



# Legislative Memo

March 2007

## **Limited Benefit Plans: A Proven Way to Help the Uninsured in Washington – March 2007**

By Daniel Mead Smith,  
President  
Washington Policy Center

Reforming health care is a major focus in Olympia during this Legislative Session and there is near unanimous agreement that something needs to be done to make health care more accessible and affordable. We saw this in the Governor's recent Blue Ribbon Commission on Health Care and Access.

One of the main areas policymakers are focusing on is moving people without insurance to join those with coverage. 46 states have found one proven way to provide health insurance to thousands of their uninsured citizens. With a simple change in state law, Washington can join nearly every other state and offer what is called a fixed or limited benefit plan. These plans are one of the fastest growing segments in the health care market across the country. For most people, this is their first type of health insurance.

Here's how it works: many seasonal and part-time employees do not receive health insurance from their employer. Limited benefit plans are designed for them. These plans cover basic medical services that families need most, like doctor office visits, prescription drugs, emergency room visits and immunizations. These plans are not as comprehensive as regular insurance and are not meant to replace major medical insurance. They are available to those who would not otherwise have insurance or who could end up on government assistance. The calendar-year benefit they provide is coverage for those workers who cannot afford regular insurance. Limited benefit plans work best for people who make between \$8-\$20 per hour and who otherwise would have no insurance at all.

Washington should be particularly receptive to this type of plan, since we have 748,460 citizens without insurance. This number is rising and only three other states have a higher percentage of residents who are uninsured. These plans can also reduce the cost to the state government and taxpayers. The Washington State Office of the Insurance Commissioner (OIC) estimates that the uninsured cost the state health care system \$553 million per year.

Limited benefit plans are very affordable. An average monthly premium that covers both the employees and dependents ranges from \$50-\$150 a month. In many cases the employer pays for a portion of the premium.

In 2006, the OIC decided that these plans do not meet the definition of a major medical plan, which in effect ruled them illegal in Washington state. Washington is now one of only 4 states where insurance companies are prohibited from writing these types of plans. There is no law that specifically bans these affordable plans, there is just not regulatory language to allow them, and so the Insurance Commissioner has told companies to stop selling them in Washington. Most states do not treat fixed benefit insurance as the same as conventional health plans. This interpretation is blocking access to health care for thousands of uninsured workers in our state. Only a minor fix, which is included in House Bill 1233, is needed to allow these plans to be sold once again in our state as they were from 2003 until last year. This bill exempts them from the definition of a health plan or health benefit plan, as they are not meant to offer the same type of coverage in a traditional insurance plan.

The best way to reform health care and to move the uninsured to coverage is to offer affordable choices. Limited benefit plans are doing just that around the country, and uninsured Washingtonians should have this option as well.