LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

May 25, 2011

TO: Honorable Joe Straus, Speaker of the House, House of Representatives

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

IN RE: **HB1720** by Davis, John (Relating to improving health care provider accountability and efficiency under the child health plan and Medicaid programs.), **As Passed 2nd House**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1720, As Passed 2nd House: a positive impact of $506,658 through the biennium ending August 31, 2013.

This positive impact only reflects Senate Floor Amendment 3. There would be an additional net positive impact from other provisions in the bill, but the amount cannot be determined at this time.

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
2012	$326,170
2013	$180,488
2014	$180,488
2015	$180,488
2016	$180,488

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/ (Cost) from *General Revenue Fund* 1	Probable Revenue Gain/(Loss) from *General Revenue Fund* 1	Probable (Cost) from *Federal Funds* 555	Change in Number of State Employees from FY 2011
2012	($142,378)	$468,548	($40,765)	2.0
2013	($141,010)	$321,498	($40,309)	2.0
2014	($141,010)	$321,498	($40,309)	2.0
2015	($141,010)	$321,498	($40,309)	2.0
2016	($141,010)	$321,498	($40,309)	2.0

Fiscal Analysis

SECTION 1 would require, in certain circumstances, inclusion of the names and national provider identification numbers of a supervised and supervising provider on Medicaid or Children's Health Insurance Program (CHIP) claims submitted based on a referral or order.

SECTION 2 (as amended by Senate Floor Amendment (SFA) 1) would require a managed care organization (MCO) or contracted entity to notify the Health and Human Services Commission (HHSC) Office of Inspector General (OIG) and the Office of the Attorney General and to begin

payment recovery efforts if fraud or abuse in Medicaid or CHIP is discovered. If the amount sought to be recovered exceeded $100,000, payment recovery efforts would be prohibited in certain specified circumstances. MCOs would be permitted to retain any money recovered and would be required to submit quarterly reports to the OIG detailing amounts recovered. HHSC would be required to report annually to the legislature relating to the amount of money recovered as a result of these efforts. To the extent required under Section 1902(a)(42) of the Social Security Act, HHSC would be required to establish a program to contract with recovery audit contractors to identify Medicaid under- or over-payments and recover the overpayments. SECTION 6 of the bill would apply these provisions only to investigations that begin on or after the bill's effective date (September 1, 2011).

SECTIONs 3 and 4 would prohibit certain persons from participating as a provider in CHIP or Medicaid for a reasonable period.

SECTION 5 (as amended by SFA 2) would prohibit Medicaid providers from ordering or authorizing home health services if an in-person evaluation had not been conducted within the prior 12 months. Certain Medicaid providers ordering or authorizing the provision of durable medical equipment would be required to certify an in-person evaluation had been conducted within the prior 12 months.

SFA 3 would amend Chapters 142, 242, and 250 of Health and Safety Code, related to home and community support services training, licensing of convalescent and nursing homes, and criminal history checks; Chapters 411 and 531 of Government Code, regarding criminal background checks and Medicaid fraud; and Chapters 32, 103, and 22 of Human Resources Code, regarding Medicaid fraud, adult day-care facilities, and the general functions of the Department of Human Services. The bill affects verification of employability, Medicaid fraud reporting, and exchange of information with the OIG.

Methodology

SECTION 1 would require modifications to the claims payment system; any costs are assumed not to be significant.

SECTION 2 (as amended by SFA 1): According to HHSC, the requirements of this section could have a significant positive fiscal impact by increasing collections of overpayments and reducing fraud or abuse. Any collections by MCOs would also reduce their net medical expenditures, which could result in reductions to capitation rates. The amount of any increased collections cannot be estimated.

SECTIONs 3 and 4 are assumed to have no significant fiscal impact.

SECTION 5 (as amended by SFA 2): Similar provisions are already included in the Patient Protection and Affordable Care Act (PPACA). It is assumed there would be no fiscal impact from these provisions because HHSC will already be required to implement PPACA.

SFA 3: The Department of Aging and Disability Services (DADS) indicated it would provide training at least semiannually for Home and Community Support Services Agencies (HCSSAs) and surveyors regarding common violations and charge up to $50 for training. The bill also authorizes DADS to charge HCSSAs an administrative fee not to exceed $50 for certain changes made after DADS issues a license. The DADS estimate included two (2) full-time equivalents and travel cost. DADS estimated a fiscal year 2012 cost of $183,143 in All Funds ($142,378 General Revenue) and fiscal year 2013-2016 costs of $181,319 in All Funds ($141,010 General Revenue). DADS included estimated revenues for the trainings in fiscal year 2012 at $468,548 and for fiscal years 2013-2016 at $321,498.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 529 Health and Human Services Commission, 539 Aging and Disability Services, Department of

LBB Staff: JOB, CL, LR, ML, MB, NB