

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

April 19, 2005

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

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

IN RE: SB1516 by Deuell (Relating to the adequacy of health maintenance organization health care delivery networks and availability of preferred provider benefits; providing penalties.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1516, As Introduced: a negative impact of (\$6,611,951) 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	(\$3,267,221)
2007	(\$3,344,730)
2008	(\$3,344,730)
2009	(\$3,344,730)
2010	(\$3,344,730)

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from <i>GENERAL REVENUE FUND 1</i>	Probable (Cost) from <i>GR MATCH FOR TITLE XXI 8010</i>	Probable (Cost) from <i>FEDERAL FUNDS 555</i>
2006	(\$701,962)	(\$2,565,259)	(\$6,752,789)
2007	(\$715,757)	(\$2,628,973)	(\$6,872,195)
2008	(\$715,757)	(\$2,628,973)	(\$6,872,195)
2009	(\$715,757)	(\$2,628,973)	(\$6,872,195)
2010	(\$715,757)	(\$2,628,973)	(\$6,872,195)

Fiscal Analysis

The bill would require a health maintenance organization (HMO) to reimburse a non-network provider the full amount of the provider's claim if medically necessary services are not available through the network and at the request of a network provider. The bill would also require an HMO to pay for emergency care provided by a non-network provider at the full amount of a claim. The Health and Human Services Commission (HHSC) indicates that the bill would result in increased rates for HMOs in the Children's Health Insurance Program (CHIP).

Methodology

HHSC estimates the bill would result in a 4.5 percent increase, on average, in HMO premium expenditures. It is assumed that HMO expenditures would represent the same percentage of total CHIP expenditures as in fiscal year 2005. Based on these assumptions, the General Revenue cost is estimated to be \$3,267,221 in fiscal year 2006 and \$3,344,730 in fiscal year 2007. HMO premium expenditures used for the estimate do not include costs for prescription, dental, or vision benefits.

The changes made by the bill would apply only to a health insurance policy or evidence of coverage issued or renewed on or after the effective date of the bill (September 1, 2005). It is assumed that the changes made by the bill would impact CHIP HMOs beginning in fiscal year 2006.

Local Government Impact

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

Source Agencies: 454 Department of Insurance, 503 Board of Medical Examiners, 529 Health and Human Services Commission

LBB Staff: JOB, SR, JRO, NV, KF, SSt