

BILL ANALYSIS

Senate Research Center

S.B. 1151
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Health & Human Services
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Enrolled

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

"Third party administrators" (TPAs) are companies that provide administrative and operational services for insurers, such as claim processing, reporting, and benefit management. They are required to register and file annual reports with the Texas Department of Insurance (TDI). Under current Texas law, insurers utilizing TPAs must review their TPAs' operations at least semiannually and conduct on-site audits at least biennially.

During the COVID-19 pandemic, Texas and many other states granted temporary allowances for insurers to conduct these audits virtually. The success of these virtual audits demonstrated the feasibility of remote oversight and highlighted the need to modernize TPA audit laws permanently. Advances in technology and the growing adoption of hybrid work models have further reduced the necessity for in-person audits. Many TPAs no longer maintain permanent office spaces, and their employees operate remotely. Additionally, since most files and work processes are now digital, concerns over the physical security of records have diminished.

S.B. 1151 would provide regulatory flexibility by eliminating the requirement that insurers conduct the biennial audit on-site. Instead, insurers would have the discretion to determine whether an in-person or virtual audit is more effective for their needs. This bill does not change the requirement for audits to occur, nor does it alter any TDI reporting requirements. By modernizing the audit process, S.B. 1151 aligns Texas law with current business practices and technological capabilities while maintaining effective oversight of TPAs.

S.B. 1151 amends current law relating to an insurer's responsibility to review and audit a third-party administrator.

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 the heading to Section 4151.1042, Insurance Code, to read as follows:

Sec. 4151.1042. RESPONSIBILITIES OF INSURER; AUDIT AND REVIEW REQUIREMENTS.

SECTION 2. Amends Section 4151.1042(c), Insurance Code, to require an insurer, at least biennially, to conduct an audit, rather than an on-site audit, of the operations of an administrator.

SECTION 3. Effective date: September 1, 2025.