

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

March 26, 2007

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

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

IN RE: HB1986 by Coleman (Relating to health benefit plan coverage for an enrollee with certain mental disorders.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1986, As Introduced: a negative impact of (\$3,080,744) 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	(\$3,080,744)
2010	(\$3,376,970)
2011	(\$3,673,195)
2012	(\$4,028,666)

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from GENERAL REVENUE FUND 1	Probable (Cost) from GR DEDICATED ACCOUNTS 994	Probable (Cost) from OTHER SPECIAL STATE FUNDS 998	Probable (Cost) from STATE HIGHWAY FUND 6
2008	\$0	\$0	\$0	\$0
2009	(\$3,080,744)	(\$160,663)	(\$16,134)	(\$716,049)
2010	(\$3,376,970)	(\$176,111)	(\$17,685)	(\$784,900)
2011	(\$3,673,195)	(\$191,559)	(\$19,236)	(\$853,751)
2012	(\$4,028,666)	(\$210,097)	(\$21,098)	(\$936,372)

Fiscal Year	Probable (Cost) from FEDERAL FUNDS 555
2008	\$0
2009	(\$680,930)
2010	(\$746,405)
2011	(\$811,879)
2012	(\$890,448)

Fiscal Analysis

The bill would amend the Insurance Code to require health benefit plans to provide coverage for

mental disorders subject to the same limits, deductibles, copayments, and coinsurance factors as any other physical illness.

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

Methodology

Based on the analysis of the Employees Retirement System of Texas (ERS), it is assumed the bill would require the health benefit plans administered by ERS to expand coverage for mental illnesses and would result in these health benefit plans incurring costs in the amounts specified in the tables above. Currently, ERS health benefit plan coverage of mental disorders not classified as Serious Mental Illnesses are subject to annual limitations on the number of days of inpatient confinement and the number of outpatient visits. It is assumed the bill would result in an increase of approximately 25 percent in the non-prescription drug plan cost for treatment of mental disorders and no increase in the prescription drug cost.

Based on the analysis the Texas Department of Insurance, it is assumed that there would be a one-time revenue gain of \$27,000 in the General Revenue Dedicated Account Fund 36 in fiscal year 2008 because the bill would result in 270 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. Since General Revenue Dedicated Account Fund 36 is a self-leveling account, no revenue impacts to this account are included in the table above. It is also assumed that any costs realized by TDI 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: 327 Employees Retirement System, 454 Department of Insurance

LBB Staff: JOB, JRO, MW, SK