

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

April 15, 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 program and the provision of related services.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1188, Committee Report 1st House, Substituted: a positive impact of \$927,737 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	(\$2,577,864)
2007	\$3,505,601
2008	\$6,294,049
2009	\$6,294,049
2010	\$6,294,049

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from <i>GR MATCH FOR</i> <i>MEDICAID</i> 758	Probable Savings from <i>GR MATCH FOR</i> <i>MEDICAID</i> 758	Probable (Cost) from <i>FEDERAL FUNDS</i> 555	Probable Savings from <i>FEDERAL FUNDS</i> 555
2006	(\$2,577,864)	\$0	(\$2,577,864)	\$0
2007	(\$470,899)	\$3,976,500	(\$470,899)	\$5,023,500
2008	(\$429,451)	\$6,723,500	(\$429,451)	\$10,276,500
2009	(\$429,451)	\$6,723,500	(\$429,451)	\$10,276,500
2010	(\$429,451)	\$6,723,500	(\$429,451)	\$10,276,500

Fiscal Analysis

SECTION 1 would require an office of community collaboration to be established within HHSC.

SECTION 2 would require HHSC to modify or redesign its decision support system to allow for the more effective and systematic use of Medicaid data.

SECTION 3 would require HHSC to use existing resources to reduce Medicaid administrative requirements and to improve Medicaid administration by any method determined to be cost effective. The bill would require audits of certain Medicaid programs.

SECTION 4 would require HHSC to establish fee schedules for dental services and durable medical

equipment in long-term care facilities. The bill would require HHSC to implement a system to audit the Medicaid hospice care system to ensure correct billing for pharmaceuticals.

SECTION 5 would require HHSC to make every effort to improve its administration of Medicaid managed care contracts.

SECTION 6 would authorize, rather than require, HHSC to develop a system of selective contracting with providers for nonemergency inpatient hospital services to Medicaid recipients.

SECTION 7 would require HHSC to create and coordinate efficiencies for case management initiatives and optimize federal and state funding for case management services across all health and human services agencies.

SECTION 8 would require HHSC to implement a Medicaid recipient and provider education campaign to improve patient outcomes and maximize cost-effectiveness. The bill would require HHSC to identify and integrate funds currently being spent on education for Medicaid recipients.

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. The costs related to this FTE are included in general staffing estimates below.

SECTION 2. HHSC estimates costs of \$1,065,386 in General Revenue and \$2,130,772 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 3. HHSC indicates that the requirements of this section of the bill would be fulfilled using existing resources.

SECTION 4. 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.

SECTION 5. HHSC estimates that four FTEs would be needed in its Medicaid and CHIP Division to meet the contract management requirements of the bill. The costs related to this item are included in general staffing estimates below.

SECTION 6. No fiscal impact is anticipated.

SECTION 7. 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 optimization of case management systems. 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. The costs related to these FTEs are included in general staffing estimates below.

SECTION 8. 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 2008-2010.

GENERAL STAFFING. HHSC estimates that implementation of the bill would require 8 additional FTEs not already included in costs above for an additional cost of \$483,377 in General Revenue and

\$966,754 in All Funds in fiscal years 2006-07.

Technology

The technology impact on HHSC is described above in the description of the fiscal impact of Section 2 of the bill.

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

LBB Staff: JOB, CL, KF, SSt