

BILL ANALYSIS

Senate Research Center

S.B. 80
By: Nelson
Health & Human Services
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Enrolled

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Texas's three public health laboratories, operated by the Department of State Health Services (DSHS), are located in Austin, San Antonio, and Harlingen. These laboratories process newborn screening tests, medical tests, women's clinical tests and sexually transmitted disease screening, public health tests, and water tests. Combined, these laboratories employ 428 people.

In September 2010, the State Auditor's Office (SAO) issued a report on the public health laboratories that uncovered serious problems with the billing, revenue collections, financial record-keeping, and information security practices at DSHS's three public health laboratories.

Specifically, the audit found \$440,000 in unbilled tests, almost \$100,000 of which can no longer be collected. Additionally, the audit found that DSHS failed to report \$9.1 million in Accounts Receivable in its financial reports.

The audit included numerous recommendations to make changes to practice and policy at the three public health laboratories relating to revenue collection, billing practices, record-keeping, and safeguarding of information. This bill requires DSHS to implement these recommendations and report its progress to the legislature.

S.B. 80 amends current law relating to public health laboratories administered by the Department of State Health Services.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the executive commissioner of the Health and Human Services Commission in SECTION 1 of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. (a) Defines, in this section, "department" and "laboratory."

(b) Provides that it is the intent of the legislature that the Department of State Health Services (DSHS) adopt and implement the recommendations developed by the state auditor's office and described in the report "An Audit Report on the Department of State Health Services' Public Health Laboratories" dated September 2010.

(c) Requires DSHS to:

- (1) resume billing for tests conducted at the South Texas Laboratory;
- (2) review and address, as appropriate, unbilled activity at the South Texas Laboratory;
- (3) establish and implement a process to review and bill for tests at the South Texas Laboratory that have not yet been billed;
- (4) establish and implement a process to ensure that Medicaid-eligible services are billed within the required time;

- (5) pursue obtaining provider status through the United States Centers for Medicaid and Medicare Services to become a Medicare provider;
- (6) perform and document periodic reconciliations between DSHS's billing application and laboratories' information applications to ensure that billings are complete and correct;
- (7) follow up on and correct all errors indentified during the reconciliations described by Subdivision (6) of this subsection;
- (8) ensure that all laboratory testing records are properly recorded and retained in a system with proper security controls, supervisory reviews, and backup procedures;
- (9) develop, document, and implement procedures for setting fees for laboratory services, including updating and implementing a documented cost allocation methodology that determines reasonable costs for specific types of tests;
- (10) retain all documentation related to fee setting, including the setting of fees for new tests and any modifications to existing test fees;
- (11) use a documented methodology to set fees for laboratory services;
- (12) analyze DSHS's costs and update the fee schedule as needed in accordance with Section 12.032(c) (Fees for Public Health Services), Health and Safety Code;
- (13) report uncollected accounts receivable balances for laboratories at the end of each fiscal year, as required by the comptroller of public accounts;
- (14) develop and implement policies and procedures for disposing of uncollectable accounts receivable and writing off accounts receivable considered uncollectable in compliance with the requirements of the office of the attorney general;
- (15) develop and implement policies and procedures for informing laboratory test payors of delinquent accounts;
- (16) develop and implement policies and procedures for tracking submitter billing statement disputes;
- (17) continue the implementation of the process to address submitter billing disputes, including use of the separate form for submitters to use when submitting claims for the Texas Health Steps program;
- (18) develop and implement a comprehensive inventory tracking process for laboratories, including documented policies and procedures that include regular inventory counts and reconciliations of inventory;
- (19) ensure that laboratories are able to quantify the amount of inventory on hand;
- (20) report the amounts of inventory on hand in the laboratories at the end of each fiscal year in DSHS's annual financial report;
- (21) establish a timeline for completing for laboratories a continuity of operations plan that includes agreements to outsource critical operations as needed during an emergency;

(22) develop and implement procedures to ensure that laboratories establish a plan to protect specimens submitted for testing, testing supplies, and laboratory equipment in the event of an emergency;

(23) develop and implement a process to ensure regular inspections of laboratories' hazardous materials storage buildings;

(24) develop and implement a process to track access to laboratories' inventory storage buildings;

(25) enhance controls over access to laboratories' information management applications;

(26) develop and implement a process to ensure that the policies and procedures for information technology in place at DSHS, including change management and acceptable use policies, are communicated and incorporated in the operations of laboratories;

(27) develop and implement a process to ensure that installation of software is properly authorized and reviewed before installation, in accordance with DSHS's information technology security policy;

(28) conduct a review of information technology user access security to ensure that user access is appropriate and is based on each user's job roles and responsibilities;

(29) develop and implement a process to monitor and update user access to DSHS's information technology applications to ensure that access is appropriate and granted only to current employees;

(30) review password controls over laboratory information management applications to ensure that appropriate password policies have been established on the network and on each laboratory application; and

(31) develop and perform reconciliation procedures, including a record total count, to ensure that records are complete and accurate prior to the transfer of data to the billing application.

(d) Requires the executive commissioner of the Health and Human Services Commission to adopt rules as necessary to implement this section.

(e) Requires DSHS to submit a report to the governor, the lieutenant governor, the speaker of the house of representatives, and the legislature on DSHS's progress under this section not later than September 1, 2012.

(f) Provides that this section expires August 31, 2013.

SECTION 2. Effective date: upon passage or September 1, 2011.