

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

May 12, 2003

TO: Honorable John T. Smithee, Chair, House Committee on Insurance

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB648 by Goodman (relating to the use of certain standard physician contract forms; providing civil and administrative penalties.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB648, Committee Report 1st House, Substituted: an impact of \$0 through the biennium ending August 31, 2005.

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	\$499,417	(\$499,417)	8.5
2005	\$401,361	(\$401,361)	7.5
2006	\$592,916	(\$592,916)	10.5
2007	\$578,561	(\$578,561)	10.5
2008	\$578,561	(\$578,561)	10.5

Fiscal Analysis

The bill would require the Department of Insurance (TDI), in consultation with a physician contract advisory panel, to adopt standardized physician contract forms and require the use of those forms except where, at the physician's request, the parties negotiate an alternative arm's length agreement. The bill would establish a physician contract advisory panel to assist TDI in adopting standard physician contract forms. The bill would require a person using the standard physician contract to file a statement annually of the number of individual contracts executed and to pay a fee set by TDI to cover the costs of administering the new requirements.

The bill would allow TDI to refer matters to the Attorney General for enforcement under certain

circumstances and permit the Attorney General to bring an action for injunctive relief to seek remedies.

The bill would require TDI to adopt rules no later than June 1, 2004, and requires the use of the standard form for any contract signed or renewed on or after January 1, 2005. The bill would take effect immediately if passed by a two-thirds majority vote in each house. Otherwise, the bill would take effect September 1, 2003.

Methodology

The Department of Insurance (TDI) indicates it would require \$143,955 in 2004, \$134,448 in 2005, \$326,003 in 2006, and \$311,648 in 2007-08; along with 2.0 Attorney IV FTEs in 2004-05 and 3.0 Attorney IV FTEs and 2.0 Investigator VI FTEs in 2006-08 for additional legal and enforcement responsibilities related to the bill.

TDI also indicates it would require 1.0 Program Specialist V FTE in 2004, along with 1.0 Program Specialist V FTE, 2.5 Insurance Specialist III FTEs, and 2.0 Program Specialist II FTEs each year. In order to fund the additional FTEs, TDI would require \$355,399 in 2004 and \$266,913 each year thereafter. These FTEs would develop rules and forms, assist the physician contract advisory panel, and process additional complaints.

The bill would allow TDI to charge a fee, not to exceed \$250 per contract, to cover the costs of administering the provisions of the bill. TDI estimates that approximately 500 contracts would be executed annually by the HMOs and insurance companies. These 500 contracts would generate \$125,000 in revenue, beginning in 2006.

It is anticipated that any costs to TDI not covered by fee collections would be offset by an increase to the Insurance Maintenance Tax.

It is anticipated that any costs to the Attorney General would be offset by fines collected by the agency.

Technology

The Department of Insurance would require \$51,147 in 2004 and \$5,346 in 2006 for computers and software for new FTEs.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 454 Department of Insurance

LBB Staff: JK, JRO, RT, RB