a health maintenance  
34 organization from offering, or a purchaser from seeking, health  
35 benefit plans with benefits in excess of the health benefit plan  
36 offered under subsection (1) of this section. All forms, policies,  
37 and contracts shall be submitted for approval to the commissioner,



1 and the rates of any plan offered under this section shall be  
2 reasonable in relation to the benefits thereto.

3 (3) Premium rates for health benefit plans for small employers  
4 as defined in this section shall be subject to the following  
5 provisions:

6 (a) The health maintenance organization shall develop its rates  
7 based on an adjusted community rate and may only vary the adjusted  
8 community rate for:

- 9 (i) Geographic area;  
10 (ii) Family size;  
11 (iii) Age; and  
12 (iv) Wellness activities.

13 (b) The adjustment for age in (a)(iii) of this subsection may  
14 not use age brackets smaller than five-year increments, which shall  
15 begin with age twenty and end with age sixty-five. Employees under  
16 the age of twenty shall be treated as those age twenty.

17 (c) The health maintenance organization shall be permitted to  
18 develop separate rates for individuals age sixty-five or older for  
19 coverage for which medicare is the primary payer and coverage for  
20 which medicare is not the primary payer. Both rates shall be  
21 subject to the requirements of this subsection (~~((3))~~) (4).

22 (d) The permitted rates for any age group shall be no more than  
23 four hundred twenty-five percent of the lowest rate for all age  
24 groups on January 1, 1996, four hundred percent on January 1, 1997,  
25 and three hundred seventy-five percent on January 1, 2000, and  
26 thereafter.

27 (e) A discount for wellness activities shall be permitted to  
28 reflect actuarially justified differences in utilization or cost  
29 attributed to such programs.

30 (f) The rate charged for a health benefit plan offered under  
31 this section may not be adjusted more frequently than annually  
32 except that the premium may be changed to reflect:

- 33 (i) Changes to the enrollment of the small employer;  
34 (ii) Changes to the family composition of the employee;  
35 (iii) Changes to the health benefit plan requested by the small  
36 employer; or  
37 (iv) Changes in government requirements affecting the health  
38 benefit plan.

1 (g) Rating factors shall produce premiums for identical groups  
2 that differ only by the amounts attributable to plan design, with  
3 the exception of discounts for health improvement programs.

4 (h) For the purposes of this section, a health benefit plan  
5 that contains a restricted network provision shall not be  
6 considered similar coverage to a health benefit plan that does not  
7 contain such a provision, provided that the restrictions of  
8 benefits to network providers result in substantial differences in  
9 claims costs. A carrier may develop its rates based on claims  
10 costs due to network provider reimbursement schedules or type of  
11 network. This subsection does not restrict or enhance the  
12 portability of benefits as provided in RCW 48.43.015.

13 (i) Adjusted community rates established under this section  
14 shall pool the medical experience of all groups purchasing  
15 coverage. However, annual rate adjustments for each small group  
16 health benefit plan may vary by up to plus or minus (~~four~~) eight  
17 percentage points from the overall adjustment of a carrier's entire  
18 small group pool(~~(, such overall adjustment to be approved by the~~  
19 ~~commissioner, upon a showing by the carrier, certified by a member~~  
20 ~~of the American academy of actuaries that: (i) The variation is a~~  
21 ~~result of deductible leverage, benefit design, or provider network~~  
22 ~~characteristics; and (ii) for a rate renewal period, the projected~~  
23 ~~weighted average of all small group benefit plans will have a~~  
24 ~~revenue neutral effect on the carrier's small group pool.~~  
25 ~~Variations of greater than four percentage points are subject to~~  
26 ~~review by the commissioner, and must be approved or denied within~~  
27 ~~sixty days of submittal)) if certified by a member of the American  
28 academy of actuaries, that: (i) The variation is a result of  
29 deductible leverage, benefit design, claims cost trend for the  
30 plan, or provider network characteristics; and (ii) for a rate  
31 renewal period, the projected weighted average of all small group  
32 benefit plans will have a revenue neutral effect on the health  
33 maintenance organization's small group pool. Variations of greater  
34 than eight percentage points are subject to review by the  
35 commissioner, and must be approved or denied within thirty days of  
36 submittal. A variation that is not denied within (~~sixty~~) thirty  
37 days shall be deemed approved. The commissioner must provide to  
38 the carrier a detailed actuarial justification for any denial  
39 (~~within thirty days~~) at the time of the denial.~~

1 (4) Nothing in this section shall restrict the right of  
2 employees to collectively bargain for insurance providing benefits  
3 in excess of those provided herein.

4 (5)(a) Except as provided in this subsection, requirements used  
5 by a health maintenance organization in determining whether to  
6 provide coverage to a small employer shall be applied uniformly  
7 among all small employers applying for coverage or receiving  
8 coverage from the carrier.

9 (b) A health maintenance organization shall not require a  
10 minimum participation level greater than:

11 (i) One hundred percent of eligible employees working for  
12 groups with three or less employees; and

13 (ii) Seventy-five percent of eligible employees working for  
14 groups with more than three employees.

15 (c) In applying minimum participation requirements with respect  
16 to a small employer, a small employer shall not consider employees  
17 or dependents who have similar existing coverage in determining  
18 whether the applicable percentage of participation is met.

19 (d) A health maintenance organization may not increase any  
20 requirement for minimum employee participation or modify any  
21 requirement for minimum employer contribution applicable to a small  
22 employer at any time after the small employer has been accepted for  
23 coverage.

24 (6) A health maintenance organization must offer coverage to  
25 all eligible employees of a small employer and their dependents.  
26 A health maintenance organization may not offer coverage to only  
27 certain individuals or dependents in a small employer group or to  
28 only part of the group. A health maintenance organization may not  
29 modify a health plan with respect to a small employer or any  
30 eligible employee or dependent, through riders, endorsements or  
31 otherwise, to restrict or exclude coverage or benefits for specific  
32 diseases, medical conditions, or services otherwise covered by the  
33 plan."

34 Correct internal references and correct the title.

**EFFECT:** Annual rating adjustments are increased from plus or  
minus four percentage points to plus or minus eight percentage  
points from the overall adjustment of a health carrier's entire  
small group pool.