

## **BILL ANALYSIS**

C.S.S.B. 10  
By: Duncan  
Public Health  
Committee Report (Substituted)

### **BACKGROUND AND PURPOSE**

Academic research shows that savings and better health care outcomes can be achieved by moving away from the current reimbursement system that tends to emphasize volume of services over quality of care.

Programs that provide an incentive for all providers to work together to ensure that patient care is coordinated and evaluated for quality and effectiveness appear to be the future of health care.

C.S.S.B. 10 creates a pilot program within the Employees Retirement System of Texas to pay for services on a per-person basis, on a per-disease or health care need basis, on a performance basis, or on any combination thereof, in order to align payments with quality of care rather than quantity of care.

C.S.S.B. 10 amends current law relating to adoption of alternative payment method pilot programs for the provision of health care services to certain state employees.

### **RULEMAKING AUTHORITY**

It is the committee's opinion that rulemaking authority is expressly granted to the board of trustees of the Employees Retirement System of Texas in SECTION 1.01 of this bill.

### **ANALYSIS**

C.S.S.B. 10 amends the Insurance Code to authorize the board of trustees of the Employees Retirement System of Texas to work with the administering firm of a self-funded health benefit plan established in accordance with state law to establish one or more pilot programs under which physicians and health care providers who provide health care services to eligible participants are compensated under an alternative payment system. The bill requires a pilot program to test alternatives to traditional fee-for-service payments made under the group benefits program. The bill establishes that the administration and implementation of all programs and plans adopted under the alternative payment method pilot program provisions are vested solely in the board of trustees. The bill establishes that, to provide for the efficient and cost-effective administration and management of the programs established under those provisions, all contracting, purchasing, procurement, and program and project related responsibilities related to the administration or management of the programs are vested solely in the board of trustees.

C.S.S.B. 10 requires the board to administer an alternative payment method pilot program, and authorizes the board to adopt rules, plans, and procedures and enter into contracts and other agreements as it considers appropriate and necessary to administer pilot program provisions. The bill requires the board to establish reasonable limits for participation and authorizes the board to limit participation in a pilot program to one or more regions of the state or one or more organized networks of physicians, hospitals, and other health care providers to ensure effective operation of the pilot program. The bill grants the board, with respect to a pilot program, sole discretion to amend an agreement as necessary to comply with alternative payment method pilot

program provisions. The bill requires a pilot program implemented under those provisions to be operated for at least one plan year and clarifies that the program may be extended as the board of trustees finds appropriate on consideration of the quality of the services provided and the related cost-effectiveness of the program.

C.S.S.B. 10 authorizes the board to elect to continue as a permanent program a pilot program extended as authorized by the bill. The bill establishes that the permanent program is subject to the requirements of the bill in the same manner as a pilot program. The bill requires, to the extent practicable, a pilot program operated under provisions of the bill to be based on nationally recognized quality of care standards and evidence-based best practices and to include policies designed to promote clinical integration of health care providers and other policies and practices as necessary to ensure high-quality and effective health care services. The bill requires each pilot program operated under the bill to ensure that a physician or health care provider is available for each participating enrollee and that a payment made for health care services provided by the pilot program under an alternative payment system is made in a manner that appropriately compensates each physician or health care provider for the services provided. The bill authorizes the board to contract with appropriate entities, including qualified actuaries, to assist the board in determining appropriate payment rates for a pilot program and to modify an adopted payment rate as necessary to adjust the rate for inflation.

C.S.S.B. 10 requires the board, in accordance with the continuing study of the operation and administration of the Texas Employees Group Benefits Act required under state law, to develop a process to evaluate an alternative payment method pilot program. The bill requires the evaluation process to solicit the opinions of participating enrollees on the availability and quality of the health care received through a pilot program and on the costs incurred for health care provided through a pilot program, including copayments, fees for service, and other analogous costs. The bill requires the board to ensure that a coverage plan provided to a participant in an alternative payment method pilot program is at least equivalent to the basic coverage plan. The bill defines "alternative payment system," "blended payment system," "clinical integration," "episode-based bundled payment system," "global payment system," "participant," "participating enrollee," "pay-for-performance payment system," "pilot program," "program," and "plan year."

C.S.S.B. 10 requires the board to develop one or more alternative payment method pilot programs as soon as practicable, but not later than September 1, 2010. The bill requires the board, not later than the 30th day before the date on which eligible participants may participate in a pilot program established under the bill, to provide written information to those participants that provides a general description of the requirements for the pilot program. The bill requires the board to include as part of the required annual report to the governor, legislative leadership, and the Legislative Budget Board concerning the coverages provided and the benefits and services being received by all participants under the Texas Employees Group Benefits Act the results of a pilot program established under the bill.

#### **EFFECTIVE DATE**

Except as otherwise provided, September 1, 2009.

#### **COMPARISON OF ORIGINAL AND SUBSTITUTE**

C.S.S.B. 10 adds provisions not included in the original defining "participant" and "program." The substitute differs from the original by defining "participating enrollee" to mean an eligible participant who uses a physician or health care provider participating in an alternative payment method pilot program operated under provisions of the bill, rather than an employee or dependent enrolled in the pilot program, as in the original. The bill adds provisions not in the original establishing that the administration and implementation of programs and plans adopted under the bill, and certain responsibilities related to the administration or management of the programs, are vested solely in the board of trustees of the Employees Retirement System of

Texas and makes conforming changes.

C.S.S.B. 10 authorizes the board of trustees to work with the administering firm of a self-funded health benefit plan established in accordance with state law to establish one or more pilot programs under which physicians and health care providers who provide health care services to eligible participants are compensated under an alternative payment system, whereas the original requires the board to develop and implement such a pilot program. The substitute differs from the original by making changes to conform to the difference in the way the program is administered. The substitute omits a provision included in the original authorizing the board to examine and replicate innovative programs used in other states. The substitute differs from the original by adding a statutory provision granting the board sole discretion, with respect to the pilot program, to amend an agreement as necessary to comply with provisions of the bill, whereas the original adds an administrative provision authorizing the board, during the initial implementation of the bill's provisions, to amend any agreement in effect on September 1, 2009, that it has entered into as necessary to comply with provisions of the bill.

C.S.S.B. 10 adds provisions not included in the original authorizing a pilot program to be extended as the board finds appropriate on consideration of the quality of the services provided and the related cost-effectiveness of the program and making conforming changes. The substitute adds provisions not included in the original authorizing the board to elect to continue an extended pilot program as a permanent program and making the permanent program subject to the requirements of the bill in the same manner as a pilot program.

C.S.S.B. 10 differs from the original by requiring a pilot program operated under the bill, to the extent practicable, to be based on nationally recognized quality of care standards and evidence-based best practices and to include other policies and practices as necessary to ensure high-quality and effective health care services, whereas the original requires the board to support, in connection with the program, nationally recognized quality of care standards and to support such policies and practices.

C.S.S.B. 10 differs from the original by authorizing the board to modify, rather than to increase as in the original, a payment rate adopted under the bill as necessary to adjust the rate for inflation. The substitute requires the board to develop a process to evaluate a pilot program operated under the bill in accordance with the continuing study required by state law that must include the solicitation of participating enrollee opinion, whereas the original requires the board, in adopting requirements for the pilot program under the bill, to adopt procedures that allow the participating enrollees to provide input as to the operation of the program. The substitute differs from the original by omitting a provision included in the original requiring the board to solicit enrollee input regarding the efficiency of the provision of the health care received by participating enrollees through the pilot program.

C.S.S.B. 10 makes a conforming change to administrative provisions to omit a requirement that the board develop enrollment requirements for the pilot program with participation and contributions for eligible enrollees beginning as soon as practicable, but not later than September 1, 2010, and adding a requirement that the board develop one or more pilot programs to be implemented as soon as practicable but not later than September 1, 2010.

C.S.S.B. 10 differs from the original by decreasing from not later than the 60th day before the date a person may participate in the pilot program to the 30th day before that date the deadline by which the board is required to provide written information about the program.

C.S.S.B. 10 omits provisions included in the original requiring the Teachers Retirement System of Texas to develop and implement alternative payment method pilot programs for provision of health care services to both retirees and active employees and setting forth related procedures for such implementation.

C.S.S.B. 10 makes certain nonsubstantive clarifying and conforming changes.