LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

April 4, 2005

TO: Honorable Dianne White Delisi, Chair, House Committee on Public Health

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

IN RE: **HB1771** by Delisi (Relating to the Medicaid managed care delivery system.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1771, Committee Report 1st House, Substituted: a positive impact of $7,507,299 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.

The bill would amend Medicaid Managed Care sections of the Government Code.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2006	($733,104)
2007	$8,240,403
2008	$8,893,320
2009	$9,934,861
2010	$7,931,286

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from *GR MATCH FOR MEDICAID* 758	Probable Savings from *GR MATCH FOR MEDICAID* 758	Probable (Cost) from *FEDERAL FUNDS* 555	Probable Savings from *FEDERAL FUNDS* 555
2006	($9,867,986)	$9,134,882	($14,481,156)	$13,702,323
2007	($67,671,342)	$75,911,745	($73,195,171)	$114,529,061
2008	($74,971,358)	$83,864,678	($80,990,777)	$128,547,599
2009	($82,793,891)	$92,728,752	($89,211,212)	$142,043,306
2010	$0	$7,931,286	$0	$13,895,045

Fiscal Analysis

Section 3 of the bill would would require the Health and Human Services Commission (HHSC), in determining the cost-effectiveness of a particular managed care model or arrangement, to assess the fiscal impact on political subdivisions in the state which provide indigent care and the impact on Medicaid provider participation. HHSC would be required to maintain primary care case management (PCCM) models implemented on or before January 1, 2005, until replaced by the integrated care management model specified in the bill. The bill would also require HHSC to implement PCCM where after January 1, 2005, there is an initial provision of care through a managed care model.

Section 5 of the bill would create a new model of managed care, Integrated Care Management (ICM), within the Medicaid Managed Care statute. The model would serve: recipients of financial assistance under Chapter 31, Human Resources Code; pregnant women; and aged, blind and disabled persons who are not in nursing facilities. The model would require assignment of members to a medical home and the establishment of a system for integrated care management that would: 1) include acute and long-term care services; 2) disease management services; 3) provide case management, including health risk assessment and screenings; and contain other specific provisions related to quality of care and operation of the system. The system would also be required to provide information to health care providers to assist in care coordination. The patient's medical home would be required to coordinate patient care, including home health and durable medical equipment and "patient support services."

The bill would require the establishment of enhanced provider reimbursement for after hours care, incorporation of early and periodic screening, diagnosis, and treatment, and adherence to evidence-based clinical guidelines and performance measures.

HHSC would be required to implement the pilot in eight areas where STAR+PLUS would have been implemented.

The bill would require HHSC to contract for integrated care management through a managed care organization or other qualified organization.

The subchapter relating to the Integrated Care Model expires September 1, 2009.

A statewide advisory committee would be required to assist HHSC in developing the integrated care model.

Some realignment of funding/savings between HHSC and the Department of Againg and Disability Services could be required for implementation.

Methodology

Section 3. According to HHSC, the bill would require HHSC to modify planned expansions of managed care such that PCCM would be expanded to Nueces county, as this is the only area where an initial provision of managed care would be established. This would create a biennial savings of $10,189,779 in General Revenue and $25,833,439 in All Funds.

Section 5. According to HHSC, the savings associated with the ICM Model would be $7,059,469 in General Revenue for the 2006-07 biennium. HHSC projections are contained in the March 17, 2005 report titled, “Financial Impact of Proposed Integrated Care Management (ICM) Model.” The ICM pilot would be in eight areas.

HHSC analysis indicates expenditures compared to current Fee for Service arrangement are as follows for the 2006-07 biennium:

1) Client services (Acute) savings of $49.6 million GR/$125.4 million All Funds;

2) Client services (Long-Term Care) savings of $17.6 million GR/$44.5 million All Funds;

3) Client Services (prescription drug) costs of $4.7 million GR/$11.9 million All Funds. Prescription drug costs are higher because it is assumed that the current policy of provided unlimited prescriptions in managed care would be continued (as opposed to the 3 per month per client for adults in Fee for Service);

4) Administration (vendor) costs of $57.1 million GR/$114.2 million AF. Vendor administrative costs are assumed to be 10% of an estimated Health Maintenance Organization premium for acute care and Long-term care combined; and

5) Administration (claims payments) savings of $1.7 million GR/$47.2 All Funds.

Additional savings assumed due to disease management are assumed to be $5,000,000 in General Revenue and $12,716,175 in All Funds for the 2006-07 biennium.

The enhanced reimbursement system under the provisions of the bill is assumed to cost $7,963,460 in General Revenue for the 2006-07 biennium.

Provisions of the bill requiring contracting for integrated care management are assumed by HHSC to cost $6,742,489 in General Revenue for the 2006-07 biennium. HHSC assumes some information technology system changes at a 75/25 match and other functions at a 50/50 match. Activities assumed include extending the current claims processing contractor's technical support capabilities and procurement of software and hardware items.

Reimbursement of travel for members of the Statewide Advisory Committee has a biennial General Revenue cost of $36,000. The eighteen-member committee may meet four times per fiscal year during the development and operation of the ICM. Cost per member per trip is assumed to be $500. Annual all funds cost is $36,000. Reimbursement for members of the advisory committee would require authorization in the General Appropriations Act.

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

No significant fiscal implication to units of local government is anticipated, as compared to the current operations of the Medicaid program. 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, CL, PP, KF