

- SUBJECT:** Authorizing subsidiaries of Texas Mutual to offer health benefits
- COMMITTEE:** Insurance — committee substitute recommended
- VOTE:** 5 ayes — Oliverson, Hull, Middleton, Paul, Sanford
- 3 nays — J. González, Israel, Romero
- 1 absent — Vo
- WITNESSES:** For — Charles Miller, Texas 2036; Richard Gergasko and Ron Simmons, Texas Mutual Insurance Company; (*Registered, but did not testify*: Shannon Jaquette, Texas Catholic Conference of Bishops; Paul Schlaud, Texas Mutual Insurance Company; David Balat, Texas Public Policy Foundation)
- Against — Carl Isett, Texas Association of Benefit Administrators; Bill Hammond, Texas Employers for Insurance Reform; (*Registered, but did not testify*: Patricia Kolodzey, Blue Cross Blue Shield of Texas)
- On — Blake Hutson, AARP Texas; Jamie Dudensing, Texas Association of Health Plans; (*Registered, but did not testify*: Jenny Blakey, Office of the Public Insurance Counsel)
- BACKGROUND:** Insurance Code ch. 2054 governs the Texas Mutual Insurance Company, which provides workers' compensation insurance. Sec. 2054.107 prohibits the company from having:
- an affiliate, spin-off, or subsidiary that writes a line of insurance other than workers' compensation insurance; or
  - interlocking boards of directors with an insurer that writes a line of insurance other than workers' compensation insurance.
- DIGEST:** CSHB 3752 would authorize the Texas Mutual Insurance Company to create, acquire, or otherwise own or operate one or more subsidiaries that offered accident or health insurance or another specified type of health

benefit or health plan. A subsidiary of the company could offer accident or health insurance or another type of health plan authorized under current law, in accordance with a certificate of authority issued to the subsidiary under the Insurance Code, or alternative health benefits.

Under the bill, "alternative health benefits" would mean health benefits:

- provided by a subsidiary of the company that was not authorized to engage in the business of insurance in the state;
- offered only to individuals, small businesses with a maximum of 250 full-time employees, or the company's policyholders or their employees; and
- that were not provided through an insurance policy or other offered or issued product which constituted the business of insurance; or
- that were not benefits subject to the state's workers' compensation laws.

The bill would prohibit a subsidiary from offering or issuing any policy, plan, or benefits under the bill before January 1, 2023. This provision would expire September 1, 2023.

The Texas Mutual Insurance Company could not be held liable for an act or obligation of a subsidiary of the company that operated under the bill.

The commissioner of the Texas Department of Insurance could adopt rules to implement the bill's provisions.

CSHB 3752 also would make certain conforming changes under current law.

The bill would take effect September 1, 2021.

**SUPPORTERS  
SAY:**

CSHB 3752 would increase access to affordable health insurance for individuals, especially those in rural communities, and employees of small businesses by allowing a subsidiary of the Texas Mutual Insurance Company to provide a health insurance product to Texans. Because there

is a lack of provider competition outside major metropolitan areas, many Texans in less populated areas struggle to find affordable health care. Near-monopoly conditions in many parts of Texas have contributed to higher health insurance premiums and overall health care costs.

The Texas Mutual Insurance Company was established by the Legislature in 1991 in response to rapidly increasing workers' compensation rates and an unstable market, not unlike today's individual health insurance market. Within two years of creation, the company was one of the state's largest workers' compensation insurers. Today, Texas Mutual has about 40 percent of the state's workers' compensation market share and maintains an "A" rating from AM Best. The bill would enable Texas Mutual to bring the same level of affordability to the health insurance market that it currently brings to the workers' compensation market.

**CRITICS  
SAY:**

By authorizing Texas Mutual subsidiaries that were exempt from insurance regulations to provide health benefits in Texas, CSHB 3924 could decrease consumer protections and increase financial risk in the health insurance market. These entities would not be subject to preexisting condition protections or network adequacy requirements, among other essential consumer protections. This also could produce instability in the market, divide up the individual risk pool, and unnecessarily inflate the cost of insurance for Texans who rely on comprehensive coverage.