

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

April 26, 2007

TO: Honorable Robert Duncan, Chair, Senate Committee on State Affairs

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

IN RE: SB568 by Ellis (Relating to group health benefit plan coverage for an enrollee with certain mental disorders.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB568, 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 <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	(\$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 <i>FEDERAL FUNDS</i> 555
2008	\$0
2009	(\$680,930)
2010	(\$746,405)
2011	(\$811,879)
2012	(\$890,448)

Fiscal Analysis

The bill would amend the Insurance Code relating to group health benefit plan coverage for an enrollee with certain mental disorders. The bill would define a mental disorder and would require coverage of a mental disorder subject to the same amount limits, deductibles, copayments and coinsurance factors as any other physical illness.

The bill would apply to group health benefit plans delivered, issued, or renewed on or after January 1, 2008. The bill would take effect September 1, 2007.

Methodology

It is assumed the bill would require health plans administered by Employees Retirement System (ERS) to include coverage mental disorders, as defined by the American Psychiatric Association in the Diagnostic and Statistical Manual of Mental Disorders, subject to the same amount limits, deductibles, copayments and coinsurance factors as any other physical illness. It is assumed that ERS would incur costs for this coverage in amounts reflected in the table above.

Based on the analysis of ERS, it is assumed that implementing the provisions of the bill would result in more extensive coverage for mental disorders that are not currently defined as a Serious Mental Illness (SMI) and substance abuse. Coverage of non-SMI mental disorders is currently subject to annual limitations on the number of days of inpatient confinement and the number of outpatient visits. It is assumed that implementing the provisions of the bill would also result in an increase in the non-prescription drug plan cost for treatment of mental disorders of approximately 25 percent and no increase in the prescription drug cost.

Based on the analysis of the Texas Department of Insurance (TDI), it is assumed that there would be a one-time revenue gain of \$25,500 in the General Revenue Dedicated Account Fund 36 in fiscal year 2008 because the bill would result in 255 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. 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 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, KJG, MW, SK