

**LEGISLATIVE BUDGET BOARD**

**Austin, Texas**

**FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION**

**March 31, 2009**

**TO:** Honorable Vicki Truitt, Chair, House Committee on Pensions, Investments & Financial Services

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

**IN RE: HB2026** by Zerwas (Relating to bariatric surgery coverage for state employees.), **As Introduced**

**No significant fiscal implication to the State is anticipated.**

The bill would amend Subchapter E, Chapter 1551, of the Insurance Code by adding Section 1551.227, which would require an annual study of bariatric surgery coverage under the Group Benefits Plan (GBP) to determine the costs and benefits of coverage. The bill would require the Employees Retirement System Board of Trustees to annually determine the cost of coverage and the benefits the state can expect to realize from providing coverage for bariatric surgery that is at least as extensive as the coverage provided by Medicare beneficiaries. If the Board determines that provision of such coverage would produce benefits to the state that equal or exceed the cost of providing the coverage, the Board shall provide coverage for bariatric surgery for the following plan year.

ERS reports that the study would require an analysis of the health characteristics of the GBP population, a thorough examination of the actuarial and medical literature of the subject, and the involvement of health care professionals, as well as health care and retirement actuaries, in order to evaluate the impact on overall wellness and future health care and retirement plan costs. It is assumed that such a study would require 120-180 days to complete following the selection of a contractor via the request for proposal process. It is assumed that after the initial full study, subsequent studies, if needed, would update the prior year's study for new developments, such as changes in the cost of the procedure and success rates.

ERS estimates the cost of the initial full study to be approximately \$600,000, with the follow-up studies, if needed, costing approximately \$150,000 each. These costs would not cause an increase in the state contribution rates for the Group Benefits Plan. The cost of providing the health plan coverage for bariatric surgery is not part of the cost analysis, since the cost of the coverage for providing bariatric surgery is a component of the study.

**Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 327 Employees Retirement System

**LBB Staff:** JOB, JRO, MS, DEH