

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

April 16, 2007

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

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

IN RE: HB2483 by Menendez (Relating to the operation and regulation of cross border health benefit plans.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB 2483, As Introduced: an impact of \$0 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	\$0
2010	\$0
2011	\$0
2012	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from <i>DEPT INS OPERATING</i> <i>ACCT</i> 36	Probable Revenue Gain from <i>DEPT INS OPERATING</i> <i>ACCT</i> 36	Change in Number of State Employees from FY 2007
2008	(\$548,375)	\$548,375	8.0
2009	(\$417,619)	\$417,619	8.0
2010	(\$398,421)	\$398,421	8.0
2011	(\$398,421)	\$398,421	8.0
2012	(\$417,619)	\$417,619	8.0

Fiscal Analysis

This bill would implement recommendations 1 and 2 of the *LBB Government Effectiveness and Efficiency Report* entitled "Allow U.S.-Based Insurers and HMOs to Offer Texas-Mexico Cross Border Health Plans." The bill also makes additional changes to the Insurance Code that are not reflected in this report.

The bill would amend the Insurance Code to provide for the operation and regulation of cross border health benefit plans. The TDI commissioner would be required to adopt rules necessary to implement the new provisions. Health benefit plan issuers, entities authorized under the Insurance Code or another insurance law of Texas that provide health insurance or health benefits in Texas, would be

authorized to offer cross border health benefit plans to provide health care services to eligible enrollees in designated service areas in Texas and Mexico, or only Mexico. The bill provides that these health benefit plan issuers must hold a special certificate of authority issued by the Texas Department of Insurance (TDI) to operate a cross border health benefit plan and must comply with oversight and quality of care requirements adopted by TDI commissioner rule. The bill also authorizes the TDI commissioner, notwithstanding any other provision of the insurance code to the contrary, to authorize Mexican insurance companies that meet certain requirements to market, sell, and operate cross border health benefit plans. The TDI commissioner would be required to establish by rule quality of care standards and minimal financial requirements for Mexican insurance companies that operate cross border health benefit plans.

The bill requires that TDI conduct a study to evaluate the impact of cross border health benefit plans and report the findings to the governor, lieutenant governor, the speaker of the house of representatives, and the Legislative Budget Board on or before January 1, 2011.

This bill would take effect September 1, 2007.

Methodology

Allowing insurers and HMOs to offer cross border health plans has the potential to decrease the number of uninsured in the Texas-Mexico border region and thus reduce public healthcare expenditures. Based on the analysis of the TDI, it is assumed there would be costs associated with the establishment, operation, and regulation of cross border health benefit plans. It is assumed that TDI would need additional staff to conduct examinations, form filings, investigate and resolve complaints, and assign enrollee requests for independent review. Estimated costs include:

- salaries for 8.0 FTEs (six Insurance Specialist V and two Insurance Specialist IV) in the amount of \$296,268 each fiscal year with associated benefit costs of \$83,814 each fiscal year.
- travel expenses during the initial implementation of the bill in the amount of \$22,034 in fiscal year 2008.
- contracts with three consultants in the amount of \$56,000 in fiscal year 2008. It is assumed that TDI would need to contract with consultants with expertise in cross border health benefit plans, international health affairs, and Mexican law to assist with international agreements, rule writing, education and training, and the evaluation report.
- a one-time cost in fiscal year 2008 for equipment in the amount of \$36,864.
- other costs and operating expenses are assumed to be \$53,395 in fiscal year 2008, \$37,537 in fiscal year 2009, \$18,339 in fiscal year 2010, \$18,339 in fiscal year 2011, and \$37,537 in fiscal year 2012.

Since TDI is required to generate revenues equivalent to its costs of operation under current law, this analysis assumes that all costs incurred in excess of revenues generated would be paid for from General Revenue - Dedicated Fund 36 from either existing fund balances or insurance maintenance tax revenues.

Technology

There would be a one-time technology impact of \$11,552 for computer hardware and software.

Local Government Impact

No 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, JI, DM, KJG