

BILL ANALYSIS

Senate Research Center

S.B. 1255
By: Averitt
State Affairs
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As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

In 2003, the 78th Legislature, Regular Session, created health group cooperatives. During the implementation and rules adoption process, the Texas Department of Insurance (TDI) expressed concern that allowing both large and small employers within a single cooperative could be difficult to administer. The 79th Legislature prohibited small and large employers from participating in the same health cooperative. Since that time, TDI has resolved the administrative concerns and now supports removing the prohibition. Allowing for flexibility in the structure of a health cooperative can lessen the difficulties in developing a cooperative within a community.

As proposed, S.B. 1255 authorizes both large and small employers to participate within the same health cooperative. The bill also clarifies that membership in such a cooperative may be restricted to employers within a single industry.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 1501.0581, Insurance Code, by amending Subsections (a), (b), and (c) and adding Subsection (a-1), as follows:

- (a) Authorizes the membership of a health group cooperative (cooperative) to consist of both large and small employers, at the option of the cooperative. Deletes existing text prohibiting the membership of a cooperative from consisting of both small and large employers.
- (a-1) Authorizes the membership of a cooperative to be restricted to small and large employers within a single industry, notwithstanding Subsections (b) and (c).
- (b) Sets forth membership requirements for a cooperative. Makes conforming changes.
- (c) Makes conforming changes.

SECTION 2. Amends Section 1501.063, Insurance Code, as follows:

Sec. 1501.063. STATUS AS EMPLOYER. Provides that a cooperative composed of only small employers is considered a single employer under this code and is required to be treated in the same manner as a small employer for the purposes of this chapter. Provides that a cooperative composed of small and large employers, rather than only small employers, is considered a single employer under this code and requires that small employer members of a cooperative be treated in the same manner as a small employer. Authorizes a cooperative composed of large and small employers to elect to extend the protections of this chapter that apply to small employer groups to the large employer groups that participate in the cooperative. Deletes existing Subsections (b-1), (b-2), and (b-3) and existing text relating to an election described by Section 1501.0581 and a cooperative composed of only large employers being treated as a large employer.

SECTION 3. Repealer: Section 1501.0581(o) (relating to conditions under which a small employer is not allowed to join certain cooperatives), Insurance Code.

Repealer: Section 1501.0581(p) (relating to an election required in Subsection (o)), Insurance Code.

SECTION 4. Make the application of the repealers in SECTION 3 prospective.

SECTION 5. Makes the application of Section 1501.063, Insurance Code, as amended by this Act, prospective.

SECTION 6. Effective date: September 1, 2007.