

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION**

**April 22, 2005**

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

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

**IN RE: HB3418** by Gonzalez Toureilles (Relating to audits of providers in the program.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB3418, As Introduced: a negative impact of (\$2,961,962) 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:**

<b>Fiscal Year</b>	<b>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</b>
2006	(\$1,480,981)
2007	(\$1,480,981)
2008	(\$1,480,981)
2009	(\$1,480,981)
2010	(\$1,480,981)

**All Funds, Five-Year Impact:**

<b>Fiscal Year</b>	<b>Probable Revenue (Loss) from GR MATCH FOR MEDICAID 758</b>	<b>Probable Savings/(Cost) from GR MATCH FOR MEDICAID 758</b>
2006	(\$80,355)	(\$1,400,626)
2007	(\$80,355)	(\$1,400,626)
2008	(\$80,355)	(\$1,400,626)
2009	(\$80,355)	(\$1,400,626)
2010	(\$80,355)	(\$1,400,626)

The bill would amend subchapter B, Chapter 32, Human Resources Code (Medical Assistance Program) by adding Section 32.070. Section 32.070 (1) requires the Executive Commissioner of the Health and Human Services Commission to adopt rules governing the audit of providers in the medical assistance (Medicaid) program, (2) specifies that the rules must contain certain provisions, (3) limits the period covered by the audit to one year, and (4) establishes an ad hoc peer-review panel through which a provider may obtain an early review of the audit report or may appeal an unfavorable audit finding without the need to obtain legal counsel.

The bill states that this section would not apply to an audit conducted by the Medicaid fraud control unit of the Office of the Attorney General.

The bill would take effect September 1, 2005.

## **Fiscal Analysis**

The Office of the Attorney General anticipates any additional work resulting from the passage of the bill could be reasonably absorbed with current resources.

The bill would provide that the Health and Human Services Commission (HHSC) create a rule such that no audits may be conducted during the first five days of any month. This cost estimate assumes that the intention is for auditors to not be on site at a provider's place of business during that time. This would mean that fewer audits are initiated each year.

## **Methodology**

HHSC estimates that the bill would result in 15% lost productivity in the Cost Report Review Unit of the Office of Inspector General. Based on fiscal year 2004 recoveries (\$535,702) and cost avoidance (\$93.7 million), an assumption of lost productivity of 15%, an assumption of 10% in savings to the state from cost avoidance, the fiscal year 2006 estimate of lost revenue and lost savings is \$1,480,981 in General Revenue. (A loss in recoveries--which is characterized in this note as a loss in revenue--may alternatively be viewed as an increase in expenditures. The net impact to General Revenue is the same, negative.)

The estimate of cost avoidance relates to billed services that are subsequently removed from provider cost reports. The cost reports are used in setting Medicaid fee-for-service rates. HHSC estimates a 10% savings to the state as a result of this activity. HHSC assumes a decline in this activity as a result of the bill and therefore, a decline in savings as well.

## **Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 302 Office of the Attorney General, 529 Health and Human Services Commission

**LBB Staff:** JOB, CL, PP, MB