

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION
Revision 1

April 30, 2003

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

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB1939 by Gallego (Relating to health care benefit mandates and offer of coverage mandates.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1939, As Introduced: a negative impact of (\$983,894) 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	(\$251,017)
2005	(\$732,877)
2006	(\$585,650)
2007	(\$1,080,650)
2008	(\$585,650)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>GENERAL REVENUE FUND 1</i>	Probable Revenue Gain/ (Loss) from <i>OTHER FUNDS 997</i>	Change in Number of State Employees from FY 2003
2004	(\$251,017)	(\$351,400)	4.5
2005	(\$732,877)	(\$341,400)	4.5
2006	(\$585,650)	(\$341,400)	8.5
2007	(\$1,080,650)	(\$341,400)	8.5
2008	(\$585,650)	(\$341,400)	8.5

Fiscal Analysis

House Bill 1939 would require the Legislative Budget Board (LBB) to prepare an impact statement for a proposed mandate when the Chair of a standing committee of the legislature determines that a bill would, if enacted, create a health care benefit mandate or an offer of coverage mandate and requests the LBB to prepare an impact assessment. The bill also includes a list of information the LBB would have to address in an impact statement. After receipt of the request for an impact statement, the LBB would have 21 days to prepare a written impact statement and would be required to obtain the assistance of at least one certified actuary.

The impact assessment must be distributed to members of the committee before the committee votes

on the bill containing the proposed mandate and the impact assessment must be attached to the bill on first printing and must remain with the bill throughout the legislative process, including submission to the Governor.

The bill requires the Sunset Advisory Commission to review existing health care benefit mandates with the assistance of at least one certified actuary and allows the Commission the ability to contract for medical and economic expertise.

The bill requires the Commissioner of Insurance to require certain information to be submitted for the assessment of health care benefit mandates and offer of coverage mandates as required in the bill.

The bill requires the Employees Retirement System to review any mandates required of fully insured plans in the State of Texas.

The bill would take effect September 1, 2003.

Methodology

The requirement that the LBB conduct impact assessments of proposed mandated health benefits or offer of coverage mandates within 21 days will result in costs to the Legislative Budget Board. This estimate assumes the Legislative Budget Board will hire internal staff before the 79th Legislative session and would provide impact assessments beginning with the 79th Legislative session (2005). The estimate assumes data will be available to conduct the assessments, and the Legislative Budget Board will be able to contract for professional services for the analysis and would not have to purchase any data. This estimate also assumes that impact assessments will be requested only on bills that contain mandated health benefit proposals or offer of coverage mandates and the Employee Retirement System will be able to provide analyses of the impact of proposals on ERS. The estimate for the cost of the impact assessments is calculated as follows: it is assumed that there will be about 22 mandates introduced in each legislative session that will require an impact assessment; that subsequent legislative activity on the bills will require approximately 11 additional updated impact statements; and that each impact assessment will cost \$15,000. The estimate also assumes that 3.5 additional FTEs would be needed.

The requirement for the Sunset Commission to assess benefit mandates will result in costs to the Commission. These costs are related to the additional staff and their associated costs; funds to contract for actuary, medical, and economic expertise to review a maximum of five mandates; and production costs to conduct the study and issue the report. The estimate for the Sunset Advisory Commission assumes the required mandate reviews will begin during the 2006-07 biennium, based on the timing of the adoption of Department of Insurance rules, the availability of data, and when the Commissioner of Insurance could reasonably assign review dates to each mandate currently required by law. Further, this estimate assumes that 29 mandates would be subject to the required review, and that the Commissioner would spread these evenly over three Sunset review cycles. Staff, production, and associated costs are estimated based on historical costs related to similar-sized reviews. Costs to contract for actuarial, medical, and economic expertise are based on costs incurred by the Department of Insurance when it contracted for similar expertise when conducting a study of mandated benefits. This estimate assumes that four additional staff will conduct the required reviews during the next three biennia.

The requirement that the Employees Retirement System review mandates would result in costs to the agency. According to the Employees Retirement System (ERS), there are at least 30 mandates required of fully insured plans in the State of Texas that would have to be reviewed each year. ERS estimates that adoption of this bill would result in additional administrative costs (including one additional full-time equivalent position) of \$351,400 in fiscal year 2004, and \$341,400 per fiscal year thereafter primarily for actuarial reviews and monthly reporting on mandated benefits to the Commissioner of Insurance. The cost in fiscal year 2004 includes one-time equipment and furniture costs. All costs would be funded out of the trust fund for group insurance. This estimate does not include the costs to the HMOs participating in the Uniform Group Insurance Program of complying with this legislation.

The Department of Insurance indicates that any costs associated with the bill could be absorbed within current resources.

Technology

The bill would have no technology impact on the Sunset Commission. The technology impact on the Legislative Budget Board would be limited to new computers for 3.5 FTEs.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 116 Sunset Advisory Commission, 327 Employees Retirement System, 501 Department of Health, 529 Health and Human Services Commission, 454 Department of Insurance

LBB Staff: JK, ZS, RB, JO, JRO, RT, WP