

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

April 17, 2007

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

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

IN RE: HB2610 by Delisi (Relating to electronic communications with respect to the medical assistance program.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2610, As Introduced: a negative impact of (\$11,026,745) through the biennium ending August 31, 2009.

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 |
|-------------|--|
| 2008 | (\$10,519,123) |
| 2009 | (\$507,622) |
| 2010 | (\$507,622) |
| 2011 | (\$507,622) |
| 2012 | (\$507,622) |

All Funds, Five-Year Impact:

| Fiscal Year | Probable (Cost) from <i>GR MATCH FOR MEDICAID</i> 758 | Probable (Cost) from <i>FEDERAL FUNDS</i> 555 |
|-------------|---|---|
| 2008 | (\$10,519,123) | (\$31,557,368) |
| 2009 | (\$507,622) | (\$1,522,864) |
| 2010 | (\$507,622) | (\$1,522,864) |
| 2011 | (\$507,622) | (\$1,522,864) |
| 2012 | (\$507,622) | (\$1,522,864) |

Fiscal Analysis

The bill would amend Chapter 32 of the Human Resource Code by adding Subchapter C, Electronic Communications. It would define an electronic health record and direct the Health and Human Services Commission (HHSC) to adopt rules establishing electronic communications between operating agencies and Medicaid-participating providers.

The bill would require the system to be compatible with the applicable requirements of the Health Insurance Portability and Accountability Act (HIPAA.) It requires the agency to consult with participating providers and other interested stakeholders in the development and impact of a proposed rule.

HHSC would need to request additional capital authority for the development cost. It is assumed that

an Advanced Planning Document would be required (relating to federal approval) because HHSC has an existing vendor that could build the new electronic communications system. Additionally, contract amendments would need to be developed with the managed care organizations since they would be required to provide the same information for their participating providers. It is projected that twenty percent of providers would not be able to submit electronically and would require paper submissions.

The bill would take effect immediately with a two-thirds vote of each house, or would be effective September 1, 2007.

Methodology

HHSC assumes that the development and implementation of the communications systems would be done by a current vendor and that HHSC has the staff in place that would provide guidance and oversight during system development, implementation and production.

The agency estimates that 135,509 hours at a cost of \$310.51 per hour would be required to develop the electronic communications system, for a total of \$42,076,491 in All Funds and \$10,519,123 in General Revenue for fiscal year 2008. The annual operational costs would be \$2,030,486 in All Funds and \$507,622 in General Revenue from fiscal year 2009 through 2012. These figures assume a 75 percent federal funds participation rate.

Technology

The technology impact is described above, with a total cost of \$42.1 million in fiscal year 2008 and an ongoing cost of \$2.0 million in fiscal years 2009-2012. These costs are matched by the federal government at 75 percent.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 529 Health and Human Services Commission

LBB Staff: JOB, CL, PP, MB