

By: Duncan

S.B. No. 10

A BILL TO BE ENTITLED

AN ACT

relating to adoption of alternative payment method pilot programs for the provision of health care services to certain state employees and certain active and retired public school employees.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

ARTICLE 1. EMPLOYEES RETIREMENT SYSTEM OF TEXAS--ACTIVE EMPLOYEES

SECTION 1.01. Chapter 1551, Insurance Code, is amended by adding Subchapter K to read as follows:

SUBCHAPTER K. ALTERNATIVE PAYMENT METHOD PILOT PROGRAM FOR PROVISION OF HEALTH CARE SERVICES

Sec. 1551.501. DEFINITIONS. In this subchapter:

(1) "Alternative payment system" includes:

(A) a global payment system;

(B) an episode-based bundled payment system;

(C) a pay-for-performance payment system;

(D) a blended payment system; and

(E) another system other than fee-for-service.

(2) "Blended payment system" means a system for compensating a physician or health care provider that includes one or more features of a global payment system, a pay-for-performance payment system, and an episode-based bundled payment system.

(3) "Clinical integration" means a network of health care providers implementing an active and ongoing program to evaluate and modify practice patterns by the network's participants

1 and create a high degree of independence and cooperation to control  
2 costs and ensure quality.

3 (4) "Episode-based bundled payment system" means a  
4 system for compensating a physician or health care provider for  
5 arranging for or providing health care services to participating  
6 enrollees that is based on a flat payment for all services provided  
7 in connection with a single episode of medical care.

8 (5) "Global payment system" means a system for  
9 compensating a physician or health care provider for arranging for  
10 or providing a defined set of covered health care services to  
11 participating enrollees for a specified period that is based on a  
12 predetermined payment per enrollee for the specified period,  
13 without regard to the quantity of services actually provided.

14 (6) "Participating enrollee" means an employee or  
15 dependent enrolled in the pilot program.

16 (7) "Pay-for-performance payment system" means a  
17 system for compensating a physician or health care provider for  
18 arranging for or providing health care services to participating  
19 enrollees that is based on the physician or health care provider  
20 meeting or exceeding certain defined performance measures. A  
21 pay-for-performance payment system may include the provision of  
22 bonuses to or the sharing of realized savings with physicians and  
23 other health care providers.

24 (8) "Pilot program" means the alternative payment  
25 method pilot program established under this subchapter.

26 (9) "Plan year" means the period beginning on  
27 September 1 and ending the following August 31.

1       Sec. 1551.502. DEVELOPMENT AND IMPLEMENTATION OF PILOT  
2 PROGRAM. (a) The board of trustees shall develop and implement a  
3 pilot program under which physicians and health care providers who  
4 provide health care services to certain employees who participate  
5 in the group benefits program under Section 1551.101 are  
6 compensated under an alternative payment system. The pilot program  
7 shall test alternatives to traditional fee-for-service payments  
8 made under the group benefits program.

9       (b) The board of trustees shall administer the pilot program  
10 established under this subchapter and may adopt rules, plans, and  
11 procedures and enter into contracts and other agreements as it  
12 considers appropriate and necessary to administer this subchapter.

13       (c) To ensure effective operation of the pilot program, the  
14 board of trustees shall establish reasonable limits for  
15 participation and may limit participation in the pilot program to:

- 16               (1) one or more regions of the state; or  
17               (2) one or more organized networks of physicians,  
18 hospitals, and other health care providers.

19       (d) The board of trustees may examine and replicate  
20 innovative programs used in other states.

21       (e) The pilot program implemented under this subchapter  
22 must be operated for at least one plan year.

23       Sec. 1551.503. STANDARDS; CLINICAL INTEGRATION. In  
24 connection with the program, the board of trustees shall support  
25 nationally recognized quality of care standards and evidence-based  
26 best practices to ensure high-quality and effective health care  
27 services. The board of trustees shall support policies to promote

1 clinical integration of health care providers.

2 Sec. 1551.504. ALTERNATIVE PAYMENT SYSTEM. (a) The board  
3 of trustees shall adopt a payment system under the pilot program  
4 that ensures:

5 (1) the availability of a physician or health care  
6 provider for each participating enrollee; and

7 (2) payment to such a physician or health care  
8 provider under an alternative payment system that appropriately  
9 compensates the physician or health care provider for the services  
10 provided.

11 (b) The board of trustees may contract with appropriate  
12 entities, including qualified actuaries, to assist the board in  
13 determining appropriate payment rates for the pilot program.

14 (c) The board of trustees may increase a payment rate  
15 adopted under this section as necessary to adjust the rate for  
16 inflation.

17 Sec. 1551.505. PARTICIPATING ENROLLEE INPUT. In adopting  
18 requirements for the pilot program under this section, the board of  
19 trustees shall adopt procedures that allow the participating  
20 enrollees to provide input as to the operation of the program. The  
21 board of trustees shall solicit enrollee input regarding:

22 (1) the availability and quality of the health care  
23 received by participating enrollees through the pilot program;

24 (2) the efficiency of the provision of that health  
25 care; and

26 (3) costs incurred by the enrollees for health care  
27 provided through the program, including copayments, fees for

1 service, and other analogous costs.

2 SECTION 1.02. Section 1551.202, Insurance Code, is amended  
3 by adding Subsection (d) to read as follows:

4 (d) The board of trustees shall ensure that coverage  
5 provided to an enrollee participating in the pilot program  
6 implemented under Subchapter K meets the quality of care standards  
7 required under that subchapter and the basic coverage plan.

8 SECTION 1.03. The board of trustees of the Employees  
9 Retirement System of Texas shall develop the alternative payment  
10 method pilot program to be implemented under Subchapter K, Chapter  
11 1551, Insurance Code, as added by this Act. The board of trustees  
12 shall develop enrollment requirements for the pilot program with  
13 participation and contributions for eligible enrollees beginning  
14 as soon as practicable, but not later than September 1, 2010.

15 SECTION 1.04. Not later than the 60th day before the date on  
16 which eligible employees may participate in the pilot program  
17 established under Subchapter K, Chapter 1551, Insurance Code, as  
18 added by this Act, the board of trustees of the Employees Retirement  
19 System of Texas shall provide written information to those  
20 employees that provides a general description of the requirements  
21 for the program as adopted under Subchapter K, Chapter 1551,  
22 Insurance Code, as added by this Act.

23 SECTION 1.05. During the initial implementation of  
24 Subchapter K, Chapter 1551, Insurance Code, as added by this Act,  
25 and notwithstanding any bidding requirements or other requirements  
26 set forth in Chapter 1551, Insurance Code, as that chapter existed  
27 before amendment by this Act, the board of trustees of the Employees

1 Retirement System of Texas may amend any agreement in effect on  
2 September 1, 2009, that it has entered into as necessary to comply  
3 with Subchapter K, Chapter 1551, Insurance Code, as added by this  
4 Act.

5 SECTION 1.06. The board of trustees of the Employees  
6 Retirement System of Texas shall include as part of the annual  
7 report required by Section 1551.061, Insurance Code, results of the  
8 pilot program established under Subchapter K, Chapter 1551,  
9 Insurance Code, as added by this Act.

10 ARTICLE 2. TEACHER RETIREMENT SYSTEM OF TEXAS--RETIREEES

11 SECTION 2.01. Chapter 1575, Insurance Code, is amended by  
12 adding Subchapter L to read as follows:

13 SUBCHAPTER L. ALTERNATIVE PAYMENT METHOD PILOT PROGRAM FOR  
14 PROVISION OF HEALTH CARE SERVICES

15 Sec. 1575.551. DEFINITIONS. In this subchapter:

16 (1) "Alternative payment system" includes:

17 (A) a global payment system;

18 (B) an episode-based bundled payment system;

19 (C) a pay-for-performance payment system;

20 (D) a blended payment system; and

21 (E) another system other than fee-for-service.

22 (2) "Blended payment system" means a system for  
23 compensating a physician or health care provider that includes one  
24 or more features of a global payment system, a pay-for-performance  
25 payment system, and an episode-based bundled payment system.

26 (3) "Clinical integration" means a network of health  
27 care providers implementing an active and ongoing program to

1 evaluate and modify practice patterns by the network's participants  
2 and create a high degree of independence and cooperation to control  
3 costs and ensure quality.

4 (4) "Episode-based bundled payment system" means a  
5 system for compensating a physician or health care provider for  
6 arranging for or providing health care services to participating  
7 enrollees that is based on a flat payment for all services provided  
8 in connection with a single episode of medical care.

9 (5) "Global payment system" means a system for  
10 compensating a physician or health care provider for arranging for  
11 or providing a defined set of covered health care services to  
12 participating enrollees for a specified period that is based on a  
13 predetermined payment per enrollee for the specified period,  
14 without regard to the quantity of services actually provided.

15 (6) "Participating enrollee" means a retiree or  
16 dependent enrolled in the pilot program.

17 (7) "Pay-for-performance payment system" means a  
18 system for compensating a physician or health care provider for  
19 arranging for or providing health care services to participating  
20 enrollees that is based on the physician or health care provider  
21 meeting or exceeding certain defined performance measures. A  
22 pay-for-performance system may include the provision of bonuses to  
23 or the sharing of realized savings with physicians and other health  
24 care providers.

25 (8) "Pilot program" means the alternative payment  
26 method pilot program established under this subchapter.

27 (9) "Plan year" means the period beginning on

1 September 1 and ending the following August 31.

2 Sec. 1575.552. DEVELOPMENT AND IMPLEMENTATION OF PILOT  
3 PROGRAM. (a) The trustee shall develop and implement a pilot  
4 program under which physicians and health care providers who  
5 provide health care services to certain retirees who participate in  
6 the group program under Subchapter D are compensated under an  
7 alternative payment system. The pilot program shall test  
8 alternatives to traditional fee-for-service payments made under  
9 the group program.

10 (b) The trustee shall administer the pilot program  
11 established under this subchapter and may adopt rules, plans, and  
12 procedures and enter into contracts and other agreements as it  
13 considers appropriate and necessary to administer this subchapter.

14 (c) To ensure effective operation of the pilot program, the  
15 trustee shall establish reasonable limits for participation and may  
16 limit participation in the pilot program to:

17 (1) one or more regions of the state; or

18 (2) one or more organized networks of physicians,  
19 hospitals, and other health care providers.

20 (d) The trustee may examine and replicate innovative  
21 programs used in other states.

22 (e) The pilot program implemented under this subchapter  
23 must be operated for at least one plan year.

24 Sec. 1575.553. STANDARDS; CLINICAL INTEGRATION. In  
25 connection with the pilot program, the trustee shall support  
26 nationally recognized quality of care standards and evidence-based  
27 best practices to ensure high-quality and effective health care



1 services. The trustee shall support policies to promote clinical  
2 integration of health care providers.

3 Sec. 1575.554. ALTERNATIVE PAYMENT SYSTEM. (a) The  
4 trustee shall adopt a payment system under the pilot program that  
5 ensures:

6 (1) the availability of a physician or health care  
7 provider for each participating enrollee; and

8 (2) payment to such a physician or health care  
9 provider under an alternative payment system that appropriately  
10 compensates the physician or health care provider for the services  
11 provided.

12 (b) The trustee may contract with appropriate entities,  
13 including qualified actuaries, to assist the trustee in determining  
14 appropriate payment rates for the pilot program.

15 (c) The trustee may increase a payment rate adopted under  
16 this section as necessary to adjust the rate for inflation.

17 Sec. 1575.555. PARTICIPATING ENROLLEE INPUT. In adopting  
18 requirements for the pilot program under this section, the trustee  
19 shall adopt procedures that allow the participating enrollees to  
20 provide input as to the operation of the program. The trustee shall  
21 solicit enrollee input regarding:

22 (1) the availability and quality of the health care  
23 received by participating enrollees through the pilot program;

24 (2) the efficiency of the provision of that health  
25 care; and

26 (3) costs incurred by the enrollees for health care  
27 provided through the program, including copayments, fees for

1 service, and other analogous costs.

2 SECTION 2.02. Subchapter D, Chapter 1575, Insurance Code,  
3 is amended by adding Section 1575.154 to read as follows:

4 Sec. 1575.154. COVERAGE UNDER PILOT PROGRAM. The trustee  
5 shall ensure that coverage provided to an enrollee participating in  
6 the pilot program implemented under Subchapter L meets the quality  
7 of care standards required under that subchapter and the basic  
8 coverage plan.

9 SECTION 2.03. The Teacher Retirement System of Texas shall  
10 develop the alternative payment method pilot program to be  
11 implemented under Subchapter L, Chapter 1575, Insurance Code, as  
12 added by this Act. The trustee shall develop enrollment  
13 requirements for the pilot program with participation and  
14 contributions for eligible enrollees beginning, as soon as  
15 practicable, but not later than September 1, 2010.

16 SECTION 2.04. Not later than the 60th day before the date on  
17 which eligible retirees may participate in the pilot program  
18 established under Subchapter L, Chapter 1575, Insurance Code, as  
19 added by this Act, the Teacher Retirement System of Texas shall  
20 provide written information to those retirees that provides a  
21 general description of the requirements for the program as adopted  
22 under Subchapter L, Chapter 1575, Insurance Code, as added by this  
23 Act.

24 SECTION 2.05. During the initial implementation of  
25 Subchapter L, Chapter 1575, Insurance Code, as added by this Act,  
26 and notwithstanding any bidding requirements or other requirements  
27 set forth in Chapter 1575, Insurance Code, as that chapter existed

1 before amendment by this Act, the Teacher Retirement System of  
2 Texas may amend any agreement in effect on September 1, 2009, that  
3 it has entered into as necessary to comply with Subchapter L,  
4 Chapter 1575, Insurance Code, as added by this Act.

5 SECTION 2.06. Not later than November 1, 2011, the Teacher  
6 Retirement System of Texas shall present a report to the governor,  
7 the lieutenant governor, the speaker of the house of  
8 representatives, and the members of each legislative committee  
9 having jurisdiction over insurance and health care for retired  
10 public school employees. The report must:

11 (1) describe the operation of the pilot program  
12 established under Subchapter L, Chapter 1575, Insurance Code, as  
13 added by this Act;

14 (2) analyze the quality of health care provided to  
15 participating enrollees under the pilot program;

16 (3) compare the per-patient cost under the pilot  
17 program to the cost per patient of a traditional fee-for-service  
18 program; and

19 (4) make recommendations regarding the continuation  
20 or expansion of the pilot program.

21 ARTICLE 3. TEACHER RETIREMENT SYSTEM OF TEXAS--ACTIVE EMPLOYEES

22 SECTION 3.01. Chapter 1579, Insurance Code, is amended by  
23 adding Subchapter H to read as follows:

24 SUBCHAPTER H. ALTERNATIVE PAYMENT METHOD PILOT PROGRAM FOR

25 PROVISION OF HEALTH CARE SERVICES

26 Sec. 1579.351. DEFINITIONS. In this subchapter:

27 (1) "Alternative payment system" includes:

- 1           (A) a global payment system;
- 2           (B) an episode-based bundled payment system;
- 3           (C) a pay-for-performance payment system;
- 4           (D) a blended payment system; and
- 5           (E) another system other than fee-for-service.

6           (2) "Blended payment system" means a system for  
7 compensating a physician or health care provider that includes one  
8 or more features of a global payment system, a pay-for-performance  
9 payment system, and an episode-based bundled payment system.

10          (3) "Clinical integration" means a network of health  
11 care providers implementing an active and ongoing program to  
12 evaluate and modify practice patterns by the network's participants  
13 and create a high degree of independence and cooperation to control  
14 costs and ensure quality.

15          (4) "Episode-based bundled payment system" means a  
16 system for compensating a physician or health care provider for  
17 arranging for or providing health care services to participating  
18 enrollees that is based on a flat payment for all services provided  
19 in connection with a single episode of medical care.

20          (5) "Global payment system" means a system for  
21 compensating a physician or health care provider for arranging for  
22 or providing a defined set of covered health care services to  
23 participating enrollees for a specified period that is based on a  
24 predetermined payment per enrollee for the specified period,  
25 without regard to the quantity of services actually provided.

26          (6) "Participating enrollee" means an employee or  
27 dependent enrolled in the pilot program.

1           (7) "Pay-for-performance payment system" means a  
2 system for compensating a physician or health care provider for  
3 arranging for or providing health care services to participating  
4 enrollees that is based on the physician or health care provider  
5 meeting or exceeding certain defined performance measures. A  
6 pay-for-performance payment system may include the provision of  
7 bonuses to or the sharing of realized savings with physicians and  
8 other health care providers.

9           (8) "Pilot program" means the alternative payment  
10 method pilot program established under this subchapter.

11           (9) "Plan year" means the period beginning on  
12 September 1 and ending the following August 31.

13           Sec. 1579.352. DEVELOPMENT AND IMPLEMENTATION OF PILOT  
14 PROGRAM. (a) The trustee shall develop and implement a pilot  
15 program under which physicians and health care providers who  
16 provide health care services to certain employees who participate  
17 in the primary care coverage plan under Subchapter C are  
18 compensated under an alternative payment system. The pilot program  
19 shall test alternatives to traditional fee-for-service payments  
20 made under the group program.

21           (b) The trustee shall administer the pilot program  
22 established under this subchapter and may adopt rules, plans, and  
23 procedures and enter into contracts and other agreements as it  
24 considers appropriate and necessary to administer this subchapter.

25           (c) To ensure effective operation of the pilot program, the  
26 trustee shall establish reasonable limits for participation and may  
27 limit participation in the pilot program to:

1           (1) one or more regions of the state; or

2           (2) one or more organized networks of physicians,  
3 hospitals, and other health care providers.

4           (d) The trustee may examine and replicate innovative  
5 programs used in other states.

6           (e) The pilot program implemented under this subchapter  
7 must be operated for at least one plan year.

8           Sec. 1579.353. STANDARDS; CLINICAL INTEGRATION. In  
9 connection with the pilot program, the trustee shall support  
10 nationally recognized quality of care standards and evidence-based  
11 best practices to ensure high-quality and effective health care  
12 services. The trustee shall support policies to promote clinical  
13 integration of health care providers.

14           Sec. 1579.354. ALTERNATIVE PAYMENT SYSTEM. (a) The  
15 trustee shall adopt a payment system under the pilot program that  
16 ensures:

17           (1) the availability of a physician or health care  
18 provider for each participating enrollee; and

19           (2) payment to such a physician or health care  
20 provider under an alternative payment system that appropriately  
21 compensates the physician or health care provider for the services  
22 provided.

23           (b) The trustee may contract with appropriate entities,  
24 including qualified actuaries, to assist the trustee in determining  
25 appropriate payment rates for the pilot program.

26           (c) The trustee may increase a payment rate adopted under  
27 this section as necessary to adjust the rate for inflation.

1       Sec. 1579.355. PARTICIPATING ENROLLEE INPUT. In adopting  
2 requirements for the pilot program under this section, the trustee  
3 shall adopt procedures that allow the participating enrollees to  
4 provide input as to the operation of the program. The trustee shall  
5 solicit enrollee input regarding:

6           (1) the availability and quality of the health care  
7 received by participating enrollees through the pilot program;

8           (2) the efficiency of the provision of that health  
9 care; and

10          (3) costs incurred by the enrollees for health care  
11 provided through the program, including copayments, fees for  
12 service, and other analogous costs.

13       SECTION 3.02. Section 1579.103, Insurance Code, is amended  
14 to read as follows:

15       Sec. 1579.103. PRIMARY CARE COVERAGE PLAN.    (a) The  
16 coverage provided under the primary care coverage plan must be  
17 comparable in scope and, to the greatest extent possible, in cost to  
18 the coverage provided under Chapter 1551.

19       (b) The trustee shall ensure that coverage provided to an  
20 enrollee participating in the pilot program implemented under  
21 Subchapter H meets the quality of care standards required under  
22 that subchapter and the primary care coverage plan.

23       SECTION 3.03. The Teacher Retirement System of Texas shall  
24 develop the alternative payment method pilot program to be  
25 implemented under Subchapter H, Chapter 1579, Insurance Code, as  
26 added by this Act. The trustee shall develop enrollment  
27 requirements for the pilot program with participation and

1 contributions for eligible enrollees beginning as soon as  
2 practicable, but not later than September 1, 2010.

3 SECTION 3.04. Not later than the 60th day before the date on  
4 which eligible employees may participate in the pilot program  
5 established under Subchapter H, Chapter 1579, Insurance Code, as  
6 added by this Act, the Teacher Retirement System of Texas shall  
7 provide written information to those employees that provides a  
8 general description of the requirements for the program as adopted  
9 under Subchapter H, Chapter 1579, Insurance Code, as added by this  
10 Act.

11 SECTION 3.05. During the initial implementation of  
12 Subchapter H, Chapter 1579, Insurance Code, as added by this Act,  
13 and notwithstanding any bidding requirements or other requirements  
14 set forth in Chapter 1579, Insurance Code, as that chapter existed  
15 before amendment by this Act, the Teacher Retirement System of  
16 Texas may amend any agreement in effect on September 1, 2009, that  
17 it has entered into as necessary to comply with Subchapter H,  
18 Chapter 1579, Insurance Code, as added by this Act.

19 SECTION 3.06. Not later than November 1, 2011, the Teacher  
20 Retirement System of Texas shall present a report to the governor,  
21 the lieutenant governor, the speaker of the house of  
22 representatives, and the members of each legislative committee  
23 having jurisdiction over insurance and health care for employees of  
24 public schools. The report must:

25 (1) describe the operation of the pilot program  
26 established under Subchapter H, Chapter 1579, Insurance Code, as  
27 added by this Act;



1           (2) analyze the quality of health care provided to  
2 participating enrollees under the pilot program;

3           (3) compare the per-patient cost under the pilot  
4 program to the cost per patient of a traditional fee-for-service  
5 program; and

6           (4) make recommendations regarding the continuation  
7 or expansion of the pilot program.

8                           ARTICLE 4. EFFECTIVE DATE

9           SECTION 4.01. Except as otherwise provided by this Act,  
10 this Act takes effect September 1, 2009.