

BILL ANALYSIS

C.S.H.B. 3752
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Insurance
Committee Report (Substituted)

BACKGROUND AND PURPOSE

One of the issues facing Texans looking for better access to affordable health care is a lack of health insurance provider competition in many parts of the state, especially outside of the main population centers. Near-monopoly conditions in many parts of Texas have contributed to higher health insurance premiums and health care costs. The Texas Mutual Insurance Company (Texas Mutual) was established in the early 1990s by the Texas Legislature in response to rapidly increasing workers' compensation rates and an unstable market—not unlike today's individual health care marketplace.

Although it was required to be the insurer of last resort, the company was the only option available in many parts of the state. Within two years of its creation, the company was one of the state's largest workers' compensation insurers and it successfully paid the state back for all initial funding. The company was later granted the authority to operate as a mutual company, meaning it is fully owned by its members, and to operate as a domestic insurance company fully regulated by the Texas Department of Insurance. Today, Texas Mutual has about 40 percent of the state's workers' compensation market share and maintains an "A" rating from AM Best.

C.S.H.B. 3752 seeks to allow Texas Mutual to create, acquire, or otherwise own or operate subsidiaries to offer innovative, cost-effective solutions and bring the same level of affordable and effective success to the health insurance marketplace that it brought to the workers' compensation market.

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 rulemaking authority is expressly granted to the commissioner of insurance in SECTION 2 of this bill.

ANALYSIS

C.S.H.B. 3752 amends the Insurance Code to authorize the Texas Mutual Insurance Company (Texas Mutual) to create, acquire, or otherwise own or operate one or more subsidiaries. The bill authorizes such a subsidiary to offer accident or health insurance or another authorized type of health benefit plan in Texas, in accordance with a certificate of authority issued to the subsidiary.

C.S.H.B. 3752 authorizes a subsidiary of Texas Mutual that is not authorized to engage in the business of insurance in Texas to offer alternative health benefits to individuals, small businesses with not more than 250 full-time equivalent employees, and the company's

policyholders or their employees. The bill clarifies that those alternative health benefits are not subject to state law governing workers' compensation and must not be provided through an insurance policy or other product the offering or issuance of which constitutes the business of insurance in Texas. Texas Mutual may not be held liable for an act or obligation of a subsidiary and a subsidiary may not offer or issue any policy, plan, or benefits before January 1, 2023.

C.S.H.B. 3752 authorizes the commissioner of insurance to adopt rules as necessary to implement these provisions.

EFFECTIVE DATE

September 1, 2021.

COMPARISON OF ORIGINAL AND SUBSTITUTE

While C.S.H.B. 3752 may differ from the original in minor or nonsubstantive ways, the following summarizes the substantial differences between the introduced and committee substitute versions of the bill.

Whereas the original authorized Texas Mutual to develop, market, and operate a health benefits coverage plan to be offered to Texas residents and small employers with 50 or fewer employees and set out provisions related to that coverage, the substitute does not. Instead, the substitute authorizes Texas Mutual to create, acquire, or otherwise own or operate one or more subsidiaries to offer health benefits in accordance with a certificate of authority or alternative health benefits that are not subject to the laws governing workers' compensation in Texas and that is not provided through an insurance policy or other product the offering or issuance of which constitutes the business of insurance in Texas to individuals, small businesses with 250 or fewer full-time equivalent employees, and the company's policyholders and their employees.

The substitute includes provisions not in the original relating to the subsidiaries of Texas Mutual and authorizing the commissioner to adopt rules necessary to implement the bill's provisions.

The substitute changes the original's effective date from on passage, or, if the bill does not receive the necessary vote, September 1, 2021, to September 1, 2021.