

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

April 20, 2005

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

FROM: John S. O'Brien, Deputy Director, Legislative Budget Board

IN RE: HB2284 by Taylor (Relating to implementation of a study concerning health insurance and medical professional liability insurance issues affecting this state.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2284, As Introduced: a negative impact of (\$585,000) through the biennium ending August 31, 2007.

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
2006	(\$585,000)
2007	\$0
2008	\$0
2009	\$0
2010	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from <i>INSURANCE MAINT TAX FEES</i> 8042
2006	(\$585,000)
2007	\$0
2008	\$0
2009	\$0
2010	\$0

Fiscal Analysis

The bill relates to implementation of a study concerning health insurance and medical professional liability insurance issues affecting this state. Section 1 of the bill requires the Texas Department of Insurance (TDI) to conduct a study regarding various factors’ effect on the price of health insurance. The bill requires TDI to cooperate with any appropriate state agency in collecting the data. Section 2 of the bill requires TDI to file a written report by September 1, 2006 to the Governor, Lieutenant Governor, Speaker of the House, and the Chair of the House and Senate legislative committees that have primary jurisdiction over insurance matters on the results of the study and proposed legislation necessary to implement a program or address an issue identified in the study.

The bill would take effect immediately upon receiving a two-thirds majority vote in each house. If the bill does not receive a two-thirds vote in each house, the bill would take effect September 1, 2005.

Methodology

According to TDI, the legislation as introduced would require extensive data collection and analysis activities and would require outside contracts with actuarial/benefit consulting firms. TDI states the evaluation would require access to proprietary data, currently not available to TDI and would require longitudinal data analysis, which is beyond the expertise of TDI staff. TDI estimates the cost of these services at \$500,000.

In addition, the study would require an evaluation of existing “best practice standards”, the level of adherence to those standards by practicing physicians in Texas, the effect of those standards on patient outcome and health insurance costs, and the resulting potential impact on premiums. TDI states it would need to contract with a physician who has knowledge and experience with the development and use of “best practice standards”. TDI estimates the cost of these services at \$85,000.

The Department of Insurance indicates that any additional costs or workload associated with the bill could be absorbed within the agency's existing resources.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 359 Office of Public Insurance Counsel, 454 Department of Insurance

LBB Staff: JOB, JRO, MW, NV