

## **BILL ANALYSIS**

Senate Research Center  
81R28481 KCR-D

C.S.S.B. 206  
By: Shapleigh  
State Affairs  
4/28/2009  
Committee Report (Substituted)

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

In response to increasing rates of health insurance policy cancellations and rescissions, major health insurers have been subject to regulatory inquiries and subsequent fines in a number of states. For example, last year in California, both Anthem Blue Cross of California and Blue Shield of California agreed to reinstate insurance coverage to a total of 2,220 former members whose policies were revoked and pay up to \$15 million in fines. The Managed Health Care Department of California has reached similar settlements with other insurers over policy rescissions.

In Texas, however, there is no way to know the extent of improper health insurance rescissions and cancellations because state law does not require the Texas Department of Insurance (TDI) to track health insurance rescission rates, and TDI does not routinely collect information on rescission rates from health insurance companies. TDI's response to a congressional request for information indicated that the 36 health insurance carriers in Texas that issue more than 250 policies rescinded about 1,700 individual policies, in 2007, and 1,544, in 2006. Information regarding the reasons for these policy revocations was not provided; neither was information regarding whether or not these reasons were justified.

As introduced, this bill requires health insurance companies to report health insurance cancellation and rescission rates to TDI and requires the information collected from health insurance companies to be publically available on TDI's website with an online form that consumers can use to submit complaints specific to policy cancellations and rescissions. Additionally, the bill requires TDI to create a toll-free hotline to provide information to consumers about health insurance cancellation and rescissions and to assist with filling out the online complaint form.

C.S.S.B. 206 amends current law relating to the reporting of information concerning the rescission of health benefit plans.

### **RULEMAKING AUTHORITY**

Rulemaking authority is expressly granted to the commissioner of insurance in SECTION 1 (Section 1515.003, Insurance Code) and SECTION 2 of this bill.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Subtitle G, Title 8, Insurance Code, by adding Chapter 1515, as follows:

#### **CHAPTER 1515. INFORMATION CONCERNING RESCINDED HEALTH BENEFIT PLANS**

Sec. 1515.001. DEFINITION. Defines "coverage document."

Sec. 1515.002. APPLICABILITY. (a) Provides that this chapter only applies to a health benefit plan, including a small or large employer health benefit plan written under Chapter 1501 (Health Insurance Portability and Availability Act), that provides benefits for medical or surgical expenses incurred as a result of a health condition, accident, or sickness, including an individual, group, blanket, or franchise insurance policy or insurance agreement, a group hospital service contract, or an individual or group evidence of coverage or similar coverage document that is offered by an insurance

company; a group hospital service corporation operating under Chapter 842 (Group Hospital Service Corporations); a fraternal benefit society operating under Chapter 885 (Fraternal Benefit Societies); a stipulated premium company operating under Chapter 884 (Stipulated Premium Insurance Companies); a reciprocal exchange operating under Chapter 942 (Reciprocal and Interinsurance Exchanges); a Lloyd's plan operating under Chapter 941 (Lloyd's Plan); a health maintenance organization operating under Chapter 843 (Health Maintenance Organizations); a multiple employer welfare arrangement that holds a certificate of authority under Chapter 846 (Multiple Employer Welfare Arrangements); or an approved nonprofit health corporation that holds a certificate of authority under Chapter 844 (Certification of Certain Nonprofit Health Corporations).

(b) Provides that this chapter does not apply to:

- (1) a health benefit plan that provides coverage only for a specified disease or diseases or under an individual limited benefit policy, for accidental death or dismemberment, as a supplement to a liability insurance policy, or for dental or vision care;
- (2) disability income insurance coverage or a combination of accident only and disability income insurance coverage;
- (3) credit insurance coverage;
- (4) a hospital confinement indemnity policy;
- (5) a Medicare supplemental policy as defined by Section 1882(g)(1), Social Security Act (42 U.S.C. Section 1395ss), as amended;
- (6) a workers' compensation insurance policy;
- (7) a medical payment insurance coverage provided under a motor vehicle insurance policy; or
- (8) a long-term care insurance policy, including a nursing home fixed indemnity policy, unless the commissioner of insurance (commissioner) determines that the policy provides benefits so comprehensive that the policy is a health benefit plan described by Subsection (a) and is not exempted from the application of this chapter.

Sec. 1515.003. REPORT. (a) Requires each health benefit plan issuer authorized to issue coverage documents in this state to submit a report to the Texas Department of Insurance (TDI) containing the rescission rates of coverage documents issued by the issuer.

(b) Requires that the report, in addition to the rescission rates described by Subsection (a), contain:

- (1) the number of individuals whose coverage document was rescinded by the health benefit plan issuer during the reporting period for each type of health benefit plan to which this chapter applies;
- (2) the total number of enrollees that were covered by rescinded coverage documents before those documents were rescinded; and
- (3) the reasons for rescission of rescinded coverage documents for each type of health benefit plan to which this chapter applies.

(c) Requires the commissioner to adopt rules necessary to implement this section, including rules concerning any applicable reporting period and the form of the report required under Subsection (a).

Sec. 1515.004. INTERNET POSTING; CONSUMER HOTLINE. (a) Requires TDI to post on TDI's Internet website:

(1) the information contained in the reports received under Section 1515.003 that is not confidential or proprietary; and

(2) a form through which consumers are authorized to report rescission of a health benefit plan and complaints or suspected violations of the law governing the rescission of health benefit plans.

(b) Provides that for the purposes of Subsection (a), aggregated information regarding a health benefit plan issuer's rescission rates is not confidential or proprietary.

(c) Requires TDI to operate a toll-free telephone hotline to respond to consumer inquiries concerning the rescission of health benefit plans, and to provide information to consumers concerning the rescission of health benefit plans and technical assistance with the completion of the form described by Subsection (a)(2).

SECTION 2. Requires the commissioner to adopt rules under Section 1515.003(c), Insurance Code, as added by this Act, not later than January 1, 2010. Requires that the rules require health benefit plan issuers to submit the first report under Section 1515.003, Insurance Code, as added by this Act, not later than April 1, 2010.

SECTION 3. Effective date: upon passage or September 1, 2009.