LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

March 14, 2003

TO: Honorable Jane Nelson, Chair, Senate Committee on Health & Human Services

FROM: John Keel, Director, Legislative Budget Board

IN RE: **SB418** by Nelson (Relating to the regulation and prompt payment of health care providers; providing penalties.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for SB418, 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.

Relating to the regulation and prompt payment of health care providers under certain health benefit plans; providing penalties.

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 Savings/(Cost) from *DEPT INS OPERATING ACCT* 36	Probable Revenue Gain/(Loss) from *DEPT INS OPERATING ACCT* 36	Change in Number of State Employees from FY 2003
2004	($314,402)	$314,402	5.0
2005	($195,001)	$195,001	3.5
2006	($195,001)	$195,001	3.5
2007	($195,001)	$195,001	3.5
2008	($195,001)	$195,001	3.5

Fiscal Analysis

The bill would amend the Texas Insurance Code and Texas Health Maintenance Organization Act. The provisions of the bill relate to the timely payment of claims to physicians and other health care providers by insurers and Health Maintenance Organizations (HMO).

The bill would establish prompt and over-payment provisions on clean claim forms and require an insurer's coding guidelines be made available to providers. The bill would prohibit a Preferred

Provider Benefit Plan (PPBP) issuer or an HMO from denying payment for the services rendered unless (1) the provider/physician misstated the nature of the services or (2) the services authorized were not rendered or (3) the services were to be provided to an individual that was not a plan enrollee at a particular point in time. Provisions of the bill would clarify preauthorization, verification of eligibility, and coordination of payment procedures and penalties for violations thereof.

This Act takes effect immediately if it receives a vote of two-thirds of all the members elected to each house. If this Act does not receive the vote necessary for immediate effect, it takes effect September 1, 2003.

Methodology

The Texas Department of Insurance (TDI) estimates the bill would increase provider complaints by 20 percent over fiscal year 2002 or 1,487 per year. Each complaint specialist handles approximately 860 complaints per year, so TDI assumes the added workload would require an increase in staffing of three FTE's in fiscal year 2004 and two FTE's in fiscal year 2005 and subsequent years. To implement the bill, the agency assumes legal staff would need to assist the Life and Health program in the extensive repeal and amendment of existing rules, as well as in the development of new rules. Legal staff would also be required to handle enforcement actions against insurers resulting from violations of the statute. The agency estimates implementation of the bill would require two Attorney IV FTEs for fiscal year 2004, and one and one-half Attorney IV FTEs for fiscal years 2005-08 to perform the rulemaking functions, respond to inquiries, provide support to the technical advisory committee, and to handle contested case hearings resulting form violations of the statute. TDI estimates a cost of $314,402 in fiscal year 2004 and $195,001 in fiscal year 2005 and subsequent years to GR-Dedicated Fund 36, the Texas Department of Insurance Operating Fund Account.

TDI estimates a gain to GR-Dedicated Fund 36 from an increase of filing fees of $6,000 in fiscal year 2004. It is anticipated that the agency will increase the Insurance Maintenance Tax to offset any cost to GR-Dedicated Fund 36 that is not covered by an increase in fees.

The Office of the Attorney General anticipates any legal work resulting from the passage of this bill could be reasonably absorbed with current resources.

The Health and Human Services Commission (HHSC) reports that Medicaid Health Maintenance Organizations (HMO) and the Children's Health Insurance Program (CHIP) HMO’s would be responsible for payment under this bill. Medicaid HMO providers are paid a capitated rate, which includes all costs of providing the service. HHSC indicates there would be no fiscal impact to Medicaid. The CHIP program negotiates HMO and PPO capitated rates based on prior cost data with individual providers; therefore, any fiscal impact cannot be determined at this time.

It is assumed that the impact to the State's main health insurance programs, the Employee's Retirement System and the Teacher's Retirement System, is not significant relative to the amounts appropriated to these agencies.

It is assumed that due to complexity of the bill, full implementation would not occur until September 1, 2003, regardless of its effective date.

Technology

Additional computers and hardware for the additional Full-time Equivalent positions totaling $8,910 in fiscal year (FY) 2004 for TDI. A one-time cost of $3,494 for network stations for the OAG in FY 2004.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 302 Office Of The Attorney General, 529 Health And Human Services Commission, 327 Employees Retirement System, 359 Office Of Public Insurance Counsel, 360 State Office Of Administrative Hearings, 454 Department Of Insurance

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