

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

**FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION**

**May 3, 2019**

**TO:** Honorable Kelly Hancock, Chair, Senate Committee on Business & Commerce

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

**IN RE: HB2327** by Bonnen, Greg (Relating to preauthorization of certain medical care and health care services by certain health benefit plan issuers and to the regulation of utilization review, independent review, and peer review for health benefit plan and workers' compensation coverage.), **As Engrossed**

The fiscal implications of the bill cannot be determined at this time due to the inability to determine potential increased workers' compensation plan costs to the State Office of Risk Management (SORM) and state agencies.

This bill would amend the Insurance Code, Labor Code, and Occupations Code relating to preauthorization of certain medical care and health care services by certain health benefit plan issuers and to the regulation of utilization review, independent review, and peer review for health benefit plan and workers' compensation coverage.

SORM anticipates increased administrative costs and increased costs to state agencies relating to workers' compensation under the provisions of the bill. The fiscal implications of the bill cannot be determined at this time due to the inability to determine potential increased costs to SORM and state agencies. The bill would potentially increase the cost for contracted preauthorization review, reduce the number of contractors and physicians available for reviews, and increase the number of services preauthorized on first request, resulting in potential increased costs paid for medical services. Potential costs may be offset by fewer initial denials, resulting in decreased administrative costs.

Based on information provided by the Texas Department of Insurance, Employees Retirement System, Texas Medical Board, Texas Department of Transportation, The University of Texas System Administration, and Texas A&M University 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.

According to the Health and Human Services Commission (HHSC), federal rule addresses preauthorization requirements for managed care organizations that contract to provide for Medicaid and Children's Health Insurance Program (CHIP) services; therefore, it is assumed these provisions would not apply to Medicaid or CHIP and there would be no fiscal impact to HHSC. If the provisions were applied to those programs, HHSC may need to increase managed care premiums to account for the additional administrative burden, which would result in a cost that could be significant.

The bill applies only to a request for preauthorization of medical care or health care services made on or after January 1, 2020. The bill applies only to utilization, independent, or peer review requested on or after the effective date of the bill. The bill would take effect on September 1, 2019.

**Local Government Impact**

No significant fiscal implication to units of local government is anticipated.

**Source Agencies:** 327 Employees Retirement System, 454 Department of Insurance, 479 State Office of Risk Management, 503 Texas Medical Board, 529 Health and Human Services Commission, 601 Department of Transportation, 710 Texas A&M University System Administrative and General Offices, 720 The University of Texas System Administration

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