

## **BILL ANALYSIS**

C.S.H.B. 3264  
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Insurance  
Committee Report (Substituted)

### **BACKGROUND AND PURPOSE**

A medical loss ratio may be defined as the ratio of a health benefit plan's incurred costs divided by premiums charged. Currently, Texas health plans do not have to publicly report or meet minimum medical loss ratios in the individual, small group, or large group markets. As of June 2008, at least 15 states had some medical loss ratio requirements for at least one segment of their health insurance market.

C.S.H.B. 3264 requires certain health benefit plan issuers to provide notification of the issuer's medical loss ratio and of its administrative cost and tax ratio to potential and current enrollees.

### **RULEMAKING AUTHORITY**

It is the committee's opinion that rulemaking authority is expressly granted to the commissioner of insurance in SECTION 1 of this bill.

### **ANALYSIS**

C.S.H.B. 3264 amends the Insurance Code to require specified types of health benefit plan issuers annually to report to the Texas Department of Insurance (TDI) the issuer's medical loss ratio for each market segment of health benefit plans written by the health benefit plan issuer in the previous calendar year. The bill requires TDI to post on its Internet website or another website maintained by TDI for the benefit of consumers or enrollees the information of the annually reported medical loss ratio and, if applicable, the administrative cost and tax ratio, and an explanation of the meaning of the terms "medical loss ratio" and "administrative cost and tax ratio," how those ratios are calculated and how they may affect consumers or enrollees. The bill requires a health benefit plan issuer to provide each enrollee or the plan sponsor, as applicable, with the Internet website address at which the enrollee or sponsor may access the prescribed information. The bill requires a health benefit plan issuer to provide such information to an enrollee at the time of the initial enrollment of the enrollee in a health benefit plan issued by the health benefit plan issuer and to each enrollee at the time of renewal of a health benefit plan, if the health benefit plan is an individual health benefit plan, or to the plan sponsor, if the health benefit plan is a group health benefit plan.

C.S.H.B. 3264 authorizes a health benefit plan issuer to report the issuer's administrative cost and tax ratio for each market segment of health benefit plans issued by the health benefit plan issuer to TDI at the same time the issuer reports the issuer's medical loss ratio. The bill requires the reported administrative cost and tax ratio to cover the same period that is covered by the medical loss ratio with which the administrative cost and tax ratio is reported.

C.S.H.B. 3264 exempts from its provisions a plan that provides coverage for wages or payments in lieu of wages for a period during which an employee is absent from work because of sickness or injury, as a supplement to a liability insurance policy, for credit insurance, only for dental or vision care, only for hospital expenses, only for a specified disease or condition, or only for indemnity for hospital confinement. The bill also exempts a Medicare supplement plan, a

workers' compensation insurance policy, medical payment insurance coverage provided under a motor vehicle insurance policy, and a multiple employer welfare arrangement that holds a certificate of authority.

C.S.H.B. 3264 defines "medical loss ratio" to mean the ratio of the dollar amount of benefits paid by a health benefit plan issuer with regard to a market segment of health benefit plans issued by the issuer to the revenue received in premiums for that same market segment of health benefit plans. The bill specifies that the ratio is prohibited from including in the calculation of the dollar amount of benefits paid under a health benefit plan amounts included in the issuer's administrative cost and tax ratio or other home office and overhead costs, advertising costs, commissions and other acquisition costs, taxes, capital costs, administrative costs, utilization review costs, or claims processing costs. The bill defines "administrative cost and tax ratio," "enrollee," "evidence of coverage," "market segment of health benefit plans," and "preferred provider benefit plan."

C.S.H.B. 3264 requires the commissioner of insurance to adopt rules necessary to implement the notification requirements for a health benefit plan issuer's medical loss ratio and administrative cost and tax ratio.

C.S.H.B. 3264 makes its provisions applicable to a health benefit plan that is delivered, issued for delivery, or renewed on or after January 1, 2010.

#### **EFFECTIVE DATE**

September 1, 2009.

#### **COMPARISON OF ORIGINAL AND SUBSTITUTE**

C.S.H.B. 3264 adds definitions not in the original for "administrative cost and tax ratio," "enrollee," "evidence of coverage," "market segment of health benefit plans," and "preferred provider benefit plan." The substitute defines "medical loss ratio" as the ratio of the dollar amount of benefits paid by a health benefit plan issuer with regard to a market segment of health benefit plans issued by the issuer to the revenue received in premiums for that same market segment of health benefit plans, whereas the original defines the term as the ratio of the dollar amount of benefits paid by a health benefit plan issuer under a health benefit plan to the revenue received in premiums for that same health benefit plan. The substitute specifies that the costs excluded from the ratio include the issuer's administrative cost and tax ratio.

C.S.H.B. 3264 differs from the original by making its provisions applicable to a health benefit plan issuer that provides benefits for certain expenses incurred through an individual, group, blanket, or franchise preferred provider benefit plan, rather than an individual, group, blanket or franchise insurance policy or insurance agreement, or a group hospital service contract, as in the original. The substitute differs from the original by exempting from its provisions a multiple employer welfare arrangement that holds a certificate of authority, whereas the original makes its provisions applicable to such a health benefit provider. The substitute adds a provision not in the original to exempt from its provisions a health benefit plan that provides coverage only for a specified disease or condition.

C.S.H.B. 3264 differs from the original by requiring a health benefit plan issuer to annually report to TDI the issuer's medical loss ratio for each market segment of health benefit plans written by the health benefit plan issuer in the previous calendar year, whereas the original requires the issuer to notify a potential enrollee in writing of the issuer's medical loss ratio for that same type of health benefit plan for the one-year period immediately preceding the date of an application for coverage under a health benefit plan. The substitute adds provisions not in the original requiring TDI to post certain information relating to the issuer's medical loss ratio on

TDI's website or another website maintained by TDI for the benefit of consumers or enrollees; requiring the issuer to provide each enrollee or the plan sponsor, as applicable, with the Internet website address at which the enrollee or sponsor may access the medical loss ratio information. The substitute differs from the original by specifying the conditions under which the issuer must provide that online information to an enrollee or the plan sponsor, whereas the original specifies the conditions under which the issuer must provide medical loss ratio information to a plan enrollee in writing. The substitute adds provisions not in the original setting out the reporting requirements for a health benefit plan issuer's administrative cost and tax ratio. The substitute differs from the original by making conforming changes to the rulemaking authority of the commissioner of insurance.