

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

April 3, 2017

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB2760 by Bonnen, Greg (Relating to health benefit plan provider networks; providing an administrative penalty.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB 2760, As Introduced: an impact of \$0 through the biennium ending August 31, 2019.

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
2018	\$0
2019	\$0
2020	\$0
2021	\$0
2022	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain from <i>Insurance Maint Tax Fees</i> 8042	Probable (Cost) from <i>Insurance Maint Tax Fees</i> 8042	Probable Revenue Gain from <i>Dept Ins Operating Acct</i> 36	Probable (Cost) from <i>Dept Ins Operating Acct</i> 36
2018	\$90,862	(\$90,862)	\$941,357	(\$941,357)
2019	\$89,362	(\$89,362)	\$923,357	(\$923,357)
2020	\$89,362	(\$89,362)	\$923,357	(\$923,357)
2021	\$89,362	(\$89,362)	\$923,357	(\$923,357)
2022	\$89,362	(\$89,362)	\$923,357	(\$923,357)

Fiscal Year	Change in Number of State Employees from FY 2017
2018	13.0
2019	13.0
2020	13.0
2021	13.0
2022	13.0

Fiscal Analysis

The bill would amend the Insurance Code relating to health benefit plan provider networks; providing an administrative penalty.

The bill requires the Texas Department of Insurance (TDI) to examine insurer provider networks of preferred and exclusive provider benefit plans for quality and adequacy at least once every two years.

The bill requires insurers to provide TDI with all complaints received regarding inaccurate network directories and listings. Insurers are required to report the list of inaccurate complaints to TDI at least once annually. If an insurer receives three or more reports of directory inaccuracy within a 30-day period, TDI is required to review the list of complaints and in certain cases, investigate the insurer's compliance with the provisions of the bill. TDI is required to collect an assessment from the insurer to cover all expenses for an investigation of network adequacy and deposit the assessment to the Texas Department of Insurance operating account.

The bill requires TDI to review mediation request information annually to identify and examine the two insurers with the highest total number of mediation requests to determine the quality and adequacy of networks offered by the insurer. Under the provisions of the bill, the insurer examined is required to pay the cost of the examination and TDI is required to collect an assessment to cover all expenses for the mediation examinations and deposit the amounts to the Texas Department of Insurance operating account.

The bill requires insurers to notify TDI monthly of the total number of provider terminations without cause made by the insurer. TDI may investigate any insurer with a significant number of provider terminations and is required to impose an administrative penalty on the insurer if the terminations cause an inadequate network.

The bill would take effect September 1, 2017.

Methodology

Based on information provided by TDI, it is estimated that implementing the provisions of the bill would result in an additional 31 examinations annually to review an insurer's provider network for quality and adequacy. The agency estimates an additional 50 investigations of consumer complaints and examinations to ensure insurer compliance with the provisions of the bill. In addition, the agency estimates there would be approximately 28 case negotiations and settlements as well as 3 cases resulting in a hearing.

To respond to the increased workload, TDI anticipates the need for an additional 13.0 full-time equivalent (FTE) positions per year. The agency estimates that the 13.0 FTEs would require costs of \$709,684 in salaries, \$10,645 in payroll contribution costs, and \$249,241 in related support and

benefit costs each fiscal year. Additional program costs include a one-time cost of \$19,500 for computers and related software, and recurring costs of \$28,000 for travel and \$15,149 for other related operating expenses each fiscal year.

Based on the provisions of the bill, TDI is required to collect an assessment sufficient to cover all program expenses. Due to the self-leveling nature of the TDI operating fund, this analysis assumes that TDI would adjust the assessment to account for any additional costs resulting from the implementation of the bill. General Revenue - Insurance Maintenance Taxes & Fees 8042 would be deposited into the TDI operating fund and be similarly subject to the self-leveling nature of the operating fund.

TDI is also required to impose an administrative penalty on insurers for violations of the provisions of the bill. The administrative penalties would be deposited into the General Revenue Fund and as the number of violations is unknown, the amount of penalty revenue cannot be determined and is excluded from the above analysis.

Technology

TDI estimates a one-time cost of \$19,500 in fiscal year 2018 and a recurring cost of \$1,500 each fiscal year related to computers and software for the anticipated FTEs needed to implement the provisions of the bill.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 327 Employees Retirement System, 454 Department of Insurance, 710 Texas A&M University System Administrative and General Offices, 720 The University of Texas System Administration

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