

**LEGISLATIVE BUDGET BOARD**

**Austin, Texas**

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

**April 27, 2009**

**TO:** Honorable Robert Duncan, Chair, Senate Committee on State Affairs

**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 Introduced**

**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, and a blended payment system. 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 primary care physician access is available 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 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 \$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.

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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