

## **BILL ANALYSIS**

Senate Research Center

S.B. 805  
By: Averitt  
State Affairs  
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Enrolled

### **AUTHOR'S/SPONSOR'S STATEMENT OF INTENT**

During the 78th Legislature, Regular Session, 2003, legislation was passed creating health group cooperatives. During the rules adoption process, several areas needing legislative clarification were identified. S.B. 805 clarifies that participation in a health group cooperative by a health insurance carrier is voluntary and provides that health group cooperatives may be composed of small employers or large employers, but not both.

### **RULEMAKING AUTHORITY**

Rulemaking authority is expressly granted to the commissioner of insurance in SECTION 2 (Section 1501.0181, Insurance Code) of this bill.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Subchapter B, Chapter 1501, Insurance Code, as effective April 1, 2005, and as amended by the Act of the 79th Legislature, Regular Session, 2005, relating to nonsubstantive additions to and corrections in enacted codes (the general code update bill), by adding Section 1501.0575, as follows:

Sec. 1501.0575. VOLUNTARY PARTICIPATION BY ISSUER IN COOPERATIVE. Authorizes a health benefit plan issuer to elect not to participate in a health group cooperative. Authorizes the health benefit plan issuer to elect to participate in one or more health group cooperatives and to select the cooperatives in which the issuer will participate.

SECTION 2. Amends Section 1501.0581, Insurance Code, as effective April 1, 2005, and as amended by the Act of the 79th Legislature, Regular Session, 2005, relating to nonsubstantive additions to and corrections in enacted codes (the general code update bill), by amending Subsections (a), (b), and (c), and adding Subsections (o) and (p), as follows:

- (a) Authorizes the membership of a health group cooperative to consist only of small employers or to consist only of large employers. Prohibits the membership of a health group cooperative from consisting of both small and large employers.
- (b) Provides that this subsection is subject to Subsection (o). Makes conforming changes.
- (c) Provides that this subsection is subject to Subsection (o). Makes conforming changes.
- (o) Provides that a health group cooperative consisting only of small employers is not required to allow a small employer to join the health group cooperative under Subsection (c) under certain conditions.
- (p) Requires a health group cooperative to make the election described by Subsection (o) at the time the cooperative is initially formed. Requires evidence of the election to be filed in writing with the commissioner of insurance (commissioner) in the form and at the time prescribed by the commissioner by rule.

SECTION 3. Amends Section 1501.063, Insurance Code, as effective April 1, 2005, and as amended by the Act of the 79th Legislature, Regular Session, 2005, relating to nonsubstantive additions to and corrections in enacted codes (the general code update bill), by amending Subsection (b) and adding Subsections (b-1), (b-2), and (b-3), as follows:

(b) Deletes text referring to small employers.

(b-1) Requires a health group cooperative that is composed only of small employers and that has made the election described by Section 1501.0581(o)(1) in accordance with Subsection (p) of that section to be treated in the same manner as a small employer for the purposes of this chapter, including for the purposes of any provision relating to the premium rates and issuance and renewal of coverage.

(b-2) Requires a health group cooperative that is composed only of small employers and that has not made the election described by Section 1501.0581(o)(1) in accordance with Subsection (p) of that section, or a health group cooperative that is composed only of large employers, to be treated in the same manner as a large employer for the purposes of this chapter, including for the purposes of any provision relating to premium rates and issuance and renewal of coverage.

(b-3) Creates this subsection from existing text. Deletes existing text providing that health group cooperatives are considered to be a single employer under this code.

SECTION 4. Amends Subchapter G, Chapter 1501, Insurance Code, by adding Section 1501.3241, as follows:

Sec. 1501.3241. TEMPORARY LIMIT ON TOTAL ASSESSMENTS. Prohibits the maximum assessment amount payable for a calendar year from exceeding a 10 percent of the total premiums earned in the preceding calendar year from small employer health benefit plans delivered or issued for delivery by reinsured health benefit plans delivered or issued for delivery by reinsured health benefit plan insurers in this state, notwithstanding Section 1501.324. Provides that this section expires September 1, 2007.

SECTION 5. Amends Section 1501.325, Insurance Code, by amending Subsections (d) and (e) and adding Subsections (d-1) and (e-1), as follows:

(d) Prohibits a reinsured health benefit plan issuer from ceding additional eligible lives to the Texas Health Reinsurance System (system) during a calendar year, if the assessment amount payable for the preceding calendar year totals a certain amount.

(d-1) Provides that during the period that this subsection is effective, Subsection (d) is not effective. Prohibits a reinsured health benefit plan issuer from ceding additional eligible lives to the system during a calendar year if the assessment amount payable for the preceding calendar year is equal to a certain amount. Provides that this subsection expires September 1, 2007.

(e) Makes conforming changes.

(e-1) Provides that during the period that this subsection is effective, Subsection (e) is not effective. Prohibits a reinsured health benefit plan issuer from ceding additional eligible lives to the system after the board of directors of the system (board) determines that the expected loss from the reinsurance system for a year will exceed a certain amount. Prohibits a reinsured health benefit plan issuer from resuming to cede additional eligible lives to the system until the board determines that the expected loss will be less than the maximum established by this subsection. Provides that this subsection expires September 1, 2007.

SECTION 6. Authorizes a health group cooperative, notwithstanding Section 1501.0581(p), Insurance Code, as added by this Act, a health group cooperative to make the election described by Section 1501.0581(o), Insurance Code, as added by the Act, not later than December 31, 2005.

SECTION 7. Requires the commissioner of insurance to adopt rules under Section 1501.010 (General Rules), Insurance Code, not later than January 1, 2006, as necessary to implement the change in law made by this Act.

SECTION 8. Makes application of this Act contingent upon the passage of S.B. 979, or H.B. 2018, or another Act of the 79th Legislature, Regular Session, 2005, relating to nonsubstantive additions to and corrections in enacted codes.

SECTION 9. Sets forth that to the extent of any conflict, this Act prevails over another Act of the 79th Legislature, Regular Session, 2005, relating to nonsubstantive additions to and correction in enacted codes.

SECTION 10. Effective date: September 1, 2005.