# LEGISLATIVE BUDGET BOARD
## Austin, Texas

## FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

**March 23, 2009**

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

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

**IN RE:** **HB531** by Anchia (Relating to medical loss ratios of certain health benefit plan issuers.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB531, As Introduced: an impact of $0 through the biennium ending August 31, 2011.

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 |
|---|---|
| 2010 | $0 |
| 2011 | $0 |
| 2012 | $0 |
| 2013 | $0 |
| 2014 | $0 |

### All Funds, Five-Year Impact:

| Fiscal Year | Probable Savings/(Cost) from *Insurance Maint Tax Fees* 8042 | Probable Revenue Gain from *Insurance Maint Tax Fees* 8042 | Change in Number of State Employees from FY 2009 |
|---|---|---|---|
| 2010 | ($304,852) | $304,852 | 4.0 |
| 2011 | ($199,691) | $199,691 | 3.0 |
| 2012 | ($199,691) | $199,691 | 3.0 |
| 2013 | ($199,691) | $199,691 | 3.0 |
| 2014 | ($199,691) | $199,691 | 3.0 |

### Fiscal Analysis

The bill would amend the Insurance Code to require that certain health benefit plans, whose annual medical loss ratio falls below the minimum established by the bill, issue rebates to each enrollee or plan sponsor who paid premiums during the year for which the ratio was established. The bill would also require that the plans annually report their medical loss ratio to the Texas Department of Insurance (TDI).

The bill would take effect on September 1, 2009.

## Methodology

Based on the analysis by TDI, it is assumed that the agency would receive 972.5 annual reports due to implementation of this bill and that no revenue would be generated through filing fees. It is also assumed that TDI would design and implement a process to annually collect, verify, and store the loss ratio data, which would require 0.5 full-time-equivalent positions (FTEs) for a system analyst and another 0.5 FTE for an actuary to develop the system in fiscal year (FY) 2010. Additionally, to review and continue to run the data collection, TDI would require 3.0 FTEs in each fiscal year from 2010 to 2014.

In FY 2010, the 4 total FTEs would cost $221,516 for salaries, with $63,287 in associated benefits; $6,225 for telephone, consumables, and other operating expenses; and $13,824 for one-time equipment expenses. In each fiscal year from 2011 to 2014, the 3 FTEs would cost $150,475 for salaries with $42,991 in associated benefits and $6,225 for telephone, consumables and other operating expenses.

Since TDI is required to generate revenues equivalent to its costs of operation under current law, this analysis assumes that all costs incurred would be paid from General Revenue -8042 Insurance Maintenance Taxes from either existing fund balances or insurance maintenance tax revenues.

Based on the analysis by Employee Retirement System, the Teacher Retirement System, the University of Texas System, and the Texas A&M University system, any costs associated with implementing the provisions of this bill could be absorbed within each agency's existing resources.

## Technology

The bill would result in a technology impact of $4,332 in FY 2010.

## Local Government Impact

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 323 Teacher Retirement System, 327 Employees Retirement System, 454 Department of Insurance, 710 Texas A&M University System Administrative and General Offices, 720 The University of Texas System Administration

**LBB Staff:** JOB, KJG, MW, CH