

SUBJECT: Revisions to the small business health insurance cooperative

COMMITTEE: Insurance — favorable, without amendment

VOTE: 9 ayes — Smithee, Van de Putte, Averitt, Bonnen, Burnam, Eiland, G.
Lewis, Olivo, Wise

0 nays

WITNESSES: None

BACKGROUND : In 1993, the Legislature created the Texas Insurance Purchasing Alliance (TIPA), a health benefit purchasing cooperative designed to help small employers obtain health insurance.

DIGEST: HB 2795 would amend the statute governing TIPA to provide that it is a nonprofit corporation. The bill would eliminate the requirement that the executive director of the Texas Department of Commerce be a nonvoting ex-officio member of the TIPA board of trustees.

HB 2795 would specify that the cooperative, board members, employees and agents would not be liable for independent actions of insurance carriers or providers, and that the cooperative would be considered an employer solely for purposes of employee benefit elections.

The bill also would provide that the cooperative could offer products and services customarily offered in conjunction with health benefits plans, and that licensed agents used and compensated by the cooperative did not need to be specifically appointed by each participant in the cooperative unless they marketed other non-sponsored services of that insurance carrier. It would add to a provision requiring that it comply with applicable federal laws by stipulating that such compliance would be to the extent required by state law or rules adopted by the insurance commissioner.

HB 2795 would take effect September 1, 1997.

SUPPORTERS SAY: HB 2795 would clarify elements of the statute governing TIPA. The bill would establish that legal protections afforded board members of private purchasing cooperatives also apply to the state's purchasing cooperative and that TIPA companies can offer products related to health insurance, such as dental insurance and small term life policies, thereby enabling TIPA to better compete in the small business insurance marketplace.

Additionally, HB 2795 would clarify that state laws governing cooperatives prevail over federal laws. Although this provision would have no immediate effect, it may become necessary if the federal government passed laws governing cooperatives that conflict with existing state laws.

Eliminating the executive director of the Texas Department of Commerce as an ex-officio board member is a change that is supported by all parties involved. The executive director has been unable to participate in TIPA meetings since its founding and the board does not need statutory authority to call on Commerce Department expertise if and when necessary.

OPPONENTS SAY: No apparent opposition.