

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

April 11, 2011

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

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

IN RE: HB1534 by Eiland (Relating to regulation of certain health care provider network contract arrangements.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1534, As Introduced: an impact of \$0 through the biennium ending August 31, 2013.

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
2012	\$0
2013	\$0
2014	\$0
2015	\$0
2016	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain from Dept Ins Operating Acct 36	Probable (Cost) from Dept Ins Operating Acct 36	Change in Number of State Employees from FY 2011
2012	\$61,608	(\$61,608)	1.0
2013	\$56,903	(\$56,903)	1.0
2014	\$56,903	(\$56,903)	1.0
2015	\$56,903	(\$56,903)	1.0
2016	\$56,903	(\$56,903)	1.0

Fiscal Analysis

The bill would amend the Insurance Code relating to regulation of certain health care provider network contract arrangements. The bill would add a new chapter, regarding provider network contract arrangements, to allow for the regulation of the secondary market in certain physician discounts and would require contracting entities who are not otherwise licensed and do not hold a certificate of authority to register with the Texas Department of Insurance (TDI) within 30 days of the date on which the entity begins conducting business in this state.

The bill would establish criteria for network and discount access and contract termination; set out contracting entity rights and obligations; require disclosure to providers and contracting entities of

third-party access; allow physicians to refuse a network discount without a contractual basis; and provide physicians with remedies when a discount is taken without a contractual basis.

The bill would allow TDI to collect a reasonable fee set by the Commissioner as necessary to administer the registration process. Revenue collected from the fee would be deposited to TDI's operating fund, General Revenue-Dedicated Fund 36 (GR-D Fund 36).

This bill would take effect September 1, 2011.

Methodology

The bill requires that contracting entities register with the TDI and allows for the regulation of certain health care provider network contract arrangements relating to the delivery of and payment for health care services to individuals covered under a health benefit plan. Based on the analysis provided by TDI, it is assumed that 200 contracting entities will seek registration for the non workers' compensation healthcare. Implementation of the bill will require 1.0 full-time-equivalent position (FTE), an Insurance Specialist III, to perform the registration process and periodic updates for contracting entities.

Based on the analysis provided by TDI, the 1.0 FTE would cost \$42,881 in salaries and wages, \$11,947 in benefit costs, \$1,850 for telephones and consumables, and \$225 in other operating expenses each fiscal year in GR-D Fund 36. One-time equipment expenditures are anticipated to be \$4,705 in fiscal year 2012.

Implementation of the bill would require TDI to set a reasonable fee by rule as necessary to administer the registration process. Since GR-D Fund 36 is a self-leveling account, this analysis also assumes that any additional revenue resulting from the implementation of the bill would accumulate in the account fund balances and that the department would adjust the assessment of the maintenance tax or other fees accordingly in the following year.

Technology

The bill is anticipated to have a technology impact of \$1,225 in fiscal year 2012.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 454 Department of Insurance

LBB Staff: JOB, KJG, MW, CH