

BILL ANALYSIS

H.B. 1978
By: Taylor
Insurance
Committee Report (Unamended)

BACKGROUND AND PURPOSE

Currently, Texans who cannot obtain insurance through a private health insurance provider can obtain insurance through the Texas Health Insurance Risk Pool (pool). Although Texas must provide guaranteed access to the pool for individuals who qualify under federal law and Texas requires access for medically uninsurable individuals, the pool is not funded by any state revenues. The pool is funded by contributions from its covered members and by assessments paid by health insurance carriers. The assessment is based on the number of covered lives covered by each insurance company. For health insurance carriers writing non-stop loss coverages, the assessment on a covered lives basis does not reflect differences in premium amounts for certain lower-cost coverages, such as student accident and illness coverage and hospital, medical, and surgical coverage with lower maximum benefit limits.

As proposed, H.B. 1978 maintains the covered lives allocation of the assessment by the pool board of directors between the health insurance companies writing stop loss coverage and the companies writing the non-stop loss coverages. Once the allocation is determined, H.B. 1978 requires the board to compute the assessment for health insurance companies writing non-stop loss coverages based on the premium of each company. H.B. 1978 also allows a health insurance carrier to take a credit against the insurer's premium tax owed for the amount the insurer paid as an assessment to the pool.

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

H.B. 1978 relates to assessments for the Texas Health Insurance Risk Pool.

First, H.B. 1978, SECTION 1, seeks to amend Subchapter F, Chapter 1506 of the Texas Insurance Code by adding Section 1506.2523. Section 1506.2523 discusses annual report to board; gross premiums and states that each health benefit plan issuer shall report to the board the gross premiums collected for the preceding calendar year for health benefits plans. For purposes of this section, gross health benefit plan premiums do not include premiums collected for: coverage under a Medicare supplement benefit plan subject to Chapter 1652; coverage under a small employer health benefit plan subject to Subchapters A-H, Chapter 1501; or coverage or insurance listed in Section 1506.002(b).

Next, in SECTION 2, H.B. 1978 seeks to amend Section 1506.253(b) of the Texas Insurance Code by both adding and deleting language in the Subsection. Section 1506.253(b) now states that the board shall use the total number of enrolled individuals reported by all health benefit plan issuers under Section 1506.2522 as of the preceding December 31 to compute the amount of a health benefit plan issuer's assessment, if any, in accordance with this subsection. The board shall allocate the total amount to be assessed based on the total number of enrolled individuals covered by excess loss, stop-loss, or reinsurance policies and on the total number of other enrolled individuals as determined under Section 1506.2522. To compute the amount of a health benefit plan issuer's assessment: for the issuer's enrolled individuals covered by an excess-loss, stop-loss, or reinsurance policy, the board shall: divide the allocated amount to be assessed by the total number of enrolled individuals covered by excess loss, stop-loss, or reinsurance policies, as determined under Section 1506.2522, to determine the per capita amount; and multiply the number of a health benefit plan issuer's enrolled individuals covered by an excess loss, stop-loss, or reinsurance policy, as determined under Section 1506.2522, by the per capita

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amount to determine the amount assessed to that health benefit plan issuer; and for the issuer's enrolled individuals not covered by excess loss, stop-loss, or reinsurance policies, the board, using the gross health benefit plan premiums reported for the preceding calendar year by health benefit plan issuers under Section 1506.2523, shall: divide the gross premium collected by a health benefit plan issuer by the gross premium collected by all health benefit plan issuers; and multiply the allocated amount to be assessed by the fraction computed under Paragraph (A) to determine the amount assessed to that health benefit plan issuer.

Next, in SECTION 3, H.B. 1978 seeks to amend Subchapter F, Chapter 1506 of the Texas Insurance Code by adding Section 1506.259 which discusses tax credit. Section 1506.259 states that a health benefit plan issuer is entitled to a credit against the issuer's premium tax under Chapter 222 for the total amount of an assessment paid by the issuer under Section 1506.253. The tax credit applies to the premium tax due in the calendar year following the calendar year in which the assessment is paid. An unused credit may be carried over to apply to the premium tax due in the five consecutive calendar years that follow the calendar year in which the credit may first be applied. The balance of a tax credit not claimed in a particular calendar year may be reflected in the books and records of the issuer as an admitted asset of the issuer. Available credit against premium tax allowed under this section may be transferred or assigned among health benefit plan issuers if: a merger, acquisition, or total assumption of reinsurance among the issuers occurs; or the commissioner by order approves the transfer or assignment.

SECTION 4 of H.B. 1978 states that the change in law by this Act to Section 1506.253 of the Texas Insurance Code, applies to an assessment under Subchapter F, Chapter 1506, Insurance Code, for a calendar year or portion of a calendar year beginning on the effective date of this Act. An assessment for any portion of a calendar year before the effective date of this Act is governed by the law in effect during the period for which the assessment is made, and the former law is continued in effect for that purpose.

SECTION 5 of H.B. 1978 states that a health benefit plan issuer may apply a tax credit under Section 1506.259 of the Texas Insurance Code as added by this Act, beginning with the first premium tax payment that is due on or after January 1, 2008. Finally, SECTION 6 of H.B. 1978 states that this Act takes effect June 30, 2007, if it receives a vote of two-thirds of all the members elected to each house, as provided by Section 39, Article III, Texas Constitution. If this Act does not receive the vote necessary to take effect on that date, this Act takes effect September 30, 2007.

EFFECTIVE DATE

June 30, 2007, or, if the Act does not receive the necessary vote, the Act takes effect September 30, 2007.