

By: Smithee

H.B. No. 2586

Substitute the following for H.B. No. 2586:

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C.S.H.B. No. 2586

A BILL TO BE ENTITLED

1 AN ACT

2 relating to small and large employer health group cooperatives.

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

4 SECTION 1. Section 1501.051, Insurance Code, is amended by
5 amending Subdivision (3-a) and adding Subdivision (3-b) to read as
6 follows:

7 (3-a) "Eligible single-employee business" means a
8 business entity that:

9 (A) is owned and operated by a sole proprietor;

10 (B) employed an average of fewer than two
11 employees on business days during the preceding calendar year; and

12 (C) is eligible to participate in a cooperative
13 under this subchapter in accordance with Section 1501.066.

14 (3-b) "Expanded service area" means any area larger
15 than one county in which a health group cooperative offers
16 coverage.

17 SECTION 2. Section 1501.058(a), Insurance Code, is amended
18 to read as follows:

19 (a) A cooperative shall:

20 (1) arrange for small or large employer health benefit
21 plan coverage for small employer groups, ~~[or]~~ large employer
22 groups, and, subject to Sections 1501.0581(q)-(x), eligible
23 single-employee businesses that participate in the cooperative by
24 contracting with small or large employer health benefit plan

1 issuers that meet the requirements established by Section 1501.061;

2 (2) collect premiums to cover the cost of:

3 (A) small or large employer health benefit plan
4 coverage purchased through the cooperative; and

5 (B) the cooperative's administrative expenses;

6 (3) establish administrative and accounting
7 procedures for the operation of the cooperative;

8 (4) establish procedures under which an applicant for
9 or participant in coverage issued through the cooperative may have
10 a grievance reviewed by an impartial person;

11 (5) contract with small or large employer health
12 benefit plan issuers to provide services to small or large
13 employers covered through the cooperative; and

14 (6) develop and implement a plan to maintain public
15 awareness of the cooperative and publicize the eligibility
16 requirements for, and the procedures for enrollment in, coverage
17 through the cooperative.

18 SECTION 3. Section 1501.0581, Insurance Code, is amended by
19 amending Subsections (a), (b), and (k) and adding Subsections (q)
20 through (x) to read as follows:

21 (a) ~~[The membership of a health group cooperative may~~
22 ~~consist of only small employers, only large employers, or both~~
23 ~~small and large employers.]~~ To participate as a member of a health
24 group cooperative, an employer must be a small or large employer as
25 described by this chapter or an eligible single-employee business
26 as defined by Section 1501.051. The membership of a health group
27 cooperative may consist of the following:

1 (1) only small employers;

2 (2) only large employers;

3 (3) both small and large employers;

4 (4) both small employers and eligible single-employee
5 businesses;

6 (5) both large employers and eligible single-employee
7 businesses; or

8 (6) a combination of small employers, large employers,
9 and eligible single-employee businesses.

10 (b) Subject to the requirements imposed on small employer
11 health benefit plan issuers under Section 1501.101 and subject to
12 Subsections (a-1) and (o), a health group cooperative:

13 (1) shall allow a small employer to join a health group
14 cooperative, other than a health group cooperative consisting of
15 only ~~[small employers or both small and]~~ large employers, and
16 enroll in health benefit plan coverage; ~~[and]~~

17 (2) subject to Subsection (t), may allow eligible
18 single-employee businesses to join a health group cooperative and
19 enroll in health benefit plan coverage; and

20 (3) may allow a large employer to join the health group
21 cooperative and enroll in health benefit plan coverage.

22 (k) A health group cooperative may offer more than one
23 health benefit plan, but each plan offered must be made available to
24 all employers participating in ~~[employees covered by]~~ the
25 cooperative.

26 (q) Except as provided by Subsection (t), a health group
27 cooperative may file an election with the commissioner, on a form

1 and in the manner prescribed by the commissioner, to permit
2 eligible single-employee businesses to join the cooperative and
3 enroll in health benefit plan coverage. The election must be filed
4 not later than the 90th day before the date coverage for eligible
5 single-employee businesses is to become effective.

6 (r) A health group cooperative may file an election under
7 Subsection (q) only if a small or large employer health benefit plan
8 issuer has agreed in writing to offer to issue coverage to the
9 cooperative based on its membership after the election to permit
10 eligible single-employee businesses to participate in the
11 cooperative has become effective.

12 (s) On the date an election under Subsection (q) becomes
13 effective and until the election is rescinded, the provisions of
14 this subchapter relating to guaranteed issuance of plans, to rating
15 requirements, and to mandated benefits that are applicable to small
16 employers apply to eligible single-employee businesses that are
17 members of the health group cooperative.

18 (t) A health group cooperative that files an election with
19 the commissioner to permit an eligible single-employee business to
20 join the health group cooperative and enroll in health benefit plan
21 coverage must permit participation and enrollment in the
22 cooperative's health benefit plan coverage during the initial
23 enrollment and annual open enrollment periods by each eligible
24 single-employee business that elects to participate and agrees to
25 satisfy requirements associated with participation in and coverage
26 through the cooperative. For purposes of this subsection, the
27 provisions of Subsections (a-1) and (o) applicable to small

1 employers apply to eligible single-employee businesses.

2 (u) A health group cooperative may rescind its election to
3 permit eligible single-employee businesses to join the cooperative
4 and enroll in health benefit plan coverage only if:

5 (1) the election has been effective for at least two
6 years, except as provided by Subsection (v);

7 (2) the health group cooperative files notice of the
8 rescission with the commissioner not later than the 180th day
9 before the effective date of the rescission; and

10 (3) the health group cooperative provides written
11 notice of termination of coverage to all eligible single-employee
12 business members of the cooperative not later than the 180th day
13 before the effective date of the termination.

14 (v) The commissioner shall adopt rules under which a health
15 group cooperative may rescind an election described by Subsection
16 (u) before the second anniversary of the effective date of the
17 election.

18 (w) Notwithstanding Subsection (u), a health group
19 cooperative that files notice of rescission may choose to permit
20 existing eligible single-employee businesses to remain active,
21 covered members of the cooperative, but only if all such members of
22 the cooperative are provided the same opportunity.

23 (x) A health group cooperative that has rescinded an
24 election under Subsection (u) may not file a subsequent election to
25 permit eligible single-employee businesses to join the cooperative
26 and enroll in health benefit plan coverage before the fifth
27 anniversary of the effective date of the rescission.

1 SECTION 4. Section 1501.063(b-3), Insurance Code, is
2 amended to read as follows:

3 (b-3) Except as provided by Section 1501.0581(k), a [A]
4 health group cooperative shall have sole authority to make benefit
5 elections and perform other administrative functions under this
6 code for the cooperative's participating employers.

7 SECTION 5. Section 1501.065, Insurance Code, is amended to
8 read as follows:

9 Sec. 1501.065. CERTAIN ACTIONS BASED ON RISK
10 CHARACTERISTICS OR HEALTH STATUS PROHIBITED. A cooperative may not
11 limit, restrict, or condition an employer's or employee's
12 membership in a cooperative or, except as provided by Section
13 1501.0581(k), an employer's or employee's choice among benefit
14 plans based on:

15 (1) risk characteristics of a group or of any member of
16 a group; or

17 (2) health status related factors, duration of
18 coverage, or any similar characteristic related to the health
19 status or experience of a group or of any member of a group.

20 SECTION 6. Subchapter B, Chapter 1501, Insurance Code, is
21 amended by adding Sections 1501.066 and 1501.067 to read as
22 follows:

23 Sec. 1501.066. ELECTION TO TREAT PARTICIPATING EMPLOYERS
24 SEPARATELY FOR RATING PURPOSES. (a) Notwithstanding Section
25 1501.063, a health group cooperative may file with the
26 commissioner, on a form and in the manner prescribed by the
27 commissioner, an election to treat participating employers within

1 the cooperative as separate employers for purposes of rating small
2 and large employer health benefit plans, subject to the rating
3 requirements of this code applicable to those plans. An existing
4 health group cooperative must file the election with the department
5 not later than the 90th day before the date on which the election is
6 to become effective.

7 (b) A health group cooperative must provide to all
8 participating and prospective employers, in a manner prescribed by
9 the commissioner, a written notice of its election to treat
10 participating employers within the cooperative as separate
11 employers for purposes of rating small and large employer health
12 benefit plans. Employers participating in the cooperative when
13 such an election is made must be provided notice of the election not
14 later than the 90th day before the date the election is to become
15 effective. For a participating employer, the notice must contain
16 the quote for the premium rate applicable to the employer as of the
17 date the plan is renewed. An employer who applies to become a
18 participating employer in the health group cooperative must be
19 provided notice of the election when the prospective employer
20 applies to become a participating employer.

21 (c) An election under this section takes effect on the date
22 the plan to which the election applies is initially issued or on the
23 date the plan is renewed, and must remain in effect until at least
24 the first anniversary of that effective date.

25 Sec. 1501.067. ELIGIBLE SINGLE-EMPLOYEE BUSINESS. The
26 commissioner shall adopt rules governing the eligibility of a
27 single-employee business to participate in a health group

1 cooperative under this subchapter. The rules must include
2 provisions to ensure that each eligible single-employee business
3 has a business purpose and was not formed solely to obtain health
4 benefit plan coverage under this subchapter.

5 SECTION 7. Chapter 1501, Insurance Code, as amended by this
6 Act, applies only to an insurance policy, or contract, or evidence
7 of coverage delivered, issued for delivery, or renewed by a health
8 group cooperative that first delivers, issues for delivery, or
9 renews on or after the effective date of this Act. Any policy,
10 contract, or evidence of coverage delivered, issued for delivery,
11 or renewed by a health group cooperative that first delivered,
12 issued for delivery, or renewed an insurance policy, or contract,
13 or evidence of coverage prior to the effective date of this Act is
14 governed by the law as it existed immediately before the effective
15 date of this Act, and that law is continued in effect for that
16 purpose.

17 SECTION 8. This Act takes effect immediately if it receives
18 a vote of two-thirds of all the members elected to each house, as
19 provided by Section 39, Article III, Texas Constitution. If this
20 Act does not receive the vote necessary for immediate effect, this
21 Act takes effect September 1, 2009.