

HOUSE BILL REPORT

ESSB 6097

As Reported by House Committee On: Health Care & Wellness

Title: An act relating to requiring the insurance commissioner to review a health carrier's surplus levels as part of its rate filing review process.

Brief Description: Requiring the insurance commissioner to review a health carrier's surplus, capital, or profit levels as part of its rate filing review process.

Sponsors: Senate Committee on Health & Long Term Care (originally sponsored by Senators Rolfes, Kuderer, Pedersen, Frockt, Conway, Randall, Carlyle and Saldaña).

Brief History:

Committee Activity:

Health Care & Wellness: 2/26/20, 2/27/20 [DPA].

Brief Summary of Engrossed Substitute Bill (As Amended by Committee)

- Allows the Insurance Commissioner to review a carrier's surplus, capital, or profit levels when reviewing premium rates for the individual or small group market.

HOUSE COMMITTEE ON HEALTH CARE & WELLNESS

Majority Report: Do pass as amended. Signed by 9 members: Representatives Cody, Chair; Macri, Vice Chair; Chopp, Davis, Riccelli, Robinson, Stonier, Thai and Tharinger.

Minority Report: Do not pass. Signed by 3 members: Representatives Schmick, Ranking Minority Member; Chambers and DeBolt.

Minority Report: Without recommendation. Signed by 2 members: Representatives Harris and Maycumber.

Staff: Jim Morishima (786-7191).

Background:

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 Insurance Commissioner (Commissioner) reviews insurance rates in both the individual and small group markets and may disapprove the rates if they are unreasonable in relation to the benefits in the agreement. Insurers are required to file their individual and group rates with the Commissioner. As part of those filings, carriers must provide an actuarially sound provision for contribution to surplus, contingency charges, or risk charges. Surplus contribution is one of the factors considered by the Commissioner when reviewing rates.

Summary of Amended Bill:

For individual and small group market rate filings with an effective date on or after January 1, 2021, the Insurance Commissioner (Commissioner) may review the carrier's surplus, capital, or profit levels as an element in determining the reasonableness of the proposed rate. In reviewing the surplus, capital, or profit levels, the Commissioner must take into consideration the current capital facility needs for carriers, including those maintaining and operating hospital and clinical facilities. This authority does not affect the Commissioner's rate review authority or the requirement that all approved individual and small group market rates be actuarially sound.

The Commissioner may adopt rules to implement these requirements.

Amended Bill Compared to Engrossed Substitute Bill:

The amended bill:

- removes a reference to nonprofit insurers, clarifying that the authority to review surplus applies to both nonprofit and for-profit insurers; and
 - removes the requirement that the Insurance Commissioner take into consideration whether a carrier's holding company system offers a qualified health plan in every county of the state.
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Appropriation: None.

Fiscal Note: Available.

Effective Date of Amended Bill: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) This started as a simple bill that required, instead of allowed, the Insurance Commissioner (Commissioner) to take surplus into account. Even with it being permissive, the Commissioner will treat it as mandatory. The bill originally applied only to nonprofits, but expanding it to include for-profits is a good idea. This could be a tidier, clearer bill.

(Opposed) None.

(Other) This is a great tool for the toolbox. Consumers are facing increasing premiums and out-of-pocket expenses. Premium rate increases have been in the double digits. The Commissioner should be required, not allowed, to consider a carrier's surplus. The additional factors the Commissioner is required to review should be removed.

This bill broadens its applicability to all carriers, which is a good thing for fairness. The authority granted in this bill should be permissive, not mandatory. Making it permissive does not remove authority from the Commissioner, but gives the Commissioner the flexibility not to exercise the authority.

Persons Testifying: (In support) Lonnie Johns-Brown, Office of the Insurance Commissioner.

(Other) Erin Dziedzic, Bleeding Disorder Foundation of Washington and Foundation for Healthy Generations of King County; and Chris Bandoli, Association of Washington Healthcare Plans.

Persons Signed In To Testify But Not Testifying: None.