

# SENATE BILL REPORT

## SHB 1387

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As Reported By Senate Committee On:  
Financial Institutions, Insurance & Housing, April 3, 1997  
Ways & Means, April 7, 1997

**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:** House Committee on Financial Institutions & Insurance (originally sponsored by Representatives Zellinsky, K. Schmidt, L. Thomas, Johnson, Huff and Dyer).

**Brief History:**

**Committee Activity:** Financial Institutions, Insurance & Housing: 3/25/97, 4/3/97 [DPA-WM].

Ways & Means: 4/4/97, 4/7/97 [DPA (FIIH)].

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### SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, INSURANCE & HOUSING

**Majority Report:** Do pass as amended and be referred to Committee on Ways & Means. Signed by Senators Winsley, Chair; Benton, Vice Chair; Finkbeiner, Hale, Heavey and Kline.

**Staff:** David Cheal (786-7576)

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** Do pass as amended by Committee on Financial Institutions, Insurance & Housing.

Signed by Senators West, Chair; Deccio, Vice Chair; Strannigan, Vice Chair; Bauer, Hochstatter, Kohl, Long, McDonald, Roach, Rossi, Schow, Snyder, Spanel, Swecker, Thibaudeau, Winsley and Zarelli.

**Staff:** Steve Jones (786-7440)

**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 to 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 Amended 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 once every six months for health plans offered to new or renewing individuals or small employers.

The bill contains a null and void clause.

**Amended Bill Compared to Substitute Bill:** The amended bill limits rate filing frequency to once every six months. The substitute bill had no limitation.

The amended bill has a null and void clause, requiring a specific appropriation of \$206,000.

**Appropriation:** \$206,000.

**Fiscal Note:** Available.

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

**Testimony For:** More frequent rate filings will enable health insurers to set more accurate rates, which will benefit both insurers and consumers.

**Testimony Against:** The whole health care and health care insurance industry is based on 12-month adjustments. More frequent filings are not necessary to project accurate rates. Needless expense of reviewing extra filings will be the result.

**Testified:** Mel Sorensen, Washington Physicians Services (pro); rob Schneider, Kitsap Physicians Services (pro); Ida Zodrow and Chris Dougherty, OIC (con).