

By: Woolley, Giddings, et al. H.B. No. 897  
(Senate Sponsor - Nelson)  
(In the Senate - Received from the House April 24, 2003;  
April 25, 2003, read first time and referred to Committee on State  
Affairs; May 20, 2003, reported adversely, with favorable  
Committee Substitute by the following vote: Yeas 8, Nays 0;  
May 20, 2003, sent to printer.)

COMMITTEE SUBSTITUTE FOR H.B. No. 897 By: Nelson

A BILL TO BE ENTITLED  
AN ACT

relating to the operation of certain employer coalitions and  
cooperatives established for the provision of health benefits  
coverage.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Article 26.02, Insurance Code, is amended by  
adding Subdivision (32-a) to read as follows:

(32-a) "Small employer health coalition" means a  
private purchasing cooperative composed solely of small employers  
that is formed under Subchapter B of this chapter.

SECTION 2. The heading to Subchapter B, Chapter 26,  
Insurance Code, is amended to read as follows:

SUBCHAPTER B. COALITIONS AND PURCHASING COOPERATIVES

SECTION 3. Article 26.15, Insurance Code, is amended by  
amending Subsection (b) and adding Subsection (e) to read as  
follows:

(b) A cooperative may contract only with small or large  
employer carriers that ~~[who desire to offer coverage through the  
cooperative and who]~~ demonstrate:

(1) that the carrier is a health carrier or health  
maintenance organization licensed and in good standing with the  
department;

(2) the capacity to administer the health benefit  
plans;

(3) the ability to monitor and evaluate the quality  
and cost effectiveness of care and applicable procedures;

(4) the ability to conduct utilization management and  
applicable procedures and policies;

(5) the ability to assure enrollees adequate access to  
health care providers, including adequate numbers and types of  
providers;

(6) a satisfactory grievance procedure and the ability  
to respond to enrollees' calls, questions, and complaints; and

(7) financial capacity, either through financial  
solvency standards as applied by the commissioner or through  
appropriate reinsurance or other risk-sharing mechanisms.

(e) A cooperative may not limit, restrict, or condition an  
employer's or employee's membership in a cooperative or choice  
among benefit plans based on health status related factors,  
duration of coverage, or any similar characteristic related to the  
health status or experience of a group or of any member of a group.

SECTION 4. Article 26.16(b), Insurance Code, is amended to  
read as follows:

(b) A small employer health coalition that otherwise meets  
the description of a small employer is considered a single small  
employer for all purposes under this chapter. Any other cooperative  
formed under this subchapter is considered an employer solely for  
the purposes of benefit elections under this [the] code.

SECTION 5. Articles 26.21(b) and (c), Insurance Code, are  
amended to read as follows:

(b) This article does not impose a statutory mandate of an  
employer contribution to the premium paid to the small employer  
carrier. However, the small employer carrier may require an  
employer contribution in accordance with the carrier's usual and

customary practices on all employer group health insurance plans in this state. The premium contribution level shall be applied uniformly to each small employer offered or issued coverage by the small employer carrier in this state. If two or more small employer carriers participate in a purchasing cooperative established under Article 26.14 of this code, the carrier may use the contribution requirement established by the purchasing cooperative for policies marketed by the cooperative. ~~[Coverage is available under a small employer health benefit plan if at least 75 percent of a small employer's eligible employees elect to be covered.]~~

(c) Coverage is available under a small employer health benefit plan if at least 75 percent of a small employer's eligible employees, or, if applicable, the lower participation level offered by the small employer carrier under Subsection (d) of this article, elect to be covered. If a small employer offers multiple health benefit plans, the collective enrollment of all of those plans must be at least 75 percent of the small employer's eligible employees or, if applicable, the lower participation level offered by the small employer carrier under Subsection (d) of this article. A small employer carrier may elect not to offer health benefit plans to a small employer who offers multiple health benefit plans if such plans are to be provided by more than one carrier and the small employer carrier would have less than 75 percent of the small employer's eligible employees enrolled in the small employer carrier's health benefit plan ~~[unless the coverage is provided through a purchasing cooperative]~~. A small employer who elects to make contributions for payment of the premium is not required to pay any amount with respect to an employee who elects not to be covered. The small employer may elect to pay the premium cost for additional coverage. This chapter does not require a small employer to purchase health insurance coverage for the employer's employees.

SECTION 6. Article 26.72(a), Insurance Code, is amended to read as follows:

(a) A small employer carrier or agent may not, directly or indirectly:

(1) encourage or direct a small employer to refrain from applying for coverage with the small employer carrier because of health status or claim experience of the eligible employees and dependents of the small employer;

(2) encourage or direct a small employer to seek coverage from another health carrier because of health status or claim experience of the eligible employees and dependents of the small employer; ~~[or]~~

(3) encourage or direct a small employer to apply for a particular small employer health benefit plan because of health status or claim experience of the eligible employees and dependents of the small employer; or

(4) encourage or direct a small employer to become a member or not become a member of a particular small employer health coalition because of the health status or claim experience of the eligible employees and dependents of that small employer.

SECTION 7. This Act takes effect September 1, 2003.

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