

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

April 12, 2007

TO: Honorable Warren Chisum, Chair, House Committee on Appropriations

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

IN RE: HB3793 by Davis, John (Relating to including certain performance measures and incentives in certain Medicaid managed care contracts.), **As Introduced**

No significant fiscal implication to the State is anticipated.

Section one of the bill would amend Subchapter A, Chapter 533, Government Code by adding Section 533.0051, Performance Measures and Incentives for Value-based Contracts. The Health and Human Services Commission (HHSC) would be required to establish outcome-based performance measures and incentives to include in certain contracts between health maintenance organizations (HMO) and the commission. The performance measures and incentives must be designed to facilitate and increase recipients' access to appropriate health care services.

The bill would require HHSC to assess the feasibility and cost-effectiveness of including provisions in a contract that require the HMO to provide to the providers in the organization's provider network pay-for-performance opportunities. If the commission determines that the provisions are feasible and may be cost-effective, the commission would develop and implement a pilot program in at least one health care service region.

The bill would take effect September 1, 2007.

The agency states that the current joint procurement contract is a value-based contract that includes performance measures, performance improvement goals as well as financial and non-financial incentives and disincentives. Additionally, the current contract requires the HMO to develop and implement incentives, which may include financial and non-financial incentives, to motivate providers to improve performance on profiled measures.

It is assumed that changes to managed care contracts can be accomplished within existing resources; additionally, a pay-for-performance pilot program would be undertaken only if cost effective.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 529 Health and Human Services Commission

LBB Staff: JOB, CT, PP, MB