

BILL ANALYSIS

Senate Research Center
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C.S.H.B. 3752
By: Frank et al. (Hancock)
Business & Commerce
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Committee Report (Substituted)

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

The Texas Mutual Insurance Company (Texas Mutual) was established in the early 1990s by the Texas Legislature in response to rapidly increasing workers' compensation rates and an unstable market. Although it was required to be the insurer of last resort, the company was the only option available in many parts of the state. Within two years of its creation, the company was one of the state's largest workers' compensation insurers and it successfully paid the state back for all initial funding. The company was later granted the authority to operate as a mutual company, meaning it is fully owned by its members, and to operate as a domestic insurance company fully regulated by the Texas Department of Insurance. Today, Texas Mutual has about 40 percent of the state's workers' compensation market share and maintains an "A" rating from AM Best. H.B. 3752 seeks to allow Texas Mutual to create, acquire, or otherwise own or operate subsidiaries to offer innovative, cost-effective solutions and bring the same level of affordable and effective success to the health insurance marketplace that it brought to the workers' compensation market.

(Original Author's / Sponsor's Statement of Intent)

C.S.H.B. 3752 amends current law relating to the offering of health benefit coverage by subsidiaries of the Texas Mutual Insurance Company.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the commissioner of insurance in SECTION 2 (Section 2054.604, Insurance Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 2054.107, Insurance Code, as follows:

Sec. 2054.107. CERTAIN RELATIONSHIPS WITH OTHER INSURERS PROHIBITED. Creates an exception under Section 2054.602. Makes a nonsubstantive change.

SECTION 2. Amends Chapter 2054, Insurance Code, by adding Subchapter M, as follows:

SUBCHAPTER M. SUBSIDIARIES AUTHORIZED TO PROVIDE HEALTH BENEFIT COVERAGE

Sec. 2054.601. DEFINITION. Defines "alternative health benefit coverage."

Sec. 2054.602. HEALTH BENEFIT COVERAGE OFFERED BY SUBSIDIARY AUTHORIZED. (a) Authorizes the Texas Mutual Insurance Company (company) to create, acquire, or otherwise own or operate one or more subsidiaries that offer accident or health insurance or another type of health benefit coverage or health benefit plan as provided by this subchapter.

(b) Authorizes a subsidiary of the company to offer in this state accident or health insurance or another type of health benefit plan authorized under this code, in accordance with a certificate of authority issued to the subsidiary under this code,

or to offer in this state alternative health benefit coverage as described by Section 2054.601.

(c) Prohibits a subsidiary of the company from offering or issuing an occupational policy for an employer or an employer's employees covering an occupational bodily injury, disease, or death that explicitly provides liability coverage to an employer that elects not to maintain workers' compensation insurance coverage under Chapter 406 (Workers' Compensation Insurance Coverage), Labor Code.

(d) Prohibits a subsidiary of the company from offering or issuing any policy, plan, or benefit coverage under this section before September 1, 2023. Provides that this subsection expires September 1, 2023.

Sec. 2054.603. CONSIDERATIONS AND GUIDING PRINCIPLES FOR DEVELOPING HEALTH BENEFIT COVERAGE OFFERINGS. Requires the company, in developing health benefit coverage or health benefit plan options to be offered through a subsidiary of the company, to fully explore all health coverage options that are authorized to be offered under this subchapter and place emphasis on:

- (1) increasing competition in the health insurance market;
- (2) utilizing innovations that improve the quality of health care while lowering health care costs;
- (3) ensuring adequacy of benefits and access to care for individuals in this state with preexisting conditions;
- (4) issuing coverage in a manner that does not discriminate against individuals with preexisting conditions;
- (5) leveraging federal tax credits that may be available for private health benefit plans to the greatest extent possible to increase the affordability of health benefit plans;
- (6) ensuring transparency and coherence of costs and coverage to inform individuals shopping for health benefits;
- (7) reducing incidences of medical debt faced by individuals in this state and uncompensated care faced by providers in this state; and
- (8) ensuring equitable costs regardless of gender or prospects of pregnancy or childbirth.

(b) Requires the company, not later than September 1, 2022, to submit to the legislature a report explaining how any anticipated health benefit coverage offerings would comply with all considerations and guiding principles for developing health benefit coverage offerings under Subsection (a). Provides that this subsection expires January 1, 2023.

Sec. 2054.604. RULES. Authorizes the commissioner of insurance to adopt rules as necessary to implement this subchapter, except with respect to alternative health benefit coverage as described by Section 2054.601 or a subsidiary of the company offering alternative health benefit coverage.

Sec. 2054.605. EXEMPTION FROM OTHER INSURANCE LAWS. Provides that a provision of this code, other than Chapter 2054 (Texas Mutual Insurance Company), does not apply to alternative health benefit coverage as described by Section 2054.601 unless alternative health benefit coverage is expressly mentioned in the other law.

Sec. 2054.606. SUBSIDIARY NOT ENGAGED IN BUSINESS OF INSURANCE. Provides that, notwithstanding any other provision of this code, for the purposes of offering alternative health benefit coverage as described by Section 2054.601, a subsidiary of the company that acts in accordance with this subchapter is not an insurer and is not engaging in the business of insurance in this state.

Sec. 2054.607. RISK TRANSFER OR COVERAGE. Authorizes a subsidiary of the company that offers health benefit coverage under this subchapter to contract with an outside company authorized to engage in the business of insurance in this state that is not under common control with the company or the subsidiary to:

(1) transfer to the outside company all or a portion of the subsidiary's risks arising from health benefit coverage offered under this subchapter; or

(2) obtain insurance coverage from the outside company guarantying the subsidiary's obligations arising from health benefit coverage offered under this subchapter.

Sec. 2054.608. EXPIRATION OF SUBCHAPTER. Provides that this subchapter expires August 31, 2023.

SECTION 3. Effective date: September 1, 2021.