

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

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

**April 22, 2009**

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

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

**IN RE: SB485** by Deuell (Relating to medical loss ratios of health benefit plan issuers.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for SB485, 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 Savings/(Cost) from <i>Insurance Maint Tax Fees</i> 8042	Probable Revenue Gain from <i>Insurance Maint Tax Fees</i> 8042	Change in Number of State Employees from FY 2009
2010	(\$304,852)	\$304,852	4.0
2011	(\$199,691)	\$199,691	3.0
2012	(\$199,691)	\$199,691	3.0
2013	(\$199,691)	\$199,691	3.0
2014	(\$199,691)	\$199,691	3.0

**Fiscal Analysis**

The bill would amend the Insurance Code to require that certain health benefit plans, whose annual medical loss ratio falls below the minimum established by the Texas Department of Insurance (TDI), issue rebates to each enrollee or plan sponsor who paid premiums during the year for which the ratio was established. The bill would also require that the plans annually report their medical loss ratio to the TDI.

The bill would take effect on September 1, 2009.

## **Methodology**

Based on the analysis by TDI, it is assumed that the agency would receive 1,052 annual reports due to implementation of this bill, generating \$5,263 to General Revenue Dedicated Fund 36 through filing fees each fiscal year. 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 assumed that TDI would design and implement a process to annually collect, verify, and store the loss ratio data, which would require 0.5 full-time-equivalent positions (FTEs) for a system analyst and another 0.5 FTE for an actuary to develop the system in fiscal year (FY) 2010. Additionally, to review and continue to run the data collection, TDI would require 3.0 FTEs in each fiscal year from 2010 to 2014.

In FY 2010, the 4 total FTEs would cost \$221,516 for salaries, with \$63,287 in associated benefits; \$6,225 for telephone, consumables, and other operating expenses; and \$13,824 for one-time equipment expenses. In each fiscal year from 2011 to 2014, the 3 FTEs would cost \$150,475 for salaries with \$42,991 in associated benefits and \$6,225 for telephone, consumables and other operating expenses.

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 General Revenue-8042 Insurance Maintenance Taxes from either existing fund balances or insurance maintenance tax revenues.

Based on the analysis by the University of Texas System, and the Texas A&M University system, any costs associated with implementing the provisions of this bill could be absorbed within each agency's existing resources.

Based on the analysis by the Employee Retirement System, the bill may result in additional administrative costs that could be absorbed within existing resources, and could result in additional program administrative costs that would have to be covered by increased state and member contributions.

Based on the analysis by the Teacher Retirement System, the bill could affect the premiums for TRS-Care 1 and for TRS-ActiveCare 3, however any fiscal impact would be determined by decisions of TDI in setting the minimum lost ratio, which cannot be projected.

## **Technology**

The bill would result in a technology impact of \$4,332 in FY 2010.

## **Local Government Impact**

No fiscal implication to units of local government is anticipated.

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

**LBB Staff:** JOB, CH, KJG, MW