

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION
Revision 1

April 17, 2007

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

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

IN RE: HB522 by Woolley (Relating to health benefit plan identification cards.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB522, As Introduced: a negative impact of (\$152,678) through the biennium ending August 31, 2009, if the commissioner requires the use of embedded magnetic strip technology; or a negative impact of (\$2,869,025) through the biennium ending August 31, 2009, if the commissioner requires the use of smart card technology.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

The table below reflects costs estimated for use of magnetic strip technology in identification cards.

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from <i>GENERAL REVENUE FUND</i> 1	Probable (Cost) from <i>GR DEDICATED ACCOUNTS</i> 994	Probable (Cost) from <i>STATE HIGHWAY FUND</i> 6	Probable (Cost) from <i>SCHOOL EMPLOYEES UGIP TRUST FUND</i> 855
2008	(\$111,809)	(\$6,792)	(\$36,997)	(\$260,000)
2009	(\$40,869)	(\$2,482)	(\$13,524)	\$0
2010	(\$40,869)	(\$2,482)	(\$13,524)	\$0
2011	(\$40,869)	(\$2,482)	(\$13,524)	\$0
2012	(\$40,869)	(\$2,482)	(\$13,524)	\$0

Fiscal Year	Probable (Cost) from <i>RETIRED SCHOOL EMP GROUP INSURANCE</i> 989	Probable (Cost) from <i>OTHER SPECIAL STATE FUNDS</i> 998	Probable (Cost) from <i>FEDERAL FUNDS</i> 555
2008	(\$200,000)	(\$731)	(\$36,671)
2009	\$0	(\$267)	(\$13,404)
2010	\$0	(\$267)	(\$13,404)
2011	\$0	(\$267)	(\$13,404)
2012	\$0	(\$267)	(\$13,404)

The table below reflects costs estimated for use of smart card technology in identification cards.

Fiscal Year	Probable (Cost) from GENERAL REVENUE FUND 1	Probable (Cost) from GR DEDICATED ACCOUNTS 994	Probable (Cost) from STATE HIGHWAY FUND 6	Probable (Cost) from SCHOOL EMPLOYEES UGIP TRUST FUND 855
2008	(\$2,001,072)	(\$121,550)	(\$662,148)	(\$1,490,000)
2009	(\$867,953)	(\$52,721)	(\$287,203)	(\$200,000)
2010	(\$867,953)	(\$52,721)	(\$287,203)	(\$200,000)
2011	(\$867,953)	(\$52,721)	(\$287,203)	(\$200,000)
2012	(\$867,953)	(\$52,721)	(\$287,203)	(\$200,000)

Fiscal Year	Probable (Cost) from RETIRED SCHOOL EMP GROUP INSURANCE 989	Probable (Cost) from OTHER SPECIAL STATE FUNDS 998	Probable (Cost) from FEDERAL FUNDS 555
2008	(\$1,140,000)	(\$13,080)	(\$656,316)
2009	(\$35,000)	(\$5,673)	(\$284,673)
2010	(\$35,000)	(\$5,673)	(\$284,673)
2011	(\$35,000)	(\$5,673)	(\$284,673)
2012	(\$35,000)	(\$5,673)	(\$284,673)

Fiscal Analysis

The bill would amend the Insurance Code to require the issuance of an identification card with certain required information contained in either magnetic strip technology or smart card technology to each enrollee under group, individual, blanket, and franchise insurance policies and agreements. The bill would require the commissioner of insurance to set rules specifying the required form of technology. The bill would require each issuer of a health benefit plan to submit its implementation program to the Texas Department of Insurance no later than January 1, 2008.

The bill would take effect September 1, 2007.

Methodology

Based on the analysis of the Teacher Retirement System (TRS), the cost for a new identification card with an embedded magnetic strip would be \$1.05 per card for a cost in fiscal year 2008 for TRS-Care of \$200,000 and no cost in subsequent fiscal years and a cost in fiscal year 2008 for TRS-ActiveCare of \$260,000 and no cost in subsequent fiscal years while the cost for new identification cards with smart card technology would be \$6.00 per card for a cost in fiscal year 2008 for TRS-Care of \$1,140,000 and a cost of \$35,000 for subsequent fiscal years and a cost in fiscal year 2008 for TRS-ActiveCare of \$1,490,000 and a cost of \$200,000 in subsequent fiscal years.

Based on the analysis of the Employee Retirement System (ERS), the cost for identification cards with embedded magnetic strip would be \$193,000 in 2008 and \$70,546 in subsequent fiscal years while the cost for identification cards with smart card technology would be \$3,454,166 in 2008 and \$1,498,223 in subsequent fiscal years.

Based on the analysis of the Texas Department of Insurance, that agency could absorb any cost associated with rulemaking and other duties required to implement the bill.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 323 Teacher Retirement System, 327 Employees Retirement System, 454 Department of Insurance

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