

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

April 30, 2007

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

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

IN RE: HB510 by Farabee (Relating to health benefit plan coverage for certain mental disorders.),
Committee Report 1st House, Substituted

Estimated Two-year Net Impact to General Revenue Related Funds for HB510, Committee Report 1st House, Substituted: a negative impact of (\$1,540,372) through the biennium ending August 31, 2009.

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 |
|-------------|--|
| 2008 | \$0 |
| 2009 | (\$1,540,372) |
| 2010 | (\$1,718,107) |
| 2011 | (\$1,836,598) |
| 2012 | (\$1,955,088) |

All Funds, Five-Year Impact:

| Fiscal Year | Probable (Cost) from <i>GENERAL REVENUE</i> <i>FUND</i> 1 | Probable (Cost) from <i>GR DEDICATED</i> <i>ACCOUNTS</i> 994 | Probable (Cost) from <i>OTHER SPECIAL</i> <i>STATE FUNDS</i> 998 | Probable (Cost) from <i>STATE HIGHWAY</i> <i>FUND</i> 6 |
|-------------|---|--|--|---|
| 2008 | \$0 | \$0 | \$0 | \$0 |
| 2009 | (\$1,540,372) | (\$80,331) | (\$8,067) | (\$358,024) |
| 2010 | (\$1,718,107) | (\$89,600) | (\$8,998) | (\$399,335) |
| 2011 | (\$1,836,598) | (\$95,780) | (\$9,618) | (\$426,875) |
| 2012 | (\$1,955,088) | (\$101,959) | (\$10,239) | (\$454,416) |

| Fiscal Year | Probable (Cost) from <i>FEDERAL FUNDS</i> 555 |
|-------------|--|
| 2008 | \$0 |
| 2009 | (\$340,465) |
| 2010 | (\$379,750) |
| 2011 | (\$405,939) |
| 2012 | (\$432,129) |

Fiscal Analysis

The bill would amend the Insurance Code to require coverage of anorexia nervosa and bulimia under

certain group health benefit plans. The bill would require the Sunset Advisory Commission, with the cooperation of the Texas Department of Insurance (TDI) to conduct a study.

The bill would take effect September 1, 2007, and would require that changes made by the bill would only apply to a group health benefit plan that is delivered, issued for delivery, or renewed on or after January 1, 2008.

Methodology

It is assumed the bill would require health plans administered by Employees Retirement System (ERS) to include coverage for anorexia and bulimia. It is assumed ERS would incur costs for this coverage.

Based on the analysis of ERS, it is assumed the prevalence of these illnesses for females is 0.3 percent for anorexia and 1.0 percent for bulimia and the prevalence for males is 10 percent of that for females. It is assumed the treatment rate for these illnesses is 33.3 percent for anorexia and 6 percent for bulimia. It is also assumed allowable charges of \$50,000 for treatment and that the amount paid for each patient would be 95 percent of allowable charges. In addition, this analysis does not include costs related to coverage for treatment facilities because the bill does not appear to address this issue.

Based on the analysis of the Texas Department of Insurance (TDI), it is assumed that there would be a one-time revenue gain of \$19,300 in the General Revenue Dedicated Account Fund 36 in fiscal year 2008 because the bill would result in 193 filings, each accompanied by a \$100 filing fee. Since General Revenue Dedicated Account Fund 36 is a self-leveling account, this analysis assumes all revenue generated would go toward fund balances or the maintenance tax would be set to recover a lower level of revenue the following year. It is also assumed that any costs realized by TDI and the Sunset Advisory Commission from implementing the provisions of the bill could be absorbed within existing resources.

Local Government Impact

Counties, municipalities, and other local government entities to which the bill would apply under the Local Government Code that either provide health insurance benefits for their employees and employees' dependents or participate in a group risk pool to provide insurance benefits could experience an increase in costs of negotiated health insurance contracts to include the additional coverage required by the bill. Whether those amounts would be absorbed by the local entity or passed on to the insured employees or in what amounts would vary depending on decisions made by local government officials and number of employees covered.

Source Agencies: 323 Teacher Retirement System, 327 Employees Retirement System, 454 Department of Insurance, 116 Sunset Advisory Commission

LBB Staff: JOB, JRO, MW, SK