

BILL ANALYSIS

Senate Research Center

S.B. 1144
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Health and Human Services
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As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Currently, health plans are not required to report exactly how they spend Medicaid dollars. Therefore, there is no way of knowing what proportion of the money goes to administrative or overhead costs and what proportion is allotted for health care.

As proposed, S.B. 1144 establishes a method for health plans to report the amount of Medicaid premiums they spend on health care: the medical loss ratio. This ratio, defined as "capitated fees earned" (the amount of Medicaid dollars allocated to the plan) divided by the "direct losses incurred" (the amount of Medicaid actually spent on patient care), gives the percentage of Medicaid dollars spent on health care. The remainder gives the percentage of money spent on administrative or overhead costs.

S.B. 1144 increases the transparency of Medicaid and allows the state and consumers to determine the efficiency of different health care plans. The executive commissioner of the Health and Human Services Commission has the right to analyze the ratios for accuracy and is required to annually distribute the ratios to the executive and legislative branches.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the executive commissioner of the Health and Human Services Commission in SECTION 1 (Section 32.0283, Human Resources Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Subchapter B, Chapter 32, Human Resources Code, by adding Section 32.0283, as follows:

Sec. 32.0283. MEDICAL LOSS RATIO. (a) Defines "capitated fees earned," "direct losses incurred," "direct losses paid," "executive commissioner," "health plan," and "medical loss ratio."

(b) Requires each health plan participating in the medical assistance program to report to the executive commissioner of the Health and Human Services Commission (executive commissioner) its medical loss ratio in the medical assistance program. Requires a health plan to report its medical loss ratio in a sworn statement by an officer of the health plan that has authority to bind the health plan.

(c) Authorizes the executive commissioner to require a health plan to provide any necessary information or documentation to analyze and verify a medical loss ratio reported under this section, and to issue subpoenas to compel the production of information, documentation, or testimony relating to a medical loss ratio. Authorizes the executive commissioner, with the assistance of the state auditor, to audit a health plan reporting a medical loss ratio to analyze and verify the ratio.

(d) Requires the executive commissioner to prepare an annual report analyzing medical loss ratios reported under this section. Requires copies of the annual report to be provided to the governor, the lieutenant governor, and the speaker of the house of representatives on or before January 15 of each year. Provides that

the annual report and all sworn medical loss ratios reported to the executive commissioner are public information under Chapter 552 (Public Information), Government Code.

(e) Requires the executive commissioner to adopt rules as necessary to implement this section, including rules regarding the frequency of reporting medical loss ratios.

SECTION 2. Requires the executive commissioner, as soon as practicable after the effective date of this Act, to adopt rules required under Section 32.0283, Human Resources Code, as added by this Act.

SECTION 3. Authorizes a state agency to delay implementing a provision of this Act until a requested federal waiver or authorization necessary to implement that provision is obtained.

SECTION 4. Effective date: upon passage or September 1, 2007.