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LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

March 23, 2009

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

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

IN RE: **HB2250** by Hunter (Relating to payment of claims to pharmacies and pharmacists.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2250, 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 (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	($237,619)	$237,619	3.0
2011	($223,795)	$223,795	3.0
2012	($223,795)	$223,795	3.0
2013	($223,795)	$223,795	3.0
2014	($223,795)	$223,795	3.0

Fiscal Analysis

The bill would amend the Insurance Code to change the requirements of a pharmacy audit and to decrease the time frame for insurance companies to pay pharmacies for claims. Additionally, the bill would create a dispute resolution process for the Texas Department of Insurance (TDI) to resolve disputes regarding claim payments by health maintenance organizations or insurers under preferred provider benefit plans. The bill would require that a complainant may appeal TDI's written order by requesting a hearing on the matter before the State Office of Administrative Hearings (SOAH).

The bill would only apply to claims submitted on or after September 1, 2009 and to contracts between a pharmacy benefit manager and an insurer or health maintenance organization entered into or renewed on or after January 1, 2010. The bill would take effect on September 1, 2009.

Methodology

Based on the analysis by TDI, it is anticipated that implementing the bill would require an additional 3 full-time-equivalent positions (FTE) each fiscal year to administer the complaint and investigation process. For each fiscal year from 2010 to 2014, the 3 FTEs would cost $163,390 for salaries with an associated benefit cost of $46,680; $7,500 for travel costs; and $6,225 for telephone, consumable supplies, and other operating expenses. In FY 2010, the agency estimates $13,824 in one-time equipment costs.

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 either existing fund balances or insurance maintenance tax revenues. Additionally, there would be a slight revenue increase in General Revenue – Dedicated Fund 36 due to form filings caused by the changes in statute. Since General Revenue – Dedicated Account Fund 36 is a self-leveling account, this analysis assumes all general revenue would go toward fund balances or the maintenance tax would be set to recover a lower level of revenue the following year.

The Employee Retirement System (ERS) indicates that there would be some loss in investment income due to implementing the provisions of the bill. However, this analysis assumes that the revenue loss to be insignificant based on information provided by ERS.

SOAH indicates that any costs associated with the bill could be absorbed within current resources.

Technology

The bill would have a $4,332 technology impact in FY10.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 323 Teacher Retirement System, 327 Employees Retirement System, 360 State Office of Administrative Hearings, 454 Department of Insurance, 710 Texas A&M University System Administrative and General Offices, 720 The University of Texas System Administration

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