

BILL ANALYSIS

Senate Research Center
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S.B. 207
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Spiraling health care costs are driving health insurance carriers to implement cost-containment measures that might result in decreased claims payouts and increased numbers of policy rescissions. In fact, national claims data indicate that the amount insurance carriers are paying out for claims is lower than in the past, and consumers are paying more medical expenses out-of-pocket.

The increase of health insurance policy cancellations and rescissions have caused a number of states to subject major health insurers to regulatory inquiries and subsequent fines. For example, last year in California, both Anthem Blue Cross of California and Blue Shield of California agreed to reinstate insurance coverage to a total of 2,220 former members whose policies were revoked and pay up to \$15 million in fines. The Managed Health Care Department of California has reached similar settlements with other insurers over policy rescissions.

This bill is intended to protect consumers from unscrupulous carriers that seek to maximize profit by prohibiting health insurance carriers from offering any monetary or material compensation to incentivize an employee to increase the number of rescinded or canceled health insurance policies, or to reduce the payout associated with a claim.

As proposed, S.B. 207 relates to prohibiting certain compensation based on rescinding, canceling, or limiting coverage under health benefit plans.

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 C, Title 6, Insurance Code, by adding Chapter 848, as follows:

CHAPTER 848. CERTAIN COMPENSATION PROHIBITED

Sec. 848.001. **APPLICABILITY.** Provides that this chapter applies to a health benefit plan that provides benefits in this state for medical or surgical expenses incurred as a result of a health condition, accident, or sickness, including an individual, group, blanket, or franchise insurance policy or insurance agreement, a group hospital service contract, or an individual or group evidence of coverage or similar coverage document that is offered by an insurance company; a group hospital service corporation operating under Chapter 842 (Group Hospital Service Corporations); a fraternal benefit society operating under Chapter 885 (Fraternal Benefit Societies); a stipulated premium company operating under Chapter 884 (Stipulated Premium Insurance Companies); a reciprocal exchange operating under Chapter 942 (Reciprocal and Interinsurance Exchanges); a health maintenance organization operating under Chapter 843 (Health Maintenance Organizations); a multiple employer welfare arrangement that holds a certificate of authority under Chapter 846 (Multiple Employer Welfare Arrangements); or an approved nonprofit health corporation that holds a certificate of authority under Chapter 844 (Certification of Certain Nonprofit Health Corporations).

Sec. 848.002. PROHIBITED COMPENSATION. (a) Prohibits the issuer of a health benefit plan from permitting or providing compensation or another thing of value to a person or entity who is employed by, or who contracts with the issuer to provide services to, the issuer, including an agent, based on or related in any way to the number of insurance policies, insurance agreements, contracts, or evidences of coverage that the person or entity has caused or recommended to be rescinded, canceled, or limited, or any resulting savings accruing to the issuer because of adverse determinations regarding claims for benefits, reductions of or limitations on benefits, or other analogous actions.

(b) Prohibits a health benefit plan issuer from setting performance goals or quotas, or providing compensation to any person or entity who is employed by, or who contracts with the issuer to provide services to the issuer, including an agent, based on the number of persons whose health benefit plan coverage is rescinded, or any financial savings to the issuer associated with rescission of coverage.

SECTION 2. Effective date: September 1, 2009.