LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

April 1, 2007

TO: Honorable Eddie Lucio, Jr., Chair, Senate Committee on International Relations & Trade

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

IN RE: **SB1445** by Lucio (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 SB 1445, 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 *DEPT INS OPERATING ACCT* 36	Probable Revenue Gain from *DEPT INS OPERATING ACCT* 36	Change in Number of State Employees from FY 2007
2008	($313,922)	$313,922	4.0
2009	($208,810)	$208,810	4.0
2010	($199,211)	$199,211	4.0
2011	($199,211)	$199,211	4.0
2012	($208,810)	$208,810	4.0

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 would amend the Insurance Code to provide for the operation and regulation of cross border health benefit plans. 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 TDI commissioner would be required to adopt rules necessary to implement the new provisions. 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 U.S.-based insurers and HMOs to offer crossborder 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 4.0 FTEs (three Insurance Specialist V and one Insurance Specialist IV) in the amount of $148,134 each fiscal year with associated benefit costs of $41,907 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 $44,000 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 $18,432.

- other costs and operating expenses are assumed to be $39,415 in fiscal year 2008, $18,769 in fiscal year 2009, $9,170 in fiscal year 2010, $9,170 in fiscal year 2011, and $18,769 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 $5,776 for computer hardware and software.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 454 Department of Insurance

LBB Staff: JOB, CL, JI, DM