

# HOUSE BILL REPORT

## HB 3109

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### As Reported By House Committee On:

Appropriations

**Title:** An act relating to verification of income eligibility for the basic health plan.

**Brief Description:** Verifying the income of subsidized enrollees of the state basic health plan.

**Sponsors:** Representatives Huff, H. Sommers, Dyer and Carrell.

#### **Brief History:**

##### **Committee Activity:**

Appropriations: 2/6/98, 2/7/98 [DPS].

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### HOUSE COMMITTEE ON APPROPRIATIONS

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 29 members: Representatives Huff, Chairman; Alexander, Vice Chairman; Clements, Vice Chairman; Wensman, Vice Chairman; H. Sommers, Ranking Minority Member; Doumit, Assistant Ranking Minority Member; Gombosky, Assistant Ranking Minority Member; Benson; Carlson; Chopp; Cody; Cooke; Crouse; Grant; Keiser; Kenney; Kessler; Lambert; Linville; Mastin; McMorris; Parlette; Poulsen; Regala; D. Schmidt; Sehlin; Sheahan; Talcott and Tokuda.

**Staff:** Denise Graham (786-7137).

**Background:** The Basic Health Plan (BHP) is a state-funded health insurance program that offers subsidized coverage for individuals whose incomes are below 200 percent of the federal poverty level. In addition, unsubsidized enrollment is available for any individual, family or group in the state. The BHP offers coverage for hospital, outpatient, and related health services with no deductible and modest copayments. The BHP is administered by the Health Care Authority (HCA), which contracts with privately owned and operated managed care health plans.

The amount the state subsidizes a BHP enrollee depends in part on the enrollee's family income. The HCA is responsible for determining, at the time of application and on a reasonable schedule defined by the HCA, the correct subsidy level based on gross family income. Under current law, if an enrollee's income increases to more than twice the federal poverty level after enrolling in the plan, and the enrollee knowingly fails to

inform the plan of the increase, the HCA administrator may bill the enrollee for the subsidy paid by the state on the enrollee's behalf during the period of time that the enrollee's income exceeded twice the federal poverty level.

During calendar year 1997, the HCA recertified the incomes of 3,012 BHP families. The accounts selected for recertification were not selected randomly, but rather were identified as most likely to need review. Of the 3,012 accounts examined, 1,083 (36 percent) were removed from subsidized coverage and invoiced prospectively at the nonsubsidized premiums rates. Another 1,847 accounts (61 percent) were verified for continuing state subsidy (the HCA did not collect data on how many of these accounts had their subsidy adjusted as a result of recertification). (Recertification on the remaining 82 accounts was still pending.) The HCA has publicized the recertification process in monthly newsletters and has found that this has increased voluntary reporting of income changes.

**Summary of Substitute Bill:** When a Basic Health Plan enrollee fails to report income or income changes accurately, the administrator of the Health Care Authority has the authority either to bill the enrollee for the amount of overpayment or to impose a civil penalty of up to 200 percent of the amount of subsidy overpaid as a result of the incorrect reporting. The administrator must adopt rules to define the appropriate application of these sanctions and the processes to implement the sanctions within available resources.

**Substitute Bill Compared to Original Bill:** The original bill required the HCA administrator to back-bill enrollees whenever a subsidy has been overpaid due to an enrollee incorrectly reporting income. The substitute allows the administrator to define by rule the circumstances under which an enrollee will be billed and penalties will be imposed.

**Appropriation:** None.

**Fiscal Note:** Not requested.

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

**Testimony For:** The Health Care Authority also wants to make sure subsidies are provided correctly. Where incorrect subsidies are being paid, in many cases they are only \$2 to \$5 per month more than they should be. In such cases, it is not cost-effective to try to collect the amounts overpaid. The agency would like more discretion than is provided in the bill to determine when to back-bill or impose a penalty.

**Testimony Against:** None.

**Testified:** Dennis Martin, Health Care Authority.