

BILL ANALYSIS

Senate Research Center
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C.S.S.B. 1479
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State Affairs
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Committee Report (Substituted)

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Title 8 (Health Insurance and Other Health Coverages), Subtitle E (Benefits Payable Under Health Coverages), 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 a Preferred Provider Organization (PPO) and a 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.

C.S.S.B. 1479 amends current law relating to benefits payable under certain health overages.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Subtitle E, Title 8, Insurance Code, by adding Chapter 1425, as follows:

CHAPTER 1425. APPLICATION OF SUBTITLE TO CERTAIN COVERAGE.

Sec. 1425.001. EXEMPTION FROM APPLICATION OF SUBTITLE. (a) Provides that except as provided by Section 1425.002, a provision of this subtitle that becomes effective on or after January 2, 2010, does not apply to:

- (1) a plan that provides coverage only:

- (A) for a specified disease or diseases or under an individual limited benefit policy;
 - (B) for accidental death or dismemberment;
 - (C) as a supplement to a liability insurance policy; or
 - (D) 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 1935ss);
 - (6) a workers' compensation insurance policy;
 - (7) medical payment insurance coverage provided under a motor vehicle insurance policy;
 - (8) a long-term care insurance policy, including a nursing home fixed indemnity policy, except as provided by Subsection (b); or
 - (9) an occupational accident policy.

(b) Provides that a long-term care insurance policy, including a nursing home fixed indemnity policy, is subject to this subtitle if the commissioner 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 section.

Sec. 1425.002. SPECIFIC LANGUAGE CONTROLS. Provides that a provision of this subtitle that becomes effective on or after January 2, 2010, and that requires coverage of a health care service or benefit applies to a plan or policy described by Section 1425.001(a) only to the extent expressly and specifically provided by law.

SECTION 2. Effective date: upon passage or September 1, 2009.