

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

February 19, 2003

TO: Honorable Joe Nixon, Chair, House Committee on Civil Practices

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB3 by Nixon (Relating to health care.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3, As Introduced: the net impact on General Revenue cannot be determined.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2004	\$0
2005	\$0
2006	\$0
2007	\$0
2008	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/ (Loss) from <i>DEPT INS OPERATING</i> <i>ACCT</i> 36	Probable Savings/(Cost) from <i>DEPT INS OPERATING</i> <i>ACCT</i> 36	Change in Number of State Employees from FY 2003
2004	\$157,983	(\$157,983)	2.0
2005	\$138,947	(\$138,947)	2.0
2006	\$138,947	(\$138,947)	2.0
2007	\$138,947	(\$138,947)	2.0
2008	\$138,947	(\$138,947)	2.0

Fiscal Analysis

The bill would amend various provisions of the Medical Liability and Insurance Improvement Act as well as other statutes to modify the state's medical, insurance, and legal procedures relating to health care liability claims. The bill would include new provisions relating to settlement offers, the payment of health care and medical expenses, limitations on claims, standards of proof, expert reports, qualifications of expert witnesses, the admissibility of certain evidence, payments for future losses, attorney's fees, and the organizational liability of hospitals.

The bill would require a series of studies by the Texas Department of Insurance with the cooperation of the Health Professions Council, the Health and Human Services Commission, the Employees Retirement System, and the Teachers Retirement System regarding the effects of this legislation.

The bill would take effect immediately upon enactment, assuming it receives a two-thirds majority vote in both houses of the Legislature. Otherwise it would take effect on September 1, 2003.

Methodology

The Texas Department of Insurance estimates the bill would require an additional \$157,983 in fiscal year 2004 and \$138,947 in each following year. The agency would need a part-time Manager III to summarize research, and design and implement data collection/analysis related to the studies required by the bill. A part-time Actuary V would be needed to identify the impact of changes on claims and identify potential sources of information related to the impact of the bill on health care. One additional position would be needed for a legal assistance on the studies and to draft any required memorandums of understanding between agencies and the Texas Department of Insurance.

It is assumed the Department of Insurance would increase insurance maintenance tax fees to offset the additional cost.

The bill could result in a decrease in the rates paid by physicians and hospitals for medical malpractice insurance. This could, in turn, have a positive impact on slowing the growth in health insurance costs paid by the state. The Employees Retirement System states that this impact cannot be estimated. A reduction in medical malpractice insurance could also have a positive fiscal impact on state-operated medical institutions, but this impact cannot be determined.

The Comptroller of Public Accounts indicates that to the extent this bill proved effective in reducing health care liability insurance and health care insurance premium rates, it would exert downward pressure on premium tax collections, but to the extent that the bill proved equally effective in promoting insurance accessibility, affordability, and availability, it would induce aggregate premium and premium tax revenue growth. It is assumed that the net effect on insurance premium taxes would be revenue neutral.

Technology

The Texas Department of Insurance would require \$7,128 in additional funding in 2004 for computers, software, and other equipment for 2 FTEs.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 212 Office Of Court Administration, Texas Judicial Council, 302 Office Of The Attorney General, 304 Comptroller Of Public Accounts, 324 Department Of Human Services, 327 Employees Retirement System, 454 Department Of Insurance, 503 Board Of Medical Examiners, 504 Texas State Board Of Dental Examiners, 507 Board Of Nurse Examiners, 511 Board Of Vocational Nurse Examiners, 529 Health And Human Services Commission

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