

BILL ANALYSIS

H.B. 1243
By: Thompson
Insurance
Committee Report (Unamended)

BACKGROUND AND PURPOSE

The Health Insurance Portability and Accountability Act (HIPAA) is the federal legislation that charges states with the responsibility of ensuring that individuals and small employers have full, open access to the health insurance market. HIPAA discourages small employer carriers from designing agent compensation schedules that provide either an incentive or a disincentive for an agent to recommend one carrier over another to a given small employer, depending on that employer's health status.

Currently, the Texas Insurance Code prohibits a small employer carrier from entering into an agreement with an agent that provides the agent varied compensation based on the health status or claims experience of eligible employees and dependents of the employer. An exception to this provision is provided under current state law, if an agent is compensated based on a percentage of the premium that does not vary based on the health status or claims experience of the eligible employees and dependents of the employer. Some carriers have gotten around this exception by compensating agents with a flat-dollar fee, which is the same for each policy written, or by not paying any percentage on the additional premiums charged for health status or claims experience. These practices remove the incentive to write small group health insurance policies for employers with high claims experience and may reduce the accessibility of small group health insurance.

H.B. 1243 specifies that agents who sell small employer group health insurance policies are to be compensated by a percentage commission based on the total premium.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

House Bill 1243 amends the Insurance Code to provide that when small employer carriers charge small employers additional premiums based upon health status or claims experience, agents are to receive the same percentage of the total premium charged (commission) as on other policies that do not charge extra premiums. The bill prohibits a small employer carrier from using an agent compensation schedule that provides compensation in a specific dollar amount for each individual or for each group of individuals covered during a specified period. The bill sets forth a prospective clause.

EFFECTIVE DATE

September 1, 2003.