

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: **HB3471** by Delisi (Relating to creation of a pilot program for use of health information technology concerning certain Medicaid recipients.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB3471, As Introduced: a negative impact of (\$2,625,000) 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	(\$2,200,000)
2009	(\$425,000)
2010	(\$425,000)
2011	(\$425,000)
2012	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from GR MATCH FOR MEDICAID 758	Probable (Cost) from FEDERAL FUNDS 555
2008	(\$2,200,000)	(\$2,200,000)
2009	(\$425,000)	(\$425,000)
2010	(\$425,000)	(\$425,000)
2011	(\$425,000)	(\$425,000)
2012	\$0	\$0

Fiscal Analysis

The bill would add subchapter D, Electronic Health Information Pilot Program, to Chapter 32 (Medicaid) of the Human Resources Code. It would create a pilot program in Medicaid for use of health information technology by primary care physicians.

The bill would require that personally identifiable health information be maintained in an electronic format that meets federal interoperability standards, and that the system used to access a recipient's electronic health record must be secure and maintain confidentiality. Additionally, the pilot must comply with HIPPA privacy requirements. The bill would allow HHSC to request and accept gifts, grants, and donations from public or private entities for the implementation of the pilot program.

The subchapter would expire on September 1, 2011.

The bill would require a report not later than December 31, 2008 regarding the preliminary results of the pilot program and any recommendations regarding expansion of the pilot program.

The cost of the bill results from the health information technology pilot program. HHSC assumes that the pilot would be in one geographic area where most providers who serve a high volume of Medicaid clients could be included in the pilot. The pilot would begin in March of 2008; the bill specifies the pilot would expire on September 1, 2011.

The bill would take effect immediately if the bill receives a two-thirds vote of each house; otherwise, it would be effective September 1, 2007.

### **Methodology**

This estimate assumes that approximately 100 physicians would be funded in the pilot. The estimated costs per provider were developed by HHSC from review of a proposed electronic health record pilot for Medicaid clients in Henderson County in 2006 and a recent article in Health Affairs, Vol.25, Number 4, July/Aug 2006. Cost per provider are assumed to be \$44,000 per practice in start-up funding and \$8,500 per year in ongoing costs. Costs include server, software, provider site hardware, training, support, communications, and other costs. The bill specifies that the physician practice must have a substantial number of Medicaid recipients. Therefore, this estimate assumes matching funds at 50 percent administration rate, but the federal match would be subject to federal approval.

The first year cost for 100 physician practices (100 practices X \$44,000) is estimated at \$4,400,000 in All Funds, \$2,200,000 in General Revenue. The remaining years' cost for ongoing operations (100 practices X \$8,500) is \$850,000 in All Funds, \$425,000 in General Revenue per year.

### **Technology**

All costs included in this estimate are technology-related costs.

### **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