

By: Eiland, Goldman, Toth

H.B. No. 2383

Substitute the following for H.B. No. 2383:

By: Raymond

C.S.H.B. No. 2383

A BILL TO BE ENTITLED

AN ACT

relating to life settlement contracts for the payment of long-term care services under the medical assistance program and the consideration of a life insurance policy in determining eligibility for medical assistance.

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

SECTION 1. Subchapter B, Chapter 32, Human Resources Code, is amended by adding Section 32.02613 to read as follows:

Sec. 32.02613. LIFE INSURANCE ASSETS; LIFE INSURANCE POLICY CONVERSION. (a) The owner of a life insurance policy with a face amount of more than \$10,000 may enter into a life settlement contract under Chapter 1111A, Insurance Code, for the benefit of a recipient of medical assistance long-term care services in exchange for direct payments to a health care provider for the provision of those services to that recipient.

(b) The proceeds of a life settlement contract entered into under this section may not be considered as an asset or resource in determining the eligibility of a person for medical assistance.

(c) The proceeds of a life settlement contract entered into under this section must be used for the payment of medical assistance long-term care services.

(d) State or federal medical assistance funds may not be used to provide medical assistance long-term care services to a person for whose benefit an owner of a life insurance policy has

1 entered into a life settlement contract under this section until  
2 the proceeds of the contract are exhausted.

3 (e) In addition to the requirements under Chapter 1111A,  
4 Insurance Code, a life settlement contract entered into under this  
5 section must:

6 (1) provide that the lesser of five percent of the face  
7 amount of the life insurance policy or \$5,000 is reserved as a death  
8 benefit payable to the owner's estate or a named beneficiary;

9 (2) provide that the balance of proceeds under the  
10 contract that are unpaid on the death of the owner must be paid to  
11 the owner's estate or a named beneficiary; and

12 (3) specify the total amount payable for the benefit  
13 of the recipient of medical assistance long-term care services  
14 under the contract.

15 (f) All proceeds of a life settlement contract entered into  
16 under this section must be held in an irrevocable state or federally  
17 insured account for the benefit of the recipient of medical  
18 assistance long-term care services or for payment as otherwise  
19 required by this section.

20 (g) Only a recipient of medical assistance long-term care  
21 services for whose benefit an owner enters into a life settlement  
22 contract under this section may choose the provider and type of  
23 services provided to the recipient and paid for out of an account  
24 described by Subsection (f). Any attempt by a person to require the  
25 recipient to choose a specific provider is strictly prohibited and  
26 constitutes an unfair method of competition or an unfair or  
27 deceptive act or practice under the Insurance Code.

1       (h) A person who enters into a life settlement contract with  
2 an owner of a life insurance policy under this section must  
3 maintain:

4           (1) a surety bond executed and issued by an insurer  
5 authorized to issue surety bonds in this state;

6           (2) a policy of errors and omissions insurance; or

7           (3) a deposit in the amount of \$500,000 in any  
8 combination of cash, certificates of deposit, or securities.

9       (i) In addition to the requirements of Chapter 1111A,  
10 Insurance Code, a person who enters into life settlement contracts  
11 with owners of life insurance policies under this section must file  
12 with the Texas Department of Insurance all life settlement contract  
13 forms and advertising and marketing materials used by the person.

14       (j) Section 1111A.022(a)(2)(A), Insurance Code, does not  
15 apply to a life insurance policy that is the subject of a life  
16 settlement contract entered into under this section if the contract  
17 has been in force at least five years.

18       (k) A claim against a person with whom an owner of a life  
19 insurance policy enters into a life settlement contract under this  
20 section by the owner, the owner's estate, a named beneficiary, or  
21 any other person with respect to the contract may not exceed the  
22 face amount of the policy, less the proceeds paid under the  
23 contract, plus the total amount of premiums paid by the owner since  
24 entering into the contract. A person must pay a claim under this  
25 subsection from the funds in an account described by Subsection  
26 (f).

27       (l) In accordance with Chapter 1111A, Insurance Code, the

1 Texas Department of Insurance may conduct periodic market  
2 examinations of each person who enters into a life settlement  
3 contract with an owner of a life insurance policy under this  
4 section.

5 (m) The department must provide an applicant for medical  
6 assistance notice of the option to enter into a life settlement  
7 contract as provided in this section.

8 (n) The executive commissioner of the Health and Human  
9 Services Commission, in consultation with the commissioner of  
10 insurance, shall adopt rules necessary to implement this section.  
11 The rules must ensure that:

12 (1) proceeds from a life settlement contract are used  
13 to reimburse the provider of medical assistance long-term care  
14 services chosen by the recipient for whose benefit the owner of a  
15 life insurance policy entered into the contract;

16 (2) eligibility and need for medical assistance are  
17 determined without considering the balance of proceeds from a life  
18 settlement contract; and

19 (3) medical assistance payments to a provider of  
20 medical assistance long-term care services and applied income  
21 payments to a recipient begin the day following exhaustion of the  
22 life settlement contract proceeds.

23 SECTION 2. Not later than January 1, 2014, the executive  
24 commissioner of the Health and Human Services Commission shall  
25 adopt rules necessary to implement Section 32.02613, Human  
26 Resources Code, as added by this Act.

27 SECTION 3. The change in law made by this Act applies only

1 to a determination of eligibility of a person for medical  
2 assistance benefits made on or after January 1, 2014. A  
3 determination of eligibility made before January 1, 2014, is  
4 governed by the law in effect immediately before the effective date  
5 of this Act, and the former law is continued in effect for that  
6 purpose.

7       SECTION 4. If before implementing any provision of this Act  
8 a state agency determines that a waiver or authorization from a  
9 federal agency is necessary for implementation of that provision,  
10 the agency affected by the provision shall request the waiver or  
11 authorization and may delay implementing that provision until the  
12 waiver or authorization is granted.

13       SECTION 5. This Act takes effect immediately if it receives  
14 a vote of two-thirds of all the members elected to each house, as  
15 provided by Section 39, Article III, Texas Constitution. If this  
16 Act does not receive the vote necessary for immediate effect, this  
17 Act takes effect September 1, 2013.