

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

**FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION**

**April 30, 2017**

**TO:** Honorable Larry Phillips, Chair, House Committee on Insurance

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE:** **HB2036** by King, Phil (Relating to premium tax credits related to certain fees paid under the Patient Protection and Affordable Care Act.), **Committee Report 1st House, Substituted**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB2036, Committee Report 1st House, Substituted: an impact of \$0 through the biennium ending August 31, 2019.

**However, there would be a negative impact of (\$20,438,521) to General Revenue Related Funds through the biennium ending August 31, 2021.**

**General Revenue-Related Funds, Five-Year Impact:**

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2018	\$0
2019	\$0
2020	\$0
2021	(\$20,438,521)
2022	(\$21,259,205)

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

Fiscal Year	Probable Revenue (Loss) from General Revenue Fund 1	Probable Revenue (Loss) from Foundation School Fund 193	Probable Savings from GR Match For Medicaid 758	Probable Savings from Tobacco Receipts Match For Chip 8025
2018	\$0	\$0	\$0	\$0
2019	\$0	\$0	\$0	\$0
2020	\$0	\$0	\$0	\$0
2021	(\$17,052,000)	(\$5,684,000)	\$2,246,554	\$50,925
2022	(\$17,734,000)	(\$5,911,000)	\$2,332,912	\$52,883

<b>Fiscal Year</b>	<b>Probable Savings from Federal Funds 555</b>
2018	\$0
2019	\$0
2020	\$0
2021	\$3,144,366
2022	\$3,265,235

## **Fiscal Analysis**

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

The bill would allow insurers and health maintenance organizations to take premium tax credits in an amount equal to the premium taxes imposed on health insurer provider fees due under Section 9010 of the Patient Protection and Affordable Care Act (PPACA) that are allocated to this state.

The bill would apply to premium taxes accruing on or after January 1, 2020.

The Comptroller and Commissioner of Insurance would develop rules to implement the provisions of the bill.

The bill would take effect September 1, 2017.

## **Methodology**

The PPACA requires U.S. health insurance providers to pay, in aggregate, \$8 billion in fees in 2014; \$11.3 billion in both 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, this analysis assumes that 8.4 percent of PPACA provider fees would be allocated to Texas; a rate of 1.75% is applied for premium taxes.

This analysis assumes that premium tax credits for fees paid in accordance with the PPACA in calendar 2020 would be recovered in state fiscal year 2021 and that, thereafter, any fees paid in any calendar year would be recovered in the succeeding state fiscal year. The estimated revenue loss associated with this provision is \$22.7 million in 2021 increasing in subsequent years by the assumed rate of growth in premiums. Current law states that 75 percent of the insurance premium tax revenue is deposited to the General Revenue Fund and 25 percent of the tax revenue is deposited to the Foundation School Fund, as reflected in the table above.

The Health and Human Services Commission reimburses managed care organizations participating in Medicaid and the Children's Health Insurance Program (CHIP) for the cost of paying the Health Insurance Provider Fee and associated state and federal taxes. It is assumed managed care premiums would be reduced if the insurers received a premium tax credit, resulting in a savings to the state. It is assumed the credit would only be for premium tax paid based on the fee amount and not any premium tax paid related to federal taxes associated with the fee that are also reimbursed by the state. Estimated savings is based on the amount of reimbursement for the Health Insurance Provider Fee in fiscal year 2017, projected growth in the nationwide applicable

amount, and estimates of federal matching rates for each program. Savings are estimated to be \$5.4 million in All Funds, including \$2.3 million in General Revenue Funds, in fiscal year 2021 and \$5.5 million in All Funds, including \$2.4 million in General Revenue Funds, in fiscal year 2022.

### **Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 304 Comptroller of Public Accounts, 454 Department of Insurance, 529 Health and Human Services Commission, 710 Texas A&M University System Administrative and General Offices, 720 The University of Texas System Administration

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