

BILL ANALYSIS

Senate Research Center

C.S.S.B. 485
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State Affairs
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Committee Report (Substituted)

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.

C.S.S.B. 485 amends current law relating to medical loss ratios of health benefit plan issuers.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the commissioner of insurance in SECTION 1 (Section 1301.010, Insurance Code) and SECTION 2 of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Subchapter A, Chapter 1301, Insurance Code, by adding Section 1301.010, as follows:

Sec. 1301.010. MEDICAL LOSS RATIO. (a) Defines "medical loss ratio." Prohibits this amount from including home office and overhead costs, advertising costs, network development costs, commissions and other acquisition costs, taxes, capital costs, administrative costs, utilization review costs, or claims processing costs.

(b) Requires an insurer to report the insurer's medical loss ratio annually or more often as required by the commissioner of insurance (commissioner) by rule or order.

(c) Provides that a medical loss ratio reported under this section is public information.

(d) Requires the Texas Department of Insurance (TDI) to include information on the medical loss ratio on TDI's Internet website.

(e) Requires an insurer to report to the master policyholder or sponsor the total dollar amount for health care claims paid under the preferred provider benefit plan for the nine months following the policy effective date or renewal date, and the total dollar amount of premiums paid by the master policyholder or the sponsor and insureds.

(f) Requires the commissioner to adopt rules as necessary to implement this section, including rules regarding a specific, uniform definition of "medical loss ratio" for reporting and disclosure purposes; the frequency and form of reporting medical loss ratios; standardizing and regulating the frequency and form of reporting cost-containment expenses separate from the medical loss ratio; and any disclaimers or explanations that an insurer may include in the report required by Subsection (e).

SECTION 2. (a) Requires the commissioner, not later than January 1, 2010, to adopt all rules necessary to implement Section 1301.010, Insurance code, as added by this article. Prohibits the

first reporting period under Section 1301.010(b) to cover any period that begins before January 1, 2010.

(b) Makes application of Section 1301.010(e), Insurance Code, as added by this article, prospective to January 1, 2010.

SECTION 3. Effective date: September 1, 2009.