

SUBJECT: Licensing requirements for HMO agents

COMMITTEE: Insurance — favorable, without amendment

VOTE: 9 ayes — Smithee, Van de Putte, Averitt, Bonnen, Burnam, Eiland, G. Lewis, Olivo, Wise
0 nays

WITNESSES: For — Tyson Paine, Texas Association of Life Underwriters
Against — None

BACKGROUND : The Texas Insurance Code has separate agent licensing requirements for life, accident and health insurance and health maintenance organizations. In general, licensing requirements for life, accident and health agents are more stringent and comprehensive than those governing agents who sell HMO memberships. For example, life insurance agents are required to complete forty hours of training, ten of which must be in a classroom setting, in order to receive a license. By contrast, HMOs are required only to certify that their agents have received four hours of training from one of the HMO's agents and a manual describing the HMO's services and regulations governing HMOs.

Independent agents who sell HMO memberships as well as life, accident and health insurance currently must fulfill separate licensing requirements for life, accident and health insurance and for selling HMO memberships.

DIGEST: HB 219 would repeal the sections of the Texas Health Maintenance Organization Act that stipulate licensing requirements for HMO agents and make those agents subject to the regulations governing life, accident and health insurance agents.

The bill would change the composition of the Advisory Board to the Insurance Commissioner, reducing the number of life insurance agents represented on the board from two to one and adding a representative of an HMO. Training programs for all agents would have to include information

about the broad principles of HMOs and related licensing and regulating laws.

Current laws governing HMO agents for single health care plans would apply only to agents licensed before January 1, 1998. The Texas Department of Insurance would not be allowed to issue new licenses under those requirements after December 31, 1997. The current laws governing HMO agent licensing would be repealed January 1, 2000.

The other provisions of HB 219 would take effect September 1, 1997.

**SUPPORTERS
SAY:**

HB 219 would eliminate needless bureaucratic duplication by allowing agents with one license to sell both HMO plans and other benefit plans. Currently, individuals must submit two applications, take two exams and pay for two licenses in order to qualify as HMO agents and as agents for legal reserve life insurance companies ("Group 1 agents"). A Group 1 agent who does not have an HMO license currently may not market HMOs. This means that employers and other insurance consumers may be prevented from finding out about an HMO simply because of this artificial bureaucratic barrier.

The current requirements create unnecessary duplication for the Texas Department of Insurance as well as agents. This bill would simplify licensing procedures while maintaining standards for all agents.

**OPPONENTS
SAY:**

No apparent opposition.

NOTES:

A similar bill, HB 222 by Brimer, passed the House during the 74th regular session in 1995 but died in the Senate Economic Development Committee.