HOUSE
RESEARCH
ORGANIZATION bill analysis 5/11/2005

HB 1570
Taylor
(CSHB 1570 by B. Keffer)

SUBJECT: Permitting HMOs to offer plans with certain limitations on time and cost

COMMITTEE: Insurance — committee substitute recommended

VOTE: 7 ayes — Smithee, Seaman, Eiland, B. Keffer, Taylor, Thompson, Van Arsdale

0 nays

2 absent — Isett, Oliveira

WITNESSES: For — Jenny Fowler, Humana Inc.; Shelton Green, Texas Association of Business; Deborah Hammond, Pacificare Health Systems; Pati McCandless, UniCare, Texas Association of Health Plans; Leah Rummel, Texas Association of Health Plans

Against — Spencer Besthelsen, Texas Medical Association; Patricia Kolodzey, Texas Hospital Association; Kim Suiter, National Multiple Sclerosis Society Texas Chapters

BACKGROUND: The Insurance Code requires Health Maintenance Organizations (HMOs) that offer a basic health care plan to offer services without limitation as to time and cost, other than any limitation prescribed by rule of the commissioner.

DIGEST: CSHB 1570 would permit an HMO to impose limitations on time and cost for services. It would authorize the HMO to charge copayments, coinsurance, or deductibles for services. TDI could adopt restrictions on the amount charged as long as the restrictions were comparable to those established for preferred provider plans.

Health benefit plans would be permitted to modify a plan upon renewal as long as the modification applied uniformly to all large and small employers. An insurer could apply different participation and contribution requirements to small and large employer products.

The bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take

effect September 1, 2005. The bill would apply to policies issued or renewed on or after the effective date of the bill.

SUPPORTERS SAY:

Texas HMOs have some of the highest premium rates, relative to preferred provider organizations (PPOs), in the United States. Because HMOs are prohibited from limiting services, they are unable to be competitive with PPOs. An example of this disparity is home health services, which most PPOs limit to 60 days of services but which HMOs are required to offer without limitation.

The changes proposed in HB 1570 would not make HMOs significantly different from other products on the market today. Employers, employees, and regulators are familiar with the types of limitations envisioned by this bill.

The bill would not change network requirements for any plans. The filed version and committee substitute contained a provision about exclusive provider networks, but an author's floor amendment would delete that provision.

OPPONENTS SAY:

This bill would create a fundamental shift in what defines an HMO. That model of insurance was established on the basis of limited choice in exchange for low out-of-pocket costs. This bill would permit limited choice and high out-of-pocket costs, making them a worse deal for enrollees.

NOTES:

The committee substitute made changes to the section of the bill relating to exclusive provider networks, which the author intends to remove with an amendment.

The companion bill, SB 469 by Averitt, has been referred to the Senate State Affairs Committee.