

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; and

(D) a blended payment system.

(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 and create a high degree of independence and cooperation to control

1 costs and ensure quality.

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

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

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

15 (7) "Pay-for-performance 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 the physician or health care provider
19 meeting or exceeding certain defined performance measures.

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

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

24 Sec. 1551.502. DEVELOPMENT AND IMPLEMENTATION OF PILOT
25 PROGRAM. (a) The board of trustees shall develop and implement a
26 pilot program under which physicians and health care providers who
27 provide health care services to certain employees who participate

1 in the group benefits program under Section 1551.101 are
2 compensated under an alternative payment system. The pilot program
3 shall test alternatives to traditional fee-for-service payments
4 made under the group benefits program.

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

9 (c) The board of trustees may limit participation in the
10 pilot program to:

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

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

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

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

18 Sec. 1551.503. STANDARDS; CLINICAL INTEGRATION. (a) In
19 connection with the pilot program, the board of trustees shall
20 adopt quality of care standards to ensure high-quality and
21 effective health care services. The board of trustees shall
22 implement policies to promote clinical integration of health care
23 providers.

24 (b) The board of trustees may adopt efficiency performance
25 standards that may include the provision of bonuses to or the
26 sharing of savings with physicians and other health care providers
27 who provide health care services to participating enrollees that

1 exceed the efficiency performance standards.

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 primary care physician or
6 primary care health care provider for each participating enrollee;
7 and

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

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

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

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

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

23 SECTION 1.03. The board of trustees of the Employees
24 Retirement System of Texas shall develop the alternative payment
25 method pilot program to be implemented under Subchapter K, Chapter
26 1551, Insurance Code, as added by this Act, beginning September 1,
27 2009. The board of trustees shall develop enrollment requirements

1 for the pilot program not later than March 1, 2010, with
2 participation and contributions for eligible enrollees beginning
3 not later than September 1, 2010.

4 SECTION 1.04. Not later than the 60th day before the date on
5 which eligible employees may participate in the pilot program
6 established under Subchapter K, Chapter 1551, Insurance Code, as
7 added by this Act, the board of trustees of the Employees Retirement
8 System of Texas shall provide written information to those
9 employees that provides a general description of the requirements
10 for the program as adopted under Subchapter K, Chapter 1551,
11 Insurance Code, as added by this Act.

12 SECTION 1.05. During the initial implementation of
13 Subchapter K, Chapter 1551, Insurance Code, as added by this Act,
14 and notwithstanding any bidding requirements or other requirements
15 set forth in Chapter 1551, Insurance Code, as that chapter existed
16 before amendment by this Act, the board of trustees of the Employees
17 Retirement System of Texas may amend any agreement in effect on
18 September 1, 2009, that it has entered into as necessary to comply
19 with Subchapter K, Chapter 1551, Insurance Code, as added by this
20 Act.

21 SECTION 1.06. Not later than November 1, 2011, the board of
22 trustees of the Employees Retirement System of Texas shall present
23 a report to the governor, the lieutenant governor, the speaker of
24 the house of representatives, and the members of each legislative
25 committee having jurisdiction over insurance and health care for
26 state employees. The report must:

27 (1) describe the operation of the pilot program

1 established under Subchapter K, Chapter 1551, Insurance Code, as
2 added by this Act;

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

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

8 (4) make recommendations regarding the continuation
9 or expansion of the pilot program.

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; and

20 (D) a blended payment system.

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

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

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

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

25 Sec. 1575.552. DEVELOPMENT AND IMPLEMENTATION OF PILOT
26 PROGRAM. (a) The trustee shall develop and implement a pilot
27 program under which physicians and health care providers who

1 provide health care services to certain retirees who participate in
2 the group program under Subchapter D are compensated under an
3 alternative payment system. The pilot program shall test
4 alternatives to traditional fee-for-service payments made under
5 the group program.

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

10 (c) The trustee may limit participation in the pilot program
11 to:

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

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

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

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

19 Sec. 1575.553. STANDARDS; CLINICAL INTEGRATION. (a) In
20 connection with the pilot program, the trustee shall adopt quality
21 of care standards to ensure high-quality and effective health care
22 services. The trustee shall implement policies to promote clinical
23 integration of health care providers.

24 (b) The trustee may adopt efficiency performance standards
25 that may include the provision of bonuses to or the sharing of
26 savings with physicians and other health care providers who provide
27 health care services to participating enrollees that exceed the

1 efficiency performance standards.

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

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

8 (2) payment to such a primary care physician or
9 primary care health care provider under an alternative payment
10 system that appropriately compensates the primary care physician or
11 primary care provider for the services 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 SECTION 2.02. Subchapter D, Chapter 1575, Insurance Code,
18 is amended by adding Section 1575.154 to read as follows:

19 Sec. 1575.154. COVERAGE UNDER PILOT PROGRAM. The trustee
20 shall ensure that coverage provided to an enrollee participating in
21 the pilot program implemented under Subchapter L meets the quality
22 of care standards required under that subchapter and the basic
23 coverage plan.

24 SECTION 2.03. The Teacher Retirement System of Texas shall
25 develop the alternative payment method pilot program to be
26 implemented under Subchapter L, Chapter 1575, Insurance Code, as
27 added by this Act, beginning September 1, 2009. The trustee shall

1 develop enrollment requirements for the pilot program not later
2 than March 1, 2010, with participation and contributions for
3 eligible enrollees beginning not later than September 1, 2010.

4 SECTION 2.04. Not later than the 60th day before the date on
5 which eligible retirees may participate in the pilot program
6 established under Subchapter L, Chapter 1575, Insurance Code, as
7 added by this Act, the Teacher Retirement System of Texas shall
8 provide written information to those retirees that provides a
9 general description of the requirements for the program as adopted
10 under Subchapter L, Chapter 1575, Insurance Code, as added by this
11 Act.

12 SECTION 2.05. During the initial implementation of
13 Subchapter L, Chapter 1575, Insurance Code, as added by this Act,
14 and notwithstanding any bidding requirements or other requirements
15 set forth in Chapter 1575, Insurance Code, as that chapter existed
16 before amendment by this Act, the Teacher Retirement System of
17 Texas may amend any agreement in effect on September 1, 2009, that
18 it has entered into as necessary to comply with Subchapter L,
19 Chapter 1575, Insurance Code, as added by this Act.

20 SECTION 2.06. Not later than November 1, 2011, the Teacher
21 Retirement System of Texas shall present a report to the governor,
22 the lieutenant governor, the speaker of the house of
23 representatives, and the members of each legislative committee
24 having jurisdiction over insurance and health care for retired
25 public school employees. The report must:

26 (1) describe the operation of the pilot program
27 established under Subchapter L, Chapter 1575, Insurance Code, as

1 added by this Act;

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

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

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

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

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

12 SUBCHAPTER H. ALTERNATIVE PAYMENT METHOD PILOT PROGRAM FOR
13 PROVISION OF HEALTH CARE SERVICES

14 Sec. 1579.351. DEFINITIONS. In this subchapter:

15 (1) "Alternative payment system" includes:

16 (A) a global payment system;

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

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

19 (D) a blended payment system.

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

24 (3) "Clinical integration" means a network of health
25 care providers implementing an active and ongoing program to
26 evaluate and modify practice patterns by the network's participants
27 and create a high degree of independence and cooperation to control

1 costs and ensure quality.

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

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

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

15 (7) "Pay-for-performance 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 the physician or health care provider
19 meeting or exceeding certain defined performance measures.

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

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

24 Sec. 1579.352. DEVELOPMENT AND IMPLEMENTATION OF PILOT
25 PROGRAM. (a) The trustee shall develop and implement a pilot
26 program under which physicians and health care providers who
27 provide health care services to certain employees who participate

1 in the primary care coverage plan under Subchapter C are
2 compensated under an alternative payment system. The pilot program
3 shall test alternatives to traditional fee-for-service payments
4 made under the group program.

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

9 (c) The trustee may limit participation in the pilot program
10 to:

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

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

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

18 Sec. 1579.353. STANDARDS; CLINICAL INTEGRATION. (a) In
19 connection with the pilot program, the trustee shall adopt quality
20 of care standards to ensure high-quality and effective health care
21 services. The trustee shall implement policies to promote clinical
22 integration of health care providers.

23 (b) The trustee may adopt efficiency performance standards
24 that may include the provision of bonuses to or the sharing of
25 savings with physicians and other health care providers who provide
26 health care services to participating enrollees that exceed the
27 efficiency performance standards.

1 Sec. 1579.354. ALTERNATIVE PAYMENT SYSTEM. (a) The
2 trustee shall adopt a payment system under the pilot program that
3 ensures:

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

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

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

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

16 SECTION 3.02. Section 1579.103, Insurance Code, is amended
17 to read as follows:

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

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

26 SECTION 3.03. The Teacher Retirement System of Texas shall
27 develop the alternative payment method pilot program to be

1 implemented under Subchapter H, Chapter 1579, Insurance Code, as
2 added by this Act, beginning September 1, 2009. The trustee shall
3 develop enrollment requirements for the pilot program not later
4 than March 1, 2010, with participation and contributions for
5 eligible enrollees beginning not later than September 1, 2010.

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

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

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

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

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

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

9 (4) make recommendations regarding the continuation
10 or expansion of the pilot program.

11 ARTICLE 4. EFFECTIVE DATE

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