

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

May 1, 2009

TO: Honorable Lois W. Kolkhorst, Chair, House Committee on Public Health

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

IN RE: HB852 by Smith, Todd (Relating to nonpayment of hospitals under the state Medicaid program for certain preventable adverse conditions.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB852, Committee Report 1st House, Substituted: a negative impact of (\$565,377) through the biennium ending August 31, 2011.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2010	(\$800,750)
2011	\$235,373
2012	\$268,630
2013	\$303,803
2014	\$340,687

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from <i>General Revenue Fund</i> 1	Probable Savings from <i>General Revenue Fund</i> 1	Probable (Cost) from <i>Federal Funds</i> 555	Probable Savings from <i>Federal Funds</i> 555
2010	(\$800,750)	\$0	(\$2,402,250)	\$0
2011	(\$272,500)	\$507,873	(\$272,500)	\$729,032
2012	(\$272,500)	\$541,130	(\$272,500)	\$777,412
2013	(\$272,500)	\$576,303	(\$272,500)	\$827,945
2014	(\$272,500)	\$613,187	(\$272,500)	\$880,932

Fiscal Analysis

The bill would amend the Human Resources Code to require the Health and Human Services Commission (HHSC) to adopt rules to ensure that hospitals may not receive additional payment from the Medicaid program associated with sixteen preventable adverse conditions involving a recipient of medical assistance during the recipient's hospitalization. The bill would allow the Executive Commissioner to adopt rules to define additional preventable adverse conditions but would limit additions to only the same types of conditions for which the Medicare program will not provide additional payment.

The bill would also require HHSC to compile information regarding the denial of payment to hospitals under this section and make statistical information available in a user-friendly format on HHSC's

website.

The bill would require HHSC to adopt rules to implement the bill by November 1, 2009, but would allow for a delay in implementation if a waiver or authorization from a federal agency is required.

Methodology

It is assumed that the executive commissioner would be able to establish rules to ensure the agency does not provide reimbursement for health care-associated adverse events within existing resources.

HHSC assumes a savings from client services will begin in fiscal year 2011 based on time needed for rule-making, obtaining a federal waiver, and completing automation. HHSC estimates savings in Medicaid fee-for-service and managed care would be \$1,236,905 in fiscal year 2011; \$1,318,542 in fiscal year 2012; \$1,404,248 in fiscal year 2013; and \$1,494,119 in fiscal year 2014. Savings are assumed to be matched at the Federal Medical Assistance Percentage (FMAP). State General Revenue savings for the 2010-11 biennium could be lower to the extent that federal stimulus improves the federal match for Medicaid client services.

It is assumed that the claims engine used by the Medicaid claims administrator would need to be modified to identify and prohibit reimbursement of preventable adverse events. HHSC indicates a onetime technology development, hardware, and software cost of \$3,203,000 would be incurred in fiscal year 2010, with 75 percent federal participation. HHSC assumes \$545,000 in annual operational costs would be incurred by the Medicaid claims administrator to perform claims review, beginning in fiscal year 2011, with 50 percent federal participation. HHSC indicates that three of the events would require a manual review process for identification and review. HHSC assumes ongoing operational costs for claims reviews in the managed care plans would be absorbed within the current capitated rate.

Technology

HHSC estimates 21,000 hours of development would be required to adjust the Medicaid claims processing system, at an All Funds cost of \$3,203,000 in fiscal year 2010. Onetime hardware and software costs for contractor staff would be \$25,000 in All Funds in fiscal year 2010.

Local Government Impact

A local governmental entity that owns a hospital could incur costs associated with patient care if a preventable adverse condition occurs and payment from the Medicaid program is reduced.

Source Agencies: 529 Health and Human Services Commission

LBB Staff: JOB, CL, JI, LL