

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

May 26, 2005

TO: Honorable Tom Craddick, Speaker of the House, House of Representatives

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

IN RE: HB1771 by Delisi (Relating to the Medicaid managed care delivery system.), **As Passed 2nd House**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1771, As Passed 2nd House: a positive impact of \$15,486,808 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	\$4,000,000
2007	\$11,486,808
2008	\$17,462,717
2009	\$18,224,132
2010	\$18,906,283

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>GENERAL REVENUE FUND</i> 1	Probable Savings/(Cost) from <i>FEDERAL FUNDS</i> 555
2006	\$4,000,000	\$6,716,175
2007	\$11,486,808	\$29,784,169
2008	\$17,462,717	\$53,757,226
2009	\$18,224,132	\$58,093,085
2010	\$18,906,283	\$62,689,399

Fiscal Analysis

The bill would require the Health and Human Services Commission (HHSC) to develop an integrated care management model of Medicaid managed care. The executive commissioner would be required to ensure that the model utilize managed care principles and strategies, including various components such as: assignment of recipients to a medical home, utilization management, health risk or functional assessment, and other mechanisms.

HHSC would be allowed to contract with one or more administrative services organizations to perform the coordination of care and other services and functions.

The bill would also require HHSC to require each administrative services organization (ASO) to coordinate with, use, and otherwise interface with the fee-for-service claims payment contractor

(currently) operating. The bill would authorize HHSC to require each ASO to incorporate disease management into the integrated care management model.

Methodology

HHSC analysis of the Integrated Care Management model are contained in the March 17, 2005 report titled, "Financial Impact of Proposed Integrated Care Management (ICM) Model." The net savings resulting for the 2006-07 biennium would be \$7,186,808 in General Revenue.

The HHSC cost analysis compares the current Fee-For-Service (FFS) and ICM delivery models. February Update Medicaid caseload trends were used.

According to HHSC, the provisions related to disease management are projected to generate savings in the 2006-07 biennium in the amount of \$8,300,000 million in General Revenue.

Technology

HHSC indicates that the bill would have no anticipated impact to the agency's information technology, although contractors would have system modifications to comply with the provisions of the bill.

Local Government Impact

According to HHSC, local units of government currently receiving a total projected \$75 million per year in reimbursements (federal share) related to the Upper Payment Limit (UPL) program would continue to receive those reimbursements under this model.

Source Agencies: 529 Health and Human Services Commission

LBB Staff: JOB, SD, KF