# HOUSE BILL REPORT

# SB 6384

*As Reported By House Committee on:*
*Financial Institutions & Insurance*

**Title:** An act relating to health care.

**Brief Description:** Enacting the small employer health insurer availability act.

**Sponsor(s):** Senators Sellar, Snyder, West and McMullen.

**Brief History:**
Reported by House Committee on:
Financial Institutions & Insurance, February 27, 1992, DPA.

## HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

***Majority Report:*** *Do pass as amended.* Signed by 12 members: Representatives Dellwo, Chair; Zellinsky, Vice Chair; Broback, Ranking Minority Member; Mielke, Assistant Ranking Minority Member; Anderson; Dorn; Inslee; R. Johnson; R. Meyers; Paris; Schmidt; and Scott.

***Staff:*** John Conniff (786-7119).

***Background:*** Last year, to improve the availability of health insurance, the Legislature amended the insurance code to permit insurance companies, health care service contractors and health maintenance organizations to offer a basic group health insurance policy to employers with fewer than 25 employees. The law permits the offering of reduced benefit health care coverage exempt from statutes mandating the inclusion of certain health care benefits in policies or contracts for health care. The basic coverage law does not address issues of high risk employees and groups, does not define basic health coverage, and does not regulate rating methods and coverage terms and conditions.

***Summary of Amended Bill:*** A comprehensive regulatory framework governing small group health insurance is established to ensure that all employers with fewer than 50 employees have access to group health insurance, that prices for coverage do not exceed certain permitted ranges, that coverage is renewable, and that coverage includes minimum benefits with limited conditions or exclusions. In

addition, a method is created for allocating high risk small employer groups among existing health insurance companies, health care service contractors, and health maintenance organizations.

The insurance commissioner must appoint a health benefit plan committee of various affected parties who must design a basic benefit plan and submit the plan to the commissioner for approval. A health insurer may not use rating factors other than age, gender, industry, geographic area, family composition and group size without prior approval of the insurance commissioner. However, an insurer may use claim experience, health status, and duration of coverage in determining annual rates for individual groups.

A complicated system of rate regulation is created primarily to limit the spread between high and low rates and to limit annual rate increases. Two limits apply to rate variations among groups. Rate differences within similar classes under the same policy form cannot vary more than 25 percent above or below the insurer's average rate. The second limit restricts the rate factor differences among industry classes to no more than 15 percent between the lowest and highest rate.

Annual rate increases cannot exceed the sum of three factors. The first permits an across the board increase for all classes based upon actual and anticipated costs. The second permits no more than a 15 percent increase per group based upon the group's health, claim experience, and duration of coverage. The third permits increases resulting from shifts within classes or changes in policy forms and benefits.

Insurers may impose a six-month waiting period on preexisting conditions arising six months prior to the effective date of coverage and a six-month waiting period on pregnancy benefits if the pregnancy existed on the effective date of coverage. Late enrollees, as defined, are subject to a 12-month preexisting condition exclusion and a 12-month waiting period. A waiting period is waived if the person was insured under another "qualifying previous coverage," as defined, no more than 30 days prior to the effective date of new coverage. However, this waiver does not affect an employer imposed waiting period for qualifying for employer provided health benefits which may be longer. Carriers may impose conditions for minimum employee participation and minimum employer contribution of premiums.

Coverage must be guaranteed renewable unless the employer does not pay required premiums, the employee or employer commits fraud, the employer fails minimum participation or

minimum employer contribution tests, the employees misuse a provider network, the employer elects not to renew, or the insurance commissioner decides renewal is not in the best interests of the employer or insurer.

Basic health benefit plans covering fewer than 25 employees are exempt from mandated health care benefit statutes.

***Amended Bill Compared to Original Bill:*** Technical changes are made and association groups are clearly excluded from insurer requirements.

***Fiscal Note:*** Not requested.

***Effective Date of Amended Bill:*** The bill takes effect July 1, 1993, except for sections 8, 9, 11, 12, 14, 17 and 18 of this act, which shall take effect immediately.

***Testimony For:*** This act guarantees access to group health insurance for small employers. While affordability is not significantly affected, rate increases and differences between rate classes are limited. Insurers would be prevented from refusing to insure groups with high claims experience and would be prevented from excluding individuals within the group.

***Testimony Against:*** Association groups should be clearly exempted from carrier provisions of the act.

***Witnesses:*** (Pro) Bruce Bishop, Kaiser Permanente; Tom Revis, Group Health Coop; Gary Smith, Independent Business Association; Mel Sorensen, Washington Physicians Service Blue Cross; (con) Craig Smith, Washington Builders Benefits Trust; and Ed Barker, Master Builders Association.