

SUBJECT: Authorizing suspension of the Texas Health Reinsurance System

COMMITTEE: Insurance — favorable, without amendment

VOTE: 8 ayes — Phillips, R. Anderson, Gooden, Oliverson, Paul, Sanford, Turner, Vo

0 nays

1 absent — Muñoz

SENATE VOTE: On final passage, April 19 — 31-0, on Local and Uncontested Calendar

WITNESSES: *On House companion bill, HB 3343:*
For — Jennifer Cawley, Texas Association of Life and Health Insurers; Jamie Dudensing, Texas Association of Health Plans; Lee Manross, Texas Association of Health Underwriters

Against — None

On — Doug Danzeiser, Texas Department of Insurance

BACKGROUND: Insurance Code, sec. 1501.302 defines the Texas Health Reinsurance System as a nonprofit entity administered by a board of directors and subject to the supervision and control of the Commissioner of Insurance.

DIGEST: SB 1171 would allow the Texas Health Reinsurance System to be suspended and re-activated. The bill would prohibit the system from operating after the effective date of an order of suspension, and the system would remain suspended until a subsequent order authorizing its operation. On the date SB 1171 became effective, the board of the Texas Health Reinsurance System that was serving on that date would submit to the Commissioner of Insurance a plan for suspension of the system within 90 days. If the board did not submit a plan within that timeline, the commissioner would adopt a plan.

The Commissioner of Insurance would be required to hold a hearing, following a suspension of the Texas Health Reinsurance System, if the commissioner believed small employer health benefit plan issuers in Texas were threatened with the inability to secure reinsurance coverage in the open market or the commissioner received a petition requesting the hearing from an association of Texas health benefit plan issuers or a group of at least 15 small employer health benefit plan issuers operating in Texas.

If the commissioner found after a hearing that the operation of the system was in the public interest, the commissioner, by order, would:

- authorize the system's operation;
- appoint a board of directors; and
- direct the board to develop a plan of operation to ensure the system was fully implemented within 60 days of the order's effective date.

The commissioner could hold a new hearing with the same constituents as before and order the system to be suspended if the commissioner found that suspension of the system was in the public interest. The bill would specify what a suspension plan would include. The effective date of the suspension would have to be within 270 days of the commissioner's suspension order. If the board did not submit a suitable plan of suspension, the commissioner would adopt a plan after giving notice and holding a hearing.

The board of the Texas Health Reinsurance System could make a final assessment of the small employer health benefit plan issuers that, for any part of the last year in which the system operated, were reinsured benefit plan issuers. The board would make this assessment only if it determined the assessment was necessary to recover net losses of the system.

The transactions necessary to execute a suspension plan would be subject to audit by the state auditor, who would report the cost of the final audit to the board and the comptroller. The board would remit the cost of the audit to the comptroller for deposit to the general revenue fund.

The board that was serving immediately before the system's suspension of operation would be discharged on the effective date of the system's suspension. After such a suspension, the Commissioner of Insurance would take any necessary action to distribute the surplus assets of the system.

This 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, 2017.

NOTES: The House approved SB 1171, considered in lieu of a companion bill, HB 3343 by Paul, on May 12.