

1-1 By: Estes S.B. No. 1171
 1-2 (In the Senate - Filed March 1, 2017; March 9, 2017, read
 1-3 first time and referred to Committee on Business & Commerce;
 1-4 April 3, 2017, reported favorably by the following vote: Yeas 8,
 1-5 Nays 0; April 3, 2017, sent to printer.)

1-6 COMMITTEE VOTE

	Yea	Nay	Absent	PNV
1-7 Hancock	X			
1-8 Creighton	X			
1-9 Campbell	X			
1-10 Estes	X			
1-11 Nichols	X			
1-12 Schwertner	X			
1-13 Taylor of Galveston			X	
1-14 Whitmire	X			
1-15 Zaffirini	X			

1-17 A BILL TO BE ENTITLED
 1-18 AN ACT

1-19 relating to the suspension and reactivation of the operation of the
 1-20 Texas Health Reinsurance System.

1-21 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-22 SECTION 1. Section 1501.302, Insurance Code, is amended to
 1-23 read as follows:

1-24 Sec. 1501.302. TEXAS HEALTH REINSURANCE SYSTEM. (a) The
 1-25 Texas Health Reinsurance System is a nonprofit entity administered
 1-26 by a board of directors and subject to the supervision and control
 1-27 of the commissioner.

1-28 (b) The system may operate only during the period an order
 1-29 authorizing operation of the system under Section 1501.3021 is in
 1-30 effect. The system may not operate after the effective date of an
 1-31 order of suspension of operation of the system under Section
 1-32 1501.3022 until a subsequent order authorizing the operation of the
 1-33 system under Section 1501.3021, if any, is effective.

1-34 SECTION 2. Subchapter G, Chapter 1501, Insurance Code, is
 1-35 amended by adding Sections 1501.3021 and 1501.3022 to read as
 1-36 follows:

1-37 Sec. 1501.3021. AUTHORIZATION OF OPERATION. (a) The
 1-38 commissioner shall hold a hearing if:

1-39 (1) the commissioner believes small employer health
 1-40 benefit plan issuers in this state are threatened with the
 1-41 inability to secure reinsurance coverage in the open market; or

1-42 (2) the commissioner receives a petition requesting
 1-43 the hearing from an association of health benefit plan issuers in
 1-44 this state or a group of at least 15 small employer health benefit
 1-45 plan issuers operating in this state.

1-46 (b) If, after a hearing under Subsection (a), the
 1-47 commissioner finds that the operation of the system is in the public
 1-48 interest, the commissioner by order shall:

1-49 (1) authorize the operation of the system;

1-50 (2) appoint a board of directors under Section
 1-51 1501.303; and

1-52 (3) direct the board to develop a plan of operation
 1-53 under Section 1501.306 to ensure the system is fully implemented on
 1-54 a date specified in the order that is not later than the 60th day
 1-55 after the effective date of the order.

1-56 (c) Sections 1501.307-1501.326 apply to the operation of
 1-57 the system after the date the system is implemented as described by
 1-58 Subsection (b)(3).

1-59 Sec. 1501.3022. SUSPENSION OF OPERATION. (a) The
 1-60 commissioner shall hold a hearing if the system is operating or is
 1-61 authorized to operate and:

2-1 (1) the commissioner believes small employer health
2-2 benefit plan issuers in this state are not threatened with the
2-3 inability to secure reinsurance coverage in the open market; or
2-4 (2) the commissioner receives a petition requesting
2-5 the hearing from an association of health benefit plan issuers in
2-6 this state or a group of at least 15 small employer health benefit
2-7 plan issuers operating in this state.

2-8 (b) If, after a hearing under Subsection (a), the
2-9 commissioner finds that suspension of the operation of the system
2-10 is in the public interest, the commissioner by order shall direct
2-11 the board to submit to the commissioner for approval, not later than
2-12 the 60th day after the date of the order, a plan of suspension of
2-13 operation of the system.

2-14 (c) A plan of suspension under Subsection (b) must:

2-15 (1) specify the date after which a health benefit plan
2-16 issuer that is a risk-assuming health benefit plan issuer on the
2-17 effective date of the plan of suspension may not:

2-18 (A) become a reinsured health benefit plan issuer
2-19 under Sections 1501.310, 1501.311, and 1501.312; and
2-20 (B) reinsure with the system a small employer
2-21 group, or any risk, covered under any small employer health benefit
2-22 plan;

2-23 (2) specify the date after which a health benefit plan
2-24 issuer that is a reinsured health benefit plan issuer on the
2-25 effective date of the plan of suspension may not:

2-26 (A) reinsure with the system additional small
2-27 employer groups in accordance with Section 1501.314; or
2-28 (B) cede additional eligible lives to the system
2-29 in accordance with Section 1501.314;

2-30 (3) provide for:

2-31 (A) the filing, receipt, processing, and payment
2-32 of all claims against and debts of the system, and extinguishment of
2-33 all liabilities of the system, including balances on any lines of
2-34 credit that may have been established by or on behalf of the system;
2-35 (B) the collection and receipt of all assessments
2-36 made with respect to reinsured health benefit plan issuers,
2-37 including any deferred assessments and any final assessment made
2-38 under Subsection (f); and
2-39 (C) a final audit of the system by the state
2-40 auditor as provided by Subsection (g);

2-41 (4) specify that the transactions required by the plan
2-42 of suspension and addressed in Subdivisions (1)-(3) must be closed
2-43 not later than the effective date of the suspension of the operation
2-44 of the system as specified under Subdivision (5);

2-45 (5) state the effective date of the suspension of the
2-46 operation of the system; and

2-47 (6) provide for the proportionate distribution of any
2-48 surplus assets of the system that remain after the date specified
2-49 under Subdivision (5).

2-50 (d) The effective date of the suspension of the operation of
2-51 the system as specified under Subsection (c)(5) may not be later
2-52 than the 270th day after the date the commissioner by order approves
2-53 the plan of suspension.

2-54 (e) If the board fails to submit a suitable plan of
2-55 suspension, the commissioner, after notice and hearing, shall adopt
2-56 a plan in accordance with Subsection (c).

2-57 (f) The board may make a final assessment of the small
2-58 employer health benefit plan issuers that, for any portion of the
2-59 last year in which the system operated, were reinsured health
2-60 benefit plan issuers. An assessment under this subsection may be
2-61 made only if the board determines the assessment is necessary to
2-62 recover net losses of the system, as provided in Sections
2-63 1501.319-1501.326, including administrative expenses for
2-64 transactions essential to complete execution of the plan of
2-65 suspension, and the cost of the final audit by the state auditor.

2-66 (g) The transactions necessary to complete execution of the
2-67 plan of suspension are subject to audit by the state auditor under
2-68 Chapter 321, Government Code. The state auditor shall report the
2-69 cost of the final audit conducted under this section to the board

3-1 and the comptroller, and the board shall remit that amount to the
3-2 comptroller for deposit to the general revenue fund.

3-3 (h) The board serving immediately before the effective date
3-4 of the suspension of the operation of the system is discharged on
3-5 the effective date of the suspension of the operation of the system
3-6 as specified under Subsection (c)(5).

3-7 (i) After the effective date of the suspension of the
3-8 operation of the system as specified under Subsection (c)(5), the
3-9 commissioner shall take any action necessary under Subsection
3-10 (c)(6) to distribute the surplus assets of the system until all
3-11 remaining assets are distributed.

3-12 (j) During a period in which the operation of the system is
3-13 suspended, Sections 1501.307-1501.326 have no effect.

3-14 SECTION 3. The board of directors of the Texas Health
3-15 Reinsurance System serving on the effective date of this Act shall
3-16 submit to the commissioner of insurance a plan of suspension of the
3-17 operation of the Texas Health Reinsurance System, as described by
3-18 Section 1501.3022(c), Insurance Code, as added by this Act, not
3-19 later than the 90th day after the effective date of this Act. If the
3-20 board fails to timely submit the plan, the commissioner of
3-21 insurance shall adopt a plan in accordance with Sections
3-22 1501.3022(c)-(i), Insurance Code, as added by this Act.

3-23 SECTION 4. This Act takes effect immediately if it receives
3-24 a vote of two-thirds of all the members elected to each house, as
3-25 provided by Section 39, Article III, Texas Constitution. If this
3-26 Act does not receive the vote necessary for immediate effect, this
3-27 Act takes effect September 1, 2017.

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