

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

May 10, 2011

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

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

IN RE: HB1772 by Taylor, Larry (Relating to the regulation of certain benefit plans.), **As Engrossed**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1772, As Engrossed: 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 <i>Dept Ins Operating</i> <i>Acct</i> 36 | Probable (Cost) from <i>Dept Ins Operating</i> <i>Acct</i> 36 | Probable Revenue Gain from <i>Insurance Maint Tax</i> <i>Fees</i> 8042 | Probable (Cost) from <i>Insurance Maint Tax</i> <i>Fees</i> 8042 |
|-------------|---|--|--|---|
| 2012 | \$74,601 | (\$74,601) | \$135,957 | (\$135,957) |
| 2013 | \$69,599 | (\$69,599) | \$126,843 | (\$126,843) |
| 2014 | \$69,599 | (\$69,599) | \$126,843 | (\$126,843) |
| 2015 | \$69,599 | (\$69,599) | \$126,843 | (\$126,843) |
| 2016 | \$69,599 | (\$69,599) | \$126,843 | (\$126,843) |

| Fiscal Year | Change in Number of State Employees from FY 2011 |
|-------------|--|
| 2012 | 3.0 |
| 2013 | 3.0 |
| 2014 | 3.0 |
| 2015 | 3.0 |
| 2016 | 3.0 |

Fiscal Analysis

The bill would amend the Insurance Code relating to the regulation of certain benefit plans. The bill would require an insurer that offers an exclusive provider benefit plan (EPBP) to establish procedures to ensure that health care services are provided to insureds under reasonable standards of quality of care that are consistent with prevailing professionally recognized standards of care or practice. The bill would specify that these procedures must include availability, accessibility, quality, continuity of care, a continuing quality improvement program to monitor and evaluate services, a method of recording formal proceedings of quality improvement program activities and maintaining documentation, a physician review panel to review medical guidelines or criteria, a patient record system that facilitates documentation and retrieval of clinical information, a process for the availability to the commissioner of the clinical records for examination and review, and a procedure for reporting of quality improvement program activities.

The bill would provide that any insurance law that applies to a preferred provider benefit plan applies to an EPBP to the extent that the Commissioner of Insurance determines the provision to be consistent with the function and purpose of an EPBP.

The bill would take effect September 1, 2011.

Methodology

Based on the information provided by the Texas Department of Insurance (TDI), implementation of the bill would authorize TDI to examine the operations of an EPBP.

Based on the information provided by TDI, 69 carriers in Texas offer Preferred Provider Benefit Plans. Based on the information provided by TDI, it is anticipated that 62 of these carriers will submit Exclusive Provider Benefit Plans to TDI that would require initial qualifying examinations and subsequent quality of care examinations at a minimum of once every 5 years. Subsequent examinations may be scheduled earlier than once every five years if warranted. Examination of the operations of the exclusive provider benefit plan would necessitate assessing the availability and accessibility of health care services to insureds and other quality of care measures. Examination of this type requires review of a variety of numerous documents such as provider lists, specialty maps, policies and procedures, quality improvement work plan, utilization review policies and procedures and appeal files.

Based on the analysis provided by TDI, implementation of this bill will require 3.0 full-time-equivalent positions (FTEs) to handle the additional workload of the qualifying exams and subsequent quality of care examinations. Each year, the 3.0 FTEs would cost \$148,770 in salaries and wages, \$41,447 in benefits costs, \$5,550 for telephones and consumables, and \$675 in other operating expenses. One-time equipment expenditures are anticipated to be \$14,116 in fiscal year 2012. A portion of the cost of each quality of care examination will be billed to each company on a monthly basis while the examination is being conducted through examination fees collected pursuant to Chapter 401 of the Insurance Code and deposited to General Revenue – Dedicated Fund 36. The remaining cost would be funded from General Revenue – Insurance Maintenance Tax and Insurance Department Fees. Since General Revenue – Insurance Maintenance Tax and Insurance Department Fees 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 \$3,675 in fiscal year 2012.

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