

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

May 27, 2003

TO: Honorable David Dewhurst, Lieutenant Governor, Senate

FROM: John Keel, Director, Legislative Budget Board

IN RE: SB10 by Averitt (Relating to the creation of employer health benefit plan groups.), As
Passed 2nd House

No significant fiscal implication to the State is anticipated.

The bill would allow small or large employers to form a "health group cooperative" for the purchase of employer health benefit plans. Eligible health carriers issuing coverage to a health group cooperative would be entitled to a premium tax credit for two years for each uninsured employee and dependent who received coverage through the health group cooperative. The Commissioner of Insurance would adopt rules to define uninsured employee or dependent for the tax credit, and the Comptroller's Office would adopt rules and procedures as necessary to implement the exemption.

Premiums received for previously uninsured employees and their dependents in a health group cooperative would be subject to the existing insurance premium tax in an amount equal to 1.75 percent of the premiums. The bill does not specify or limit the amount of the tax credit. Though the amount of the credit is not narrowly defined in the bill language, it is presumed that the tax credit would be for the full amount of insurance premium taxes paid, and that the full increase in premium tax revenue would therefore be offset by the credit. Should the credit exceed the amount of additional premium taxes paid as a result of the bill, there would be a loss to general revenue equal to the difference between the amount of the credits and the amount of additional premium tax collections.

In addition, to the extent that the number of uninsured would decrease, the passage of this legislation could reduce costs of health programs for the uninsured run by local hospital districts and state government.

The Texas Department of Insurance (TDI) would need to develop an expedited approval process for coverage to be offered to health group cooperatives. TDI would also need to develop a process for considering applications for expanded service areas to be used by carriers offering coverage to health group cooperatives. However, according to TDI, any additional workload could be handled by existing staff, and any additional costs would not be significant.

Local Government Impact

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

Source Agencies: 304 Comptroller of Public Accounts, 327 Employees Retirement System

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