

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: HB2668 by Zerwas (Relating to coverage for bariatric surgical procedures under the Texas Employees Group Benefits Act.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2668, As Introduced: a negative impact of (\$12,796,938) 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	(\$12,796,938)
2010	(\$13,922,594)
2011	(\$15,225,986)
2012	(\$16,588,623)

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from <i>GENERAL REVENUE</i> <i>FUND</i> 1	Probable (Cost) from <i>GR DEDICATED</i> <i>ACCOUNTS</i> 994	Probable (Cost) from <i>OTHER SPECIAL</i> <i>STATE FUNDS</i> 998	Probable (Cost) from <i>STATE HIGHWAY</i> <i>FUND</i> 6
2008	\$0	\$0	\$0	\$0
2009	(\$12,796,938)	(\$667,368)	(\$67,017)	(\$2,974,357)
2010	(\$13,922,594)	(\$726,072)	(\$72,912)	(\$3,235,990)
2011	(\$15,225,986)	(\$794,044)	(\$79,738)	(\$3,538,934)
2012	(\$16,588,623)	(\$865,107)	(\$86,874)	(\$3,855,648)

Fiscal Year	Probable (Cost) from <i>FEDERAL FUNDS</i> 555
2008	\$0
2009	(\$2,828,480)
2010	(\$3,077,282)
2011	(\$3,365,368)
2012	(\$3,666,549)

Fiscal Analysis

The bill would require health benefit plan coverage for bariatric surgery that is at least as extensive as

the benefit for bariatric surgery provided to Medicare beneficiaries under the National Coverage Determinations Manual published by the Centers for Medicare and Medicaid Services on February 15, 2006.

The bill would take effect September 1, 2007.

Methodology

Currently the health benefit plan administered by the Employees Retirement System (ERS) does not include coverage for bariatric coverage. The bill would require the removal of that exclusion. Based on the analysis of ERS, it is assumed the bill would increase costs for ERS health plans by 1.2 percent.

Based on the analysis of the Texas Department of Insurance (TDI), there may be a one-time revenue gain of \$3,700 in fiscal year 2008 to General Revenue Dedicated Account Fund 36 associated with approval filings filed as a result of the bill. 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. As a result, this revenue is not reflected in the table above. Also, it is assumed that any costs TDI would realize associated with 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 requirements of 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