LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

March 26, 2009

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

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

IN RE: **SB6** by Duncan (Relating to the creation of the Healthy Texas Program.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB6, As Introduced: a negative impact of ($112,540,000) 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	($27,625,000)
2011	($84,915,000)
2012	($151,194,600)
2013	($227,535,480)
2014	($315,123,255)

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from *General Revenue Fund* 1	Probable Revenue Gain from *Healthy Texas Small Employer Premium Stabilization Fund*	Probable (Cost) from *Healthy Texas Small Employer Premium Stabilization Fund*	Probable Revenue Gain from *Insurance Maint Tax Fees* 8042
2010	($27,625,000)	$27,625,000	($27,625,000)	$187,118
2011	($84,915,000)	$84,915,000	($84,915,000)	$161,552
2012	($151,194,600)	$151,194,600	($151,194,600)	$161,552
2013	($227,535,480)	$227,535,480	($227,535,480)	$161,552
2014	($315,123,255)	$315,123,255	($315,123,255)	$161,552

Fiscal Year	Probable (Cost) from *Insurance Maint Tax Fees* 8042	Change in Number of State Employees from FY 2009
2010	($187,118)	1.5
2011	($161,552)	1.5
2012	($161,552)	1.5
2013	($161,552)	1.5
2014	($161,552)	1.5

Fiscal Analysis

The bill would amend the Insurance Code to create the Healthy Texas Program, a new health plan for small employers that qualify for participation. The bill would require the Texas Department of Insurance (TDI) to create the new Healthy Texas Small Employer Premium Stabilization Fund (the Healthy Texas Fund) from which health benefit plan issuers may receive reimbursement for claims paid for individuals covered under qualifying group health plans. The bill would require the insurers to be responsible for all payments up to an annual threshold of $5,000 per individual, and once that threshold is met, the Healthy Texas Fund would reimburse up to 80 percent of claims, up to $75,000 per individual. Any excess funds in the Healthy Texas Fund at the end of the calendar year would be carried forward and added to the Healthy Texas Fund in the next calendar year.

The Healthy Texas Fund would receive revenue from legislative appropriations to TDI for this purpose. The bill would require TDI to administer the Healthy Texas Fund, develop group coverage plans, review and approve plan rates, report certain information regarding cost per member per month, limit the number of participating insurers if necessary, and adopt rules to implement the provisions of the bill. The bill would allow TDI to contract with an independent organization to administer the Healthy Texas Fund, if TDI deemed it necessary.

Additionally, the bill would require TDI to develop and implement public education, outreach, and facilitated enrollment strategies regarding the program. The bill states that TDI may use up to 8 percent of the Healthy Texas Fund for this purpose.

The bill would take effect on September 1, 2009.

Methodology

This analysis assumes that legislative appropriations to fund the Healthy Texas Fund would be from General Revenue. Based on actuarial analysis provided by TDI, it is assumed that the average cost to the Healthy Texas Fund per member per month would be $85 in fiscal year (FY) 2010, $92 in FY 2011, $99 in FY 2012, $107 in FY 2013, and $116 in FY 2014. This analysis is based on a total program membership of 50,000 in FY 2010, and increasing by 50,000 members each year for the next four fiscal years.

Based on information provided by TDI, it is assumed that 1.5 FTEs would be required each fiscal year to implement the provisions of the bill. The costs of implementation would include $96,368 per year in salaries and associated benefit costs of $27,532, telephone, consumable supplies, and other operating expenses of $5,652 each fiscal year, and $9,566 for one-time equipment costs in FY 2010. TDI indicates a cost for actuarial services of $48,000 in FY 2010 and $32,000 for each fiscal year from 2011 to 2014.

Since TDI is required to generate revenues equivalent to its costs of operation under current law, this analysis assumes that all costs incurred by the agency for administration of the program would be paid from either existing fund balances or insurance maintenance tax revenues.

Based on information provided by TDI, it is assumed that the agency would be able to absorb costs to develop and implement public education, outreach, and facilitated enrollment strategies regarding the program within its existing resources.

Technology

The bill would have a technology impact of $2,888 in fiscal year 2010.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 454 Department of Insurance

LBB Staff: JOB, KJG, MW, CH