

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

April 28, 2005

TO: Honorable Robert Duncan, Chair, Senate Committee on State Affairs

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

IN RE: SB469 by Averitt (Relating to time and cost limitations in certain contracts offered by a health maintenance organization.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB469, As Introduced: a negative impact of (\$250,677) 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	(\$86,600)
2007	(\$164,077)
2008	(\$223,711)
2009	(\$215,039)
2010	(\$215,039)

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from INSURANCE MAINT TAX FEES 8042	Change in Number of State Employees from FY 2005
2006	(\$86,600)	1.0
2007	(\$164,077)	3.0
2008	(\$223,711)	4.5
2009	(\$215,039)	4.5
2010	(\$215,039)	4.5

Fiscal Analysis

The bill would amend the Insurance Code relating to time and cost limitations in certain contracts offered by a health maintenance organization. The Department of Insurance anticipates additional complaints being filed from carriers who file Exclusive Provider Benefit Plans (EPBPs). The Life Health and Licensing Division at the Department of Insurance states that the cost for implementing this bill will be approximately \$86,600 in FY 2006 and \$164,077 in FY 2007 with additional full-time equivalent employees (FTEs) needed to process complaints.

The bill would take effect April 1, 2005, if the bill receives a vote of two-thirds of all the members elected to each house, as provided by Section 39, Article III, Texas Constitution. If the bill does not receive the vote necessary for effect on April 1, 2005, the bill would take effect September 1, 2005.

Methodology

According to the Texas Department of Insurance (TDI) data, there are currently approximately 125 carriers that have filed Preferred Provider Organization (PPO) plans and the TDI believes that approximately 60 of these carriers will also file Exclusive Provider Benefit Plans (EPBPs) during the first three years after this bill takes effect. Because EPBPs are closed networks they will, in several respects, be comparable to Health Maintenance Organizations (HMO) and follow the same pattern of complaints as those related to HMOs.

TDI estimates that 1,200 complaints would be generated in FY 2006 and 2,400 in FY 2007. Based on complaints received, TDI estimates that two onsite complaint/targeted examinations per year may be necessary. The average travel cost per exam is approximately \$1,614.

TDI states that in order to determine reasonable co-payment, coinsurance and deductible restrictions as required under this bill, in FY 2006 TDI would require consultant services from an actuarial firm using data not available to TDI staff at an estimated cost of \$30,000 in fiscal year 2006.

Based on the analysis above, TDI estimates 4.5 FTEs would be needed in FY2006-2010. The FTEs needed would be as follows: FY 2006 - 1 Insurance Specialist V at \$35,100; FY 2007 - 1 Insurance Specialist V plus one Nurse IV and one Insurance Specialist IV at \$107,796; FY 2008 - FY 2010: 1 Nurse IV, 1 Insurance Specialist V, 1 Insurance Specialist IV, plus 1.5 Insurance Specialist IIIs at \$154,398. Additional costs associated with implementing the provisions of this bill in the table above would include other operating expenses and employee benefits each year.

Technology

Life Health and Licensing (HMO Division) at the Department of Insurance reports that the cost for providing computer hardware and software to the new FTEs will be \$1,562 in FY 2006, \$4,686 in FY 2007 and \$3,124 in FY 2008. It is assumed that costs 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: 454 Department of Insurance

LBB Staff: JOB, SR, NV, JRO, MW