

BILL ANALYSIS

Senate Research Center
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S.B. 1637
By: Williams
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Twenty-six percent of the adult Texas workforce is uninsured. Forty-five percent of that population is employed by an employer with less than 25 employees. Only a quarter of these employers are offering health insurance to employees, potentially due to the cost of health insurance policies for "small employers." Providing premium assistance to small employers for the purchase of small employment health benefit plans may reduce the number of uninsured by helping employers provide an affordable health insurance option to employees.

As proposed, S.B. 1637 creates the small employer premium assistance program.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the commissioner of insurance in SECTION 1 (Sections 1501.403 and 1501.410, Insurance Code) of this bill .

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Chapter 1501, Insurance Code, by adding Subchapter I, as follows:

SUBCHAPTER I. SMALL EMPLOYER PREMIUM ASSISTANCE PROGRAM

Sec. 1501.401. DEFINITION. Defines "program."

Sec. 1501.402. PROGRAM ESTABLISHED. (a) Requires the Texas Department of Insurance (TDI) to implement a small employer premium assistance program (program) to provide financial assistance for the purchase of small employer health benefit plans by small employers.

(b) Authorizes TDI to limit premium payment assistance provided or enrollment under the program to the levels supported by available funding.

Sec. 1501.403. ELIGIBILITY FOR PROGRAM. (a) Requires a small employer to employ an average of at least two employees but not more than 25 eligible employees at specific times, to not have offered health benefit plan coverage to employees during the 12-month period preceding the date of application, and to pay at least 50 percent of the premium of each eligible employee's coverage, in order to be eligible for the program.

(b) Provides that a small employer is ineligible for premium assistance under the program if the average annual compensation of the employer's employees, excluding the owner of the small employer, exceeds 300 percent of the federal poverty level as determined under rules adopted by the commissioner of insurance (commissioner), based on the federal Office of Management and Budget poverty index.

Sec. 1501.404. APPLICATION PROCESS. (a) Authorizes a small employer to apply to participate in the program in accordance with procedures established by TDI.

(b) Requires an applicant employer to provide documentation to verify the applicant's eligibility for the program, including wage information.

Sec. 1501.405. ENROLLMENT. (a) Requires TDI to allocate available enrollment opportunities in the program to geographic regions of the state based on the percentage of the state's small employers located in each region as determined by TDI.

(b) Requires TDI, within a geographic region, to enroll applicants in the program in the order in which the completed applications are received.

Sec. 1501.406. RENEWAL. Provides that program enrollment is valid for one year and may be renewed in accordance with procedures established by TDI.

Sec. 1501.407. AMOUNT OF PREMIUM ASSISTANCE. (a) Provides that a small employer participating in the program (participating small employer) will receive \$50 per employee per month in premium assistance, subject to Subsection (b).

(b) Provides that the amount of premium assistance payment per employee per month is reduced annually, on renewal, in increments of \$15.

Sec. 1501.408. PURCHASE OF SMALL EMPLOYER HEALTH BENEFIT PLAN. Requires a participating small employer to use premium assistance to purchase and maintain coverage under a small employer health benefit plan (plan). Authorizes the small employer to select any plan available in the small employer market in this state.

Sec. 1501.409. VERIFICATION OF USE OF PREMIUM ASSISTANCE. (a) Requires TDI to verify that participating small employers use premium assistance to purchase and maintain a plan.

(b) Provides that a small employer that fails to use premium assistance as required by this subchapter is liable to TDI for the amount of premium assistance provided that is not being used as required.

Sec. 1501.410. RULES. Requires the commissioner, in accordance with Subchapter A (Rules), Chapter 36, Insurance Code, to adopt rules necessary to implement this subchapter.

SECTION 2. Amends Section 1501.002(16), Insurance Code, to redefine "small employer health benefit plan issuer."

SECTION 3. Amends Section 1501.003, Insurance Code, to include Subchapter I, Chapter 1501, Insurance Code, as a subchapter which may classify an individual or group health benefit plan as a small employer health benefit plan.

SECTION 4. Requires the commissioner to adopt rules as necessary to implement Subchapter I, Chapter 1501, Insurance Code, as added by this Act, not later than December 1, 2007, with initial enrollment in the program established by that subchapter beginning on January 1, 2008.

SECTION 5. Effective date: upon passage or September 1, 2007.