

BILL ANALYSIS

S.B. 1171
By: Estes
Insurance
Committee Report (Unamended)

BACKGROUND AND PURPOSE

Interested parties contend that the Texas Health Reinsurance System no longer functions as originally intended and that the system generates too many administrative expenses and consumes too much staff time and resources. S.B. 1171 seeks to provide for the suspension and reactivation of the operation of the system.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

S.B. 1171 amends the Insurance Code to restrict the period during which the Texas Health Reinsurance System may operate to the period during which an order authorizing operation of the system under the bill's provisions is in effect and to prohibit the system from operating after the effective date of an order of suspension of the system's operation until a subsequent order authorizing the operation of the system, if any, is effective.

S.B. 1171 requires the commissioner of insurance to hold a hearing if the commissioner believes small employer health benefit plan issuers in Texas are threatened with the inability to secure reinsurance coverage in the open market or if the commissioner receives a petition requesting the hearing from an association of health benefit plan issuers in Texas or a group of at least 15 small employer health benefit plan issuers operating in Texas. The bill requires the commissioner, if the commissioner finds after a hearing that the operation of the system is in the public interest, by order to authorize the operation of the system, appoint a system board of directors, and direct the board to develop a plan of operation to ensure the system is fully implemented on a date specified in the order that is not later than the 60th day after the effective date of the order. The bill makes specified statutory provisions relating to reinsurance for small employer health benefit plans applicable to the operation of the system after the date the system is implemented under the bill's provisions.

S.B. 1171 requires the commissioner to hold a hearing if the system is operating or is authorized to operate and either the commissioner believes small employer health benefit plan issuers in Texas are not threatened with the inability to secure reinsurance coverage in the open market or the commissioner receives a petition requesting the hearing from an association of health benefit plan issuers in Texas or a group of at least 15 small employer health benefit plan issuers operating in Texas. The bill requires the commissioner, if the commissioner after a hearing finds

that suspension of the system's operation is in the public interest, by order to direct the system's board to submit to the commissioner for approval, not later than the 60th day after the date of the order, a plan of suspension of the system's operation. The bill sets out requirements for such a plan of suspension and prohibits the effective date of the suspension from being later than the 270th day after the date the commissioner by order approves the plan of suspension. The bill requires the commissioner, if the board fails to submit a suitable plan of suspension and after notice and hearing, to adopt a plan in accordance with the bill's requirements for a plan of suspension.

S.B. 1171 authorizes the system's board to make a final assessment of the small employer health benefit plan issuers that, for any portion of the last year in which the system operated, were reinsured health benefit plan issuers but only if the board determines the assessment is necessary to recover net losses of the system. The bill makes the transactions necessary to complete execution of the plan of suspension subject to audit by the state auditor under state law. The bill requires the state auditor to report the cost of the final audit conducted under the bill's provisions to the board and the comptroller of public accounts and requires the board to remit that amount to the comptroller for deposit to the general revenue fund. The bill discharges the board serving immediately before the effective date of the suspension of the system's operation on the effective date of the suspension. The bill requires the commissioner, after the effective date of the suspension of the system's operation, to take any action necessary under the bill's provisions to distribute the surplus assets of the system until all remaining assets are distributed. The bill establishes that certain statutory provisions relating to reinsurance for small employer health benefit plans have no effect during a period in which the operation of the system is suspended.

S.B. 1171 requires the system's board serving on the bill's effective date to submit to the commissioner a plan of suspension of the system's operation, as described by the bill's provisions, not later than the 90th day after the bill's effective date. The bill requires the commissioner, if the board fails to timely submit the plan, to adopt a plan in accordance with the bill's provisions.

EFFECTIVE DATE

On passage, or, if the bill does not receive the necessary vote, September 1, 2017.