

SENATE BILL REPORT

SB 6464

As of February 10, 2014

Title: An act relating to broadening health insurance coverage options for the citizens of Washington.

Brief Description: Concerning health insurance coverage options for the citizens of Washington state.

Sponsors: Senators O'Ban, Parlette and Becker.

Brief History:

Committee Activity: Health Care: 2/04/14, 2/06/14 [DP-WM, DNP].
Ways & Means: 2/10/14.

SENATE COMMITTEE ON HEALTH CARE

Majority Report: Do pass and be referred to Committee on Ways & Means.
Signed by Senators Becker, Chair; Dammeier, Vice Chair; Angel, Bailey and Parlette.

Minority Report: Do not pass.
Signed by Senators Pedersen, Ranking Member; Cleveland and Keiser.

Staff: Mich'l Needham (786-7442)

SENATE COMMITTEE ON WAYS & MEANS

Staff: Michael Bezanson (786-7449)

Background: The federal Affordable Care Act requirements resulted in significant revision to the individual and small-group insurance products effective January 1, 2014. Changes to coverage include essential benefit categories with new covered benefits, modified cost sharing requirements, and new rating rules, among others.

Health insurance carriers developed their new health benefit plans and filed them for review and approval with the Insurance Commissioner in the spring and summer of 2013 for fall open enrollment for the Health Benefit Exchange (Exchange). Insurance carriers issued notices that some health benefit plans were being discontinued and that new health benefit plans would be available consistent with the federal requirements.

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.

The President announced in November 2013 that individuals that lost their coverage due to the new insurance requirements could extend those plans for a one-year period if allowed by state insurance commissioners. The Washington State Insurance Commissioner did not approve the extension.

Summary of Bill: A health insurance carrier may continue to offer an individual or small-group health plan in the market outside the Exchange, regardless of whether the plan meets any state or federal requirements applicable to the individual or small-group markets after October 1, 2013, if:

- the health plan was offered in the individual or small-group market in Washington on October 1, 2013; and
- the purchaser of the health plan was actually enrolled in the plan on October 1, 2013.

Health plans made available through the extension are exempt from the market insurance rules and the essential health benefit requirements, and the Insurance Commissioner may not adopt any rules or policies that prohibit or inhibit continuing coverage.

A health insurance carrier choosing to continue to offer an individual or small group health plan must send a written notice to all enrollees of that plan who received a cancellation or termination notice. The notice must include information on any changes in the options available to them, which market reforms are not reflected in the continued coverage, their potential right to purchase coverage through the Exchange with possible financial assistance, how to access such coverage, and their right to purchase coverage outside the Exchange with the newly extended coverage.

A health insurance carrier from another state may offer individual or small-group health plans in Washington that are not required to meet any Washington State insurance laws or regulations if the plans meet all applicable requirements in the carrier's home state.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony (Health Care): PRO: This bill tries to clear up a problem with the roll out of the Affordable Care Act (ACA). The President extended the option for some plans to continue another year and this bill recognizes the gap the President recognized and opens up choices to Washington residents that are available in other states. I have clients that have seen significant increases in their premiums for the new plans. Only the lower middle class are benefiting from the ACA and the subsidies. Those with incomes above the cutoff are hit the hardest. There are similar plans available in other states that have lower premiums that Washington residents could access. Premiums have increased dramatically over the years I have been in insurance, and now the coverage is more expensive with higher premiums and higher out-of-pocket expenses. I have had many

experiences with health care and high medical bills, and I was able to purchase a plan with a deductible that I could manage. Now my expenses are up with higher premiums and a higher deductible. My family members in other states have better insurance options than we do.

CON: The bill has the best intentions to expand coverage options, but this approach creates significant problems and could unbalance the insurance market. The plans offered in 2013 do not exist any longer and health insurance carriers would need to build new plans, file new rates for the new plans, and all the current plans, since the current plans would experience adverse selection. The new plans would not include all the benefit mandates and taxes that the current plans have to include, and would draw the better risk from the insurance market impacting the premiums for the existing plans. There would be no state oversight for minimum loss standards or consumer protections and other standards all established by the Legislature for the insurance market. It would be a significant challenge to reinstate plans that no longer exist. For decades, the state Legislature has considered consumer protections that are reflected in the insurance laws. This bill ignores the laws of the state and allows carriers to offer plans from other states that may not include any of those protections.

OTHER: The products offered in 2013 no longer exist and the systems that supported those plans have been dismantled. The domestic carriers would be disadvantaged if outside carriers can sell products that do not have to meet the same standards established for Washington.

Persons Testifying (Health Care): PRO: Senator O'Ban, prime sponsor; Robert Pangaro, Gary Franke, Heidi Erickson, Bill Chandler, citizens.

CON: Mary McHale, American Cancer Society Cancer Action Network; Holly Mortlock, Office of Insurance Commissioner.

OTHER: Sydney Zvara, Assn. of WA Healthcare Plans.

Staff Summary of Public Testimony (Ways & Means): PRO: President Obama extended the deadline for some health insurance plans to continue coverage for another year but we did not do that in Washington. Over 300,000 lost their coverage and only some will be able to get their coverage through the Exchange. People will have to make choices between their mortgages, bills, and having health care. We need to do something to help these folks. We need to find options for them. By allowing out-of-state products in the state, people will have more options. Arizona went out of state and has more options than Washington.

CON: We appreciate the intentions of this bill to increase access to health care. However, this bill would undermine consumer protections and have unintended consequences. The Office of Insurance Commissioner plays an important role in regulating the market and creating standards that insurance carriers must follow. Domestic plans currently in the market priced their products based on the competition at the time and based on Washington laws. This bill would put domestic plans at a disadvantage if competing against out-of-state plans that do not need to follow the same rules and regulations.

Persons Testifying (Ways & Means): PRO: Senator O'Ban, prime sponsor.

CON: Kate White Tudor, Healthy WA Coalition, WA State Nurses Assn.