

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

April 20, 2009

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

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

IN RE: HB3233 by Davis, John (Relating to nonpayment of hospitals under the state Medicaid program for certain preventable adverse events and to the reporting of occurrences of those events at certain health care facilities.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3233, As Introduced: a negative impact of (\$7,340,927) 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	(\$653,500)
2011	(\$6,687,427)
2012	(\$6,461,841)
2013	(\$6,223,248)
2014	(\$5,973,056)

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from General Revenue Fund 1	Probable Savings from General Revenue Fund 1	Probable (Cost) from Federal Funds 555	Probable Savings from Federal Funds 555
2010	(\$653,500)	\$0	(\$1,960,500)	\$0
2011	(\$10,132,500)	\$3,445,073	(\$10,132,500)	\$4,945,266
2012	(\$10,132,500)	\$3,670,659	(\$10,132,500)	\$5,273,442
2013	(\$10,132,500)	\$3,909,252	(\$10,132,500)	\$5,616,216
2014	(\$10,132,500)	\$4,159,444	(\$10,132,500)	\$5,975,654

Fiscal Analysis

The bill would implement the recommendations presented in the Legislative Budget Board's *Government Effectiveness and Efficiency Report* to the Eighty-first Legislature entitled, "Reduce Hospital Medical Errors by Prohibiting Payment and Collecting Data."

The bill would amend the Human Resources Code to require the Health and Human Services Commission (HHSC), by June 1, 2010, to adopt rules to ensure that hospitals may not receive additional payment from the Medicaid program associated with 32 preventable adverse conditions if acquired by a recipient of medical assistance during the recipient's hospitalization. The bill would allow the Executive Commissioner of HHSC to expand the list of preventable adverse conditions to select conditions.

The bill would expand the Advisory Panel on Health Care-Associated Infections to include preventable adverse events. It would also expand the Texas Health Care-Associated Infection Reporting System to include 32 preventable adverse events and any additional events for which the federal government does not reimburse through the Medicare program, which would require a health care facility to report them to the Department of State Health Services (DSHS) and DSHS to report the information publicly. The bill would require HHSC to adopt rules to related to the data collection by October 1, 2009.

The bill 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 to allow time for rule-making, obtaining a federal waiver, and completing automation in fiscal year 2010. HHSC estimates the All Funds savings in Medicaid fee-for-service and managed care would be \$8,390,339 in fiscal year 2011; \$8,944,101 in fiscal year 2012; \$9,525,468 in fiscal year 2013; and \$10,135,098 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 one-time technology cost of \$2,614,000 would be incurred in fiscal year 2010, including \$1,100,000 for hardware and software costs for contractor staff, assuming 75 percent federal participation.

HHSC assumes an annual operational cost of \$20,265,000 in All Funds would be incurred by the Medicaid claims administrator to perform claims review on approximately 1.3 million claims to identify adverse events, beginning in fiscal year 2011, with 50 percent federal participation. HHSC assumes ongoing operational costs for claims reviews in the managed care plans would be absorbed within the current capitated rate.

It is estimated that the cost to expand the Texas Health Care-Associated Infection Reporting System would not result in a significant fiscal impact to DSHS relative to the statutory requirements. There is a potential for cost reduction in state programs that provide hospital services, including Medicaid, CHIP, and the health plans that administer benefits to retired and current state employees, if required reporting of preventable adverse events encourages facilities to reduce their incidence.

Technology

HHSC estimates 10,000 hours of development would be required to adjust the Medicaid claims processing system, at an All Funds cost of \$1,514,000 in fiscal year 2010. Onetime hardware and software costs for contractor staff would be \$1,100,000 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