

SUBJECT: Regulating stop-loss insurance policies

COMMITTEE: Insurance — committee substitute recommended

VOTE: 8 ayes — Smithee, Van de Putte, Averitt, Bonnen, Burnam, Eiland, Olivo, Wise
0 nays
1 absent — G. Lewis

WITNESSES: (*On original version:*)
For — None
Against — Will Davis
On — Kevin Chapman, Texas Professional Benefits Administrators, Rhonda Myron, Texas Department of Insurance

BACKGROUND : Employers that create self-funded insurance plans to provide health benefits for their employees can purchase stop-loss insurance policies to limit their financial risk. The insurer sets an attachment point, which, like the deductible on an individual health insurance policy, is the point at which the insurance company will begin to cover the cost of care.
Many insurers offer stop-loss policies for small employers with attachment points as low as \$500, which dramatically reduces the risk of self insurance. Self-insured health plans are not subject to state regulation.

DIGEST: CSHB 2090 would require that any stop-loss policy sold in Texas be filed with and approved by the Texas Department of Insurance. The bill would stipulate that stop-loss policies with an attachment point of less than \$5,000 or an aggregate attachment point that is lower than 110 percent of expected claims would be subject to statutes governing group accident and health insurance.

CSHB 2090 would apply to policies issued after September 1, 1997. Policies issued before September 1, 1997 and subsequently renewed would not be subject to the requirements of the bill.

**SUPPORTERS
SAY:**

CSHB 2090 would prevent insurers and small employers from using stop-loss policies to avoid state regulation of employee benefit programs. Stop-loss policies with low attachment points are helping fuel a trend toward self-insurance because they allow employers to avoid state regulation and mandated benefits, while requiring almost no financial risk on employer's part. With the protection of a stop-loss policy with a low attachment point, employers can get all the benefits of self-insuring while taking none of the risks. State laws governing accident and health insurance are designed to ensure that health benefit plans provide at least some basic coverages, such as maternity care. Stop-loss policies allow small employers to get around these requirements, and, in some cases, offer inferior coverage.

CSHB 2090 would ensure that all stop-loss policies are subject to regulatory oversight, and that policies with low attachment points, which are essentially health insurance policies, are treated as such by state regulators.

**OPPONENTS
SAY:**

Small employers should be able to reap the same benefits from self-insuring that large employers do. By subjecting small employers to mandated benefits and other requirements, CSHB 2090 could raise the cost of self-insuring for small employers.

NOTES:

The committee substitute reduced from \$10,000 to \$5,000 the threshold for TDI to regulate stop-loss policies.