

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

May 18, 2009

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

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

IN RE: SB10 by Duncan (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.), **As Engrossed**

No significant fiscal implication to the State is anticipated.

The bill would amend Chapters 1551, 1575, and 1579 of the Insurance Code to authorize the Employees Retirement System (ERS) Board of Trustees and the Teacher Retirement System (TRS) to adopt pilot programs which will provide an alternate method of payment to healthcare providers. The alternate payment methods may include: a global payment system, an episode-based bundled payment system, a pay-for-performance payment system, a blended payment system, or another system other than fee-for-service. The bill would take effect September 1, 2009.

The bill would also authorize the establishment of quality of care standards to ensure high-quality and effective healthcare services. In adopting any payment system, ERS and TRS would have to ensure availability of a physician or health care provider to all enrollees and that payment to healthcare providers is an appropriate level of compensation. Also, the coverage provided to the enrollees would have to meet the quality of care standards required under the current basic coverage plan. The pilot program could be limited to one region or one network of physicians, hospitals or other healthcare providers but must last at least one plan year.

The bill would require participating enrollees to provide input into the operation of the pilot program. This input would include the availability and quality of the health care received by participating enrollees, the efficiency of the provision of the health care, and the costs incurred by the enrollees for health care provided through the program.

The bill would require the health plan administrators to submit reports regarding their respective pilot programs to the Governor, Lieutenant Governor, Speaker of the House, and the members of each legislative committee having jurisdiction over insurance and healthcare for employees. These reports would be due by November 1, 2011.

ERS reports that the bill provisions would result in costs of \$286,000 in fiscal year 2010 and \$286,650 in fiscal year 2011 for research, implementation and monitoring by the third party administrator of the health plan, as well as the addition of one Benefits Specialist position whose sole duties would include research, recommendation, implementation and monitoring of the alternate provider payment programs. The costs would also include costs to gather input via mail surveys, focus groups and on-line discussion boards from enrollees on the quality and success of the pilot program

TRS reports that the fiscal impact to the state as a result of the bill's provisions can not be estimated; however, based on analysis by TRS, it is assumed that administrative costs could be significant.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 323 Teacher Retirement System, 327 Employees Retirement System

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