

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION
Revision 1

March 27, 2007

TO: Honorable Helen Giddings, Chair, House Committee on Business & Industry

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

IN RE: HB1970 by Zedler (Relating to workers' compensation fee guidelines and payment adjustment factors used in conjunction with those guidelines for certain health care services.),
As Introduced

Estimated Two-year Net Impact to General Revenue Related Funds for HB1970, As Introduced: a negative impact of (\$836,418) 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	(\$413,209)
2009	(\$423,209)
2010	(\$433,209)
2011	(\$443,209)
2012	(\$453,209)

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from <i>GENERAL REVENUE FUND</i> 1	Probable (Cost) from <i>INSTITUTIONAL FUNDS</i> 997	Probable (Cost) from <i>INTERAGENCY CONTRACTS</i> 777
2008	(\$413,209)	(\$717,488)	(\$10,300,993)
2009	(\$423,209)	(\$727,488)	(\$10,300,993)
2010	(\$433,209)	(\$737,488)	(\$10,300,993)
2011	(\$443,209)	(\$747,488)	(\$10,300,993)
2012	(\$453,209)	(\$757,488)	(\$10,300,993)

Fiscal Analysis

The bill would amend the Labor Code to require the commissioner to adopt health care reimbursement policies and guidelines taking into account certain factors.

The bill would take effect September 1, 2007.

Methodology

This analysis assumes the term "health facility fees" refers to all services provided in a hospital.

It is assumed the State Office of Risk Management (SORM), the University of Texas Administration (UT), and Texas A&M University System Administrative and General Offices (TAMU) would all have costs that are identified in the tables above.

Based on the analysis of TAMU, it is assumed the bill would result in a 16 percent increase in TAMU's workers' compensation costs. In fiscal year 2006, TAMU's total expenditures for workers' compensation were approximately \$2.3 million dollars. It is assumed that as a result of the bill, TAMU would incur an additional \$370,000 in fiscal year 2008, \$390,000 in fiscal year 2009, \$410,000 in fiscal year 2010, \$430,000 in fiscal year 2011, and \$450,000 in fiscal year 2012. It is also assumed that 50 percent of this cost would be realized in General Revenue and 50 percent of this cost would be realized in institutional funds.

Based on the analysis of UT, it is assumed the bill would result in an increase of \$760,697 each fiscal year in workers' compensation costs. It is assumed that 30 percent of this cost would be realized in General Revenue and 70 percent would be realized in institutional funds.

Based on the analysis of SORM, it is assumed that the cost for inpatient care would increase by \$1,739,195 each fiscal year as a result of the bill's provision that inpatient care be reimbursed at 165 percent of the Medicare fee schedule. It is assumed that SORM's cost for ambulatory surgical care would increase by \$113,072 each fiscal year and the cost for other outpatient care would increase by \$5,455,445 each fiscal year as a result of the bill's provision that outpatient care be reimbursed at 250 percent of the Medicare fee schedule. It is also assumed that SORM's costs would increase by \$2,993,281 as a result of the bill's provision of a stop-loss threshold of \$50,000. These increases total \$10,300,933 each fiscal year and are shown in the table above as Interagency Contracts. This amount represents the additional amount SORM would be required to collect from state agencies through its workers' compensation assessment program. This analysis assumes state agencies would pay for the increased assessment from existing budgets. It is assumed these additional costs could be absorbed by larger agencies; however, additional costs could have significant fiscal impact on smaller agencies.

Based on the analysis of the Texas Department of Transportation (TxDOT), costs related to implementing the provisions of the bill can not be determined and are therefore not included in the table above. Although TxDOT assumes the bill would increase workers' compensation costs paid for by the agency, TxDOT reported being unable to estimate the amount of the increase.

Based on the analysis of the Texas Department of Insurance, duties and responsibilities at that agency associated with implementing the provisions of the bill could be accomplished by utilizing existing resources.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 454 Department of Insurance, 479 State Office of Risk Management, 601 Department of Transportation, 710 Texas A&M University System Administrative and General Offices, 720 The University of Texas System Administration

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