

- SUBJECT:** Authorizing suspension of the Texas Health Reinsurance System
- COMMITTEE:** Insurance — favorable, without amendment
- VOTE:** 8 ayes — Phillips, R. Anderson, Gooden, Oliverson, Paul, Sanford, Turner, Vo
- 1 nay — Muñoz
- WITNESSES:** For — (*Registered, but did not testify:* Jamie Dudensing, Texas Association of Health Plans; Lee Manross, Texas Association of Health Underwriters; Jennifer Cawley, Texas Association of Life and Health Insurers)
- Against — None
- On — (*Registered, but did not testify:* Doug Danzeiser, Texas Department of Insurance)
- BACKGROUND:** Insurance Code, sec. 1501.302 defines the Texas Health Reinsurance System as a nonprofit entity administered by a board of directors and subject to the supervision and control of the commissioner of insurance.
- DIGEST:** HB 3343 would allow the Texas Health Reinsurance System to be suspended and re-activated. The bill would prohibit the system from operating after the effective date of an order of suspension, and the system would remain suspended until a subsequent order authorizing its operation.
- The commissioner of insurance would be required to hold a hearing if the commissioner believed small employer health benefit plan issuers in Texas were threatened with the inability to secure reinsurance coverage in the open market, or the commissioner received a petition requesting the hearing from an association of Texas health benefit plan issuers or a group of at least 15 small employer health benefit plan issuers operating in Texas.

If the commissioner found after a hearing that the operation of the system was in the public interest, the commissioner, by order, would:

- authorize the system's operation;
- appoint a board of directors; and
- direct the board to develop a plan of operation to ensure the system was fully implemented within 60 days of the order's effective date.

The commissioner could hold a new hearing with the same constituents as before and order the system to be suspended if the commissioner found that suspension of the system was in the public interest. The bill would specify what a suspension plan would include. The effective date of the suspension would have to be within 270 days of the commissioner's suspension order. If the board did not submit a suitable plan of suspension, the commissioner would adopt a plan after giving notice and holding a hearing.

The board of the Texas Health Reinsurance System could make a final assessment of the small employer health benefit plan issuers that, for any part of the last year in which the system operated, were reinsured benefit plan issuers. The board would make this assessment only if it determined the assessment was necessary to recover net losses of the system.

The transactions necessary to execute a suspension plan would be subject to audit by the state auditor, who would report the cost of the final audit to the board and the comptroller. The board would remit the cost of the audit to the comptroller for deposit to the general revenue fund.

The board that was serving immediately before the system's suspension of operation would be discharged on the effective date of the system's suspension. After such a suspension, the commissioner of insurance would take any necessary action to distribute the surplus assets of the system. The board that was serving on the bill's effective date would submit to the commissioner of insurance a plan for suspension of the system within 90 days of the effective date. If the board did not submit a

plan within that timeline, the commissioner of insurance would adopt a plan.

This bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2017.

**SUPPORTERS
SAY:**

HB 3343 would allow the commissioner to suspend and reactivate the Texas Health Reinsurance System as needed, such as in response to a change in health care law or future market capacity concerns. The bill is the product of recommendations by the Texas Department of Insurance to address the fact that the Texas Health Reinsurance System no longer functions as intended by the Legislature.

**OPPONENTS
SAY:**

The Texas Health Reinsurance System is serving its purpose of helping small employer benefit plan issuers to secure reinsurance coverage and does not need a process to be implemented for its suspension.

NOTES:

A companion bill, SB 1171 by Estes, was approved by the Senate on April 19 and referred to the House Insurance Committee on May 5.