BILL ANALYSIS

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S.B. 485
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Medical loss ratio (MLR) is a means to measure the percentage of health insurance premium spent on medical care. MLRs provide transparency and an incentive for health plans to run efficiently and control increases in premiums. Fifteen states currently set a minimum MLR level and California is expected to follow soon.

As proposed, S.B. 485 requires that health insurers annually report their MLRs to the commissioner of insurance (commissioner). The bill will allow the commissioner to set a minimum MLR that the health insurance companies will need to achieve and give the Texas Department of Insurance the ability to enforce penalties against those who fail to meet those standards.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the commissioner of insurance in SECTION 1 (Sections 12116.004 and 1216.005, Insurance Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Subtitle A, Title 8, Insurance Code, by adding Chapter 1216, as follows:

CHAPTER 1216. MEDICAL LOSS RATIO AND HEALTH BENEFIT PLAN PREMIUMS

Sec. 1216.001. DEFINITIONS. Defines "direct losses incurred," "direct losses paid," "direct premiums earned," and "medical loss ratio."

Sec. 1216.002. APPLICABILITY OF CHAPTER. (a) Provides that the chapter applies to the insurer of a health benefit plan 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 certain entities.

(b) Provides that this chapter applies to a health benefit plan issuer, notwithstanding any provision in Chapter 1551 (Texas Employees Group Benefit Act), Chapter 1575 (Texas Public School Employees Group Benefits Program), Chapter 1579 (Texas School Employees Uniform Group Health Coverage), or Chapter 1601 (State University Employees Uniform Insurance Benefits Act), or any other law, with respect to certain plans and coverages under Chapters 1551, 1575, 1579, and 1601.

(c) Provides that this chapter, notwithstanding any other law, applies to a health benefit plan issuer with respect to a standard health benefit plan provided under Chapter 1507 (Consumer Choice of Benefit Plans).

(d) Provides that, notwithstanding Section 1501.251 (Exception from Certain Mandated Benefit Requirements), or any other law, this chapter applies to a health benefit plan issuer with respect to coverage under a small employer health benefit plan subject to Chapter 1501 (Health Insurance Portability and Availability Act).

Sec. 1216.003. EXCEPTION. Provides that this chapter does not apply with respect to 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; or only for indemnity for hospital confinement; a Medicare supplemental policy as defined by Section 1882 (g) (1), Social Security Act (42 U.S.C. Section 1395ss), workers' compensation insurance policy, or medical payment insurance coverage provided under a motor vehicle insurance policy.

Sec. 1216.004. MEDICAL LOSS RATIO REPORTING. Requires the commissioner of insurance (commissioner) by rule to require each health benefit plan issuer to report at least annually the health benefit plan issuer's medical loss ratio for the preceding year for each health benefit plan issued.

Sec. 1216.005. REVIEW OF PREMIUMS. (a) Requires the commissioner by rule to establish a minimum medical loss ratio below which a health benefit plan's premiums are excessive for the benefits provided under the plan.

(b) Authorizes the commissioner, if the commissioner determines that a health benefits plan's medical loss ratio falls below the minimum established under Subsection (a), to order a health benefits plan issuer to implement a premium rate adjustment; issue any appropriate rebates to enrollees or plan sponsors; file with the Texas Department of Insurance an actuarial memorandum, prepared by a qualified actuary, in accordance with rules adopted to implement with section; or take any other remedial action the commissioner determines is appropriate.

(c) Requires the commissioner to adopt rules as necessary to implement this section, including rules regarding the frequency and form of reporting medical loss ratios.

SECTION 2. Effective date: September 1, 2009.