

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: **HB3226** by Phillips (Relating to the creation of the Temporary Texas Health Insurance Risk Pool), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB 3226, 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>Healthy TX Sm Emp Prem Stabil. Fund</i> 329	Probable (Cost) from <i>Healthy TX Sm Emp Prem Stabil. Fund</i> 329	Probable Revenue Gain from <i>Dept Ins Operating Acct</i> 36	Probable (Cost) from <i>Dept Ins Operating Acct</i> 36
2018	\$623,000	(\$13,124,769)	\$1,124,769	(\$1,124,769)
2019	\$0	(\$29,563,231)	\$1,251,109	(\$1,251,109)
2020	\$0	\$0	\$0	\$0
2021	\$0	\$0	\$0	\$0
2022	\$0	\$0	\$0	\$0

Fiscal Year	Change in Number of State Employees from FY 2017
2018	10.5
2019	12.0
2020	0.0
2021	0.0
2022	0.0

Fiscal Analysis

The bill would amend the Insurance Code relating to the creation of the Temporary Texas Health Insurance Risk Pool.

The bill would add Chapter 1510 to Subtitle G, Insurance Code, to establish a health insurance risk pool to provide a temporary mechanism for maximizing available federal funding to assist Texas residents in obtaining access to quality health care. The bill would allow the Commissioner of Insurance of the Texas Department of Insurance (TDI) to use pool funds to provide health insurance coverage, provide funding to insurers for lower health plan premium rates, or provide a reinsurance program for insurers in exchange for lower health plan premium rates.

The bill would allow the Commissioner of Insurance to use funds appropriated to TDI to apply for federal funding and grants and administer the chapter added in the provisions of the bill. The bill restricts any state funds to be used unless an appropriation is made for that purpose.

The bill transfers remaining funds from the Texas Health Insurance Pool in the Texas Treasury Safekeeping Trust Company account to the Premium Stabilization Fund. The bill allows use of funds appropriated to TDI from the Premium Stabilization Fund for the purposes of the chapter to provide health insurance and lower premium rates. The bill allows transfer of funds from the Premium Stabilization Fund to TDI's Operating Fund 36 to cover the appropriations for direct and indirect costs for the purpose of implementing the chapter.

The bill allows the use of funds to develop and implement public education, outreach, and facilitated enrollment strategies. Provisions of the bill are not subject to any state tax, regulatory fee, or surcharge, including a premium or maintenance tax or fee.

This bill would take effect immediately upon receiving a vote of two-thirds of all members elected to the House and Senate or otherwise on September 1, 2017. The chapter expires August 31, 2019, unless extended by the Legislature.

Methodology

The bill would establish a temporary health insurance risk pool to provide individual health insurance coverage and lower health plan premium rates in the event that federal funds become available for this purpose. Based on the provisions of the bill, the Premium Stabilization Fund (Other Funds) would be used to implement the health insurance risk pool and fund any costs associated with administering the program. There would be a net impact of \$0 for General Revenue related funds in the 2018-19 biennium.

The bill transfers the balance of the Treasury Safekeeping Trust Company Account to the Premium Stabilization Fund. Based on the Comptroller of Public Accounts, the fund balance as of February 2017 for the Texas Health Insurance Pool in the Treasury Safekeeping Trust Company Account

was \$623,000. As of February 2017, the fund balance for the Premium Stabilization Fund was \$47,083,000.

Based on information provided by TDI, the agency estimates a direct and indirect cost of \$1,124,769 in fiscal year 2018 and \$1,251,109 in fiscal year 2019 from GR-D Fund 36 as well as the need for an additional 10.5 full-time-equivalent (FTE) positions in fiscal year 2018 and 12.0 FTEs in fiscal year 2019 to administer the program. Based on the provisions of the bill, the total direct and indirect costs for the biennium would be transferred from the Premium Stabilization Fund to TDI's Operating Fund 36. It is estimated that these positions would require \$1,711,062 in salaries, \$25,666 in payroll contribution costs, and \$600,925 in related support and benefit costs for the biennium. Additional program costs for the biennium include \$24,725 for other related operating expenses and \$13,500 for computers and related software.

The agency estimates a cost of \$11,000,000 in fiscal year 2018 and \$26,812,122 in fiscal year 2019 in Premium Stabilization Funds to provide health insurance coverage, lower health plan premium rates, and establish contracts with third-party plan administrators and reinsurance programs. Additional program costs for the biennium from Premium Stabilization Funds include \$2,000,000 for an actuarial contract and \$500,000 for public education and outreach.

Technology

TDI estimates a cost of \$13,500 for the biennium 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: 304 Comptroller of Public Accounts, 454 Department of Insurance

LBB Staff: UP, AG, EH, CP