

## **BILL ANALYSIS**

C.S.S.B. 805  
By: Averitt  
Insurance  
Committee Report (Substituted)

### **BACKGROUND AND PURPOSE**

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. C.S.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. C.S.S.B. 805 also provides that cooperatives composed of small employers that have not opted to restrict membership as allowed by 1501.0581 (o) shall be treated as a single small employer for premium rates and as a single large employer for all other purposes including for issuance and renewal of coverage.

### **RULEMAKING AUTHORITY**

Rulemaking authority is expressly granted to the commissioner of insurance in SECTION 2 (Section 1501.0181, Insurance Code) and SECTION 8 (Section 1501.010, 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 to be treated in the same manner as a single small employer for the purposes of any provision relating to premium rates and shall be treated as a single large employer for all other purposes, including for any provision relating to 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 Section 1501.324, Insurance Code, by changing the maximum assessment payable under a calendar year to 10 percent of total premiums earned in a year from small employer health benefit plans issued by reinsured health benefit issuers in the state.

SECTION 5: Amends Section 1501.325, Insurance Code, to provide that a reinsured health benefit plan issuer may not cede additional eligible lives to the system during a calendar year if the assessment payable for the preceding calendar year is at least 10 percent of the total premiums earned in a calendar year from small employer health benefit plans issued by reinsured health benefit issuers in the state. A reinsured health benefit plan issuer may not cede additional eligible lives to the system after the board determines that the expected loss from the reinsurance system for a year will exceed the amount of assessments payable at a rate of 10 percent of the total premiums earned for the preceding year. A reinsured health benefit plan issuer may not resume ceding additional eligible lives to the system until the board determines that the expected loss will be less than the maximum established by this subsection.

SECTION 6. Authorizes, 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: The provisions of this Act amending Section 1501.324 and subsections (d) and (e), Section 1501.325 expire September 1, 2007.

SECTION 8. 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 9. 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. Provides that if 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 does not become law, this Act has no effect.

SECTION 10. 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 11. Effective date: September 1, 2005.

#### **EFFECTIVE DATE**

C.S.S.B. 805 79(R)

Effective date: September 1, 2005.

**COMPARISON OF ORIGINAL TO SUBSTITUTE**

The committee substitute amends Section 3, Sec. 1501.063, (b-2) and (b-3) providing that cooperatives composed of small employers that have not opted to restrict membership as allowed by 1501.0581 (o) shall be treated as a single small employer for premium rates and as a single large employer for all other purposes including for issuance and renewal of coverage. Section 4 and Section 5 of the substitute amending, respectively, Chapters 1501.324 of the Insurance Code and 1501.325 of the Insurance Code and Section 7 containing expiration dates for these sections are not in the original.