LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

April 30, 2003

TO: Honorable Bill Ratliff, Chair, Senate Committee on State Affairs

FROM: John Keel, Director, Legislative Budget Board

IN RE: **SB1185** by Lindsay (Relating to standards, guidelines, and contractual provisions of Medicaid managed care plans.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1185, As Introduced: a negative impact of ($32,857,102) through the biennium ending August 31, 2005.

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
2004	($16,428,551)
2005	($16,428,551)
2006	($16,428,551)
2007	($16,428,551)
2008	($16,428,551)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/ (Cost) from *GENERAL REVENUE FUND* 1	Probable Savings/ (Cost) from *FEDERAL FUNDS* 555	Probable Revenue Gain/(Loss) from *DEPT INS OPERATING ACCT* 36	Probable Savings/ (Cost) from *DEPT INS OPERATING ACCT* 36
2004	($16,428,551)	($30,729,256)	$1,491,349	($1,491,349)
2005	($16,428,551)	($30,729,256)	$1,387,523	($1,387,523)
2006	($16,428,551)	($30,729,256)	$1,387,523	($1,387,523)
2007	($16,428,551)	($30,729,256)	$1,387,523	($1,387,523)
2008	($16,428,551)	($30,729,256)	$1,387,523	($1,387,523)

Fiscal Year	Change in Number of State Employees from FY 2003
2004	22.8
2005	22.8
2006	22.8
2007	22.8
2008	22.8

Fiscal Analysis

The bill would amend the Insurance Code and the Government Code to change the current role of the Texas Department of Insurance (TDI) in relationship to the Health and Human Services Commission (HHSC) and to Managed Care Organizations (MCO) that serve Medicaid clients. TDI would be required to consult with HHSC and would also be required to establish performance, operation, quality of care and financial standards relating to quality of and access to health care services.

The bill would determine that MCOs that serve Medicaid clients are subject to TDI health maintenance organization statutes and regulations; whereas it is currently unclear whether and which components of these apply to MCOs with Medicaid members. The bill would eliminate any ambiguity.

The bill would repeal the current requirement that HHSC develop guidelines, and monitor and assess performance for managed care organizations in the areas of performance, operation, quality of care, marketing, and financial standards, and the requirement that the same areas of guidelines, monitoring and assessment of performance for MCOs providing mental health and mental retardation services to Medicaid clients. TDI would have additional oversight requirements for plans with Medicaid members.

The bill would require the Primary Care Case Management (PCCM) model to comply with the Texas HMO Act including the solvency, reserving, risk-based capital and related provisions. In Texas, the only PCCM model is operated by the state Medicaid program.

TDI would be required to insure out-of-network physicians and providers are fully reimbursed for reasonable charges. The bill would require that such language be included in Medicaid MCO/physician or provider contracts.

Methodology

According to the Health and Human Services Commission (HHSC), the requirement that managed care organizations fully reimburse all reasonable charges of an out-of-network physician or provider would have significant fiscal impact to HHSC. Actuarial analysis estimates this would increase costs by 3 percent of all the medical services. Based upon fiscal year 2002 Medicaid and Children's Health Insurance Program HMO payments, cost to HHSC would be $47,157,807 each year ($16,428,551 in General Revenue and $30,729,256 in Federal Funds).

In order to perform the additional responsibilities associated with the bill, including additional examinations, financial reviews of Managed Care Organizations (MCO), and other responsibilities, the Department of Insurance (TDI) indicates it would require $1,491,349 and 22.75 FTEs in fiscal year 2004 and $1,387,523 and 22.75 each year thereafter. All costs to TDI would be offset by increased fee and insurance maintenance tax collections.

Technology

The Department of Insurance would require $44,820 in fiscal year 2004 for computer and software costs associated with new FTEs.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 454 Department of Insurance, 529 Health and Human Services Commission

LBB Staff: JK, RR, JO, EB, RT, RB