

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

March 12, 2007

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

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

IN RE: HB664 by Dukes (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 HB664, As Introduced: a negative impact of (\$225,508,131) 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 | (\$110,276,400) |
| 2009 | (\$115,231,731) |
| 2010 | (\$120,116,997) |
| 2011 | (\$125,046,946) |
| 2012 | (\$130,189,286) |

All Funds, Five-Year Impact:

| Fiscal Year | Probable (Cost) from <i>GR MATCH FOR MEDICAID</i> 758 | Probable (Cost) from <i>TOBACCO SETTLMNT RECEIPTS</i> 5040 | Probable (Cost) from <i>TOBACCO RECEIPTS MATCH FOR CHIP</i> 8025 | Probable (Cost) from <i>FEDERAL FUNDS</i> 555 |
|-------------|---|--|--|---|
| 2008 | (\$101,465,400) | (\$1,938,420) | (\$6,872,580) | (\$173,623,600) |
| 2009 | (\$106,323,810) | (\$1,959,743) | (\$6,948,178) | (\$177,837,569) |
| 2010 | (\$111,111,089) | (\$1,981,300) | (\$7,024,608) | (\$184,951,356) |
| 2011 | (\$115,941,973) | (\$2,003,094) | (\$7,101,879) | (\$192,398,814) |
| 2012 | (\$120,984,158) | (\$2,025,128) | (\$7,180,000) | (\$200,165,436) |

Fiscal Analysis

The bill would amend the Insurance Code to establish network accessibility requirements for health maintenance organizations (HMOs) and would provide for administrative penalties for violations. The bill would require, in certain situations, full reimbursement of the amount billed for services and emergency care provided to non-network providers and would prohibit the billing of enrollees. The bill would require certain reimbursements for services provided by nonpreferred providers within a preferred provider hospital. The bill would require mandatory mediation for violations in certain situations.

The bill would take effect September 1, 2007.

Methodology

Based on the analysis of the Health and Human Services Commission, it is assumed that the bill would apply to HMOs operating in the CHIP and Medicaid programs. Because the bill requires full reimbursement of out of network providers it is assumed that 50 percent of hospital physicians would not contract with managed care organizations (MCOs). It is also assumed that the MCO average annual payments would be \$3.3 billion in all funds and that the overall MCO cost would increase by approximately 8.6 percent. It is also assumed that the approximate annual cost trends are 4.2 percent for STAR, 3.7 percent for STAR+PLUS, and 1.1 percent for CHIP.

Based on the analysis of the Texas Medical Board and the Texas Department of Insurance it is assumed those agencies could absorb any costs associated with the bill within existing resources.

Local Government Impact

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

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

LBB Staff: JOB, JRO, PP, SK, MB