

BILL ANALYSIS

Senate Research Center
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S.B. 1332
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

For the purposes of health insurance regulations, the Insurance Code defines a small employer as an entity that employs two to 50 employees and a large employer as an entity that employees 51 or more employees. The current statutory language does not include part-time employees in the methodology used to determine the number of eligible employees for purposes of small or large employer classification. The use of this definition results in more Texas employers being classified as small, rather than large, employers. However, federal law defines employer size based on the total number of employees; this methodology results in more employers being classified as large, rather than small, employers.

Recent changes in federal laws will significantly impact the small employer group benefits and rating structures. Amending the state definitions of small and large employers will allow certain employers to be defined as a large employer based on their total number of employees rather than the current state definition, which counts only eligible employees. S.B. 1332 amends the Insurance Code to change the methodology for determining the number of employees for classification as a small or large employer for health insurance purposes to count the total number of employees.

As proposed, S.B. 1332 amends current law relating to who is an employee for large and small employers for health benefit plans.

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 Sections 1501.002(8), (13), and (14), Insurance Code, to redefine "large employer," "premium," and "small employer" in this chapter, by changing references to "eligible employees" to "employees."

SECTION 2. Amends Section 1501.003, Insurance Code, to provide that an individual or group health benefit plan is a small employer health benefit plan subject to Subchapters C (Provision of Coverage), D (Guaranteed Issue of Small Employer Health Benefit Plans; Continuation of Coverage), E (Underwriting and Rating of Small Employer Health Benefit Plans), F (Coverage Under Small Employer Health Benefit Plans), G (Reinsurance for Small Employer Health Benefit Plans), and H (Marketing of Small Employer Health Benefit Plans), if it provides health care benefits covering two or more employees, rather than eligible employees, of a small employer and the employer, covered individual, or health benefit plan meets certain criteria.

SECTION 3. Amends Section 1501.004, Insurance Code, to provide that an individual or group health benefit plan is a large employer health benefit plan subject to Subchapters C and M (Large Employer Health Benefit Plans) if the plan provides health care benefits to employees, rather than eligible employees, of a large employer and the employer, covered individual, or health benefit plan meets certain criteria.

SECTION 4. Amends Section 1501.009(a), Insurance Code, as follows:

(a) Authorizes an independent school district to elect to participate as a small employer without regard to the number of employees, rather than eligible employees, in the district. Provides that an independent school district that makes the election is treated as a small employer under this chapter (Health Insurance Portability and Availability Act) for all purposes.

SECTION 5. Amends Sections 1501.011(a) and (b), Insurance Code, as follows:

(a) Provides that, for an employer that did not exist throughout the calendar year preceding the year in which the determination of whether the employer is a small employer is made, the determination is based on the average number of employees, rather than employees and eligible employees, the employer reasonably expects to employ on business days in the calendar year in which the determination is made.

(b) Provides that, for an employer that did not exist throughout the calendar year preceding the year in which the determination of whether the employer is a large employer is made, the determination is based on the average number of employees, rather than employees and eligible employees, the employer reasonably expects to employ on business days in the calendar year in which the determination is made.

SECTION 6. Provides that the change in law made by this Act applies only to a health benefit plan delivered, issued for delivery, or renewed on or after January 1, 2014. Provides that a plan that is delivered, issued for delivery, or renewed before January 1, 2014, is governed by the law in effect immediately before the effective date of this Act, and that law continues in effect for that purpose.

SECTION 7. Effective date: September 1, 2013.