

**LEGISLATIVE BUDGET BOARD**

**Austin, Texas**

**FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION**

**May 17, 2011**

**TO:** Honorable Jane Nelson, Chair, Senate Committee on Health & Human Services

**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 Engrossed**

The possible net savings of the bill cannot be determined at this time.

SECTION 1 of the bill 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) claim submitted based on a referral or order. This would require modifications to the claims payment system; any costs are assumed not to be significant.

SECTION 2 of the bill would require a managed care organization (MCO) or a contracted entity to notify the Health and Human Services Commission (HHSC) Office of Inspector General (OIG) and begin payment recovery efforts if fraud or abuse in Medicaid or CHIP is discovered. If the amount sought to be recovered exceeded \$100,000, the MCO or contracted entity would be prohibited from engaging in payment recovery efforts 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. The commission would be required to submit an annual report 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. 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 of the bill would prohibit certain persons from participating as a provider in CHIP or Medicaid for a reasonable period. This section is assumed to have no significant fiscal impact.

SECTION 5 of the bill would prohibit Medicaid providers from ordering or authorizing the provision of home health services if the provider has not conducted an in-person evaluation of the recipient within the prior six-months. Certain providers ordering or authorizing the provision of durable medical equipment to a Medicaid recipient would be required to certify that the provider had conducted an in-person evaluation of the recipient within the prior six-months. 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.

**Local Government Impact**

No significant fiscal implication to units of local government is anticipated.

**Source Agencies:** 529 Health and Human Services Commission

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