

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

April 24, 2013

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB2360** by Bonnen, Greg (Relating to the disclosure of health care prices and related information.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2360, Committee Report 1st House, Substituted: a negative impact of (\$4,031,768) 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	(\$4,031,768)
2016	(\$4,231,046)
2017	(\$4,329,581)
2018	(\$4,420,734)

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from General Revenue Fund 1	Probable (Cost) from Federal Funds 555
2014	\$0	\$0
2015	(\$4,031,768)	(\$5,891,602)
2016	(\$4,231,046)	(\$6,155,837)
2017	(\$4,329,581)	(\$6,298,003)
2018	(\$4,420,734)	(\$6,430,011)

Fiscal Analysis

The bill would amend the Insurance Code by adding Chapter 1470 to require disclosure of payment method and compensation methodology. The bill would amend the Occupations Code,

Chapter 118 to require physicians and other health care providers who elect to comply with disclosure of price information to a consumer prior to the service or good being provided or transferred. Those providers electing to comply with the requirement of the bill would file a form with the Texas Department of Insurance.

The payment method and compensation disclosures required under changes made by the bill to the Insurance Code, Chapter 1470 apply only to a health care contract that is entered into or renewed on or after January 1, 2014. The health care cost disclosures required under changes made by the bill to the Occupations Code, Chapter 118 apply only to a health care service that is commenced or a health care good that is transferred on or after the effective date of the bill. The bill would take effect September 1, 2013.

Methodology

Based on information provided by the Texas Department of Insurance (TDI), the bill would result in an increase in form filings; however, it is assumed that all duties and responsibilities associated with implementing the provisions of the bill could be accomplished by utilizing existing staff and resources. Also, based on information provided by TDI, this analysis assumes that implementation of the bill would result in a revenue gain of \$2,650 in General Revenue-Dedicated Texas Department of Insurance Fund 36 from additional form filings. 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 account fund balances and that the department would adjust the assessment of the maintenance tax or other fees accordingly in the following year.

The Health and Human Services Commission (HHSC) anticipates full implementation could occur September 1, 2014. HHSC estimates the cost associated with implementing the provision of the bill that requires health care contracts to include a disclosure form regarding payment and compensation terms to be \$9.9 million in All Funds in fiscal year 2015, \$10.4 million in All Funds in fiscal year 2016, \$10.6 million in All Funds in fiscal year 2017 and \$10.9 million in All Funds in fiscal year 2018. This cost estimate assumes that managed care organizations, in addition to providing written disclosure of payment and compensation schedules, would need to implement a near real-time mechanism that allows a health care provider to determine the effect of an edit on payment or compensation. The cost estimate is based on HHSC's projected increase to premiums of \$0.20 per member per month. The agency assumes the bill does not impact Medicaid managed care pharmacy contracts as "fee schedules" and "procedure codes" do not apply to pharmacy benefits. Should the bill apply to Medicaid managed care pharmacy contracts, HHSC anticipates there would be significant cost for a significant increased burden due to the number of drug codes and the frequency of drug cost changes.

Multiple agencies including the Employees Retirement System, Teacher Retirement System, the Texas A&M University System, and the University of Texas System anticipate any additional work resulting from the passage of the bill could be reasonably absorbed within current resources.

Local Government Impact

According to the Texas Association of Counties, no significant fiscal impact to counties is anticipated. According to the Texas Hospital Association, no fiscal impact to hospitals is anticipated.

Source Agencies: 323 Teacher Retirement System, 327 Employees Retirement System, 529 Health and Human Services Commission, 601 Department of Transportation, 710 Texas A&M University System Administrative and General Offices, 720 The University of Texas System Administration, 452 Department of Licensing and Regulation, 454 Department of Insurance

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