

# SENATE BILL REPORT

## SB 5947

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As of February 24, 2009

**Title:** An act relating to reforming the health care system in Washington state.

**Brief Description:** Reforming the health care system in Washington state.

**Sponsors:** Senator Pflug.

**Brief History:**

**Committee Activity:** Health & Long-Term Care: 2/12/09, 2/24/09 [DPF].

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### SENATE COMMITTEE ON HEALTH & LONG-TERM CARE

**Staff:** Mich'l Needham (786-7442)

**Background:** There are many proposals to reform health care purchasing and to expand access to insurance products across the country. One such concept has been designed as an "insurance exchange" or "connector" where access to a broad array of private insurance products is available through one venue. A connector proposal with some similar elements was included in a recent analysis of five health reform proposals completed by Mathematica Policy Research, Inc. Their initial analysis is available.

**Summary of Bill:** Apple Health is created as a not-for-profit corporation to facilitate the availability and enrollment in private health insurance plans. The program is governed by the Washington State Apple Health Insurance Board consisting of 13 members initially appointed by the Governor.

Coverage through Apple Health begins January 1, 2011. State employees, higher education employees, school district employees, and Basic Health Plan enrollees transition into Apple Health effective January 1, 2011. Health insurance carriers may only sell products for individuals and small groups through Apple Health, except small group association plans and self-insured plans may continue outside Apple Health.

Employer groups may sponsor employee coverage through Apple Health and determine their contribution amounts. Participating employers must establish a Section 125 account for pre-tax contributions, and may offer supplemental benefits. Employers may determine the employee eligibility and the employer contribution level. All participants in Apple Health have full choice of the plans offered.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

All insurance carriers certified by the Office of the Insurance Commissioner (OIC) are eligible to participate in Apple Health. All regulated small group and individual insurance products offered as of January 1, 2009, are grandfathered in and not subject to additional certification by the OIC.

Product offerings continue to be designed by the insurance carriers. All rating is based on an adjusted community rate reflecting the experience of all participants in Apple Health, and new standards for rate variation for age groups and annual rate adjustments are established. Carriers are allowed to treat young adults (ages 19-34) as a separate experience pool with one age band or may elect for a variation of age band rating within that separate experience pool. Annual rate adjustments may vary plus or minus 6 percent from the overall adjustment for the carrier's pool, and high deductible products may vary plus 4 percent or minus 8 percent. Variations greater than plus 6 percent or minus 8 percent are subject to a 60-day review and approval by the OIC.

Individuals applying for coverage in Apple Health must complete the standard health questionnaire, unless they have had at least 24 months of creditable coverage and application is made within 90 days of disenrollment from the creditable coverage.

The Apple Health Community Care premium assistance program is established for persons with family income below 200 percent of the federal poverty level. Eligibility and administration of the premium assistance are managed by the Health Care Authority. Eligibility for the premium assistance program is limited to those that have been uninsured for at least 12 months. The benchmark plan for the premium assistance design is based on the average actuarial value of benefits covered in the top three plans purchased through the individual market as of January 1, 2009. After January 1, 2010, the benchmark plan will be adjusted to reflect the top three subscribed plans in Apple Health.

All employers and self-employed individuals must file a statement of coverage form annually with the OIC, indicating the coverage status for each employee and their dependents, with the name of the insurance carrier. Individuals with no coverage must indicate that they take full responsibility for all health care-related expenses, have forfeited their rights to their employer coverage, and have turned down enrollment in Apple Health or any publicly-sponsored insurance or premium subsidy programs. The Department of Social and Health Services must also file the statement of coverage form for all individuals receiving medical assistance.

The OIC must convene a high risk transfer pool task force with representatives from all the insurance carriers to provide recommendations on the best approaches for sharing risk of high-risk claims evenly among carriers. Recommendations are due January 1, 2011. The Washington State Institute for Public Policy must complete a study by January 1, 2012, on the potential participation in Apple Health by Medicaid and the State Children's Health Insurance Program (SCHIP) enrollees.

**Appropriation:** None.

**Fiscal Note:** Requested on February 9, 2009.

**Committee/Commission/Task Force Created:** No.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Staff Summary of Public Testimony:** PRO: This is a variation on an exchange bill we've discussed for two years, with an entirely private sector model that is a market organizer similar to the New York Stock Exchange model. This brings together a single marketplace with some advantages of pooling, and allows consumers a broad range of choices of all the products offered by insurance carriers. It addresses the portability issue that arises when moving between employers and it provides an option for part-time employees. The Mathematica study showed this type of approach could cover 400,000 more people.

OTHER: The Mathematica study gave us a good base of information to move these reform discussions along, and we should stick to the citizen workgroup process that was established last year and allow a good discussion of these complex proposals. This is a creative and innovative approach. It does raise some concerns with the market approach; all markets would need to be brought together including the association products. The community rating bands may disadvantage older workers, and the premium assistance program needs more clarity.

**Persons Testifying:** PRO: Senator Pflug, prime sponsor.

OTHER: Robby Stern, Healthy Washington Coalition; Ingrid McDonald, AARP.