

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

April 2, 2013

TO: Honorable Lois W. Kolkhorst, Chair, House Committee on Public Health

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB1480 by Thompson, Senfronia (Relating to the practice of dentistry, including the regulation of dental service organizations; providing an administrative penalty.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1480, As Introduced: an impact of \$0 through the biennium ending August 31, 2015.

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
2014	\$0
2015	\$0
2016	\$0
2017	\$0
2018	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from General Revenue Fund 1	Probable Revenue Gain/(Loss) from General Revenue Fund 1	Change in Number of State Employees from FY 2013
2014	(\$562,500)	\$562,500	7.5
2015	(\$562,500)	\$562,500	8.0
2016	(\$562,500)	\$562,500	8.0
2017	(\$562,500)	\$562,500	8.0
2018	(\$562,500)	\$562,500	8.0

Fiscal Analysis

The bill would amend the Occupations Code relating to the practice of dentistry, including the regulation of dental service organizations, and providing an administrative penalty. The bill

would require the Texas State Board of Dental Examiners (TSBDE) to register dental service organizations (DSO) annually. The bill would define DSOs as entities that are owned wholly or partly by a person who is not a dentist; and under a dental service agreement, provides or offers to provide services to a dentist or employs or otherwise contracts with a dentist in the dentist's capacity as a dentist. The bill would exempt certain entities from registering as DSOs if the services provided to a dentist are limited to the following; leasing office space or equipment; providing utility, security, or janitorial services; providing or administering insurance coverage of any type; offering or providing a direct or indirect prepaid dental plan; serving as administrator or executor of the estate of a dentist or acting for a dentist adjudicated to be mentally incompetent; or any additional services exempted by dental board rule.

The bill would authorize the TSBDE to assess fees in amounts reasonable and necessary to register and annually renew certificates of registration for DSOs, and require a certificate of registration for each location a DSO provides services.

The bill would require an applicant for a DSO certificate of registration to provide an application adopted by the board, the application fee, a written statement that the DSO will comply with the terms of the bill, a list of all dental locations where services will be provided, a copy of each dental service agreement into which the DSO has entered, a financial statement showing the DSO's assets and liabilities for the preceding fiscal year, the name and address of each person who owns at least 10 percent of the DSO, and the signature of the chief executive officer or equivalent of the DSO. The bill would also require DSOs seeking an annual renewal of their certificate of registration to pay a renewal fee to the dental board before the expiration date of the certificate.

The bill would enable the TSBDE to investigate complaints received, refuse to issue certificates of registration, and take disciplinary action against DSOs. The bill would also prohibit certain terms from being included in dental service agreements, and require a child's parent or guardian to be notified of dental treatment for that child before the treatment is performed.

The TSBDE would be required to adopt rules and fees for licensees described in the bill not later than December 1, 2013. The bill would take effect September 1, 2013, however DSOs would be required to obtain a certificate of registration by February 1, 2014.

Methodology

Based on information provided by the TSBDE, it is assumed that 1,500 DSOs and dental clinics associated with DSOs would obtain a new certificate of registration in fiscal year 2014 and 1,500 DSO certificates would be renewed or issued in each subsequent fiscal year.

Based on the analysis of the TSBDE, it is assumed that an additional 7.5 FTEs in fiscal year 2014 and 8.0 FTEs in each subsequent fiscal year would be required to license, regulate and enforce the provisions of the bill. In addition to salary and benefit costs in the amount of \$446,681 in fiscal year 2014 and \$483,162 in each subsequent fiscal year, it is assumed that the agency would incur other costs of \$13,100 in Professional Fees and Services in fiscal year 2014, \$9,000 in Travel in fiscal year 2014 and \$15,000 in each subsequent fiscal year, \$25,200 each fiscal year in rent for space for the additional FTEs, \$41,707 in Other Costs in fiscal year 2014 and \$37,538 in each subsequent fiscal year, and \$26,812 in Equipment in fiscal year 2014 and \$1,600 in each subsequent fiscal year.

Since the TSBDE is statutorily required to cover the cost of its operations with fee generated revenue, it is assumed that the agency would assess fees as necessary to cover all costs associated

with implementing the provisions of the bill.

Based on information provided by the State Office of Administration Hearings, Comptroller of Public Accounts and Office of the Attorney General, it is assumed that all duties and responsibilities associated with implementing the provisions of the bill could be accomplished by utilizing existing resources.

Technology

Based on the analysis of the TSBDE, it is estimated that \$13,100 in Professional Fees and Services will be required in fiscal year 2014 to facilitate the addition of a DSO category to the TSBDE’s regulatory database.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 302 Office of the Attorney General, 304 Comptroller of Public Accounts, 360 State Office of Administrative Hearings, 504 Texas State Board of Dental Examiners

LBB Staff: UP, CL, MW, LXH, KKR