

HOUSE BILL REPORT

HB 2015

As Reported by House Committee On: Health Care

Title: An act relating to access to health insurance for small employers and their employees.

Brief Description: Providing for greater access to health insurance for small employers and their employees.

Sponsors: Representatives Kessler, Cody, Grant, Kenney, Ruderman, Edwards and Santos.

Brief History:

Committee Activity:

Health Care: 2/26/03, 3/4/03 [DPS].

Brief Summary of Substitute Bill

- Various statutory requirements relating to health care coverage purchased by small employers are modified or eliminated.

HOUSE COMMITTEE ON HEALTH CARE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives Cody, Chair; Pflug, Ranking Minority Member; Bailey, Assistant Ranking Minority Member; Alexander, Benson, Campbell, Clibborn, Moeller and Skinner.

Minority Report: Do not pass. Signed by 3 members: Representatives Morrell, Vice Chair; Darneille and Schual-Berke.

Staff: Dave Knutson (786-7146).

Background:

Most health insurance available in the private market is provided through the group market. Within that group market, Washington law distinguishes between plans provided to "small groups," defined to include those employing between one and 50 people, and "large groups" which includes those employing more than 50. A separate set of standards also applies to the individual market, where those not provided coverage by

their employer can get their health insurance.

There are several statutory mandated benefits that require health plans sold in the state, including in the small group market, to cover particular conditions and reimburse for services provided by identified types of providers. Plans offered to groups of up to 25 are exempt from many of these mandates.

The law further requires carriers in the small group market to offer a plan with benefits identical to those provided in the state's Basic Health Plan, and also exempts such plans from the various benefit mandates.

The premiums charged for small group plans are also governed by state law. In general, plans must be community rated, with rate variations allowed based only on geographic area, family size, age and wellness activities. Variations for age and wellness must be within a specified range.

Current law also requires that carriers accept for enrollment any person within a group, large or small, to whom a plan is offered. This is known as guaranteed issue. Carriers are also required to guarantee continuity of coverage, meaning that, with some exceptions, they may not cancel or fail to renew a group plan unless it is replaced with a similar product or they are completely withdrawing from a service area.

There is concern that insurance in the small group market is becoming increasingly unaffordable, prompting employers to shift more of the costs to their employees, or drop coverage altogether, forcing employees to seek coverage through publicly funded programs.

Summary of Substitute Bill:

The requirement that carriers offer to small employers a benefit plan identical to the Basic Health Plan is replaced with a requirement that carriers offer a plan featuring a limited schedule of covered health care services. The exact services to be offered are not specified.

The restrictions on how much rates may vary based on wellness activities is eliminated. The permitted rates for any age group cannot be more than 500 percent of the lowest rate for all age groups.

If a health carrier discontinues a health plan, they must offer the option to enroll in any other small employer health plan currently offered by the carrier. After January 2004, if a health carrier offers a "bare bones" plan, they must also offer three other small group plans of their choosing.

The Health Care Authority and the Department of Social and Health Services will design pilot projects with regional health care access efforts.

Substitute Bill Compared to Original Bill:

The application of the bare bones– health plans to groups of up to 50 employees is eliminated. The exemption from the every category of provider requirement from the bare bones– plan is eliminated. The bare bones– plan must cover every type of health provider licensed under Title 18 RCW.

Appropriation: None.

Fiscal Note: Not Requested.

Effective Date of Substitute Bill: The bill takes effect 90 days after adjournment of session in which bill is passed, except for section 4, relating to group health benefit plans, which takes effect January 1, 2004.

Testimony For: It is important to reduce the cost of health insurance to employers offering fewer mandated health benefits and not requiring that every category of health provider be covered could reduce the cost of health insurance.

Testimony Against: Expanding the number of employees who might be forced to choose a bare bones– plan could hurt consumers. Many mandated benefits are very important services that should be included in health plans.

Testified: (Support with amendments) Mel Sorensen, Employer Healthcare Coalition; Carolyn Logue, National Federation of Independent Business; Denny Eliason, Washington Association of Health Underwriters; Dean Hobson; and Jimmy Russell, Jr.

(Concerns) Gail McGaffick, Washington State Psychological Association; Nick Federici, Lung Association of Washington; and Lonnie Johns-Brown, National Organization for Women.

(Opposed) Lori Bielinski, Washington State Chiropractic Association; Rick Spoonemore; Terry Kohl and Kasra Pournadeali, Washington Association of Naturopathic Physicians; Greg Scully, Group Health; and Roberta Sacks.