

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

April 19, 2007

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

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

IN RE: SB1637 by Williams (Relating to a small employer health benefit plan premium assistance program.) ,As **Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1637, 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	(\$38,260,800)
2011	(\$33,899,460)
2012	(\$27,600,300)

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from <i>DEPT INS</i> <i>OPERATING ACCT</i> 36	Probable Revenue Gain from <i>DEPT INS</i> <i>OPERATING ACCT</i> 36	Probable (Cost) from <i>GENERAL REVENUE</i> <i>FUND</i> 1	Change in Number of State Employees from FY 2007
2008	(\$787,865)	\$787,865		6.0
2009	(\$1,273,468)	\$1,273,468		8.0
2010	(\$562,888)	\$562,888	(\$38,260,800)	11.0
2011	(\$549,195)	\$549,195	(\$33,899,460)	11.0
2012	(\$550,371)	\$550,371	(\$27,600,300)	11.0

Fiscal Analysis

The bill would amend the Insurance Code to provide for the establishment and implementation of a small employer health benefit plan premium assistance program. The bill would take effect immediately upon a two-thirds vote in each house, otherwise the bill would take effect on September 1, 2007.

Methodology

Based on the analysis of the Texas Department of Insurance (TDI), it is assumed there are 637,689 workers in eligible small firms. For the purposes of this analysis, it is assumed that a number of these

small firms would enroll in the plan so that 10 percent of the estimated eligible employees would be covered. This analysis also assumes that in each subsequent year 2 percent of the eligible employee base would enroll in the plan and that there would also be a 2 percent drop out rate each subsequent year of employees enrolled in the plan. Based on the analysis of TDI, it is assumed that it will take two years to develop the on-line system necessary to enroll employees and administer the program and that the system will be available on September 1, 2009. Accordingly, it is assumed that Premium Assistance costs would begin in fiscal year 2010 and that these costs would be paid from General Revenue. These costs are assumed to be \$38,260,800 in fiscal year 2010, \$33,899,460 in fiscal year 2011, and \$27,600,300 in fiscal years 2012. According to TDI, the maintenance tax rate for the Life, Health, and Licensing line of insurance is currently set at the statutory maximum. If these costs were to be paid from General Revenue - Dedicated Fund 36 maintenance tax rates, insurance lines other than the Life, Health, and Licensing line would be increased.

This analysis assumes that TDI would incur administrative costs in the Life, Health, and Licensing, Financial Services, and Information Technology Services divisions as a result of the bill. It is assumed these administrative costs would be paid from General Revenue - Dedicated Fund 36 from either existing fund balances or insurance maintenance tax revenues.

In the Life, Health, and Licensing division these costs would include salaries for 4.0 FTEs in years 2008, one Program Manager IV, one Program Specialist V, one Program Specialist II, and one Administrative Assistant II, and 6.0 FTEs in subsequent fiscal years, all the positions in fiscal year 2008 and two additional Program Specialist II. These FTEs would be responsible for designing the scope of the project, developing an application process for employers, designing an outreach and education program, and determine and verify ongoing eligibility of enrollees. The cost for these FTEs, including salaries, benefits, and other operating expenses would total \$241,774 in fiscal year 2008, \$322,363 in fiscal year 2009, and \$313,010 in subsequent fiscal years.

It is assumed costs in fiscal years 2008 and 2009 for the Financial Services division would include salaries for 2.0 FTEs, one Accountant V and one Administrative Assistant I. These FTEs would help develop the on-line program. It is assumed costs in subsequent fiscal years for the Financial Services division would include salaries for 5.0 FTEs, the positions in fiscal years 2008 and 2009, and two additional Accountant I and one additional Accountant II. These FTEs would be responsible for processing payments for the program and are based on the assumption that 63,768 employees would be enrolled in the program. The costs for these FTEs, including salaries, benefits, and other operating expenses would total \$102,681 in fiscal year 2008, \$93,465 in fiscal year 2009, \$225,937 in fiscal year 2010, and \$212,113 in subsequent fiscal years.

It is assumed costs for the Information Technology Services division would include two medium complexity servers to host the application and website. It is assumed services would be provided by the State Data Center. These costs include hardware maintenance and were estimated using the State Data Center Estimating Tool. It is also assumed costs would include contract staff to design the application. These costs would total \$443,410 in fiscal year 2008, \$857,640 in fiscal year 2009, \$23,941 in fiscal year 2010, \$24,072 in fiscal year 2011, and \$25,248 in fiscal year 2012.

Technology

It is assumed the bill would have a technology impact of \$454,614 in 2008, \$860,665 in 2009, \$28,273 in 2010, \$24,072 in 2011, and \$25,248 in 2012 to purchase computer hardware and software and to develop a Web application to support and monitor a health plan premium assistance program.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 454 Department of Insurance

LBB Staff: JOB, KJG, MW, SK