LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION

April 8, 2019

TO: Honorable Eddie Lucio III, Chair, House Committee on Insurance

FROM: John McGeady, Assistant Director Sarah Keyton, Assistant Director
Legislative Budget Board

IN RE: **HB1880** by Davis, Sarah (Relating to health benefit plan provider networks; providing an administrative penalty; authorizing an assessment.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1880, As Introduced: an impact of $0 through the biennium ending August 31, 2021.

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
2020	$0
2021	$0
2022	$0
2023	$0
2024	$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain from *Insurance Maint Tax Fees* 8042	Probable (Cost) from *Insurance Maint Tax Fees* 8042	Change in Number of State Employees from FY 2019
2020	$144,987	($144,987)	2.0
2021	$141,987	($141,987)	2.0
2022	$141,987	($141,987)	2.0
2023	$141,987	($141,987)	2.0
2024	$141,987	($141,987)	2.0

Fiscal Analysis

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

Relating to the fiscal impact to the Texas Department of Insurance (TDI), the bill would require health benefit plan insurers to create and maintain a log that records all reports of inaccurate network directories or listings for inspection by TDI. The bill would also require TDI to review mediation request information to identify the two insurers with the highest percentage of claims that are subject to mediation requests. TDI would be required to impose an administrative penalty if it was determined that the terminations without cause made by an insurer caused an inadequate network.

Relating to the fiscal impact to the Actuarial Office and Financial Examinations self-directed, semi-independent (SDSI) division of TDI, the bill would require the SDSI to examine an insurer's network used by a preferred provider benefit plan for quality and adequacy at least once every two years. The bill would require the SDSI to review the logs of inaccurate network directories or listings at least once annually and investigate compliance. The bill would require the SDSI to examine the two insurers with the highest percentage of claims that are subject to mediation requests each year to determine the quality and adequacy of networks offered by the insurer. The bill would require TDI to collect assessments to cover all SDSI expenses and deposit the assessments to the account with the Texas Treasury Safekeeping Trust Company.

The bill would take effect on September 1, 2019.

Methodology

Based on information provided by TDI, the agency estimates that there are 343 networks with a provider directory operating in Texas. TDI estimates that it will take an additional 9 hours each year per network to review network logs for compliance, resulting in 3,087 hours of additional workload each year. In addition, TDI estimates that it would take an additional 3 hours each year per network to review annual reports to identify the two insurers with the highest number of cases referred to mediation, resulting in 1,029 hours of additional workload each year. It is estimated that implementing the provisions of the bill would result in the need for 2.0 additional Full-Time-Equivalent (FTE) positions assuming approximately 2,000 hours of work per FTE each year.

The agency estimates that the 2.0 FTEs would require recurring costs to General Revenue - Insurance Companies Maintenance Tax and Insurance Department Fees of $103,970 in salaries, $1,560 in payroll contribution costs, and $34,757 in related support and benefit costs each fiscal year. Additional program costs include a one-time cost of $3,000 for computers, and recurring costs of $1,200 for consumable supplies, and $500 for other related operating expenses.

TDI is also required to impose an administrative penalty against an insurer that creates an inadequate network through terminations without cause. The administrative penalties would be deposited into the General Revenue-Dedicated TDI Operating Fund 36 and as the number of violations is unknown, the amount of penalty revenue cannot be determined and is excluded from this analysis.

Due to the self-leveling nature of the TDI operating fund, this analysis assumes that TDI would adjust the assessment of the maintenance tax to account for any additional costs resulting from the implementation of the bill.

TDI is required to collect assessments to cover all expenses incurred by the SDSI to implement the provisions of the bill. TDI is required to deposit the assessments to the TDI local operating account used by the SDSI division of TDI. This analysis assumes that implementation of certain provisions of the bill would be through the Actuarial Office and Financial Examinations SDSI division. As a self-funding, self-leveling division, the Actuarial Office and Financial Examinations division is required to collect revenues sufficient to cover its costs, so that any additional costs incurred in implementing the provisions of the bill would be offset by an equal amount of revenue.

This legislation would do one or more of the following: create or recreate a dedicated account in the General Revenue Fund, create or recreate a special or trust fund either with or outside of the Treasury, or create a dedicated revenue source. The fund, account, or revenue dedication included in this bill would be subject to funds consolidation review by the current Legislature.

Technology

This analysis estimates a total one-time technology cost of $3,000 in fiscal year 2020 for computers required 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, 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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