

BILL ANALYSIS

Senate Research Center
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S.B. 1479
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Title 8 (Health Insurance and Other Health Coverages), Subtitle E (Benefits Payable Under Health Coverages), Insurance Code, contains statutes that relate to mandated benefits in health benefit plans, such as the mandates for home health services, immunizations, or for diabetic services and supplies.

The purpose of mandated benefit laws is to require health benefit plans to provide coverage for specific health care services. Mandated benefit laws apply to health benefit plans, such as a Preferred Provider Organization (PPO) and a Health Maintenance Organization (HMO) plans offered by insurance companies and HMOs. Mandated benefit laws typically do not apply to certain types of health insurance products, such as dental and vision plans, accident-only plans, limited benefit plans, and other supplemental type policies.

Supplemental or limited benefit policies do not reimburse for medical services. Therefore, there is no rationale for making mandated benefits applicable to those coverages. Supplemental benefit policies are designed and sold to provide supplemental benefits in the event of serious illness or hospitalization. Supplemental benefit policies provide a cash payment directly to the policyholder in the event of a specific illness or diagnosis. Unlike major medical health insurance policies or HMO coverage, supplemental policies provide limited benefits for a very low premium cost. The policies are typically sold directly to an individual and are guaranteed renewable. The benefits are payable in addition to and regardless of other coverage the insured may have. They are intended to offset co-pays and deductibles as well as any out of pocket expenses the policyholder may incur due to an illness or hospitalization.

Even if there were a rationale for applying a mandated benefit to a supplemental policy, the cost for providing the additional benefit would disproportionately increase the cost of the policy in relation to the supplemental benefits provided. Such a premium increase would unnecessarily jeopardize the viability of low premium supplemental policies and would cause the insured to receive duplicate benefits for the same service they would receive under their major medical or hospitalization coverage.

As proposed, S.B. 1479 creates a standard exemption in Title 8, Subtitle E, Insurance Code, to ensure that mandated benefits do not apply to supplemental coverage unless specifically referenced in the mandated benefit statute.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Subtitle G, Title 8, Insurance Code, by adding Chapter 1509, as follows:

CHAPTER 1509. SUPPLEMENTAL OR LIMITED COVERAGE PLANS

Sec. 1509.001. DEFINITION. Defines "supplemental or limited coverage plan."

Sec. 1509.002. EXEMPTION. Provides that a supplemental or limited coverage plan is not required to provide coverage for a state-mandated benefit, as that term is used by Chapter 1507 (Consumer Choice of Benefits Plans).

SECTION 2. Makes application of this Act prospective to January 1, 2010.

SECTION 3. Effective date: September 1, 2009.