LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

May 15, 2009

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

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

IN RE: **SB714** by Van de Putte (Relating to regulation of certain health care rental network contract arrangements; providing a civil penalty.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for SB714, Committee Report 1st House, Substituted: 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 Revenue Gain from *Insurance Maint Tax Fees* 8042	Probable (Cost) from *Insurance Maint Tax Fees* 8042	Change in Number of State Employees from FY 2009
2010	$182,279	($182,279)	2.5
2011	$168,280	($168,280)	2.5
2012	$168,280	($168,280)	2.5
2013	$168,280	($168,280)	2.5
2014	$168,280	($168,280)	2.5

Fiscal Analysis

The bill would amend the Insurance Code to provide the regulation of certain health care rental network contract arrangements. The bill would add the regulation of the secondary market in certain physician discounts and would require that contracting entities, who are not otherwise licensed or hold a certificate of authority, to register with the Texas Department of Insurance (TDI) before conducting business. Additionally, the bill would authorize TDI to enforce certain notification and contracting requirements in the secondary market.

The provisions of the bill would apply to contracts entered into or renewed on or after September 1, 2009.The bill would take effect September 1, 2009.

Methodology

Based on the analysis provided by TDI, implementation of the bill would require an additional 2.5 full-time-equivalent positions (FTEs). Two of the new FTEs would handle the additional complaints that are anticipated from the regulation of contracting entities and third parties. Based on a similar situation with new regulation requirements, the agency anticipates receiving 1,375 complaints each year. The 2 FTEs would conduct the complaint resolution process. The additional 0.5 FTE would be an attorney to provide legal support for rule development, new registration of contracting entities, and complaint resolution.

The 2.5 FTEs would cost $126,044 in salaries and wages with associated benefits cost of $36,011, and telephone, consumables, and other operating expenses of $6,225 in each year of the 2010-11 biennium. Additionally, there would be one-time expenses of $13,999 in fiscal year 2010 for equipment.

Since insurance maintenance tax is self-leveling, this analysis assumes that the costs to implement this bill would come from fund balances or the maintenance tax would be set to recover a higher level of revenue.

Technology

The bill would have a technology impact of $4,332 in fiscal year 2010.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 454 Department of Insurance

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