BILL ANALYSIS

Senate Research Center
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S.B. 879
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

The purpose of this proposed legislation is to provide some premium rate assistance for consumers who qualify for coverage by the Texas Health Insurance Risk Pool (THIRP), but whose incomes make THIRP coverage unaffordable.

In accordance with Section 1506.105(e) (regarding the establishment of premium rates), Insurance Code, THIRP premium rates must be established to fully cover expected claims, expenses of operations, and any other cost factors. Such rates may not exceed 200 percent of the rates applicable to individual standard risk rates. Effectively, this standard has required THIRP premium rates to be set at 200 percent of rates charged for commercial individual health insurance policies.

THIRP surveys members who cancel coverage. According to the survey responses, 10 to 15 percent of members cancelled coverage because THIRP premium rates are too high. THIRP also polled new and renewing members about income levels. According to the unaudited results of those polls, 26 percent of pool members have household incomes of less than 200 percent of the federal poverty level (FPL); 22 percent have household incomes in the 200 to 300 percent of FPL range.

The aggregate amount of the discounted premium would be funded by increased assessments on the insurance companies that are subject to assessment for THIRP losses, provided that each carrier would be entitled to a premium tax credit for its pro rata share of the extra assessment necessary to fund the discount program and further provide that the maximum additional assessment and resulting premium tax credit for the biennium is capped at $20 million.

As proposed, S.B. 879 provides discounts to THIRP members whose household incomes are less than 300 percent of the standard rate risk. For members whose household incomes are under 200 percent of the FPL, the rates are required to be equal to the standard risk rate described by Section 1506.105(d) (regarding the establishment of the standard risk rate for THIRP), Insurance Code. For members whose household incomes are at or below 300 percent but not less than 200 percent of the FPL, premium rates are required to be 140 percent of the standard risk rate.

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 1506.105, Insurance Code, by amending Subsection (e) and adding Subsections (e-1) and (e-2) as follows:

> (e) Requires that premium rates be established to provide fully for all of the expected costs of claims, including recovery of prior losses, expenses of operation, investment income from claim reserves, and any other cost factors, subject to the limitations, rather than limitation, described in this subsection and Subsection (e-1). Provides that in no event may the Texas Health Insurance Risk Pool (THIRP) premium rates exceed 200 percent of the standard risk rate described by Subsection (d) (regarding the establishment of the standard risk rate for THIRP), rather than rates applicable to individual standard risks.

(e-1) Requires that discounted premiums, subject to Subsection (e-2), be offered on a sliding scale, based on financial need, as follows:

(1) for an individual whose household income is below 200 percent of the federal poverty measure, determined under the United States Department of Health and Human Services poverty guidelines in effect at the time coverage is provided, premium rates are required to equal the standard risk rate described by Subsection (d); and

(2) for an individual whose household income is at or below 300 percent, but not less than 200 percent, of the federal poverty measure, determined under the United States Department of Health and Human Services poverty guidelines in effect at the time coverage is provided, premium rates are required to equal 140 percent of the standard risk rate described by Subsection (d).

(e-2) Prohibits the aggregate premium discount under Subsection (e-1), determined by subtracting the dollar amount of premiums collected under Subsection (e-1) from the dollar amount that would have been collected if a discount was not available under Subsection (e-1), from exceeding $20 million for the two-year period beginning January 1, 2010, and ending December 31, 2011.

SECTION 2. Amends Subchapter F, Chapter 1506, Insurance Code, by adding Section 1506.260 as follows:

Sec. 1506.260. TAX CREDIT. (a) Entitles a health benefit plan issuer to a credit against the issuer's premium tax under Chapter 222 (Life, Health, and Accident Insurance Premium Tax) for premium discounts granted under Section 1506.105(e-1). Provides that each issuer's share of the premium discounts is based on the method described by Section 1506.253 (Assessments to Cover Net Losses) as calculated by THIRP.

(b) Provides that the tax credit applies to the premium tax due in the calendar year following the calendar year in which the assessment is paid. Authorizes an unused credit to be carried over to apply to the premium tax due in the five consecutive calendar years that follow the calendar year in which the credit is authorized to first be applied.

(c) Authorizes the balance of a tax credit not claimed in a particular year to be reflected in the books and records of the issuer as an admitted asset of the issuer.

(d) Authorizes available credit against premium tax allowed under this section to be transferred or assigned among health benefit plan issuers if a merger, acquisition, or total assumption of reinsurance among the issuers occurs, or the commissioner of insurance by order approves the transfer or assignment.

SECTION 3. (a) Makes application of this Act prospective to January 1, 2010.

(b) Authorizes a health benefit plan issuer to apply a tax credit under Section 1506.260, Insurance Code, as added by this Act, beginning with the first premium tax payment that is due on or after January 1, 2012.

SECTION 4. Effective date: September 1, 2009.