

## **BILL ANALYSIS**

Senate Research Center  
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S.B. 874  
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### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

Health care sharing ministries (HCSM) provide health care cost-sharing arrangements among persons of similar and sincerely held beliefs. It is administered by a not-for-profit religious organization acting as a clearinghouse for those who have medical expenses and those who desire to share the burden of those medical expenses.

HCSM participants actually share more than \$125 million per year in health care costs among more than 150,000 participants in all 50 states. HCSMs operate on a completely voluntary basis, and are regulated as charities in their home states under each state's charity laws and each state's attorney general, and as 501(c)(3) charities by the Internal Revenue Service.

HCSMs are not insurance companies. Insurance regulators occasionally attempt to subject HCSMs to the same requirement as insurance companies. It is impossible to meet such standards without destroying the voluntary, ministerial nature of these ministries, but fighting the regulators in court is extremely expensive and strains the finances of the participants. HCSMs nor their participants assume any risk or guarantee any payment of medical bills. As of June 2012, 21 states have clarified in their insurance codes that HCSMs are not insurers. HCSMs would also like to be tax-exempt.

This bill specifies what constitutes an HCSM and clarifies that an HCSM is exempt from insurance code regulations.

As proposed, S.B. 874 amends current law relating to the operation of health care sharing ministries.

### **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 Title 8, Insurance Code, by adding Subtitle K, as follows:

#### **SUBTITLE K. HEALTH CARE SHARING MINISTRIES**

#### **CHAPTER 1681. HEALTH CARE SHARING MINISTRIES**

Sec. 1681.001. TREATMENT AS HEALTH CARE SHARING MINISTRY. Provides that a faith-based, nonprofit organization that is tax-exempt under the Internal Revenue Code of 1986 qualifies for treatment as a health care sharing ministry (HCSM) under this chapter if it:

- (1) limits its participants to individuals of a similar faith;
- (2) acts as a facilitator among participants who have medical bills and matches those participants with other participants with the present ability to assist those with medical bills in accordance with criteria established by the HCSM;

(3) provides for the medical bills of a participant through contributions from one participant to another;

(4) provides amounts that participants are authorized to contribute with no assumption of risk or promise to pay among the participants and no assumption of risk or promise to pay by the HCSM to the participants;

(5) provides a written monthly statement to all participants that lists the total dollar amount of qualified needs submitted to the HCSM, as well as the amount actually published or assigned to participants for their contribution;

(6) discloses administrative fees and costs to participants;

(7) provides that any card issued to a participant for the purpose of presentation to a health care provider clearly indicates that the participant is part of an HCSM that is not engaging in the business of insurance;

(8) provides a written disclaimer on or accompanying all applications and guideline materials distributed by or on behalf of the ministry that complies with Section 1681.002; and

(9) does not operate a discount health care program as defined by Section 7001.001 (Definitions).

Sec. 1681.002. NOTICE. Requires that the notice described by Section 1681.001(8), to qualify as an HCSM under this chapter, include certain information. Sets forth the language to be included in the notice.

Sec. 1681.003. EXEMPTION. Provides that an HCSM that acts in accordance with this chapter, notwithstanding any other provision of this code, is not considered to be engaging in the business of insurance.

SECTION 2. Amends Subchapter A, Chapter 562, Insurance Code, by adding Section 562.0041, as follows:

Sec. 562.0041. EXEMPTION. Provides that this chapter (Unfair Methods of Competition and Unfair or Deceptive Acts or Practices Regarding Discount Health Care Programs) does not apply to an HCSM operated under Chapter 1681.

SECTION 3. Amends Section 651.002, Insurance Code, by adding Subsection (c), to provide that this chapter (Financing of Insurance Premiums) does not apply to an HCSM operated under Chapter 1681.

SECTION 4. Amends Subchapter A, Chapter 4151, Insurance Code, by adding Section 4151.0022, as follows:

Sec. 4151.0022. NONAPPLICABILITY. Provides that this chapter (Third Party Administrators) does not apply to an HCSM operated under Chapter 1681.

SECTION 5. Amends Section 7001.002, Insurance Code, as follows:

Sec. 7001.002. EXEMPTION. Provides that this chapter (Registration of Discount Health Care Programs Operators) does not apply to a program operator who is an insurer and who holds a certificate of authority under Title 6 (Organization of Insurers and Related Entities), or an HCSM operated under Chapter 1681.

SECTION 6. Amends Chapter 7002, Insurance Code, by adding Section 7002.004, as follows:

Sec. 7002.004. EXEMPTION. Provides that this chapter (Supplemental Provisions Relating to Discount Health Care Operators) does not apply to an HCSM operated under Chapter 1681.

SECTION 7. Effective date: upon passage September 1, 2013.