

By: Gonzales of Hidalgo

H.B. No. 3744

A BILL TO BE ENTITLED

AN ACT

relating to the reimbursement methodology used for certain services provided to Medicaid recipients.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Subchapter B, Chapter 531, Government Code, is amended by adding Section 531.02115 to read as follows:

Sec. 531.02115. REIMBURSEMENT METHODOLOGY FOR MEDICAID INPATIENT HOSPITAL SERVICES. (a) The commission shall convert the reimbursement methodology used under the Medicaid program to reimburse inpatient hospital services to an all patient refined diagnosis-related groups (DRG) methodology, subject to adjustments required by this section, to incentivize controlling costs and improving efficiency.

(b) The commission shall adjust rates under the reimbursement methodology required by Subsection (a) to ensure the equitable reimbursement of hospitals for inpatient services by adjusting the rates as necessary to take into account different markets and provider responsibilities, including by making rate adjustments to account for:

- (1) whether a hospital is a teaching institution;
- (2) market wage indexes; and
- (3) the extent to which a hospital provides comparatively high levels of uncompensated care.

(c) The commission shall adjust rates under the

1 reimbursement methodology required by Subsection (a) to provide  
2 incentives for hospitals to provide higher quality of care. To  
3 provide the incentives, the commission shall establish a hospital  
4 value-based purchasing program that includes quality standards  
5 established by the executive commissioner by rule. Incentives  
6 provided under the program must be based on whether a hospital  
7 meets, or improves the hospital's performance with respect to  
8 meeting, those quality standards. Under the program, the  
9 commission may:

10 (1) reduce a hospital's reimbursement rates by two  
11 percent each fiscal year the hospital fails to meet, or to make  
12 progress towards meeting, the quality standards; and

13 (2) use money saved as a result of the reimbursement  
14 rate reductions to award hospitals that meet, or make progress  
15 towards meeting, the quality standards.

16 (d) Notwithstanding Subsection (c)(1), the commission may  
17 reduce reimbursement rates as provided by that subsection only by  
18 the following percentages:

19 (1) one percent for the state fiscal year beginning  
20 September 1, 2012;

21 (2) 1.25 percent for the state fiscal year beginning  
22 September 1, 2013;

23 (3) 1.5 percent for the state fiscal year beginning  
24 September 1, 2014; and

25 (4) 1.75 percent for the state fiscal year beginning  
26 September 1, 2015.

27 (e) This subsection and Subsection (d) expire September 1,

1 2017.

2 SECTION 2. (a) As soon as possible after the effective date  
3 of this Act:

4 (1) the Health and Human Services Commission shall  
5 convert the Medicaid hospital services reimbursement methodology  
6 and implement the hospital value-based purchasing program as  
7 required by Section 531.02115, Government Code, as added by this  
8 Act; and

9 (2) the executive commissioner of the Health and Human  
10 Services Commission shall adopt the quality standards for use in  
11 the hospital value-based purchasing program as required by that  
12 section.

13 (b) Notwithstanding Sections 531.02115(c) and (d),  
14 Government Code, as added by this Act, the Health and Human Services  
15 Commission may not reduce reimbursement rates as provided by those  
16 sections before September 1, 2012.

17 SECTION 3. If before implementing any provision of this Act  
18 a state agency determines that a waiver or authorization from a  
19 federal agency is necessary for implementation of that provision,  
20 the agency affected by the provision shall request the waiver or  
21 authorization and may delay implementing that provision until the  
22 waiver or authorization is granted.

23 SECTION 4. This Act takes effect immediately if it receives  
24 a vote of two-thirds of all the members elected to each house, as  
25 provided by Section 39, Article III, Texas Constitution. If this  
26 Act does not receive the vote necessary for immediate effect, this  
27 Act takes effect September 1, 2011.