

Report to the Legislature Fixed Payment Insurance

June 1, 2009



Mike Kreidler - *State Insurance Commissioner*

www.insurance.wa.gov



OFFICE OF
INSURANCE COMMISSIONER

June 1, 2009

Dear Washington State Legislator:

In 2007, the Legislature passed Substitute House Bill 1233, regarding "fixed payment insurance." SHB 1233 modified the definition of "health plan" in RCW 48.43.005 to exclude fixed payment insurance offered as an independent, non-coordinated benefit. The result of this legislation was to exempt these products from having to comply with many mandated benefit requirements applicable to more comprehensive medical insurance.

Fixed payment policies pay a specific amount to a covered individual if that person receives certain types of medical care or services. This payment is made regardless of the amount actually charged by the provider. The policies are sold on either an individual basis or to employer groups.

Group fixed payment plans allow an employer to purchase minimal coverage for employees. Typical benefit designs include a set dollar amount for a doctor visit (e.g. \$25 per visit), or a daily benefit amount for a hospital confinement (e.g. \$200 per day.) There is also a fairly low calendar year maximum. Proponents of the legislation testified that employers wanted to provide this limited coverage to their low-wage and seasonal employees so that they would have some coverage. Opponents expressed concern that some employers would replace comprehensive medical coverage with these very limited plans.

Because this coverage is not comprehensive health insurance, and the benefit amounts may be significantly less than needed to cover most medical costs, the bill required the use of a disclosure form designed to help consumers understand that the coverage will not cover the cost of most hospital and other medical expenses. The companies are required to use a standard disclosure form and file it with the Insurance Commissioner's Office (OIC) for approval.

The bill also required the OIC to collect and report information regarding fixed payment insurance on an annual basis. The first report to the Legislature is enclosed. As required by RCW 48.43.650, it reflects the calendar year experience for 2008, and information was collected from those insurers offering fixed payment insurance products.

In April 2009, we sent a survey (also enclosed) to 681 companies, with a 100% response rate. The resulting report summarizes the data, focusing on the number of groups or individuals purchasing the products, the number of insureds, and the number of consumer complaints filed.

The 2008 data shows that 51 companies (or 7.5%) sold individual or group fixed payment policies covering over 114,000 insureds. Insurers sold 459 group policies to employers in 2008, covering 11,587 employees. It should be noted that these aggregate numbers include disability-income fixed payment policies and dismemberment fixed payment policies. The OIC will attempt to work with the reporting companies to refine the data in future years to focus on the medical payment products.

If you have any questions about this report, please contact Doug Pennington at (360) 725-7231 regarding the data survey, or Donna Dorris at (360) 725-7040 regarding fixed payment policies.

Sincerely,

A handwritten signature in black ink that reads "Mike Kreidler". The signature is written in a cursive, flowing style.

Mike Kreidler
Insurance Commissioner

Enclosure

Fixed Payment Data Survey Results

Calendar Year 2008

Fixed payment data survey response results	
681	Total number of companies receiving the fixed payment data survey request
681	Total number of companies that have responded to the fixed payment data survey request
100.0%	Percentage of companies that have responded to the fixed payment data survey request

Data derived from the fixed payment data survey responses	
51	Did you write fixed payment policies in WA in 2008? - Yes
630	Did you write fixed payment policies in WA in 2008? - No
7.5%	Percentage of respondents who reported that they sold fixed payment policies in WA in 2008
459	Number of new fixed payment policies issued in 2008 - group
66,832	Number of new fixed payment policies issued in 2008 - individual
11,587	The number of new fixed payment policy group enrollees in 2008
103,115	The number of new individual fixed payment policy enrollees in 2008
41	The number of WA insurance department complaints for fixed payment policies received in 2008

Per conversations with the reporting companies, the policies that they have determined to fit the definition of fixed payment policies include (but are not limited to) the following policy types:

1. Cancer or other "dread disease" fixed payment policies which pay a specified amount upon diagnosis.
2. Hospital indemnity fixed payment policies which pay a specified amount for a hospital visit.
3. Disability income fixed payment policies where the income is a fixed payment not based on actual income.
4. Medical fixed payment policies paying insured for specified treatments, or other covered medical events.
5. Dismemberment or disability fixed payment policies that pay specified amounts for specifically identified injuries.

All of these policies pay the insured directly upon completion of claim forms and proof of the covered event and do not pay third parties.



OFFICE OF
INSURANCE COMMISSIONER

Washington State Authorized Disability Carriers:

RCW 48.43.650 requires the Office of Insurance Commissioner (OIC) to file a report with the Washington legislature annually showing specific aggregate information about fixed payment policies. The first report is due June 1, 2009.

In order to meet this deadline, you must file a report with us by April 22, 2009 giving us the aggregate information we need to report to the legislature. The data required is to be sent to us electronically as an EXCEL spreadsheet.

For purposes of this report, fixed payment policies are defined as illness-triggered fixed payment insurance, hospital confinement fixed payment insurance, or other fixed payment insurance policies where the benefit provided is a fixed dollar amount that is paid regardless of the amount charged. Fixed payment riders attached to any policy type are not to be included in the report.

To file this report, we will need the following information sent to us by April 22, 2009.

Field #	Question	Field Type
1	Did you write fixed payment policies in WA in 2008?	Y or N
2	Number of new fixed payment policies issued in 2008 – group	Numeric
3	Number of new fixed payment policies issued in 2008 – individual	Numeric
4	The number of new group enrollees in 2008	Numeric
5	The number of new individual enrollees in 2008	Numeric
6	The number of WA insurance department complaint for fixed payment policies received in 2008	Numeric

This information should be emailed to Market.ConductOversight@oic.wa.gov. Include the name, email address, and phone number of the designated company contact person for this report. Future requests will be sent to this contact person. If this information changes, please notify us at the email address listed above.

If you have any questions, you may email them to us at the email address above or call Doug Pennington at 360.725.7231. Thank you for your time and cooperation.

Sincerely,

Leslie Krier

Leslie A. Krier, AIE, FLMI
Market Conduct Oversight Manager
State of Washington, Office of Insurance Commissioner
(360)725-7216
lesliek@oic.wa.gov