

BILL ANALYSIS

Senate Research Center
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H.B. 3023
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Economic Development
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Engrossed

DIGEST

Currently, a health maintenance organization (HMO) must maintain a surplus level of up to \$1,500,000 depending on the type of health care services being offered by the HMO. However, the HMO's surplus does not necessarily mean that the HMO is actually solvent. Under current law, an HMO's covered liabilities must exceed their uncovered liabilities. A covered liability is a cost borne by the HMO for services which are under the enrollee's contract, such as an enrollee visiting their primary care physician for their annual exam; an uncovered liability is a cost which the health plan did not anticipate, such as an enrollee seeing an emergency room physician at an out-of-network facility. HMOs with positive surpluses while having negative net worths, have continued to operate legally in Texas as long as they have had enough physicians to provide care to the enrollees. H.B. 3023 would set forth provisions regarding minimum net worth requirements for health maintenance organizations.

PURPOSE

As proposed, H.B. 3023 sets forth provisions regarding minimum net worth requirements for health maintenance organizations.

RULEMAKING AUTHORITY

Rulemaking authority is granted to the Commissioner of Insurance in SECTION 2 (Section 13C(a), Insurance Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 2, Article 20A.02, Insurance Code, by adding Subsection (aa), to define "net worth."

SECTION 2. Amends Chapter 20A, Insurance Code, by adding Sections 13A, 13B, and 13C, as follows:

Sec. 13A. MINIMUM NET WORTH. Requires a health maintenance organization authorized to provide basic health care services to maintain a minimum net worth of \$1.5 million. Requires a health maintenance organization authorized to provide limited health care services to maintain a minimum net worth of \$1 million. Requires a health maintenance organization authorized to offer a single health care service plan to maintain a minimum net worth of \$500,000. Sets forth what the minimum net worth required by this section is required to consist of.

Sec. 13B. PHASE-IN PERIOD FOR MINIMUM NET WORTH. Sets forth certain amounts and times a health maintenance organization authorized to provide basic health care services that was licensed before September 1, 1999, is required to achieve and maintain as a minimum net worth. Sets forth certain amounts and times a health maintenance organization authorized to provide limited health care services that was licensed before September 1, 1999, is required to achieve and maintain as a minimum net worth. Sets forth certain amounts and times a health maintenance organization authorized to offer only a single health care service plan that was licensed before September 1, 1999, is required to achieve and maintain as a minimum net worth. Provides that this section expires on January 1, 2003.

Sec. 13C. PROTECTION AGAINST INSOLVENCY: NET WORTH. Sets forth the Commissioner of Insurance's authorization to adopt rules, or by rule, to establish guidelines requiring any health maintenance organization that holds a certificate of authority under this Act to maintain a specified net worth based on certain criteria. Requires rules adopted or guidelines

established under Subsection (a) of this section to be designed to ensure the financial solvency of health maintenance organizations for the protection of enrollees. Authorizes the rules and guidelines to provide for a health maintenance organization to comply with a risk-based net worth requirement established under Subsection (a) of this section in stages over a two-year period.

SECTION 3. Repealers:

(1) Section 13(i), Article 20A.13, Insurance Code (Requires a health maintenance organization offering certain health care services to maintain certain minimum surplus amounts in either cash or certain bonds; authorizes the Commissioner of Insurance to take certain actions due to noncompliance)

(2) Section 13(j), Article 20A.13, Insurance Code (Sets forth certain amounts and times a health maintenance organization authorized to provide basic health care services and having surpluses of less than \$1,500,00 must maintain).

(3) Section 13(k), Article 20A.13, Insurance Code (Sets forth certain amounts and times a health maintenance organization authorized to provide limited health care services and having surpluses of less than \$1,000,000 must maintain).

(4) Section 13(l), Article 20A.13, Insurance Code (Sets forth certain amounts and times a health maintenance organization authorized to offer only a single health care service plan and having surpluses of less than \$500,000 must maintain).

SECTION 4. Effective date: September 1, 1999.

SECTION 5. Emergency clause.