

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION**

**April 16, 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 costs and related information.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB2360, As Introduced: a negative impact of (\$5,039,710) 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:**

<b>Fiscal Year</b>	<b>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</b>
2014	\$0
2015	(\$5,039,710)
2016	(\$5,288,809)
2017	(\$5,411,976)
2018	(\$5,525,917)

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

<b>Fiscal Year</b>	<b>Probable (Cost) from General Revenue Fund 1</b>	<b>Probable (Cost) from Federal Funds 555</b>
2014	\$0	\$0
2015	(\$5,039,710)	(\$7,364,502)
2016	(\$5,288,809)	(\$7,694,795)
2017	(\$5,411,976)	(\$7,872,504)
2018	(\$5,525,917)	(\$8,037,514)

**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 a health care provider to disclose health care costs to a consumer prior to

the service or good being provided or transferred.

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 each health care contract to include a disclosure form regarding payment and compensation terms to be \$12.4 million in All Funds in fiscal year 2015, \$13.0 million in All Funds in fiscal year 2016, \$13.3 million in All Funds in fiscal year 2017 and \$13.6 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 \$0.25 per member per month. HHSC assumes the bill only applies to Medicaid managed care programs; to implement the same provisions in Medicaid fee-for-service and CHIP would require additional statutory amendments. In addition, HHSC 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, the University of Texas System, the Texas Department of Transportation, and the Department of Licensing and Regulation 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 (THA), the bill would include the obligations on health plans and would impose new requirements on providers to disclose the cost or price of services to patients prior to delivery of services; and providing the disclosure on every inpatient and outpatient service would be very expensive. In 2011, there were approximately 575 hospitals in Texas. These hospitals had 2.7 million admissions and 40.6 million outpatient visits. Although not all of these admissions or visits were elective, a significant number might be subject to the disclosure requirements. THA does not have an accurate estimate of what the costs would be to provide the required disclosure to patients.

**Source Agencies:** 323 Teacher Retirement System, 327 Employees Retirement System, 452 Department of Licensing and Regulation, 454 Department of Insurance, 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

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