

BILL ANALYSIS

Senate Research Center
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S.B. 979
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Hospital indemnity policies have been in the insurance marketplace for decades and pay benefits directly to the policyholder to assist with out of pocket costs associated with an accident or sickness. While policies always provide benefits related to hospital confinement, the coverage typically provides additional benefits that do not require a confinement – benefits that are critically important given the breadth of procedures now performed on an outpatient basis.

Section 1201.104 (Minimum Standards for Benefits), Insurance Code, directs the Texas Department of Insurance (TDI) to set minimum standards for various categories of health insurance. Although enacted in 2003, the language used is based on an NAIC model first adopted in 1974. This language identifies the coverage at issue as “hospital confinement indemnity coverage.”

Upon enacting the Health Insurance Portability and Accountability Act (HIPAA) in 1996, Congress referred to this same category of coverage as “hospital indemnity or other fixed indemnity insurance.” In the ensuing years, the legislature has used this exact language in various sections of the Insurance Code.

Although “hospital confinement indemnity” and “hospital indemnity” are used interchangeably, the inclusion of the term “confinement” in Section 1201.104 has been misconstrued to preclude benefits not conditioned on confinement.

TDI needs clear statutory authority to ensure consumers continue to have access to hospital indemnity coverage with these valuable benefits. S.B. 979 replaces the term “hospital confinement indemnity coverage” with “hospital indemnity or other fixed indemnity insurance” to give TDI this authority.

The bill requires the commissioner of insurance to adopt any rules necessary for implementation.

As proposed, S.B. 979 amends current law relating to individual indemnity health insurance.

RULEMAKING AUTHORITY

Rulemaking authority previously granted to the commissioner of insurance is modified in SECTION 1 (Section 1201.104, Insurance Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 1201.104(a), Insurance Code, as follows:

(a) Requires the commissioner of insurance (commissioner), for individual accident and health insurance policies, to adopt rules establishing minimum standards for benefits under each of the following categories of coverage:

(1) and (2) Makes no change to these subdivisions;

(3) hospital indemnity or other fixed indemnity, rather than hospital confinement indemnity;

(4)-(9) Makes no change to these subdivisions.

SECTION 2. Requires the commissioner, not later than January 1, 2016, to adopt any rules necessary to implement Section 1201.104, Insurance Code, as amended by this Act.

SECTION 3. Effective date: upon passage or September 1, 2015.