

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

May 19, 2005

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

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

IN RE: SB873 by Nelson (Relating to a medical information telephone hotline pilot program under the state Medicaid program.), **Committee Report 2nd House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for SB873, Committee Report 2nd House, Substituted: an impact of \$0 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	\$0
2007	\$0
2008	\$0
2009	\$0
2010	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from <i>GENERAL REVENUE FUND</i> 1	Probable Savings from <i>GR MATCH FOR MEDICAID</i> 758	Probable Savings from <i>FEDERAL FUNDS</i> 555
2006	(\$450,000)	\$450,000	\$694,456
2007	(\$600,000)	\$600,000	\$917,067
2008	(\$600,000)	\$600,000	\$917,067
2009	(\$600,000)	\$600,000	\$917,067
2010	(\$600,000)	\$600,000	\$917,067

Fiscal Analysis

The bill would require that by December 1, 2005, the Health and Human Services Commission (HHSC) must determine whether a Medicaid medical information telephone hotline pilot program is likely to result in net cost savings. The pilot program would have the following characteristics: a) physicians would be available by telephone to provide medical information for recipients; b) the pilot would include up to 100,000 Medicaid recipients in at least two counties; and c) at least 50 percent of the pilot participants must be in the Medicaid Health Maintenance Organization managed care model. If HHSC determines the telephone hotline pilot program is likely to be cost effective, HHSC would be required to develop the pilot program, including selecting the pilot counties by January 1, 2006 and requesting proposals from vendors by February 1, 2006.

To be eligible for the pilot contract, a vendor must agree to the following terms: a) the value of the

vendor's contract would be contingent on net cost savings; b) the vendor must use only physicians to provide medical information by telephone; and c) HHSC may terminate the contract after a reasonable period if the vendor's services do not result in net cost savings in the pilot area.

HHSC would provide a report by January 1, 2007 on the status of the pilot, whether HHSC was able to contract with a suitable vendor, the pilot's effect on emergency room visits, cost savings, and recommendations regarding expanding or revising the program.

Methodology

The HHSC assumes the following in projecting any costs or savings associated with the implementation of this bill:

1. The pilot would not be implemented unless it was determined to be cost effective.
2. It is assumed that Federal Participation would not be available; 100% General Revenue is assumed for vendor cost. According to HHSC, information received from the Centers for Medicare and Medicaid Services and the state of South Carolina suggest that a federal participation would not occur.
3. The cost for a vendor contract assumes 5 physicians (\$80,000 each) beginning in February 2006. The telephone system would cost \$200,000 and the initial start-up cost for the first year would be \$50,000. Therefore the total cost of the pilot would be \$450,000 in General Revenue in FY2006 and \$600,000 in subsequent years.
4. In order to be cost-effective, there would have to be \$1,144,456 in Client Services Savings in FY2006 and \$1,517,835 in FY 2007 in order to get state savings of \$450,000 in FY2006 and \$600,000 in FY2007, using the Medicaid client services matching rate. Savings in subsequent years would have to total \$1,519,067. Insufficient data are available at the present to quantify those savings.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 503 Board of Medical Examiners, 529 Health and Human Services Commission

LBB Staff: JOB, CL, KF