

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

April 30, 2015

TO: Honorable John Frullo, Chair, House Committee on Insurance

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB2467** by King, Phil (Relating to excluding certain premiums, revenues, and fees from the determination of certain insurers' taxable gross premiums or revenues; affecting certain taxes.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2467, Committee Report 1st House, Substituted: a negative impact of (\$45,148,000) through the biennium ending August 31, 2017.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2016	(\$28,476,000)
2017	(\$16,672,000)
2018	(\$20,508,000)
2019	(\$21,099,000)
2020	(\$21,943,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from <i>General Revenue Fund</i> 1	Probable Revenue Gain/(Loss) from <i>Foundation School Fund</i> 193
2016	(\$21,357,000)	(\$7,119,000)
2017	(\$12,504,000)	(\$4,168,000)
2018	(\$15,381,000)	(\$5,127,000)
2019	(\$15,824,000)	(\$5,275,000)
2020	(\$16,457,000)	(\$5,486,000)

Fiscal Analysis

The bill would amend Chapters 222 (life, health, and accident insurance premium tax) and 257 (life, health, and accident insurance maintenance tax) of the Insurance Code.

The bill would remove additional premiums or fees, charged to insureds to recoup health insurer provider fees due under Section 9010 of the Patient Protection and Affordable Care Act (PPACA),

as amended by the Health Care and Education Reconciliation Act of 2010, from taxable premium for the life, health, and accident insurance premium and maintenance taxes.

The bill would apply to premium taxes paid on or after January 1, 2013.

The bill would take effect upon receiving the requisite two-thirds majority votes; otherwise, it would take effect September 1, 2015.

Methodology

The PPACA requires U.S. health insurance providers to pay, in aggregate, \$8 billion in fees in 2014, \$11.3 billion in 2015 and 2016, \$13.9 billion in 2017, and \$14.3 billion in 2018. After 2018, fee revenue will grow at the rate of premium growth in the preceding year (assumed to be 4 percent in this analysis).

Based on data from the Kaiser Family Foundation, in 2013, Texas residents comprised 8.43 percent of all Americans covered by some form of health insurance. This analysis assumes health insurers offering coverage in Texas will pay 8.43 percent of the PPACA fee and the full amount of the fee will be passed on to Texas insureds through higher rates.

This analysis assumes fees paid in accordance with the PPACA in calendar 2014 and 2015 will be recovered in fiscal 2016 and thereafter, fees paid in any calendar year will be recovered in the succeeding state fiscal year.

Insurance maintenance taxes are deposited to GR Account 0036-Texas Department of Insurance Operating to fund the operations of the Texas Department of Insurance. As this is a self-leveling account, any reduction in maintenance taxes paid by health insurers will require an equivalent increase in maintenance tax paid by insurers in other lines of business. The bill would, therefore, have no effect on insurance maintenance tax revenue collected. As such, the analysis in the table shows only the effect on insurance premium tax.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 454 Department of Insurance

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