LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

April 6, 2011

TO: Honorable Lois W. Kolkhorst, Chair, House Committee on Public Health

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 Introduced**

The fiscal implications of the bill cannot be determined at this time.

SECTION 1 of the bill would require, in certain circumstances, the name and national provider identification number of a supervised provider to be included on any 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 the special investigative unit of a managed care organization (MCO) or an entity with which the MCO contracts to immediately 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 $200,000, the MCO's special investigative unit 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 by their special investigative unit or contracted entity and would be required to submit quarterly reports to the OIG detailing amounts recovered. To the extent required under Section 1902(a)(42) of the Social Security Act, HHSC would be required to establish a program under which HHSC contracts with recovery audit contractors to identify underpayments or overpayments under Medicaid and recover the overpayments. SECTION 6 of the bill would apply the provisions of SECTION 2 only to investigations that commence on or after the effective date of the bill. 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 the capitation rates paid to them. The amount of any increased collections cannot be estimated.

SECTIONs 3 and 4 of the bill would prohibit a person from participating as a provider in CHIP or Medicaid for a reasonable period if they fail to repay overpayments or own, control, manage, or are otherwise affiliated with a provider who has been suspended or prohibited from participating in the programs. This section is assumed to have no significant fiscal impact.

SECTION 5 of the bill would prohibit Medicaid providers from ordering or otherwise authorizing the provision of home health services if the provider has not conducted an in-person evaluation of the recipient within the six-month period preceding the date the order or authorization was issued. Certain specified providers ordering or otherwise 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 six-month period preceding the date the order or other authorization was issued. 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 the requirements of 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