

CERTIFICATION OF ENROLLMENT

**HOUSE BILL 2972**

59th Legislature  
2006 Regular Session

Passed by the House March 4, 2006  
Yeas 95 Nays 0

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**Speaker of the House of Representatives**

Passed by the Senate March 2, 2006  
Yeas 44 Nays 0

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**President of the Senate**

Approved

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**Governor of the State of Washington**

CERTIFICATE

I, Richard Nafziger, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **HOUSE BILL 2972** as passed by the House of Representatives and the Senate on the dates hereon set forth.

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**Chief Clerk**

FILED

**Secretary of State  
State of Washington**

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HOUSE BILL 2972

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AS AMENDED BY THE SENATE

Passed Legislature - 2006 Regular Session

State of Washington                      59th Legislature                      2006 Regular Session

By Representatives Clibborn, Hinkle, Curtis, B. Sullivan, Cody, Moeller, P. Sullivan, Kenney, Kilmer and Jarrett

Read first time 01/17/2006. Referred to Committee on Health Care.

1            AN ACT Relating to community rates for health benefit plans;  
2 amending RCW 48.20.028, 48.44.022, and 48.46.064; adding a new section  
3 to chapter 48.20 RCW; adding a new section to chapter 48.44 RCW; adding  
4 a new section to chapter 48.46 RCW; and creating a new section.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6            **Sec. 1.** RCW 48.20.028 and 2000 c 79 s 4 are each amended to read  
7 as follows:

8            (1) Premiums for health benefit plans for individuals shall be  
9 calculated using the adjusted community rating method that spreads  
10 financial risk across the carrier's entire individual product  
11 population, except the individual product population covered under  
12 section 2 of this act. All such rates shall conform to the following:

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

- 15            (i) Geographic area;  
16            (ii) Family size;  
17            (iii) Age;  
18            (iv) Tenure discounts; and  
19            (v) Wellness activities.

1 (b) The adjustment for age in (a)(iii) of this subsection may not  
2 use age brackets smaller than five-year increments which shall begin  
3 with age twenty and end with age sixty-five. Individuals under the age  
4 of twenty shall be treated as those age twenty.

5 (c) The insurer shall be permitted to develop separate rates for  
6 individuals age sixty-five or older for coverage for which medicare is  
7 the primary payer and coverage for which medicare is not the primary  
8 payer. Both rates shall be subject to the requirements of this  
9 subsection.

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

14 (e) A discount for wellness activities shall be permitted to  
15 reflect actuarially justified differences in utilization or cost  
16 attributed to such programs not to exceed twenty percent.

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

20 (i) Changes to the family composition;

21 (ii) Changes to the health benefit plan requested by the  
22 individual; or

23 (iii) Changes in government requirements affecting the health  
24 benefit plan.

25 (g) For the purposes of this section, a health benefit plan that  
26 contains a restricted network provision shall not be considered similar  
27 coverage to a health benefit plan that does not contain such a  
28 provision, provided that the restrictions of benefits to network  
29 providers result in substantial differences in claims costs. This  
30 subsection does not restrict or enhance the portability of benefits as  
31 provided in RCW 48.43.015.

32 (h) A tenure discount for continuous enrollment in the health plan  
33 of two years or more may be offered, not to exceed ten percent.

34 (2) Adjusted community rates established under this section shall  
35 pool the medical experience of all individuals purchasing coverage,  
36 except individuals purchasing coverage under section 2 of this act, and  
37 shall not be required to be pooled with the medical experience of  
38 health benefit plans offered to small employers under RCW 48.21.045.

1 (3) As used in this section, "health benefit plan," "adjusted  
2 community rate," and "wellness activities" mean the same as defined in  
3 RCW 48.43.005.

4 (4) This section shall not apply to premiums for health benefit  
5 plans covered under section 2 of this act.

6 NEW SECTION. Sec. 2. A new section is added to chapter 48.20 RCW  
7 to read as follows:

8 (1) Premiums for health benefit plans for individuals who purchase  
9 the plan as a member of a purchasing pool:

10 (a) Consisting of five hundred or more individuals affiliated with  
11 a particular industry;

12 (b) To whom care management services are provided as a benefit of  
13 pool membership; and

14 (c) Which allows contributions from more than one employer to be  
15 used towards the purchase of an individual's health benefit plan;  
16 shall be calculated using the adjusted community rating method that  
17 spreads financial risk across the entire purchasing pool of which the  
18 individual is a member. All such rates shall conform to the following:

19 (i) The insurer shall develop its rates based on an adjusted  
20 community rate and may only vary the adjusted community rate for:

21 (A) Geographic area;

22 (B) Family size;

23 (C) Age;

24 (D) Tenure discounts; and

25 (E) Wellness activities.

26 (ii) The adjustment for age in (c)(i)(C) of this subsection may not  
27 use age brackets smaller than five-year increments which shall begin  
28 with age twenty and end with age sixty-five. Individuals under the age  
29 of twenty shall be treated as those age twenty.

30 (iii) The insurer shall be permitted to develop separate rates for  
31 individuals age sixty-five or older for coverage for which medicare is  
32 the primary payer, and coverage for which medicare is not the primary  
33 payer. Both rates are subject to the requirements of this subsection.

34 (iv) The permitted rates for any age group shall be no more than  
35 four hundred twenty-five percent of the lowest rate for all age groups  
36 on January 1, 1996, four hundred percent on January 1, 1997, and three  
37 hundred seventy-five percent on January 1, 2000, and thereafter.

1 (v) A discount for wellness activities shall be permitted to  
2 reflect actuarially justified differences in utilization or cost  
3 attributed to such programs not to exceed twenty percent.

4 (vi) The rate charged for a health benefit plan offered under this  
5 section may not be adjusted more frequently than annually except that  
6 the premium may be changed to reflect:

7 (A) Changes to the family composition;

8 (B) Changes to the health benefit plan requested by the individual;

9 or

10 (C) Changes in government requirements affecting the health benefit  
11 plan.

12 (vii) For the purposes of this section, a health benefit plan that  
13 contains a restricted network provision shall not be considered similar  
14 coverage to a health benefit plan that does not contain such a  
15 provision, provided that the restrictions of benefits to network  
16 providers result in substantial differences in claims costs. This  
17 subsection does not restrict or enhance the portability of benefits as  
18 provided in RCW 48.43.015.

19 (viii) A tenure discount for continuous enrollment in the health  
20 plan of two years or more may be offered, not to exceed ten percent.

21 (2) Adjusted community rates established under this section shall  
22 not be required to be pooled with the medical experience of health  
23 benefit plans offered to small employers under RCW 48.21.045.

24 (3) As used in this section, "health benefit plan," "adjusted  
25 community rates," and "wellness activities" mean the same as defined in  
26 RCW 48.43.005.

27 **Sec. 3.** RCW 48.44.022 and 2004 c 244 s 6 are each amended to read  
28 as follows:

29 (1) Except for health benefit plans covered under section 4 of this  
30 act, premium rates for health benefit plans for individuals shall be  
31 subject to the following provisions:

32 (a) The health care service contractor shall develop its rates  
33 based on an adjusted community rate and may only vary the adjusted  
34 community rate for:

35 (i) Geographic area;

36 (ii) Family size;

37 (iii) Age;

1 (iv) Tenure discounts; and

2 (v) Wellness activities.

3 (b) The adjustment for age in (a)(iii) of this subsection may not  
4 use age brackets smaller than five-year increments which shall begin  
5 with age twenty and end with age sixty-five. Individuals under the age  
6 of twenty shall be treated as those age twenty.

7 (c) The health care service contractor shall be permitted to  
8 develop separate rates for individuals age sixty-five or older for  
9 coverage for which medicare is the primary payer and coverage for which  
10 medicare is not the primary payer. Both rates shall be subject to the  
11 requirements of this subsection.

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

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

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

22 (i) Changes to the family composition;

23 (ii) Changes to the health benefit plan requested by the  
24 individual; or

25 (iii) Changes in government requirements affecting the health  
26 benefit plan.

27 (g) For the purposes of this section, a health benefit plan that  
28 contains a restricted network provision shall not be considered similar  
29 coverage to a health benefit plan that does not contain such a  
30 provision, provided that the restrictions of benefits to network  
31 providers result in substantial differences in claims costs. This  
32 subsection does not restrict or enhance the portability of benefits as  
33 provided in RCW 48.43.015.

34 (h) A tenure discount for continuous enrollment in the health plan  
35 of two years or more may be offered, not to exceed ten percent.

36 (2) Adjusted community rates established under this section shall  
37 pool the medical experience of all individuals purchasing coverage,

1 except individuals purchasing coverage under section 4 of this act, and  
2 shall not be required to be pooled with the medical experience of  
3 health benefit plans offered to small employers under RCW 48.44.023.

4 (3) As used in this section and RCW 48.44.023 "health benefit  
5 plan," "small employer," "adjusted community rates," and "wellness  
6 activities" mean the same as defined in RCW 48.43.005.

7 NEW SECTION. **Sec. 4.** A new section is added to chapter 48.44 RCW  
8 to read as follows:

9 (1) Premiums for health benefit plans for individuals who purchase  
10 the plan as a member of a purchasing pool:

11 (a) Consisting of five hundred or more individuals affiliated with  
12 a particular industry;

13 (b) To whom care management services are provided as a benefit of  
14 pool membership; and

15 (c) Which allows contributions from more than one employer to be  
16 used towards the purchase of an individual's health benefit plan;  
17 shall be calculated using the adjusted community rating method that  
18 spreads financial risk across the entire purchasing pool of which the  
19 individual is a member. Such rates are subject to the following  
20 provisions:

21 (i) The health care service contractor shall develop its rates  
22 based on an adjusted community rate and may only vary the adjusted  
23 community rate for:

24 (A) Geographic area;

25 (B) Family size;

26 (C) Age;

27 (D) Tenure discounts; and

28 (E) Wellness activities.

29 (ii) The adjustment for age in (c)(i)(C) of this subsection may not  
30 use age brackets smaller than five-year increments which shall begin  
31 with age twenty and end with age sixty-five. Individuals under the age  
32 of twenty shall be treated as those age twenty.

33 (iii) The health care service contractor shall be permitted to  
34 develop separate rates for individuals age sixty-five or older for  
35 coverage for which medicare is the primary payer, and coverage for  
36 which medicare is not the primary payer. Both rates are subject to the  
37 requirements of this subsection.

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

5 (v) A discount for wellness activities shall be permitted to  
6 reflect actuarially justified differences in utilization or cost  
7 attributed to such programs.

8 (vi) The rate charged for a health benefit plan offered under this  
9 section may not be adjusted more frequently than annually except that  
10 the premium may be changed to reflect:

11 (A) Changes to the family composition;

12 (B) Changes to the health benefit plan requested by the individual;

13 or

14 (C) Changes in government requirements affecting the health benefit  
15 plan.

16 (vii) For the purposes of this section, a health benefit plan that  
17 contains a restricted network provision shall not be considered similar  
18 coverage to a health benefit plan that does not contain such a  
19 provision, provided that the restrictions of benefits to network  
20 providers result in substantial differences in claims costs. This  
21 subsection does not restrict or enhance the portability of benefits as  
22 provided in RCW 48.43.015.

23 (viii) A tenure discount for continuous enrollment in the health  
24 plan of two years or more may be offered, not to exceed ten percent.

25 (2) Adjusted community rates established under this section shall  
26 not be required to be pooled with the medical experience of health  
27 benefit plans offered to small employers under RCW 48.44.023.

28 (3) As used in this section and RCW 48.44.023, "health benefit  
29 plan," "small employer," "adjusted community rates," and "wellness  
30 activities" mean the same as defined in RCW 48.43.005.

31 **Sec. 5.** RCW 48.46.064 and 2004 c 244 s 8 are each amended to read  
32 as follows:

33 (1) Except for health benefit plans covered under section 6 of this  
34 act, premium rates for health benefit plans for individuals shall be  
35 subject to the following provisions:

36 (a) The health maintenance organization shall develop its rates



1 based on an adjusted community rate and may only vary the adjusted  
2 community rate for:

- 3 (i) Geographic area;
- 4 (ii) Family size;
- 5 (iii) Age;
- 6 (iv) Tenure discounts; and
- 7 (v) Wellness activities.

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

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

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

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

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

- 27 (i) Changes to the family composition;
- 28 (ii) Changes to the health benefit plan requested by the  
29 individual; or
- 30 (iii) Changes in government requirements affecting the health  
31 benefit plan.

32 (g) For the purposes of this section, a health benefit plan that  
33 contains a restricted network provision shall not be considered similar  
34 coverage to a health benefit plan that does not contain such a  
35 provision, provided that the restrictions of benefits to network  
36 providers result in substantial differences in claims costs. This  
37 subsection does not restrict or enhance the portability of benefits as  
38 provided in RCW 48.43.015.

1 (h) A tenure discount for continuous enrollment in the health plan  
2 of two years or more may be offered, not to exceed ten percent.

3 (2) Adjusted community rates established under this section shall  
4 pool the medical experience of all individuals purchasing coverage,  
5 except individuals purchasing coverage under section 5 of this act, and  
6 shall not be required to be pooled with the medical experience of  
7 health benefit plans offered to small employers under RCW 48.46.066.

8 (3) As used in this section and RCW 48.46.066, "health benefit  
9 plan," "adjusted community rate," "small employer," and "wellness  
10 activities" mean the same as defined in RCW 48.43.005.

11 NEW SECTION. **Sec. 6.** A new section is added to chapter 48.46 RCW  
12 to read as follows:

13 (1) Premiums for health benefit plans for individuals who purchase  
14 the plan as a member of a purchasing pool:

15 (a) Consisting of five hundred or more individuals affiliated with  
16 a particular industry;

17 (b) To whom care management services are provided as a benefit of  
18 pool membership; and

19 (c) Which allows contributions from more than one employer to be  
20 used towards the purchase of an individual's health benefit plan;  
21 shall be calculated using the adjusted community rating method that  
22 spreads financial risk across the entire purchasing pool of which the  
23 individual is a member. Such rates are subject to the following  
24 provisions:

25 (i) The health maintenance organization shall develop its rates  
26 based on an adjusted community rate and may only vary the adjusted  
27 community rate for:

- 28 (A) Geographic area;
- 29 (B) Family size;
- 30 (C) Age;
- 31 (D) Tenure discounts; and
- 32 (E) Wellness activities.

33 (ii) The adjustment for age in (c)(i)(C) of this subsection may not  
34 use age brackets smaller than five-year increments which shall begin  
35 with age twenty and end with age sixty-five. Individuals under the age  
36 of twenty shall be treated as those age twenty.

1 (iii) The health maintenance organization shall be permitted to  
2 develop separate rates for individuals age sixty-five or older for  
3 coverage for which medicare is the primary payer, and coverage for  
4 which medicare is not the primary payer. Both rates are subject to the  
5 requirements of this subsection.

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

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

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

16 (A) Changes to the family composition;

17 (B) Changes to the health benefit plan requested by the individual;

18 or

19 (C) Changes in government requirements affecting the health benefit  
20 plan.

21 (vii) For the purposes of this section, a health benefit plan that  
22 contains a restricted network provision shall not be considered similar  
23 coverage to a health benefit plan that does not contain such a  
24 provision, provided that the restrictions of benefits to network  
25 providers result in substantial differences in claims costs. This  
26 subsection does not restrict or enhance the portability of benefits as  
27 provided in RCW 48.43.015.

28 (viii) A tenure discount for continuous enrollment in the health  
29 plan of two years or more may be offered, not to exceed ten percent.

30 (2) Adjusted community rates established under this section shall  
31 not be required to be pooled with the medical experience of health  
32 benefit plans offered to small employers under RCW 48.46.066.

33 (3) As used in this section and RCW 48.46.066, "health benefit  
34 plan," "adjusted community rates," "small employer," and "wellness  
35 activities" mean the same as defined in RCW 48.43.005.

36 NEW SECTION. **Sec. 7.** No policy or contract may be solicited, or  
37 contribution collected under this act until a federal opinion is

1 received by the insurance commissioner indicating whether the  
2 purchasing pools referenced in sections 2, 4, and 6 of this act are  
3 legal. The commissioner shall request such an opinion from the federal  
4 departments of labor, treasury, health and human services, or other  
5 appropriate federal agencies no later than August 1, 2006. Upon  
6 receipt, the commissioner shall forward the opinion to the legislature,  
7 and within thirty days, provide the legislature with a report assessing  
8 the legality and potential impact of these purchasing pools on the  
9 uninsured and insurance markets in Washington state.

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