

# FINAL BILL REPORT

## ESHB 1714

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Synopsis as Enacted

**Brief Description:** Concerning association health plans.

**Sponsors:** House Committee on Health Care & Wellness (originally sponsored by Representatives Cody, Morrell, Green and Moeller).

**House Committee on Health Care & Wellness**  
**Senate Committee on Health & Long-Term Care**  
**Senate Committee on Ways & Means**

### **Background:**

An association health plan is health insurance coverage that is offered to members of an association. The association must exist for some purpose other than to sell insurance. For example, the National Association for the Self-Employed is an association that offers a variety of discounts and benefits to its members – and one of these benefits is the opportunity to buy health insurance coverage.

Washington state small group insurance rules require adjusted community rating which permits premium variation based on the following factors: age, geography, family size, and wellness activities. Age brackets must be at least five-year increments from age 20 to 65. The adjustment for an age group may not exceed 375 percent of the lowest rate for all age groups. A wellness activity discount must reflect actuarially justified differences in use or cost attributed to such programs. For small group plans, the waiting period for pre-existing conditions is nine months.

Large groups are experience rated. Experience rating is a rating method under which a group's recorded health care costs are analyzed and the group's premium is set partly or completely according to the group's experience. Under experience rating, sicker people are charged higher premiums and healthier people lower premiums. For large group plans the waiting period for pre-existing conditions is three months.

In Washington it is unclear whether association health plans should operate under rules that apply to small group insurance products or large group insurance products. As a result, there is a lack of public transparency as to how association health plans operate, or how many people receive health care coverage through this option. It is also not possible to determine

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*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.*

whether they are complying with small group rules, large group rules, or some combination of the two.

**Summary:**

The Insurance Commissioner must gather information on the performance of the small group market and association health plan market from health carriers for the calendar years 2005 through 2008. The data must be aggregated and not identify specific small group or association health plans. The information must include: the number of persons covered through each block of business for each year; the age groups of covered persons; the enrollment by employer size for each year; calendar year earned premium and incurred claims; the number of association health plans that limit eligibility to employer groups by size or a subset of industries; and elements used in health plan rating such as claims, employer size, or health status factors. The information collected is exempt from public disclosure.

The Office of the Insurance Commissioner (OIC) is prohibited from collecting data from carriers if any rules necessary to implement the data submission have not been adopted. The Insurance Commissioner must allow carriers a minimum of 90 days to submit data once carriers have received instructions.

The third-party experts that prepare the analysis and report for the OIC must submit the report directly to the appropriate committees of the Legislature and the OIC by October 1, 2011. The authority to collect the information terminates on September 30, 2011.

**Votes on Final Passage:**

House	59	37	
Senate	47	1	(Senate amended)
House	60	35	(House concurred)

**Effective:** June 10, 2010