

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

April 16, 2007

TO: Honorable John T. Smithee, Chair, House Committee on Insurance

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

IN RE: HB2584 by Noriega, Rick (Relating to payment for health care services provided to a Medicaid recipient under a managed care plan; providing a penalty.), **As Introduced**

Certain provisions of the bill could result in indeterminate costs to the state. Therefore, the fiscal impact cannot be determined at this time.

Section 1 (a) (7) of the bill requires managed care organizations (MCO) to pay provider claims for Medicaid recipients within 30 days, instead of 45 days of receipt of a claim. There would be no impact, as contracts with the MCO's currently require payment or denial of claims to providers within 30 days of receipt of a claim.

Section 1 (a) (16) of the bill would prohibit MCOs from recouping overpayments made to providers unless an independent audit determines that an error made by the provider caused an overpayment of at least five percent of the amount of the entire payment. This provision may have significant financial impact on the MCOs if they are not allowed to recoup certain overpayments. The bill would conflict with federal requirements regarding third party recoveries and recovery of duplicate payments due to recipient eligibility errors. It may also be in violation of federal Medicaid law. The Health and Human Services Commission estimates that there would be a significant fiscal impact with loss of federal funds should the bill be implemented in the Medicaid program. However, the agency is unable to estimate a cost at this time.

Section two of the bill adds a new section to Chapter 533 of the Government Code defining a clean claim as defined in Section 843.336 of the Insurance Code and would allow HHSC to impose a penalty of up to \$1,000 per day if not paid within 30 days for each day the claim remains unpaid. The agency states that the clean claim definition in this section has more requirements than HHSC currently enforces and may increase the number of denials for "unclean" claims. The agency is unable to determine the fiscal impact.

Local Government Impact

There could be an impact to local units of government operating a managed care organization in the Medicaid program, but that impact can not be determined.

Source Agencies: 529 Health and Human Services Commission

LBB Staff: JOB, JRO, PP, MB