

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

May 28, 2009

TO: Honorable David Dewhurst, Lieutenant Governor, Senate

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

IN RE: SB203 by Shapleigh (Relating to the reporting of health care-associated infections in certain health care facilities.), **As Passed 2nd House**

Estimated Two-year Net Impact to General Revenue Related Funds for SB203, As Passed 2nd House: a negative impact of (\$2,504,377) 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 | (\$2,188,750) |
| 2011 | (\$315,627) |
| 2012 | (\$282,370) |
| 2013 | (\$247,197) |
| 2014 | (\$210,313) |

All Funds, Five-Year Impact:

| Fiscal Year | Probable (Cost) from <i>GR Match For Medicaid 758</i> | Probable (Cost) from <i>Federal Funds 555</i> | Probable Savings from <i>GR Match For Medicaid 758</i> | Probable Savings from <i>Federal Funds 555</i> |
|-------------|--|--|---|---|
| 2010 | (\$2,188,750) | (\$6,566,250) | \$0 | \$0 |
| 2011 | (\$823,500) | (\$823,500) | \$507,873 | \$729,032 |
| 2012 | (\$823,500) | (\$823,500) | \$541,130 | \$777,412 |
| 2013 | (\$823,500) | (\$823,500) | \$576,303 | \$827,945 |
| 2014 | (\$823,500) | (\$823,500) | \$613,187 | \$880,932 |

Fiscal Analysis

The bill adds requirements to Chapter 98 of the Health and Safety Code, Reporting of Health Care-Associated Infections. For the specified surgical site infections a health care facility and a pediatric and adolescent hospital are already required to report to the Department of State Health Services (DSHS), the bill would add the requirement to report the causative pathogen if the infection is laboratory-confirmed. A general hospital would be required to report the causative pathogen of a laboratory-confirmed central line-associated primary bloodstream infection to DSHS.

The House Floor Amendment expands the Advisory Panel on Health Care-Associated Infections to include Preventable Adverse Events; the commissioner is authorized to establish subcommittees to assist the panel in addressing health care-associated infections and preventable adverse events relating

to hospital care provided to certain populations. The amendment also expands the Texas Health Care-Associated Infection Reporting System to include reporting to DSHS of a health care-associated adverse condition or event for which the Medicare program will not provide additional payment to the facility under a policy adopted by the Centers for Medicare and Medicaid Services (CMS) and an event included on the list of adverse events identified by National Quality Forum not included in the CMS list, unless the executive commissioner excludes the event; DSHS is required to report the information publicly.

The amendment also requires the Health and Human Services Commission (HHSC) to adopt rules regarding the denial or reduction of reimbursement under the Medicaid program for preventable adverse events that occur in a hospital setting.

Methodology

The additional MRSA reporting requirements would not result in a significant fiscal impact to DSHS. HHSC assumes the cost to expand the Advisory Panel on Health Care-Associated Infections, including potential creation of new subcommittees, would not result in a significant fiscal impact to DSHS. It is assumed that expansion of the Health-Care Associated Infections Reporting System to include Preventable Adverse Events would not result in a significant fiscal impact to DSHS. 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.

It is assumed that the executive commissioner of HHSC would be able to establish rules within existing resources to ensure the agency does not provide reimbursement for health care-associated adverse events. 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 All Funds 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 one-time hardware and software All Funds cost of \$192,000 would be incurred for this change in fiscal year 2010, with 75 percent federal participation. HHSC also indicates annual operational costs would be incurred by the Medicaid claims administrator to perform claims review. HHSC estimates three percent of claims would be identified and approximately ten percent of these claims would be reviewed annually by nurse reviewers at the Medicaid claims administrator for a total All Funds cost of \$1,647,000 beginning in fiscal year 2011, which would qualify for 50 percent federal participation.

In addition, HHSC assumes that a one-time All Funds cost of \$1,664,000 for system development, hardware, and software in fiscal year 2010 would be required to enable collection of present-on-admission (POA) indicator data and a one-time All Funds cost of \$6,899,000 in fiscal year 2010 would be required to design an all patient refined diagnosis related groups (APR-DRG) payment system. These systems would be required to assist in denying reimbursement for adverse events and ensuring compliance. Costs for the systems are assumed to qualify for 75 percent federal participation.

Technology

HHSC indicates that there will be a one-time All Funds cost of \$1,664,000 for system development, hardware, and software to collect POA data and \$6,899,000 to implement the APR-DRG payment system and a one-time cost of \$192,000 in fiscal year 2010 for Medicaid claims engine modifications.

Local Government Impact

A local governmental entity that owns a hospital could incur costs to meet the reporting requirements and would be subject to the rules regarding reimbursement for preventable adverse events.

Source Agencies: 529 Health and Human Services Commission, 537 State Health Services, Department of
LBB Staff: JOB, CL, JI, LL