

**LEGISLATIVE BUDGET BOARD**

**Austin, Texas**

**FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION**

**May 5, 2003**

**TO:** Honorable Bill Ratliff, Chair, Senate Committee on State Affairs

**FROM:** John Keel, Director, Legislative Budget Board

**IN RE: SB159** by Nelson (Relating to standard physician contract forms for use in managed care plans.), **As Introduced**

**No significant fiscal implication to the State is anticipated.**

The bill would require the Department of Insurance, in consultation with a nine member advisory panel, to adopt rules that establish standard contract forms for required use by managed care entities in their contracts with physicians. In addition, the bill would establish standard contract form requirements; provide that another contract form may be used under specified circumstances; prohibit modification of the standard contract form unless agreed to by both parties; institute membership requirements for a nine member advisory panel appointed jointly by the Lieutenant Governor and Speaker of the House of Representatives; prohibit managed care entities from discriminating against physicians who use standard contract forms, penalizing or disadvantaging physicians based on use of standard contract forms, or requiring physicians to waive the use of standard contract forms; provide that a violation constitutes an unfair or deceptive act or practice in the business of insurance; and allow the agency to suspend or revoke a managed care entity's license for failure to use the required contract form and to impose sanctions or penalties against a managed care entity for repeated violations of the article.

The agency indicates it would incur a cost, including cost associated with five full-time employees (FTEs) in 2004-05 and two FTEs each year thereafter, related to the bill. It is anticipated that all costs associated with the bill and additional work required of the agency could be absorbed with its current resources and FTE cap.

**Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 454 Department of Insurance

**LBB Staff:**

JK, RR, RT, RB