

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

April 13, 2009

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

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

IN RE: HB3120 by Alvarado (Relating to the maximum allowable premium rate increase for small employer health benefit plans.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3120, As Introduced: a negative impact of (\$559,888) 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	(\$283,694)
2011	(\$276,194)
2012	(\$276,194)
2013	(\$276,194)
2014	(\$276,194)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from General Revenue Fund 1	Change in Number of State Employees from FY 2009
2010	(\$283,694)	3.0
2011	(\$276,194)	3.0
2012	(\$276,194)	3.0
2013	(\$276,194)	3.0
2014	(\$276,194)	3.0

Fiscal Analysis

The bill would amend the Insurance Code to create a complaint process for premium rate increases for small employer health benefit plans.

The bill would require the Office of Public Insurance Counsel (OPIC) to accept complaints against small employer health benefit plans from small employers, eligible employees or their dependents concerning significant rate increases. The bill would authorize OPIC to appear before the Texas Department of Insurance (TDI) regarding the complaint and authorize TDI to issue an order assessing penalties if the rate is determined to be excessive. The bill would grant OPIC subpoena authority regarding the complaint.

The bill would allow OPIC to request reimbursement from TDI for costs and fees associated with the investigation and resolution of complaint of a rate increase. The bill would not require, but would allow, TDI to reimburse OPIC for these expenses.

The bill would create the Honesty-In-Premium Account as fund in the General Revenue Fund. The bill would allow TDI to make an assessment against each small employer health benefit plan issuer to cover the costs of investigating and resolving a complaint. The bill would allow the fund to receive revenue from any assessments TDI makes as specified in the bill and from interest earned on the fund.

The bill would take effect September 1, 2009.

Methodology

Since reimbursements are at the discretion of TDI, this analysis assumes that TDI would not make assessments on the small employer health benefit plan issuer and therefore would not reimburse OPIC for costs related to the complaint process.

Based on analysis provided by OPIC, it is anticipated that the complaint process will require an additional 3 full-time-equivalent positions (FTEs), at a salary cost of \$156,486 with associated benefits of \$44,708 each fiscal year. Additionally, a one-time equipment cost of \$7,500 is anticipated in fiscal year 2010. In each fiscal year, a cost of \$75,000 is expected for expert witnesses to testify in the additional hearings at TDI.

Based on the analysis of TDI, it is assumed that there would be a one-time revenue gain of \$3,700 in the General Revenue Dedicated Account Fund 36 in fiscal year 2010 because the bill would result in additional form filings by Health Maintenance Organizations. Since General Revenue-Dedicated Account Fund 36 is a self-leveling account, this analysis assumes all revenue generated would go toward fund balances or the maintenance tax would be set to recover a lower level of revenue the following year. It is also assumed that any costs realized by TDI from implementing the provisions of the bill could be absorbed within existing resources.

This legislation would do one or more of the following: create or recreate a dedicated account in the General Revenue Fund, create or recreate a special or trust fund either with or outside of the Treasury, or create a dedicated revenue source. Legislative policy, implemented as Government Code 403.094, consolidated special funds (except those affected by constitutional, federal, or other restrictions) into the General Revenue Fund as of August 31, 1993, and eliminated all applicable statutory revenue dedications as of August 31, 1995. Each subsequent Legislature has reviewed bills that affect funds consolidation. The fund, account, or revenue dedication included in this bill would be subject to funds consolidation review by the current Legislature.

Technology

The technology impact is anticipated to be \$7,500 in fiscal year 2010.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 359 Office of Public Insurance Counsel, 454 Department of Insurance

LBB Staff: JOB, KJG, MW, CH