

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

May 5, 2005

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

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

IN RE: HB2479 by Delisi (Relating to the medical assistance program and the expansion of faith and community-based health and human services initiatives.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2479, Committee Report 1st House, Substituted: a positive impact of \$2,835,409 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	\$1,469,206
2007	\$1,366,203
2008	\$663,046
2009	\$663,046
2010	\$663,046

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings from <i>GENERAL REVENUE</i> <i>FUND</i> 1	Probable (Cost) from <i>GENERAL REVENUE</i> <i>FUND</i> 1	Probable Savings from <i>FEDERAL FUNDS</i> 555	Probable (Cost) from <i>FEDERAL FUNDS</i> 555
2006	\$3,845,698	(\$2,376,492)	\$5,934,816	(\$3,340,365)
2007	\$3,920,381	(\$2,554,178)	\$5,997,101	(\$3,512,331)
2008	\$2,614,909	(\$1,951,863)	\$3,996,745	(\$2,589,411)
2009	\$2,614,909	(\$1,951,863)	\$3,996,745	(\$2,589,411)
2010	\$2,614,909	(\$1,951,863)	\$3,996,745	(\$2,589,411)

Fiscal Year	Change in Number of State Employees from FY 2005
2006	3.3
2007	8.0
2008	8.0
2009	8.0
2010	8.0

Fiscal Analysis

Section 1.01 requires the Health and Human Services Commission (HHSC) to establish an Office of Medical Technology to explore and evaluate new developments in medical technology and propose implementation in the Medicaid program if appropriate and cost-effective.

Section 1.02 authorizes HHSC to adopt Medicaid reimbursement rates for nursing services determined to provide a cost-effective alternative to hospitalization and, if cost-effective, for group appointments with providers for certain diseases and conditions specified by rule.

Section 1.03 authorizes Medicaid reimbursement for a medical consultation provided by a physician or other health care provider using the Internet, as a cost-effective alternative to an in-person consultation, if an appropriate procedure code is developed by the Centers for Medicare and Medicaid Services. The section further authorizes a pilot program to test whether such consultations are a cost-effective alternative to in-person consultation and, if found to be cost-effective, authorizes expansion or statewide implementation of the pilot program. The pilot program is not a prerequisite to statewide implementation of reimbursement for online medical consultations.

Section 1.04 requires HHSC to develop and implement a comprehensive plan to reduce the use of hospital emergency room services by Medicaid recipients.

Section 1.05 requires HHSC to develop a proposal for a program to provide higher reimbursement rates to primary care case management providers under Medicaid who treat recipients with chronic health conditions in accordance with evidence-based, nationally accepted best practices and standards of care.

Section 1.06 allows the return to a pharmacy of certain unused drugs that are not sealed in the manufacturer's original packaging, but are sealed in unopened tamper-evident packaging and are either individually packaged or packaged in unit-dose packaging, unless federal law requires the drugs to be sealed in the manufacturer's original packaging.

Section 1.07 requires HHSC to explore its authority under federal law to offer, and the cost and feasibility of offering, certain specified incentives to encourage persons to purchase health or long-term care insurance. The section further requires HHSC to consider whether there are other feasible incentives. If any incentives are deemed feasible and cost-effective, the section requires HHSC to make efforts to implement those options to the extent they are authorized by federal law, request any necessary federal waivers, and report any needed legislative changes to the Eightieth Legislature.

Section 2.01 requires the Office of the Governor to establish a Texas mentoring initiative to fund activities that create or expand mentoring opportunities, promote responsible fatherhood and healthy marriages, and increase the capacity of faith- and community-based organizations to provide mentoring services.

Section 2.02 requires HHSC to establish a searchable Internet database of opportunities throughout the state for volunteers to provide assistance to state agencies in delivering services, and to faith- and community-based organizations that partner with a state agency to provide services.

Section 2.03 relates to the provision of human services through faith- and community-based organizations. The section requires a number of state agencies to designate liaisons for faith- and community-based organizations and creates an interagency coordinating group composed of these liaisons. The section requires that a center for faith- and community-based initiatives be established within HHSC. The section establishes the Renewing Our Communities Account as an account in the General Revenue Fund that may only be appropriated to HHSC. The section creates the faith- and community-based initiatives advisory committee.

Methodology

Section 1.02. Implementation of the reimbursement rates authorized under this section would cost \$60.7 million in All Funds, including \$23.8 million in General Revenue, in 2006 rising to \$73.7 million in All Funds, including \$29.2 million in General Revenue, in 2010. It is assumed that adoption of these reimbursement rates would not be cost-effective, as required by the bill, and therefore would not be implemented. No cost is included for this section.

Section 1.03. HHSC estimates online medical consultations would cost \$1.2 million in All Funds, including \$0.5 million in General Revenue, each year. It is assumed that reimbursement for these consultations would not be cost-effective, as required by the bill, and therefore would not be implemented. It is assumed that if HHSC chose to develop and implement a pilot program to test whether online medical consultations are a cost-effective alternative, this could be done within available resources. No cost is included for this section.

Section 1.04. The hospital emergency room use reduction initiatives would result in an estimated net savings of \$4.3 million in All Funds, including \$1.6 million in General Revenue, in 2006 and in 2007; estimated net savings in subsequent years would be \$2.6 million in All Funds, including \$0.9 million in General Revenue. These amounts include a net savings of \$1.8 million in All Funds, including \$0.7 million in General Revenue, in both 2006 and 2007 for a two year pilot providing financial incentives to non-hospital providers for providing services outside of normal business hours. Also included are additional net savings of \$3.5 million in All Funds, including \$1.4 million in General Revenue, in 2006 and \$3.6 million in All Funds, including \$1.4 million in General Revenue, in each subsequent year for payment of a fee to hospital emergency rooms that refer non-emergent patients to alternative settings. A cost of \$1.0 million in All Funds, including \$0.5 million in General Revenue, is included for a health care literacy program; potential savings related to this program cannot be estimated.

Section 2.01. The grant-making requirement of this section would likely have a cost; it is estimated that any amount appropriated for this section would be expended through grants. However, the Office of the Governor indicates no fiscal impact for this section, and no cost is included.

Section 2.03. The grant-making requirement of this section would likely have a cost. It is assumed that no funds would be appropriated to the Renewing Our Communities Account; all funds deposited to the account would be from gifts, grants, or donations received for the purposes of the subchapter. It is assumed that any funds deposited to the account would be expended on grants, and that the section would therefore be cost neutral. The amount of funds deposited to and expended from the account cannot be estimated at this time.

Additional Cost. HHSC estimates a general staffing need of 8.0 FTEs to implement various sections of the bill. It is assumed that staffing costs would begin in April 2006; therefore only 3.3 FTEs would be needed in 2006. The estimated cost is \$0.2 million in All Funds, including \$0.1 million in General Revenue, in 2006 and \$0.5 million in All Funds, including \$0.2 million in General Revenue, in each subsequent year.

Technology

The bill may require adjustments to information technology, but it is assumed that any cost could be absorbed within existing resources.

Local Government Impact

The fiscal impact to local governmental entities and locally–owned and –operated hospitals will depend upon the structure of the models, programs, and initiatives designed and implemented by the executive commissioner of HHSC. It is assumed that local governmental entities and locally–owned and –operated hospitals will participate in these initiatives only if funds are available and it is financially feasible for the entity to develop and/or implement a program.

Source Agencies: 313 Department of Information Resources, 320 Texas Workforce Commission, 332 Department of Housing and Community Affairs, 357 Office of Rural Community Affairs, 454 Department of Insurance, 503 Board of Medical Examiners, 527 Cancer Council, 529 Health and Human Services Commission, 537 Department of State Health Services, 665 Juvenile Probation Commission, 694 Youth Commission, 696 Department of Criminal Justice, 701 Central Education Agency, 301 Office of the Governor, 304 Comptroller of Public Accounts, 403 Veterans Commission, 710 Texas A&M University System Administrative and General Offices, 720 The University of Texas System Administration

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