

BILL ANALYSIS

S.B. 1479
By: Carona
Insurance
Committee Report (Unamended)

BACKGROUND AND PURPOSE

Title 8, Subtitle E, Insurance Code, contains statutes that relate to mandated benefits in health benefit plans, such as the mandates for home health services, immunizations, or for diabetic services and supplies.

The purpose of mandated benefit laws is to require health benefit plans to provide coverage for specific health care services. Mandated benefit laws apply to health benefit plans, such as Preferred Provider Organization and Health Maintenance Organization (HMO) plans offered by insurance companies and HMOs. Mandated benefit laws typically do not apply to certain types of health insurance products, such as dental and vision plans, accident-only plans, limited benefit plans, and other supplemental type policies.

Supplemental or limited benefit policies do not reimburse for medical services. Therefore, there is no rationale for making mandated benefits applicable to those coverages. Supplemental benefit policies are designed and sold to provide supplemental benefits in the event of serious illness or hospitalization. Supplemental benefit policies provide a cash payment directly to the policyholder in the event of a specific illness or diagnosis. Unlike major medical health insurance policies or HMO coverage, supplemental policies provide limited benefits for a very low premium cost. The policies are typically sold directly to an individual and are guaranteed renewable. The benefits are payable in addition to and regardless of other coverage the insured may have. They are intended to offset co-pays and deductibles as well as any out of pocket expenses the policyholder may incur due to an illness or hospitalization.

Even if there were a rationale for applying a mandated benefit to a supplemental policy, the cost for providing the additional benefit would disproportionately increase the cost of the policy in relation to the supplemental benefits provided. Such a premium increase would unnecessarily jeopardize the viability of low premium supplemental policies and would cause the insured to receive duplicate benefits for the same service they would receive under their major medical or hospitalization coverage.

S.B. 1479 creates an exemption from provisions relating to benefits payable under certain health coverages.

RULEMAKING AUTHORITY

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

ANALYSIS

S.B. 1479 amends the Insurance Code to create an exemption, effective January 2, 2010, from the application of provisions relating to benefits payable under health coverages for a 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. The bill also exempts from those provisions disability income insurance coverage or a combination of accident-only and disability income insurance coverage; credit insurance coverage; a hospital confinement indemnity policy; a Medicare supplemental policy; a workers' compensation insurance policy; medical payment insurance coverage provided under a motor vehicle insurance policy; a long-term care insurance policy, including a nursing home fixed indemnity policy; or an occupational accident policy. The bill establishes that a long-term care insurance policy, including a nursing home fixed indemnity policy, is subject to those provisions if the commissioner of insurance determines that the policy provides benefits so comprehensive that it is a health benefit plan and should not be subject to the exemption provided under this bill.

S.B. 1479 establishes that a provision relating to the application of benefits payable under health coverages that becomes effective on or after January 2, 2010, and that requires coverage or the offer of coverage of a health care service or benefit applies to a plan or policy described by the provisions of this bill only to the extent expressly and specifically provided by law.

EFFECTIVE DATE

On passage, or, if the act does not receive the necessary vote, the act takes effect September 1, 2009.