

By: Shapleigh

S.B. No. 373

A BILL TO BE ENTITLED

AN ACT

relating to administrative costs paid by 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 1219 to read as follows:

CHAPTER 1219. ADMINISTRATIVE COSTS AND HEALTH BENEFIT PLAN

PREMIUMS

Sec. 1219.001. DEFINITIONS. In this chapter:

(1) "Administrative costs" includes claims processing costs, underwriting costs, advertising and marketing costs, utilization review costs, home office and overhead costs, and commissions and other acquisition costs.

(2) "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 taxes, capital costs, or administrative costs.

(3) "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 taxes, capital costs, or administrative costs.

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

5 Sec. 1219.002. 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, a group hospital service contract, or an individual or  
11 group evidence of coverage or similar coverage document that is  
12 offered by:

13 (1) an insurance company;

14 (2) a group hospital service corporation operating  
15 under Chapter 842;

16 (3) a fraternal benefit society operating under  
17 Chapter 885;

18 (4) a stipulated premium company operating under  
19 Chapter 884;

20 (5) an exchange operating under Chapter 942;

21 (6) a health maintenance organization operating under  
22 Chapter 843;

23 (7) a multiple employer welfare arrangement that holds  
24 a certificate of authority under Chapter 846; or

25 (8) an approved nonprofit health corporation that  
26 holds a certificate of authority under Chapter 844.

27 (b) Notwithstanding any provision in Chapter 1551, 1575,

1 1579, or 1601 or any other law, this chapter applies to a health  
2 benefit plan issuer that contracts with the Employees Retirement  
3 System of Texas, the Teacher Retirement System of Texas, The  
4 University of Texas System, or The Texas A&M University System to  
5 provide:

- 6 (1) a basic coverage plan under Chapter 1551;  
7 (2) a basic plan under Chapter 1575;  
8 (3) a primary care coverage plan under Chapter 1579;  
9 and  
10 (4) basic coverage under Chapter 1601.

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

14 (d) Notwithstanding Section 1501.251 or any other law, this  
15 chapter applies to a health benefit plan issuer with respect to  
16 coverage under a small employer health benefit plan subject to  
17 Chapter 1501.

18 Sec. 1219.003. EXCEPTION. This chapter does not apply with  
19 respect to:

- 20 (1) a plan that provides coverage:  
21 (A) for wages or payments in lieu of wages for a  
22 period during which an employee is absent from work because of  
23 sickness or injury;  
24 (B) as a supplement to a liability insurance  
25 policy;  
26 (C) for credit insurance;  
27 (D) only for dental or vision care;

- 1                   (E) only for hospital expenses; or  
2                   (F) only for indemnity for hospital confinement;  
3                   (2) a Medicare supplemental policy as defined by  
4 Section 1882(g)(1), Social Security Act (42 U.S.C. Section 1395ss);  
5                   (3) a workers' compensation insurance policy; or  
6                   (4) medical payment insurance coverage provided under  
7 a motor vehicle insurance policy.

8                   Sec. 1219.004. MEDICAL LOSS RATIO REPORTING. The  
9 commissioner by rule shall require each health benefit plan issuer  
10 to report at least annually the health benefit plan issuer's  
11 medical loss ratio for the preceding year for each health benefit  
12 plan issued.

13                   Sec. 1219.005. LIMITATION ON ADMINISTRATIVE COSTS. (a) A  
14 health benefit plan issuer may not spend more than 25 percent of the  
15 direct premiums earned for health benefit plan coverage on  
16 administrative costs.

17                   (b) If, based on the report submitted under Section  
18 1219.004, the commissioner determines that a health benefit plan  
19 issuer is not in compliance with Subsection (a), the commissioner  
20 may order the health benefit plan issuer to:

- 21                   (1) implement a premium rate adjustment;  
22                   (2) issue any appropriate rebates to enrollees or plan  
23 sponsors; or  
24                   (3) take other remedial action as determined  
25 appropriate by the commissioner.

26                   (c) The commissioner shall adopt rules as necessary to  
27 implement this section, including rules regarding the frequency and

1 form of reporting medical loss ratios.

2 SECTION 2. This Act takes effect September 1, 2009.