

**LEGISLATIVE BUDGET BOARD**

**Austin, Texas**

**FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION**

**May 23, 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.), **Committee Report 2nd House, Substituted**

**No significant fiscal implication to the State is anticipated.**

The bill would amend Chapter 1551 of the Insurance Code to authorize the Employees Retirement System (ERS) Board of Trustees to adopt a pilot program 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 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, and the costs incurred by the enrollees for health care provided through the program.

The bill would require the ERS Board of Trustees to include the results of the pilot program to be included in its annual report required by Section 1551.061 of the Insurance Code.

ERS reports that the bill provisions would result in costs of \$182,275 in fiscal year 2010 and \$176,650 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.

**Local Government Impact**

No fiscal implication to units of local government is anticipated.

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

**LBB Staff:** JOB, CL, DEH, JW