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Legislature Fails to Agree on Health Care Bill

B R I E F L Y

A complicated bill aimed at stabilizing the faltering market for individual health insurance emerged too late during this year's legislative session for opposing parties to work out their differences.

While local health insurers were satisfied with the bill, business associations opposed it. So did consumer groups and the state Insurance Commissioner, though for much different reasons.

Essentially, the bill would have lengthened the waiting period for coverage of preexisting health conditions and spread the high cost of individuals needing expensive medical care to employers.

Its overall aim was to draw more health insurers into the market and to make coverage affordable. But critics questioned whether it would have accomplished either goal.

It's possible that state lawmakers will consider the bill during the special session, which begins May 10.

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The market for individual health insurance is breaking down, but the Legislature failed to pass a bill that might fix it.

There's a possibility that state lawmakers will take another stab at passing an amended SB 6067 during the special session, slated to start May 10. If they don't, it seems likely that the bill's main elements will resurface in proposed legislation next year.

In any event, lawmakers will have to make some changes to make the measure more palatable to the business community, if doing so is deemed vital to its survival chances. Though this year's bill is acceptable to local health insurers, business groups such as the National Federation of Independent Business and the Independent Business Association oppose it.

The two main issues addressed by SB 6067 are the paucity of insurance companies selling policies to individuals and the worry that policies cost more than some consumers can afford. One way the bill would hold down the cost of health insurance to consumers is by spreading it to the group market, that is, to employers.

The market for commercial individual health insurance has become a major issue because in 17 counties individual policies are no longer sold, Washington's largest individual insurer, Premera Blue Cross, no longer accepts new applicants, and only two significant carriers, Regence BlueShield and Group Health Cooperative, remain in the market.

"The whole purpose of insurance is to spread the risk across a large number of citizens – young and old and sick," according to an April 21 letter to newspapers penned by Premera, BlueShield and Group Health CEOs. "But the pool has filled with sick people, health care costs are increasing, insurers are losing money and raising their rates to cover costs, and those in need cannot afford coverage."

The CEOs promise that if the bill passes unchanged, their carriers will commit to selling individual insurance. Premera would reenter the market because, in its view, there would be incentives for people to buy and retain health insurance, and there would be a way to spread the costs of covering people needing expensive medical care. (For an analysis of the incentives in current law allowing people to game the system, see the Washington Research Council's March 22 special report, Health Insurance Still Suffers From 1993 Reforms.)

Under the bill, people presumably would be motivated to buy insurance before falling sick or pregnant because insurers could require those with preexisting health conditions to wait up to nine months for coverage to begin. Current law limits the wait to only three months. Alternatively, under the bill, applicants could elect to wait six instead of nine months, but they would have to pay up to $4,500 before their insurers started paying the bills.

Also, the bill would apply these waiting periods to people switching from low-cost catastrophic coverage to a high-cost comprehensive policy.

Premera withdrew from the individual market because it, along with other carriers, has been losing many millions of dollars on that business line. The bill would deal with that problem by allowing insurers to shunt 8 percent of their policyholders needing costly medical care into the revitalized Washington State Health Insurance Pool, commonly known as the “high-risk pool.” Carriers would use a standard health questionnaire to determine pool eligibility.

The bill would require all Washington health insurers — including those selling stop-loss coverage — to subsidize the high-risk pool’s costs. In effect, that would mean employers who buy group coverage and employers who self-insure would be forced to subsidize the cost of health care for the very sick – which is one reason employers aren’t terribly keen on this bill.

“It’s a tax on the group market,” said Carolyn Logue, director of the National Federation of Independent Business in Washington.

Another objection employer groups have to the bill is that it would require comprehensive policies to cover maternity care and at least $2,000 a year of prescription drugs. Independent Business Association director Gary Smith figures a maternity-care mandate would add $20 to $30 a year to the cost of policies for individuals between 19 and 39 years old. For many young people, Smith said, that would raise the cost of insurance to an unacceptably high percentage of their income, pushing them out of the market and causing the uninsured population to increase.

Insurers that market group but not individual coverage aren’t too happy about the bill either. “Employers are self-insuring like crazy in this state because the regulatory environment is just too burdensome,” said a PacifiCare of Washington official.

Lobbyist Basil Badley, representing the Health Insurance Association of America, said the bill would discourage commercial carriers in other states from entering Washington. For one thing, he said, requiring carriers to offer consumers a choice of preexisting-condition wait periods would be a costly administrative headache.

The bill has some elements that local health insurers find quite attractive, however. It would allow them to stop offering a policy modeled on the state’s Basic Health Plan. And it would allow them to bid separately on state contracts serving the subsidized and unsubsidized Basic Health Plan populations.

What the insurers probably like most all, though, is the bill’s provision setting an objective standard for rate increases. That would eliminate the state Insurance Commissioner’s ability to deny rate increases as she sees fit.