

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

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

**May 1, 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.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB 3523, As Introduced: a negative impact of (\$15,688,434) 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) and the university health plans. The Teacher Retirement System (TRS) anticipates that any increased costs associated with the bill would be passed on to members in the form of higher deductibles, copays, and coinsurance, or through reduced benefits for participants.

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	(\$7,923,020)
2019	(\$7,765,414)
2020	(\$7,843,813)
2021	(\$7,923,218)
2022	(\$8,003,125)

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

<b>Fiscal Year</b>	<b>Probable (Cost) from General Revenue Fund 1</b>
2018	(\$7,923,020)
2019	(\$7,765,414)
2020	(\$7,843,813)
2021	(\$7,923,218)
2022	(\$8,003,125)

## **Fiscal Analysis**

The bill would amend the Insurance Code requiring that health benefit plans provide coverage for hair prostheses. 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, Children's Health Insurance Program (CHIP), and local government entities.

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 or scalp burn 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 15,242 in fiscal year 2018 and 15,396 in fiscal year 2019 with increases in each subsequent year, reaching 15,869 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 \$7.7 million in General Revenue for both fiscal years 2018 and 2019. The estimated client services cost would continue increasing in subsequent fiscal years, reaching \$8.0 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 TRS, the bill would result in costs of approximately \$1.6 million per plan year for TRS-ActiveCare, the health plan for active educational employees. Since state and district funding of ActiveCare is set by statute with a minimum contribution per member per month, not by direct appropriation, it is anticipated that any increased costs to the ActiveCare plan that resulted from the bill would be passed on to members in the form of higher deductibles, copays, and coinsurance, or through reduced benefits for participants. TRS reports that TRS-Care, the health plan for retirees, already provides the coverage required by the bill and therefore would experience minimal fiscal impact.

Based on information provided by the TDI, 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**

The bill would result in costs for certain school districts that offer their own health plans instead of participating in TRS-ActiveCare. The costs would vary from district to district depending on the coverage already offered and how each district chose to absorb the costs of increased coverage established by the bill.

According to the Texas Conference of Urban Counties, the fiscal impact to counties cannot be determined at this time. According to Dallas County, no fiscal impact is anticipated.

**Source Agencies:** 323 Teacher Retirement System, 327 Employees Retirement System, 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

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