

1-1 By: Duncan S.B. No. 10
1-2 (In the Senate - Filed April 24, 2009; April 24, 2009, read
1-3 first time and referred to Committee on State Affairs;
1-4 April 30, 2009, reported favorably by the following vote: Yeas 9,
1-5 Nays 0; April 30, 2009, sent to printer.)

1-6 A BILL TO BE ENTITLED
1-7 AN ACT

1-8 relating to adoption of alternative payment method pilot programs
1-9 for the provision of health care services to certain state
1-10 employees and certain active and retired public school employees.

1-11 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-12 ARTICLE 1. EMPLOYEES RETIREMENT SYSTEM OF TEXAS--ACTIVE EMPLOYEES
1-13 SECTION 1.01. Chapter 1551, Insurance Code, is amended by
1-14 adding Subchapter K to read as follows:

1-15 SUBCHAPTER K. ALTERNATIVE PAYMENT METHOD PILOT PROGRAM FOR
1-16 PROVISION OF HEALTH CARE SERVICES

1-17 Sec. 1551.501. DEFINITIONS. In this subchapter:

1-18 (1) "Alternative payment system" includes:

1-19 (A) a global payment system;

1-20 (B) an episode-based bundled payment system;

1-21 (C) a pay-for-performance payment system; and

1-22 (D) a blended payment system.

1-23 (2) "Blended payment system" means a system for
1-24 compensating a physician or health care provider that includes one
1-25 or more features of a global payment system, a pay-for-performance
1-26 payment system, and an episode-based bundled payment system.

1-27 (3) "Clinical integration" means a network of health
1-28 care providers implementing an active and ongoing program to
1-29 evaluate and modify practice patterns by the network's participants
1-30 and create a high degree of independence and cooperation to control
1-31 costs and ensure quality.

1-32 (4) "Episode-based bundled payment system" means a
1-33 system for compensating a physician or health care provider for
1-34 arranging for or providing health care services to participating
1-35 enrollees that is based on a flat payment for all services provided
1-36 in connection with a single episode of medical care.

1-37 (5) "Global payment system" means a system for
1-38 compensating a physician or health care provider for arranging for
1-39 or providing a defined set of covered health care services to
1-40 participating enrollees for a specified period that is based on a
1-41 predetermined payment per enrollee for the specified period,
1-42 without regard to the quantity of services actually provided.

1-43 (6) "Participating enrollee" means an employee or
1-44 dependent enrolled in the pilot program.

1-45 (7) "Pay-for-performance payment system" means a
1-46 system for compensating a physician or health care provider for
1-47 arranging for or providing health care services to participating
1-48 enrollees that is based on the physician or health care provider
1-49 meeting or exceeding certain defined performance measures.

1-50 (8) "Pilot program" means the alternative payment
1-51 method pilot program established under this subchapter.

1-52 (9) "Plan year" means the period beginning on
1-53 September 1 and ending the following August 31.

1-54 Sec. 1551.502. DEVELOPMENT AND IMPLEMENTATION OF PILOT
1-55 PROGRAM. (a) The board of trustees shall develop and implement a
1-56 pilot program under which physicians and health care providers who
1-57 provide health care services to certain employees who participate
1-58 in the group benefits program under Section 1551.101 are
1-59 compensated under an alternative payment system. The pilot program
1-60 shall test alternatives to traditional fee-for-service payments
1-61 made under the group benefits program.

1-62 (b) The board of trustees shall administer the pilot program
1-63 established under this subchapter and may adopt rules, plans, and
1-64 procedures and enter into contracts and other agreements as it

2-1 considers appropriate and necessary to administer this subchapter.
 2-2 (c) The board of trustees may limit participation in the
 2-3 pilot program to:

2-4 (1) one or more regions of the state; or

2-5 (2) one or more organized networks of physicians,
 2-6 hospitals, and other health care providers.

2-7 (d) The board of trustees may examine and replicate
 2-8 innovative programs used in other states.

2-9 (e) The pilot program implemented under this subchapter
 2-10 must be operated for at least one plan year.

2-11 Sec. 1551.503. STANDARDS; CLINICAL INTEGRATION. (a) In
 2-12 connection with the pilot program, the board of trustees shall
 2-13 adopt quality of care standards to ensure high-quality and
 2-14 effective health care services. The board of trustees shall
 2-15 implement policies to promote clinical integration of health care
 2-16 providers.

2-17 (b) The board of trustees may adopt efficiency performance
 2-18 standards that may include the provision of bonuses to or the
 2-19 sharing of savings with physicians and other health care providers
 2-20 who provide health care services to participating enrollees that
 2-21 exceed the efficiency performance standards.

2-22 Sec. 1551.504. ALTERNATIVE PAYMENT SYSTEM. (a) The board
 2-23 of trustees shall adopt a payment system under the pilot program
 2-24 that ensures:

2-25 (1) the availability of a primary care physician or
 2-26 primary care health care provider for each participating enrollee;
 2-27 and

2-28 (2) payment to such a primary care physician or
 2-29 primary care health care provider under an alternative payment
 2-30 system that appropriately compensates the primary care physician or
 2-31 primary care provider for the services provided.

2-32 (b) The board of trustees may contract with appropriate
 2-33 entities, including qualified actuaries, to assist the board in
 2-34 determining appropriate payment rates for the pilot program.

2-35 (c) The board of trustees may increase a payment rate
 2-36 adopted under this section as necessary to adjust the rate for
 2-37 inflation.

2-38 SECTION 1.02. Section 1551.202, Insurance Code, is amended
 2-39 by adding Subsection (d) to read as follows:

2-40 (d) The board of trustees shall ensure that coverage
 2-41 provided to an enrollee participating in the pilot program
 2-42 implemented under Subchapter K meets the quality of care standards
 2-43 required under that subchapter and the basic coverage plan.

2-44 SECTION 1.03. The board of trustees of the Employees
 2-45 Retirement System of Texas shall develop the alternative payment
 2-46 method pilot program to be implemented under Subchapter K, Chapter
 2-47 1551, Insurance Code, as added by this Act, beginning September 1,
 2-48 2009. The board of trustees shall develop enrollment requirements
 2-49 for the pilot program not later than March 1, 2010, with
 2-50 participation and contributions for eligible enrollees beginning
 2-51 not later than September 1, 2010.

2-52 SECTION 1.04. Not later than the 60th day before the date on
 2-53 which eligible employees may participate in the pilot program
 2-54 established under Subchapter K, Chapter 1551, Insurance Code, as
 2-55 added by this Act, the board of trustees of the Employees Retirement
 2-56 System of Texas shall provide written information to those
 2-57 employees that provides a general description of the requirements
 2-58 for the program as adopted under Subchapter K, Chapter 1551,
 2-59 Insurance Code, as added by this Act.

2-60 SECTION 1.05. During the initial implementation of
 2-61 Subchapter K, Chapter 1551, Insurance Code, as added by this Act,
 2-62 and notwithstanding any bidding requirements or other requirements
 2-63 set forth in Chapter 1551, Insurance Code, as that chapter existed
 2-64 before amendment by this Act, the board of trustees of the Employees
 2-65 Retirement System of Texas may amend any agreement in effect on
 2-66 September 1, 2009, that it has entered into as necessary to comply
 2-67 with Subchapter K, Chapter 1551, Insurance Code, as added by this
 2-68 Act.

2-69 SECTION 1.06. Not later than November 1, 2011, the board of

3-1 trustees of the Employees Retirement System of Texas shall present
3-2 a report to the governor, the lieutenant governor, the speaker of
3-3 the house of representatives, and the members of each legislative
3-4 committee having jurisdiction over insurance and health care for
3-5 state employees. The report must:

3-6 (1) describe the operation of the pilot program
3-7 established under Subchapter K, Chapter 1551, Insurance Code, as
3-8 added by this Act;

3-9 (2) analyze the quality of health care provided to
3-10 participating enrollees under the pilot program;

3-11 (3) compare the per-patient cost under the pilot
3-12 program to the cost per patient of a traditional fee-for-service
3-13 program; and

3-14 (4) make recommendations regarding the continuation
3-15 or expansion of the pilot program.

3-16 ARTICLE 2. TEACHER RETIREMENT SYSTEM OF TEXAS--RETIREEES

3-17 SECTION 2.01. Chapter 1575, Insurance Code, is amended by
3-18 adding Subchapter L to read as follows:

3-19 SUBCHAPTER L. ALTERNATIVE PAYMENT METHOD PILOT PROGRAM FOR
3-20 PROVISION OF HEALTH CARE SERVICES

3-21 Sec. 1575.551. DEFINITIONS. In this subchapter:

3-22 (1) "Alternative payment system" includes:

3-23 (A) a global payment system;

3-24 (B) an episode-based bundled payment system;

3-25 (C) a pay-for-performance payment system; and

3-26 (D) a blended payment system.

3-27 (2) "Blended payment system" means a system for
3-28 compensating a physician or health care provider that includes one
3-29 or more features of a global payment system, a pay-for-performance
3-30 payment system, and an episode-based bundled payment system.

3-31 (3) "Clinical integration" means a network of health
3-32 care providers implementing an active and ongoing program to
3-33 evaluate and modify practice patterns by the network's participants
3-34 and create a high degree of independence and cooperation to control
3-35 costs and ensure quality.

3-36 (4) "Episode-based bundled payment system" means a
3-37 system for compensating a physician or health care provider for
3-38 arranging for or providing health care services to participating
3-39 enrollees that is based on a flat payment for all services provided
3-40 in connection with a single episode of medical care.

3-41 (5) "Global payment system" means a system for
3-42 compensating a physician or health care provider for arranging for
3-43 or providing a defined set of covered health care services to
3-44 participating enrollees for a specified period that is based on a
3-45 predetermined payment per enrollee for the specified period,
3-46 without regard to the quantity of services actually provided.

3-47 (6) "Participating enrollee" means a retiree or
3-48 dependent enrolled in the pilot program.

3-49 (7) "Pay-for-performance payment system" means a
3-50 system for compensating a physician or health care provider for
3-51 arranging for or providing health care services to participating
3-52 enrollees that is based on the physician or health care provider
3-53 meeting or exceeding certain defined performance measures.

3-54 (8) "Pilot program" means the alternative payment
3-55 method pilot program established under this subchapter.

3-56 (9) "Plan year" means the period beginning on
3-57 September 1 and ending the following August 31.

3-58 Sec. 1575.552. DEVELOPMENT AND IMPLEMENTATION OF PILOT
3-59 PROGRAM. (a) The trustee shall develop and implement a pilot
3-60 program under which physicians and health care providers who
3-61 provide health care services to certain retirees who participate in
3-62 the group program under Subchapter D are compensated under an
3-63 alternative payment system. The pilot program shall test
3-64 alternatives to traditional fee-for-service payments made under
3-65 the group program.

3-66 (b) The trustee shall administer the pilot program
3-67 established under this subchapter and may adopt rules, plans, and
3-68 procedures and enter into contracts and other agreements as it
3-69 considers appropriate and necessary to administer this subchapter.

4-1 (c) The trustee may limit participation in the pilot program
4-2 to:

4-3 (1) one or more regions of the state; or
4-4 (2) one or more organized networks of physicians,
4-5 hospitals, and other health care providers.

4-6 (d) The trustee may examine and replicate innovative
4-7 programs used in other states.

4-8 (e) The pilot program implemented under this subchapter
4-9 must be operated for at least one plan year.

4-10 Sec. 1575.553. STANDARDS; CLINICAL INTEGRATION. (a) In
4-11 connection with the pilot program, the trustee shall adopt quality
4-12 of care standards to ensure high-quality and effective health care
4-13 services. The trustee shall implement policies to promote clinical
4-14 integration of health care providers.

4-15 (b) The trustee may adopt efficiency performance standards
4-16 that may include the provision of bonuses to or the sharing of
4-17 savings with physicians and other health care providers who provide
4-18 health care services to participating enrollees that exceed the
4-19 efficiency performance standards.

4-20 Sec. 1575.554. ALTERNATIVE PAYMENT SYSTEM. (a) The
4-21 trustee shall adopt a payment system under the pilot program that
4-22 ensures:

4-23 (1) the availability of a primary care physician or
4-24 primary care health care provider for each participating enrollee;
4-25 and

4-26 (2) payment to such a primary care physician or
4-27 primary care health care provider under an alternative payment
4-28 system that appropriately compensates the primary care physician or
4-29 primary care provider for the services provided.

4-30 (b) The trustee may contract with appropriate entities,
4-31 including qualified actuaries, to assist the trustee in determining
4-32 appropriate payment rates for the pilot program.

4-33 (c) The trustee may increase a payment rate adopted under
4-34 this section as necessary to adjust the rate for inflation.

4-35 SECTION 2.02. Subchapter D, Chapter 1575, Insurance Code,
4-36 is amended by adding Section 1575.154 to read as follows:

4-37 Sec. 1575.154. COVERAGE UNDER PILOT PROGRAM. The trustee
4-38 shall ensure that coverage provided to an enrollee participating in
4-39 the pilot program implemented under Subchapter L meets the quality
4-40 of care standards required under that subchapter and the basic
4-41 coverage plan.

4-42 SECTION 2.03. The Teacher Retirement System of Texas shall
4-43 develop the alternative payment method pilot program to be
4-44 implemented under Subchapter L, Chapter 1575, Insurance Code, as
4-45 added by this Act, beginning September 1, 2009. The trustee shall
4-46 develop enrollment requirements for the pilot program not later
4-47 than March 1, 2010, with participation and contributions for
4-48 eligible enrollees beginning not later than September 1, 2010.

4-49 SECTION 2.04. Not later than the 60th day before the date on
4-50 which eligible retirees may participate in the pilot program
4-51 established under Subchapter L, Chapter 1575, Insurance Code, as
4-52 added by this Act, the Teacher Retirement System of Texas shall
4-53 provide written information to those retirees that provides a
4-54 general description of the requirements for the program as adopted
4-55 under Subchapter L, Chapter 1575, Insurance Code, as added by this
4-56 Act.

4-57 SECTION 2.05. During the initial implementation of
4-58 Subchapter L, Chapter 1575, Insurance Code, as added by this Act,
4-59 and notwithstanding any bidding requirements or other requirements
4-60 set forth in Chapter 1575, Insurance Code, as that chapter existed
4-61 before amendment by this Act, the Teacher Retirement System of
4-62 Texas may amend any agreement in effect on September 1, 2009, that
4-63 it has entered into as necessary to comply with Subchapter L,
4-64 Chapter 1575, Insurance Code, as added by this Act.

4-65 SECTION 2.06. Not later than November 1, 2011, the Teacher
4-66 Retirement System of Texas shall present a report to the governor,
4-67 the lieutenant governor, the speaker of the house of
4-68 representatives, and the members of each legislative committee
4-69 having jurisdiction over insurance and health care for retired

5-1 public school employees. The report must:

5-2 (1) describe the operation of the pilot program
5-3 established under Subchapter L, Chapter 1575, Insurance Code, as
5-4 added by this Act;

5-5 (2) analyze the quality of health care provided to
5-6 participating enrollees under the pilot program;

5-7 (3) compare the per-patient cost under the pilot
5-8 program to the cost per patient of a traditional fee-for-service
5-9 program; and

5-10 (4) make recommendations regarding the continuation
5-11 or expansion of the pilot program.

5-12 ARTICLE 3. TEACHER RETIREMENT SYSTEM OF TEXAS--ACTIVE EMPLOYEES

5-13 SECTION 3.01. Chapter 1579, Insurance Code, is amended by
5-14 adding Subchapter H to read as follows:

5-15 SUBCHAPTER H. ALTERNATIVE PAYMENT METHOD PILOT PROGRAM FOR
5-16 PROVISION OF HEALTH CARE SERVICES

5-17 Sec. 1579.351. DEFINITIONS. In this subchapter:

5-18 (1) "Alternative payment system" includes:

5-19 (A) a global payment system;

5-20 (B) an episode-based bundled payment system;

5-21 (C) a pay-for-performance payment system; and

5-22 (D) a blended payment system.

5-23 (2) "Blended payment system" means a system for
5-24 compensating a physician or health care provider that includes one
5-25 or more features of a global payment system, a pay-for-performance
5-26 payment system, and an episode-based bundled payment system.

5-27 (3) "Clinical integration" means a network of health
5-28 care providers implementing an active and ongoing program to
5-29 evaluate and modify practice patterns by the network's participants
5-30 and create a high degree of independence and cooperation to control
5-31 costs and ensure quality.

5-32 (4) "Episode-based bundled payment system" means a
5-33 system for compensating a physician or health care provider for
5-34 arranging for or providing health care services to participating
5-35 enrollees that is based on a flat payment for all services provided
5-36 in connection with a single episode of medical care.

5-37 (5) "Global payment system" means a system for
5-38 compensating a physician or health care provider for arranging for
5-39 or providing a defined set of covered health care services to
5-40 participating enrollees for a specified period that is based on a
5-41 predetermined payment per enrollee for the specified period,
5-42 without regard to the quantity of services actually provided.

5-43 (6) "Participating enrollee" means an employee or
5-44 dependent enrolled in the pilot program.

5-45 (7) "Pay-for-performance payment system" means a
5-46 system for compensating a physician or health care provider for
5-47 arranging for or providing health care services to participating
5-48 enrollees that is based on the physician or health care provider
5-49 meeting or exceeding certain defined performance measures.

5-50 (8) "Pilot program" means the alternative payment
5-51 method pilot program established under this subchapter.

5-52 (9) "Plan year" means the period beginning on
5-53 September 1 and ending the following August 31.

5-54 Sec. 1579.352. DEVELOPMENT AND IMPLEMENTATION OF PILOT

5-55 PROGRAM. (a) The trustee shall develop and implement a pilot
5-56 program under which physicians and health care providers who
5-57 provide health care services to certain employees who participate
5-58 in the primary care coverage plan under Subchapter C are
5-59 compensated under an alternative payment system. The pilot program
5-60 shall test alternatives to traditional fee-for-service payments
5-61 made under the group program.

5-62 (b) The trustee shall administer the pilot program
5-63 established under this subchapter and may adopt rules, plans, and
5-64 procedures and enter into contracts and other agreements as it
5-65 considers appropriate and necessary to administer this subchapter.

5-66 (c) The trustee may limit participation in the pilot program
5-67 to:

5-68 (1) one or more regions of the state; or

5-69 (2) one or more organized networks of physicians,

6-1 hospitals, and other health care providers.

6-2 (d) The trustee may examine and replicate innovative
6-3 programs used in other states.

6-4 (e) The pilot program implemented under this subchapter
6-5 must be operated for at least one plan year.

6-6 Sec. 1579.353. STANDARDS; CLINICAL INTEGRATION. (a) In
6-7 connection with the pilot program, the trustee shall adopt quality
6-8 of care standards to ensure high-quality and effective health care
6-9 services. The trustee shall implement policies to promote clinical
6-10 integration of health care providers.

6-11 (b) The trustee may adopt efficiency performance standards
6-12 that may include the provision of bonuses to or the sharing of
6-13 savings with physicians and other health care providers who provide
6-14 health care services to participating enrollees that exceed the
6-15 efficiency performance standards.

6-16 Sec. 1579.354. ALTERNATIVE PAYMENT SYSTEM. (a) The
6-17 trustee shall adopt a payment system under the pilot program that
6-18 ensures:

6-19 (1) the availability of a primary care physician or
6-20 primary care health care provider for each participating enrollee;
6-21 and

6-22 (2) payment to such a primary care physician or
6-23 primary care health care provider under an alternative payment
6-24 system that appropriately compensates the primary care physician or
6-25 primary care provider for the services provided.

6-26 (b) The trustee may contract with appropriate entities,
6-27 including qualified actuaries, to assist the trustee in determining
6-28 appropriate payment rates for the pilot program.

6-29 (c) The trustee may increase a payment rate adopted under
6-30 this section as necessary to adjust the rate for inflation.

6-31 SECTION 3.02. Section 1579.103, Insurance Code, is amended
6-32 to read as follows:

6-33 Sec. 1579.103. PRIMARY CARE COVERAGE PLAN. (a) The
6-34 coverage provided under the primary care coverage plan must be
6-35 comparable in scope and, to the greatest extent possible, in cost to
6-36 the coverage provided under Chapter 1551.

6-37 (b) The trustee shall ensure that coverage provided to an
6-38 enrollee participating in the pilot program implemented under
6-39 Subchapter H meets the quality of care standards required under
6-40 that subchapter and the primary care coverage plan.

6-41 SECTION 3.03. The Teacher Retirement System of Texas shall
6-42 develop the alternative payment method pilot program to be
6-43 implemented under Subchapter H, Chapter 1579, Insurance Code, as
6-44 added by this Act, beginning September 1, 2009. The trustee shall
6-45 develop enrollment requirements for the pilot program not later
6-46 than March 1, 2010, with participation and contributions for
6-47 eligible enrollees beginning not later than September 1, 2010.

6-48 SECTION 3.04. Not later than the 60th day before the date on
6-49 which eligible employees may participate in the pilot program
6-50 established under Subchapter H, Chapter 1579, Insurance Code, as
6-51 added by this Act, the Teacher Retirement System of Texas shall
6-52 provide written information to those employees that provides a
6-53 general description of the requirements for the program as adopted
6-54 under Subchapter H, Chapter 1579, Insurance Code, as added by this
6-55 Act.

6-56 SECTION 3.05. During the initial implementation of
6-57 Subchapter H, Chapter 1579, Insurance Code, as added by this Act,
6-58 and notwithstanding any bidding requirements or other requirements
6-59 set forth in Chapter 1579, Insurance Code, as that chapter existed
6-60 before amendment by this Act, the Teacher Retirement System of
6-61 Texas may amend any agreement in effect on September 1, 2009, that
6-62 it has entered into as necessary to comply with Subchapter H,
6-63 Chapter 1579, Insurance Code, as added by this Act.

6-64 SECTION 3.06. Not later than November 1, 2011, the Teacher
6-65 Retirement System of Texas shall present a report to the governor,
6-66 the lieutenant governor, the speaker of the house of
6-67 representatives, and the members of each legislative committee
6-68 having jurisdiction over insurance and health care for employees of
6-69 public schools. The report must:

- 7-1 (1) describe the operation of the pilot program
- 7-2 established under Subchapter H, Chapter 1579, Insurance Code, as
- 7-3 added by this Act;
- 7-4 (2) analyze the quality of health care provided to
- 7-5 participating enrollees under the pilot program;
- 7-6 (3) compare the per-patient cost under the pilot
- 7-7 program to the cost per patient of a traditional fee-for-service
- 7-8 program; and
- 7-9 (4) make recommendations regarding the continuation
- 7-10 or expansion of the pilot program.

ARTICLE 4. EFFECTIVE DATE

7-11 SECTION 4.01. Except as otherwise provided by this Act,
7-12 this Act takes effect September 1, 2009.

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