BILL ANALYSIS

C.S.H.B. 2064
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Insurance
Committee Report (Substituted)

BACKGROUND AND PURPOSE

The Texas health insurance risk pool provides an insurance option for Texans with chronic health conditions who do not have employer-sponsored coverage. In many cases, the risk pool is the only option these individuals have for health insurance. The cost of the premium is set in statute at twice the cost of the average premium in the individual market, excluding deductibles and copayments. Texas is one of only three states with a premium rate set this high, making it difficult for many Texans to afford to participate in the risk pool.

C.S.H.B. 2064 establishes a discount program for a person of lower income. A person whose income is at or below 200 percent of the federal poverty level is eligible to receive a discount of 50 percent on their premiums, and a person whose income is at 300 percent but not less than 200 percent of the poverty level is eligible for a 30 percent discount on their premiums. The bill sets a cap on the aggregate premium discount for any two-year period, beginning with the two-year period that begins January 1, 2010, and ends December 31, 2011, and entitles a health benefits plan issuer to a credit against its premium tax for a premium discount granted.

RULEMAKING AUTHORITY

It is the committee's opinion that this substitute does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

C.S.H.B. 2064 amends the Insurance Code to require that discounted premiums be offered on a sliding scale to certain participants in the Texas health insurance risk pool based on financial need. The bill requires premium rates to equal the pool's standard risk rate for an individual whose household income is below 200 percent of the federal poverty measure, as determined under the United States Department of Health and Human Services poverty guidelines in effect at the time coverage is provided, and requires premium rates to equal 140 percent of the pool's standard risk rate for an individual whose household income is at or below 300 percent, but not less than 200 percent, of the federal poverty measure. The bill prohibits the aggregate premium discount, determined by subtracting the dollar amount of premiums collected from the dollar amount that would have been collected if a discount was not available under these provisions, from exceeding $20 million in any two-year period, beginning with the two-year period that begins January 1, 2010, and ends December 31, 2011.

C.S.H.B. 2064 entitles a health benefit plan issuer to a credit against its premium tax for premium discounts and provides that each issuer's share of the premium discounts is based on the statutory method of determining the amount of an issuer's assessment required to cover net losses as calculated by the pool. The bill makes the tax credit applicable to the premium tax due in the calendar year following the calendar year in which the assessment is paid and authorizes an unused credit to 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 bill authorizes the balance of a tax credit not claimed in a particular calendar year to be reflected in the books and records of the issuer as an admitted asset. The bill authorizes available credit against premium tax allowed under these provisions to be transferred or assigned among health benefit plan issuers if a merger, acquisition, or total assumption of reinsurance occurs among the issuers or if the commissioner of insurance by order approves the transfer or assignment.

C.S.H.B. 2064 makes its provisions applicable to premium rates for coverage through the pool that are in effect on or after January 1, 2010. The bill authorizes a health benefit plan issuer to apply a tax credit under these provisions beginning with the first premium tax payment that is due on or after January 1, 2012.

EFFECTIVE DATE

September 1, 2009.

COMPARISON OF ORIGINAL AND SUBSTITUTE

C.S.H.B. 2064 differs from the original by changing the time period for which the cap on the aggregate premium discount applies from the two-year period beginning January 1, 2010, and ending December 31, 2011, to any two-year period, beginning with the two-year period that begins January 1, 2010, and ends December 31, 2011.