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HOUSE BILL 2902

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State of Washington

54th Legislature

1996 Regular Session

By Representatives Dyer, Schoesler, L. Thomas, Mitchell, Hymes, Elliot, Talcott and Carlson

Read first time 01/24/96. Referred to Committee on Health Care.

1 AN ACT Relating to the stabilization of the health insurance  
2 market; amending RCW 48.14.0201, 48.18.100, and 48.43.025; adding new  
3 sections to chapter 48.41 RCW; creating a new section; providing  
4 expiration dates; and declaring an emergency.

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

6 NEW SECTION. **Sec. 1.** A new section is added to chapter 48.41 RCW  
7 to read as follows:

8 (1) The legislature finds that a series of major modifications in  
9 statutes governing health insurance has produced significant volatility  
10 in the health insurance market, particularly affecting individual  
11 health insurance purchasers. Because of changes, some individuals have  
12 had difficulty in purchasing adequate coverage at an affordable price,  
13 while health carriers have been hampered in their ability to secure  
14 adequate premiums and accurately predict beneficiary utilization.  
15 While it is unclear whether or not this volatility will diminish with  
16 long-term market stability, the problem is of such concern to require,  
17 at least provisionally, immediate attention. It is therefore the  
18 intent of the legislature to establish a Washington health insurance  
19 market stabilization program the purpose of which is to: Provide

1 provisional resources and authority to stabilize the cost of health  
2 insurance, improve the availability of health insurance to individuals,  
3 and study the need for a more long-term solution to the problem.

4 (2) The Washington health insurance market stabilization program is  
5 created. The program's board of directors shall be the same board of  
6 directors that governs the Washington state health insurance pool  
7 created by RCW 48.41.040. Unless otherwise indicated, the provisions  
8 of the following sections apply to the program: RCW 48.41.030;  
9 48.41.040; 48.41.060; 48.41.070; 48.41.080; 48.41.130; 48.41.170;  
10 48.41.190; 48.41.210; and 48.41.910. Further, the definition of "pool"  
11 in RCW 48.41.030 shall also include the Washington health insurance  
12 market stabilization program.

13 (3) This section shall expire July 1, 1999.

14 NEW SECTION. **Sec. 2.** A new section is added to chapter 48.41 RCW  
15 to read as follows:

16 (1) The board shall develop a plan of operation which shall take  
17 effect July 1, 1996. The plan shall be submitted to the Washington  
18 state health care policy board created under RCW 43.73.010 for review  
19 by June 1, 1996, and filed with the commissioner by July 1, 1996. In  
20 implementing the plan, the board shall develop procedures for:

21 (a) Handling and accounting of assets and funds of the program;

22 (b) Setting times and places for meetings of the board of  
23 directors;

24 (c) Keeping records of all financial transactions and for an annual  
25 fiscal report to the commissioner;

26 (d) Setting and collection of assessments pursuant to section 4 of  
27 this act;

28 (e) Setting loss ratio standards;

29 (f) Developing reinsurance policy coverage pursuant to section 3 of  
30 this act;

31 (g) Publicizing the existence of the program, the eligibility  
32 requirements, and procedures for enrollment and maintaining public  
33 awareness of the plan;

34 (h) Permitting members to file grievances reviewed by an impartial  
35 body and reported to the board; and

36 (i) Setting premiums for reinsurance.

37 (2) This section shall expire July 1, 1999.

1        NEW SECTION.    **Sec. 3.**    A new section is added to chapter 48.41 RCW  
2 to read as follows:

3        (1) Beginning July 1, 1996, and terminating July 1, 1999, the board  
4 of directors shall operate, for the benefit of members offering  
5 individual insurance coverage, reinsurance coverage with the purpose of  
6 stabilizing the cost of health insurance and improving the availability  
7 of health insurance to individuals.    The board has the power to set  
8 premiums.    Conditions for eligibility are as follows:

9        (a) Reinsurance losses must have been incurred between July 1,  
10 1996, and July 1, 1999;

11        (b) Reinsurance losses may only be paid based on loss ratios  
12 standards established by the board;

13        (c) Reinsurance losses must have been incurred for policies issued  
14 to individual enrollees;

15        (d) Aggregate claims payments are limited to the funds available  
16 pursuant to section 4 of this act; and

17        (e) Members must meet other conditions, as set by the board.

18        (2) This section shall expire July 1, 1999.

19        NEW SECTION.    **Sec. 4.**    A new section is added to chapter 48.41 RCW  
20 to read as follows:

21        (1) The board shall establish a member assessment to cover program  
22 administration and incurred losses for twelve-month periods beginning  
23 July 1, 1996, July 1, 1997, and July 1, 1998.    However, the aggregate  
24 assessment must not exceed twenty-five million dollars in any one  
25 twelve-month period.

26        (2) Each member's proportion of assessment is to be determined by  
27 the board in a fair and efficient manner, consistent with good  
28 principles of accounting, and complementary to the fund stability.

29        (3) Any surplus available after payment of claims from the period  
30 July 1, 1996, to July 1, 1999, must be deposited in the health services  
31 account established in RCW 43.72.900.

32        (4) This section shall expire July 1, 1999.

33        **Sec. 5.**    RCW 48.14.0201 and 1993 sp.s. c 25 s 601 are each amended  
34 to read as follows:

35        (1) As used in this section, "taxpayer" means a health maintenance  
36 organization, as defined in RCW 48.46.020, a health care service

1 contractor, as defined in RCW 48.44.010, or a certified health plan  
2 certified under RCW 48.43.030.

3 (2) Each taxpayer shall pay a tax on or before the first day of  
4 March of each year to the state treasurer through the insurance  
5 commissioner's office. The tax shall be equal to the total amount of  
6 all premiums and prepayments for health care services received by the  
7 taxpayer during the preceding calendar year multiplied by the rate of  
8 two percent.

9 (3) Taxpayers shall prepay their tax obligations under this  
10 section. The minimum amount of the prepayments shall be percentages of  
11 the taxpayer's tax obligation for the preceding calendar year  
12 recomputed using the rate in effect for the current year. For the  
13 prepayment of taxes due during the first calendar year, the minimum  
14 amount of the prepayments shall be percentages of the taxpayer's tax  
15 obligation that would have been due had the tax been in effect during  
16 the previous calendar year. The tax prepayments shall be paid to the  
17 state treasurer through the commissioner's office by the due dates and  
18 in the following amounts:

19 (a) On or before June 15, forty-five percent;

20 (b) On or before September 15, twenty-five percent;

21 (c) On or before December 15, twenty-five percent.

22 (4) For good cause demonstrated in writing, the commissioner may  
23 approve an amount smaller than the preceding calendar year's tax  
24 obligation as recomputed for calculating the health maintenance  
25 organization's, health care service contractor's, or certified health  
26 plan's prepayment obligations for the current tax year.

27 (5) Moneys collected under this section shall be deposited in the  
28 general fund through March 31, 1996, and in the health services account  
29 under RCW 43.72.900 after March 31, 1996.

30 (6) The taxes imposed in this section do not apply to:

31 (a) Amounts received by any taxpayer from the United States or any  
32 instrumentality thereof as prepayments for health care services  
33 provided under Title XVIII (medicare) of the federal social security  
34 act. This exemption shall expire July 1, 1997.

35 (b) Amounts received by any health care service contractor, as  
36 defined in RCW 48.44.010, as prepayments for health care services  
37 included within the definition of practice of dentistry under RCW  
38 18.32.020. This exemption does not apply to amounts received under a  
39 certified health plan certified under RCW 48.43.030.

1       (7) Until July 1, 1999, taxpayers shall be given a credit from this  
2 tax equal to the amount of the assessment paid pursuant to section 4 of  
3 this act.

4       **NEW SECTION. Sec. 6.** (1) The Washington state health care policy  
5 board created by RCW 43.73.010, in coordination with the board of  
6 directors of the Washington health market stabilization program, shall  
7 study the necessity of an ongoing policy to stabilize the health  
8 insurance market for individuals. Items to be studied are:

- 9       (a) Health carrier participation;
- 10       (b) Enrollee eligibility;
- 11       (c) Benefits design;
- 12       (d) Funding sources;
- 13       (e) Claims procedures;
- 14       (f) Risk adjustment mechanism;
- 15       (g) Cost control requirements, including case management, managed  
16 care, and utilization review;
- 17       (h) Role of government; and
- 18       (i) Consumer coverage.

19       (2) The board shall report to the appropriate committees of the  
20 legislature by December 1, 1996.

21       **Sec. 7.** RCW 48.18.100 and 1989 c 25 s 1 are each amended to read  
22 as follows:

23       (1) No insurance policy form other than surety bond forms,  
24 disability insurance forms, or application form where written  
25 application is required and is to be attached to the policy, or printed  
26 life or disability rider or endorsement form shall be issued,  
27 delivered, or used unless it has been filed with and approved by the  
28 commissioner. This section shall not apply to policies, riders or  
29 endorsements of unique character designed for and used with relation to  
30 insurance upon a particular subject.

31       (2) Every such filing containing a certification, in a form  
32 approved by the commissioner, by either the chief executive officer of  
33 the insurer or by an actuary who is a member of the American Academy of  
34 Actuaries, attesting that the filing complies with Title 48 RCW and  
35 Title 284 of the Washington Administrative Code, may be used by such  
36 insurer immediately after filing with the commissioner. The  
37 commissioner may order an insurer to cease using a certified form upon

1 the grounds set forth in RCW 48.18.110. This subsection shall not  
2 apply to certain types of policy forms designated by the commissioner  
3 by rule.

4 (3) Every disability insurance policy form shall be filed with the  
5 insurance commissioner prior to being issued, delivered, or used in  
6 this state. The commissioner may, after holding a hearing, disapprove  
7 a form for reasons set forth in RCW 48.18.110.

8 (4) Every filing that does not contain a certification pursuant to  
9 subsection (2) of this section shall be made not less than thirty days  
10 in advance of any such issuance, delivery, or use. At the expiration  
11 of such thirty days the form so filed shall be deemed approved unless  
12 prior thereto it has been affirmatively approved or disapproved by  
13 order of the commissioner. The commissioner may extend by not more  
14 than an additional fifteen days the period within which he may so  
15 affirmatively approve or disapprove any such form, by giving notice of  
16 such extension before expiration of the initial thirty-day period. At  
17 the expiration of any such period as so extended, and in the absence of  
18 such prior affirmative approval or disapproval, any such form shall be  
19 deemed approved. The commissioner may withdraw any such approval at  
20 any time for cause. By approval of any such form for immediate use,  
21 the commissioner may waive any unexpired portion of such initial  
22 thirty-day waiting period.

23 ~~((+4))~~ (5) The commissioner's order disapproving any such form or  
24 withdrawing a previous approval shall state the grounds therefor.

25 ~~((+5))~~ (6) No such form shall knowingly be so issued or delivered  
26 as to which the commissioner's approval does not then exist.

27 ~~((+6))~~ (7) The commissioner may, by order, exempt from the  
28 requirements of this section for so long as he deems proper, any  
29 insurance document or form or type thereof as specified in such order,  
30 to which in his opinion this section may not practicably be applied, or  
31 the filing and approval of which are, in his opinion, not desirable or  
32 necessary for the protection of the public.

33 ~~((+7))~~ (8) Every member or subscriber to a rating organization  
34 shall adhere to the form filings made on its behalf by the  
35 organization. Deviations from such organization are permitted only  
36 when filed with the commissioner in accordance with this chapter.

37 **Sec. 8.** RCW 48.43.025 and 1995 c 265 s 6 are each amended to read  
38 as follows:

1 (1) No carrier may reject an individual for health plan coverage  
2 based upon preexisting conditions of the individual and no carrier may  
3 deny, exclude, or otherwise limit coverage for an individual's  
4 preexisting health conditions; except that a carrier may impose a  
5 three-month benefit waiting period for preexisting conditions for which  
6 medical advice was given, or for which a health care provider  
7 recommended or provided treatment within three months before the  
8 effective date of coverage. However, if the individual voluntarily  
9 terminates coverage within nine months of issuance, the carrier may  
10 impose a nine-month benefit waiting period for preexisting conditions.

11 (2) No carrier may avoid the requirements of this section through  
12 the creation of a new rate classification or the modification of an  
13 existing rate classification. A new or changed rate classification  
14 will be deemed an attempt to avoid the provisions of this section if  
15 the new or changed classification would substantially discourage  
16 applications for coverage from individuals or groups who are higher  
17 than average health risks. These provisions apply only to individuals  
18 who are Washington residents.

19 NEW SECTION. **Sec. 9.** This act is necessary for the immediate  
20 preservation of the public peace, health, or safety, or support of the  
21 state government and its existing public institutions, and shall take  
22 effect immediately.

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