

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

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

**May 7, 2017**

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

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

**IN RE:** **HB3523** by Gervin-Hawkins (Relating to health benefit plan coverage for hair prostheses for cancer patients.), **Committee Report 1st House, Substituted**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB 3523, Committee Report 1st House, Substituted: a negative impact of (\$14,918,512) through the biennium ending August 31, 2019 for Medicaid and CHIP. The fiscal implications of the bill related to the Employees Retirement System (ERS) are indeterminate and costs associated with ERS are excluded from the tables below. No significant fiscal implication is anticipated from provisions of the bill related to the Texas Department of Insurance (TDI), Teacher Retirement System (TRS), and the university health plans.

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>
2018	(\$7,540,069)
2019	(\$7,378,443)
2020	(\$7,453,324)
2021	(\$7,528,205)
2022	(\$7,604,092)

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

<b>Fiscal Year</b>	<b>Probable (Cost) from General Revenue Fund 1</b>
2018	(\$7,540,069)
2019	(\$7,378,443)
2020	(\$7,453,324)
2021	(\$7,528,205)
2022	(\$7,604,092)

## **Fiscal Analysis**

The bill would amend the Insurance Code requiring that health benefit plans provide coverage for hair prostheses for cancer patients. The benefit amount for the coverage required must not be less than \$100 for a hair prosthesis or the repair or replacement of a hair prosthesis. The bill would prohibit health benefits plans from charging an additional premium for the coverage, but would allow coverage to be subject to annual deductibles, copayments, and coinsurance.

The bill would apply to health benefit plans under ERS, TRS, Texas A&M University System Administration, University of Texas System Administration, Medicaid, and Children's Health Insurance Program (CHIP).

The bill would take effect on September 1, 2017; however, the provisions of the bill would only apply to a health benefit plan that is delivered, issued for delivery, or renewed on or after January 1, 2018.

## **Methodology**

The Health and Human Services Commission (HHSC) assumes 77.0 percent of certain clients that receive chemotherapy treatment will receive the hair prostheses benefit. Based on this assumption, HHSC estimates the monthly caseload for recipients receiving the benefit in Medicaid and CHIP to be 14,480 in fiscal year 2018 and 14,626 in fiscal year 2019 with increases in each subsequent year, reaching 15,075 by fiscal year 2022. HHSC estimates an average monthly cost per recipient receiving these services to be \$41.88 for fiscal years 2018 through 2022. The estimated increased cost to client services would be \$7.3 million in General Revenue for fiscal year 2018 and \$7.4 million in General Revenue for fiscal year 2019. The estimated client services cost would continue increasing in subsequent fiscal years, reaching \$7.6 million in General Revenue by fiscal year 2022.

According to HHSC, there would be a one-time cost in fiscal year 2018 of \$263,000 in General Revenue as well as ongoing costs in fiscal years 2019 through 2022 of \$28,000 in General Revenue for modifications to the Medicaid Management Information System (MMIS).

It is assumed that federal matching funds will not be available; however, with a change to current medical necessity criteria, federal funds may become available to reduce the General Revenue cost.

The impact of the bill's provisions on the Employees Retirement System (ERS) is unknown because statistical and utilization information is not available; therefore, any costs associated with ERS are excluded from the tables above.

Based on information provided by the TDI, TRS, Texas A&M University System Administration, and University of Texas System Administration, this analysis assumes that the duties and responsibilities associated with implementing the provisions of the bill could be accomplished by utilizing existing resources.

## **Local Government Impact**

This analysis assumes any additional costs for certain school districts that offer their own health plans instead of participating in TRS-ActiveCare could be absorbed within existing resources.

**Source Agencies:** 454 Department of Insurance, 710 Texas A&M University System Administrative and General Offices, 323 Teacher Retirement System, 327 Employees Retirement System, 529 Health and Human Services Commission, 720 The University of Texas System Administration

**LBB Staff:** UP, AG, EH, CP, RGU, JGA, KFa, TSI