LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

April 28, 2009

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

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

IN RE: **HB2064** by Smithee (Relating to premium discounts for certain participants in the Texas Health Insurance Risk Pool and to related tax credits for health benefit plan issuers.), **As Engrossed**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2064, As Engrossed: an impact of $0 through the biennium ending August 31, 2011.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2010	$0
2011	$0
2012	($20,000,000)
2013	$0
2014	($20,000,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from *General Revenue Fund* 1	Probable Savings/(Cost) from *Foundation School Fund* 193
2010	$0	$0
2011	$0	$0
2012	($15,000,000)	($5,000,000)
2013	$0	$0
2014	($15,000,000)	($5,000,000)

Fiscal Analysis

The bill would amend the Insurance Code by allowing a credit to be taken against an insurers premium tax liability for required discounts on the premiums paid by certain individuals through the Health Insurance Risk Pool. The discounted premiums would be offered on a sliding scale based on a person's financial need. The total premium discount allowed would be capped at $20 million in any two-year period.

Each health benefit plan issuer would be entitled to a credit against the premium tax for their share of the new premium discounts granted under the Health Insurance Risk Pool. The credit would apply to the premium tax due in the calendar year following the calendar year in which the assessment was paid. A health benefit plan issuer could apply a tax credit beginning with the first premium tax payment due on or after January 1, 2012.

The bill would take effect September 1, 2009.

Methodology

According to the Health Pool, surveys of membership income levels indicate that up to 48 percent of enrollees would qualify for the discounted premiums based on the financial need guidelines. Health Pool premiums in 2007 totaled $182,378,034, the 48 percent subset of members that would qualify for the discounted premiums would easily meet the $20 million biennial limit. The fiscal impact is based on the assumption that the full capped credit would be taken in the report filed March 1, 2012, and the credit would continue to be taken every two years thereafter. Any unused credit may be carried over to apply to the premium tax due in the five consecutive calendar years that follow the calendar year in which the credit was first applied.

The insurance premium tax is classified as an occupation tax, with 25 percent of its revenues constitutionally dedicated to the General Revenue Account 0193 - Foundation School Fund. The proposed assessment credit would reduce insurers' insurance premium tax liabilities and thereby cause a loss to General Revenue and also to the Foundation School Fund.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 454 Department of Insurance

LBB Staff: JOB, KJG, SD, CH, MN, RS