

HOUSE BILL REPORT

HB 1387

As Reported By House Committee On:
Financial Institutions & Insurance

Title: An act relating to mandatory offering of basic health plan benefits.

Brief Description: Clarifying the frequency of filing of rate adjustments for mandatory offering of basic health plan benefits.

Sponsors: Representatives Zellinsky, K. Schmidt, L. Thomas, Johnson, Huff and Dyer.

Brief History:

Committee Activity:

Financial Institutions & Insurance: 2/3/97, 2/6/97 [DPS].

HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 6 members: Representatives L. Thomas, Chairman; Smith, Vice Chairman; Zellinsky, Vice Chairman; Benson; DeBolt and Wensman.

Minority Report: Do not pass. Signed by 4 members: Representatives Wolfe, Ranking Minority Member; Constantine; Keiser and Sullivan.

Staff: Charlie Gavigan (786-7340).

Background: There are three primary types of health carriers: (1) a traditional health insurer that provides reimbursement for, or payment of, covered health services; (2) a health care service contractor, an association of providers that provide health care services; and (3) a health maintenance organization, an organization which also provides health care services. Health carriers are regulated by the Office of the Insurance Commissioner (OIC). Health carriers must offer individuals and employers with 26-50 employees a plan equivalent to the services contained in the Basic Health Plan. Individuals and employers with 26 or more employees may buy any insurance coverage that includes statutorily mandated benefits.

Rates for health plans are also regulated by the OIC. Generally, health plan rates must be reasonably related to benefits provided. Health plans for individuals, and small employers (50 or fewer employees) are subject to adjusted community rating. The rate charged for a health plan for individuals and small employers can only be

adjusted annually except for changes in family composition, changes to benefits requested by the individual or employer, or changes due to government regulations.

Summary of Substitute Bill: Although a health carrier generally cannot adjust the rate (premium) more frequently than annually for a particular individual or small employer who has been offered a plan, the health carrier can file rate adjustments more frequently than annually for health plans offered to new or renewing individuals or small employers.

Substitute Bill Compared to Original Bill: The substitute bill: (1) applies the provision allowing for the more frequent filing of rate adjustments to plans offered by disability insurers and HMOs to individuals and small employers and by health care service contractors to individuals (the original bill only applies to small employer plans of health care service contractors); and (2) clarifies that the more frequent rate adjustments apply to new or renewing plans, not existing plans (where the rate generally is guaranteed for one year).

Appropriation: None.

Fiscal Note: Requested on February 7, 1997.

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

Testimony For: This bill allows health carriers to file a rate change to cover new enrollments or renewals, which can occur throughout the year. The premium is guaranteed for a year when a plan is offered to a specific person or small employer. The insurance commissioner has interpreted the law to allow filings for everyone only once during the year, even though plans are offered or renewed throughout the year; a carrier should be able to change the rate later in the year for new or renewing individuals or small employers.

Testimony Against: None.

Testified: Robert Schneider, Kitsap Physicians Service Health Plans (supports); Mel Sorensen, Washington Physicians Service (supports); and Ken Bertrand, Group Health (supports).