

SENATE BILL REPORT

SB 6035

**AS REPORTED BY COMMITTEE ON HEALTH & LONG-TERM CARE,
JANUARY 30, 1992**

Brief Description: Transferring the basic health plan to the Washington state health care authority.

SPONSORS: Senator West, Anderson, Johnson and Bailey.

SENATE COMMITTEE ON HEALTH & LONG-TERM CARE

Majority Report: That Substitute Senate Bill No. 6035 be substituted therefor, and the substitute bill do pass.

Signed by Senators West, Chairman; L. Smith, Vice Chairman; Amondson, and Wojahn.

Minority Report: Do not substitute.

Signed by Senators M. Kreidler and Niemi.

Staff: Scott Plack (786-7409)

Hearing Dates: January 15, 1992; January 30, 1992

BACKGROUND:

The Basic Health Plan (BHP) is an independent state agency. It was established as a pilot project in 1987 to provide basic health care coverage to low-income individuals who would otherwise be uninsured. The BHP currently contracts with 15 managed health care systems in 14 of the state's counties to provide health care for a fixed capitated rate.

The state subsidizes the cost of BHP premiums for enrollees but requires them to pay a portion of their monthly premiums. This is determined on a sliding scale based on age and income. The program is currently available to individuals who reside in one of the BHP service areas, are not eligible for Medicare and have gross family incomes of under 200 percent of federal poverty.

The Legislature has limited monthly enrollment for the 1991-1993 biennium to 24,000 enrollees. Currently, the program does not allow for nonstate subsidized individuals to participate in the plan.

The BHP is scheduled to sunset on June 30, 1992. The Legislative Budget Committee (LBC) conducted a sunset review and recommended continuation of the program. The LBC also recommended that BHP be statutorily authorized to directly purchase reinsurance. Currently, reinsurance is purchased individually by the contracted managed care providers. It is believed that the large size of the enrollment pool and the

potential for receiving a volume discount would reduce costs if the BHP bought reinsurance directly instead.

Enrollees whose incomes rise above 200 percent of federal poverty may remain in the BHP for up to six months by paying the full premium, but then must leave the plan. Some believe that requiring these individuals to drop BHP insurance coverage after six months may serve as a disincentive for them to improve their economic condition.

The Legislature has restricted monthly enrollment in the BHP by setting total enrollment lids. Since enrollment and disenrollment continually occur, it is difficult to assure that exactly 24,000 enrollees are in program at all times. Consequently the BHP under-enrolls to assure that it does not exceed the monthly lid. Allowing the BHP to set average monthly enrollment lids instead of total monthly enrollments will allow it to more closely achieve the legislatively intended limits.

SUMMARY:

The Basic Health Plan (BHP) is transferred to the state Health Care Authority (HCA) and is established as an independent program within the HCA. The administrator of the HCA shall appoint the director (the former BHP administrator) and the medical director of the BHP. Other administrative responsibilities remain under the purview of the BHP director.

The BHP is granted explicit statutory authority to charge an administrative fee to the enrollee to cover the costs of the plan.

Any individual plus his or her spouse and dependents may enroll in the BHP as a nonstate subsidized enrollee provided they are not Medicare eligible, reside within the BHP service area, have gross family incomes under 300 percent of the federal poverty level and choose to accept health care from a BHP managed care provider. Such individuals must pay the full premium, which includes an amount charged by the managed care system provider plus the administrative cost of providing the plan to the enrollee. Small employers (of less than 50 employees) of such individuals may enroll them in the BHP and pay up to 80 percent of the premium. The remaining 20 percent of the premium must be paid by the enrollee.

Enrollees whose income increases above 200 percent of poverty may remain in the plan provided they pay the unsubsidized rate.

A separate account is established in the state treasury to retain funds paid on behalf of nonstate subsidized enrollees. Commingling of these funds with the state appropriated funds to the BHP trust account is not permitted except for plan administration funds.

The average monthly enrollment of state subsidized enrollees shall not exceed the number established for the biennium by the Legislature. Enrollment lids do not apply to nonstate subsidized enrollments. The director may purchase or arrange for purchase of reinsurance, or self-insurance for reinsurance on behalf of the managed care providers for BHP enrollees.

The June 30, 1992 sunset of the BHP is repealed.

EFFECT OF PROPOSED SUBSTITUTE:

The Basic Health Plan (BHP) is reauthorized and retained as an independent state agency. Additional changes are made for clarification. In negotiating contracts with managed health care plans, the director of the BHP is to make reasonable efforts to avoid any cost shifting to other payers. The other provisions of the original measure are retained such as permitting the enrollment of nonsubsidized individuals up to 300 percent of the federal poverty level, allowing the BHP to explicitly charge an administrative fee to the enrollee to cover administrative costs and other technical changes.

Appropriation: none

Revenue: none

Fiscal Note: requested January 10, 1992

TESTIMONY FOR:

The bill eliminates the sunset on the Basic Health Plan and allows the state to continue providing subsidized health insurance to 24,000 Washington residents currently participating in the program. Allowing individuals and employees of small businesses to participate in the program as nonsubsidized enrollees will provide health insurance to families who currently do not have health insurance.

TESTIMONY AGAINST:

The Basic Health Plan has no provisions to control health care costs.

TESTIFIED: Gary Christensen, Washington Basic Health Plan (pro); Julia Edlund, Association of Washington Business; Jim Dinan, Ken Bertrand, Group Health Cooperative; Gary Smith, Ind. Business Association (pro); Len Eddinger, Washington State Medical Association; Mel Sorensen, Washington Physicians Service, Blue Cross