

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

April 11, 2005

TO: Honorable Jane Nelson, Chair, Senate Committee on Health & Human Services

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

IN RE: SB1188 by Nelson (Relating to the medical assistance and children's health insurance programs.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1188, As Introduced: a negative impact of (\$112,694,534) 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	(\$55,512,449)
2007	(\$57,182,085)
2008	(\$56,640,495)
2009	(\$57,379,168)
2010	(\$36,274,424)

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from <i>GR MATCH FOR MEDICAID</i> 758	Probable Savings from <i>GR MATCH FOR MEDICAID</i> 758	Probable (Cost) from <i>FEDERAL FUNDS</i> 555	Probable Savings from <i>FEDERAL FUNDS</i> 555
2006	(\$55,658,604)	\$146,155	(\$80,326,038)	\$227,356
2007	(\$61,304,740)	\$4,122,655	(\$89,222,357)	\$5,250,856
2008	(\$63,510,150)	\$6,869,655	(\$92,156,415)	\$10,503,856
2009	(\$64,248,823)	\$6,869,655	(\$93,285,436)	\$10,503,856
2010	(\$62,817,868)	\$26,543,444	(\$91,632,351)	\$40,623,274

Fiscal Year	Probable Savings/ (Cost) from <i>INTERAGENCY CONTRACTS</i> 777	Change in Number of State Employees from FY 2005
2006	(\$1,162,264)	21.0
2007	(\$1,297,683)	21.0
2008	(\$7,744,233)	21.0
2009	(\$7,744,233)	21.0
2010	(\$711,633)	21.0

Fiscal Analysis

SECTION 1 requires an office of community collaboration to be established within the Health and Human Services Commission (HHSC).

SECTION 2 requires HHSC to ensure that the Medicaid finance system is optimized. The bill would require reimbursement rates for Medicaid providers to be enhanced by two or three percent for implementation of certain technological improvements or participation in other quality improvement activities.

SECTION 3 requires HHSC to modify or redesign its decision support system to allow for the more effective and systematic use of Medicaid data.

SECTION 4 requires HHSC to develop a Medicaid medical information telephone hotline pilot program using physicians to answer questions and provide information. The bill would require 50 percent of the value of a contract for the pilot to be contingent on achieving net cost-savings and would allow HHSC to terminate the contract if net cost-savings were not achieved within a reasonable time period.

SECTION 5 requires HHSC to make every effort to improve the administration of the Medicaid program by any method determined to be cost effective and to audit certain Medicaid programs.

SECTION 6 requires HHSC to establish fee schedules for dental services and durable medical equipment in long-term care facilities. The bill would require HHSC to audit the Medicaid hospice care system to ensure correct billing for pharmaceuticals.

SECTION 7 requires HHSC to make every effort to improve its administration of Medicaid managed care contracts.

SECTION 8 requires HHSC to develop acute care and long-term care enhanced utilization management systems.

SECTION 9 requires HHSC, in conjunction with the Department of State Health Services (DSHS), to increase compliance with the checkup and immunization schedules of the Texas Health Steps program and requires HHSC to develop a quality assurance system for the program.

SECTION 10 requires HHSC to implement a Medicaid recipient and provider education campaign to improve patient outcomes and maximize cost-effectiveness.

Methodology

SECTION 1. HHSC estimates annual savings of \$395,500 in General Revenue and \$1,000,000 in All Funds in fiscal years 2008-2010 resulting from providing stakeholders information on appropriate utilization. HHSC estimates that one full-time equivalent position (FTE) would be needed for the office beginning in December 2005.

SECTION 2. HHSC estimates costs of \$10,461,905 in General Revenue and \$26,532,249 in All Funds in fiscal years 2006-2007. This assumes that 10 percent of hospitals and 20 percent of physicians would receive a rate enhancement of two percent.

The estimated costs for enhanced rates for long-term care providers are \$91,688,741 in General Revenue and \$228,243,520 in All Funds for 2006-07. DADS estimates that 20 percent of providers would be eligible for two percent rate increases. It is assumed that 54 percent of providers would be eligible for a three percent rate increase, based on the percentage of providers currently participating in quality improvement activities.

HHSC estimates costs of \$754,291 in General Revenue and \$4,197,504 in All Funds in fiscal years 2006-07 to contract for assistance modifying current rate methodologies, system changes to support the rate methodology changes, and 10 FTEs in its rate setting division. HHSC also estimates that 3

FTEs would be need in its Medicaid and CHIP division. Included in the costs for fiscal years 2006-07 are \$404,429 in General Revenue other than match for Medicaid and \$2,459,947 in Other Funds (Interagency Contracts).

SECTION 3. HHSC estimates costs of \$1,065,385 in General Revenue and \$2,130,770 in All Funds in fiscal years 2006-2007 for hardware and software purchases, license maintenance, and server leases. HHSC estimates annual savings of \$395,500 in General Revenue and \$1,000,000 in All Funds in fiscal years 2008-2010. HHSC indicates that better data collection and analysis would result in policies that lead to better utilization and cost savings.

SECTION 4. HHSC estimates costs of \$1,050,000 in General Revenue in fiscal years 2006-07 to operate the pilot. This assumes costs for five physicians who would be paid \$80,000 annually beginning in March 2006, as well as start-up and system costs. HHSC does not anticipate federal participation, based on the experiences of other states. There could potentially be savings to offset the cost of the pilot based on the contract terms required by the bill. If savings were not achieved, the contract value would be reduced. This estimate does not assume any cost savings or reduction in contract costs.

SECTION 5. HHSC's analysis of the aggregate costs of a single clearinghouse for submission of Medicaid claims, web-based provider enrollment, a claims accuracy system, and hand held equipment for drug purchasing indicates that these measures would not be cost-effective within a five-year period. Therefore, the costs to implement these measures are not included in this estimate. HHSC indicates that audit requirements could be fulfilled using existing resources.

SECTION 6. HHSC estimates annual savings of \$791,000 in General Revenue and \$2,000,000 in All Funds in fiscal years 2008-2010 resulting from fee schedules and better utilization. HHSC indicates that audit requirements could be fulfilled using existing resources.

The Department of Aging and Disability Services (DADS) estimates annual savings of \$146,155 in General Revenue and \$373,511 in All Funds for fiscal years 2006-2010. This assumes a 10 percent reduction in incurred medical expenses due to the use of fee schedules.

SECTION 7. HHSC estimates that four FTEs would be needed in its Medicaid and CHIP Division to meet the contract management requirements of the bill. The dollars related to this item are included in general staffing estimates below.

SECTION 8. HHSC estimates savings of \$2,000,000 in General Revenue and \$4,000,000 in All Funds in fiscal year 2007 and subsequent annual savings of \$3,164,000 in General Revenue in fiscal years 2008-2010 from the utilization management system. Savings represent five percent of current spending on targeted case management services. HHSC estimates that three FTEs would be needed in its Medicaid and CHIP Division.

SECTION 9. HHSC estimates costs of \$5,534,200 in General Revenue and \$14,000,000 in All Funds in fiscal year 2007 resulting from increased compliance with check-up and immunization schedules.

SECTION 10. HHSC estimates cost of \$1,500,000 in General Revenue and \$3,000,000 in All Funds in fiscal year 2006 for an education campaign including direct mailings to recipients, public service announcements, presentations and newsletters to provider associations, and notices to recipients. HHSC estimates savings of \$1,976,500 in General Revenue and \$5,000,000 in All Funds in fiscal year 2007 due to prevention and a reduction in emergency care. Savings would continue to accrue at approximately the same levels for fiscal years 2008 to 2010.

GENERAL STAFFING. HHSC estimates that implementation of the bill would require 11 additional FTEs not already included in costs above for an additional cost of \$639,901 in General Revenue and \$1,279,801 in All Funds in fiscal years 2006-07.

Technology

There are a number of fiscal impacts related to information technology. The technology impact on HHSC is described in the description of the fiscal impact of Section 3 of the bill, above.

The Department of Aging and Disability Services estimates annual technology costs of \$2,134,460 in General Revenue and \$4,268,920 in All Funds for fiscal years 2006-2010.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 454 Department of Insurance, 529 Health and Human Services Commission, 537 Department of State Health Services, 539 Department of Aging and Disability Services

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