

By: Anchia

H.B. No. 531

A BILL TO BE ENTITLED

AN ACT

relating to medical loss ratios of certain health benefit plan issuers.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Subtitle A, Title 8, Insurance Code, is amended by adding Chapter 1222 to read as follows:

CHAPTER 1222. MEDICAL LOSS RATIO AND HEALTH BENEFIT PLAN PREMIUMS

Sec. 1222.001. DEFINITIONS. In this chapter:

(1) "Direct losses incurred" means the sum of direct losses paid plus an estimate of losses to be paid in the future for all claims arising from the current reporting period and all prior periods, minus the corresponding estimate made at the close of business for the preceding period. This amount does not include home office and overhead costs, advertising costs, commissions and other acquisition costs, taxes, capital costs, administrative costs, utilization review costs, or claims processing costs.

(2) "Direct losses paid" means the sum of all payments made during the period for claimants under a health benefit plan before reinsurance has been ceded or assumed. This amount does not include home office and overhead costs, advertising costs, commissions and other acquisition costs, taxes, capital costs, administrative costs, utilization review costs, or claims processing costs.

(3) "Direct premiums earned" means the amount of

1 premium attributable to the coverage already provided in a given
2 period before reinsurance has been ceded or assumed.

3 (4) "Medical loss ratio" means direct losses incurred
4 divided by direct premiums earned.

5 Sec. 1222.002. APPLICABILITY OF CHAPTER. (a) This chapter
6 applies to the issuer of a health benefit plan that provides
7 benefits for medical or surgical expenses incurred as a result of a
8 health condition, accident, or sickness, including an individual,
9 group, blanket, or franchise insurance policy or insurance
10 agreement or a group hospital service contract, that is offered by:

11 (1) an insurance company;

12 (2) a group hospital service corporation operating
13 under Chapter 842;

14 (3) a fraternal benefit society operating under
15 Chapter 885;

16 (4) a stipulated premium company operating under
17 Chapter 884;

18 (5) an exchange operating under Chapter 942; or

19 (6) a multiple employer welfare arrangement that holds
20 a certificate of authority under Chapter 846.

21 (b) Notwithstanding any provision in Chapter 1551, 1575,
22 1579, or 1601 or any other law, this chapter applies to a health
23 benefit plan issuer with respect to:

24 (1) a basic coverage plan under Chapter 1551;

25 (2) a basic plan under Chapter 1575;

26 (3) a primary care coverage plan under Chapter 1579;

27 and

1 (4) basic coverage under Chapter 1601.

2 (c) Notwithstanding any other law, this chapter applies to a
3 health benefit plan issuer with respect to a standard health
4 benefit plan provided under Chapter 1507.

5 (d) Notwithstanding Section 1501.251 or any other law, this
6 chapter applies to a health benefit plan issuer with respect to
7 coverage under a small employer health benefit plan subject to
8 Chapter 1501.

9 Sec. 1222.003. EXCEPTION. (a) This chapter does not apply
10 with respect to:

11 (1) a plan that provides coverage:

12 (A) for wages or payments in lieu of wages for a
13 period during which an employee is absent from work because of
14 sickness or injury;

15 (B) as a supplement to a liability insurance
16 policy;

17 (C) for credit insurance;

18 (D) only for dental or vision care;

19 (E) only for hospital expenses; or

20 (F) only for indemnity for hospital confinement;

21 (2) a Medicare supplemental policy as defined by
22 Section 1882(g)(1), Social Security Act (42 U.S.C. Section 1395ss);

23 (3) a workers' compensation insurance policy; or

24 (4) medical payment insurance coverage provided under
25 a motor vehicle insurance policy.

26 (b) Notwithstanding Section 1222.002, this chapter does not
27 apply with respect to a health maintenance organization plan.

1 Sec. 1222.004. MEDICAL LOSS RATIO REPORTING. The
2 commissioner by rule shall require each health benefit plan issuer
3 to annually report the health benefit plan issuer's medical loss
4 ratio for the preceding year for each health benefit plan issued.

5 Sec. 1222.005. MINIMUM RATIO. (a) Except as provided by
6 Subsections (b) and (c), the minimum medical loss ratio for a health
7 benefit plan is 75 percent.

8 (b) The minimum medical loss ratio for a large employer
9 health benefit plan subject to Chapter 1501 is 80 percent.

10 (c) The minimum medical loss ratio for an individually
11 underwritten health benefit plan is 65 percent.

12 (d) A health benefit plan whose annual medical loss ratio
13 falls below the minimum established under this section shall,
14 before the end of the year in which the ratio is reported, issue
15 rebates to each enrollee or plan sponsor who paid premiums during
16 the year for which the ratio was computed. The rebate paid must be a
17 percentage of the premiums paid equal to the number of percentage
18 points by which the ratio falls below the required minimum.

19 SECTION 2. Not later than January 1, 2010, the commissioner
20 of insurance shall adopt all rules necessary to implement Chapter
21 1222, Insurance Code, as added by this Act. The first 12-month
22 reporting period adopted under that chapter may not cover any
23 period before January 1, 2010.

24 SECTION 3. This Act takes effect September 1, 2009.