

**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: HB2165** by Perry (Relating to the establishment of a medical reinsurance system and to certain insurance reforms necessary to the efficient operation of that system; providing an administrative penalty.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB2165, 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:**

<b>Fiscal Year</b>	<b>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</b>
2012	\$0
2013	\$0
2014	\$0
2015	\$0
2016	\$0

**All Funds, Five-Year Impact:**

<b>Fiscal Year</b>	<b>Probable Revenue Gain from General Revenue Fund 1</b>	<b>Probable (Cost) from General Revenue Fund 1</b>
2012	\$368,000	(\$368,000)
2013	\$368,000	(\$368,000)
2014	\$368,000	(\$368,000)
2015	\$368,000	(\$368,000)
2016	\$368,000	(\$368,000)

**Fiscal Analysis**

This bill would amend the Insurance Code regarding the establishment of a medical reinsurance system and other insurance reforms.

The bill would repeal the Texas Health Reinsurance System and replace it with the Texas Medical Reinsurance System (TMRS), with full implementation by September 1, 2012. The bill would create the TMRS nine-member board that would be supervised and controlled by the Commissioner of Insurance. The TMRS would provide aggregate stop-loss insurance to certain self-funded health benefit plans that would cover claims exceeding a specified dollar amount or percentage of expected claims. Stop-loss insurance policies would require approval of the Commissioner, and issuers would be required to provide annual reports to the Commissioner. Reinsurance would be required for health

benefit plan issuers and stop-loss issuers. Losses by the TMRS would be recovered through assessments of all health benefit plan issuers and stop-loss issuers.

The bill would state that transactions of TMRS are subject to audit by the State Auditor (SAO) and that TMRS is required to remit the audit costs reported by SAO to the Comptroller.

The bill would take effect immediately upon receiving a two-thirds majority vote in each house. If the bill does not receive a two-thirds vote in each house, the bill would take effect September 1, 2011.

### **Methodology**

Based on the analysis provided by SAO, the audit of TMRS is anticipated to cost \$368,000 each year in General Revenue. The cost of the audit would be paid by TMRS, to the credit of General Revenue. In accordance with Government Code 321.013, all additional duties and responsibilities prescribed by the bill would be evaluated for inclusion in the SAO's annual audit plan for Legislative Audit Committee approval.

Based on the analysis provided by the Texas Department of Insurance (TDI), it is assumed that any costs associated with the implementation of this bill would be absorbed within existing agency resources. Also based on information provided by TDI, this analysis assumes that implementation of the bill could result in a one-time revenue gain (\$3,500 in fiscal year 2012) in General Revenue-Dedicated Texas Department of Insurance Fund 36 from filing fees. Since General Revenue-Dedicated Texas Department of Insurance 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.

Based on the analysis provided by the Teacher Retirement System and the Employee Retirement System, it is assumed that all duties and responsibilities associated with implementing the provisions of the bill could be accomplished by utilizing existing agency resources.

### **Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 304 Comptroller of Public Accounts, 308 State Auditor's Office, 323 Teacher Retirement System, 327 Employees Retirement System, 454 Department of Insurance

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