

SUBJECT: Additional notice requirements for group health insurance policies

COMMITTEE: Insurance — committee substitute recommended

VOTE: 8 ayes — Smithee, Seaman, Isett, Eiland, B. Keffer, Oliveira, Taylor,  
Van Arsdale

0 nays

1 absent — Thompson

WITNESSES: *(On original version:)*

For — None

Against — Shelton Green, Texas Association of Business; Pati McCandless, UniCare, Texas Association of Health Plans; Mike Pollard, Texas Association of Life and Health Insurers; Leah Rummel, Texas Association of Health Plans; Stacy Springer, Texas Small Business Alliance.

BACKGROUND: Insurance Code, sec. 1251.201 requires group health insurance companies to provide policyholders, for distribution to each covered member of the group, certificates of insurance that summarize the essential features of the coverage and state the person to whom benefits are payable.

DIGEST: CSHB 765 would amend Insurance Code, sec. 1251.201 to require that the certificate of insurance provided by group health insurance companies include the annual deductible, annual and lifetime policy limits, and maximum out-of-pocket expenses under the policy, as well as a notice informing the employee or member of the availability of and premiums for a rider or separate insurance policy that would provide additional coverage.

The bill would take effect September 1, 2005. The new requirements would apply only to policies delivered, issued for delivery or renewed on or after January 1, 2006.

**SUPPORTERS  
SAY:**

CShB 765 would help ensure that people who had group health insurance were better informed about the limits of these policies and any additional coverage. Even though the Texas Department of Insurance (TDI) already considers such information an essential feature of a policy, establishing the requirement in statute would ensure that all insurers properly informed their policyholders.

Many people are not aware of the limits of their group health insurance policies until they become ill and discover that their policy does not cover health care costs that exceed the coverage limits. Employees should be informed about options for additional coverage so that they could decide whether they wanted to assume the cost of additional coverage.

**OPPONENTS  
SAY:**

CShB 765 is unnecessary because TDI already considers annual deductibles, policy limits and maximum out of pocket expenses to be essential features of a policy that, under current law, must be included in a certificate of insurance. Insurers already routinely inform policyholders of the availability of additional coverage. The bill should clarify that insurers would be required to notify policyholders only if such additional coverage was available.

Even when offered additional coverage, many healthy people do not purchase it because they do not want to pay the premium and do not believe they will get sick. The bill would not change this behavior.

By adding another notice requirement, CShB 765 could dilute the effectiveness of notices to policyholders. Insurance policies already are filled with notices that most policyholders do not read. As more and more notices are included in policies, the important information is crowded out and may not be read.

**NOTES:**

The original version of the bill would have required health insurance policies that provided coverage for 10 or more policyholders to provide a minimum of \$500,000 of coverage for the diagnosis and treatment of catastrophic illness or injury, including cancer and any terminal illness, for each individual insured under the policy.