

AN ACT

relating to certain small and large employer health cooperatives and reinsurance for small employer health benefit plans.

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

SECTION 1. 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), is amended by adding Section 1501.0575 to read as follows:

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

SECTION 2. Section 1501.0581, Insurance Code, as added 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), is amended by amending Subsections (a), (b), and (c) and adding Subsections (o) and (p) to read as follows:

(a) The membership of a health group cooperative may consist only of small employers or may consist only of large employers, but may not ~~[, at the option of the health group cooperative,]~~ consist of

1 both small and large employers. To participate as a member of a
2 health group cooperative, an employer must be a small or large
3 employer as described by this chapter.

4 (b) Subject to the requirements imposed on small employer
5 health benefit plan issuers under Section 1501.101, a health group
6 cooperative:

7 (1) shall allow a small employer to join a [the] health
8 group cooperative consisting only of small employers and enroll in
9 health benefit plan coverage, subject to Subsection (o); and

10 (2) may allow a large employer to join a [the] health
11 group cooperative consisting only of large employers and enroll in
12 health benefit plan coverage.

13 (c) Subject to Subsection (o), a [A] health group
14 cooperative consisting only of small employers shall allow any
15 small employer to join the health group cooperative and enroll in
16 the cooperative's health benefit plan coverage during the initial
17 enrollment and annual open enrollment periods.

18 (o) A health group cooperative consisting only of small
19 employers is not required to allow a small employer to join the
20 health group cooperative under Subsection (c) if:

21 (1) the cooperative has elected to restrict membership
22 in the cooperative in accordance with this subsection and
23 Subsection (p); and

24 (2) after the small employer has joined the
25 cooperative, the total number of eligible employees employed on
26 business days during the preceding calendar year by all small
27 employers participating in the cooperative would exceed 50.

1 (p) A health group cooperative must make the election
2 described by Subsection (o) at the time the cooperative is
3 initially formed. Evidence of the election must be filed in writing
4 with the commissioner in the form and at the time prescribed by the
5 commissioner by rule.

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

12 (b) A health group cooperative [~~that is composed only of~~
13 ~~small employers~~] is considered a single employer under this code.

14 (b-1) A health group cooperative that is composed only of
15 small employers and that has made the election described by Section
16 1501.0581(o)(1) in accordance with Subsection (p) of that section
17 [and] shall be treated in the same manner as a small employer for
18 the purposes of this chapter, including for the purposes of any
19 provision relating to premium rates and issuance and renewal of
20 coverage.

21 (b-2) A health group cooperative that is composed only of
22 small [~~and large~~] employers and that has not made the election
23 described by Section 1501.0581(o)(1) in accordance with Subsection
24 (p) of that section, or a health group cooperative that is composed
25 only of large employers, shall be treated in the same manner as a
26 large employer for the purposes of this chapter, including for the
27 purposes of any provision relating to premium rates and issuance

1 and renewal of coverage.

2 (b-3) [~~is considered a single employer under this code and,~~
3 ~~in relation to the small employers that are members of the~~
4 ~~cooperative, shall be treated in the same manner as a small~~
5 ~~employer. A health group cooperative that is composed of small and~~
6 ~~large employers may elect to extend the protections of this chapter~~
7 ~~that are applicable to small employer groups to the large employer~~
8 ~~groups that participate in the cooperative.] A health group
9 cooperative shall have sole authority to make benefit elections and
10 perform other administrative functions under this code for the
11 cooperative's participating employers.~~

12 SECTION 4. Subchapter G, Chapter 1501, Insurance Code, is
13 amended by adding Section 1501.3241 to read as follows:

14 Sec. 1501.3241. TEMPORARY LIMIT ON TOTAL ASSESSMENTS.
15 Notwithstanding Section 1501.324, the maximum assessment amount
16 payable for a calendar year may not exceed 10 percent of the total
17 premiums earned in the preceding calendar year from small employer
18 health benefit plans delivered or issued for delivery by reinsured
19 health benefit plan issuers in this state. This section expires
20 September 1, 2007.

21 SECTION 5. Section 1501.325, Insurance Code, is amended by
22 amending Subsections (d) and (e) and adding Subsections (d-1) and
23 (e-1) to read as follows:

24 (d) A reinsured health benefit plan issuer may not cede
25 additional eligible lives to the system [~~write small employer~~
26 ~~health benefit plans on a guaranteed issue basis~~] during a calendar
27 year if the assessment amount payable for the preceding calendar

1 year is at least five percent of the total premiums earned in that
2 calendar year from small employer health benefit plans delivered or
3 issued for delivery by reinsured health benefit plan issuers in
4 this state.

5 (d-1) During the period that this subsection is effective,
6 Subsection (d) is not effective. A reinsured health benefit plan
7 issuer may not cede additional eligible lives to the system during a
8 calendar year if the assessment amount payable for the preceding
9 calendar year is at least 10 percent of the total premiums earned in
10 that calendar year from small employer health benefit plans
11 delivered or issued for delivery by reinsured health benefit plan
12 issuers in this state. This subsection expires September 1, 2007.

13 (e) A reinsured health benefit plan issuer may not cede
14 additional eligible lives to the system [~~write small employer~~
15 ~~health benefit plans on a guaranteed issue basis~~] after the board
16 determines that the expected loss from the reinsurance system for a
17 year will exceed the total amount of assessments payable at a rate
18 of five percent of the total premiums earned for the preceding
19 calendar year. A reinsured health benefit plan issuer may not
20 resume ceding additional eligible lives to the system [~~writing~~
21 ~~small employer health benefit plans on a guaranteed issue basis~~]
22 until the board determines that the expected loss will be less than
23 the maximum established by this subsection.

24 (e-1) During the period that this subsection is effective,
25 Subsection (e) is not effective. A reinsured health benefit plan
26 issuer may not cede additional eligible lives to the system after
27 the board determines that the expected loss from the reinsurance

1 system for a year will exceed the total amount of assessments
2 payable at a rate of 10 percent of the total premiums earned for the
3 preceding calendar year. A reinsured health benefit plan issuer
4 may not resume ceding additional eligible lives to the system until
5 the board determines that the expected loss will be less than the
6 maximum established by this subsection. This subsection expires
7 September 1, 2007.

8 SECTION 6. Notwithstanding Subsection (p), Section
9 1501.0581, Insurance Code, as added by this Act, a health group
10 cooperative in existence on the effective date of this Act may make
11 the election described by Subsection (o), Section 1501.0581,
12 Insurance Code, as added by this Act, not later than December 31,
13 2005.

14 SECTION 7. Not later than January 1, 2006, the commissioner
15 of insurance shall adopt rules under Section 1501.010, Insurance
16 Code, as necessary to implement the change in law made by this Act.

17 SECTION 8. This Act takes effect only if S.B. No. 979 or
18 H.B. No. 2018 or another Act of the 79th Legislature, Regular
19 Session, 2005, relating to nonsubstantive additions to and
20 corrections in enacted codes becomes law. If S.B. No. 979 or H.B.
21 No. 2018 or another Act of the 79th Legislature, Regular Session,
22 2005, relating to nonsubstantive additions to and corrections in
23 enacted codes does not become law, this Act has no effect.

24 SECTION 9. To the extent of any conflict, this Act prevails
25 over another Act of the 79th Legislature, Regular Session, 2005,
26 relating to nonsubstantive additions to and corrections in enacted
27 codes.

1 SECTION 10. This Act takes effect September 1, 2005.

President of the Senate

Speaker of the House

I hereby certify that S.B. No. 805 passed the Senate on April 21, 2005, by the following vote: Yeas 31, Nays 0; May 27, 2005, Senate refused to concur in House amendment and requested appointment of Conference Committee; May 28, 2005, House granted request of the Senate; May 29, 2005, Senate adopted Conference Committee Report by the following vote: Yeas 31, Nays 0.

Secretary of the Senate

I hereby certify that S.B. No. 805 passed the House, with amendment, on May 25, 2005, by a non-record vote; May 28, 2005, House granted request of the Senate for appointment of Conference Committee; May 29, 2005, House adopted Conference Committee Report by a non-record vote.

Chief Clerk of the House

Approved:

Date

Governor