

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

February 16, 2005

TO: Honorable Suzanna Gratia Hupp, Chair, House Committee on Human Services

FROM: John S. O'Brien, Deputy Director, Legislative Budget Board

IN RE: HB445 by Chavez (Relating to reimbursement rates for ambulance services under the medical assistance program.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB445, As Introduced: a negative impact of (\$25,242,088) through the biennium ending August 31, 2007.

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
2006	(\$8,384,177)
2007	(\$16,857,911)
2008	(\$17,709,762)
2009	(\$18,595,250)
2010	(\$19,525,013)

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from GR MATCH FOR MEDICAID 758	Probable (Cost) from FEDERAL FUNDS 555
2006	(\$8,384,177)	(\$12,938,756)
2007	(\$16,857,911)	(\$25,787,955)
2008	(\$17,709,762)	(\$27,068,397)
2009	(\$18,595,250)	(\$28,421,817)
2010	(\$19,525,013)	(\$29,842,908)

Fiscal Analysis

The bill would add Section 32.0451 of the Human Resources Code to provide for reimbursement of ambulance services in Medicaid at a rate equal to the reimbursement rates under the Medicare fee schedule. The bill would require the Executive Commissioner of Health and Human Services to implement the new rates no later than January 1, 2006.

The act would take effect September 1, 2005.

Methodology

1. It is estimated that the Health and Human Services Commission (HHSC), which administers and funds ambulance services for Medicaid clients, would implement the bill effective September 1, 2005, with new rates in effect January 1, 2006.
2. HHSC states that there are three factors contributing to the reduced cost in FY 2006. One is the time needed to request a state plan amendment and rule changes, another is time for the claims administrator to make system changes, and the last has to do with a change in how Medicare will base its charges. Since 2005 is a transition year for Medicare in which 20% of the reasonable charge methodology is combined with 80% of the fee methodology, it is assumed that the implementation will be no sooner than 1/1/06 when Medicare ambulance reimbursement will be based on a 100% fee schedule.
3. The number of paid ambulance units of service for fiscal year 2004 (base year used for calculation of cost estimate) is approximately 1,727,700. Ambulance units of service include the number of land and air emergency and non-emergency trips and mileage, related supplies and other services.
4. The average reimbursement rate per unit of service under current Medicaid reimbursement rules for FY 2004 was compared with the 2006 maximum Medicare fee for the same service. The difference between the two rates was multiplied by the quantity of services paid for in each category of allowable service in FY 2004.
5. The resulting figure, \$40.6 million, was then inflated by 5.0% for projected increased service demand in FY 2006 and reduced by half, for a January 1, 2006 start date. HHSC assumes a 5% increase in services for each year and their cost estimate holds Medicare ambulance service fees flat in all years.
6. Expenditures would be shared between Federal Funds and General Revenue. The estimated federal shares are: 60.68% in FY 2006, 60.47% in FY 2007, and 60.45% for the subsequent years. HHSC states that the Medicaid claims administrator system can accommodate a rate change in the existing scope of service.

Local Government Impact

Local governmental entities that provide emergency medical services would see some revenue gains from the change in reimbursement rates, but these gains are not expected to be significant.

Source Agencies: 529 Health and Human Services Commission

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